

Deloitte.



Deloitte Touche Tohmatsu

Worldwide Member Firms 2004 Review

Audit • Tax • Consulting • Financial Advisory.

Sustainable leadership.

Organizations that engage in *open, transparent dialogue with stakeholders* will sustain leadership.

Organizations that embrace *higher ethical standards* will preserve the public trust and will sustain leadership.

Organizations that provide *solutions to complex problems* will sustain leadership.

Organizations that see *regulatory compliance as a means to preserve investor confidence* will sustain leadership.

Organizations that think and act *both globally and locally* will sustain leadership.

Organizations that develop people devoted to *integrity and quality, and that promote diversity,* will sustain leadership.

Organizations that fulfill their responsibilities as *good corporate citizens* will sustain leadership.

Organizations that demonstrate *financial stability* will sustain leadership.

Organizations that engage in
*open, transparent dialogue with
stakeholders* will sustain leadership.



The power of Deloitte Touche Tohmatsu worldwide lies in the cultural and intellectual diversity of its independently owned and controlled member firms operating in almost 150 countries throughout the world, as well as in their shared values and commitment to professional excellence. DTT and its member firms owe much to the vision of their former leaders and partners, the dedication of their people, and their valued clients. Collectively, the Deloitte member firms have emerged as a leading multiservice organization. Across our firms, broad new leadership is defining new and higher standards for our profession.

Now more than ever, openness, transparency, and continual improvement are the keys to successful business leadership. Our stakeholders have a right to know how we work and how we live up to our values. In that spirit, we are proud to share information about our governance, core values, commitment to integrity, financial results, and the steps we are taking to sustain public trust.

William G. Parrett
Chief Executive Officer

Today, boards are taking a proactive role in helping companies succeed. They are scrutinizing financial reports, strengthening governance systems, and intensifying their overview of strategy and ethics—all in an effort to build public trust.

Boards know that success requires more than checking the profit-and-loss statements. Success means performing well on a variety of fronts: enhancing employee commitment, protecting the environment, building the brand, and verifying the quality of governance and management processes.

As we continue to address the changing needs of companies worldwide and explore new ways to help our clients raise their standards and succeed, we, too, adhere to the highest standards and are committed to continual improvement in our organization.

Piet Hoogendoorn
Chairman of the Board

Dear Valued Stakeholders,

In a world that is undergoing rapid change, it is crucial to understand the organizations that shape our business environment—how organizations provide value to clients, what they do to strengthen the capital markets and sustain the public trust, and how they are meeting the challenges they face today.

The member firms of Deloitte Touche Tohmatsu continue to focus on client service excellence and delivering value. Our audits are important in helping clients maintain their credibility in the capital markets. Our tax services assist clients in meeting their tax obligations. The financial advisory services professionals of our member firms are providing advice and support in areas ranging from mergers and acquisitions to litigation and arbitration, while our consulting professionals are helping clients run more efficient, effective businesses.

Undeniably, professional services firms have experienced the turmoil and change of the past few years. Our historically self-regulated practices have been influenced by new, and often complex, standards, regulations, and oversight frameworks. Like other organizations, we also face an increasingly litigious environment.



Members of The Executive include: (left to right) Colin Taylor, Jean-Paul Picard, Willy A. Biewinga (seated), Hirotake Abe, John P. Connolly, Dr. Wolfgang Grewe (seated), Jerry P. Leamon, and William G. Parrett

In response to these challenges, we have taken steps to maintain the confidence of our clients. We have redoubled our efforts to build and sustain the public's trust in the capital markets. We have focused on recruiting, training, and retaining the highest-quality professionals from a shrinking talent pool. Our tax practices have distinguished themselves by focusing on high-quality services without controversy. Our consulting practices have adapted well to the shifting market by focusing on their strengths. Through these difficult times, we have become stronger at the global, national, and local levels.

It shows. Financially, our member firms have excelled. Aggregate global revenues increased 20.8 percent for the year ended May 31, 2003, and 8.6 percent for the year ended May 31, 2004. We continue to pursue a global growth strategy that enables us to focus on areas and regions where we can strengthen our position as a leading professional services organization.

Today, our people are working harder than ever to be leaders in setting the standard for integrity and quality. They are also the foundation of our social responsibility, donating thousands of hours of their time to help the people in their local communities.

In this report, we tell the entire story; however, we understand that some readers may need more information than others. Accordingly, we have divided the report into two sections. "In summary" captures many of the important initiatives, achievements, and challenges of the recent past, and outlines our plans for the future. For a closer look at DTT and our member firms, we also invite you to read the second section, "In detail."

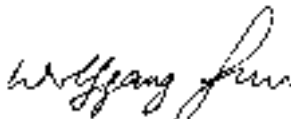
This report is about not only our achievements, but our aspirations. As firms that do business in nearly 150 countries and operate in some areas where standards and regulations are still maturing, it is difficult to operate flawlessly. We still strive for consistency everywhere and to serve our clients worldwide to the best of our ability. We have learned from our experience and we continue to improve.

During the past 10 years, it has become clear that the real story behind Deloitte is one of tremendous success. We have achieved a leadership position, and we know that sustaining that position means making more tough decisions, acting on those decisions, and sharing our goals and challenges with you, our valued stakeholders.

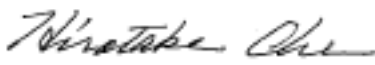
The Executive



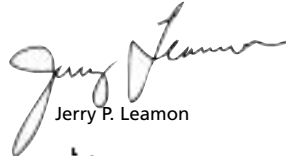
William G. Parrett



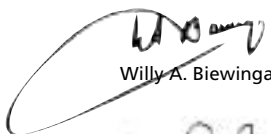
Dr. Wolfgang Grewe




Hirotake Abe



Jerry P. Leamon



Willy A. Biewinga



Jean-Paul Picard



John P. Connolly



Colin Taylor

In summary

Organizations that embrace *higher ethical standards will preserve the public trust and will sustain leadership.*

Preserving the trust and confidence of our clients and the public is one of our highest priorities at the Deloitte Touche Tohmatsu member firms. Ultimately, this responsibility affects every aspect of our daily business. We know the impact our decisions and actions can have on clients, because they play a significant role in the capital markets.

For these reasons, we devote the resources it takes to preserve the trust of our clients and the public.

DTT's member firms are continuously evaluating and making improvements in all our service lines, focusing rigorously on both our audit and advisory services. We are codifying and clearly communicating our shared values and ethical principles and ushering in a new era of transparency and accountability to help the public and our clients know exactly where we stand and what we are doing.

Our work often involves complex issues that encompass evolving global, national, and local regulations, procedures, and policies. In addition to comprehensive cross-functional policies and standards, we have created extensive consultation networks. As a result, our professionals, wherever they may be, have access to the people who have the knowledge, skill, and expertise to assist in making the best decisions. Our people recognize the importance of consultation and they understand that the answer resulting from this process is important.

Our Global Shared Values

- Integrity
- Outstanding value to markets and clients
- Commitment to each other
- Strength from cultural diversity

The Most Fundamental Assurance of Quality—Our People

Our people are at the front line of our quality assurance measures. Starting with a strong “tone at the top” is essential to integrity and quality and extends to the professionals who perform at the local level. The people of DTT's member firms are dedicated to doing the right thing.



Ethical Principles

Honesty and Integrity

We act with honesty and integrity.

Professional Behavior

We operate within the letter and the spirit of applicable laws.

Competence

We bring appropriate skills and capabilities to every client assignment.

Objectivity

We are objective in forming our professional opinions and the advice we give.

Confidentiality

We respect the confidentiality of information.

Fair Business Practices

We are committed to fair business practices.

Responsibility to Society

We recognize and respect the impact we have on the world around us.

Respect and Fair Treatment

We treat all our colleagues with respect, courtesy, and fairness.

Accountability and Decision-Making

We lead by example, using our shared values as our foundation.

Uniting through Shared Values

The shared values of the people of Deloitte bind us together and promote trust among the partners and professionals of our member firms, allowing us to enhance the confidence of the capital markets. These values join us together across different cultures, customs, and languages and are the foundation for collective successes.

