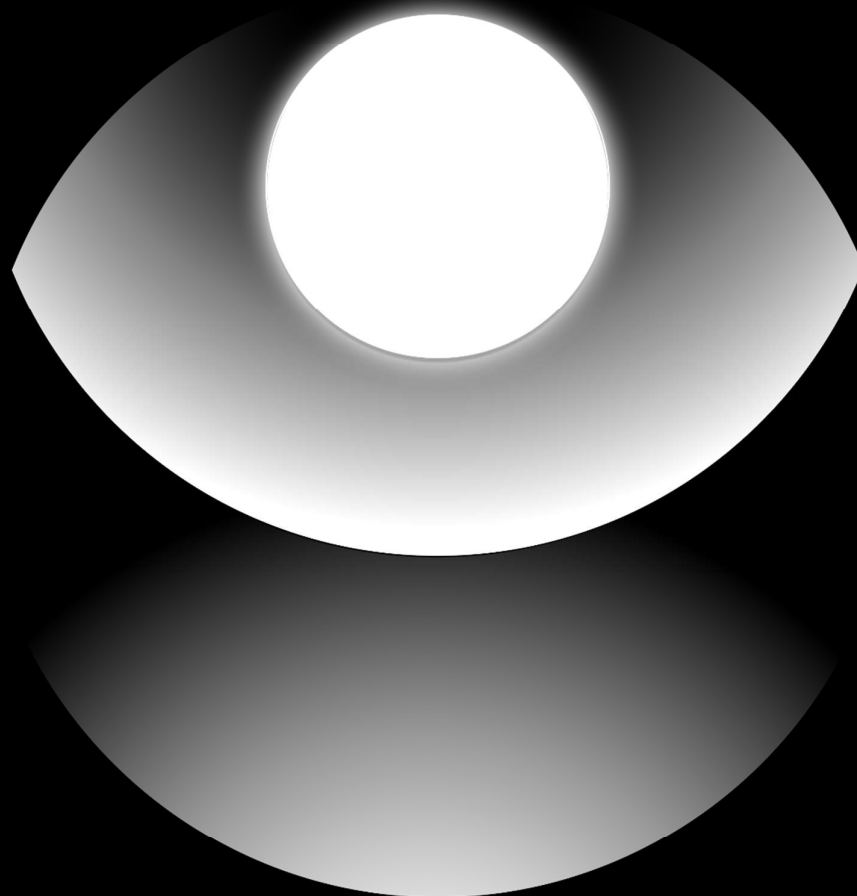


Deloitte.



2018 Transparency Report

SIA Deloitte Audits Latvia

Aspire with assurance

April 2019

Audit & Assurance



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SIA Deloitte Audits Latvia leadership message

To our clients and stakeholders

At Deloitte, our purpose is to make an impact that matters. For our audit and assurance practice, this means a focus on delivering independent high-quality audits and dedication to supporting our auditors' role in the economy. This requires us to continuously build capabilities to support the delivery of high-quality audits and make leading contributions to the future of the audit profession.

We understand that our environment is continuously changing, resulting in increasing complexity, technical disruption and higher community and regulatory expectations. We respond to these changes, by raising the standards of audit quality through innovation and transformation. Our clients are also facing these same challenges. In addition to the assurance over financial reporting and regulatory requirements, we seek to provide a view on key risks to the execution of their business strategies, providing genuine value for stakeholders.

This report sets out the practices and processes that are currently employed by SIA Deloitte Audits Latvia, in accordance with the requirements of Law on Audit Services of the Republic of Latvia and the European Union's Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities.

All information provided in this report relates to the situation of Deloitte Latvia on 31 December 2018, except if indicated otherwise.

Inguna Staša
Board Member
SIA Deloitte Audits Latvia



Deloitte network

Deloitte Latvia: legal structure and ownership

SIA Deloitte Audits Latvia is connected to the Deloitte network through Deloitte Central Europe Holdings Limited, a member firm of Deloitte Touche Tohmatsu Limited. SIA Deloitte Audits Latvia is referred to throughout this report as "Deloitte Latvia", and Deloitte Central Europe Holdings Limited is referred to throughout this report as "Deloitte Central Europe". Deloitte Central Europe is a regional organisation of entities organised under the umbrella of Deloitte Central Europe Holdings Limited. Services

are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities.

