

Foreword

Sophie Mitchell, Audit Service Line Leader

On behalf of Deloitte Audit, *société à responsabilité limitée*, an authorized audit firm in Luxembourg (*cabinet de révision agréé*), I am pleased to present the eighth edition of our annual Transparency Report. This report refers to the financial year ended on 31st May 2017 and has been prepared in accordance with the regulatory framework applicable to the audit profession.

As public company auditors, we are dedicated to serving investors, the public interest and the companies we audit.

This Transparency Report is demonstrating our commitment to audit quality and the culture of integrity, professional excellence, accountability that underpins our organisation.

We believe that investors and others benefit from public information about the key elements that drive quality in the audit profession.

A handwritten signature in black ink, appearing to be 'SM', written in a cursive style.

For Deloitte Audit, *société à responsabilité limitée*, *cabinet de révision agréé*
Sophie Mitchell
Partner

Content

Legal structure and ownership of Deloitte Audit	5
Deloitte Network	6
Governance structure of Deloitte Audit	6
Internal quality control system	7
Statement on independence practices	8
Human Resources	13
Continuing education	14
Date of last quality assurance review	19
Financial information	20
Basis for the remuneration of Deloitte Audit Partners	21
List of audited public interest entities	22

Transparency Report

Legal structure and ownership of Deloitte Audit

Deloitte Audit, *société à responsabilité limitée* is a private limited liability company under Luxembourg law, registered at 560 rue de Neudorf, L-2220 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B. 67.895.

Deloitte Audit is an authorised audit firm (*cabinet de révision agréé*). Deloitte Audit is also registered with the PCAOB (the Public Company Accounting Oversight Board) and with the JFSA (the Japan Financial Services Authority).

The share capital of Deloitte Audit amounts to €35,000. 51% of the capital and voting rights of Deloitte Audit are held by authorised statutory auditors (*réviseurs d'entreprises agréés*) and 49% by the Luxembourg private limited liability company DELOITTE TOUCHE TOHMATSU, *société à responsabilité limitée*, in the abbreviated form 'DTT', (DTT S.à R.L.), registered at 560 rue de Neudorf, L-2220 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B. 60.927.

Within Deloitte Audit, partners are natural persons who are employed by Deloitte Audit with the grade of partner (Partners). Equity partners are those Partners who are furthermore shareholders of DTT S.à R.L (Equity Partners).

Deloitte Audit is part of the Deloitte Luxembourg group (the Deloitte Luxembourg Group) which refers to the group of operational subsidiaries of DTT S.à R.L. DTT S.à R.L. is exclusively owned by shareholders who are individuals providing audit, tax or consulting services. The Deloitte Luxembourg Group is managed by a Chief Executive Officer elected by the Partners for a term of four years and by an Executive Committee composed of Equity Partners representing the main functions existing within the Deloitte Luxembourg Group.

The Deloitte Luxembourg Group provides a range of services including audit, tax, financial advisory and consulting services.



Deloitte Network

Deloitte Audit and the other companies owning to the Deloitte Luxembourg Group are member firms of the Deloitte Network. The 'Deloitte Network' is comprised of firms that are members of Deloitte Touche Tohmatsu Limited, an English company limited by guarantee (DTTL).

DTTL does not provide professional services to clients, or direct, manage, control or own any interest in any member firm or any member firm's affiliated entities. Member firms in the Deloitte Network provide services to clients, either directly or through their affiliates (member firms and their affiliates are collectively referred to herein as 'Member Firms'). Member Firms operate under the Deloitte brand and related names, including 'Deloitte', 'Deloitte & Touche', 'Deloitte Touche Tohmatsu', and 'Tohmatsu'. Member Firms provide professional services in particular geographic areas and are subject to the laws, regulations and professional requirements of the jurisdictions in which they operate.

Each Member Firm is structured differently in accordance with, among others, national laws, regulations and customary practices. Member Firms are not subsidiaries or branch offices of DTTL and do not act as agents for DTTL or other Member Firms. Rather, they are locally formed entities with their own ownership structure independent of DTTL that have voluntarily become members of the Deloitte Network with a primary purpose to coordinate their approach to client service, professional standards, shared values, methodologies, and systems of quality control and risk management. DTTL has adopted certain

policies and protocols in each of these areas in an effort to establish a consistently high level of quality, professional conduct and service in all Member Firms.

This structure confers significant strengths, combining high quality standards and methodologies with a deep understanding of local markets and a sense of responsibility and initiative among professionals who have a direct stake in the integrity and growth of their respective practices.

Please refer to <http://www.Deloitte.com/> about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its Member Firms.

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Governance structure of Deloitte Audit

Board of managers

Deloitte Audit is governed by a board of managers, appointed by the shareholders' meeting and composed of authorised statutory auditors (réviseurs d'entreprises agréés). The board of managers retains competence for the general strategy and the overall management of Deloitte Audit and hence, for establishing its annual accounts. The board of managers is assisted by specialised teams that advise on specific matters and/or implement policies.

Authorised audit firm of Deloitte Audit

The authorised audit firm auditing Deloitte Audit is H.R.T. Révision S.A., registered at L-8030 Strassen, 163 rue du Kiem, and registered with the Luxembourg Trade and Companies Register under number B 51.238.

Internal quality control system

Deloitte Audit provides audit and related assurance services through its engagements with clients.

Deloitte Audit's quality control policies and procedures relating to those engagements are organised into the following sections:

- Leadership responsibilities for the system of quality control
- Ethical requirements
- Client and engagement acceptance and continuance
- Human resources
- Engagement performance
- Monitoring

Leadership responsibilities for the system of quality control

Deloitte Audit maintains policies and procedures to promote an internal culture based on the recognition that quality is essential in planning and performing engagements. Deloitte Audit's leadership assumes ultimate responsibility for the system of quality control.

