

Transparency Report 2020

Baker Tilly Bulgaria



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Leadership Message



Message from our CEO



Welcome to the Transparency Report 2020 of Baker Tilly Bulgaria. We are pleased to provide this document to articulate how our professionals bring skill, integrity and energy to each engagement as strive to create the advisory firm of the future.

The COVID-19 pandemic had us facing unprecedented global changes. Throughout the pandemic, we remain committed to delivering high-quality audit engagements, while taking appropriate measures to safeguard the health and safety of our people and clients.

Although 2020 has been a challenging year, we are delighted to report that Baker Tilly South East Europe great performance and robust growth.

In 2021, our commitment is to keep being a central point of contact for our clients and associates that operate throughout our region and working in close cooperation with the member firms of Baker Tilly network to provide excellent client service.

The challenges which are evident across the globe, including the scrutiny of high profile corporate failures globally has given rise to the need of audit transformation in order to continue to meet the needs of all stakeholders. To this extend, we have continued to invest in new technology and developing our people to evolve our audit approach and improve audit training.

This report complies with the transparency objectives of the European Union's Regulation 537/2014 which require Bulgarian statutory auditors of public interest entities (PIEs) to publish annual transparency reports.

We understand and respect the role our auditors play in the efficient operation of our capital markets. We look forward to continuing to evolve in the shared interest of our clients and stakeholders.

At this uncertain times we, at Baker Tilly, we are ready **now, for tomorrow's** challenges. We believe in the power of **great relationships**. We lead and listen for **great conversations**. We channel change into progress for **great futures**.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'M. Klitou', with a stylized flourish at the end.

Marios A. Klitou
Chief Executive Officer
Baker Tilly Klitou & Partners Limited



Message from the Managing Director



Baker Tilly Klitou & Partners OOD ("the Company") is a member of Baker Tilly South East Europe, which includes the Parent company in Cyprus and other subsidiaries in Greece, Romania and Moldova (called thereafter "Baker Tilly").

The Group is an independent member of Baker Tilly International, the top 10 accounting network worldwide.

2020 was another challenging year for Baker Tilly Bulgaria. We have expanded further our clients' portfolio and visibility on the Bulgarian market.

The Coronavirus pandemic declared in March 2020 by the World Health Organization has increased the challenges faced and efforts needed to ensure achievement of our goals. Management has taken actions to mitigate the adverse effects of the pandemic, with primary care to secure safety of its employees and ensuring business continuity.

This transparency Report is published in accordance with Art 62 of the Law on Independent Financial Audit as required for audit companies performing audits of financial statements of public interest entities.

The Transparency Report contains details and information for our Company regarding the following: legal structure and its shareholders; legal and structural relations with the network to which we belong; its governance, the Internal Quality Control System that we follow, the external monitoring on behalf of the Commission for Oversight of Registered Auditors in Bulgaria, the Public Listed Entities for which we have carried out statutory audits, the independence practices which we follow, and the continuing educational policy for our employees, the financial information relating to its financial conditions and finally, the basis of remunerating its statutory auditors.

A handwritten signature in blue ink, appearing to read 'Krassimira Radeva'.

Krassimira Radeva Registered Auditor

Managing Director Baker Tilly Klitou & Partners OOD



Who we are





Who we are

Baker Tilly is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

Operating under a unified structure, directed by a single, central management team, operating through 7 offices in 5 countries by 24 directors and 300 professionals.

At Baker Tilly, we are ready now, for tomorrow's challenges. We believe in the power of great relationships. We lead and listen for great conversations. We channel change into progress for great futures.



Over 25 years of successful experience in the markets of South East Europe



High quality services that meet your requirements and objectives



Understanding your business and sufficient experience in auditing enterprises in your industry



Providing professional support in accounting and tax accounting matters

Baker Tilly South East Europe is an independent member of Baker Tilly International. Baker Tilly International is one of the world's leading networks, uniting independent companies to provide top-quality professional services in both international and regional markets. Baker Tilly International supports network members through training, conferences and training projects that help each firm deliver services using international resources and expertise.



Alliance

In 2019, Baker Tilly South East Europe obtained the approval from Baker Tilly International, for the creation of the Baker Tilly South East Europe Alliance in Cyprus, Greece, Romania, Bulgaria and Moldova. The main goal in mind, is to provide better geographical coverage to existing Baker Tilly clients, in locations out of reach of our current presence.

Baker Tilly South East Europe provides access to technical and practice management systems, industry experience, referral opportunities and training, along with national stature and international reach. Member firms are successful local practices with certain areas of focus, with access to international accounting and consulting professionals. All alliance members also have access to:

- Educational Resources
- Technical Support
- Best Practice Updates
- Staffing Support
- Marketing Resources
- Improved Practice Management
- Customizable marketing, advertising, and presentation materials
- Networking opportunities, including regional and national Alliance conferences

Baker Tilly holds high calibre and integrity standards among alliance member firms and performs independent screenings of all potential firms and extensive background checks on all partners.

Since 2019, three independent members firms were admitted to the Baker Tilly South East Europe Alliance from the island of Rhodes, Patra and Constanta, Romania.

Members of the Baker Tilly South East Europe Alliance

1. **MDPO MANAGEMENT CONSULTANTS P.C**
Gerokostopoulou 1, Patra 26221, Greece
Managing Partner: Vasileios P. Tountopoulos
vtountopoulos@mpdo.gr
2. **Lazaros Kasekas & Associates**
Karpathou, str no 35, Rhodes Greece
Managing Partner: Lazaros Kasekas
kasekas@kasekastax.com
3. **Ceausescu & Partners**
Bd. Mamaia, 269, et.2, ap.3, Constanta, Romania
Managing Partner: Andreea Ceausescu
audit@ceausescu-partners.ro





WHO WE ARE



Legal Structure and Ownership

Legal structure of Baker Tilly Klitou and Partners Limited

Baker Tilly Klitou & Partners OOD is incorporated in Bulgaria as a private limited liability company with UIC 131349346 and under registration number in the Register of Specialized Audit Companies at IDES of 0129.

Registered address

The Company's registered address is 5, Stara Planina Str., 5th floor, 1000. Sofia. Bulgaria

Company's shareholders

The Company's share capital amounts to BGN 5,000, distributed in 50 shares, BGN 100 each. The shareholders are the following:

Baker Tilly Klitou and Partners Ltd, Cyprus holding 39 shares, representing 78% of the share capital;

Krassimira Radeva - Certified Public Accountant and Registered Auditor, Diploma № 0678, holding 10 shares, representing 20% of the share capital; and **Liliya Rangelova** – Certified Public Accountant and Registered Auditor, Diploma № 0561, holding 1 share, representing 2% of the share capital.