Carefully identified through a global consultation process, these values are all-encompassing and embrace the cultures in which our member firms operate. This thorough process resulted in universal shared values that form a basis for a consistent approach to service delivery worldwide.

Ethical Principles: Guiding Our People

These principles are a result of close collaboration between DTT's global ethics and compliance officer, DTT's global independence leader, and senior partners from member firms around the world. They offer guidance to our professionals on the global and local levels and address matters of professional conduct, including confidentiality, competence, and leadership.

Our Stakeholders' Right to Know

Sustaining trust is impossible without candid dialogue with our stakeholders. Our stakeholders have a right to understand how we work, how we deliver and monitor quality, and how we live up to our values.

Accomplishing this means communicating in an open and honest manner—even if that means adopting new areas of disclosure and reporting for our professions.

Today, we are engaging in direct communication through publications such as "Integrity & Quality: The Foundation of Our Culture" and reports like this one. We are asking the leaders of our member firms to engage in a dialogue with their clients and their communities. Our senior leaders are actively engaged in meeting with government and community representatives to emphasize that Deloitte is taking an active stance with respect to communication and accountability.



Sustaining Trust through a Shared Audit Approach

The clients of DTT's member firms have long benefited from a consistent shared audit approach. Regardless of where an audit is performed, DTT's member firms use a common framework and software, which can be tailored to address varying regulatory requirements and industry circumstances.

Additionally, our member firms continue their long-standing commitment to conducting quality assurance reviews of audit engagements. These reviews are performed by a partner or senior manager who is not part of the engagement team. The International Federation of Accountants (IFAC) has adopted this practice, making it a requirement for all auditing firms in 2005 with respect to financial statement audits for listed entities, but it has been an integral part of our quality control procedures for well over 10 years.

Quality assurance reviews are not limited to the engagement level. Internal practice reviews of the member firms' accounting and auditing practices are performed every year for large member firms and at least every three years for smaller member firms. These are designed to verify that the member firm has complied with quality assurance procedures, DTT and member-firm policies, and applicable laws and regulations.

As a provider of public accounting and auditing services around the world, DTT's member firms not only comply with applicable international professional standards and requirements, but also contribute to standard-setting efforts and endeavors aimed at advancing the profession. The accounting and auditing services provided by our member firms are performed in accordance with International Standards on Auditing. Member firms also meet or exceed the International Auditing and Assurance Standards Board's International Standards on Quality Control, as well as the requirements of the IFAC code of ethics. Deloitte voluntarily complies with the requirements of the IFAC Forum of Firms, comprising international public accounting and audit organizations, of which DTT is a founding member.

We take pride in the strength of our global audit approach and quality assurance measures, yet we recognize that maintaining superior client service and the public trust demands continuous improvement and self-scrutiny at the member firms. We have focused intensely on doing our part to rebuild confidence in financial reporting. These are a few examples of enhancements that member firms have made to ensure clients continue to receive the highest quality in audit practices:

- All partners and managerial professionals are required to enter and update their personal investment portfolio in our online Global Independence Monitoring System. This information is automatically cross-referenced against the list of entities requiring independence, facilitating timely identification and resolution of potential issues.
- Member firms have always been required to establish plans to address recommendations arising from practice reviews, and implementation was monitored. To reinforce the importance of continuous improvement, our senior leaders are now even more proactively involved in this oversight.
- A senior partner oversees global quality standards. This partner is also responsible for codifying and strengthening the network of quality assurance specialists in the member firms.
- We enhance our global audit software to incorporate new standards, regulatory requirements, and other developments around the world. We have also provided our professionals with expanded means of assessing financial statement risk.

Organizations that provide *solutions to complex problems* will sustain leadership.

With our commitment to providing a broad array of services, the DTT member firms can solve complex problems by offering the most comprehensive breadth of professional services available in the global marketplace. Advisory clients of our member firms can leverage the power of our entire range of professional capabilities.

In addition to traditional consulting services—strategy and operations, human capital, enterprise applications, and technology integration—our member firms bring a full range of accounting and financial advisory, tax, and enterprise risk capabilities to bear on complex problems.

Our multidisciplinary approach reflects our ability to provide unique skills across functions to serve clients in multiple jurisdictions. Close cooperation enables professionals in DTT's member firms to consider client problems not in isolation, but across the context of the entire global enterprise. Every day, this unique strategy is helping our clients achieve dramatic results—in risk management and mergers and acquisitions, in complying with regulatory changes, and in working with enterprise portals, enterprise cost reduction, radio frequency identification, revenue enhancement, and many other areas.

Offering Services across Multiple Disciplines

DTT's member firms offer a broad array of resources, skills, and tools to best serve their clients and deliver comprehensive multidisciplinary capabilities. Our member firms considered separating their largest consulting operations from the rest of their organizations while retaining certain other consulting competencies. After review of all the factors, however, DTT and its member firms made a strategic choice not to do so.

In part, this decision was made because the consulting practices strengthen our firms' ability to serve their clients, which, in turn, strengthens the firms.

To maintain the benefits of their consulting practices to their clients, our member firms segment the market rather than segmenting their capabilities. This enables them to provide the entire spectrum of their capabilities to advisory clients. It also allows member firms to enhance the quality of their audits by bringing clients the subject-matter knowledge they need while remaining true to the independence safeguards of applicable regulations.



Organizations that see *regulatory compliance as a means to preserve investor confidence* will sustain leadership.

The operating environment of the public accounting profession has undergone tremendous change during the past two years. The shift from a self-regulated environment to one of significant new government regulation and third-party oversight has encompassed every major national market and region of the world.

Across our organization, our firms are committed to complying with new regulations. During the past year, DTT and its member firms have devoted significant resources and management time to compliance and to working with regulators to support the successful implementation of new requirements.

We have also devoted significant resources to help our member firms meet these challenges, with important new investments in quality assurance, independence monitoring, risk management, and regulatory information systems. One of our most important objectives is to strengthen the trust our clients and the public have placed in us and to restore confidence in auditors and their firms.

To aid our people in understanding and implementing the new regulatory requirements, we continue to expand our extensive global networks of subject-matter knowledge. These consultation networks help our professionals make the appropriate decisions based on the latest information and specialized advice and counsel. This process allows the professionals of our member firms to arrive at the best answers to complex questions—answers that will withstand scrutiny.

Maintaining Independence from Our Audit Clients

Maintaining independence from audit clients depends on people who act with sound judgment, objectivity, professional skepticism, and integrity. All Deloitte people know it is critical to abide by the applicable independence rules and to sustain a positive perception of independence in the investing community.

Our firms have always taken a comprehensive approach to independence, and in response to new regulations and public perception, we have implemented even stronger independence policies, procedures, and systems. Our multifaceted approach includes an expansive consultation network; rigorous policies, including those on partner rotation; an electronic system for tracking financial interests; monitoring procedures, such as an annual confirmation of compliance by each professional and each member firm; and disciplinary actions for noncompliance.

A New Regulatory Environment

In response to corporate scandals in the United States, Congress enacted the Sarbanes-Oxley Act of 2002, setting a pattern for action in many other jurisdictions. France has adopted a new financial security act; Germany is developing legislation to implement its 10-point plan on financial reporting and audit; Japan has amended its law on certified public accountants; and the European Union (EU) is working on a new 8th Company Law Directive, which will establish a framework for audits and auditing in the 25 EU member states.



Organizations that think and act *both globally and locally* will sustain leadership.

Deloitte is an organization of member firms that provide professional services and advice with an emphasis on performance, integrity, and quality. Key among our strengths is the global reach of our firms. Today, we are focused on client service through a global strategy that is carried out locally in nearly 150 countries.