Ethics

Deloitte Audit maintains policies and procedures that are designed to provide reasonable assurance that it and its Partners, professional staff, and administrative staff comply with relevant ethical requirements. The ethical requirements for audit and related assurance services provided by Deloitte Audit include Parts A and B of the Code

of Ethics for Professional Accountants (the 'Code') issued by the International Ethics Standards Board for Accountants (IESBA), a standard-setting body of the International Federation of Accountant (IFAC) as specified in the CSSF Regulation n°16-12 relating to: 1) the adoption of audit standards in the field of statutory audit under the Law of 23 July 2016 on the audit profession; and 2) the adoption of standards on professional ethics and internal quality control under the Law of 23 July 2016 concerning the audit profession. When national requirements are more restrictive than the Code, Deloitte Audit follows the applicable national requirements.

Deloitte Audit has appointed an Ethics Officer who is an experienced Partner, other than a member of the Executive Committee of the Deloitte Luxembourg Group, and who has direct access to the Executive Committee of the Deloitte Luxembourg Group and to Deloitte Audit's board of managers. In addition, Deloitte Audit has developed and implemented its own code of conduct, which incorporates Deloitte's Global Principles of Business Conduct and describes, in some detail, critical professional behavior that reflects local customs, regulations, and legal requirements. Deloitte Audit provides communication channels through which Partners, professional staff, and support staff can consult on and report ethical issues and situations. Deloitte Audit reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems. Deloitte Audit

requires all Partners, professional staff and support staff to confirm annually that they have read and understood the code of conduct and understand that it is their responsibility to comply with it.

Deloitte Audit maintains policies and procedures to promote an internal culture based on the recognition that quality is essential in planning and performing engagements



Deloitte Audit has monitoring procedures in place to ensure compliance with mandatory rotation/tendering of audit firms and mandatory rotation of key audit partners

Statement on independence practices

Deloitte Audit has policies and procedures that are designed to provide reasonable assurance that it complies with applicable laws, regulations and professional standards that relate to independence. These policies and procedures are based on those set out in the Law of 23 July 2016 on the audit profession, the Regulation (EU) n°537/2014 on specific requirements regarding statutory audit of public-interest entities, the Ethical Code issued by the International Ethics Standards Board for Accountants ('the Code'), and are enhanced, as appropriate, to reflect local supplements provided notably through CSSF Regulation 16-12, or DTTL policies that may be more restrictive.

Deloitte Audit's system of quality control related to independence includes the following:

- Independence policies and procedures
- Compliance business process tools, including the Deloitte Entity Search and Compliance (DESC) System, the Global Independence Monitoring System (GIMS) confirmations, and consultation
- Business relationship assessment and monitoring
- Independence learning
- Monitoring of independence systems and controls relating to personal independence, and engagement and practice reviews
- Disciplinary measures and actions
- Assignment of responsibility for independence systems and controls
- 'Tone-at-the-top' culture relating to independence

Independence policies and procedures

Deloitte Audit's independence policies and procedures cover the audit firm, and Deloitte Audit's Partners, Professional staff, and certain relatives thereof, where applicable, as well as the other entities within the Deloitte Luxembourg Group. These policies and procedures are, in some instances, more restrictive than

the independence standards in the Law, the Regulation or the Code and contain specific independence requirements that are applicable when Deloitte Audit is to maintain independence with respect to an audit or attest client ('restricted entity') and its affiliates. Partners and professional staff determine, among other things, whether an entity is a restricted entity before they, their spouse, spousal equivalent, and dependents engage in certain transactions with the entity. Partners and managerial personnel enter their financial interests and securities accounts into a tracking system (the 'Global Independence Monitoring System' or 'GIMS'). GIMS enables an electronic review of financial interests and securities accounts to help identify if independence restrictions may affect an individual's ability to hold such items. Deloitte Audit annually obtains the confirmations from its Partners, professional staff, and administrative staff upon joining Deloitte Audit, as well as ongoing confirmations on an annual basis, that such individuals are in personal compliance with independence policies.

Deloitte Audit's independence policies and procedures are made available electronically to Deloitte Audit's Partners, professional staff, and administrative staff. Updates to these policies and procedures are also made and communicated electronically to Deloitte Audit's Partners, professional staff, and administrative staff.

Moreover, other independence-related materials are available on an independence website. Reminders on policy and other matters are published routinely as part of communications to strengthen awareness and understanding of the independence policies and to highlight changes to entities that are internationally restricted, as relevant.

Policies and procedures are in place at the engagement level to require the audit engagement Partner to consider independence matters during the course of an audit engagement and to communicate with the audit committee or those charged with governance, where required.

Deloitte Audit has monitoring procedures in place to ensure compliance with mandatory rotation/tendering of audit firms and mandatory rotation of key audit partners.

DESC system, GIMS, annual confirmations and consultations

There are three related aspects of Deloitte Audit's systems and controls related to Deloitte Audit's independence and the personal independence of its Partners, professional staff and administrative staff: the DESC system, GIMS, and the independence confirmation process. These three aspects support each other in that (1) Partners and professional staff search DESC system, (which includes a database of international restricted entities) and/or GIMS (which has a database of financial interests and securities accounts), to identify if an entity or its financial interests and securities accounts are restricted before acquisition; (2) Partners and managerial personnel record their financial interests and accounts in their portfolios in GIMS; and (3) Deloitte Audit periodically obtains confirmations from its personnel as to their compliance with the Firm's independence policies, and also confirms to DTTL its compliance and the compliance of its personnel with Deloitte Audit's independence policies.

The DESC system is operated by DTTL on behalf of the DTTL Member Firms. At a minimum, each DTTL Member Firm and therefore Deloitte Audit reports the names of its audit clients and their affiliates that meet the definition of an international restricted entity. The policy definition of an international restricted entity includes listed audit clients, as well as other audit clients that may be of public interest. Such restricted entity information is recorded in the DESC system. The entity information provided by Deloitte Audit to DTTL is continuously updated to help ensure its accuracy and completeness, including periodic validation processes performed by engagement teams and/or the DTTL Member Firms. Deloitte Audit's Partners and professional staff access the DESC system on-line.