Basic activities

- Audit services and other assurance engagements
- Audit Related services
- Non Audit (Consulting) Services

Registration of statutory auditors

All statutory auditors (individuals and companies) are registered in the Public Register of Auditors and Public Register of Specialized Audit Companies in Bulgaria. In Baker Tilly Bulgaria there are currently 5 registered Auditors signing audit reports on financial statements: Krassimira Radeva, Galina Lokmadjieva, Lilia Rangelova, Svilena Bozhikova and Ivaylo Yanchev.

Day-to-day leadership and Management of the network.

Each geographical region has its own Council and the Chief Executive Officer of Baker Tilly in South East Europe, Mr Marios A. Klitou, is a member of the Council of the EMEA region.

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Baker Tilly International

A series of concentric circles in the bottom right corner, with the outermost circle being a light blue and the inner ones being a darker blue.



We enter 2021 with optimism. Recovery is certain to be slow, and we will not, fully at least, ever return to the way things were. But with determination and bold decisions I am confident we will find a wealth of opportunities for positive and lasting change.”

Ted Verkade

CEO,
Baker Tilly International





Description & legal structure

Baker Tilly International is one of the world's leading networks of independently owned and managed accountancy and business advisory firms united by a commitment to provide exceptional client service.

Managing Director Baker Tilly Klitou & Partners OOD is an independent member of Baker Tilly International Limited, which is a company limited by guarantee registered in England and Wales. It is owned by its members, all of which hold an equal interest in the legal entity. The members, in the Annual General Meeting, are responsible for appointing the board of directors, approving the company's strategy and other matters such as making changes to the company's constitution.

Baker Tilly International does not itself provide professional services, advice or opinions to clients but acts as a member services organisation operating from its Global Office in London. Client services are delivered regionally and nationally by a network of over 120 independent members worldwide.

Each member is a separate and independent legal entity. Each member is locally owned, operated and managed and is responsible for its own actions. No single member is responsible for the services or actions of another.

Although many members operate under the Baker Tilly name, there is no common ownership amongst the members.

Management & governance

Baker Tilly International operates with a board of directors consisting of the Chief Executive Officer (CEO), and directors drawn from independent members around the world. The board of directors appoints the CEO. It also formulates the strategy for Baker Tilly International and approves the policies and procedures to govern and manage the network. On the recommendation of the CEO and regional advisory councils, the board is responsible for admitting new members and, on occasion, terminating membership.

The network operates geographically through four regions - North America; Latin America; Europe, Middle East and Africa; and Asia Pacific. Each region has a chairperson who chairs an advisory council made up of partners from members in that region. The chairperson's role includes the co-ordination and development of business between members, the recruitment of new members as necessary and the implementation of the regional strategy.

At a management level, the network is co-ordinated by the CEO. The CEO is responsible to the board and ultimately to the members for all matters relating to the management and leadership of the network. The CEO is supported by a team at Global Office which provides support and resources to members worldwide. These are wide ranging and include international marketing and business development initiatives, technical support and the co-ordination of a global secondment programme.

Quality assurance

Baker Tilly International's members are expected to conduct all aspects of their business to the highest professional standards, to maintain integrity and to keep in good standing in their local business community.

They are required to comply with all national standards applicable to all aspects of their work. These include auditing, independence requirements and any other standards, regulations and guidance issued in a member's country which impact on their work. They are also expected to comply with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Federation of Accountants (IFAC) through the International Ethics Standards Board for Accountants (IESBA) and to carry out audits to standards no lower than those contained in International Standards on Auditing (ISAs) issued by IFAC through the International Auditing and Assurance Standards Board (IAASB).

Members are also required to comply with IFAC's International Standard on Quality Control (ISQC) 1. This requires that each member establishes a system of internal quality control designed to provide it with reasonable assurance that the member and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the member or engagement partner are appropriate in the circumstances.

Regular quality assurance reviews of all members are carried out by Baker Tilly International, with members typically subject to a review at least once every three years.



Independence

Although Baker Tilly International is a network, it is for each member to determine its position under the ethical codes which govern its work. Each member identifies those other members of the Baker Tilly International network that must be considered in respect of independence.

Each member complies with their local code of ethics. Where no local code exists or where the local code is significantly less comprehensive than the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants (Code) members are expected to comply with the IFAC Code.

All members are required to include in their audit process a procedure that requires consideration of whether there are threats to independence resulting from work done for the client and any of its related companies by themselves or any other members of Baker Tilly International. This includes discussion with the client of circumstances where any such threats may arise.

Baker Tilly International provides an Independence Database to assist members in complying with this requirement. All members are required to maintain information on the Independence Database. The Independence Database is designed to:

- allow members to check for possible conflicts as part of their internal client acceptance procedures
- permit Baker Tilly International to identify all listed audit clients to be included on the Restricted Entity List

The Independence Database includes details of all clients which are members of a listed group for which any member provides any service to any company within the listed group.

Details are recorded for all instances where members provide audit services to listed entities. This information is then used to create the Restricted Entity List which shows all the listed audit clients for whom members act as auditors.

Member firms should not hold a financial interest (for example, an investment) in any entity on the Restricted Entity List and should not provide non-audit services to those entity's without first consulting the audit team.

As at 1 November 2020, the following independent member firms of the Baker Tilly International network provided statutory audit services in the EU:

- Austria - TPA International Wirtschaftsprüfung GmbH (see Appendix 1)
- Belgium - Baker Tilly Belgium
- Cyprus - Baker Tilly Klitou & Partners Limited (see Appendix 1)
- Denmark - Baker Tilly Denmark
- Estonia - Baker Tilly Baltics OÜ
- Finland - Baker Tilly Finland Oy

- France – Strego Audit
- Germany - Baker Tilly Holding GmbH
- Ireland - Baker Tilly
- Italy - Baker Tilly Revisa SpA
- Latvia - Baker Tilly Baltics SA
- Lithuania - UAB Scandinavian Accounting and Consulting
- Luxembourg – Baker Tilly Audit & Assurance s.à r.l.
- Malta - Baker Tilly Malta
- Netherlands - Baker Tilly (Netherlands)
- Portugal - Baker Tilly PG & Associados, SROC, LDA
- Spain - Baker Tilly Iberia (see Appendix 1)
- Sweden - Baker Tilly Sweden (see Appendix 1)

Total statutory audit fees for EU members which provide statutory audit services

The total statutory audit fees for EU members for the period is approximately €133 million.



