

TSATR – AUDIT SERVICES LLC

Transparency Report 2024



CONTENTS

MESSAGE FROM THE LEADERS	02
ABOUT US	04
Information about whether the audit firm is entitled to provide audit services	04
Legal structure, ownership and governance	04
QUALITY ASSURANCE POLICY AND SYSTEM OF QUALITY MANAGEMENT	06
Quality assurance policy	07
System of Quality Management (SQM)	07
SQM risk assessment process	08
Risk management and executive leadership commitment	09
Compliance with ethical and independence requirements	10
Client and engagement acceptance and continuance	16
Engagement performance	18
Resources	22
Information and effective communication	25
SQM monitoring and remediation	26
FINANCIAL INFORMATION	29

MESSAGE FROM THE LEADERS



MARCHELLO GELASHVILI

B1 Group
Managing Partner

Welcome to the Transparency Report 2024 of TSATR – Audit Services LLC, a member of B1 Group.

B1 Group brings together top-class professionals with 35+ years of experience in delivering the most challenging projects in Russia.

We play a prominent role in Russian business circles, as evidenced by our active engagement with several leading business communities, such as the Russian Union of Industrialists and Entrepreneurs, the Russian Managers Association, the Association of European Businesses and others. In 2024, B1 Group became the lead advisor to the Union of Chinese Entrepreneurs in Russia and the Russian-Asian Union of Industrialists and Entrepreneurs.

Our shared purpose is to deliver effective business solutions, improve the business environment and promote positive social change. To achieve this, we work as a close-knit team abiding by the principle of independence and ethical standards.

This report highlights the key aspects of our commitment to audit quality, risk management, and independence – principles that underpin the trust placed in us by all stakeholders.

The highest standard of audit remains our primary goal, and our ultimate goal is to serve the public interest by impartially evaluating risk and identifying opportunities to boost confidence in the capital markets and business, and supporting long-term and sustainable value development. The work of auditors is crucial to the operation of financial markets as they help establish trust-based relationships with investors and foster transparency. Businesses, authorities and other stakeholders rely on us to perform exceptionally in each engagement.



MIKHAIL KHACHATURIAN

B1 Group Assurance Leader
General Director of TSATR –
Audit Services LLC

We are focused on expanding our toolkit to improve what we do, building high-performing teams, attracting investments and promoting the growth of the business community as a whole through the audits we deliver.

Our reputation is based on and grounded in providing high-quality professional audit services, objectively and ethically, to every company we audit.

TSATR – Audit Services LLC always strives to improve the quality of its work. As of 30 June 2024, TSATR – Audit Services LLC performed an annual evaluation of its System of Quality Management and concluded that the System of Quality Management provides reasonable assurance that the objectives of the System of Quality Management are being achieved. You can find more detail on this evaluation in the System of Quality Management section of this report.

In this report, you can also learn about our Audit Quality Policies and Procedures (AQPP) programs, which provide a framework to help address evolving audit risks and a consistent approach to sustaining high-quality audits.

Based on a number of considerations, including the assessment of our System of Quality Management which incorporates findings of our internal and external inspections, TSATR – Audit Services LLC continues to be committed to improving audit quality and maintaining our independence. We focus on this by analyzing inspection findings and taking appropriate action. We have developed and implemented a set of responses to address the most common problems and root causes identified during the inspections. Developing responses based on inspection findings is a cornerstone of our System of Quality Management, along with fostering employee accountability through well-established reporting structures.

We encourage all our stakeholders – including clients and their investors, audit committee members and regulators – to continue to engage with us on our strategy as well as any of the matters covered in this report.

ABOUT US

INFORMATION ABOUT WHETHER THE AUDIT FIRM IS ENTITLED TO PROVIDE AUDIT SERVICES

TSATR – Audit Services LLC is a member of Self-regulatory Organization of Auditors Association “Sodruzhestvo” (the abbreviated name – “SRO AAS”) and was included in the register of auditors and audit organizations under main registration number 12006020327 on 31 January 2020.

In addition, TSATR – Audit Services LLC is included in the registers of audit organizations providing audit services to public interest entities (PIEs):

- ▶ The register of audit organizations providing audit services to PIEs: entry date – 8 December 2022 (pursuant to Order No. 366 of the Federal Treasury dated 7 December 2022)
- ▶ The register of audit organizations providing audit services to public interest entities in the financial markets (PIEFMs): entry date – 26 April 2023

As of 1 January 2025, TSATR – Audit Services LLC employs 243 auditors with auditor qualification certificates issued in Russia.

For more details on TSATR – Audit Services LLC, please visit our websites: <https://tsatr-audit-services.ru/> and <https://b1.ru/en/>.

LEGAL STRUCTURE, OWNERSHIP AND GOVERNANCE

TSATR – Audit Services LLC is a limited liability company organized in Moscow, Russia, and is a member firm of B1 Group.

In this report, we refer to the audit firm as “TSATR – Audit Services LLC,” “we,” “us” or “our.” B1 refers collectively to the organization of the member firms of B1 Group.

TSATR – Audit Services LLC is owned by B1 Group JSC and three individuals (B1 partners) who are members of SRO AAS with valid auditor qualification certificates issued in Russia.

The General Meeting of Members is the supreme governing body. The scope of authority of the General Meeting of Members of TSATR – Audit Services LLC, along with its decision-making procedures, is established by the Articles of Association and complies with Federal Law No. 14-FZ *On Limited Liability Companies* dated 8 February 1998.



GENERAL DIRECTOR

The sole executive body of TSATR – Audit Services LLC is the General Director who is responsible for managing the firm's day-to-day operations. The General Director has a valid auditor qualification certificate issued in Russia.

According to the Articles of Association, the General Director:

- ▶ Manages operations of TSATR – Audit Services LLC in accordance with the decisions of the General Meeting of Members
- ▶ Approves documents governing internal operations of TSATR – Audit Services LLC, where such approval is not within the authority of the General Meeting of Members according to the Articles of Association
- ▶ Manages assets of TSATR – Audit Services LLC
- ▶ Opens settlement and other accounts with banks
- ▶ Acts on behalf of TSATR – Audit Services LLC without a power of attorney, in particular, represents its interests and enters into transactions
- ▶ Issues powers of attorney to act on behalf of TSATR – Audit Services LLC, including with the right to delegate powers
- ▶ Issues orders to appoint, transfer, dismiss, reward and discipline employees of TSATR – Audit Services LLC, and delegates the stated powers to other persons on the basis of respective powers of attorney

- ▶ Ensures compliance of information about the members of TSATR – Audit Services LLC, their interests, or portions thereof, in the firm's authorized capital and the firm's interests, or portions thereof, with records made in the Unified State Register of Legal Entities and notarized transactions involving the transfer of interests in TSATR – Audit Services LLC's authorized capital which TSATR – Audit Services LLC became aware of
- ▶ Exercises other powers that do not fall within the exclusive authority of the General Meeting of Members of TSATR – Audit Services LLC

BRANCHES

TSATR – Audit Services LLC has the following branches in Russia:

- 📍 TSATR – Audit Services LLC branch in Ekaterinburg
- 📍 TSATR – Audit Services LLC branch in Kazan
- 📍 TSATR – Audit Services LLC branch in Krasnodar
- 📍 TSATR – Audit Services LLC branch in Novosibirsk
- 📍 TSATR – Audit Services LLC branch in Rostov-on-Don
- 📍 TSATR – Audit Services LLC branch in Samara
- 📍 TSATR – Audit Services LLC branch in St. Petersburg
- 📍 TSATR – Audit Services LLC branch in Togliatti
- 📍 TSATR – Audit Services LLC branch in Vladivostok



QUALITY ASSURANCE POLICY AND SYSTEM OF QUALITY MANAGEMENT

SUSTAINABLE AUDIT QUALITY

Audit quality continues to be an unwavering priority for TSATR – Audit Services LLC.

Audit quality policies and procedures (AQPP) establish a robust management framework that enables us to deliver top-quality audit services. These policies and procedures require ongoing improvement and strict adherence to the following conditions:

- ▶ Tone at the top
- ▶ Exceptional talent
- ▶ Improvement and innovation
- ▶ Audit technology and digital
- ▶ Enablement and quality support
- ▶ Accountability

TSATR – Audit Services LLC has deployed sound technological tools and solutions that enhance the quality and efficiency of its audits, including the

Globus audit platform. The platform facilitates the use of the Milestones project management functionality, which helps audit teams stay on pace with their audit execution and coordinate interactions with management.