The DESC system also has features that are used to request and document approvals related to providing services to an entity. In many jurisdictions, a restricted entity's audit committee or others charged with governance must preapprove services that will be delivered within the restricted entity group.

Where such features are enabled, the DESC system's features establish a standard business process among the DTTL Member Firms whereby service requests are submitted to the lead client service Partner, who is responsible for obtaining and documenting appropriate authorisations prior to approving the service request.

GIMS for financial interests and securities accounts

In conjunction with the business processes used for DESC, Deloitte Audit identifies and reports the publicly-available securities and securities accounts at financial institutions that are associated with all entities which are publicly available, whether or not they are currently designated as international restricted entities. Such securities and financial institutions are recorded in GIMS. GIMS is operated by DTTL on behalf of the DTTL Member Firms, and Deloitte Audit administers the related monitoring processes related to its Partners and professional staff. Partners and professional staff search DESC, and/or GIMS for a security or securities account, before acquiring a financial interest or establishing a securities account to determine if restrictions apply that affect them.

This includes investments and securities accounts of a spouse, spousal equivalent, and dependent. Partners and managerial personnel enter defined types of such financial interests and accounts into their individual portfolios in GIMS for monitoring purposes.

In addition, GIMS assists Partners and managerial personnel by identifying situations which do not comply with Deloitte Audit's policy so that the item may either be reviewed or corrected. When such a situation is detected, the system advises the individual that an independence-impairing situation may exist, and poses questions which aid the individual to determine whether or not the item is permitted in the particular circumstances. This includes generating notices to the individual in situations where a once-permissible holding becomes newly restricted, so that appropriate and timely actions can be taken. Deloitte Audit monitors and follows-up on such notices until the individual resolves the item.

Annual independence confirmations

Deloitte Audit obtains independence confirmations from its Partners, professional staff, and administrative staff upon joining the Firm, partners before being admitted to the partnership and existing partners when a change in location or role may change their independence requirements. Ongoing confirmations are also obtained on an annual basis from all individuals. Annually, Deloitte Audit reports

to DTTL that it has taken appropriate steps to obtain sufficient evidence that it and its Partners, professional staff and administrative staff comply with applicable independence requirements (including that Deloitte Audit itself is independent of restricted entities).

Consultation network

Deloitte Audit communicates with its Partners and professional staff regarding the consultation policies for independence matters and identifies the individuals who are to be contacted. Additionally, Deloitte Audit consults with DTTL's independence group and other Member Firms when Deloitte Audit determines that additional input or advice is needed under the circumstances.

Business Relationship Assessments and Monitoring

Deloitte Audit has a business relationship assessment and monitoring process. The objective of such process is to ensure that prior to entering into any business relationship with a restricted entity or its management or substantial stockholders, a determination is made to ensure such a relationship does not impair independence with respect to that restricted entity.

Independence learning

Deloitte Audit provides independence learning to its Partners and professional staff. Deloitte Audit's independence policies and procedures are made available electronically to Deloitte Audit's Partners, professional and administrative staff. Updates to these policies and procedures are also made and communicated electronically to Deloitte Audit's Partners, professional and administrative staff.

Deloitte Audit leadership reinforces the importance of compliance with independence and related quality control standards, thereby setting the appropriate 'tone-at-the-top'



Moreover, other independence related materials are available on an independence website. Reminders on policy and other matters are routinely published as part of communications including notices of changes to internationally restricted entities.

Monitoring of independence systems and controls relating to personal independence, engagement and practice reviews

Inspection of personal independence compliance

On a periodic basis, Deloitte Audit inspects its Partners and senior professionals for compliance with Deloitte Audit's independence policies and procedures. The objective of the inspection and testing program is to determine whether the representations and information submitted by Partners and managers relating to independence matters and the information contained in GIMS are accurate and complete.

Inspection of Deloitte Audit's compliance

Deloitte Audit is subject to a practice review at intervals not to exceed three years. Compliance with independence policies at both a firm level and at a client level is reviewed in that context.

Disciplinary measures and actions

Deloitte Audit has disciplinary policies and procedures in place to address non compliance with the Deloitte Audit's independence policies and procedures. These disciplinary policies and procedures are designed to provide an appropriate response to breaches of such policies and procedures by Partners, professional staff and administrative staff.

Confirmation of review of independence practices and monitoring

Based on the above actions, we are able to confirm that an internal review of our independence practices has been properly conducted during the year. Our practice review and other monitoring processes provide us with reasonable assurance that these policies are appropriately observed.

Assignment of responsibility for independence systems and controls

Deloitte Audit has assigned a Director of Independence who has the responsibility to implement and maintain quality controls over independence. More specifically, the Director of Independence is responsible for taking the lead on all significant independence issues within Deloitte Audit, including the implementation and maintenance of Deloitte Audit's business processes related to (1) independence consultations, (2) independence learning programs, (3) restricted-entity information in the DESC system, (4) use and monitoring of the features of the DESC system, (5) use and monitoring of GIMS, (6) annual confirmations, (7) testing and inspection programs, and (8) disciplinary processes. Communication channels exist between Deloitte Audit's Director of Independence, Deloitte Audit management and DTTL's independence group. Further, the Director of Independence provides an update to the Firm's Risk Committee at least monthly about the significant independence matters that are relevant to the Firm. DTTL has assigned a senior leader and DTTL independence team members who provide access to timely and accurate information designed to facilitate the independence function at Deloitte Audit level.