Deloitte Latvia operates as a limited liability company, established under Latvia law, with registered office at 4a Grēdu Str., Riga LV1019, Latvia and registration number 40003606960.

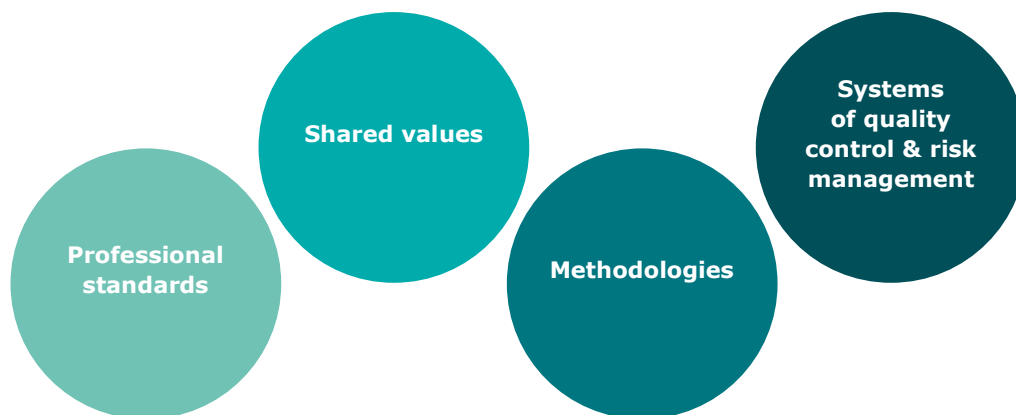
SIA Deloitte Audits Latvia is owned by:

- Deloitte Latvia SIA – 49.50%
- Inguna Stasa – 50,50%

Network description

The Deloitte network

The Deloitte network is a globally connected network of member firms and their affiliates operating in more than 150 countries and territories across the world. These separate and independent member firms operate under a common brand.



Deloitte Touche Tohmatsu Limited (DTTL or Deloitte Global)

Deloitte Touche Tohmatsu Limited is a UK private company limited by guarantee. DTTL serves a coordinating role for its member firms and their affiliates by requiring adherence to policies and protocols with the objective of promoting a consistently high level of quality, professional conduct and service across the Deloitte network. 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.

For more information about the Deloitte network, please see: [About Deloitte](#).

Deloitte Latvia: governance – leadership in action

The following are the members of the Deloitte Latvia SIA board of directors who were elected by the shareholders:

Deloitte Latvia– Management Board

Inguna Stasa, sworn auditor, licence No 145

Roberts Stugis, sworn auditor, licence No 203

The board members have the right to represent the Company with full power.

In all of their activities, Deloitte Latvia senior leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte Latvia strategy is developed in alignment with the overall strategic direction established for the Deloitte network.



What Deloitte Audit & Assurance brings to capital markets

Audit & Assurance Transformation

Being a relevant profession of the future and a sustainable practice that evolves with the pace of change in technology and society is critical. Driving this goal is the Deloitte Audit & Assurance Transformation initiative, which is currently being developed and deployed by Deloitte Latvia under the sole responsibility of Deloitte Latvia.

Audit & Assurance Transformation is an important shift across the network in the way Deloitte professionals work and includes:

Deloitte Way: standardization of audit processes supported by global technology suite	Real-time audit quality monitoring
Enhanced talent model which includes learning, rewards and recognition, centers of excellence, and delivery centers	Agile deployment of tools and technologies to respond to changing environments

Audit engagement acceptance and continuance

Deloitte Latvia has detailed policies and procedures in place for accepting prospective clients and engagements and assessing engagement risk. These policies and procedures are designed with the objective that Deloitte Latvia only accepts engagements where it:

- Is able to perform the engagement and has the capabilities, including time and resources, to do so.
- Can comply with all relevant ethical requirements and professional standards, including independence and conflicts of interest assessments and considerations.
- Considered the integrity of the potential client’s management team.



