

2020 Transparency Report

Deloitte Canada

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Deloitte LLP leadership message¹

Dear reader,

In a year defined by uncertainty, it is clear that trust and integrity matter more than ever before. At Deloitte Canada, these qualities are what have always, and what continue to drive everything we do.

This is most evident in our audit business, where we strive to deliver the highest standard of quality to our clients. In doing so, we not only uphold the trust of the organizations we serve, but we reinforce the public's trust in capital markets.

Guided by our Category of One aspirations, and our purpose and shared values, we are approaching audit with an innovative and collaborative mindset as a way to continually adapt to the evolving needs of our clients, stakeholders and markets.

This report sets out the practices and processes that are currently employed by Deloitte LLP, in accordance with the requirements of the European Union's Regulation 537/2014 on specific requirements regarding statutory audits of public-interest entities.

Additionally, we publish our annual Audit Quality Report, which provides more detail on our approach to delivering high quality, high value, innovative audit services, and outlines our roadmap to becoming the most trusted, in-demand brand in the industry. We are also guided by the Global Audit & Assurance strategy, which aligns our focus and priorities with those of the global network.

As the Canadian economy continues on its path to recovery, Deloitte Canada, and in particular, our audit professionals will play a critical role in helping organizations to thrive now and in the future.

Sincerely,



Anthony Viel
Managing Partner & Chief Executive
Deloitte Canada



¹ Throughout this report, the terms "Deloitte, we, us, and our" refer to one or more of one or more of Deloitte Touche Tohmatsu Limited, its network of member firms, and their related entities. For more information about the Deloitte network, please see p. 3 or <https://www2.deloitte.com/global/en/pages/about-deloitte/articles/about-the-network.html>.

Deloitte network

Deloitte Canada legal structure and ownership

Deloitte LLP is part of the Deloitte network and is a member firm of Deloitte Touche Tohmatsu Limited. Deloitte LLP holds practice rights to provide professional services in Canada using the “Deloitte” name, which it extends to Deloitte entities within its territory. Deloitte LLP is authorized to serve as an auditor for clients in Canada. Deloitte LLP is referred to throughout this report as “Deloitte Canada”.

Deloitte Canada is structured as a limited liability partnership pursuant to the laws of the Province of Ontario and is fully owned by Canadian equity partners. Each partner actively participates in Deloitte Canada’s practice and activities, while an elected Board of Directors and a senior management team provide governance and leadership across the organization.

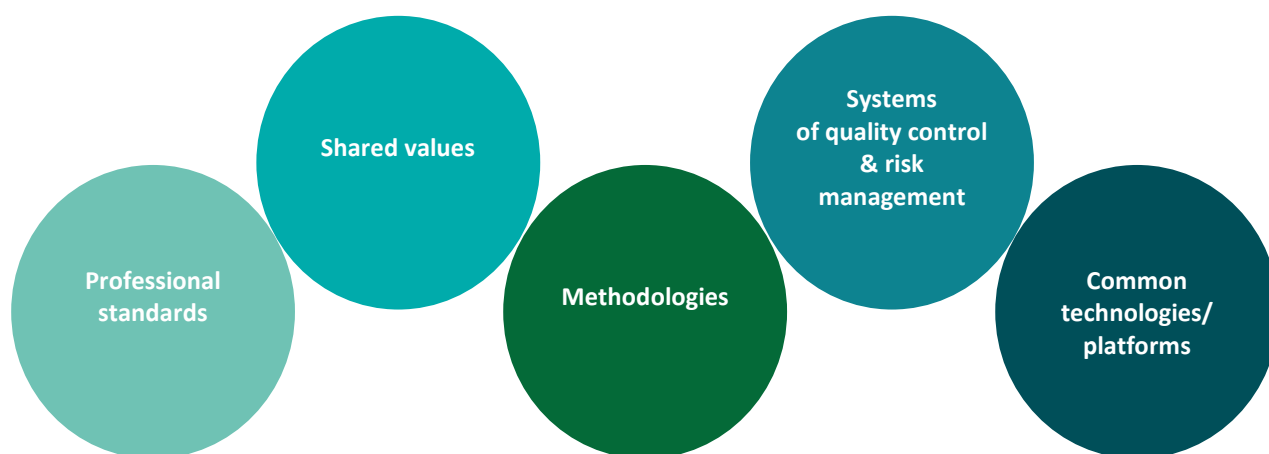
In its entirety, Deloitte Canada is the nation’s largest professional services firm, which provides audit, accounting, tax, consulting, and risk advisory and financial advisory services through over 10,500 professionals in 60 offices.

On April 1, 2015, Deloitte Canada entered into a Master Agreement with Deloitte Chile that provided for the common management and governance of the firms’ businesses in Canada and Chile, with financial integration effective June 1, 2016 and governance integration completed by June 1, 2018. Under the Master Agreement, the firms have a single Board of Directors, single management team, and the firms are financially integrated between their equity partners. Services in both jurisdictions continue to be carried out in accordance with applicable professional standards.

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 incorporated in England and Wales. 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.

“Deloitte” is the brand under which approximately 312,000 dedicated professionals in independent firms throughout the world collaborate to provide audit & assurance, consulting, financial advisory, risk advisory, tax and related services to select clients. These firms are members of DTTL. DTTL, these member firms and each of their respective related entities form the “Deloitte organization”. Each DTTL member firm and/or its related entities provides services in particular geographic areas and is subject to the laws and professional regulations of the particular country or countries in which it operates. Each DTTL member firm is structured in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its respective territories through related entities. Not every DTTL member firm or its related entities provides all services, and certain services may not be available to attest clients under the rules and regulations of public accounting. DTTL, and each DTTL member firm and each of its related entities, are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm, and their respective related entities, are liable only for their own acts and omissions, and not those of each other. The Deloitte organization is a global network of independent firms and not a partnership or a single firm.