TSATR – Audit Services LLC remains a leader in delivering quality audits by utilizing technology and data to carry out in-depth engagement risk assessment. Members of the Professional Practice Group actively assist engagement teams in maintaining the pace and progress of their audits, facilitating prompt interaction with management, and offering essential advice when needed.

Every team member is aware of audit quality and dedicated to putting it into practice. The achievement of all our objectives and aspirations is driven and enabled by AQPP.



MILESTONES

Effective project management helps audit engagement teams to stay focused on the risks that matter most across the audit cycle, better balance the workload by allocating the right amount of time to complete the risk tasks and ensure timely executive involvement. The Milestones project management functionality is enabled through Globus.

PROFESSIONAL PRACTICE

The Professional Practice Director (PPD) is overseen by the Assurance Leader and works to establish audit quality control policies and procedures. This helps provide greater assurance as to the objectivity of audit quality and consultation processes. The PPD also leads and oversees the Professional Practice Group. This is a group of technical subject-matter specialists in accounting and auditing standards who consult on accounting, auditing and financial reporting matters, and perform various practice monitoring and risk management activities.

The PPD oversees the development of the Internal Audit Methodology and related audit policies and technologies so that they are consistent with relevant professional standards and regulatory requirements. The Professional Practice Group also oversees the development of the guidance, training and monitoring programs, and processes used by professionals at TSATR – Audit Services LLC to execute audits consistently and effectively.

QUALITY ASSURANCE POLICY

The reputation of TSATR – Audit Services LLC for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors.

To align with these values and uphold a culture of quality, we:

- ▶ Nurture and mentor employees dedicated to quality in their work, ensuring their continuous growth and professional development within the corporate culture
- ▶ Strictly adhere to applicable laws, professional regulations, quality management standards and ethical principles
- ▶ Ensure that the comprehensive System of Quality Management we have built and successfully deployed operates effectively and helps set clear quality management targets
- ▶ Consistently enhance our System of Quality Management

SYSTEM OF QUALITY MANAGEMENT (SQM)

TSATR – Audit Services LLC always strives to improve the quality of its services and continues to invest in initiatives focused on maintaining audit quality.

Policies, procedures and methods applied within the SQM are mandatory for all member firms of B1 Group and their employees. It is crucial to follow these policies, procedures and methods to accomplish the goals and objectives set by B1 Group.

To ensure compliance with the requirements of the new International Standard on Quality Management (ISQM) 1, which was issued by the International Auditing and Assurance Standards Board (IAASB) and became effective on 15 December 2022, TSATR – Audit Services LLC successfully updated internal regulations relating to the SQM.

The SQM also meets the requirements of ISO 9001: 2015 *Quality Management Systems – Requirements* (COST R ISO 9001-2015). We have established quality objectives, identified and assessed the respective risks, and designed and implemented the necessary measures for each component of the SQM. This means that control procedures (controls) apply to each process within the 10 components of TSATR – Audit Services LLC's SQM.

TSATR – Audit Services LLC's requirements for designing, implementing and operating the SQM are summarized in the internal policy "System of Quality Management." The SQM has been designed in accordance with the requirements of ISQM 1 and ISQM 2 and consists of the following key components:

- ▶ SQM risk assessment process
- ▶ Governance and leadership
- ▶ Compliance with ethical and independence requirements
- ▶ Client and engagement acceptance and continuance
- ▶ Engagement performance
- ▶ Resources
- ▶ Information and communication
- ▶ SQM monitoring and remediation process

DESIGNING, IMPLEMENTING AND OPERATING THE SQM

ISQM 1 requires a more proactive and risk-based approach to managing quality at the firm level by obliging TSATR – Audit Services LLC to design, implement and operate a system of quality management. ISQM 1 also requires evaluating the SQM at least annually.

The standard includes robust requirements for the governance, leadership and culture of professional accounting firms, and introduces a risk assessment process to focus the firms' attention on mitigating risks that may have an impact on audit engagement quality. It also requires TSATR – Audit Services LLC to ensure more extensive monitoring of the SQM to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the SQM.

ISQM 1 outlines an integrated and iterative approach to the SQM based on the nature and circumstances of the firm and the engagements it performs.

TSATR – Audit Services LLC has developed a framework that specifies the quality assurance process and the role of each employee in this process. The framework rests on high-quality engagement delivery, regular monitoring and process improvements.

The framework complies with the principles outlined in the Code of Professional Ethics for Auditors (Russian Code of Ethics), the Independence Rules for Auditors and Audit Organizations (Russian Independence Rules) developed in accordance with Federal Law No. 307-FZ *On Auditing Activity* dated 30 December 2008, and the principles set forth in the International Code of Ethics for Professional Accountants (IESBA Code).

This report reflects TSATR – Audit Services LLC's approach to audit quality but may also be useful for parties interested in consulting, tax and legal services, as quality management policies and procedures are applicable to all activities of the firm.

SQM RISK ASSESSMENT PROCESS

TSATR – Audit Services LLC has designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks, and design and implement responses to address the quality risks as required by ISQM 1.

The risk assessment process includes:

- 1 Establishing quality objectives
- 2 Identifying and assessing quality risks, and
- 3 Developing and implementing responses

The SQM is intended to operate on a continuous and iterative basis and to respond to changes in the nature and circumstances of the firm and its engagements. ISQM 1 provides the following definitions pertaining to executing the risk assessment process:

- ▶ **Quality objectives** are the desired outcomes in relation to the components of the system of quality management to be achieved by the firm
- ▶ **Quality risks** are risks that have a reasonable possibility of (1) occurring and (2) individually, or in combination with other risks, adversely affecting the achievement of one or more quality objectives
- ▶ **Responses** are policies or procedures designed and implemented by the firm to address quality risks:
 - **Policies** are statements of what should, or should not, be done to address quality risks
 - **Procedures** are actions to implement policies

Various components of the SQM are intended to be interrelated. The risk assessment process applies to all components, except for monitoring and remediation.

TSATR – Audit Services LLC performs the risk assessment process on an annual basis to identify and review information indicating that it is necessary to update or modify quality objectives, quality risks or responses due to changes in the nature and circumstances of the firm or its engagements.

SQM-RELATED ROLES AND RESPONSIBILITIES

To enable the design, implementation and operation of the SQM, employees of TSATR – Audit Services LLC are assigned certain SQM roles. The individuals in these roles have the appropriate experience, knowledge, influence, authority and sufficient time to fulfill their SQM-related roles and are responsible for fulfilling them.

Below is a summary of SQM-related responsibilities at TSATR – Audit Services LLC:

- ▶ Independence responsibility – the Independence Leader

- ▶ Monitoring and operational responsibility – the Professional Practice Director (PPD) in consultation with the Assurance Leader (AL) and the Quality Enablement Leader (QEL)
- ▶ Ultimate responsibility – the General Director of TSATR – Audit Services LLC

RISK MANAGEMENT AND EXECUTIVE LEADERSHIP COMMITMENT

The leadership of TSATR – Audit Services LLC is in charge of establishing the right attitude across the firm. Although the tone at the top is important, TSATR – Audit Services LLC's employees recognize that they also play a leadership role within their teams and should be the first to set an example of professionalism and excellence. Dedication to excellence and shared values, which motivate and direct employees to act in the right way, is ingrained in our identity and the work we accomplish.

By strongly supporting and encouraging teamwork, the B1 corporate culture emphasizes the value of internal consultations when handling intricate or ambiguous accounting, auditing, reporting, regulatory or independence matters. We also consider it critical to ensure that engagement teams and their clients appropriately follow recommendations received during consultations with the Professional Practice Group.

TSATR – Audit Services LLC's culture of internal consultation, communications and training initiatives contributes to the firm's approach to promoting corporate ethics and integrity, which is reflected in the firm's Code of Conduct and other regulations. The importance of delivering high-quality work, abiding by the firm's policies and professional standards, and setting an example is consistently emphasized by senior leadership. Furthermore, TSATR – Audit Services LLC evaluates the quality of professional services rendered as a key measure for assessing and compensating the firm's professionals.

RISK MANAGEMENT

Risk Management (RM) coordinates organization-wide activities designed to help TSATR – Audit Services LLC's people meet compliance responsibilities.

RM is responsible for:

- ▶ Providing consultations to the firm's business (client-serving) units on compliance, reputation protection, and risk prevention and mitigation matters as part of client engagements and third-party interactions
- ▶ Deploying internal compliance systems (client and supplier identification systems, the conflict of interest detection process, the independence compliance control system, etc.)
- ▶ Drafting policies and internal regulations governing compliance, risk management and independence matters as required by applicable laws
- ▶ Developing training programs for employees to increase awareness of compliance and culture development and support matters, and promote B1 values across the firm
- ▶ Cooperating with regulators in the course of regular inspections (the CBR, Treasury, SRO AAS)
- ▶ Cultivating a culture of compliance and promoting ethical behavior among individual employees and across TSATR – Audit Services LLC as a whole

The RM Leader is responsible for the implementation and operation of risk assessment and prevention processes, and compliance with applicable laws.