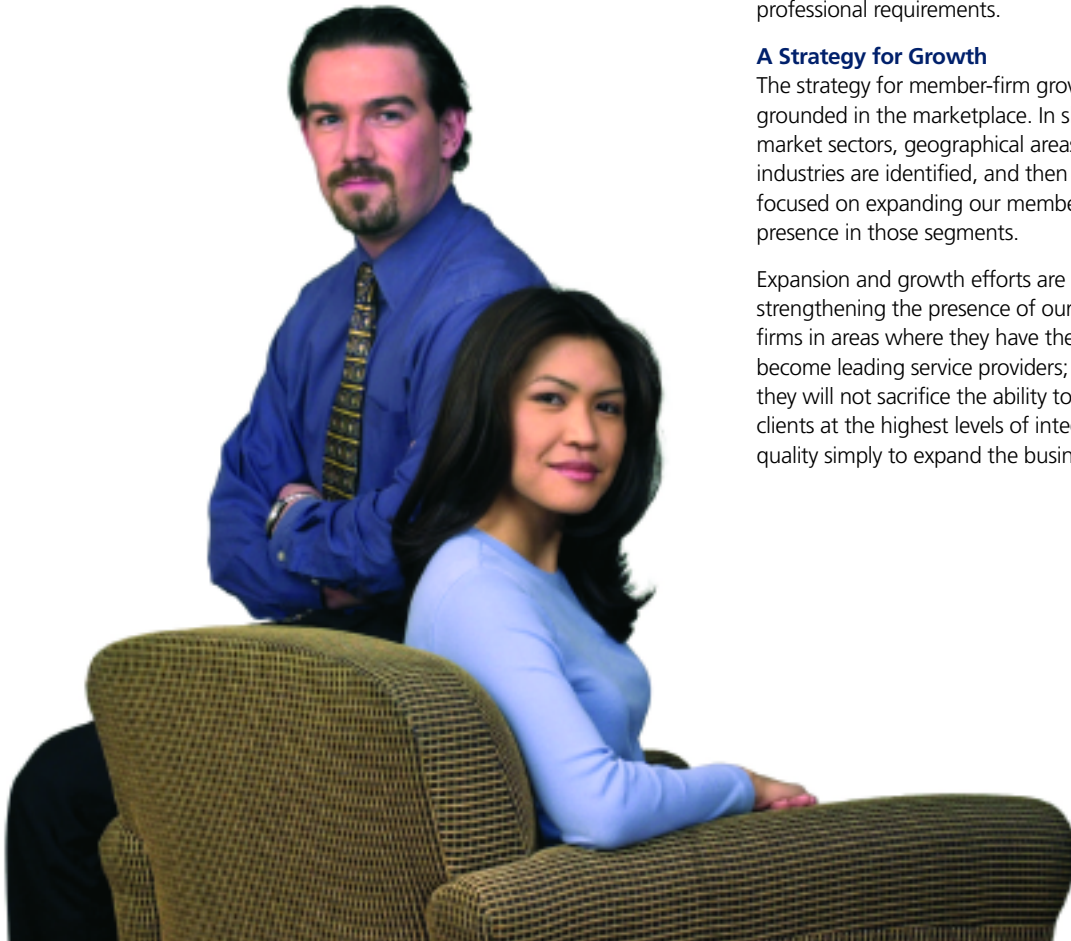
With almost 120,000 people worldwide, our member firms deliver services that can be categorized in four broad functional areas: audit, tax, financial advisory/corporate finance, and consulting services. The people of DTT's member firms serve more than half of the world's largest companies, as well as large national enterprises, public institutions, privately owned companies, and successful, fast-growing global companies.

As a Swiss Verein, Deloitte's member firms are owned and managed locally by their respective national management and governance bodies, but retain membership in a global family. This gives us extraordinary insight and perspective on local matters, from regulation and specific market needs to maximization of our global talent pool and expertise. The structure also enables our global organization to establish policies and the member firms to tailor those policies into quality assurance procedures that comply with local regulatory, legislative, and professional requirements.

A Strategy for Growth

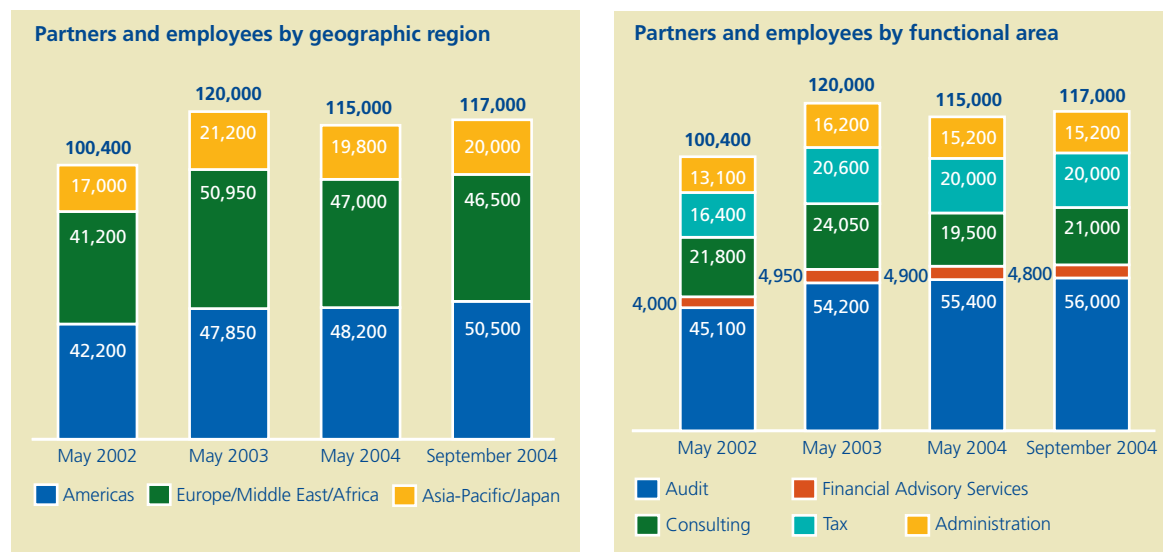
The strategy for member-firm growth is firmly grounded in the marketplace. In short, priority market sectors, geographical areas, and industries are identified, and then energy is focused on expanding our member firms' presence in those segments.

Expansion and growth efforts are directed at strengthening the presence of our member firms in areas where they have the potential to become leading service providers; however, they will not sacrifice the ability to serve existing clients at the highest levels of integrity and quality simply to expand the business.



People and Locations

The accompanying charts illustrate the distribution of the personnel of the Deloitte member firms by geography and functional area. The term “function” is used internally by Deloitte and designates the organization of our people in their respective disciplines. Each functional area comprises various capabilities.



In 2004, in several countries, new regulations governing auditor independence led our member firms to divest certain businesses to comply with applicable rules and regulations. The decision to retain consulting also produced some efficiencies and cost savings that led to a reduction in employee levels, but not in service quality. As a result of the consolidation in our professions, our member firms welcomed a number of new professionals throughout 2003.

Presence of DTT's Member Firms			
	FY 2002	FY 2003	FY 2004
Number of member firms	77	77	71
Number of countries	141	145	148
Number of cities	686	655	670

The decrease in the number of firms primarily reflects the consolidation of member firms in certain geographic areas.



Organizations that develop people devoted to *integrity and quality, and that promote diversity,* will sustain leadership.

Simply stated, the success of our member firms as leaders among professional services firms depends on the integrity and quality of their people. What sets them apart is their ability to provide high-quality services, to make judgments based on sound knowledge and experience, to act with objectivity, and to uphold high ethical standards.

Working Together

Deloitte is committed to multiculturalism and inclusion wherever we operate. To us, working together across cultural and geographic borders is a competitive advantage that allows us to capitalize on our differences and use them to add value for our organization and our clients. It is our strength that we are an organization that understands, appreciates, values, respects, and works with each other's differences.

Deloitte's working environment is open and honest. We put a high value on collaboration and consultation. The DTT member firms are constantly working to provide the right balance of professional challenges, competitive remuneration and benefits, and training and development opportunities to help our people meet their personal and professional ambitions.

Our Global People Commitment Survey, which is used by a number of member firms, allows us to monitor performance with

respect to human resource practices. Based on the survey, we believe that the vast majority of our people are satisfied working for Deloitte; however, we recognize that there is always room for improvement. Our member firms are taking steps to better retain top talent, help employees create a stronger work-life balance, and make the link between performance management and recognition more concrete and transparent.