'Tone-at-the-top' culture relating to independence

Deloitte Audit leadership reinforces the importance of compliance with independence and related quality

control standards, thereby setting the appropriate 'tone-at-the-top' and instilling its importance into the professional values and culture of Deloitte Audit. Strategies and procedures to communicate the importance of independence to Partners, professional staff, and administrative staff have been adopted, emphasising each individual's responsibility to understand the independence requirements.

Conflicts of Interest

Potential conflicts of interest are considered on all prospective engagements and prior to Deloitte Audit entering into a financial or business relationship with a third party. Deloitte Audit has policies and procedures in place to identify potential conflicts of interest in connection with Deloitte Audit either (i) accepting a prospective engagement or (ii) entering into certain business or financial relationships with another entity.

The Deloitte Conflict Checking System (DCCS) is designed to support Deloitte Audit's conflict checking business process to identify and manage potential conflicts relating to prospective cross-border engagements, business or financial relationships. For each new cross-border engagement or relationship opportunity, DCCS captures the principal parties to the engagement, the scope of work, engagement team, and specific questions which are driven by the proposed service offering. As part of each conflict check recorded in DCCS there is an automated search of the DESC system to identify any potential audit/attest relationships. Overall DCCS provides a record of existing engagement, business, and financial relationships which can be searched when proposing for new engagements or relationships.

Client and engagement acceptance and continuance

Deloitte Audit has rigorous policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk, regardless of the proposed services to be rendered. These policies and procedures are designed to provide Deloitte Audit with reasonable assurance that it will only accept engagements where it:

- Is competent to perform the engagement and has the capabilities, including the time and resources, to do so
- Can comply with relevant ethical requirements, including independence and conflicts of interest assessments and considerations
- Has considered the integrity of the client, and does not have information that would lead it to conclude that the client lacks integrity

Engagement risk classification associated with accepting an engagement is assessed as 'normal', 'greater than normal' or 'much greater than normal' and is completed prior to accepting a client and engagement. The engagement risk assessment process includes approval by the recommending Partner and concurrence by at least one other Deloitte Audit Partner (or a designate of the chair of the Client Acceptance Committee) that Deloitte Audit may accept the client and the engagement. In addition, the decision to accept appointment is approved by Deloitte Audit's Risk Function if engagement risk is assessed as 'greater than normal' or 'much greater than normal'. Deloitte Audit does not assume the acceptability of a client and/or the engagement merely because it has been referred from another Member Firm. In assessing acceptability of an engagement, client and professional service risks are considered, which generally include the following factors:

- Management characteristics and integrity
- Organisation and management structure
- Nature of the business
- Business environment
- Financial results
- Business relationships and related parties
- Prior knowledge and experience
- AML/TF risk exposure

Deloitte Audit's engagement risk assessment procedures identify related risks and provide a basis for tailoring the audit approach in order to address engagement-specific risks.

The engagement risk assessment begins during the engagement acceptance/continuation process, and is an ongoing process that continues throughout the engagement. Risk assessment tools and programs are encompassed in the audit approach and common documentation to facilitate the comprehensive risk assessment for planning the audit once the engagement is accepted.

On an annual basis, engagements in process for more than one year are reevaluated to determine if Deloitte Audit should continue the engagement. Factors discussed above are revisited to ascertain whether the relationship should continue.

In addition, any time an entity undergoes a significant change (e.g., change in ownership or management, financial condition, or nature of entity's business), continuation of the relationship is reevaluated. Decisions of engagement continuance are concurred by Deloitte Audit's risk leader.

Deloitte Audit's engagement risk assessment procedures identify related risks and provide a basis for tailoring the audit approach

Human Resources

Hiring

Deloitte Audit has established policies and procedures designed to provide reasonable assurance that it has sufficient Partners and professional staff with the competencies, capabilities, and commitment to ethical principles necessary to:

- Perform engagements in accordance with professional standards and applicable legal and regulatory requirements
- Enable Deloitte Audit to issue reports that are appropriate in the circumstances

Advancement

Deloitte Audit's policies and procedures for advancement have been established to provide reasonable assurance that professional staff selected for advancement have the qualifications necessary to fulfil the responsibilities they will be called on to assume. A few of the policies and procedures are identified below.

- Various professional staff levels within Deloitte Audit and descriptions of the related competencies required to perform effectively at each level have been established
- Advancement policies and procedures that identify the experience and performance qualifications for advancement to each level have been established and communicated to Deloitte Audit's professional staff
- Procedures for periodic performance evaluation have been established
- A counselling program to assist professional staff in identifying realistic career paths and developing action plans to help realise professional goals has been established

Deloitte Audit provides formal continuing professional development programs in relevant subject areas



Continuing education

The purpose of Deloitte Audit's professional development program is to help Partners and professional staff to maintain and enhance their professional competence. To supplement on-the-job development, Deloitte Audit provides formal continuing professional development programs in relevant subject areas, notably by the intervention of its learning department. Deloitte Audit in conjunction with the DTTL network has developed a competency model, specific to each function used to express the areas of personal capability for Partners and professional staff.

All Partners and professional staff take personal responsibility to ensure that their own continuing professional development and education is appropriate to their roles, responsibilities, and professional requirements. However, Deloitte Audit assists Partners and professional staff in meeting their responsibilities for continuing professional development by providing a structured professional development program based on the competency model. This program includes structured, formal learning programs such as internal or external courses, seminars, or e-learning covering all areas of the competency model, i.e. shared competencies, functionally-specific technical competencies, and competencies in areas of specialisation. Certain courses

are mandatory and others are optional. The statutory auditors, authorised statutory auditors and audit trainees follow the trainings as required by the CSSF according to the Law of 23rd July 2016 on the audit profession and the CSSF Regulation n°16-10 organising the continuing education of authorised statutory auditors. Through an automated monitoring system it is possible to check the status of internal and external courses followed by each professional staff member. Continuing education is also a factor taken into account for the yearly appraisal of professional staff and the assessment of their growth potential within Deloitte Audit.

