

TRANSPARENCY REPORT

2020



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PKF UKRAINE LLC is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

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INTRODUCTION

We are pleased to present our Transparency Report for the year ended December 31, 2020, prepared in accordance with art. 37 of Law of Ukraine *On Audit of Financial Statements and Audit Activity* №2258 of December 21, 2017 (hereinafter referred to as Law № 2258).

This Report is designed to give information on the ownership and governance of the firm and the measures we take to maintain independence and high-quality standards in our audit and other services, as well as other information required by the above Law.

BACKGROUND INFORMATION ON PKF UKRAINE LLC

PKF UKRAINE LLC (hereinafter referred to as the Firm) provides audit services for more than 14 years, being a leading audit firm, having professional and technical resources in compliance with International standards on Auditing and auditors with extensive experience in provision of high quality services. The Firm was established to engage in audit activity in the area of independent financial control in order to protect interests of the users of financial information. PKF UKRAINE LLC provides the whole range of audit services that customers require to take optimal economic decisions.



PKF UKRAINE LLC is registered in the Register of Auditors and Audit Firms, published at website of Chamber of Auditors of Ukraine <https://www.apu.com.ua/subjekty-audytorskoi-dijalnosti-jaki-majut-pravo-provodyty-obovjazkovyj-audyt-finansovoi-zvitnosti-pidpryjemstv-shho-stanovljat-suspilnyj-interes/>, № 3886.

PKF UKRAINE LLC complies with criteria, set by the Law № 2258, for statutory audit of financial statements or consolidated financial statements of business entities including PIEs.

The Firm operates from its offices located at floor 4, 52B Bogdana Khmel'nitskogo str., Kyiv 01054, Ukraine.

1. Legal structure and ownership

PKF UKRAINE Limited Liability Company is a legal entity under Ukrainian law, created by aggregation of inputs of the participants and operating in accordance with current law of Ukraine and Statute of the Firm.

The following natural persons are the owners of the Firm:

- Iryna O. Kashtanova
- Sviatosla V. Biloblovsky
- Tatiana S. Pashyna
- Natalia. I, Gaievska.

PKF UKRAINE LLC has a subsidiary – European Center of Consulting and Appraisal, offering services on property related consulting, appraisal being its major line of business.

2. PKF International Network

2.1. PKF International network, its legal basis and structure

The Firm is a member firm of the PKF International (PKFI) family of legally independent firms. PKFI consists of members firms in locations around the world providing assurance, accounting and business advisory services. The network is a member of the Forum of Firms – an organisation dedicated to consistent and high-quality standards of financial reporting and auditing practices worldwide.

PKFI administers legally independent firms and not accept any responsibility or liability for actions or inactions on the part of any other individual member firm or firms within PKFI.

The firm does not accept any responsibility or liability for actions or inactions on the part of any other individual member firm or firms within PKFI.

PKF UKRAINE LLC does not accept any responsibility or liability for actions or inactions on the part of any other individual member firm or firms within PKFI.

Legal basis

The network formed by PKF International Limited (the Licensor or the Company) and the member firms (the Licensees) is regulated by adherence to an Operating Licence Agreement (OLA) between the Licensor and individual Licensees. The OLA authorises the Licensee to use the PKF name as defined under specific circumstances, under specific conditions, for specific purposes and in a specific territory.

The Licensor is a private company registered in England and limited by guarantee. The Company's Articles of Association require a Board of Directors who conduct the business of the Company. The Board has a strategic and co-ordinating role but has no executive authority of the operations of individual member firms.

Each Licensee is a legally independent entity owned and managed in each location. Contractual relations are only formed between a client and the member firm engaged by the

client and no other member firm may be held liable. The Company has no financial or management interest in any member firm. None of the directors of the Company has a financial or management interest in any member firm other than his or her own.

Key elements of OLA

Major requirements to membership in PKFI network are stated in Operating Licence Agreement between a member firm and PKF International Limited and International Professional Standards Manual mandatory for compliance by all members.

Member firms must have a system of internal monitoring and quality control for all practices at the firm's level. For assurance engagements and related services, quality control system must comply with IQCS 1. Overall purpose of these requirements is provision that quality control system of a member firm offers reasonable assurance that the firm and its personnel comply with requirements of professional standards and applicable laws and regulations, while the reports, issued by member firm, correspond to terms of engagements.