Recruiting Superior Talent

We have created the Global Excellence Model as the basis for DTT's member firms' human resource and personnel policies. This model is used to profile the competencies, intellect, academic training, and diversity of background required by our professionals.



Our member firms use many proven measures and techniques to identify and attract superior talent, including:

Strategic education programs and institutions. Our member firms concentrate their recruiting efforts on the best educational institutions in their geographies.

Behavioral interviewing. Looking beyond curriculum vitae, we ask how candidates have managed previous situations, particularly those in which there were competing pressures and ethical issues.

Internships. Through our internship program, we offer short-term employment to the best and brightest future professionals while they are completing their education.

Global recruitment technology. Member firms have access to technology that uses job-specific questions to identify candidates who possess optimal characteristics for employment.

Talent development. Talent development efforts identify member-firm partners who exhibit strong leadership and practice management qualities in order to maintain a strong pipeline of partners with potential for global leadership roles in client service and practice management.

Deloitte voices

“Mobility seems to be the name of the game—by the time I have wrapped up an engagement in Abu Dhabi, I may have started another project in Dubai or Al Ain. Working with colleagues from different cultures in an open-minded and flexible atmosphere has fostered my team-working abilities.”

Senior, Dubai

“Being a father of two young children and having a wife who is employed full-time, flexible work arrangements are a plus here.”

Senior Manager, Belgium

“Deloitte is very focused on retaining its people so they will do their best to ensure that everyone receives challenging and interesting work. The main reason I am here is because I’m always learning.”

Senior, Australia

“I am impressed with the knowledge and experience Deloitte provides its employees through personal mentoring and training opportunities.”

Assistant, Guam



Organizations that fulfill their responsibilities as *good corporate citizens* will sustain leadership.

With a strong local presence in many countries, Deloitte member firms are uniquely positioned to have a positive impact on the people and communities in which they operate. Our commitment to corporate social responsibility is closely linked to our shared values and our belief in responsible business practices.

Recognition from the Community

The spirit of corporate social responsibility permeates all levels of our organization. This year, we are proud that our China firm has received the Caring Company Award from the Hong Kong Council of Social Service in recognition of our efforts in caring for the community and our commitment to corporate citizenship.

The services provided by our member firms are valuable to the capital markets and the business environment in helping them operate efficiently and effectively.

Just as the economic and social well-being of diverse communities has a direct impact on our success, we can have a positive influence on our communities by conducting our core business activities in an ethical manner and by engaging in projects and alliances with local and regional organizations to the benefit of society and our stakeholders.

Around the world, our member firms continue to demonstrate corporate citizenship through active involvement in international and local

policy and economic development, skill training and educational programs, and philanthropic and community relations activities. We believe these are inherent responsibilities of all multinational organizations.

Responsibility on a Global Scale

DTT's member firms and their professionals contribute to and participate in international, national, and local organizations that support the development of professional standards and the advancement of our professions.

For years, many of our professionals, including our leaders, also have been deeply involved in projects, working groups, initiatives, and organizations created to serve the public.

Today, Deloitte is actively engaged with a number of organizations that seek to advance the corporate social responsibility agenda. These organizations are valuable platforms for us to communicate with peers and the public about how to live out our commitment to corporate social responsibility.

Exceeding Our Professional Responsibilities

The people of Deloitte's member firms share a long tradition of supporting the communities in which we live and work. In addition to financial contributions made by our member firms, tens of thousands of our people volunteer time and donate money to a variety of causes that encourage economic development and raise public awareness of the positive impact business can have on the community.



Organizations that demonstrate *financial stability* will sustain leadership.

Although the professional services sector has seen unprecedented turmoil and transition during the past few years, there has been tremendous demand for the services of DTT's member firms. Results in this period reflect consistent revenue growth.

This steady growth has taken Deloitte member firms from being the smallest of the global professional services organizations, and one primarily focused on audit and tax, to being one of the leading organizations today. We attribute the success of our member firms to the value of our services, to our people, and to strategic initiatives that have been carried out steadfastly around the world.

In the past two years, all functional areas contributed to our revenue growth except consulting, which, as a result of certain divestitures, experienced a slight decline. Tax achieved the most significant increase in revenue, at almost 60 percent, while audit revenue rose by more than 50 percent.

Although the implementation of new regulations has required a substantial investment of our time and financial resources, it has also driven the demand for our services. Our member firms are expanding their businesses by broadening relationships with current clients and attracting new clients with our commitment to client service excellence, coupled with the depth and breadth of our capabilities.

Global Growth

During the past two years, our member firms have strengthened their collective global position. The revenues of our member firms in the Europe/Middle East/Africa region increased by more than 60 percent, now accounting for more than 40 percent of total global revenue. We have seen average annual growth of approximately 8 percent in our firms in the Americas and the Asia-Pacific/Japan regions.

Revenue growth is only one measure of financial strength and stability. Global, national, and local market share are equally important. DTT and our member firms monitor market share to determine how successful we are in achieving our strategies.

Looking Ahead

The economic indicators are in place for an improving global economy. We have engaged in constructive dialogue concerning proper reforms and anticipated the regulations that have had such a profound impact on our professions. And we are setting the standards for integrity and quality to meet client demands. For these reasons, we predict an approximate 7 percent gain over the coming year, and we expect growth in all major regions of the world and in each function.

**DTT member firms—
A history of strong growth**
(in billions of US\$)



Fiscal years ended 31-May

Expanding into Emerging Markets

There are various emerging markets where our member firms are expanding their presence. The development of our firm in China is the most significant of these. We see China as an area of virtually unlimited potential, and our member firms have major audit and advisory clients operating there. They are working diligently to expand relationships with the Chinese government and Chinese enterprises. To position itself as the one organization that can help both foreign and Chinese companies in that country, our member firm in China is planning to expand rapidly. These efforts are expected to cost approximately US\$150 million.

Although expanding into an emerging market certainly has potential, it also brings challenges. There are costs and strategic considerations associated with doing business in markets with shifting ownership structures and evolving regulations and standards. Professional services organizations have an obligation to provide assistance in the constructive development of such markets.

In detail

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Client Service Approach

For many years, clients have depended on DTT's member firms to help them meet their most demanding business challenges. We have built our functional areas, developed our professional talent, expanded our member firms, and worked to anticipate change with the goal of sustaining the trust of clients and the public.

Today, after careful consideration of an evolving regulatory environment and the best interests of clients, our member firms remain committed to a multidisciplinary approach. This approach considers challenges not in isolation, but across the context of a client's entire organization. It also encourages greater sharing of resources, information, and competencies, helping to achieve an enterprisewide advantage.

Benefits of a Multifunctional Business Model

Deloitte member firms offer advisory clients the value resulting from a true multifunctional approach, which includes a full complement of consulting capabilities. Advisory clients of our member firms also benefit from our professional objectivity. In the context of various national regulations, we determined that our firms can still provide multidisciplinary services to audit clients while carefully adhering to all independence requirements and steadfastly applying rigorous internal assurance policies and procedures.

Advisory clients of DTT's member firms can leverage the power and depth of our entire range of professional capabilities and services. In addition to consulting services in areas such as strategy and operations, human capital, enterprise applications, and technology integration, DTT's member firms bring a full range of accounting and financial advisory, tax, and enterprise risk capabilities and experience to bear on complex problems.

It is not only advisory clients that benefit from our broad range of capabilities and in-depth knowledge. In today's environment of increasingly complex technology, transactions, and global business structures, the knowledge and experience of specialists are a requisite for performing a high-quality audit. Our audit teams have access to specialists in areas such as technology, security, internal controls, capital markets, taxation, and actuarial services.

Focused on Global Client Service Standards and Excellence

Deloitte and its member firms have always worked to balance respect for the diversity of local cultures, customs, business ownership structures, and the shared values that bind our member firms together. Our global client service standards have fostered the confidence in DTT and its member firms that has allowed us to attain our leadership position. Recently, we conducted a thorough reexamination of these standards to ensure that they reflect the changes in the environment in which we operate, our clients' needs, and our organization.