The RM Leader also takes responsibility for establishing consistent compliance priorities and coordinating risk management across B1.

CODE OF CONDUCT

We promote a culture of integrity among our professionals. B1 has adopted its own Code of Conduct that describes the values and behaviors we want to adhere to, which we believe will enable us to build public trust.

Our corporate values express our philosophy of life, something that unites us. The Code of Conduct reflects B1's goals, mission and values that guide us in our professional endeavors.

The Code applies to everyone at B1, regardless of their role, position or area of expertise.

TSATR – Audit Services LLC is in compliance with applicable laws and regulations and commits to acting accordingly in line with BI's values. For this purpose, TSATR – Audit Services LLC has developed a number of policies and procedures detailed below.

ANNUAL EVALUATION OF SQM EFFECTIVENESS

The General Director, on behalf of TSATR – Audit Services LLC, evaluates the SQM on an annual basis, as of 30 June, and concludes on its effectiveness.

This evaluation determines whether the SQM in place at TSATR – Audit Services LLC provides reasonable assurance that:

- ▶ TSATR – Audit Services LLC and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and audit engagements are conducted in accordance with such standards and requirements, and
- ▶ Reports and conclusions issued are appropriate in the circumstances

The SQM effectiveness evaluation utilizes information gathered from monitoring activities performed over a period. The evaluation considers the results of the following:

- ▶ Tests of SQM key controls
- ▶ Internal and external engagement reviews
- ▶ Other monitoring activities (e.g., tests of compliance by TSATR – Audit Services LLC and its personnel with ethical requirements related to independence, quality criticisms made by external regulators relevant to the SQM, issues reported through the Ethics Hotline, etc.)

Professional judgment is used in evaluating the results of the monitoring activities, including in determining whether findings, individually or in combination with other findings, rise to the level of a deficiency. Any deficiencies identified require a root cause analysis, a quality improvement plan and a severity and pervasiveness evaluation. If a significant deficiency is identified, we assess whether its effects have been eliminated and whether the corrective actions taken by 30 June have been effective before drawing a conclusion based on the annual SQM evaluation results.

QM EVALUATION CONCLUSION AS OF 30 JUNE 2024

The evaluation conclusion for TSATR – Audit Services LLC as of 30 June 2024 is that its SQM provides reasonable assurance that the established quality objectives are achieved.

COMPLIANCE WITH ETHICAL AND INDEPENDENCE REQUIREMENTS

INDEPENDENCE

Compliance with relevant ethical requirements, including independence, is a key element of the SQM. In their day-to-day activities, employees of TSATR – Audit Services LLC:

- ▶ Follow basic **ethical principles** as their guiding standard of conduct:
 - Integrity
 - Objectivity
 - Professional competence and due care
 - Confidentiality
 - Professional conduct
- ▶ Demonstrate **independence of thought** and **independence of conduct** in order to be free of any interest that may be considered incompatible with basic ethical principles.

Independence of thought implies a mindset that enables the auditor 1) to draw conclusions unaffected by influences that could compromise professional judgment, and 2) to act with integrity, demonstrating objectivity and professional skepticism.

Independence of conduct implies acting in a way that avoids any facts or circumstances that are so significant that a reasonable and informed third party, weighing all the facts and circumstances, could justifiably conclude that the auditor's integrity, objectivity or professional skepticism has been compromised.

The Independence team and Independence Leader of TSATR – Audit Services LLC are responsible for the following matters:

- ▶ Developing, implementing and updating policies, guidelines, instructions and templates related to independence
- ▶ Automating independence processes (designing, implementing and administering systems)
- ▶ Carrying out a centralized regular personal independence confirmation process
- ▶ Conducting regular independence training for employees
- ▶ Performing regular reviews of independence compliance and the effectiveness of internal controls related to independence, as well as developing recommendations for the firm's leadership to improve such controls

- ▶ Consulting on independence matters
- ▶ Maintaining a register of independence-related violations

INDEPENDENCE POLICY

The Independence Policy establishes key requirements and prohibitions **to be observed** in addressing general independence matters that apply to all firms and employees of B1 Group. The Independence Policy is predicated on the independence requirements of the IESBA Code, Federal Law No. 307-FZ *On Auditing Activity* dated 30 December 2008, the Independence Rules for Auditors and Audit Organizations approved by the decision of the Management Board of SRO AAS, the Code of Professional Ethics for Auditors approved by the decision of the Management Board of SRO AAS, and other applicable independence requirements, e.g., those established by the United States Securities and Exchange Commission (US SEC).

The Independence Policy covers the following areas:

- ▶ Roles and responsibilities of the firm's leadership, Independence team and employees
- ▶ Independence-related consultations and documentation
- ▶ Personal independence of employees (financial interests, employment and family relationships, banking and other business relationships, litigations, gifts and hospitality, rotation and long-term association, remuneration, compensation payments and employee performance evaluation)
- ▶ Independence of TSATR – Audit Services LLC (financial interests, banking and other business relationships, litigations)
- ▶ Service provision and remuneration matters

The Independence Policy is an example of an intellectual resource provided to drive consistency in the SQM.

To ensure compliance with the Independence Policy, TSATR – Audit Services LLC has implemented procedures and systems as described below.

INDEPENDENCE CONTROL SYSTEM (SKN)

SKN is an intranet-based tool that includes family-tree data with related parties of all audit and assurance clients of TSATR – Audit Services LLC.

The client data includes notations that indicate independence restrictions (e.g., relating to non-assurance services, financial interests, loans, business relationships) and approvals required for non-assurance services to be provided to such clients (e.g., approvals from the lead coordinating partner for the client, the engagement partner, those charged with governance or the client's audit committee). The engagement partner is responsible for timely, accurate and complete input of information into SKN.

PERSONAL INDEPENDENCE CONTROL SYSTEM (SKPN)

SKPN is an intranet-based tool that assists employees in documenting and monitoring 1) personal investment portfolios and 2) employment and family relationships for executive and independence-sensitive roles to prevent non-compliance with professional standards, laws, rules and other regulations governing personal independence.

Individuals in executive and independence-sensitive roles mean members of the Board of Directors (including independent directors), officers (including persons responsible for maintaining accounting records), and persons holding a significant accounting and/or financial reporting oversight roles.

SKPN is integrated with both an external securities directory and SKN. All partners and officers of TSATR – Audit Services LLC, all Assurance employees and client-serving employees in the position of manager and above from other service lines are required to use SKPN to check financial instruments to be purchased. If the issuer or borrower of a financial instrument is an audit client or its related party, the instrument is flagged as "prohibited" for partners and other persons who are subject to independence restrictions. If the instrument was initially marked as "permitted" and included in an employee's personal portfolio but subsequently flagged as "prohibited" (as the issuer or borrower became an audit client or its related party), the employee is automatically notified of the status change and instructed to immediately



dispose of the instrument if the employee is a partner or another person who is subject to restrictions. Employees must also check financial instruments of their immediate family members before acquisition and include them in their portfolios in SKPN.

All partners and officers of TSATR – Audit Services LLC are prohibited from owning any financial instruments of, or having any financial interests in, any of its audit clients (including their related parties). Other employees subject to independence restrictions in relation to an audit client (including its related parties) are prohibited from owning any financial instruments of, or having any financial interests in, that client (members of audit/engagement teams, employees in the position of manager and above who spend 10 or more hours providing non-assurance services to the audit client, and partners from the same office as the engagement partner).

All B1 employees are prohibited from establishing employment relationships with any audit client of TSATR – Audit Services LLC.

Personal independence confirmation

Several processes must be followed to confirm the absence of prohibited relationships with audit clients (including their related parties and independence-sensitive personnel):

- ▶ **Annual** independence confirmation by officers of TSATR – Audit Services LLC and client-serving employees (via SKPN)
- ▶ **Quarterly** independence confirmation by Assurance employees in the position of manager and above (via SKPN)
- ▶ Independence confirmation by **new** officers of TSATR – Audit Services LLC and client-serving employees (via SKPN)
- ▶ Independence confirmation by **audit/engagement team members** (via the Independence Matrix)

Annual reviews

The Independence team reviews personal independence compliance on an annual basis based on established criteria.

In 2024, B1 conducted selective reviews for 28 partners and 29 other employees.