Member firms must file annual Compliance Report to PKFI, accompanied by Firm Report, containing information on revenues and other related information.

Basis for compliance with independence requirements of PKFI is Transnational Entities Database (TREND), used, as a component of proprietary platform, for coordination and communication. Being a central data bank on transnational clients, accessible by all PKF members, it helps to identify potential conflicts for PKFI members. This database is regularly updated based on transactional audits, and its accuracy is confirmed each year.

Central element of the network, its bodies and their communications

PKFI is the central element of the network. Its Board of Directors consists of members of International Board and President elected by International Board. The President is accountable to the Chairman of International Board and International Board.

The International Board consists of representatives nominated by all regions. Regional Chairman and other representative of Regional Board, if delegated, are member of the International Board. International Board and Regional Boards meet or conduct teleconferences, if necessary, several times per year.

PKFI sets annual Global meeting for all member firm and annual International assurance and tax meeting. Each region sets regional meetings to discuss the issues of regional interest.

In 2020, these meetings were stages in the teleconference mode.

Structure

Members firms are organised into five geographical regions. Each region has a regional board and elects or nominates representatives to the Company's Board of Directors.

There are two international committees responsible for professional and practice standards – the International Professional Standards Committee (incl. Assurance) (IPSC) and International Tax Committee (ITC). Each region is represented in these committees, regularly reporting to the International Board and the President. International Professional Standards Committee holds two meeting per year with regular teleconferences, while International Tax Committee has at least one meeting per year with regular teleconferences. A number of additional practice area committees operate both regionally and internationally

Quality assurance

PKFI operates a global monitoring programme covering member firms. The principal objectives are to ensure that the standards expected for the performance of certain types of professional work by member firms are established and communicated to firms, that those standards meet appropriate recognised professional practice requirements at least for transnational and referred work, and that a programme of monitoring of compliance with expected standards is operating effectively.

Membership of the Forum of Firms

PKFI is a member of The Forum of Firms (the Forum) which was formally established in 2002 as an independent association of international networks of accounting firms that perform transnational audits. The objective of the Forum is to promote consistent and high-quality standards of financial reporting and auditing practices worldwide. The Forum involves its members more closely with the activities of the International Federation of Accountants (IFAC) in audit and other assurance-related areas. Today Forum consists of 31 members. For more information, click <https://www.ifac.org/who-we-are/committees/transnational-auditors-committee-forum-firms>.

2.2. Member firms and countries of registration

PKF International network consists of member firms and correspondent firms operating in more than 490 cities of 138 countries in five regions, offering services on audit, review, accounting, management and tax consulting.

PKFI distinguishes between member firms and exclusive / non-exclusive correspondent firms. Correspondent firms do not form part of the Network as defined by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), have none of the rights and privileges of member firms and are not covered by the global monitoring programme. An up to date list of member and correspondent firms, including the firm names and countries in which they are registered and operate from, can be found on the website www.pkf.com. The list of member firms operating within the EU as statutory auditors is set out in [Appendix 1](#).

2.3. Net income, generated by network, from statutory audit of financial statements

Member firms and correspondent firms with total number of employees of 20,500 *(for the year ending on June 30, 2020) generated income of USD 1.454 billion.

The aggregate fee income which relates to the statutory audit of annual and consolidated financial statements by PKFI member firms in European region (excluding correspondent firms), as stated in Compliance Report for the year ended on June 30, 2020, reached USD 123 080 million.

3. PKF UKRAINE management

Highest body of PJF UKRAINE LLC, authorized to decide on any issues of its activity is General Meeting of participants of the Firm. Executive body of the Firm is Director, who manages day-to-day operations of the Firm.

Directors of business lines and engagement team leaders take part in current management of the Firm. The Firm stimulates culture of cooperation to ensure that it works as an integral team and use best abilities of the Firm to meet expectations of clients and the Firm.

4. Internal quality control system and its efficiency

PKF UKRAINE LLC implemented quality control system consisting of 6 elements in accordance with IQCS 1, describing responsibility of a firm for its system of quality control for audits and reviews of financial statements, as well as other assurance engagements and related services.

Quality control elements, introduced by IQCS 1, are applicable to all audit services, provided by the Firm. They are applies as follows:

Leadership responsibilities for quality within the firm

Responsibility for efficient work of quality control system rests with the Deputy Director – quality control director Natalia Gaievska, accountable to the Director of the Firm.