Global Client Service Standards

1. Determine, on each engagement, who our clients are and directly ascertain their expectations for our performance. Depending on the location and nature of the services, clients may include the board of directors, the audit or supervisory committee, and management (all of whom are representatives of shareholder interests); financing institutions; governmental entities; trusts; partnerships; and parties to a merger transaction.
2. Analyze our clients' needs and professional service requirements.
3. Develop client service objectives that will enable us to fulfill our professional responsibilities, satisfy our clients' needs, and aim to exceed their expectations. Prepare an appropriate client service plan to achieve these client service objectives.
4. Execute the client service plan in a manner that has earned us our reputation for quality and endeavors to ensure that commitments are met, potential problems are anticipated, and surprises are avoided.
5. Establish effective communications, both internal and external, to enhance our clients' recognition of the value and quality of our service.
6. Provide our clients with insights on the condition of their businesses and with meaningful suggestions for their improvement.
7. Continually broaden and strengthen our relationships with our clients to facilitate effective communication and enhance client confidence, while maintaining professional objectivity.
8. Ensure that any professional, technical, or client service problem is resolved promptly, with timely consultation in an environment of mutual respect.
9. Obtain from our clients, either formally or informally, a regular assessment of our performance.
10. Receive fees that reflect the value of services provided and responsibilities assumed, and that are considered fair and reasonable.

Our member firms constantly refine and develop our functional areas and help build the skills of their professionals to address changing global, local, and regulatory conditions, as well as stakeholder expectations. In this way, we position our entire organization for growth.

Audit Services

Deloitte is a recognized leader not only because of its size, but also by virtue of audit quality and the credibility of the work of our member firms with audit and supervisory committees, regulators, and the investment community.

A Consistent Global Audit Approach

Deloitte addressed the globalization of business by establishing a proprietary international audit approach that is used by all DTT member firms. This global audit approach, known as AuditSystem/2 (AS/2), was the first to include a fully integrated audit methodology, common documentation, and enabling software. AS/2's features are highly flexible, with the capability of addressing clients' circumstances and financial reporting and professional requirements that vary from country to country.

This consistent international audit approach promotes audit quality and efficiency and facilitates the ongoing development of audit professionals, regardless of where they may work or where their careers with Deloitte may take them. The approach also reduces the risk that important audit findings may be misunderstood when a participating member firm communicates with the primary client service team.

Our risk-based audit approach is designed to obtain a thorough understanding of the client's global business, assess financial statement risks, and consider the reliability of internal controls

over financial reporting. Our member firms' audit teams then tailor the audit plan to address the risks, objectives, and control reliance strategy they have identified. Throughout the audit, our teams continually assess risk and how audit findings bear on their testing procedures, allowing them to address issues appropriately as they arise.

DTT and its member firms are investing significant time and resources to further enhance our audit methodology and software. The next generation of our audit approach will:

- Effectively address new regulatory requirements and developments in auditing standards around the world
- Provide member firms' audit teams with a "dashboard" view of the progress of the audit, the audit findings, and open issues that need to be addressed
- Improve teamwork and collaboration among our participating member firms through electronic means.

Providing a Global Advantage

In addition to core audit services, DTT's member firms offer a variety of specialized services closely related to the audit. For instance, Global Offering Services is an international team of professionals with broad knowledge of U.S. accounting principles, disclosure requirements, and SEC rules and regulations. They are committed to working closely with local client service teams to assist global companies in accessing the U.S. securities markets.

To meet the 2005 requirement for European Union companies to adopt International Financial Reporting Standards (IFRS), DTT's member firms have developed a network of professionals who devote substantial time to IFRS conversion projects. The experience and knowledge we gain during these projects will give our audit teams an advantage in auditing IFRS financial statements.

Enterprise Risk Services

Our member firms' enterprise risk services (ERS) professionals help clients identify and assess risk and uncertainty and enhance the reliability of systems and processes throughout the enterprise.

Core competencies encompass capital markets, control assurance, internal audit, regulatory consulting, and security services. ERS professionals play a vital role in providing risk assessment and technology support for audit engagements. This has become increasingly important in light of new internal control reporting and attestation requirements in various markets.

Technological innovation, globalization, regulation, and the increased accountability of senior management and boards have combined to significantly change the landscape of risk management. Through industry-based risk control specialists, DTT's member firms deliver market-driven integrated solutions to advisory clients. Our best practices and global framework for services enhance cross-border synergies and collaboration. We have e-enabled knowledge transfer and client service delivery and we focus on value-creating services that improve the effectiveness of risk management.

The internal audit services offered by DTT's member firms range from helping to design a strategic plan for internal audit to reengineering existing departments or providing specialized resources for outsourcing the entire internal audit function.

“...the company has settled as Deloitte. It is the only full-service professional services firm left with integrated global capabilities across consulting, systems integration, audit, tax, and financial advisory. The company is therefore placing itself in a category of one. In the future, the firm expects to differentiate itself even further, as it believes enterprises will seek to resolve business, technology, financial, and regulatory compliance issues within a single, integrated view.”

IDC

*Worldwide Services 2004 Vendor Analysis:
Winning in the Global Services Marketplace, Lessons Learned from the Top 20 Players*
IDC #31614, August 2004

Tax and Legal Services

With more than 20,000 professionals worldwide and a presence in every major trading nation, the tax and legal practices of DTT's member firms serve companies in every business sector and industry. From individuals to start-up companies and mid-sized family businesses to large domestic companies and global enterprises, our tax professionals have the skills and tools they need to help clients comply with complex, evolving regulations.

Regulatory and market changes around the world have had an enormous impact on the profession and the clients of DTT's member firms. The convergence of two issues—anti-avoidance legislation and scope of service/auditor independence regulations—has created uncertainty. Our member firms have responded proactively, helping clients address the regulatory environment, assess tax risks, and respond appropriately to tax authorities.

Meeting the Demands of a Global Economy

In this volatile atmosphere, clients require professional services providers with deep technical competence and a global network of specialists in international tax and transfer pricing, indirect tax, international assignment and personal tax services, mergers and acquisitions, and corporate tax.

Through our global service-line approach, we can develop and test innovative solutions in areas such as research-and-development credits and tax risk management. The delivery of these services through our global network of member firms is further enhanced by strong relationships and the industry-specific experience of the lead tax partners whose role is to align Deloitte's tax services with clients' business needs.

Service Delivery Innovation

The provision of tax advice is complex, because taxing authorities' requirements may conflict or require sophisticated interpretation to assess the relevant facts and circumstances. In specialized areas of taxation, companies must comply with detailed rules that demand focused technical knowledge; however, these complexities and contradictions also can provide planning opportunities. To assist our clients with these complexities, DTT and its

member firms have developed state-of-the-art tools and technologies such as Transfer Pricing Architect and CORPTAX ETS (Enterprise Tax System).

Earning high praise from clients, Deloitte OnLine is an innovative, flexible, Web-based collaborative tool that allows better control and communication on complex engagements. Marketing innovations such as Dbriefs, an informative, timely, interactive online series, bring Deloitte's insights on the latest tax developments directly to our clients' desktops.

Technology innovation, our client-centric, global network of deeply skilled specialists, and a sustained commitment to quality make the Deloitte member firms the preeminent global providers of tax services.

Financial Advisory Services

Our member firms' Financial Advisory Services (FAS)/Corporate Finance professionals provide comprehensive services, including merger and acquisition structuring, support and integration, due diligence, corporate finance advice and execution, valuation services, reorganization services, forensic investigations and technology, and litigation and arbitration support. Primary clients include companies and private equity firms engaged in transactions, disputes, restructuring, and related challenges. Deloitte member firms also provide services to major law firms, governments, and international lending agencies.

In addition to their basic qualifications, principally as accountants, many of the FAS practitioners in our member firms hold accreditations or certifications in specialty fields, such as corporate finance, valuation, turnaround advisory services, or fraud examination. In countries and localities where it is required, portions of the FAS practices of member firms are licensed and regulated.