Statement on policy followed by Deloitte Audit concerning the continuing education of the statutory auditors

Deloitte Audit believes that the organisation described above is appropriate in order to provide reasonable assurance that sufficient training is given to professional staff in audit, accounting and industry specialist issues to continuously increase their capabilities, experience and competence.



Engagement performance

Assignment of Partners and professional staff to audit engagements

Deloitte Audit assigns responsibility for each audit engagement to an audit engagement Partner. Deloitte Audit's policies define the responsibilities of an audit engagement Partner and those responsibilities are communicated to Partners. The identity and role of the audit engagement Partner is communicated to key individuals of the client's management team and those charged with governance at the client. Deloitte Audit also has policies and procedures in place so that Partners and professional staff assigned to all audit engagements have the appropriate degree of proficiency for their role and the responsibilities to be performed.

An engagement team ordinarily includes one or more of each of the following: audit engagement Partner, audit manager, field senior and staff. However, the engagement team will be developed based on the size, nature, and complexity of the entity's operations. Every audit engagement team is under the control and supervision of the audit engagement Partner to whom responsibility for the conduct of all audit services on the engagement is assigned. The audit manager assigned to the engagement is responsible for providing primary supervision and direction to the professional staff in the execution of the audit plan and in the performance of the audit engagement. The field senior is responsible for the day-to-day supervision of the other members of the engagement team. Specialists and other experts are also involved as needed. The audit engagement Partner considers many factors to determine that the engagement team collectively has the appropriate capabilities, competencies, and time to perform the audit engagement. Factors considered in this determination include, among others:

- The size and complexity of the entity's business
- The applicable financial reporting framework used in preparing the financial statements
- Applicable independence considerations, including any possible conflicts of interest
- The qualifications and experience of professional Staff

Audit approach

Deloitte Audit's audit approach includes requirements and guidance to assist in the planning and performance of audit engagements and is based on the International Standards on Auditing issued by the International Auditing and Assurance Standards Board of IFAC as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Deloitte Audit has further supplemented these requirements and guidance to reflect local requirements, as applicable. Common documentation and the enabling software technology are tools that enhance the consistent implementation of Deloitte Audit's audit approach and promote effectiveness and efficiency.

Common documentation and the enabling software technology are tools that enhance the consistent implementation of Deloitte Audit's audit approach and promote effectiveness and efficiency





The following are the main elements of Deloitte Audit's audit approach:

Understanding of the entity and its environment

An understanding of the entity and its environment, including its internal controls, to assess the risks of material misstatement at the financial statement and assertion level is vital to performing an effective audit. Deloitte Audit's engagement teams develop this understanding and assess risks of material misstatement in a number of ways, including analyzing financial information to identify trends and unusual balances; holding in-depth discussions with management and those charged with governance; considering the inherent nature of each financial statement component and the risks associated with that component; evaluating the design of relevant internal controls and determine if they have been implemented; assessing the extent to which technology is used in the financial reporting process; and, if applicable, reviewing internal audit findings. As necessary, based on the nature of the entity's information systems and the extent to which technology plays a role in the transaction processing and financial reporting processes, information technology specialists may be involved in the audit engagement.

Audit procedures

Engagement teams tailor the audit plan to address the risks associated with the entity, the audit engagement, and the financial statements as a whole. Throughout the audit, engagement teams continually assess risk and how audit findings bear on the audit procedures. Deloitte Audit's audit approach allows Partners and professional staff to modify the audit procedures to address issues that arise in the course of the audit.

Audit procedures to address risks of material misstatement include substantive procedures, which comprises tests of details and substantive analytical procedures, and tests of the operating effectiveness of controls.

Use of experts

While the audit engagement Partner retains responsibility for all aspects of the engagement, there are instances when the engagement team utilises an expert. In such instances, an engagement team evaluates whether the expert has the necessary competence, capabilities, and objectivity. Competence and capability of the internal expert is covered centrally.

In evaluating whether or not the expert's work constitutes appropriate audit evidence in support of the financial information, the engagement team considers:

- The source data used
- The assumptions and methods used, if appropriate, their consistency with those used in the prior period; and
- The results of the expert's work in light of the engagement team's overall knowledge of the business and of the results of its audit procedures

Engagement documentation

Deloitte Audit maintains policies and procedures to support the assembly and archiving of audit files whereby the audit engagement team submits the audit files for archiving within the shorter of (1) 60 days from the date of the report or (2) the period set out in applicable professional standards and regulatory and legal requirements. Deloitte Audit's policies and procedures address the retention of documents (in paper and electronic form), including those that address the confidentiality, safe custody, integrity, accessibility, and retrievability of archived documentation.

Engagement team reviews

A review of the audit documentation is required to be performed by a member of the engagement team who has more experience than the preparer. In some cases, elements of audit documentation may be reviewed by several team members.

Engagement quality control reviews

Statutory audit reports on the annual accounts or consolidated accounts and all other engagements reserved by the Law of 23rd July 2016 on the audit profession, for statutory auditors (*réviseurs d'entreprises*) are signed by Partners or authorised directeurs who are authorised statutory auditors (*réviseurs d'entreprises agréés*).

An engagement quality control review is performed for all audit and related assurance services for which such a review is required, engagements which are not subject to such an independent review have been granted exemption based on approved established criteria.

The quality review is performed by a Partner or a manager who is not directly involved in the engagement and who has the appropriate experience and knowledge about applicable accounting and auditing standards and regulations. Appropriate experience and knowledge includes experience and knowledge of the entity's industry, economic environment, and accounting principles. The engagement quality control reviewer is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team. For all public interest entities and all high risk engagements, the review is performed by a directeur or a Partner with sufficient and appropriate experience and professional qualifications to act as an engagement Partner on these types of audits.