Other leaders of the Firm perform the following functions, namely:

- Director of the Firm Iryna Lashtanova is responsible for issues related to human resources,
- Directors of audit Tatiana Pashyna and Sviatoslav Biloblovsky are responsible *Engagement Performance* element of quality control system.

All policies and internal standards of the Form are available to all employees.

Responsibility for implementation of professional standards of the Firm rests with directors of business lines and engagement team leaders.

Responsibility for review of issues related to money laundering and financial monitoring, and review of appeals rests with the Director of the Firm.

Relevant ethical requirements

Requirements regarding compliance with Code of Ethics are stated in internal standards of the Firm. All employees of the Firm know ethical requirements. Annual assessment of personnel includes assessment of compliance with these requirements.

Acceptance and continuance of client relationships and specific engagements

The Firm implemented detailed procedures of acceptance and continuance of client relationships and specific engagements. Detailed client's questionnaire is prepared before acceptance of any engagement. It requires identification of the client, assessment of our independence and absence of conflict of interests, assessment of availability of resources to perform the engagement, as well as assessment of risk, connected with the potential client.

When a new client or engagement of existing client are accepted, the Firm describes, *inter alia*, the nature of engagement, responsibility of the client under the engagement and presentation of all necessary information, requirements applicable to the Firm and standard terms of the services in the contract with the client.

Besides, partners and professional, engaged in audits, including statutory audits of PIEs, prepare, prior to commencement of work or continuance of relationships, document of special format confirming their compliance with the requirements of Code of Ethics (including independence requirements).

Human resources

PKF UKRAINE LLC implemented policies and procedures to ensure that all employees have proper technical knowledge and skills, demonstrate our values and commitments when providing the services in compliance with high professional standards and ethical standards, including independence, integrity and objectivity.

The Firm has high standards of selection and continuing professional education of personnel, focusing on selection and interviewing of candidates and respective qualification requirements. Directors of the Firm take part in all interviews. References and membership on professional organizations are a plus for candidates.

All personnel is regularly assessed based on performance, perspectives of development and need of retraining.

Engagement performance

Procedures for performance of engagements are stated in detail in PKFI manuals and standards and internal manuals and standards of the Firm.

Procedures, performed during engagements, are properly documented in accordance with International Standards on Auditing. Quality control review of every engagement is performed by a specially appointed reviewer, who does not participate in the engagement and takes no decisions on the respective reports.

Work of all auditors, experts and assistants is supervised by engagement team managers and engagement partners in accordance with strict requirements regarding consultations with other partners and engagement, as the case is, of external experts.

Monitoring

Quality monitoring of audit and assurance engagements, as well as other audit services, provided by the Firm, is performed by appointed highly qualified employees supervised by quality control director. Audit engagements are inspected with the inspection reports presented to quality control director and Director of the Firm. Besides, quality control director performs annual review of assurance practice of the Firm as a whole.

Review of quality of services, provided by the Firm, is aimed at compliance with requirements of IQCS 1.

Statement of efficiency

На основі результатів моніторингу ми впевнені, що наша система контролю якості працює ефективно та забезпечує дотримання нами професійних стандартів та надання якісних послуг своїм клієнтам.

5. Latest external quality control review

PKF UKRAINE LLC is the audit firm authorized to perform statutory audits of financial statements of legal entities, including PIEs. It entails additional requirements regarding external quality control review. The Firm successfully passed all external quality control reviews. The latest external quality control review was performed by Quality Control Committee of Chamber of Auditors of Ukraine in February 2018, when, in accordance with decision of CAU №355/4 of 22.02.2018, the Firm received a Certificate of conformance of quality control system.

As a member firm of PKFI network, the Firm regularly undergoes quality control inspections by PKF International. The latest inspection was performed in January 2020.

Results of external and internal reviews and inspections are used to improve the procedures and are included into internal training programs. If necessary, quality control director issues notes of warning stating the issues to take into consideration by partners and personnel.

As of October 1, 2018, in accordance with the Law № 2258, the Firm is subjected external quality control review by Public audit oversight body once every three years.

6. Statutory audits of PIEs in 2020

In accordance with the Law № 2258, valid as of October 1, 2018, PKF UKRAINE LLC has a right to perform statutory audits, including audits of PIEs.

List of PIEs, which underwent statutory audit by the Firm in 2020, is presented in [Appendix 2](#) to the Report.