Deloitte Canada governance – leadership in action

Senior leadership roles

Deloitte Canada is led by an elected Chair and an elected Managing Partner and Chief Executive. The **Chair** (who is independent of the Managing Partner and Chief Executive) leads the Board of Directors (the Board) in overseeing and governing all aspects of the practices, businesses, and affairs of the firm, in accordance with the firm's by-laws.

The **Managing Partner and Chief Executive** is responsible for leading and managing the firm's operations and has the authority to appoint a senior management team (the Executive) for approval by the Board.

Candidates for the roles of Chair and Managing Partner and Chief Executive are recommended to the partners by an independent Leadership Nominating Committee. The committee conducts an extensive consultation process to obtain partners' views about the desired attributes for the firm's elected leaders and the attributes of specific candidates. The Leadership Nominating Committee then recommends one candidate to the partners, who must receive the support of at least 66-2/3 percent of all partners in a vote.

The Chair and Managing Partner and Chief Executive may serve two consecutive four-year terms in their respective positions. Each serves on the Board as full voting members for the duration of their terms.

Deloitte Board of Directors (Canada/Chile)

The Board is composed of the Chair, the Managing Partner and Chief Executive, 14 elected partners and 3 independent non-voting members. A partner representative of DTTL is invited to attend as an ex officio observer. The General Counsel and Board Secretary attend all Board meetings.

Every two years, half of the Board of Directors (seven seats) is elected for a four-year term. The Board appoints an independent Nominating Committee to administer the Election Process on behalf of the partnership and identify a slate of seven candidates to be elected to the Board. When forming the slate, the Nominating Committee is required to consider the diversity of the Board, including representation from various services and functions, geographies, genders and other diversity characteristics, and the appropriate mix of skills needed to effectively govern our firm. This slate is presented to the Board for approval, after which it is presented to the Equity Partners for ratification. Board members are eligible to serve on the Board for a maximum of eight years.

Deloitte Canada's Board of Directors are responsible for overseeing the firm's strategy and the performance of senior management, as well as reviewing and approving action on a variety of governance, operational and administrative matters. The following are the members of the Deloitte Canada Board of Directors Executive leadership team and Executive team:

Deloitte Canada Board of Directors

Duncan Sinclair Chair	
Anthony Viel Managing Partner and Chief Executive	
Judith Bellehumeur Quebec & National Capital Region, Tax	Steve Irvine Ontario, Audit & Assurance
Bob Chapman DTTL (ex officio)	Roberta Jamieson Independent Director
Sippy Chhina Prairies, Audit & Assurance	Fatima Laher Ontario, Tax
Beth Dewitt Ontario, Risk Advisory	Jean Lamy Quebec & National Capital Region, Audit & Assurance
The Hon. David Emerson Independent Director	Chris Lee Prairie, Financial Advisory
Jodi Evans British Columbia, Consulting	Ivor Luk British Columbia, Financial Advisory
Paula Gallagher Atlantic, Consulting	Michael McFaul Quebec & National Capital Region, Consulting
Fernando Gaziano Perales Chile, Risk Advisory	Marie-Lucie Morin Independent Director
Karen Higgins Ontario, Audit & Assurance	Charles Perron Quebec & National Capital Region, Consulting

Deloitte Canada Executive Leadership Team

Anthony Viel Managing Partner and Chief Executive
Linda Blair Managing Partner, Ontario, and Chief Experience Officer
Tim Christmann Chief Strategy and Innovation Officer
Marc Perron Chief Client Officer
Van Zorbas Chief Culture and People Officer
Iseo Pasquali Chief Business and Financial Officer

Deloitte Canada Executive Team

Shelby Austin Managing Partner, Growth and Investments	Shannon Lundquist Chief of Staff
Philippe Bélair Managing Partner, Tax and Legal	Richard Olfert Managing Partner, Regulatory, Quality, Risk and Reputation
Susan Bennett Managing Partner, Audit & Assurance	Geneviève Provost Managing Partner, Quebec and National Capital Region
Sébastien Blais Managing Partner, Consulting	Sheri Penner Managing Partner, Atlantic
Ricardo Briggs Managing Partner, Chile	Nicole Torgimson Managing Partner, Prairies
Étienne Bruson Managing Partner, British Columbia	Poonam Singh Managing Partner, Risk Advisory
Mat Harris Managing Partner, Deloitte Private	
Mark Jamrozinski Managing Partner, Financial Advisory	

Audit Leadership

The **Managing Partner, Audit & Assurance**, is appointed by the Managing Partner and Chief Executive. The Managing Partner, Audit & Assurance appoints members to the Audit Executive Team who are responsible for delivery of the audit service line objectives.

The Managing Partner, Audit & Assurance and senior management develop and implement the strategy for the Audit & Assurance practice, including related policies and procedures. In all of their activities, Deloitte Canada senior audit leaders are responsible for the overarching objective of audit quality, including compliance with applicable professional standards and regulatory requirements. Deloitte Canada's audit strategy is developed in alignment with the overall strategic direction established for the Deloitte network.

Deloitte Canada Audit & Assurance leaders participate in Deloitte global network groups that set and monitor quality standards, and from which a number of audit quality initiatives emanate.