The reviewer conducts the review in such a manner that sufficient knowledge and understanding is obtained in order to reach conclusions. The reviewer's responsibility is to perform an objective review of significant auditing, accounting, and financial reporting matters, to document the procedures the reviewer performed and to conclude, based on all the relevant facts and circumstances of which the reviewer has knowledge, that no matters that have come to his or her attention would cause the reviewer to believe that the significant judgments made and the conclusions reached were not appropriate in the circumstances.

Consultation network and differences of opinions

Deloitte Audit has established a consultation network to assist in resolving issues identified by the engagement team. Consultations include technical accounting and auditing questions regarding the application and interpretation of applicable standards and reporting issues or on any other matter pertaining to an audit engagement that requires specialised knowledge.

To facilitate the technical consultation process, Deloitte Audit has a national accounting and auditing consultation structure. A Member Firm Professional Practice Director with specialised technical skills and experience is supported by subject matter resources in various areas such as regulatory filing requirements; technical auditing requirements; and complex accounting matters. Deloitte Audit maintains policies and procedures for the resolution of differences of opinion among Partners and others who are assigned to the engagement team, including those who are in a consultative capacity.

Deloitte Audit has established a consultation network to assist in resolving issues identified by the engagement team

Monitoring

Practice review

In accordance with DTTL policies, the audit practice of Deloitte Audit is subject to an annual quality assurance review, commonly referred to as a 'practice review'. Compliance with this policy is achieved by an annual practice review covering the audit practice over a three-year cycle. The annual practice review program is designed to cover 1) the system of quality control, which includes an evaluation on whether all new or significantly changed DPM policies listed have been effectively implemented. In addition, the practice review team will corroborate the evaluation of the different elements of the system of quality controls. These review procedures will be performed over a three-year cycle, 2) the review of one third of the engagement Partners. The audit Partners with engagement responsibilities ordinarily have a sample of their engagements reviewed at intervals not to exceed three years.

Consideration is also given to assessing the performance of managers and directeurs. Candidates for Partner nomination would ordinarily be expected to have been covered in recent practice reviews prior to their expected nomination.

Deloitte Audit is responsible for the practice review. DTTL provides guidance and oversight regarding the practice review plans and procedures.

The general coordination and administration of the practice review program is the responsibility of Deloitte Audit's practice review director, in conjunction with the regional practice review director. The practice review plan, process, and results are reviewed and concurred by a partner of another Member Firm (the 'external partner') every year. The external partner who is assigned this responsibility works closely with the Deloitte Audit' practice review director and the regional practice review director in overseeing and challenging the planning and performance of the practice review.

Types of engagements reviewed

The engagements selected for review include national engagements and inbound/outbound transnational engagements (audits of financial statements that are or may be used across national borders), including public-interest entities, as well as a number of high risk audit engagements. Some sensitive and complex engagements (e.g. first-year engagements, situations where there is a change in control or deteriorating financial condition) are also selected. All major industries served by the practice are considered.

Scope of practice reviews

Reviewers are chosen from local and international pools within Deloitte network. The assignment of reviewers is based on skill level, industry knowledge, and experience on transnational engagements. The reviews of individual engagements consist of discussions with the Partner and/or manager responsible for the engagement and a review of related reports, working papers, and, where appropriate, correspondence files. Deloitte Audit practice review is an important part of the system of quality control.

Engagements are reviewed to:

- Determine whether quality control procedures have been properly applied to such engagements, so that reports that are issued by Deloitte Audit are appropriate in the circumstances
- Assess the adequacy of implementation of the audit approach, including compliance with the policies and procedures contained in the Deloitte Audit's policy manuals
- Monitor compliance with applicable legal and regulatory requirements, and
- Assess the overall quality of service provided to clients

Deloitte Audit practice review is an important part of the system of quality control

The overall risk management and quality control policies and procedures of Deloitte Audit are also reviewed, including the following:

- Reputation protection & risk management program, including client and engagement acceptance and continuance
- Independence
- Leadership
- Ethics
- Monitoring
- Recruitment and advancement
- Professional development
- Engagement performance

Results of practice reviews

The findings and recommendations resulting from the practice reviews are included in Deloitte Audit's audit quality plan and presented to the Chief Executive Officer of the Deloitte Luxembourg Group and other appropriate Firm leaders as well as members of DTTL regional and global leadership. The purpose of the audit quality plan is to provide suggestions for improvement in response to findings noted and to drive audit quality within Deloitte Audit overall. Deloitte Audit addresses findings by conducting a root cause analysis and drawing up a detailed action plan setting out the action to be taken, the person(s) responsible, and the timing to implement the recommendations.