7. Practices of provision of independence and internal review of compliance with independence requirements

Internal standards of the Firm, including independence requirements state that:

- Compliance with Code of Ethics for Professional Accountants (including International standards of Independence) is higher than commercial benefit;
- Prior to acceptance of any new engagement from existing or new clients, partners and staff must identify circumstances that may create conflict of interests for the Firm and PKFI network;
- Review for potential conflict of interests in PKFI network includes analysis of Transnational Entities Database (TREND) to see if any of the member firms has any relations with new or existing client;

- Partners and managers must continuously monitor independence and, for audit engagements, confirm independence of the Firm in compliance with independence standards prior to each engagement;
- All employees of the Firm must present confirmation of their independence, absence of conflict of interests and prohibited investments every year;
- Quality control director performs annual review of the above confirmations for compliance with independence requirements;
- Inducements may be offered or accepted only when objective, reasonable and informed third party would be likely to conclude or treat their value as clearly trivial and inconsequential;
- Quality control director must be consulted on all issues of independence and professional ethics. Decision of quality control director on any of the above issued is final;
- Noncompliance with Firm's procedures must be immediately reported to quality control director and Director of the Firm.

In addition, partners and professionals, participating in audits, including statutory audits of PIEs, issue or update, if necessary, statement of independence regarding particular engagement. This statement is to be signed by all engagement team members prior to commencement of engagement. Existence of threats to independence is continuously monitored during the engagement, and, if they are identified, respective safeguards are applied.

Review of compliance with independence requirements is performed for each engagement. Independence issue is an important element of quality control monitoring and quality control reviews.

8. Continuing education of auditors

The firm complies with legal and regulatory requirements to continuing professional education of the auditors. Responsibility for complete support of professional development rests with the Director of the Firm, while actual support is offered by quality control director.

The Firm provides:

- Technical library, including online resources accessible via Internet.
- Manuals on procedures for all audit and assurance engagements and other services provided by the Firm;
- Subscription to digital newsletters and updating of digital periodicals on standards and practice of audit, accounting, finances;
- Regular external training of partners and professionals at workshops to improve professional knowledge of accounting, audit and taxation;
- Internal workshops, taking into account specific roles of personnel at each stage of career;
- Specialized internal and external workshops to meet specific educational needs.

External continuing professional education of auditors in 2020 was based on online seminars, teleconferences and workshops, short-term educational events of professional organizations and regulators. Besides, the partners often act as speakers and lecturers.

9. Key partner remuneration

Key partners of the Firm receive fixed salary Ключові партнери Фірми отримують фіксований оклад.

10. Rotation of key audit partners and auditors engaged in statutory audits

Firm's policies on rotation of key audit partners and auditors is stated in internal standards. All partners and auditors, engaged in statutory audits, must comply with the above policies of the Firm, based on requirements of Law № 2258 and ethical principles applicable to the Firm.

Statutory audit engagement partner must terminate his/her service to the client not later than 7 years after appointment while for the Form engagement must be terminated not later than 10 years after appointment, except for the banks. The Firm may perform statutory audits of financial statements of the banks for not more than 7 years after appointment.

11. Financial information

Description	UAH'000
Statutory audit fees of Public Interest Entities and companies of groups, where PIE is a parent company	7 788,3
Statutory audit fees of other audit clients	3 927,1
Fees for non-audit services to Public Interest Entities	2 480,4
Fees for non-audit services to non-audit clients	2 835,7

12. Related parties

Related party of the Firm is European Center of Consulting and Valuation LLC.


I. Kashtanova
Director
PKF UKRAINE LLC
March 31, 2021



Appendix 1. PKF International member and correspondent firms providing statutory audit services within the European Union