\$4.04 billion

2020 worldwide revenue (US\$)



148

territories

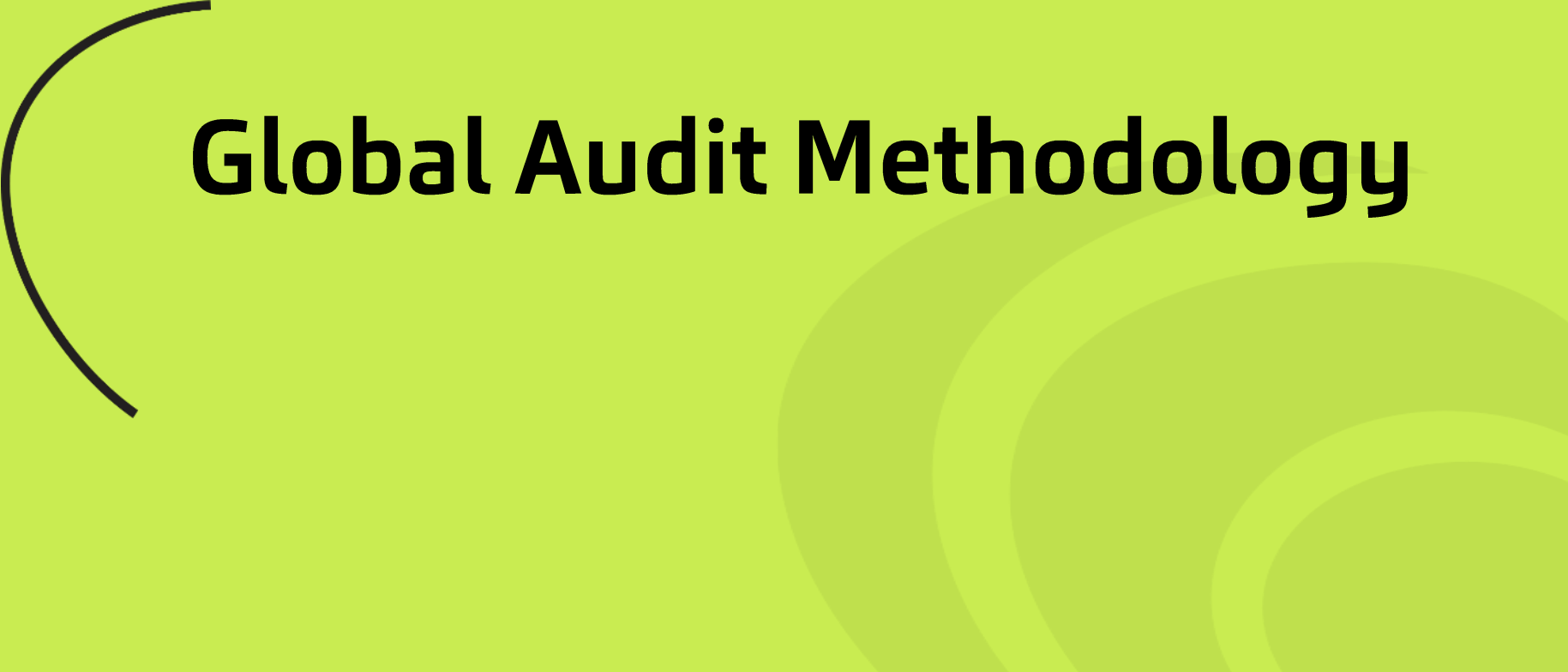


740

offices

37,000

people



Global Audit Methodology

GLOBAL AUDIT METHODOLOGY



Our global audit methodology provides us with a consistent, high quality approach anywhere in the world. The audit methodology, Global Focus, is our 'audit language' which ensures a common understanding of the audit approach and procedures. Global Focus is underpinned by advanced technology which uses intelligent software and risk registers to highlight the areas of greatest risk and provides efficient documentation tools for an electronic approach to statutory audit.

Working across borders

Global Focus provides a shared:

- Audit engagement approach for our network by establishing expectations for audit quality
- Understanding of the audit procedures performed

This allows for the following:

- Consistent and high-quality audit, tailored to the profile of each engagement
- Integrated quality assurance procedures, compliant with the International Standards of Auditing.
- Efficiency and a streamlined process – saving you time, helping meet deadlines and allowing us to focus on providing you with insights into your business
- The built-in group audit approach results in a controlled and robust process

- The risk-based approach means that we can highlight inefficiencies in your processes and make recommendations for improvement.
- Helps assure global consistency and quality with comprehensive standardised training and the capacity for central quality assurance review.

Four steps to confidence and compliance

We apply a four-step process which helps us to understand your business and deliver the best results quickly.

1. Planning

Our experts undertake activities to understand your business, including operation and internal control environment. This allows us to develop an audit plan that fits the clients' profile and results in an audit strategy that is tailored to them.

2. Risk Assessment

We assess clients' financial reporting risks and identify business-critical issues. We review and test internal controls to enhance our audit procedure and where necessary make recommendations for improvement.

3. Risk Response

We design our audit procedures to respond to the assessed audit risks identified.

4. Completing and reporting

We use a range of checks to ensure accuracy to develop the results into insights that are action based and realistic, allowing you to enhance your operations.

Technology

- Intelligent software: Using a recognised audit software platform, Global Focus introduces efficient documentation tools. The software assists the auditor to align the documentation of thought processes and risk assessments throughout the audit to automate compliance with audit requirements.
- Risk registers: The software enables us to compile risk registers tailored to your business, together with mitigating controls and reportable items.
- Remote access to audit files in real time: Software tools enable audit team members to work on one live version of the audit file, allowing teams to work on the audit wherever they are in the world and have access to the same information.

Easily understood visual presentation: Visual diagrams can be generated from the audit planning documentation to show material financial statement areas, the associated risks and the mitigating controls or control deficiencies



Corporate Governance

CORPORATE GOVERNANCE

Governance structure

Baker Tilly Klitou and Partners OOD, a subsidiary of Baker Tilly Klitou and Partners Limited, Cyprus, provides audit, other assurance and related services and consulting services in Bulgaria. It has been established in 2004 and it operates through one office in Sofia. It has 4 Managing Directors, 2 local partners and 17 audit professionals.

Description of the management structure

As of 30th April 2021, the Company is represented jointly and separately by 4 Managing Directors: Marios A. Klitou, Stelios Gregoriou, Spyros Grouits and Krassimira Radeva.

Regional Council

The role of the Regional Council is to provide advice to the Board of Directors and the Executive Committee in support of the development of strategy, policy and activity.