INDEPENDENCE ASSESSMENT BEFORE ACCEPTING AN AUDIT ENGAGEMENT FOR A PUBLIC INTEREST ENTITY

In addition to the standard verification procedure, which is always carried out when accepting any new client for an audit and includes, among other things, an analysis of independence matters, TSATR – Audit Services LLC conducts a set of enhanced independence review procedures specifically for new PIE clients. These procedures are also performed when the current audit client becomes a PIE.

NON-ASSURANCE SERVICES FOR AUDIT CLIENTS

In addition to the standard verification procedure, which is always carried out when accepting any new engagement, all non-assurance services for audit clients of TSATR – Audit Services LLC are subject to approval by the engagement partner prior to the commencement of the engagement period. A detailed independence analysis of a service, along with conclusions drawn based on professional judgment, is documented in the independence memorandum.

Conclusions on compliance with independence requirements regarding non-assurance services provided to PIE audit clients, or to their controlling or controlled entities, must be additionally approved by those charged with governance.

PROFESSIONAL SERVICES DIRECTORY (KPU)

We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed.

B1 has launched an automated KPU, an intranet-based tool containing:

- ▶ A list of all services offered by all service lines
- ▶ General and detailed service descriptions
- ▶ Basic principles and forms of service delivery
- ▶ Common threats to independence
- ▶ General independence restrictions and restrictions applying to certain audit or assurance clients (KPU is synchronized with SKN)

INDEPENDENCE LEARNING

All partners and officers of TSATR – Audit Services LLC and all Assurance employees are required to participate in an annual online independence learning program that covers:

- ▶ **General independence matters** (the concept of “independence,” employee responsibilities, key systems and concepts)
- ▶ Personal independence matters (**individual restrictions**)
- ▶ Corporate independence matters (**corporate restrictions**)
- ▶ **Audit service** delivery matters
- ▶ Matters related to delivery of **non-assurance services** to audit clients

Upon completion of the learning program, employees are required to take a test validating the knowledge gained.

In addition, the Independence team holds regular topic-specific webcasts, reminds employees of important independence matters and communicates independence-related changes via regular corporate newsletters.

BUSINESS RELATIONSHIP ASSESSMENT

Employees responsible for B1's external business activities (i.e., any relationships not associated with professional services) must complete a procedure in the System for Analysis and Approval of Business Relationships to avoid any threats to independence in business relationships with audit or assurance clients of TSATR – Audit Services LLC. The system manual describes situations when such business relationships must be approved by the Independence team.

AUDIT FEE THRESHOLDS

TSATR – Audit Services LLC conducts an annual review of fees earned from audit clients.

Pursuant to the requirements of the Independence Rules for Auditors and Audit Organizations (paragraph 2.8.T.) and in accordance with the Independence Policy, where the total fees received for each of five consecutive years from a non-PIE audit client represent or are highly likely to represent more than 30% of TSATR – Audit Services

LLC's total fees, the firm must assess whether any safeguards can reduce the threat to independence to an acceptable level, and, if so, implement those safeguards.

Pursuant to the requirements of the Independence Rules for Auditors and Audit Organizations (paragraph 2.11.T.) and in accordance with the Independence Policy, where the total fees received for each of two consecutive years from a PIE audit client represent or are highly likely to represent more than 15% of TSATR – Audit Services LLC's total revenue for the respective year, the firm must assess whether the safeguards described in paragraph 2.11.T. of the Independence Rules can reduce the threat to independence to an acceptable level, and, if so, implement those safeguards.

Over the past two years, no fees from any audit client have accounted for more than 15% of total fees received by TSATR – Audit Services LLC.

ROTATION OF PARTNERS AND SENIOR PERSONNEL

To avoid familiarity and self-interest threats that may arise when an audit team member is involved in the audit of the same audit client over a long period of time, TSATR – Audit Services LLC supports mandatory rotation of key audit partners overseeing PIE audit engagements in compliance with the requirements of the IESBA Code and the Independence Rules for Auditors and Audit Organizations.

In respect of a PIE audit, an individual must not act in any of the following roles, or a combination of such roles, for a period of more than seven cumulative years (the time-on period):

- ▶ The engagement partner (EP)
- ▶ The engagement quality reviewer (EQR)
- ▶ Any other key audit partner (KAP) role

After the time-on period, the individual must serve a cooling-off period, which is five consecutive years for EPs, three consecutive years for EQRs and two consecutive years for KAPs.

In addition, TSATR – Audit Services LLC operates a system monitoring long association of the EP and the EQR with non-PIE audit clients and assurance clients.

In respect of a non-PIE audit, an individual must not act in an EP or EQR role, or a combination of such roles, for a period of more than 12 cumulative years. After the time-on period, the individual must serve a cooling-off period of two years. All exceptions must be approved by the PPD.

To ensure compliance with rotation and long association requirements, TSATR – Audit Services LLC has implemented an automated rotation system for partners and senior personnel that automatically tracks time-on and cooling-off periods.

INDEPENDENCE BREACHES

Employees of TSATR – Audit Services LLC are required to immediately notify the Independence team if they become aware of any actual or potential independence breaches. All instances of non-compliance with the Independence Policy, the IESBA Code, Federal Law No. 307-FZ *On Auditing Activity* dated 30 December 2008, the Independence Rules for Auditors and Audit Organizations approved by the decision of the Management Board of SRO AAS, the Code of Professional Ethics for Auditors approved by the decision of the Management Board of SRO AAS and other applicable independence requirements must be thoroughly investigated and documented. Appropriate safeguards must be implemented to reduce any threats to an acceptable level. In cases of regulatory violations, such incidents must be promptly communicated to those charged with governance.

At TSATR – Audit Services LLC, non-compliance incidents affect the annual key performance indicators (KPIs) related to risk management and quality assurance, which can subsequently have an adverse impact on the employees' overall performance ratings, annual bonuses and career opportunities.

Ethics Hotline

The B1 Ethics Hotline provides B1 people, clients and any third parties with a means to report, either openly or anonymously, activity that may involve unethical or improper behavior, and that may be in violation of professional standards.

When a report comes into the B1 Ethics Hotline, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Legal or other functions are involved in addressing the report.

There are two channels of communication:

- ▶ Internet: <https://hotline.b1.ru>, and
- ▶ Email: ethicshotline@b1.ru

B1 guarantees that no retaliatory actions will be taken against an employee or any other individual who raises concerns in good faith.

Anti-bribery

We do not tolerate bribery and corruption in any form, including from third parties, suppliers and clients. Our Anti-bribery Policy provides employees of TSATR – Audit Services LLC with direction on certain unethical and illegal activities. It emphasizes the obligation to comply with anti-bribery laws and provides a definition of what constitutes bribery. The Policy also identifies reporting responsibilities when bribery is discovered.

Insider trading

Securities trading is governed by many laws and regulations, and B1 personnel are obliged to comply with applicable laws and regulations regarding insider trading. This means B1 personnel are prohibited from trading in securities, while in possession of material, non-public information.

The B1 Insider Trading Policy reaffirms the obligation of B1 people not to trade in securities when in possession of insider information, provides detail on what constitutes insider information, and identifies with whom B1 people should consult if they have questions regarding their responsibilities.

The B1 Insider Trading Policy has been developed in accordance with paragraph 1 of Article 11 of Federal Law No. 224-FZ *On Prevention of Insider Information Abuse and Market Manipulation and on Amendments to Certain Laws of the Russian Federation* dated 27 July 2010 and other laws and regulations of the Russian Federation to manage the provision, modification and termination of access to insider information in each of B1 firms.

Anti-money laundering (AML)

TSATR – Audit Services LLC has put in place policies and procedures, such as risk assessments, suspicious activity reporting, identification and Know Your Client (KYC) procedures, to fulfill these commitments in accordance with the AML Policy. All employees are required to comply with applicable laws and regulations. Selected personnel of TSATR – Audit Services LLC receive training on their legal obligations as well as pointers on who to contact with inquiries.

TSATR – Audit Services LLC has developed the Internal Control Rules in accordance with the current legislation of the Russian Federation and pursuant to the provisions of Federal Law No. 115-FZ *On Anti-Money Laundering and Countering the Financing of Terrorism* dated 7 August 2001.

TSATR – Audit Services LLC has appointed a special officer responsible for the implementation of the Internal Control Rules. The special officer is required to complete the relevant training before performing the assigned functions.

Personal Data Protection Policy

The standards for the acquisition, use and protection of personal data – including that pertaining to current, former and potential employees, clients, suppliers and business associates – are outlined in the Personal Data Protection Policy.