Learning and development initiatives

Central to the Audit & Assurance Transformation initiative are various enhancements to the Deloitte talent model:

- A single Audit Learning Curriculum for auditors (supplemented based on local requirements as needed).
- Specific learning opportunities for traditional auditors (e.g. on big data) and specialists (e.g. audit skills). Mixed composition of traditional audits and specialists on engagement teams provides complementary skillsets, but also the need for different learning offerings.
- Enhanced project management, which is viewed as a key capability for the auditor of the future, and as such, is being integrated into talent strategies (e.g. recruitment and learning).

The objective of the Deloitte Latvia professional development program is to help partners and other professionals maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte Latvia provides formal continuing professional development programs in relevant subject areas. Certain courses in the programs are mandatory and others are optional, such that each auditor or trainee auditor can personalise their learning program. During the first years, most training is comprised of mandatory courses on technical topics including audit methodologies and processes but afterwards the optional part increases given that individual needs

become more diverse. An individual learning programme is required as from approximately four years' experience.

Through an automated monitoring system it is possible to check the status of internal and external courses followed by an individual auditor. Continuing education is also a factor taken into account for the yearly evaluation of audit staff and the assessment of their growth potential.

Deloitte Latvia establishes minimum levels of continuing professional development to be undertaken by partners and other professionals within a specific period of time. To achieve these levels of development, Deloitte Latvia offers structured, formal learning programs, such as internal or external courses, seminars, or e-learning covering all areas of the competency model (e.g., shared competencies, function-specific technical competencies, and competencies in areas of specialization).

Engagement team selection and expertise

The selection of the engagement team is key to developing and executing a high quality audit. Every audit is led by an engagement partner, who is responsible for ensuring that the professionals assigned to an engagement have the required competencies, experience and meet independence requirements. For higher risk engagements, additional measures are put in place, such as assigning a more experienced Engagement Quality Control Reviewer (EQCR), assigning a Special Review Partner in addition to the EQCR for much greater than normal risk engagements, and additional required consultations with specialists or a national panel of experienced partners.

Focus on professional skepticism

We believe that creating the right culture and focusing on the right mindset and practices is key to achieving high-quality audits. Demonstrating professional skepticism is fundamental to achieving this and delivering on stakeholder expectations. We continually emphasise the importance of our role as evaluators and this is reflected in many aspects of our methodology, processes, procedures and training.

Engagement supervision and review

Our audit approach requires that audit engagements are adequately planned, supervised and managed so that the work performed provides reasonable assurance that it complies with our policies and professional standards. The overall supervision of

each audit engagement is the responsibility of the engagement partner.

Partner remuneration

Execution of high quality audits is expected from all professionals and is embedded across the Deloitte network. Audit quality is built into performance standards at every level, against which professionals' overall evaluations are measured.

Deloitte Latvia's partners are evaluated on a yearly basis, and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease. Specifically, partner evaluations take the following factors into account: quality, expertise, integrity, professionalism, entrepreneurship, independence and compliance.



External and internal audit quality monitoring

Audit Quality Monitoring & Measurement

A continued focus on audit quality is of key importance to the Deloitte brand. It is critical that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

The objectives of the Audit Quality Monitoring & Measurement (AQMM) program are to:

- Transform the way audit quality is monitored and measured and audit deficiencies are resolved; and
- Enhance the internal system of quality control which all Deloitte network firms follow

The AQMM program is focused on driving:

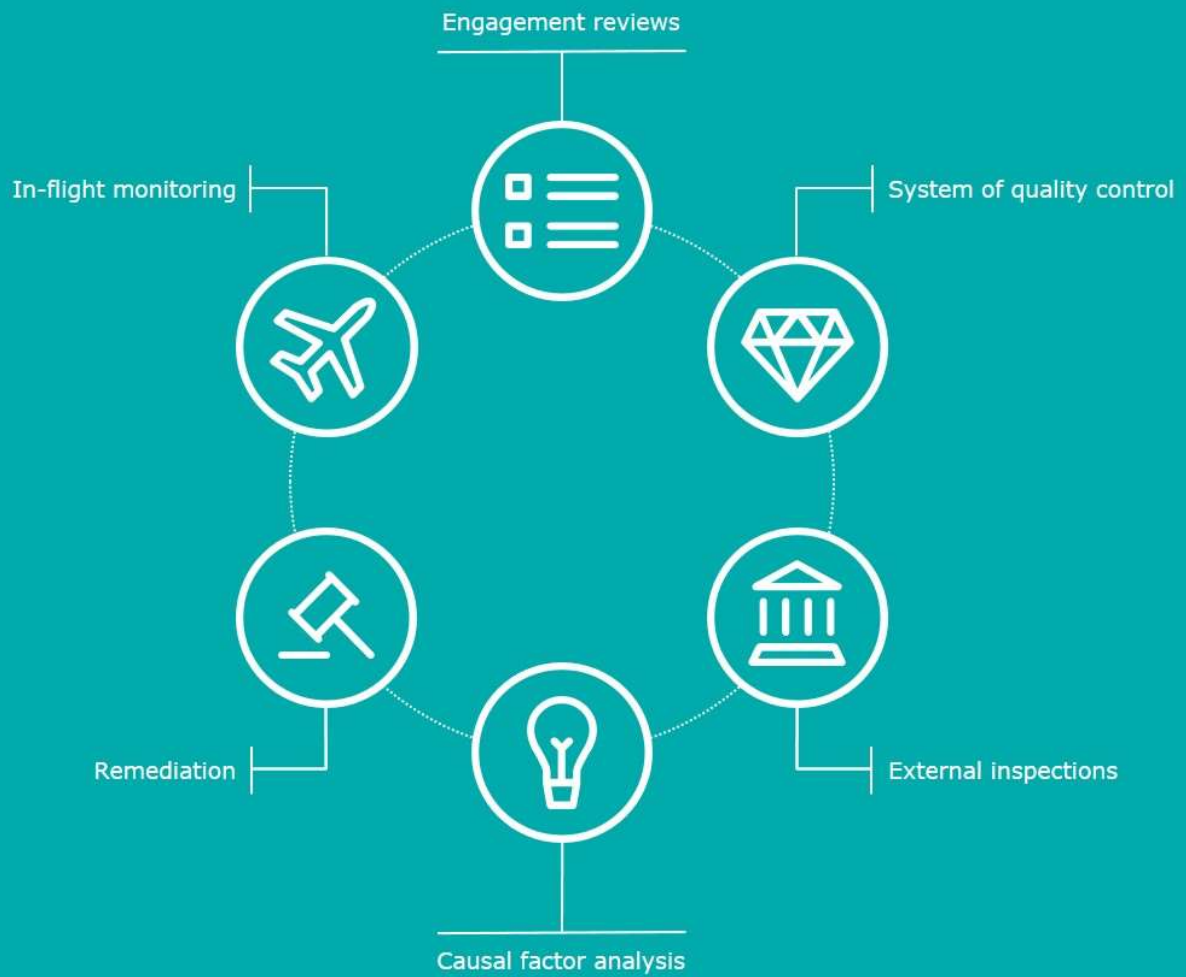
- Continuous, consistent, and robust monitoring of completed and in-flight engagements
- Fundamental understanding of deficiencies and timely execution of corrective actions by all member firms consistently

- Greater transparency and consistency in reporting key measures of audit quality

Deloitte Latvia maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte Latvia focuses on professional excellence as the foundation for achieving audit quality on a consistent basis.



Audit Quality Monitoring & Measurement



In-flight monitoring

Continuous audit quality monitoring by Deloitte Latvia drives a faster response to audit issues on “in-flight” engagements, driving identification, timely solutions, and real time corrective actions achieved by:

- Deployment and monitoring of a series of core Diagnostics, enabling engagement partners and teams, as well as Deloitte Latvia audit quality leader(s) to continuously monitor audit quality and take immediate action.
- A program of subject matter specific “health checks” to assist Deloitte Latvia audit quality leader(s) in assessing progress and identifying potential issues on in-flight engagements.
- An integrated approach to monitoring and measuring execution of the audit methodology enhancements.