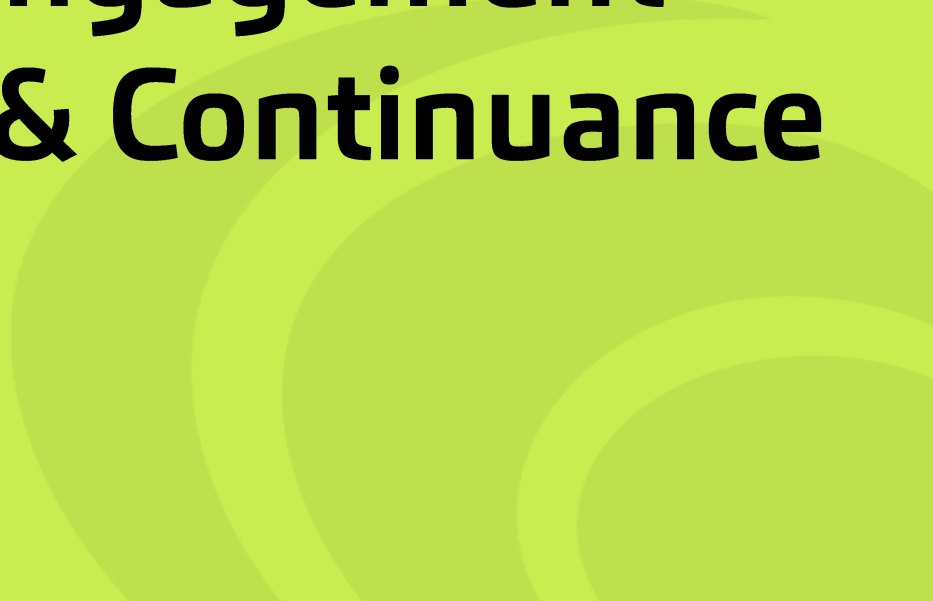
The Regional Council Consists of the following:

- Geoff Barnes – Regional Chairman
- Yiannis Evangelou – Regional Deputy Chairman
- The members of the Executive Committee of the Board
- The Country Managing Partners of the Baker Tilly South East Europe offices
- Service Line Leaders
- Selected Directors, Officers and Heads of Committees

The Council responsibilities include the following:

- Oversee and monitor the operations of the country practices and be the first to review and approve of country budgets, funding and working capital requirements and business development plans
- Support country practices in developing business and investment plans
- Implement consistent policies and processes in terms of operations finance, reporting, controlling, planning and budgeting, IT, procurement and HR)
- Develop new service offerings and branding initiatives through thought leadership



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Client and Engagement acceptance & Continuance



CLIENT ACCEPTANCE AND CONTINUANCE

Client and Engagement Acceptance and Continuance

The network of Baker Tilly International allows for each member firm to implement their own internal client acceptance and continuance policies and procedures within a global framework of principles set by the network.

The Baker Tilly South East Europe client and engagement acceptance and continuance ("CEAC") policy, sets out the policies and procedures which will determine our decision of whether to accept a new client or a new engagement, or to continue with an existing client or engagement. These comprehensive policies and processes comply with the applicable Anti-Money Laundering Laws and the Directive of ICPAC, International Standards on Auditing and the IFAC Code of Ethics for Professional Accountants as issued by IESBA.

The CEAC procedures are completed prior to agreeing the terms of an engagement and, prior to performing any other significant activities that would have been performed if the client or engagement was formally accepted or continued.

The CEAC policy applies to all member firms under the umbrella of Baker Tilly South East Europe and is monitored by the Risk department which is based at the Nicosia office. The Risk department structured the CEAC policy to be clear and practical in order to be followed by all firms within Baker Tilly South East Europe in an effective and efficient manner.

The CEAC policy is based on a risk-based approach which reflects Baker Tilly's risk appetite. A risk graded questionnaire sets the prospective or existing client's risk profile and indicates the overall risk grade. The overall risk grade will determine the acceptance or decline of a client or engagement.



The objectives of the CEAC policy are the following:

- Anti-Money Laundering procedures have been sufficiently and effectively followed as per the firm's AML manual
- Ensure that Baker Tilly's independence is safeguarded
- Ensure that any conflicts of interest have been identified and dealt with
- Baker Tilly has the professional competence to proceed with the client and relevant engagement
- Decline any clients with overall risk higher than the Baker Tilly's risk appetite
- Ensure no limitation on scope prior to audit engagement acceptance exists

Independence Database

Baker Tilly International provides an Independence Database to assist members in confirming independence. All members are required to maintain information on the Independence Database.

The Independence Database is designed to:

- allow members to check for possible conflicts as part of their internal client acceptance procedures
- permit Baker Tilly International to identify all listed audit clients to be included on the Restricted Entity List

The Independence Database includes details of all clients which are members of a listed group for which any member provides any service to any company within the listed group.

Details are recorded for all instances where members provide audit services to listed entities. This information is then used to create the Restricted Entity List which shows all the listed audit clients for whom members act as auditors. Member firms should not hold a financial interest (for example, an investment) in any entity on the Restricted Entity List.

CLIENT ACCEPTANCE AND CONTINUANCE

Engagement documentation

Our Firm in line with our Network's Audit Methodology, requires that our electronic Audit files are archived within a maximum of 60 days from the sign-off date of the audit report. Retention of electronic (and paper) audit documentation and/or client's documentation provided during our engagement is retained and/or archived following all relevant confidentiality, data retention, legal obligation guidelines.

Consultation

Our Firm has several tools available for our professionals to use in order to ensure that they are able to deliver the best possible service to our clients. To this extent, we have ensured that a comprehensive internal consultation tool is available. Through the procedures implemented our professionals can request for assistance in issues faced during their engagements, in a range of areas such as Technical, i.e. Audit methodology, Accounting and Audit Standards; Ethical and Independence Issues.

Further to the above, Baker Tilly International as a Network, has established an IFRS/ISA consulting committee, which member firms can use to direct specific queries.

Differences of professional opinion

Our firm builds and sustains a culture which encourages our audit professionals to exercise judgement, which consequently may result in difference of opinion.

When such difference of opinion occurs internal resolution policies and procedures are in place to encourage our professionals to express any disagreements and to resolve any issue relating to accounting, auditing or reporting.

Any difference of opinion it is advisable to be resolved at the audit engagement team level; however, in the case whether this is not solved the issue is escalated to the Risk department.

Withdrawal from an engagement

Our Firm, in line with the Legislation, International Standards of Auditing (as issued by the International Auditing and Assurance Standards Board and the Code of the Ethics (as issued by the International Ethics Standards Board of Accounts IESBA), has implemented a set of controls to allow us to identify instances where threads to compliance with law/standards exist. In such instances, if these threats cannot be eliminated, mitigated or dealt in an acceptable level, we have a comprehensive set of procedures to allow us to withdraw from such engagements.

Complaints and allegations

Our Firm is committed on providing high-quality service to all its clients. All client complaints and allegations against the Firm in relation to professional matters are acknowledged promptly, and formal procedures are followed with the objective of resolving complaints the earliest.