Deloitte network group participation

Global Audit & Assurance Management Committee (GAAMC)	GAAMC supports the execution of the Deloitte Global Audit & Assurance strategy.
Global Audit & Assurance Executive (GAAE)	The GAAE sets the Global A&A Strategy and executes it through the Member Firms.
Global Audit & Assurance Risk Executive (GAARE)	The GAARE sets the Global A&A Risk oversight strategy and executes it through the Member Firms.
Global Audit Learning Advisory Board	This Council recommends the direction for the global audit learning and approves the global learning curriculum for technical audit and accounting learning.
Global Audit Oversight Committee (GAOC)	The GAOC provides oversight of audit quality monitoring and continuous improvement at the global level and across Deloitte network firms.
Global Audit Quality Executive	The Global Audit Quality Board defines and drives key audit quality initiatives across the Deloitte Network.
Global Audit Quality Monitoring and Measurement Program	The program includes audit quality monitoring and measurement activities to drive continuous improvement across the Deloitte network.
Global IFRS Leadership Team (GILT)	GILT is supported by nine International Financial Reporting Standards (IFRS) Centres of Excellence to provide audit professionals with swift and consistent responses to IFRS technical queries.
Audit Technical Advisory Board (ATAB) and related working groups	ATAB determines audit methodology and policies.
Internal Controls Steering Committee	This committee provides strategic direction to the global audit practice related to internal controls for ISA audits.
International Standard of Quality Management Task Force	The Task Force's objective is to develop a firm response to comment on the ISQM 1, 2 and ISA 220 and to develop and implement a plan to adopt new standards across the member firm network.

Canadian Audit Quality Board

The Canadian Audit Quality Board (CAQB) provides formal oversight related to the execution of Deloitte Canada's Audit quality plan, regulator relationships, practice review and, continuous enhancement activities. The CAQB is chaired by the Managing Partner, Regulatory, Quality, Risk and Reputation. The CAQB is composed of senior firm leaders who meet regularly to assess the progress in executing our annual Audit Quality Plan, examine the design of audit quality programs and processes and anticipate future developments that will affect audit quality.

Our purpose and commitment: instilling trust and confidence

At Deloitte Canada, our purpose is to make an impact that matters. For Audit & Assurance, this means a focus on delivering independent high quality audits and dedication to support the auditor's role in the capital markets. This requires us to continuously build capabilities to support the delivery of high quality audits and make leading contributions to shaping the future of the audit profession.



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 across the Deloitte network, including Deloitte Canada.

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

The Deloitte Way: standardization of audit processes supported by our 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 innovation²

With The Deloitte Way, innovation into the core of how we audit: with automation that accelerates routine tasks, analytics that yield a deeper and more insightful view into the data, and artificial intelligence that enhances human discovery and problem-solving. As a result, clients get an experience that is less burdensome, with more transparency and deeper insight.

Innovation is an expectation in today's fast-changing business environment, and this expectation holds true for the audit profession as well. Today's complex business environment requires that the audit be dynamic, multidimensional, and insightful. There is a demand for real-time, relevant information, and clients expect audits to evolve as they innovate their businesses and processes. While traditional procedures still have a place in auditing, Deloitte Canada auditors are enhancing procedures by making more use of technology-based analytics, Artificial Intelligence (AI), cognitive & cloud-based technologies, etc. This is due in part to the increased automation and effectiveness such data analytics and other tools may provide, but also the need for Deloitte Canada to stay in front of technological advances used by the entities that we audit.

Innovation is an integral part of the entire audit delivery process. Deloitte Canada is committed to the continued investment in emerging technologies and diversity of thought that enables the delivery of enhanced quality, insights, and value to our clients and the markets. This includes Illumia, our global analytics platform, as well as an integrated suite of enabling innovation tools all connected in the cloud. We are also developing our next-generation cloud-based audit delivery platform – Omnia – in addition to Levvia, a solution to support our very small audits.

Deloitte Global leadership

The Deloitte Global Audit & Assurance Leadership Team is led by Jean-Marc Mickeler, Deloitte Global Audit & Assurance Business Leader. Deloitte Global Audit & Assurance responsibilities include:

- Developing and driving Deloitte Global Audit & Assurance strategy
- Setting audit methodology standards and approving audit policy and methodology changes with the objective of enhancing audit quality across the Deloitte network
- Driving key audit quality initiatives and policies across the Deloitte network

² For more information about Deloitte audit innovation, please refer to Deloitte [Global Impact Report](#).

Our professionals are equipped to harness the power of data analytics to support our risk assessments and to reduce the manually intensive efforts historically required on some of the more data-intensive procedures. This allows us to be more efficient and effective, as well as gaining deeper insights.

Example of existing global enabling tools include:

- Argus – Client document interrogation and analysis
- Deloitte Connect – Online communication, information sharing, and progress tracking
- Disclosure Analytics - analyzes and curates large quantities of financial information to enable more comprehensive and data-driven risk assessments of client disclosures and regulator comment letters
- Icount – Mobile-enabled inventory counts
- Iconfirm – Automated management of the audit confirmation process
- My Audit Tool (MAT) – single starting-point for initiating the engagement management processes
- Reveal – Sophisticated regression analysis
- Scribe – Streamlines the preparation and review of standard audit deliverables
- Signal – Comprehensive risk analytics
- Audit Online – Interface with delivery centers and support of guided risk assessments

Audit engagement acceptance and continuance

As a part of Transformation efforts, global initiatives are underway to foster a standard approach to audit engagement acceptance across the Deloitte network, resulting in consistent decisions and consideration of risks.