Tax Takes Top Honors

Euromoney's 2004 edition of the *Expert Guide to the World's Leading Transfer Pricing Advisers* ranked our transfer pricing network as first in the world. Corporate tax advisors and peers from leading companies and firms around the world named a number of professionals in Deloitte's member firms as leaders in the field. We far surpassed our competitors in this respect. Deloitte also came out on top in many of the world's major financial jurisdictions, including Belgium, Brazil, Canada, Germany, Japan, Italy, the United Kingdom, and the United States.

Taking a Proactive Stand on New Regulations

The Sarbanes-Oxley Act of 2002 requires inspection of public accounting firms registered with the U.S. Public Company Accounting Oversight Board (PCAOB). The inspections began in 2004 after the registration process was complete, but Deloitte and the other Big Four firms agreed to submit to a voluntary limited inspection in 2003, prior to registration and the more rigorous 2004 inspection.

When the 2003 limited inspection report was issued in August 2004, Chairman William J. McDonough of the PCAOB stated, "None of our findings has shaken our belief that these firms are capable of the highest-quality auditing." Although the report did include some constructive observations and suggested areas of improvement—which we take seriously—we are proud that the inspection results confirm that the audit work of our U.S. member firm on the selected engagements did not lead to Deloitte performing any significant additional procedures on any of the audit engagements reviewed.

Future Opportunities

We expect the markets for corporate finance and transaction services to strengthen in the near to medium term. Currently, Deloitte's Transaction Services practices hold a leading position in several major markets and are growing in a number of others. In addition, our member firms are building resources in key markets such as China, France, Germany, and Japan.

Driven by market forces such as corporate failures, forensic investigations, regulatory developments, and money laundering, the Forensic & Dispute Services and Reorganization Services practices of our member firms continue to find opportunities for expansion. Arbitration-related support and testimony is expected to foster growth in the areas of domestic disputes in noncommon-law countries and in international arbitration cases. The Economic Analysis practices of our member firms also have significant growth potential related to international merger and competition cases.

Consulting

The consulting functions of Deloitte's member firms are now, in aggregate, one of the three largest consultancies in the world. As an integrated part of our organization with approximately 20,000 professionals, DTT's member firms are the only consultancies in the world that can offer clients such a comprehensive scope of multidisciplinary services, ranging from strategy formulation to implementation.

This broad capability and the unique market position is an advantage for Deloitte and for clients. Unlike most consultancies, DTT's member firms have a powerful process and technology implementation capability that enables them to take strategic plans and designs and help their clients turn them into reality.

Advisory and Implementation Practices

Our advisory consulting practices encompass corporate strategy, financial management, operations, human capital, and business IT strategy. Member firms are working hard to make their implementation practices even more competitive and are actively seeking meaningful alliances with large technology services firms to broaden our large-scale business transformation capabilities.

Although recent regulations have limited the opportunity to work for some clients, other regulations have led to rapid growth in the demand for our services. Currently, member firms are working to help clients understand the implications of Basel II in the financial services sector, food safety regulations in consumer business, and the Sarbanes-Oxley Act and similar regulations around the world.

New Developments and Initiatives

DTT's member firms are identifying new areas of demand and accelerating development of their service offerings in key areas, including revenue enhancement, mergers and acquisitions, cost reduction, supply-chain optimization, and human capital. We recently announced a number of new initiatives to sustain the collective leadership position of our member firms and support their clients.

The Value Initiative offers a suite of diagnostic tools to map and assess all key aspects of an organization's business operations. Key to the Value Initiative is our proprietary Enterprise Value Map (EVM), a one-page summary that identifies how value is created and what clients can do to improve performance.

Our new knowledge management system pools many of our insights and experiences from around the world and makes them available to all practitioners in all DTT member firms.

Member firms continue to publish thought-provoking research in response to current challenges. For example, we co-authored the bestseller *The Innovator's Solution*, a survey of the impact of offshoring in the financial services industry, and a periodic survey on productivity and jobs produced by our Human Capital practices.

Superior Client Service through Risk Management

Global risk management processes, applicable to all our functional areas, are essential in delivering excellent client service and maintaining the reputation for quality of Deloitte member firms. And they are vital to ensuring our member firms do the right thing, even if it means turning down an engagement.

A number of activities are fundamental to these processes: carefully identifying companies where our relationship is mutually beneficial, identifying and addressing potential conflicts of interest, determining the services each member firm can offer in its marketplace, defining the engagement terms that are appropriate for the specified services, and addressing engagement risks.

Member firms perform a formal risk assessment when an engagement is being considered. Guidelines are in place to identify and resolve professional, legal, and regulatory conflicts that may arise from a prospective engagement. Approval protocols require consultation with designated individuals in specified circumstances.

Client relationships are evaluated periodically and engagement risks are reassessed before our member firms decide to continue a relationship. For high-risk engagements, additional consultation with designated individuals is required. If they believe it is inappropriate to continue serving a client, our member firms will terminate the relationship.

For multinational companies, engagement acceptance and continuance procedures are performed by each participating member firm for the work it will carry out in its locale before a decision is reached.

“Deloitte (rebranded in early 2004) has not only weathered the storm of non-separation but turned its unique integrated service offering into a proven ace in the hole.”

META Group Research
Deloitte Detour Deemed a “W”
July 13, 2004

A Multifaceted Approach to Independence from Audit Clients

DTT, its member firms, and their people know that maintaining independence from audit clients entails more than compliance with rules and regulations. In serving audit clients, our member firms and their professionals must consider how their independence is perceived. Legislation, regulations, and professional guidance can mandate the fact and appearance of independence. However, ensuring our independence depends on people acting with sound judgment, objectivity, professional skepticism, and integrity—all of which are characteristic of the people of our member firms.

Our multifaceted approach to independence from audit clients includes the following elements:

- **Global independence network.** This network covers all member firms and service areas. The global managing partner of independence is supported by a staff of specialists and a network of partners who are responsible for independence assurance measures in their respective member firms.
 - **Independence policies, procedures, and training.** DTT and each member firm maintain written independence policies. Coordination among members of the independence network allows the development of policies that are compliant with all applicable rules and regulations. DTT also provides materials on independence for our member firms to use in training their partners and employees.
 - **Tracking and identification of entities that require independence.** To help ensure the continued independence of DTT, the member firms, and their respective people, we use a proprietary electronic financial interest tracking system known as the Global Independence Monitoring System (GIMS). Partners and managerial professionals must enter their investments into GIMS and keep the information current. To facilitate timely identification and resolution of conflicts, each person's portfolio is checked against our electronic list of audit clients and other entities that require independence.
 - **Global client engagement and acceptance.** Our global client and engagement acceptance policy requires the partner for each potential engagement to complete a process to determine whether the client is one from which DTT member firms must maintain independence. If the entity requires independence, the partner must verify that the proposed services are permissible under applicable independence policies and consult with the lead client service partner.
 - **Monitoring and enforcement.** Through our practice review process, member firms' quality control processes over independence are reviewed for compliance with policies. In addition, each member firm certifies its compliance with DTT's independence policies each year. Just as DTT can exercise disciplinary action against member firms that do not comply with the policies of our global organization, member firms may exercise disciplinary action ranging from reprimand to termination of professionals who do not comply with independence policies.
 - **Partner rotation.** Each member firm's partner rotation policy must comply with local regulations and professional standards. Furthermore, DTT has a global partner rotation policy that is applicable to all public-interest audit clients. At a minimum, the lead client service partner and the partner who performs the quality assurance review cannot function in those roles for more than seven consecutive years. The policy also prohibits returning to an engagement for a minimum of two years.
 - **Partner compensation.** The partner compensation structures of member firms vary according to local requirements, marketplace conditions, their respective partnership agreements, and professional guidance. In addition to embracing the importance of quality, integrity, and technical excellence, the compensation practices in each member firm must comply with applicable independence requirements.
- To further ensure that audit partners focus on their primary responsibility to provide high-quality audit services, DTT has a global policy that forbids them from receiving direct financial incentives for selling products or services to their audit clients, other than those products and services related to the audit, review, or attestation. Regulatory requirements in certain countries require this policy for audit partners serving public-interest companies, but DTT and its member firms have chosen to extend the policy to all member firms' audit partners. Generally, no independence perception issue is associated with offering partners incentives to sell services to clients when they do not participate in the audit of those clients.