Rotation of Key Audit Partners and Key Audit professionals

Our Firm believes that rotation of the Key Audit Partner and Key Audit Staff in audit engagements is necessary to ensure that long association with audit clients, has not impaired our quality of service, or has created any familiarity issues. As per Firm policy, subject to specific parameters, Key Audit Partners and Staff rotate every 10 years. With regards to Public Interest Entities (PIE), our Firm follows the relevant European Union requirements as these are defined Regulation (EU) No 537/2014, the International Code of Ethics and Art 65 of Bulgarian Independent Audit Act.





Ethical Requirements

CLIENT ACCEPTANCE AND CONTINUANCE



Ethical Requirements

Our firm has adopted the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA).

The Board of Directors has appointed a qualified partner, Moisis Aristidou as the responsible professional in our Firm with regards to compliance with the Ethical standards (the "Ethics Partner").

The Firm has implemented policies and procedures to ensure compliance with the above Codes, as well as any other ethical standards set by Baker Tilly International. Reviews are performed whenever a change occurs and at least annually, to ensure the firm's policies and procedures remain appropriate.

The Partner responsible for compliance with the Ethics Code is also responsible for ensuring all potential threats have been recorded in the and are properly resolved. Cases reported or identified, are reviewed and presented where applicable on a monthly basis to the Board of Directors during their monthly meetings.

The firm's Ethics Partner is also responsible for recommending to the Board of Directors policies and procedures for establishing, promoting and monitoring ethical conduct amongst all personnel

More specifically, the Ethics Partner is responsible for:

- the adequacy of the firm's policies and procedures relating to integrity, objectivity and independence, their compliance, and the effectiveness of their communication to personnel within the firm; and
- providing related guidance to senior personnel.

When assessing the ethical risks to which the firm is exposed in a client relationship, the following are considered:

- The nature of client's business;
- The client ownership, management and/or directors;
- The client's financial conditions;
- The scope and nature of services of engagement;
- The attitude of the client towards the firm;

All potential threats of compliance with the Codes of Ethics are identified and reviewed by the Ethics Partner, in order to consider appropriate safeguards. Appropriate safeguards are agreed and put in place, or a decision is made to resign or withdraw from an engagement.

Any safeguards proposed must be approved by the Board of Directors.

All personnel is required to confirm, in writing, at the beginning of each year that there are no actual, perceived or potential threats to independence arising due to close family and personal relationships with an officer or senior employee of all Clients.

Independence

The Firm strongly believes that independence is a vital aspect of our code of ethics. Our policies mandate that our personnel should be independent from the clients we provide services to, so that our provided service will not be influenced or impaired. We must be impartial, unbiased, free from any undue influence or conflict of interest to override our professional judgement.

To further highlight the importance of independence in our firm, at the beginning of each year a declaration form is completed and signed by all personnel which confirms that there are no actual, perceived or potential threats to independence with any of our Clients.

Anti-bribery policy

Baker Tilly South East Europe follows strict guidelines against bribery and corruption. It is strictly prohibited for our people to accept, offer, or seek any bribery as this creates threats to our compliance with the fundamental principles of the Code of Ethics.

The above is monitored through the annual staff declaration procedure, as well as through the annual ethics audit designed to ensure our adherence to the International Code of Ethics and effectiveness of procedures and controls.

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Internal Quality Control System

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INTERNAL QUALITY CONTROL SYSTEM



Our reputation for delivering high-quality professional audit services correlates directly with our internal quality control system. We provide our services independently, objectively and ethically, which are the core principal of our Firms and our people.

Baker Tilly South East Europe's internal quality control system is based on the International Standard on Quality Control 1 ('ISQC 1'), issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), which became effective since 15 December 2009. 'ISQC 1' aims to establish standards and provide guidance regarding a firm's responsibilities for its system of quality control for audits and other assurance and related services engagements.

We, at Baker Tilly South East Europe's, we have implemented the 'ISQC 1' and created our own manual which its core purpose is to ensure that services are delivered to the highest quality and our Firm and people act under the professional standards and legal and regulatory requirements. Also, one of the principal purposes of our 'ISQC 1' manual is to ensure that audit and other reports issued are accurate and appropriate for each circumstance.

Areas which are covered by the 'ISQC 1' manual, which are the pillars of BTSEE internal control system, are :

- Leadership responsibilities for quality within the firm;
- Ethical requirements, including independence;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.

Policies and procedures of the Firm which are included on the ISQC 1 manual are regularly updated in order to reflect the needs of the Firm and to ensure that those policies and procedures are in line with the requirements of the 'ISQC 1' and the relevant EU Regulations and Directives.

The effectiveness, efficiency and sufficiency of these controls and of the system in general, is evaluated by the Baker Tilly International network. In very remote cases, where inadequacies are identified, an instantaneous corrective action is commended by the Board of Directors along with support from the Audit Quality Review Committee of the Firm.

INTERNAL QUALITY CONTROL SYSTEM

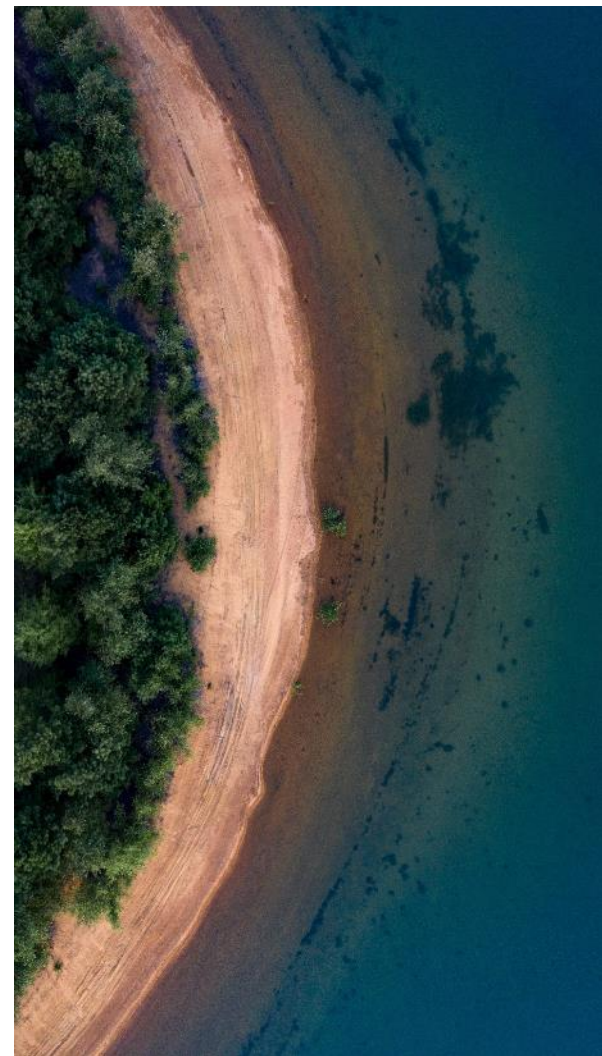
Internal Quality Control Monitoring

Audit Quality Review Committee arranges, executes and monitors quality reviews on audit engagements on annual basis as in accordance with Firm's 'ISQC 1' manual.