Engagement quality control review

Statutory audit reports on the annual accounts or consolidated accounts relating to a public interest entity, among others, are subject to an engagement quality control review by a partner with sufficient and appropriate experience and professional qualifications, prior to issuance of the report. The engagement quality control reviewer may be assigned to Deloitte Latvia from within Deloitte Central Europe to work under Deloitte Latvia responsibility, but is not part of the engagement team and is not portrayed in fact or appearance as a member of the engagement team.

The reviewer is appropriately briefed by the engagement team and 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.

For engagements that have been identified as having a higher risk, a special review partner is assigned to provide an additional level of competence and objectivity in planning and performing the engagement. The special review partner may be assigned to Deloitte Latvia from within Deloitte Central Europe to work under Deloitte Latvia responsibility, but is independent of the engagement. Normally this partner possesses

specialized industry and technical skills applicable to the engagement and, in certain situations, is independent of the practice unit to enhance objectivity or to provide specialized resources.

The auditor’s report may only be issued if the reviewer is satisfied that the audit engagement team has made appropriate judgments and conclusions, and has complied with applicable standards and regulations.

Engagement reviews

Key components of engagement reviews (internal practice reviews) include:

- Risk-based engagement selection and consideration of all major industries served by Deloitte Latvia.
- Mandatory moderation panel to drive consistency in findings and engagement ratings.
- External partners and deputies who oversee practice reviews to increase consistency.
- Identifying appropriate resources (from within Deloitte Central Europe as well as from other Deloitte geographies) with the right experience and industry expertise, including establishing central review teams.

System of quality control (SQC)

SQC includes numerous elements such as documenting key areas of the SQC processes and controls and performing procedures for testing the operating effectiveness of the SQC, including execution of a comprehensive SQC review program.

Used in conjunction with other metrics, Audit Quality Indicators (AQIs) further assist Deloitte Latvia in developing and monitoring audit quality action plans and reporting on the progress in its audit quality journey. AQIs are integrated with ongoing AQMM activities.

In addition, proper timing and sequencing of audit activities, including timely reviews of work performed and the resolution of matters identified, are closely associated with high quality audits. Audit Quality Milestones are intended to drive consistency of engagement teams in project management, timing of when work is done, and necessary focus on engagement staffing, including sufficiency and expertise of assigned resources.

Causal factor analysis and remediation

Focusing on continuous improvement is essential to driving improvements in audit quality. Understanding why audit deficiencies occur is essential to the design of effective actions to remediate findings. Further, actions are taken when audit deficiencies in the performance of an audit



engagement are identified. An Audit Quality Plan is prepared by Deloitte Latvia and provides for effective implementation and monitoring of key audit quality priorities.



External inspections

In addition to Deloitte Latvia internal monitoring of audit quality, Deloitte Latvia is subject to external reviews performed by the Latvian Association of Sworn Auditors, as well as external quality control reviews by the Ministry of Finance as the competent authority.

The last quality assurance review by Latvian Association of Sworn Auditors was carried out in October 2017. Nevertheless, the last review of the compliance with audit quality control by the Ministry of Finance was performed in October 2014.

Statement on the effectiveness of the functioning of the internal quality control system

We confirm that we are satisfied that our internal quality controls and systems are robust, operate effectively, and allow us to readily identify any areas of potential enhancement. We continually seek to refine all aspects of our business and we use the findings of the practice review, other internal reviews and external regulatory reviews to enhance our system of quality control.



Independence, ethics, and additional disclosures

DCE Independence



Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. Performs full reviews of independence quality controls on a three-year cycle; annual focused reviews for the off-cycle years; and in-depth follow-up reviews as needed.



Performs **on-going monitoring** activities—enabling continuous enhancements to policies, quality controls, tools, and practice support activities.



Utilizes **information systems and databases** to provide professionals with entity information to support compliance with personal and professional independence requirements, including financial interests and scope of service approvals.