Registered name	Country	Head Office City
PKF Corti & Partner GmbH Wirtschaftsprüfer und Steuerberater	Austria	Graz
PKF Österreicher & Partner GmbH & Co KG Wirtschaftsprüfung und Steuerberatung	Austria	Vienna
PKF Centurion Wirtschaftsprüfungsgesellschaft mbH	Austria	Vienna
PKF Revisionstreuhand Wirtschaftsprüfungsgesellschaft m.b.H.	Austria	Salzburg
PKF Rößlhuber & Partner Steuerberatungs GmbH & Co KG	Austria	Salzburg
PKF-VMB Bedrijfsrevisoren cvba	Belgium	Antwerp
PKF Bulgaria Ltd.	Bulgaria	Sofia
Anticic Savjetovanje d.o.o	Croatia	Zagreb
PKF ATCO Limited	Cyprus	Nicosia
PKF Savvides & Co Ltd	Cyprus	Limassol
APOGEO Group, SE	Czech Republic	Prague
PKF Munkebo Vindelev, Statsautoriseret Revisionsaktieselskab	Denmark	Copenhagen
PKF Estonia OÜ	Estonia	Tallinn
Rantalainen Audit	Finland	Helsinki
Cabinet GROSS-HUGEL	France	Strasbourg
Cogeparc S.A.	France	Lyon
PKF Audit Conseil	France	Marseille
William SARL	France	Rouen
PKF - Fi.Solutions SAS	France	Paris
PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft	Germany	Hamburg
PKF Fasselt Schlage Partnerschaft mbB	Germany	Berlin
PKF Industrie- und Verkehrstreuhand GmbH Wirtschaftsprüfungsgesellschaft	Germany	Munich
PKF Issing Faulhaber Wozar Altenbeck GmbH & Co. KG	Germany	Wuerzburg
PKF Riedel Appel Hornig GmbH	Germany	Heidelberg
PKF Sozietät Dr. Fischer	Germany	Nuremberg
PKF Vogt & Partner Wirtschaftsprüfer Steuerberater	Germany	Herford
PKF WMS Bruns-Coppenrath & Partner mbB Wirtschaftsprüfungsgesellschaft Steuerberater Rechtsanwälte	Germany	Osnabrueck

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Accountants &
business advisers

PKF Wulf & Partner Partnerschaft mbB Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft	Germany	Stuttgart
PKF Canillas	Gibraltar	Gibraltar
PKF Euroauditing S.A.	Greece	Athens
PKF Audit Kft	Hungary	Budapest
PKF O'Connor, Leddy & Holmes Limited	Ireland	Dublin
PKF-FPM Partnership	Ireland	Balbriggan
PKF Italia S.p.A.	Italy	Milan
PKF Latvia SIA	Latvia	Marupe
L'Alliance Révision S.à r.l.	Luxembourg	Luxembourg
PKF Audit & Conseil S.à.r.l.	Luxembourg	Luxembourg
PKF Malta Limited	Malta	Birkirkara
PKF Wallast	Netherlands	Delft
PKF ReVisjon AS	Norway	Oslo
PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.	Poland	Warsaw
PKF II Portugal Lda	Portugal	Lisbon
PKF Econometrica S. R. L.	Romania	Timisoara
PKF Finconta S. R. L.	Romania	Bucharest
PKF Slovensko S.R.O	Slovakia	Prievidza
PKF - Audiec SAP	Spain	Barcelona
PKF Attest Servicios Profesionales, S.L.	Spain	Madrid
PKF Revidentia AB	Sweden	Stockholm
Francis Clark LLP	United Kingdom	Exeter
Johnston Carmichael LLP	United Kingdom	Aberdeen
KLSA LLP	United Kingdom	Harrow
PKF Littlejohn LLP	United Kingdom	London
PKF-FPM Accountants (uk)	United Kingdom	Belfast

Appendix 2. Public Interest Entities in respect of which PKF UKRAINE LLC issued a statutory audit opinion in 2020

Public Interest Entity
Clearing House Joint Stock Bank
I-Box Bank JSC
Asvio Bank JSC
Portal Bank JSC
3/4 Bank JSC
Bank Credit Dnipro JSC
CB Akkordbank PJSC
Credit Europe Bank JSC
METABANK JSC
Mykolaivoblenergo JSC
INTERNATIONAL INVESTMENT BANK JSV
Odessa Sea Trade Port State Enterprise
Kyivpastrans Municipal Entity
ABinBev EFES Ukraine PrJSC (SANInBev Ukraine PJSC)
PK PODILLIA PrJSC
Kniazha Life Vienna Insurance Group PrJSC
UPSK Insurance Company PrJSC
Tekom IC PrJSC
Tecom Life IS PrJSC
Kniazha Vienna Insurance Group PrJSC
VIDI-Insurance IC DLC
Naftagazstrah IC DLC
USI IC DLC
UKRFINSTRAH IC DLC
Best Leasing LLC
Vinnytsky Kombinat khleoproduktiv №2 LLC
Zorya Podillya Product Company LLC