The Global Audit & Assurance Acceptance Consultation process ("GAAC") is designed to foster leading practices, and promote consistency across the network on audit client and engagement acceptance decisions. Member firms, including Deloitte Canada, consult with Global on client and engagement acceptance for relevant audit clients.

In addition, Deloitte Canada 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 Canada 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.

Deloitte Canada's risk assessment procedures identify related risks and provide a basis for tailoring the audit approach to address engagement specific risks. Prior to accepting a client and/or engagement, the firm undertakes a risk assessment to determine whether the risk associated with accepting the engagement is "normal," "greater than normal," or "much greater than normal." On most engagements, including public-interest entities, the engagement risk assessment process requires the firm to obtain the approval of the recommending partner and the concurrence of at least one other partner before the firm may accept the client and the engagement. In addition, the decision to accept the appointment must be approved by the firm's risk leaders when the engagement risk is assessed as "much greater than normal."

Engagement risk assessments are an ongoing process. They begin during the engagement acceptance/continuation process and continue throughout the engagement. Risk assessment tools and programs are included in the audit approach and documentation to facilitate a comprehensive risk assessment when planning the audit after the engagement is accepted.

Engagements that continue for more than one year are re-evaluated annually, based on the factors discussed above, to determine whether the firm should continue the engagement. In addition, whenever an entity undergoes a significant change (e.g., change in ownership or management, financial condition, or nature of entity's business), we re-evaluate the engagement and whether it should be continued. On most engagements, decisions to continue must also be concurred by at least one other partner.

Coronavirus disease 2019 (COVID-19)

Deloitte Canada's highest priority is the safety and well-being of its professionals. As the impact of COVID-19 unfolds, Deloitte remains committed to delivering the highest quality audits.

Entity management is faced with significant uncertainty in making judgments to project future operating results and cash flows, going concern, and developing valuation analysis, etc. The financial reporting process by companies require careful analysis and further considerations of impact given the current environment.

All stakeholders of the financial reporting ecosystem must exercise significant judgment in this unprecedented and uncertain environment—governments, when projecting the length of closures; bankers, when deciding if a loan can be repaid in full; management, when evaluating if a company can continue operating as a going concern and audit committees providing oversight of management; auditors, when assessing these judgments; and investors, when analyzing the available financial information in light of these unprecedented uncertainties.

Although the existing accounting frameworks have provisions for uncertainties, financial statement users and regulators recognize that there will be a higher degree of market and economic volatility in the near future.

Deloitte Canada welcomes the public statements and guidance issued by regulators that recognize the current uncertainties. Importantly, some regulators have conveyed that good faith attempts to provide market participants with appropriately framed forward-looking information.

Deloitte Canada seeks to raise awareness about the areas that pose challenges. There is benefit for greater transparency from various financial reporting ecosystem stakeholders raising awareness about these issues. This includes providing more clarity on the responsibilities of management, audit committees, companies, auditors, regulators, and others.

Deloitte's global technology and internal infrastructure has allowed for an agile and rapid response to the various impacts of COVID-19. In addition, we have prepared for various contingencies in order to support changing client circumstances and to keep Deloitte professionals informed while working remotely. Deloitte's business continuity plans have been updated and we have affirmed that Audit & Assurance products and solutions have the necessary bandwidth to ensure continuity. In addition, we have launched the Deloitte Global Audit & Assurance Technical Delivery Resource Center- a central location for globally relevant and locally adaptable Audit & Assurance COVID-19 related resources and we have developed a series of related Canadian resources addressing corporate reporting, government measures and economic matters.

Multidisciplinary model (MDM)

MDM is an important contributor to high-quality audits. Auditors increasingly use the work of specialists in a number of areas, including to assist in their evaluation of accounting estimates and fair value measurements when auditing companies' financial statements. MDM is also important in an increasingly complex environment as a result of COVID-19. Further, as big data utilization becomes more pervasive in line with other digital advances, the demand for data analysts and IT specialists will grow accordingly. Among the benefits of the MDM are:

- It is possible to develop industry insights through multiple lenses, which enhances auditors' understanding of business risks of clients relevant to conducting audits.
- The audit practice has immediate access to specialized resources and expertise in other business lines. It promotes audit quality because auditors can tap the expertise of advisory professionals who are skilled in subjects that may not be native to auditors.
- A diverse organization helps attract and retain premier talent.
- Intellectual capital is available within the network to innovate audit processes, technologies, etc.

Deloitte's response to COVID-19 demonstrates resiliency in putting audit quality first which is further supported by the significant benefits of the MDM. As all client interactions have the potential to impact the Deloitte brand as a whole, each non-audit Deloitte business has a shared and vested interest in supporting audit quality initiatives.



The organizational capabilities we build

Deloitte culture and the design of our learning programs place our people at the forefront.

Deloitte professionals are technically proficient with high levels of ethics, integrity, professional skepticism, and objectivity, and are continuously enhancing.

Deloitte is committed to developing its people and accelerating their careers by creating a life-long learning environment. We are advancing audit education, skillsets, and flexible career options that appeal to future auditors.

Deloitte professionals bring diverse backgrounds, knowledge, and skillsets that enhance our capability as an organization in delivering high quality audits.

In addition, operational discipline, effective management of our business, and the development of a singular approach to doing audits known as The Deloitte Way, provide the foundation for our commitment to bring consistency to our audits.

We are driving a sustainable audit and assurance business that compensates its people fairly and funds ongoing investment in our business.