Supports **independence awareness** through periodic communications and alerts, and development of guidance, learning and instructions.

Deloitte Latvia Independence

Deloitte Latvia has policies and procedures designed to address compliance with applicable professional standards that relate to independence. These policies and procedures are based on the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than the code. Deloitte Latvia 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 Latvia. Strategies and procedures to communicate the importance of independence to partners, other professionals and support staff have been adopted, emphasizing each individual's responsibility to understand and meet the independence requirements.

The key elements of the system of quality control that Deloitte Latvia implemented in accordance with its policies include the following:

- Engagement acceptance and monitoring
- Monitoring of rotation requirements
- Business relationship assessments and monitoring
- Use of independence business process tools, including the Deloitte Entity Search and Compliance (DESC) system, the Global Independence Monitoring System (GIMS), annual independence confirmations, and consultation procedures, to monitor compliance with independence requirements
- Procedures to identify and analyze non-compliance with independence requirements and apply related disciplinary measures and actions
- Independence-related learning and communications
- Assignment of responsibility for independence systems and controls
- An internal review of independence compliance was conducted during the year and the report was issued on 30 November 2018

Rotation of key audit partners and professionals

Deloitte Latvia maintains policies and procedures requiring rotation of key audit partners and staff. These differ for a public interest entity as defined in the "Law on Audit Services" of the Republic of Latvia (the "EU PIE") or entities defined as a public interest entity by Deloitte Latvia ("other PIE"). Individuals responsible for carrying out a statutory audit should not serve an EU PIE for more than seven consecutive years in the position of a key audit partner. They

shall not participate again in the statutory audit of the audited EU PIE entity before three years have elapsed following cessation of such service. In case of other PIE, individuals responsible for carrying out a statutory audit should not serve other PIE for more than seven consecutive years in the position of a key audit partner. They shall not participate again in the statutory audit of the audited other PIE entity before two years have elapsed following cessation of such service. During the cooling-off period of two years, the key audit partner should not participate in the audit of the audited entity, perform the engagement quality control review, consult with the engagement team or the audited entity regarding technical or industry-specific issues, transactions or events or otherwise directly influence the outcome of the statutory audit.

While it is the primary responsibility of the individuals serving as key audit partners to ensure they comply with the rotation requirements, Deloitte Latvia implemented a monitoring process that includes among other analysis of client portfolios and individuals assigned in various roles to statutory audits and considering appropriate competence, capability, workload and availability of statutory auditors so as to enable these individuals to adequately discharge their responsibilities as key audit partners.





Appendices



Appendix A | EU EEA audit firms

Disclosure in accordance with Article 13.2 (b) (ii)-(iv) of the EU Audit Regulation

EU/EEA Member State (Article 13.2 (b)(iii) EU Audit Regulation: the countries in which each audit firm that is a member of the network is qualified as a statutory auditor or has its registered office, central administration or principal place of business)

Name of audit firms carrying out statutory audits in each Member State (Article 13.2 (b)(ii) EU Audit Regulation: the name of each audit firm that is a member of the network)

EU/EEA Member State	Name of audit firms carrying out statutory audits in each Member State
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Schwarz & Schmid Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
	F.X. Priester GesmbH
	Kapferer Frei und Partner Wirtschaftsprüfungs- und Steuerberatungs GmbH
MPD Wirtschaftsprüfungs-GmbH & Co KG	
Belgium	Deloitte Bedrijfsrevisoren – Reviseurs d'Entreprises
Bulgaria	Deloitte Audit OOD
Croatia	Deloitte d.o.o. za usluge revizije
Cyprus	Deloitte Limited
Czech Republic	Deloitte Audit s.r.o.
Denmark	Deloitte Statsautoriseret Revisionspartnerselskab
Estonia	Deloitte Audit Eesti AS
Finland	Deloitte Oy
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Deloitte Marque Gendrot
	Anne-Marie Torres Commissaires aux comptes
	Audalian Commissaire
	Audit Aquitaine Commissariat aux comptes
	Auitex
	BEAS
	BH Audit