Global Industry Groups

As a vital component of our quality and client service strategy, DTT member firms continue to build on our deep industry knowledge. Knowing our clients' industries as well as we know our own is critical to meeting their needs across all functional areas.

DTT's member firms supplement the knowledge acquired through serving clients by participating in global, national, and local industry groups, conferences, and seminars. Our global, cross-functional industry programs are led by senior partners and provide our client service teams with extensive knowledge and consultative resources on technical industry issues.

Our dedication to attracting and developing professionals who can solve industry-specific challenges has made DTT's member firms a leading service provider to *Fortune's* Global 500. The industry groups listed below have the knowledge and experience to deliver services that are tailored to the specific needs of clients:

- Aviation and transport services
- Consumer business
- Energy and resources
- Financial services
- Life sciences and health care
- Manufacturing
- Public sector
- Technology, media, and telecommunications
- Real estate.

Responding to New Market Developments

At Deloitte, we have developed innovative responses that cut across traditional industry or technical boundaries to meet changing market demands. The following are only some examples of how our member firms are meeting their clients' needs by pioneering innovative solutions.

Security. In a time of economic uncertainty and increased regulation in response to terrorism, security has become a top priority. Deloitte member firms are helping clients respond to these new challenges by offering end-to-end solutions with new business strategies, improved supply-chain management, information assurance, and international tax experience.

Addressing emerging reform. Through member firms' audit, tax, financial advisory, and consulting capabilities, we bring all the tools and perspectives our clients need not only to comply with national regulations and reforms, but to improve corporate governance, strengthen controls, and increase investor confidence by moving beyond compliance.

Delocalization/offshoring. Major institutions have increased their move to delocalize functions and global businesses have focused even more on India and China. Our industry groups responded with thought leadership material and conferences, and by strengthening our member firms' presence in those markets.

Japanese Services Group. For the past three decades, the Japanese Services Group (JSG) has been meeting the needs of Japanese clients operating throughout the world. Historically, this has been one of our most successful global services groups. The JSG is the largest and most established network of Japanese professionals associated with any Big Four professional services firm. The JSG offers consistent worldwide service to Japanese businesses, helping them meet the geographical, technological, and cultural challenges of global competition.

Chinese Services Group. Deloitte China, in cooperation with member firms operating in strategic markets, established the Chinese Services Group (CSG) to complement and support the growth in services to Chinese companies. Initially, inbound investments into China will be the primary market focus of the CSG. At the same time, however, the CSG will build the foundation that will allow member firms in China and abroad to become the professional service provider of choice for globalizing Chinese companies, especially with regard to their investments overseas.

Radio frequency identification. Already mandated by some large retail companies and the U.S. government, radio frequency identification (RFID) technology enables companies to track goods in real time throughout the entire supply chain. Our new service offering, Mobile ID Services, helps users navigate the entire RFID deployment process, from compliance and technology

integration to optimizing their RFID investment and enhancing enterprise value.

Money-laundering prevention. Practitioners from financial advisory services, assurance, regulatory services, and consulting services have formed a working group to coordinate the services provided by our member firms in the area of money-laundering prevention. They have been engaged by prominent financial institutions throughout the world.

Sustainability reporting. In an increasing number of countries, teams are helping clients develop public reports that provide internal and external stakeholders with the company's visions, values, principles, and governance practices. These "sustainability reports" focus on economic, social, and environmental performance. We are also developing assurance approaches to such reporting.

Leveraging Technology to Add Value across National Borders

In various markets, Deloitte firms have established a number of tools and resources to assist clients and, in many cases, the general public, in better understanding the dynamics of financial reporting requirements, corporate governance, and the capital markets. One example is our IAS Plus Web site, which provides comprehensive information about international financial reporting. Available free of charge at www.iasplus.com, the site has a broad array of information and resources related to the International Accounting Standards Board and International Financial Reporting Standards (IFRS), including:

- Online educational modules, which have been accessed and downloaded for use more than 100,000 times since becoming available
- Detailed summaries of the standards and related interpretations
- Comparisons of IFRS to generally accepted accounting principles in various nations
- Model IFRS financial statements and disclosure checklists.

The Deloitte Approach to the Market

Although the underlying foundations of our shared service approach—shared values, ethical principles, client service standards, and a commitment to excellence—are common across the entire client base of our member firms, we recognize that to maintain superior client service, our firms must tailor their approach to the factors and issues that prevail in a particular segment. For this reason, DTT's member firms segment the market in a manner that enables them to provide the right mix of experience and expertise for each client situation. Generally, the market is segmented by geography, industry, the size of the client, and the nature of the services provided.

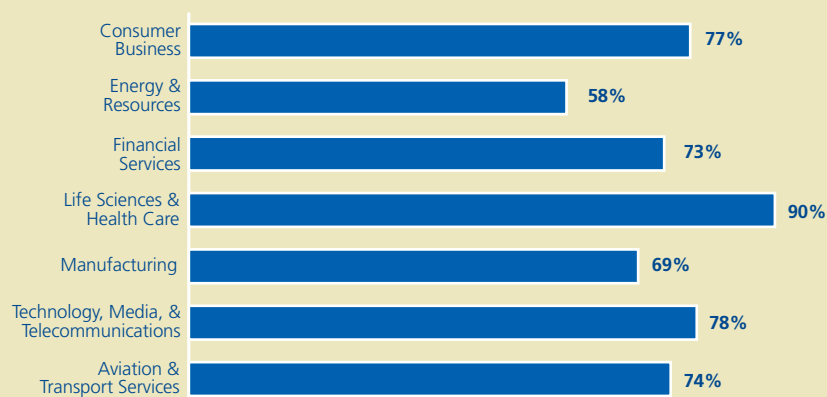
Serving more than half of the world's largest companies, as well as large national and middle-market enterprises, public institutions, privately owned companies, and successful, fast-growing companies, our member firms worldwide serve clients through the broad functional areas of audit, tax, financial advisory/corporate finance, and consulting services.

DTT's member firms audit their fair share of *Fortune's* Global 500. In addition, due to their broad range of services, they serve more than 70 percent of the Global 500. This market share further demonstrates global strength.

Our global industry groups bring deep industry knowledge to our client engagements. We enjoy significant market share in many segments, including:

- **Consumer Business.** Our member firms serve 98 percent of the world's top 30 consumer products companies, 75 percent of the top 100 retailers, and 80 percent of the top 30 tourism, hospitality, and leisure companies.
- **Energy and Resources.** Deloitte member firms audit 50 percent and serve 87 percent of the electrical power companies in the Global 500.
- **Financial Services.** Our member firms provide services to more than one-half of the world's top 50 banking institutions, 33 of the top 50 insurance companies, 20 of the top 25 securities firms, and 15 of the top 20 asset managers.
- **Manufacturing.** In the Global 500, our member firms serve more than three-quarters of the automotive companies, 58 percent of the process companies, and 79 percent of the aerospace and defense companies. In addition, DTT's member firms audit 35 percent of the top 20 manufacturing companies in the Global 500.

Percentage of *Fortune's* Global 500 served by our member firms



Our Marketplace

Deloitte member firms have a wide array of competitors. Other companies serving in our major functional areas are listed below. As a result of the different services provided by each organization and the potential for differing presentation of results, amounts are not necessarily comparable.