Audit Quality Review Committee reports the results of the quality reviews to the Board of Directors and develops respective action plans. Quality review is a detail, risk based and root cause analysis file review procedure. Primary objective of the execution of the quality review is to ensure that quality control policies and procedures, professional standards, regulatory and legal requirements have been followed and effectively implemented during all phases of the execution of the audit work in order to conclude that the audit reports issued are appropriate. Also, quality reviews, aims to identify areas on which relevant policies and procedures can be improved. Root cause analysis is implemented to each review executed in order to identify the basic reason of an issued identified and implement the proper corrective actions.

Sample of audit engagements used for quality reviews, are selected on risk-based approach, emphasizing on high-risk complex audit engagements and audit engagements of public interest companies, listed entities and none listed companies. The sample selected also includes small, none complex audit engagements as well, in order to ensure that compliance with the policies and procedures, professional standards and regulatory requirements is performed unanimously.

Quality reviewers are selected based on their skills, professional competence, knowledge, years of experience and industry specialization. Reviewers are always independent from the audit teams and the audit engagements.





External Quality Control System



EXTERNAL QUALITY CONTROL SYSTEM



Engagement Quality Control Review 'EQCR'

Annually, the Audit Quality Review Committee assess all audit engagements of BTSEE and identifies the engagement which are subject to Engagement Quality Control Review ('EQCR').

Audit engagement which meet the criteria for an 'EQC' Review are :

- Public Interest Entities;
- Entities which have unusual circumstances identifies;
- Entities for which the laws and/or the regulations requires an engagement quality control review;
- The audit engagement is of high risk, due to the sector in which the client operates, accounting practices, the quality of its management, regulatory requirements, or for some other reason;
- Whether any specific areas of the assignment are considered high risk; and
- Whether any independence issues have been identified.

Experienced professionals of BTSEE with adequate industry and professional experience and knowledge undertake the task of Engagement Quality Control Reviewer. Also, in cases of PIEs, a statutory auditor is appointed as the 'EQC' Reviewer.

The 'EQCR' must cover the following :

- Review of the significant matters, critical issues and high-risk audit areas ;
- Review of the Financial Statements or other subject matter information and the proposed report ;

- Review of selected engagement documentation relating to significant judgements which the audit team concluded to ; and
- Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate.

The Audit Quality Review Committee monitors the execution of the 'EQCR'. Monitoring of the implemented procedures and regulations is of fundamental importance in the maintenance and improvement of the high level of quality of the services provided, either this concerns assurance or non- assurance related work.

External Quality Control Monitoring

The latest internal review was performed in October 2019 by Baker Tilly International in accordance with the Baker Tilly Regulation for the Operation of a System of Internal Control.

The latest review completed by the Commission for Public Oversight over Registered Auditors was in June-July 2019 and the conclusions were that the Company is in full compliance with all material aspects of the quality requirements for the auditing services rendered and the application of the procedures as defined by the professional standards on Auditing for the quality of the auditing services rendered.



Our People





OUR PEOPLE

With disruption all around us, standing still is not an option. The key driver pushing the firm forward is our people. A blend of young graduates and mature professionals that create a fresh, innovative and forward looking working environment. In line with our mission to "make a difference for our clients, our people, our communities and our profession", Baker Tilly South East Europe network gives emphasis on attracting, recruiting, empowering, and involving its people. A culture of continuous improvement, collaboration and inclusion, paves the path to our colleagues to progress within the firm and ensure the delivery of quality services to our clients.

Attracting & Recruiting Talent

Attracting, selecting and onboarding talented individuals is of the utmost importance for the network. To ensure the timely and effective filling of vacancies, a proactive approach is undertaken, including actions to increase brand awareness, expand our reach to local and overseas student societies, as well as follow a step-bystep screening process. Regarding the latter, this includes the careful identification of vacancy requirements, drafting of adverts according specific, screening of applications, conducting competency-based interviews, using psychometric and ability testing, as well as checking references.

Regarding the former, the firm engages in the following actions:

- Developing strong relationships with local universities and colleges, by:
- Delivering brand awareness presentations targeted to specific fields of study.
- Delivering lectures / tutorials.
- Participating in career fairs and events.
- Supporting students during their studies by providing guidance and support in assignments / projects.

- Awarding top performing students.
- Participating at business games / case studies organized by universities in collaboration with professional bodies (e.g. ICAEW).
- Offering placement and internship opportunities to university students, enabling them to gain invaluable insight to how a professional services firm operates, develop technical skills, as well as extend their network.
- Options currently offered include:
 - Five-month placements to University of Cyprus students, in collaboration with the ICAEW.
 - Three-month internships, in collaboration with the ACCA.
 - One-month summer internships open to all students.
- Developing relationships with student unions of universities abroad, by:
 - Delivering presentations and events at our premises
 - Sponsoring sports events.



OUR PEOPLE

Learning & Development

The firm proactively designs an Annual Learning & Development Plan, based on knowledge, skills and behaviours that need to be developed by employees in each of our offices in the upcoming year. The objective is to provide our people with targeted opportunities to learn and develop.

The firm implements various training methods, including in-house and external seminars, conferences, webinars, on the job training, coaching, membership to professional bodies, as well as support in studying towards professional certifications/diplomas (incl. CIA, ADIT, CySEC, DPO and Insolvency Practitioner Certifications) and professional qualifications (incl. ACA, ACCA and CFA). Trainings that require physical presence are offered both locally and abroad. For the latter, resources of the regional and international network of the firm are widely used. Delivery of trainings is provided by accredited members, where applicable.

The Learning and Development Plan is communicated to our people via our internal communications portal, through which colleagues express their interest to participate in a seminar/workshop.

It is noted that the firm requires from our professionals at all levels to maintain continuous professional development, in line with relevant professional standards. Our firm follows the requirements for professional qualification as stipulated by Art 30 of Independent Financial Audit Act.

Providing Upward Feedback

A tool to support our management team is in place, whereby our people have the opportunity to give constructive feedback directly to their Managers and Directors. The nature of the scheme is mainly developmental, aiming to determine those areas that need to be improved and provide adequate support to our managers in doing so.