The Policy supports respecting and protecting personal information, in accordance with applicable law, regulatory frameworks and professional standards.

Confidentiality Policy

TSATR – Audit Services LLC's operations are deeply rooted in the protection of sensitive information. Internal regulations demand respect for intellectual capital and any other sensitive or restricted information. These regulations offer a clear set of guidelines to direct behaviors expected of all individuals who work with B1 Group. The Confidentiality Policy goes into further detail about our method of information protection and reflects the constantly evolving limitations on data use. This Policy constitutes the core, broader confidentiality framework that contains important policies on conflicts of interest, privacy of personal data, and record-keeping. It also adds further clarity for individuals who work with B1 Group.

Other guidance includes:

- ▶ Social media guidance
- ▶ Information handling requirements

Furthermore, B1 Group professionals are expected to report any behavior they witness that they believe violates a law, rule, applicable standard or internal policies. This is mandated by the Code of Conduct and also covers the incorrect or unauthorized sharing of private data.

Cybersecurity

TSATR – Audit Services LLC has a strong data privacy and information security system in place that is in line with industry standards, complies with applicable laws and regulations, and safeguards the availability, confidentiality and integrity of both personal and commercial data.

The proactive approach to cybersecurity applied by TSATR – Audit Services LLC involves putting in place the systems and procedures required to control and reduce cybersecurity risks. A committed group of information security experts keeps a close eye on TSATR – Audit Services LLC's IT environment and guards it against unwanted access to systems and data.

Beyond technical and process controls, all employees are required to annually affirm in writing their understanding of the principles contained in the Information Security Policy and Acceptable Use of Technology Policy, as well as their commitment to abide by them.

TSATR – Audit Services LLC has extensive security training beginning with the onboarding process. All employees receive regular and periodic communications, reminding them of their responsibilities outlined in these policies and of general security awareness practices. Other ongoing programs include security awareness training sessions

delivered to employees in different training methods. They cover various security topics and changes in regulatory and cybersecurity landscapes.

CLIENT AND ENGAGEMENT ACCEPTANCE AND CONTINUANCE

CLIENT AND ENGAGEMENT ACCEPTANCE AND CONTINUANCE POLICY

The Policy sets out principles for TSATR – Audit Services LLC to determine whether or not to accept a new client, a new engagement for an existing client, or agree the terms of any new engagement. These decisions are crucially important for managing risk, protecting employees and meeting regulatory requirements. The principles set by the Policy are fundamental to maintaining high quality and help ensure the adherence to B1 Group values, address risk and drive consistency in the SQM.



THE OBJECTIVES OF THE POLICY ARE TO:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients or engagements that pose excessive risk
- ▶ Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements

In addition, the Policy on Conflicts of Interest defines standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for managing potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing appropriate separations between engagement teams or declining an engagement to avoid an identified conflict.

The Policy on Conflicts of Interest and associated guidance considers the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. The Policy is based on the requirements of the IESBA Code and the Code of Professional Ethics for Auditors approved by the decision of the Management Board of SRO AAS.

ENGAGEMENT ASSESSMENT

Each engagement opportunity requires risk evaluation to analyze a number of factors, including possible independence issues, conflicts of interest, intended purpose and application of the engagement results, and public perception.

Additionally, we determine whether the provision of services aligns with our ethical principles and values, considering the specific nature of the engagement.

For example, for an audit engagement, we assess the competence and expertise of the client's personnel responsible for accounting and reporting, as well as the qualifications and experience of our professionals assigned to the engagement. This process involves executives of TSATR – Audit Services LLC and may require the approval of the PPD.

For a first-year audit engagement, the engagement team is subject to enhanced independence procedures, which include reviewing non-audit services to be provided and analyzing other potential business, financial and personal relationships with the client. A similar procedure is applied to existing audit clients when they attain a PIE status or become subject to additional independence restrictions due to certain circumstances.

Additional risk mitigation measures may be taken depending on the results of risk evaluation for a prospective client or engagement.

We will reject the client or engagement if it is not possible to eliminate a threat to independence or a conflict of interest in accordance with applicable professional and corporate standards, or if there are other quality or risk matters that cannot be appropriately addressed.

PUTTING POLICY INTO PRACTICE

TSATR – Audit Services LLC uses the B1 Tool for Client and Engagement Acceptance and Continuance (PKiP), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with service line and B1 Group policies. PKiP takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

Decisions about acceptance or continuance of clients and engagements consider the engagement team's assessment of several risk factors across a broad range of categories, including management's attitude, internal controls and related parties.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement and the results of due diligence procedures. Before taking on a new engagement or client, we determine whether we can commit

sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process is rigorous, and no new audit engagement may be accepted without the approval of the PPD.

In the annual client and engagement continuance process, we review our service and ability to continue to provide a quality service, and confirm that clients share TSATR – Audit Services LLC's commitment to quality and transparency in financial reporting. The lead audit engagement partner of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate.

As a result of this review, certain audit engagements are identified as requiring various oversight procedures during the audit, and some audit clients are discontinued. As with the client acceptance process, our PPD and Assurance Leader are involved in the client continuance process and must agree with the continuance decisions.

ENGAGEMENT PERFORMANCE

TSATR – Audit Services LLC continuously invests in developing audit methodologies and tools, with the goal of performing the highest-quality audits.

All of our professionals are required to strictly follow all applicable requirements, policies and procedures, including those pertaining to independence. For this purpose, we have developed an extensive suite of specialized guidelines and supportive tools. Policies and procedures governing audit engagements are based on current accounting principles and auditing standards and incorporate professional ethics and quality control requirements, as well as provisions of applicable laws and regulations. These compliance measures help ensure high quality and reliability of our services.

UNIFIED METHODOLOGY FOR AUDITS AND OTHER ASSURANCE ENGAGEMENTS

TSATR – Audit Services LLC's Internal Audit Methodology provides a framework for delivering high-quality assurance services through the consistent application of thought processes, judgments and procedures in all assurance engagements, regardless of the size. The Internal Audit Methodology also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments, reconsidering

and modifying them as appropriate, and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to the Internal Audit Methodology. The methodology also emphasizes applying appropriate professional skepticism in the execution of audit procedures. The Internal Audit Methodology is based on International Standards on Auditing (ISAs) and is supplemented to comply with Russian regulatory and statutory requirements.

The Internal Audit Methodology is organized by topic, and is designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. The Internal Audit Methodology consists of two key components: (i) requirements and guidance and (ii) supporting forms and templates. The requirements and guidance reflect both auditing standards and our internal policies. The forms and templates include leading practice illustrations and assist in performing and documenting audit procedures.

The Internal Audit Methodology can be tailored to the relevant requirements and guidance, depending on the nature of the entity being audited, e.g., there are profiles for listed entities and for those considered non-complex entities, etc.

Enhancements have been made to address emerging auditing issues and matters, changes in International Standards on Auditing, implementation experiences, and external and internal inspection results. Recently, enhancements have been made to our Internal Audit Methodology to emphasize the holistic approach to identifying, assessing and responding to fraud risks as well as to significant risks of misstatements of financial information. This approach includes applying the fraud triangle as a lens on the information obtained from our risk assessment procedures. This approach also emphasizes evaluating the results of our audit procedures in the context of responding to the risk of material misstatement in financial statements due to fraud.

Also, the Internal Audit Methodology was updated for the requirements of ISA 220 (Revised) *Quality Management for an Audit of Financial Statements*, ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and new independence requirements of the IESBA Code of Ethics for pre-concurrence of non-assurance services and disclosure of fees. A suite of enablement to implement the new and revised requirements was issued.

In addition, current and emerging developments are monitored and timely audit planning and execution communications are issued. These emphasize areas noted during inspections as well as other key topics of interest to local audit regulators and the International Forum of Independent Audit Regulators (IFIAR).

TECHNOLOGY

TSATR – Audit Services LLC's audit engagement teams use technology to assist in executing and documenting the work performed in accordance with internal policies.

Globus, an audit platform, enables us to provide a high-quality audit. It is a customized technology solution that allows us to evolve our software to respond to changes in the accounting profession and regulatory environment.

Through the use of profile questions, audit engagements in Globus are automatically configured with information relevant to an entity's size, complexity and listing requirements. This helps to keep pre-populated audit plans customized and up-to-date. Globus allows teams to address risks and their relationship to the planned response and work performed in key areas, as well as to arrange electronic audit documentation in the correct order reflecting the sequence of functional operations performed.

Audit engagement teams use other applications, data analyzers and forms during various phases of an audit to assist in executing procedures, making and documenting audit conclusions, and performing analysis.