Learning and development initiatives

Deloitte's transformed approach to audit delivery is changing the audit experience for our professionals. Audit teams are empowered by more advanced tools and technologies and more extensive use of data analytics within a guided workflow to execute the end-to-end audit cycle. For our professionals, this means focusing on how the engagement is planned, executed, and managed consistently across the globe using consistent techniques and capabilities. It also offers opportunities to enhance their technical and professional skillsets and capabilities. For example, the following skills have increasing importance—enhanced data analytics techniques, project management, critical thinking, and communication.

Not only do our people deliver value, but as we enhance capabilities and skillsets, our people build greater confidence and become ever-better evaluators of risk.

Substantial investments in talent and learning strategies have been made and transformed the technical audit curriculum to build the refreshed skillsets and proficiency required by level:

- At the core, there is a single, global mandatory audit technical learning curriculum for auditors, targeting learners by level, using a dynamic blend of online instructor-led, digital on-demand courses, and on-the-job activities.
- All client service professionals are required to complete at least 20 hours of continuing professional education (CPE) each year and at least 120 hours every three years, 50% of which must be completed through 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).
- All client service professionals have clearly defined role expectations. Our global Talent Standards outline the capabilities that are required of practitioners at each level.

Specific learning opportunities for specialists working on audit engagements have been established to support their knowledge and understanding of the audit process.

Enhanced project management, a key capability for executing audit engagements, has been included in annual development programs which provide a blend of technical and soft skill learning development. The objective of the Deloitte Canada professional development program is to help partners and practitioners maintain and enhance their professional competence and ensure consistency of audit execution. To supplement on-the-job development, Deloitte Canada provides formal continuing professional development programs in relevant subject areas consistent with the Deloitte Global Audit & Assurance Curriculum. Completion of the audit technical learning curriculum and specialist curriculum is monitored to ensure all mandatory learning is completed by published deadlines. The names of incomplete practitioners are shared with leaders and engagement teams to ensure the impact of any missed learning on the assessed qualification of engagement team members is considered, and oversight and supervision of the work of those team members is adjusted as necessary.

Partner remuneration

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

In accordance with global policies, Deloitte Canada's partners are evaluated on a yearly basis, and depending on the outcome of the evaluation, the remuneration of partners may increase or decrease.

All income partners are compensated based on a fixed annual salary plus an annual variable payment amount that is determined based on their performance. All equity partners are compensated out of Deloitte Canada's distributable profits. The profits available for distribution are based on the results of the firm as a whole. Partner compensation and earnings allocation are managed through the firm's Leadership Development and Reward (LDR) process.

The LDR process requires that, at the start of the fiscal year, partners set goals based on the expectations for their level, role and the firm's strategic objectives. Goals are to be set in areas such as quality, practice management and client service, leadership, community involvement and eminence, personal development and talent management. Each partner's goals are subject to review and input by the firm's senior leadership. At the end of the fiscal year, partners undergo a process that reviews their success in achieving their goals.

The LDR Committee of the Executive establishes the recommended compensation or earnings allocation for all partners except those on the Executive. This committee considers the perspectives of our businesses, regions, industries and talent teams. There is also thoughtful consideration of the quality performance of each partner as established through a comprehensive quality assessment process done under the direction of the Managing Partner, Regulatory, Quality, Risk and Reputation. For audit partners, this quality assessment includes a consideration of a partner's performance as assessed through all monitoring and inspection processes.

To ensure that audit partners focus on their primary responsibility of providing audit services of the highest quality, Deloitte policies, consistent with Canadian regulations, forbid audit partners from receiving compensation, bonuses or other direct financial incentives for selling products or services to their audit clients other than audit, review or assurance-related services.

The LDR Committee's recommendations are approved by the Managing Partner and Chief Executive, who also recommends earnings allocation for the members of the Executive. The deliberations of the LDR Committee and the Managing Partner and Chief Executive are attended and overseen by members of the Culture and People Committee of the Board (the "Culture and People Committee").

The Culture and People Committee is also responsible for reviewing performance and recommending earnings allocation for the Chair and the Managing Partner and Chief Executive Officer. The recommendations for partner compensation and earnings allocation for all partners are then presented by the Culture and People Committee to the Board of Directors for final approval.

The high quality audits we deliver

The experience of a high-quality audit, delivered well, will provide audit committees and companies with (but not limited to):

- An audit report that is appropriate to the circumstances.
- Innovation in how we do the audit.
- More insights about their company than they had at the outset of the process.

In Deloitte Canada's [2019 Audit Quality Report](#), we share our evolving view on what constitutes audit quality as well as on the future of our profession. We share highlights of our key audit quality results, and outline our current actions to achieve our audit quality objectives and enhancements to our processes.



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 key that a Deloitte audit is consistently executed and of high quality, wherever in the world it is performed.

The objectives of the Deloitte Global 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