Involving our People

Giving a voice to our people at numerous occasions is what creates great professional relationships and fosters a culture of inclusion. Examples include the employee opinion survey, focus groups, management team workshops, as well as various internal committees of voluntary nature.





OUR PEOPLE

Partners Remuneration

Baker Tilly has developed an effective framework through which to hold Partners accountable for their actions, to evaluate their performance, review their remuneration and reward performance, always ensuring alignment with the values, risk appetite and objectives of the firm. The basis for remuneration of partners depend on the qualification, experience and years of service, securing new clients and participation in maintenance of quality and improving of company's reputation.

The framework is reviewed on an annual basis, with the aim to evaluate whether it operates as intended, that it follows local legislation and professional standards and is consistently applied across the firm.

At the cornerstone of our framework is quality. To ensure that quality standards are met in all professional services including Audit, relevant criteria have been embedded in the firm's performance evaluation and reward procedures. In cases where quality standards are met, it is recognized through the various performance evaluation mechanisms of the firm and in turn the Partners are rewarded. In cases where there is failure to meet quality standards, then this is reflected on the performance ratings and rewards of the Partner.

Factors other than quality that are taken into consideration for the evaluation of Partners' performance and in turn affect their remuneration, include complying with relevant legislation and professional standards, adhering to the firm's internal policies and procedures, acting in line with our risk principles, demonstrating active involvement in safeguarding and promoting our firm, as well as managing people effectively.



Providing Secondment Opportunities

Working as a truly regional firm, Baker Tilly South East Europe provides opportunities to our people to work in other offices of the network for predetermined periods of time. Secondtees have the opportunity to apply their knowledge and skills in a different environment, experience different sectors of the economy that are non-existing or limited in their original place of work, as well as to expand their professional network. In addition to the career and personal development benefits for secondees, the firm also gains by strengthening professional ties within the network, providing support to each office based on various busy periods, as well as further encourage the exchange of knowledge and expertise among our people.

Managing Performance

A great emphasis is placed on evaluating the performance of our people, through a number of tools. One of them is our annual performance appraisal process, through which an employee is performance is assessed, constructive feedback is provided, and objectives are determined. Appraisals provide a systematic and consistent way to evaluate performance, as well as reward our people.

In addition to the annual performance appraisals, an Interim Feedback Session is conducted mid-year, during the months of June and July, for Associates up to Assistant Managers.

The firm does not only rely to its official and recorded procedures. It rather encourages and promotes the provision of ongoing feedback and performance conversations between managers and team members.

OUR PEOPLE

Providing Opportunities for Continuous Professional Development

Based on the regular successful reviews by the professional bodies of ICAEW and ACCA, we have been awarded the following accreditations:



**ACCA Approved Employer – Trainee
Development Platinum Level**



AUTHORISED TRAINING EMPLOYER

ICAEW Approved Training Practice



Professional Development

**ACCA Approved Continuous Professional
Development (CPD) Employer status**



Practising Certificate Development

**ACCA Approved Employer Practising
Certificate Development**





Corporate Social Responsibility



CORPORATE SOCIAL RESPONSIBILITY

Our firm contributes to social needs, parallel to our people's activities in their personal lives and the community at large.

Corporate Social Responsibility is more than just an idea. It becomes a reality in our everyday lives, as it is all about understanding, identifying and focusing on social needs that our experiences and beliefs can make a difference. This way we can achieve a positive impact on our society, turning it into a positive chain reaction of corporate actions across our world.

We have recently embarked on some new paths, focusing our efforts in supporting our local communities, mostly in the countries where we operate. We pay particular attention towards easing and improving living conditions of disadvantaged groups of children and adults.

Through the development of communal partnerships, we organise, sponsor or participate in a variety of activities in our local markets.

Social Responsibility

Our Social Responsibility pillar, includes activities in the area of donations, sponsorships, volunteering and corporate leadership. We have the obligation and responsibility to give back to our society as there is no greater satisfaction than seeing the results of your actions towards making this world a little better. These include philanthropical events, by volunteering, supporting the environment by sustaining a healthy environment for future generations.

Our Social Responsibility plans focus mostly on supporting people and groups in need of assistance.



Whether this is financially, medically, psychologically or otherwise. We promote volunteering activities our people get involved as much as possible.

Our annual plans may include:

- Corporate leadership actions that focus on sharing knowledge and experiences with our stakeholders by organising and offering free access to events, publications, surveys, etc.
- Volunteering activities to support environmental causes helping social group
- Charitable actions including donations and sponsorships as well as fund-raising events.
- Offering pro-bono professional services to charity associations.
- Motivating our people to engage in community organisations.
- Offering awards to university students and trainee accountants.

Health, Safety & Environment

We expect the highest ethical standards from our people. Our policies and procedures support our aim to act with integrity in all aspects of our operations. We maintain data covering health and safety matters as well as fulfilling targets linked to continuous improvement, by promoting a wider awareness of Health, Safety and Environment (HSE) issues. As an important part of our HSE plan, we have developed health and safety training program for our offices, to include "First Aid" training to people assigned as health officers.