Cabinet Barouh, Societe Anonyme D'Expertise Comptable Et De Commissariat Aux Comptes

Cabinet Garnier In Extenso

Cabinet Husson Sas Societe D'Expertise Comptable Et De Commissaires Aux Comptes

Cisane

COGES

Constantin Associés

Constantin Entreprises

Consultants Auditeurs Associés

Davec SAS

DB Consultants

Durand & Associés

ECA Audit

Espace Audit Et Conseil

Extenso IDF Holding Audit Et Consulting

Fiduciaire Expertise Commissariat et Développement

In Extenso Audit

In Extenso Bretagne

In Extenso Centre Est

In Extenso Centre Ouest

In Extenso Charente

In Extenso Dauphine Savoie

In Extenso Dordogne

In Extenso Eure

In Extenso IDF Audit

In Extenso IDF EX&Com Audit

In Extenso IDF Harl Lefort et Associés

In Extenso Ile de France

In Extenso Mont Blanc

In Extenso Nord Audit

In Extenso Nord de France

In Extenso Orne

In Extenso Picardie Ile de France

In Extenso Provence

In Extenso Rhône Alpes

In Extenso SECAG

In Extenso Strasbourg Nord

Jacques Serra et Associés

Laurens Michel Audit

	Lesaine, Casteleyn, Lecrocq, Societe D'Expertise Comptable Et De Commissariat Aux Comptes
	MFG Audit
	Opus 3.14 Audit Et Conseil
	Pierre-Henri Scacchi et Associés
	Revi Conseil
	Sterenn
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants SA
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland - Republic of Ireland
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Polska spółka z ograniczoną odpowiedzialnością Sp. k.
	Deloitte Polska Sp z o.o.
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit S.R.L.
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom	Deloitte LLP
	Deloitte Gibraltar Limited
	Deloitte NI Limited

Disclosure in accordance with Article 13.2 (b)(iv) of the EU Audit Regulation

The total turnover achieved by the audit firms that are members of the network, resulting from the statutory audit of annual and consolidated financial statements: € 2 billion¹

¹ Amount represents an estimate determined based upon best efforts to collect this data. Certain Deloitte audit firms registered to perform statutory audits in respective Member States provide statutory audit services as well as other audit, assurance and non-audit services. While Deloitte endeavored to collect specific statutory audit turnover for each EU/EEA Deloitte audit firm, in certain cases turnover from other services has been included. The turnover amounts included herein are as of 31 May 2018, except for a limited number of instances where a Deloitte audit firm has different financial year-end or has not finalized its reporting for such period. In these cases, turnover amounts are for the relevant financial year or preceding financial year. Where currency other than Euros is used in the Member State, the amount in Euros was translated using an average exchange rate in effect for the period 1 June 2017 to 31 May 2018.



Appendix B | Financial information

Disclosure in accordance with Article 13.2 (k) (i)-(iv) of the EU Audit Regulation

The breakdown of the SIA Deloitte Audits Latvia's 2018 turnover:

Turnover	EUR '000
Statutory audit (PIEs or PIE subsidiaries)	872
Statutory audit (non-PIEs or non-PIE subsidiaries)	2,401
Non-audit services (audited PIEs or PIE subsidiaries)	4
Non-audit services (audited non-PIEs or non-PIE subsidiaries)	15
Non-audit services (other entities)	75
Total	3,368



Appendix C | Public interest entities

Disclosure in accordance with Article 13.2 (f) of the EU Audit Regulation

Public Interest Entities Audited for Statutory Purposes by SIA Deloitte Audits Latvia in the Financial Year 2018:

Name

AS Swedbank

AS Swedbank atklatais pensiju fonds

AS Swedbank Ieguldījumu parvaldes sabiedrība

AS AIFP Baltic Asset Management

Storent Investments AS

AS Valmieras stikla skiedra

AS Grindeks

AS Kurzemes ciltslietu un maksliģas apsekšanas stacija

SIA EcoEnergy AIPF

Deloitte.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, transaction advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 245,000 professionals are committed to making an impact that matters.