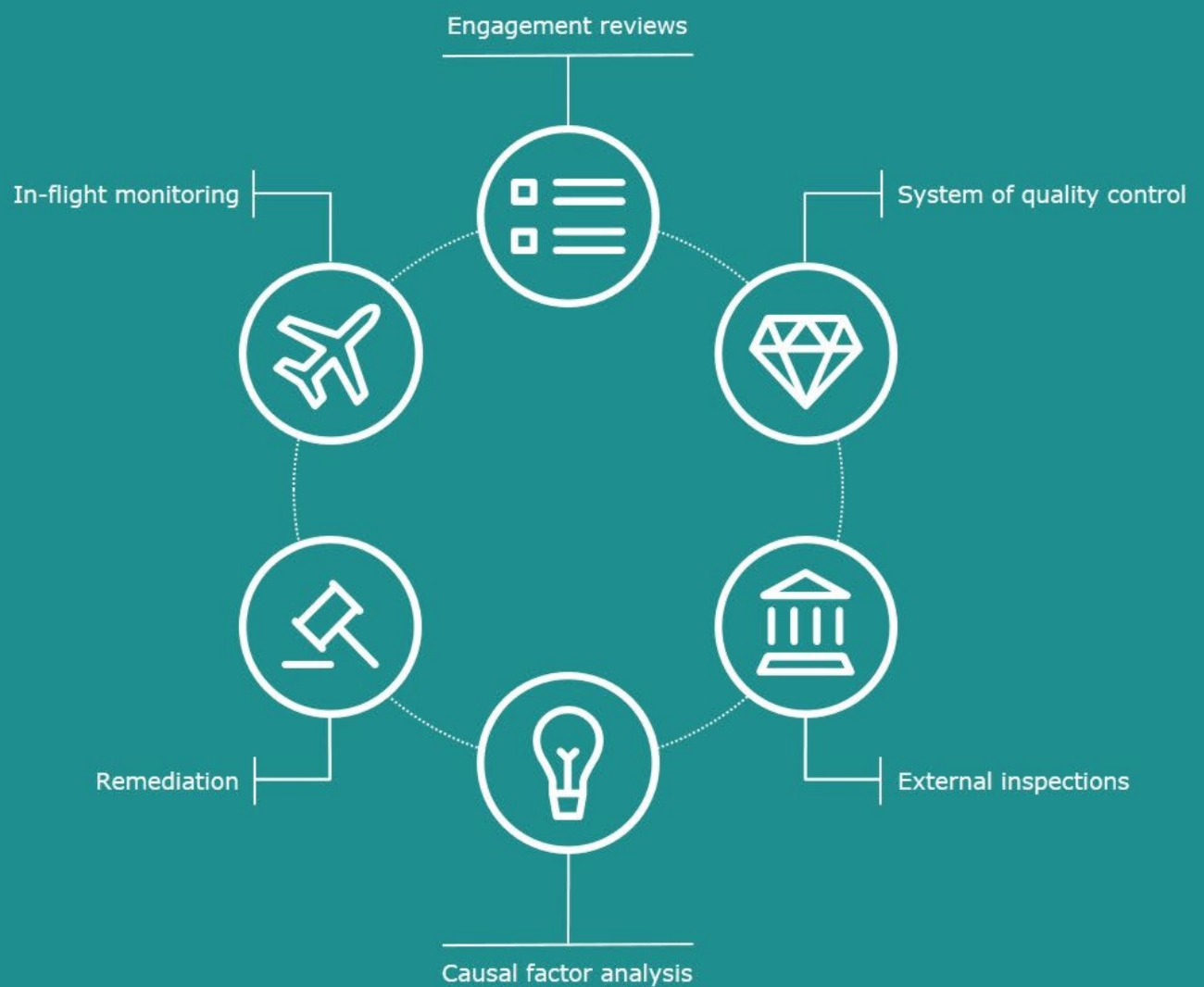
The AQMM program is focused on driving:

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

Deloitte Canada maintains policies and procedures to promote an internal culture based on the recognition that quality is the number one priority. Deloitte Canada 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 Canada drives a faster response to audit issues on “in-flight” engagements, driving identification, timely solutions, and real time corrective actions achieved by:

- A program of “in-flight” review coaches using specific subject matter experts to assist in assessing audit progress and identifying potential challenges on engagements in process.
- Identifying situations where audit teams require support in amending their initial audit plan to accommodate changes in circumstances, enabling audit quality leaders to mobilize resources and support.
- Monitoring of a series of core diagnostics, enabling audit quality leader(s) to continuously monitor audit quality and take action.
- An integrated approach to monitoring and measuring execution of the audit methodology enhancements.



Engagement reviews

Key components of engagement reviews include:

- Risk-based engagement selections with consideration of factors such as client complexity, financial condition and inspection history.
- Mandatory moderation panel to drive consistency in findings and engagement evaluation.
- External partners and deputies who oversee practice reviews to increase global consistency.
- Identifying appropriate resources (from within Deloitte Canada 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 Canada 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.

Achieving the highest levels of audit quality requires commitment, accountability and discipline at all levels of our organization, starting at and led from the top. It is a process of continuous enhancement, requiring regular checkpoints to assess progress and, when necessary, adjust course. The annual development and execution of our Audit Quality Plan is the responsibility of the Managing Partner, Audit and Assurance with oversight from the firm’s Canadian Audit Quality Board.



Analysis and remediation

Focusing on continuous improvement is essential to driving enhancements in audit quality. Continuous enhancement in audit quality includes understanding deficiencies and designing effective remediation. An Audit Quality Plan is annually prepared by Deloitte Canada and provides for effective implementation and monitoring of key audit quality priorities.



External inspections

Deloitte Canada is registered with the Canadian Public Accountability Board (CPAB) to perform audits of Canadian public companies and with the U.S. Public Company Accounting Oversight Board (PCAOB) to perform audits of U.S. public companies. Our firm is registered as third-country auditors with regulators in countries that are part of the European Union, European Economic Area and Asia. Our audit partners and professional staff members are also subject to the requirements of their applicable provincial professional bodies.

The regulators’ role is critical to upholding the value of the profession and the public interest. We believe that their regulation and inspections reinforce our values and help to strengthen our ability to serve our clients and discharge our professional role with distinction.