CERTIFICATION OF TECHNOLOGY

The technology certification process helps TSATR – Audit Services LLC verify that technology used in audit engagements is fit-for-purpose, i.e., that it accomplishes its objectives, is appropriate for use in the audit circumstances, and that the firm's personnel have the necessary capabilities to use it.

Areas covered by the certification include, inter alia, a clear definition of the solution's objective for audit evidence; its proper testing; the availability of methodology, enablements and learning to support its application; and the appropriate management of pertinent legal and regulatory requirements, such as data privacy.

ADDRESSING THE RISK OF FRAUD

TSATR – Audit Services LLC monitors its audit procedures and implements changes that are necessary in order to more effectively combat fraud as part of continuous improvement initiatives. Businesses now have access to more data than ever before, opening new avenues for data mining, analysis and interpretation to uncover fraud. We are increasingly employing data analytics to spot unusual transactions and transactional trends that could point to fraud.

However, there are limitations to technology, and sound judgment is still necessary. In order to enhance fraud detection, it is the duty of all parties involved – management, boards of directors, auditors and regulators – to pay closer attention to corporate culture and tone at the top.

TSATR – Audit Services LLC is taking additional actions to address this important area of audit, including:

- ▶ The use of data analytics for fraud testing in audits
- ▶ Using additional internal and external data and information to enable more targeted responses to external risk indicators
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis

ENGAGEMENT QUALITY REVIEW

TSATR – Audit Services LLC's policies describe the prerequisites for prompt and direct involvement of senior professionals, together with the extent of review necessary for the completed audit work. An audit engagement team's supervisory members thoroughly examine the audit paperwork to ensure that it is comprehensive and accurate technically. A second level review is conducted by senior audit executives and engagement partners to assess the overall suitability of the audit work and the associated accounting and financial statement presentation. An engagement quality reviewer (see below for details) evaluates critical areas of accounting and financial reporting and audit execution for listed and some other companies. They also assess the financial statements of an audited entity and the auditor's report.

The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ Risk, materiality, subjectivity and complexity of the subject matter
- ▶ Ability and experience of audit team members preparing the audit documentation
- ▶ Level of the reviewer's direct participation in the audit work
- ▶ Extent of consultation employed

TSATR – Audit Services LLC policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, as well as the requirements for documenting their work and conclusions.

CONSULTATION REQUIREMENTS

The foundation of TSATR – Audit Services LLC's consultation policies is our collaborative culture that encourages audit professionals to exchange viewpoints on intricate accounting, auditing and reporting matters. Policies and procedures pertaining to consultation are intended to engage proper resources in order to facilitate audit teams' ability to draw relevant conclusions.

For complex matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional skepticism, TSATR – Audit Services LLC's internal policies require members of Professional Practice and certain others to withdraw from a consultation if they currently serve, or have recently served, the client to which the consultation relates. In these circumstances, other appropriately qualified individuals would be assigned.

Internal policies of TSATR – Audit Services LLC also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution.

AUDIT QUALITY REVIEW

TSATR – Audit Services LLC's engagement quality review policies address audit and assurance engagements. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the engagement team and provide an objective evaluation



of the significant judgments the engagement team made, and the conclusions reached in formulating the auditor's report. The performance of an engagement quality review, however, does not reduce the responsibilities of the partner for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

TSATR – Audit Services LLC's policies and practices related to the assignment and eligibility of professionals to serve as engagement quality reviewers have been enhanced to conform with the requirements of International Standard on Quality Management (ISQM) 2 *Engagement Quality Reviews*. These enhancements focus on assigning an engagement quality reviewer who has the appropriate competence and capabilities, including sufficient time, as well as having sufficient authority and objectivity to achieve an effective engagement quality review. Training and enablement support the execution of engagement quality reviews.

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. In all circumstances, the engagement quality review is completed before the date of the auditor's or assurance report.

APPOINTMENT OF ENGAGEMENT QUALITY REVIEWERS

The engagement quality review is a key component of our quality control system. The review covers statutory audits of financial statements (and related reviews of interim financial information) of entities specified in Part 1 of Article 5.1 of Federal Law No. 307-FZ *On Auditing Activity* dated 30 December 2008 (including PIEs and PIEFMs), and other organizations acknowledged by our firm as being of significant public interest, even if they are not designated as such by law. The review also encompasses high-risk and other engagements as specified by internal policy and/or professional standards.

For audits, engagement quality reviews are performed by audit partners in compliance with professional standards for audits of all listed

companies, certain public-interest entities, including PIEFMs, and those considered to need close monitoring. The Assurance Leader and the PPD approve all required audit engagement quality review assignments.

ENGAGEMENT TEAM RESOLUTION PROCESS FOR DIFFERENCES OF PROFESSIONAL OPINION

Because of the collaborative culture at TSATR – Audit Services LLC, employees are expected to voice their opinions without fear of retaliation when there is a difference of opinion in the workplace or when they are uncomfortable with something that has to do with a client engagement. TSATR – Audit Services LLC has relevant policies and procedures in place to enable audit engagement team members to voice disagreements on important accounting, auditing or reporting issues. People are informed of these principles when they join B1, and we keep fostering an environment that upholds each individual's right and obligation to voice their opinions and consider those of others.

When professional opinions diverge during an audit, the audit engagement team usually resolves the issue. The matter will be forwarded to the next level of authority if any participant in the discussion is dissatisfied with the outcome, and receive consideration until a resolution is achieved or a final judgment is made, which may involve consultation with Professional Practice.

Additionally, the auditor's report may not be released until the issue is resolved if the engagement quality reviewer makes suggestions that the engagement partner rejects or if the issue is not resolved to the reviewer's satisfaction. Professional opinions that differ and are settled by consultation with Professional Practice are duly documented.

AUDITOR'S REPORT

The form and content of the auditor's report containing an opinion on the fairness of the statutory and/or consolidated financial statements of the audited entity are determined in accordance with applicable auditing standards, laws and regulations. The auditor's report is prepared by experienced audit engagement leaders based on the results of the work performed during the audit. For this purpose, Professional Practice provides audit engagement leaders with necessary guidelines and technical and consultation support.



DOCUMENTATION RETENTION

All engagements and staff are subject to TSATR – Audit Services LLC’s policies on retention and disposition of records and information. These policies are designed to meet local regulations and address cases when someone learns of any actual or reasonably anticipated claim, litigation, inquiry, subpoena or other government proceedings affecting us or one of our clients that may be related to our work.

RESOURCES

One of the key factors driving the effectiveness of our work is the confidence that our professionals have the required expertise, skills, motivation and commitment to maintain a high quality of audit.

Our personnel play a decisive role in shaping the firm’s future. Quality and integrity are the cornerstones of our audit practice. Our auditors have a wealth of expertise and appropriate competencies to address complex tasks.

Refer to the Continuing Education of Audit Professionals section for additional information on TSATR – Audit Services LLC’s commitment to investing in talent to drive further advances in audit quality.

FORMATION OF AUDIT ENGAGEMENT TEAMS

The assignment of professionals to an audit engagement is made under the direction of our Assurance leadership. The factors considered when assigning people to audit engagement teams include engagement size and complexity; engagement risk; specialized industry knowledge and experience; timing of work; continuity; and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional knowledge is needed to supplement or enhance the audit engagement team.

To help with conducting audit procedures and gathering adequate audit evidence, experts in special accounting or auditing fields, such as tax or information technology, are frequently assigned as members of the audit engagement team. Furthermore, the audit engagement team may use the work of internal specialists with expertise in fields other than accounting or auditing, such as actuarial analysis, asset valuation or forensics, to help obtain adequate audit evidence.

The policies of TSATR – Audit Services LLC mandate that the assignment of persons to designated roles in the audit be approved. Among other things, this is done to ensure that the professionals leading the audit

have necessary competencies – that is, the knowledge, skills and abilities – to fulfill their engagement responsibilities and to comply with auditor rotation regulations, where necessary.

RECRUITMENT

TSATR – Audit Services LLC’s recruitment strategy is focused on attracting young talent. The firm implements graduate recruitment programs in close cooperation with educational institutions, including leading universities, at the same time hiring seasoned professionals to fill vacant positions.

We conduct competency-based interviews as part of the candidate evaluation process. The firm’s competency model provides a clear understanding of ethical standards for employees. We believe that a competency-based approach to recruitment helps build a team of experts bonded by common values and work practices.

All candidates for entry-level positions go through a selection procedure that may include verification of application details, competency-based interviews, psychometric and aptitude testing, and validation of qualifications and references from former employers.