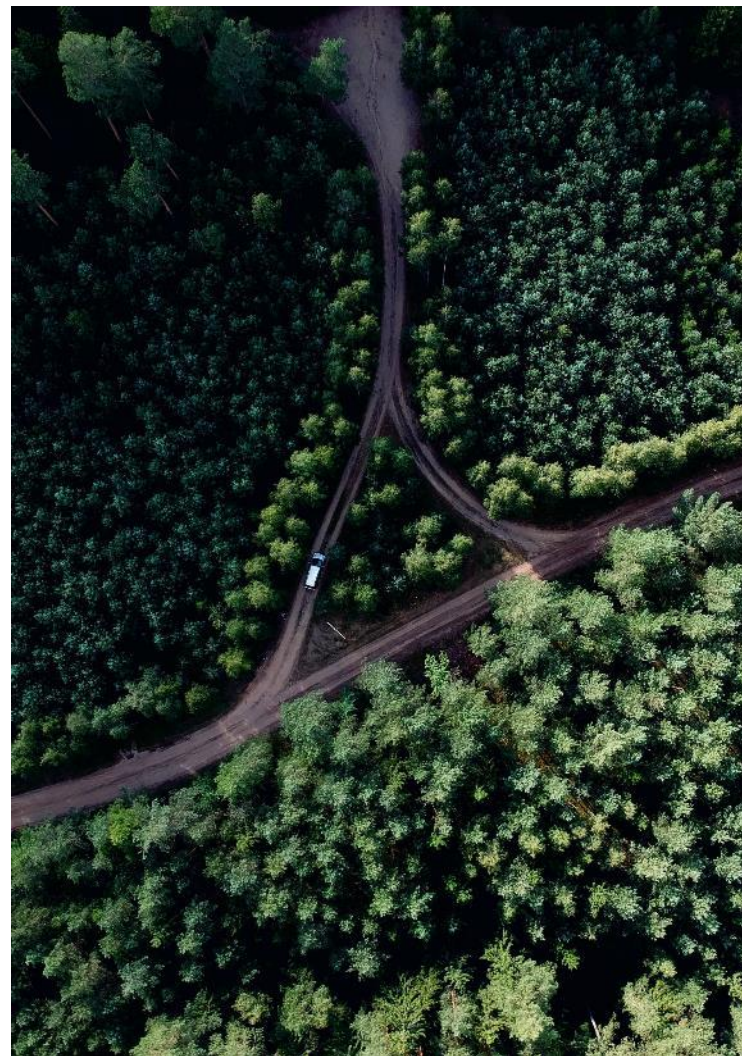
CORPORATE SOCIAL RESPONSIBILITY

Environment

We are taking appropriate steps to contribute to sound environmental practices, covering positive measures to establish and build on good working practices. These include actions in achieving efficiencies and reductions in energy and water consumption as well as waste management. We remain committed to continuous improvement in the recycling of spent materials in our offices. Our people are actively encouraged to support such initiatives. Where waste bins are separate into categories of recyclable materials located in common areas. Recycled paper and other office consumables are included in our recycling program.

We have long been committed to optimising the use of 'greener' materials in our offices. We continue to work with suppliers in using products which meet high standards toward s minimising the use of hazardous substances and are environmentally friendlier.

We recognise the importance of ensuring that our key suppliers have appropriate policies and practices on social, environmental and ethical matters.





Financial Performance

FINANCIAL PERFORMANCE



While our success is not measured by numbers alone, our financial performance serves as an indicator of how far we have come on our journey to be recognised as a leading independent accounting firm, serving leading national and global organisations. Our robust strategy and the calibre of people were the leaders in thriving within a global pandemic, market of changes and economic adversity with the firm holding

Services	Revenues in EUR'000
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	€257
Revenues from the statutory audit of annual and consolidated financial statements of other entities	€384
Revenues from permitted non-audit services to entities that are audited by the audit firm	€40
Revenues from non-audit services to other entities (non-audit clients)	€37

FY19
€607 th

FY20
€718 th



Appendices



APPENDIX 1 – NETWORK OPERATION



Network	EU statutory audit members		
TPA International Wirtschaftsprüfung GmbH	TPA International Wirtschaftsprüfung GmbH (Austria) TPA Audit OOD (Bulgaria) TPA Audit d.o.o. (Croatia) Baker Tilly TPA Sp. z o.o. (Poland) TPA Audit Advisory S.R.L. (Romania) TPA Audit, s.r.o. (Slovakia) TPA Audit, s.r.o. (Czech Republic) TPA Control Könyvvizsgáló Kft. (Hungary)		
Baker Tilly Klitou & Partners Limited	Baker Tilly Klitou and Partners Limited (Cyprus) Baker Tilly Greece Auditors S.A. (Greece) Baker Tilly Klitou and Partners SRL (Romania) Baker Tilly Klitou and Partners OOD (Bulgaria)		
Baker Tilly Iberia	Auditorum AEC, S.L.P. AEC Auditores, S.L.P. Audicat Barna, S.L.P. Auditabe Auditores & Consultores S.L and Esponera Auditores, S.L		
Baker Tilly Sweden	Baker Tilly Ahlgren & Co Baker Tilly Asplunds AB Baker Tilly EMK KB Baker Tilly Fryken AB Baker Tilly Halmstad KB Baker Tilly Helsingborg KB Baker Tilly Jönköping Baker Tilly Malmö/Lund KB Baker Tilly Mapema AB Baker Tilly Saxos KB Baker Tilly SEK AB	Baker Tilly Stint AB Baker Tilly Stockholm KB Baker Tilly Strömstad AB Baker Tilly Sydost AB Baker Tilly Umeå AB Baker Tilly Örebro AB Baker Tilly Östra Värmland AB Adsum Revisorer och Företagskonsulter AB Edlings Revisionsbyrå KB Ernströms Revisionsbyrå, AB	F. Thorell Revision AB Ahnell & Partner Revisionsbyrå Aktiv revision Guide Revision AB M. Sandbergs Redovisning & Revision AB Mora Revisionsbyrå AB Revisionsbyrån Lehto & Partner AB

APPENDIX 2 – PUBLIC INTEREST COMPANIES



Sopharma AD
Sopharma Trading AD
Sopharma Buildings
Momina Krepost AD
Gradus AD
Unicredit Bulbank AD
Eurobank AD
Commercial Bank AD
Grawe Bulgaria Life Insurance EAD
Procredit Bank EAD
Generali Insurance AD
GP Reinsurance EAD



OUR MANAGEMENT TEAM



Geoff Barnes
Regional Chairman



Yiannis Evangelou
Deputy Regional Chairman,
Head of Advisory Services



Marios A. Klitou
Regional Chief Executive Officer



Andreas Pittakas
Partner, Assurance
& Advisory Services



Krassimira Radeva
In charge of Bulgarian office
Country Managing Partner



Svetla Marinova
Director,
Head of Tax Services



Galina Lokmadjieva
Director, Head of Assurance
Services, Financial Services



Desislava Deyanova
Director, Head of
Business Services

OUR MANAGEMENT TEAM



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Deputy Chief Executive Officer
Assurance & Advisory Services



Christodoulos Loulloupis
Senior Partner, Assurance &
Advisory Services



Maria Kaffa
Senior Partner,
Assurance & Advisory Services



George Nicolaides
Partner – Financial Compliance
and Reporting Services



Neofytos Neofytou
Head of Tax Services



Savvas M. Klitou
Director, Tax Services



Moisis Aristidou
Partner, Assurance & Fund Services



Stela Ivancheva
Partner, Head of Transactional
Advisory Services



OUR MANAGEMENT TEAM



Socrates Efstratiou
Partner, Finance Department



Ariana Christou
Director, Regional Financial
Reporting



Kleovoulos Christodoulou
Director, Financial Compliance
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Neil Hughes
Managing Partner,
Corporate Restructuring
Services



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Baker Tilly Klitou & Partners OOD is a full-service accounting and advisory firm that offers industry specialised services in assurance, tax and advisory.

At Baker Tilly, we are ready now, for tomorrow's challenges. We believe in the power of great relationships. We lead and listen for great conversations. We channel change into progress for great futures.

Disclaimers

Baker Tilly Klitou & Partners OOD is part of Baker Tilly South East Europe, which is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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