External inspection processes

External inspection processes are conducted to assess and evaluate whether professional services are being performed in accordance with professional standards. Our audit practice is subject to three primary types of external inspections:

External inspections

Performance of public company audits are inspected by CPAB,

Performance of SEC registrant audits or interoffice referral work performed for SEC registrants are inspected by the PCAOB, and

Audit, compilation, review and tax engagements are inspected by each provincial Chartered Professional Accountants body.

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 these reviews to enhance our system of quality control.

Independence, ethics, and additional disclosures

Deloitte Global Independence



Sets **independence policies and procedures** based upon the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants and the independence standards of the US Securities and Exchange Commission and the Public Company Accounting Oversight Board. Performs full reviews of independence quality controls on a three-year cycle; provides an annual focused review program to be performed by member firms as part of their Audit Practice Review for the off-cycle years; and performs ad-hoc reviews as needed.



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



Delivers **global systems** 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** across the Deloitte network through active engagement with independence and business leadership groups, periodic communications and alerts, and development of guidance, learning and instructions.

Deloitte Canada Independence

Deloitte Canada has policies and procedures designed to address compliance with applicable professional standards that relate to independence. These policies and procedures are based on the Deloitte Global Independence policy, and are supplemented, as appropriate, to reflect additional national or regional requirements that may be more restrictive than Deloitte Global policies. Deloitte Canada 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 Canada. 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 Director of Independence is responsible for overseeing independence matters within the member firm, including the design, implementation, operation, monitoring and maintenance of the system of quality control related to independence. The key elements of the system of quality control that Deloitte Canada

implemented in accordance with global independence policies include the following:

- Engagement acceptance and monitoring
- Monitoring length of association of partners and professionals with audited entities
- Business relationship assessments and monitoring
- Use of independence business process tools, including the Deloitte Entity Search and Compliance (DESC) system and the Global Independence Monitoring System (GIMS).
- An Inspection & Testing program, annual and special purpose independence confirmations, and consultation procedures to monitor individuals' 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. An independence compliance review was completed in November 2019

**DESC**

Deloitte Entity Search and Compliance

Global, searchable database containing specific entity information relevant in determining personal and professional independence restrictions. DESC also includes features to request and document approvals related to providing services to an entity.

**GIMS**

Global Independence Monitoring System

Application that contains financial relationship data with relevant independence compliance indicators that supports partners and managerial personnel with the monitoring of their financial holdings for compliance.

Association requirements of audit partners and professionals

Partner rotation occurs on both a required and voluntary basis to address possible institutional familiarity threats. We maintain a rotation database that records the years that each partner spends on a reporting issuer audit engagement. For SEC registrants, Lead Audit Engagement Partners (LAEPs) and Engagement Quality Control Reviewers (EQCRs) are rotated every five years and these partners can only return to the same audit engagement after a five-year “cooling off” period. For Canadian reporting issuers, the LAEPs and EQCRs rotate every seven years and can only return to the same audit engagement after a five-year cooling off period. Other audit partners are also considered for rotation.

Ethics

All Deloitte professionals are expected to act with integrity in accordance with high ethical standards as described in the Deloitte [Global Principles of Business Conduct](#) (“Global Code”). The principles in the Global Code are embedded into each member firm’s Code of Conduct, and defines the commitments that all Deloitte professionals make regarding ethical standards, as well as explaining each individual’s responsibilities to their clients, colleagues, and society.

In addition to the Global Code, other foundational elements of Deloitte’s ethics program include global policies, a program of training and communications, and established reporting channels supported by defined incident management protocols. For continuous enhancement, regular program assessments and reviews are conducted and feedback is collected from our professionals through an annual ethics survey.

Ethics at Deloitte is led by the Deloitte Global Chief Ethics Officer at the global level, and by member firm Ethics Officers at the local level, who are experienced partners with direct access to the member firm’s CEO and governing body. Deloitte Global and member firm ethics

leaders work together and to reinforce compliance with the Global Code.

Deloitte Canada maintains policies and procedures that build on the global policies and are designed to provide reasonable assurance that its professionals comply with relevant ethical requirements.

The ethical requirements for audit and related assurance services provided by Deloitte Canada are in accordance with Certified Professional Accountants’ provincial institutes. Deloitte Canada also complies with Deloitte Global policies and procedures, which align with the requirements and guidance set out in the international Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, a standard-setting body of the International Federation of Accountants (IFAC). When provincial institute’s requirements are more restrictive than the Deloitte Global policies and procedures, Deloitte Canada follows the applicable provincial rule.

Deloitte Canada reinforces its commitment to ethics and integrity through communication tools, learning programs, compliance processes, and measurement systems. In addition, Deloitte Canada requires all partners, other professionals and support staff to confirm annually that they have read and comprehended the member firm’s Code of Conduct and understand that it is their responsibility to comply with it.

Deloitte Canada monitors the effectiveness of its ethics and communications program through an annual survey. Plans are designed and implemented to address any opportunities to strengthen the ethics programs resulting from the survey process. In addition, all partners have completed the Leading with Integrity training, a 2-hour session that empower leaders to set a strong tone from the top, be a voice for ethical leadership, and foster teams with high integrity.



Deloitte Global Ethics

Deloitte is committed to conducting business with honesty, distinctive quality, and high standards of professional behavior.

Deloitte's Global Principles of Business Conduct ("Global Code") outlines Deloitte's ethical commitments as a network and expectations for Deloitte's approximately 312,000 people, giving a strong, principled foundation. The foundations of the network's ethics program is comprised of the following elements:





Shaping the future of the audit profession

Management teams, audit committees, investors, regulators, and standard setters all play critical roles in shaping the environment in which audits are performed. We strive to engage with these parties, both formally and informally, to share, offer and debate ideas with the objective of ensuring the relevance of audit and assurance in the capital markets.