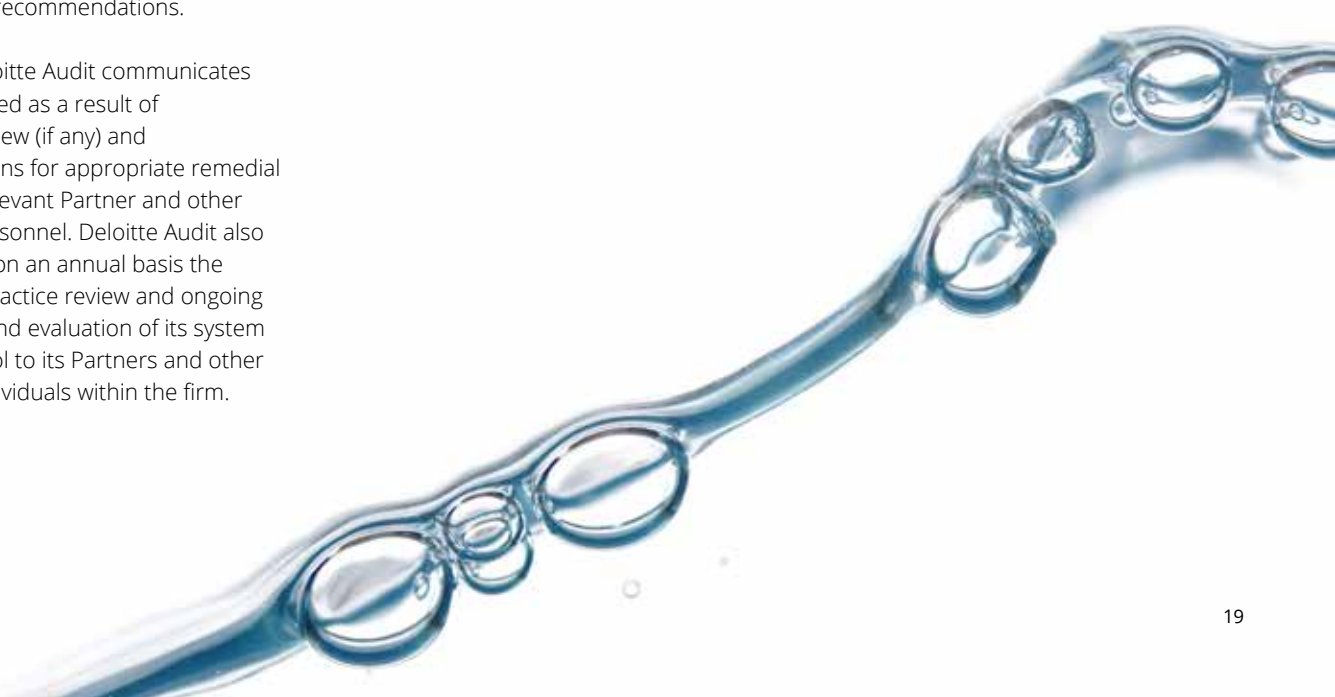
In addition, Deloitte Audit communicates deficiencies noted as a result of the practice review (if any) and recommendations for appropriate remedial action to the relevant Partner and other appropriate personnel. Deloitte Audit also communicates on an annual basis the results of the practice review and ongoing consideration and evaluation of its system of quality control to its Partners and other appropriate individuals within the firm.

Statement of the board of managers regarding the efficiency of the internal quality control system

The board of managers of Deloitte Audit is satisfied that the internal control system as described above is effective in providing reasonable assurance that Deloitte Audit and its professional staff comply with applicable professional standards and regulatory and legal requirements.

Date of last quality assurance review

In the context of the incorporation within Luxembourg Law of the 8th EU Directive 2006/43/ EC on statutory audits of annual accounts and consolidated accounts, as amended, and in accordance with the Law of 23rd July 2016 on the audit profession, the Commission de Surveillance du Secteur Financier (CSSF) has been appointed by the Luxembourg Government as the public oversight authority for statutory auditors and audit firms in Luxembourg. Article 39 of the Law provides that all authorised statutory auditors and authorised audit firms are subject to a system of audit quality reviews. The CSSF is responsible for developing the system of audit quality review and is currently in process of finalising its seventh quality review of Deloitte Audit.



Financial information

The gross turnover of the network of companies to which Deloitte Audit belongs to in Luxembourg and including the gross turnover of Deloitte Audit, amounts for the financial year ended on 31st May 2017 to EUR 295 million (unaudited) and can be broken down by sector of activity as follows:



- Statutory Audit assignments*
- Advisory and Consulting assignments
- Other assurance assignments**
- Tax services assignments

* Statutory Audit assignments Gross Turnover includes 8,3% of work performed by Advisory and Consulting staff, and 2,3% of work performed by Tax services staff.

** Other Assurance assignments Gross Turnover includes 15,8% of work performed by Advisory and Consulting staff, and 0,2% of work performed by Tax services staff.

Basis for the remuneration of Deloitte Audit Partners

The compensation practices of Deloitte Audit are designed to comply with applicable independence requirements; to emphasise the shared values of quality, integrity, and technical excellence; and to assess the characteristics and skills outlined in our human resources competency model.

- For Equity Partners of Deloitte Audit, the system is an earnings allocation process. Typically, each Equity Partner is allocated interests in the Deloitte Luxembourg Group, known as units, under recommended guidelines related to their level, role in the Deloitte Luxembourg Group, responsibilities and overall performance appraisal (including results of practice reviews), which is tied to a goal-setting process. At the end of the financial year, units are valued based on the performance of the Deloitte Luxembourg Group. The earnings of Equity Partners are determined by their number of units at the applicable unit value.

- Non-Equity Deloitte Audit Partners' remuneration comprises a fixed salary and a variable performance related component determined upon overall performance appraisal geared to a goal-setting process and taking into account their role and responsibilities in Deloitte Audit.

To ensure that Partners of Deloitte Audit focus on their primary responsibility to provide audit services of the highest quality, the policies of Deloitte Audit, which are consistent with regulations in Luxembourg, forbid them from receiving compensation, bonuses, or other direct financial incentives for selling products or services, other than audit, review, or assurance-related services, to the audit clients they serve. Moreover, in determining the remuneration of Deloitte Audit Partners, due consideration is given in their performance evaluations to the results of practice reviews of their engagements.