This helps establish fair personnel recruitment criteria to verify that candidates have the required skills and experience appropriate for the particular role. Candidates for higher-level positions meet with the Ethics and Independence Leader or other authorized individuals to discuss independence matters.

PERSONNEL REMUNERATION

TSATR – Audit Services LLC has developed and implemented a clear and transparent compensation and promotion policy that is responsive to changes in the labor market and integrated with the performance evaluation process. This helps all employees understand what the firm expects from them and what they can expect in return. Performance evaluations and remuneration decisions are based on benchmarking the achievements of employees of equivalent grade.

A remuneration decision is based on both the individual employee’s performance and the overall results of the company.

PARTNER REMUNERATION

Quality is a fundamental element of the B1 performance management system and lies at the heart of the B1 strategy. Specific quality and risk management indicators are among the criteria used to evaluate and remunerate partners.

Documenting partners' goals and performance is the cornerstone of the evaluation process. A partner's goals are required to reflect our top priorities, one of which is quality.

B1 policies prohibit evaluating and remunerating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-assurance services to companies they audit. This reinforces to B1 partners their professional obligation to maintain independence and objectivity.

TSATR – Audit Services LLC has developed specific quality and risk management measures to account for:

- ▶ Providing technical excellence
- ▶ Living the B1 values as demonstrated by behaviors and attitude
- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Complying with policies and procedures
- ▶ Complying with laws, regulations and professional duties
- ▶ Contributing to protecting and enhancing the B1 brand

We operate under a system that requires quality to be a significant consideration in a partner's overall year-end rating.

To recognize different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential

Remedial actions are taken when quality requirements are not met. These actions can include performance reviews, pay adjustments, further training, closer monitoring or reassignment. Termination of employment may be one of the remedies taken in response to a pattern of non-compliance or particularly severe non-compliance.

STAFFING

TSATR – Audit Services LLC employs clearly defined procedures for assigning executives and other professionals to particular engagements, taking into account their qualifications, experience, industry knowledge and the complexity of the engagement.

Engagement partners are assigned by the respective business leaders. The decision to assign an executive is based on the scope, complexity and risk level of the engagement, along with the employee's experience and current workload, as assessed through the annual project portfolio review. The focus is also made on the need to form the most effective audit team and attract additional experts.

Audit engagement partners must ensure that all audit team members have appropriate qualifications, skills and time resources for successful implementation of projects in line with the Internal Audit Methodology, professional standards and regulatory requirements.

The key competencies of our specialists are:

- ▶ In-depth knowledge and practical experience gained from training and direct involvement in audits of similar nature and complexity
- ▶ Impeccable knowledge of professional auditing standards and the current regulatory framework
- ▶ Extensive technical knowledge in IT, accounting and audit required for high quality performance of engagements
- ▶ Comprehensive understanding of the client's industry
- ▶ The ability to apply professional judgment in executing complex tasks and making reasonable decisions
- ▶ Full understanding of and compliance with quality control policies and procedures adopted by TSATR – Audit Services LLC
- ▶ Demonstrated conformity with rigorous quality standards, based on internal control findings and the results of external reviews conducted by regulatory authorities

PROFESSIONAL DEVELOPMENT AND LEARNING

Employees of TSATR – Audit Services LLC can develop and realize their potential at varying rates of advancement, and we give them a chance to gain the appropriate experience, education and coaching. Throughout this process, more seasoned professionals provide on-the-job coaching to assist junior team members by sharing knowledge and expertise.



Learning combines interactive, on-site or virtual classroom-based simulations and case studies with “on-demand” e-learning courses, and provides application support.

Learning programs that are created in response to developments in independence and professional standards, emerging issues, new technology, and accounting and reporting standards are added to the curriculum.

Relevant team members study to achieve International Financial Reporting Standards (IFRS) accreditation if they participate in audits of financial statements prepared under IFRS.

All employees of TSATR – Audit Services LLC holding valid auditor qualification certificates are members of SRO AAS and are required to complete professional development programs approved by SRO AAS each calendar year, starting from the year following the year in which the auditor qualification certificate was obtained, pursuant to Article 11 *Auditor Qualification Certificate* of Federal Law No. 307-FZ *On Auditing Activity*. As of 1 January 2025, all employees of TSATR – Audit Services LLC holding valid auditor qualification certificates have obtained SRO AAS's professional development certificates.

All Assurance professionals of TSATR – Audit Services LLC, including audit partners for PIEFM and other audits, are required to go through mandatory training courses. The knowledge gained is validated by mandatory testing.

TSATR – Audit Services LLC requires that audit professionals obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

Beyond the mandatory training program, TSATR – Audit Services LLC provides specialized training programs for audit professionals, including audit partners for PIEFM audits. These programs address recent changes in the Bank of Russia's regulatory framework governing accounting and financial reporting for credit, non-credit and insurance institutions, as well as practical aspects of IFRS application.

PROFESSIONAL CERTIFICATION

TSATR – Audit Services LLC operates a system for monitoring compliance with professional certification

requirements, including regular professional development requirements, by all employees.

We take responsibility for equipping our audit professionals with the essential knowledge and auditing and accounting skills, as well as industry-specific expertise.

Professional development programs incorporated into TSATR – Audit Services LLC's internal training are certified by the Educational and Methodological Center of SRO AAS.

KNOWLEDGE AND INTERNAL COMMUNICATIONS

We recognize the value of supplying audit engagement teams with the relevant latest information in addition to our professional development and performance management initiatives, so that they can effectively carry out their duties.

Resources and tools available to audit teams include:

- ▶ Meridian, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications, such as IFRS application, IFRS developments and illustrative financial statements
- ▶ Accounting and Auditing News – a monthly update covering assurance and independence policies, developments from standard-setters and regulators, as well as internal commentary thereon
- ▶ Practice alerts and webcasts covering a range of specific matters designed for continuous improvement in TSATR – Audit Services LLC's Assurance practice

PERFORMANCE MANAGEMENT

Our people's career, development and performance are connected through the performance management system. TSATR – Audit Services LLC links its people with our goal and helps them focus on the future and move forward through professional development, counselor conversations, continuous feedback and career opportunities. At every step of their time with TSATR – Audit Services LLC, we help our employees grow and develop.

Regular conversations with a counselor on matters like learning, trying new teams, utilizing evolving technologies and pursuing varied career paths,

help our people pinpoint areas for growth and maximize their professional potential.

INFORMATION AND EFFECTIVE COMMUNICATION

A new SQM component in ISQM 1 involves obtaining feedback from key stakeholders and taking appropriate actions based on the information received. This component facilitates the creation, use and sharing of information in order to support the SQM's design, implementation, and operation.

The quality objectives within the component address the effective two-way communication between:

- ▶ Personnel
- ▶ Member firms within B1 Group
- ▶ External parties
- ▶ Service providers

Both the execution of audit engagements and the operation of the SQM depend on efficient two-way communication.

SHARING PROFESSIONAL EXPERIENCE AND OPEN AND HONEST COMMUNICATION

TSATR – Audit Services LLC recognizes the key role of those charged with governance, including audit committees, in overseeing auditor relations and ensuring high-quality audits. Accordingly, our internal guidelines and supporting materials highlight the importance of timely communication with those charged with governance regarding matters arising in the course of the audit.

To uphold this principle, we prepare detailed reports and presentations, attend meetings of audit committees or boards of directors, and hold regular working discussions with management and audit committee members.

In the course of information exchange with those charged with governance of audited organizations, we ensure full compliance with all mandatory requirements established by the IESBA Code of Ethics, the Independence Rules for Auditors and Audit Organizations approved by the decision of the Management Board of SRO AAS, the Code of Professional Ethics for Auditors approved by the decision of the Management Board of SRO AAS, and other applicable independence requirements.



INDEPENDENT EMPLOYEE ENGAGEMENT SURVEY: CONDUCTING THE SURVEY, ANALYZING THE RESULTS AND DEVELOPING RESPONSE MEASURES

TSATR – Audit Services LLC recognizes that the commitment of skilled talent is fundamental to delivering high-quality audit services that meet our clients' expectations. The firm conducts annual independent employee engagement surveys to gauge the level of personnel engagement and identify areas that most significantly influence this metric. The survey results are thoroughly analyzed taking into account multiple criteria, including functional area and grade.

The results of the independent employee engagement survey provide TSATR – Audit Services LLC with valuable feedback on the quality of audit services delivered, the extent to which the firm's activities align with its declared values, and employees' views on management style and leadership stance.

TSATR – Audit Services LLC performs an in-depth analysis of the survey results and designs a comprehensive action plan to address identified problem areas, with particular focus on enhancing audit quality.