Appendices

Appendix A | EU EEA audit firms

Disclosure in accordance with Article 13.2 (b)(ii)-(iv) of the EU Audit Regulation³

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 ⁴	Name of audit firms carrying out statutory audits in each Member State ⁵
Austria	Deloitte Audit Wirtschaftsprüfungs GmbH
	Deloitte Burgenland Wirtschaftsprüfungs GmbH
	Deloitte Niederösterreich Wirtschaftsprüfungs GmbH
	Deloitte Oberösterreich Wirtschaftsprüfungs GmbH
	Deloitte Salzburg Wirtschaftsprüfungs GmbH
	Deloitte Tirol Wirtschaftsprüfungs GmbH
	Deloitte Wirtschaftsprüfung Styria GmbH
Belgium	Deloitte Bedrijfsrevisoren / Réviseurs d'Entreprises CVBA / SCRL
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	AS Deloitte Audit Eesti
Finland	Deloitte Oy
France	Deloitte & Associés
	Deloitte Marque & Gendrot
	Audalian Commissaire
	BEAS
	Cisane
	Constantin Associés
	Constantin Entreprises
	D.B. Consultant
	ECA Audit
	Jacques Serra et Associés
	Laurens Michel Audit
	Opus 3.14 Audit et Conseil

³ EU Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities

⁴ EU transparency reporting requirement: 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.

⁵ EU transparency reporting requirement: the name of each audit firm that is a member of the network.

EU/EEA Member State ⁴	Name of audit firms carrying out statutory audits in each Member State ⁵
	Pierre-Henri Scacchi et Associés
	Revi Conseil
Germany	Deloitte GmbH Wirtschaftsprüfungsgesellschaft
	Deutsche Baurevision GmbH Wirtschaftsprüfungsgesellschaft
	SüdTreu Süddeutsche Treuhand GmbH Wirtschaftsprüfungsgesellschaft
Greece	Deloitte Certified Public Accountants S.A.
Hungary	Deloitte Könyvvizsgáló és Tanácsadó Kft.
Iceland	Deloitte ehf.
Ireland	Deloitte Ireland LLP
Italy	Deloitte & Touche S.p.A.
Latvia	Deloitte Audits Latvia SIA
Liechtenstein	Deloitte (Liechtenstein) AG
Lithuania	Deloitte Lietuva, UAB
Luxembourg	Deloitte Audit
Malta	Deloitte Audit Limited
Netherlands	Deloitte Accountants B.V.
Norway	Deloitte AS
Poland	Deloitte Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa
	Deloitte Audyt spółka z ograniczoną odpowiedzialnością
Portugal	Deloitte & Associados, SROC S.A.
Romania	Deloitte Audit SRL
Slovakia	Deloitte Audit s.r.o.
Slovenia	Deloitte Revizija d.o.o.
Spain	Deloitte, S.L.
Sweden	Deloitte AB
United Kingdom	Deloitte LLP
	Deloitte Limited
	Deloitte N.I. Limited

Disclosure in accordance with Article 13.2 (b)(iv) of the EU Audit Regulation⁶

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: € 2.1 billion⁷

⁶ EU transparency reporting requirement: 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.

⁷ 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 2020, 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 2019 to 31 May 2020.

Appendix B |

Financial information⁸

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

The breakdown of the Deloitte LLP's financial year 2020 turnover⁹:

Turnover ¹⁰	Canadian Dollars (in millions)
Revenues from the audits of financial statements of non-EU companies with transferable securities admitted to trading on regulated markets in the EU ¹¹	\$11.27
Revenues from permitted non-audit services of non-EU companies with transferable securities admitted to trading on regulated markets in the EU ¹¹	\$0.70
All revenues of Deloitte LLP ¹²	\$2,821

⁸ Non-EU (third-country) auditors may choose to present financial information in this or other alternative formats ([click here for illustrative example](#)).

⁹ "Turnover" for some member firms may mean revenues, net sales, etc.

¹⁰ EU transparency reporting requirement: information about the total turnover of the audit firm, divided into the following categories:

- 2(k)(i). Revenues from the statutory audit of annual and consolidated financial statements of public-interest entities and entities belonging to a group of undertakings whose parent undertaking is a public-interest entity;
- 2(k)(ii). Revenues from the statutory audit of annual and consolidated financial statements of other entities;
- 2(k)(iii). Revenues from permitted non-audit services to entities that are audited by the audit firm; and
- 2(k)(iv). Revenues from non-audit services to other entities.

¹¹ Revenues from audit and non-audit services represent aggregate amounts related to the entities listed in Appendix C based on the most recent audited fiscal year of each entity.

¹² The accounting records of Deloitte are prepared based on Accounting Standards for Private Entities adjusted in a manner that management uses to operate the businesses and considers partner fairness.

Appendix C | Third Country Audits

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

Audits of financial statements of non-EU companies with transferable securities admitted to trading on regulated markets in the EU by Deloitte LLP in the Financial Year 2019:

Name	FYE
Calgary & Edmonton Railway Company	31 December, 2019
Canadian Pacific Railway Company	31 December, 2019
CanAlaska Uranium Ltd	30 April, 2019
Finning International Inc.	31 December, 2019
First Majestic Silver Corp.	31 December, 2019
National Bank of Canada	31 October, 2019
PetroTal Corp.	31 December, 2019
St. Lawrence and Ottawa Railway Company	31 December, 2019



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