List of audited public interest entities*

ADVANCED ASSET MANAGEMENT SICAV	DAVIS FUNDS SICAV
AL INVESTMENTS, <i>société d'investissement à capital variable</i>	DIAMAN Sicav
ALESSIA, <i>société anonyme</i>	Diversified European Credit S.A.
Alger Sicav	Diversified Financials Europe S.A.
Allfunds International S.A.	EAST-WEST UNITED BANK S.A.
Amundi Absolute Return Harmony, <i>société d'investissement à capital variable</i>	E-Carat SA
AMUNDI INTERINVEST, <i>société d'investissement à capital variable</i>	EDM INTERNATIONAL, <i>société d'investissement à capital variable</i>
AMUNDI ISLAMIC, <i>société d'investissement à capital variable</i>	eDreams ODIGEO, <i>société anonyme</i>
APERAM, <i>société anonyme</i>	Efficiency Growth Fund, <i>société d'investissement à capital variable</i>
Aphex S.A.	eleX alpha S.A.
APICIL Life S.A.	European Credit (Luxembourg) S.A.
ArcelorMittal, <i>société anonyme</i>	FABS Luxembourg I SA
ARCIPELAGOS SICAV	FINLABO INVESTMENTS SICAV
ARGUS FUND, <i>société d'investissement à capital variable</i>	FTC FUTURES FUND SICAV
ARISTEA SICAV	GAMAX FUNDS, <i>fond commun de placement</i>
Ashwell Rated S.A.	Gefinor S.A.
ATOMO, <i>société d'investissement à capital variable</i>	Geldilux TS-2013 S.A.
Banque J. Safra Sarasin (Luxembourg) SA	Glencore Finance (Europe) S.A.
Barents Reinsurance S.A.	GLOBALANT S.A.
Belfius Financing Company, <i>société anonyme</i>	GS Ré - Société de Réassurance du Groupe GRAS SAVOYE, <i>société anonyme</i>
BI SICAV	HYPO PORTFOLIO SELECTION SICAV
Black Diamond CLO 2006-1 (Luxembourg) S.A.	Independance et Expansion Sicav
BLACKROCK GLOBAL INDEX FUNDS, <i>société d'investissement à capital variable</i>	INTERNATIONAL SHIPOWNERS REINSURANCE COMPANY S.A.
BlueRe m.a.	JARNA ISSUANCE VEHICLE SA
BNP Paribas Fortis Funding, <i>société anonyme</i>	JOHN DEERE BANK S.A.
BPA INTERNATIONAL SELECTION FUND S.A.	JSS INVESTMENTFONDS, <i>société d'investissement à capital variable</i>
BUILDERS DIRECT S.A.	JSS MULTI LABEL SICAV
Builders Reinsurance S.A.	KBL EPB Monetary Fund, <i>société d'investissement à capital variable</i>
CAJAS ESPAÑOLAS DE AHORROS II SICAV	Kernel Holding S.A.
CAJAS ESPAÑOLAS DE AHORROS SICAV	Keytrade Bank Luxembourg S.A.
Cardif Lux Vie, <i>société anonyme</i>	La Française Bank, <i>société anonyme</i>
Cheyne Capital Guaranteed Credit S.A.	Lazard World Trust Fund, <i>société anonyme</i>
Codeis Securities SA	LCM Partners CO III SLP, <i>société en commandite spéciale</i>
CompAM FUND, <i>société d'investissement à capital variable</i>	LEMANIK SICAV
Corporate Credit (Europe) S.A.	Leopard Fund, <i>fond commun de placement</i>
CP-BK Reinsurance S.A.	
Danske Bank International S.A.	

* This list has been prepared in accordance with the definition of public interest entity provided by the Law of 23 July 2016 on the audit profession.

List of audited public interest entities (continued)*

LEVADE S.A.	SANTANDER INTERNATIONAL FUND SICAV
LS FUND, <i>société d'investissement à capital variable</i>	SANTANDER SICAV
LUXEMPART S.A.	SELECTRA INVESTMENTS SICAV
LYXOR Index Fund, <i>société d'investissement à capital variable</i>	SG Issuer, <i>société anonyme</i>
MANDARINE FUNDS, <i>société d'investissement à capital variable</i>	SINCRO SICAV
March International, <i>société d'investissement à capital variable</i>	SISTEMA INTERNATIONAL FUNDING S.A.
MATTHEWS ASIA FUNDS, <i>société d'investissement à capital variable</i>	Société Générale Financing and Distribution, en abrégé "SGFD", <i>société anonyme</i>
Method Investments SICAV	Société Générale Ré S.A.
Mezzanine Finance Europe S.A.	Solaben Luxembourg S.A.
MHPS.A.	SPARINVEST, <i>société d'investissement à capital variable</i>
Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A.	Storck Acceptance S.A.
Monceau Euro Risk, <i>société anonyme de réassurance</i>	TCW Funds, <i>société d'investissement à capital variable</i>
Mosaic Trading, <i>société d'investissement à capital variable</i>	The Onelife Company S.A.
MOSAIC, <i>société d'investissement à capital variable</i>	The West of England Ship Owners Mutual Insurance Association (Luxembourg), <i>association d'assurances mutuelles</i>
National General Alpha Re, <i>société anonyme</i>	Turkiye Garanti Bankasi A. S. Luxembourg Branch
National General Insurance Luxembourg S.A.	UBAM, <i>société d'investissement à capital variable</i>
National General Life Insurance Europe S.A.	UBI BANCA INTERNATIONAL S.A.
NB, Fonds Commun de Placement	UniCredit International Bank (Luxembourg) S.A.
NBG INTERNATIONAL FUNDS SICAV	UniCredit Luxembourg Finance SA
NIRA, Nuclear Industry Reinsurance Association, <i>association d'assurances mutuelles</i>	UniCredit Luxembourg S.A.
Nord Europe Life Luxembourg, <i>société anonyme</i>	Universal Credit S.A.
Novus Capital Luxembourg S.A.	Unleveraged European ABS S.A.
Oakham S.A.	VITIS LIFE S.A.
Opus Securities S.A.	ZENIT MULTISTRATEGY SICAV
OSSIAM LUX, <i>société d'investissement à capital variable</i>	
PEGAS Nonwovens SA	
PICTET ALTERNATIVE FUNDS, <i>société d'investissement à capital variable</i>	
PICTET SICAV II	
Pictet Total Return, <i>société d'investissement à capital variable</i>	
Pictet, <i>société d'investissement à capital variable</i>	
POLUNIN Funds, <i>société d'investissement à capital variable</i>	
PORTFOLIO SELECTION SICAV	
Principal Residential Investment Mortgages 1 S.A.	
REACOMEX, <i>société anonyme</i>	
Saham Réassurance Luxembourg S.A.	

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