SQM MONITORING AND REMEDIATION

The objective of the monitoring activities is to provide relevant, reliable and timely information about the design, implementation and operation of the SQM.

TSATR – Audit Services LLC continuously implements initiatives to improve the quality, consistency and effectiveness of audits. The nature, timing and scope of monitoring programs are approved by the PPD in accordance with the established procedure.

The monitoring process includes a combination of the following:

- ▶ Testing of the SQM Key Controls identified during the risk assessment process
- ▶ Testing of completed engagements, including inspections that occur through the Audit Quality Review (AQR) program for audit engagements and engagements within the scope of ISQM 1
- ▶ Reviews of in-process engagements (engagement quality reviews)
- ▶ Self-certifications and attestations – Certifications (or self-assessments) by SQM Control Owners provide information about the execution of SQM Key Controls or non-compliance with TSATR – Audit Services LLC's policies or procedures

- ▶ Other inputs and sources of information (e.g., external inspection results) that may identify deficiencies in the SQM

Any control exceptions, quality occurrences or other matters that indicate a deficiency may be present and are identified in the monitoring activities are captured and evaluated. The root causes of identified deficiencies are investigated in order to:

- ▶ Evaluate the severity and pervasiveness of the deficiencies
- ▶ Appropriately remediate the deficiencies

Remedial actions are designed and implemented to address the identified deficiencies, which are responsive to the results of the root cause analysis.

ANNUAL EVALUATION

The PPD, in consultation with the Assurance Leader and the QEL, will perform the following activities relating to the annual evaluation process:

- ▶ Review and approve the monitoring results. As part of this review and approval, obtain and understand the results of the root cause analysis of any identified deficiencies as well as the actions taken to design and implement remedial actions to address the identified deficiencies.
- ▶ Ensure that remediation actions are effective and appropriately designed and implemented to correct the identified deficiencies. If the remediation activities are deemed ineffective, take appropriate action to determine that the remedial actions are appropriately modified such that they are effective.
- ▶ Ensure that information about the results of the monitoring activities are communicated to engagement teams and other individuals as needed to enable them to perform their responsibilities.
- ▶ If the SQM evaluation does not provide the firm with reasonable assurance that the objectives of the SQM are being achieved, allocate resources to take prompt and appropriate actions to remediate the identified deficiencies in the SQM.

AUDIT QUALITY REVIEWS (AQR)

TSATR – Audit Services LLC executes the AQR program, reports results and develops responsive action plans. The AQR program complies with requirements and guidelines in ISQM 1. It also aids TSATR – Audit Services LLC's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

The engagements reviewed each year are selected on a risk-based approach, emphasizing audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The AQR program includes detailed risk-focused file reviews covering a sample of listed and non-listed audit engagements, and public interest entities and non-public interest entities, to measure compliance with internal policies and procedures, and relevant local professional standards and regulatory requirements.

The AQR program complements external inspection activities, such as inspection programs executed by audit regulators. It also informs us of our compliance with regulatory requirements, professional standards, and internal policies and procedures.

The most recent AQR took place in June 2024. The scope of the program included 24 partners and 30 engagements.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialization. They have often participated in the AQR program for a number of years and are highly skilled in the execution of the program. Team leaders and reviewers are independent of the engagements and teams they are reviewing.

The results of the AQR process are summarized, along with any key areas where the results indicate that continued improvements are required. Summarized results are shared with TSATR – Audit Services LLC's personnel. Measures to resolve audit quality matters noted from the AQR program and regulatory inspections are addressed by the Assurance Leader and the PPD.

EXTERNAL QUALITY ASSURANCE REVIEWS BY REGULATORY AND CONTROLLING (SUPERVISORY) AUTHORITIES

TSATR – Audit Services LLC and its registered statutory auditors are subject to inspection at least once every five years, but not more than once a year, by a self-regulated organization of auditors in accordance with Federal Law No. 307-FZ *On Auditing Activity* dated 30 December 2008.

TSATR – Audit Services LLC is also overseen by the authorized federal oversight body (Federal Treasury) and the Bank of Russia (with regard to audit services provided to PIEFMs).

As part of their inspections, the governmental oversight body and the self-regulated organization of auditors evaluate our quality management system and review selected engagements.

The last quality assurance inspection by the Russian federal oversight body took place in 2024. The final report on the inspection was issued on 29 October 2024.

The last quality assurance inspection by the Russian self-regulated organization of auditors took place in 2021. The final report on the inspection was issued on 3 February 2022.

The Central Bank of the Russian Federation conducted an inspection in 2023 as part of the process of including the information of the audit firm, TSATR – Audit Services LLC, into the register of audit firms which are allowed to perform audit of public interest entities on the financial market. As a result, TSATR – Audit Services LLC was included in the above-mentioned register.

We thoroughly evaluate the points raised during the inspections to identify areas where we can improve audit quality and their relevance to the SQM. Engagements with significant findings are subject to a root cause analysis (see the next section). Together with the AQR process, external inspections provide valuable insight into the quality of TSATR – Audit Services LLC's audits. These insights enable us to effectively execute high-quality audits.

Information on the Russian federal oversight body along with the publicly available inspection results can be found at <https://roskazna.gov.ru/>.

Information on the Russian self-regulated organization of auditors can be found at <https://sroaas.ru/>.

Information on the Central Bank of the Russian Federation can be found at <https://cbr.ru/eng/>.

DISCIPLINARY AND OTHER REMEDIAL MEASURES

On 29 October 2024, the authorized federal body issued an instruction mandating the audit firm to eliminate the violations identified during the external review of its activities and setting the respective elimination deadlines.

TSATR – Audit Services LLC eliminated all violations immediately. The report on measures taken to address the violations identified during the inspection was submitted to the authorized federal body within the established timeframe.

ENGAGEMENT-LEVEL ROOT CAUSE ANALYSIS AND ACTION PLANS

A key component of the TSATR – Audit Services LLC's quality improvement methodology is engagement-level root cause analysis which offers a thorough evaluation of the underlying reasons for an audit's unfavorable inspection outcome. This allows us to determine critical elements that may affect audit quality and to respond appropriately.

The audit procedures of TSATR – Audit Services LLC locate and assess the problems in quality management when a root cause analysis is carried out. By examining this data, we can gain more insight into the factors that contribute to unfavorable inspection results. In order to address the underlying reasons for engagement-related findings, improvement action plans are created. TSATR – Audit Services LLC looks at the type and frequency of underlying causes to understand if there are any systemic problems. If so, additional action plans are created.

AUDIT QUALITY INDICATORS

Assurance leadership uses a variety of metrics or audit quality indicators (AQIs) to track the implementation of the plan and quality priorities of TSATR – Audit Services LLC in addition to understanding the overall SQM annual results. A set of metrics can be used to indicate the quality of an audit, whereas no one reportable metric or combination of metrics can be considered an exclusive indicator of audit quality.

Assurance leadership monitors the execution of the strategy and vision by our practice through AQIs. These include: external and internal inspection results;

Milestones performance; the extent of executive involvement; deployment of minimum learning and attestation; root cause analysis; improvement of engagement quality review extent and milestones; retention and loading rates, and some other.

IDENTIFYING AND ASSESSING SQM DEFICIENCIES AND PERFORMING ROOT CAUSE ANALYSIS

Findings are information about the design, implementation and operation of the SQM which indicates that one or more deficiencies may exist. Findings are accumulated from the performance of monitoring activities. TSATR – Audit Services LLC evaluates each finding or aggregation of findings considering the relative importance of the finding(s) to determine whether a deficiency exists.

If any deficiencies are identified, a root cause process is executed to determine the root cause, assess the severity and pervasiveness of the deficiency, and develop responsive actions.

SQM QUALITY IMPROVEMENT PLANS

For any identified deficiency, a quality improvement plan is developed, which includes:

- ▶ Correcting the effect of the identified deficiency
- ▶ Remediating the identified deficiency in a timely manner
- ▶ Evaluating the effectiveness of the remediation actions

Quality improvement plans are developed in consultation with the Assurance leadership and the QEL and are reviewed by the PPD to help ensure the appropriateness of the actions designed.



FINANCIAL INFORMATION

In 2024, revenue from assurance services amounted to

RUB **6,543,262** thousand

including

RUB **5,569,416** thousand

from audit services, and

RUB **973,846** thousand

from other assurance services.

For more detailed information on revenue from assurance services, please visit the website tsatr-audit-services.ru, where all required disclosures for audit firms are published.

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Our mission is to help clients uncover innovative solutions, drive growth, transform their business and achieve success—all while boosting their financial resilience and nurturing talent.

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