Total Revenue for the Big Four

(most recent period available) ¹	US\$millions
Deloitte	\$16,421
Ernst & Young	14,547
KPMG International	12,160
PricewaterhouseCoopers	14,683

FY03 Total Consulting Revenue^{2, 3}

Deloitte ⁴	\$5,920.0
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Elite Strategy Firms and/or HR Consulting Firms

A.T. Kearney	\$ 846.0
Bain & Company	890.8
Booz Allen Hamilton	2,017.0
Boston Consulting Group	1,009.8
Hewitt Associates	734.0
McKinsey & Company	3,000.0
Mercer	2,719.0
Towers Perrin	1,031.3
Watson Wyatt Worldwide	1,067.0

IT Consulting Firms

Accenture	\$8,272.0
BearingPoint	3,141.0
Cappgemini	5,073.8
EDS ⁵	1,195.9
IBM	12,955.0

¹ Information obtained from public Web sites. PricewaterhouseCoopers also discloses aggregated gross revenues, with reimbursed expenses, of US\$16 billion. Deloitte and Ernst & Young are fiscal 2004 amounts and KPMG International and PricewaterhouseCoopers are fiscal 2003 amounts.

² © 2004 Kennedy Information, Inc.; from *Consultants News*, June 2004, "CN 75 Firms"; reprinted with Permission of the Publisher.

³ Kennedy Information uses four broad segments to categorize consulting services: information technology, strategy, human resources, and operations management. Services related to outsourcing are excluded from this definition.

⁴ Deloitte member-firm revenues reflect fiscal 2004, which is the year ended May 31, 2004. Revenues are inclusive of all consulting and advisory competencies, including strategy, operations, finance, risk management, human capital, technology, and enterprise applications.

⁵ Amount excludes revenues from A.T. Kearney, an independent subsidiary of EDS.

Our People

The people of DTT's member firms are guided in their actions by the organization's shared values and ethical principles. They are dedicated to providing superior client service with professional objectivity and to working diligently to preserve the trust of their clients, the capital markets, and the public.

Because we set high expectations for our people, they have a right to expect as much from our organization. DTT's member firms offer a challenging and rewarding work environment, pay competitive salaries in the markets where they operate, provide opportunities for education and career advancement, and are dedicated to fostering an atmosphere of inclusion.

Instilling Integrity and Quality in Our Professionals

The business of Deloitte member firms is to provide the expertise, character, judgment, experience, and objectivity of their people to help clients address the challenges they face in managing their businesses. For that reason, it is crucial that our member firms hire, develop, and retain people of the highest quality who are committed to our professions and to serving clients with skill and integrity.

DTT's member firms' recruitment and selection methodology requires job candidates to participate in behavior-based interviews and thorough assessments of their key competencies. This enables them to identify professionals who have the skills and qualities for which we are known. To retain the high-quality professionals hired by our member firms, we strive to offer our people a framework in which they can thrive and develop as professionals and as individuals. Throughout Deloitte member firms, our Employer of Choice program concentrates on measures that help meet these needs:

- Appropriate learning and career development opportunities
- A program to manage and identify individuals with a strong potential to become leaders
- Recognition and reward packages that encourage high performance
- Work-life balance and other benefit programs that help our professionals manage their personal and professional commitments

- An environment of inclusion and understanding across cultures.

Investing in Our People

Deloitte and its member firms have implemented the following "global people commitments" that describe how we work together across borders and cultures to ensure that professionals thrive inside and outside the workplace:

- Attract and retain the best
- Communicate openly and effectively
- Empower and trust
- Recognize success
- Respect and support work-life balance
- Develop people.

Working Environment

Deloitte's member firms strive to maintain a working environment that is open and honest, and are committed to collaboration at all levels of the organization. They emphasize consultation and teamwork and encourage flexibility on the part of all people.

Our member firms seek to live up to their commitments to their people. This requires them to provide their people with the right balance of professional challenges, competitive remuneration and benefits, learning and development, and an exciting and inclusive working environment that enables the individual to meet both personal and professional ambitions.

Every one or two years, our member firms actively solicit the feedback of our people through the Global People Commitment Survey. As a result of this survey, DTT's member firms are striving to improve performance in the following areas:

- Retaining top talent
- Encouraging work-life balance
- Linking performance management and recognition in a more concrete and transparent manner.

Competitive Remuneration and Benefits

DTT's member firms pride themselves on paying competitive salaries in the markets where they operate and tailoring a wide range of benefits to the needs of their people. Although they do not have a single global benefits policy, most of our member firms offer benefits packages that exceed the required minimum.

Deloitte and its member firms aim to help their people reach a meaningful balance between their professional and personal priorities through a variety of arrangements. Examples include:

Flexible work arrangements. In some countries, some employees enjoy reduced hours, reduced workload, job-sharing arrangements, or telecommuting opportunities.

Career breaks. Employees in some countries can be considered for career breaks. Consideration is given to requests for purposes such as a course of further study, the birth or adoption of a child, care for a sick or elderly relative, bereavement, or the temporary transfer of a spouse or partner.

Child care. In some locations, member firms offer child care resource and referral programs that can assist with day care, home care, and programs for school-age children.

Adoption and elder care assistance. Another service helps employees who wish to adopt a child by providing access to adoption specialists and information about licensed adoption agencies, private adoptions, and state regulations. Employees can also obtain assistance with elder care.

Learning and Development Opportunities

Enhancing current competencies and developing new ones are part of a continuous learning process that DTT and our member firms encourage to enhance client service and increase personal satisfaction. Examples include:

International assignment programs. Each year, Deloitte's international assignment programs offer more than 1,000 people from approximately 60 countries the opportunity to expand their skills and experience by working abroad. Deloitte's award-winning Global Development Program gives talented young professionals the opportunity to spend up to three years in another country early in their careers. Our member firms continually work to develop new leadership opportunities for young partners and senior professionals.

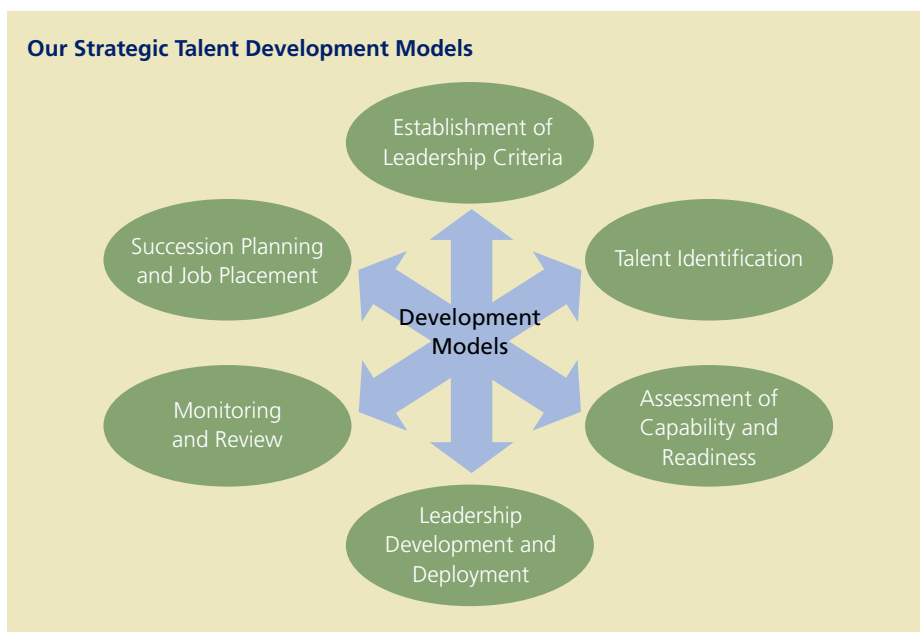
Deloitte Learning. Among the many options for learning, DTT offers e-learning programs. The global Deloitte Learning portal offers a single means of access to information regarding local and global learning programs. Courses, which may take place in a classroom or online, cover technical, strategic, and operational issues; language training; project management; leadership; and human resources training. These resources are in wide use by professionals throughout the world. In fiscal 2004, some 75,000 people took advantage of the e-learning curriculum.

Global Excellence Model. Our Global Excellence Model (gEm) performance and career development system provides guidelines and templates to assist professionals in managing their careers and monitoring their performance. The system also facilitates the delivery of client service by creating an understanding of the competencies required in each service area and at each level, regardless of geographic location. The model is invaluable in matching the competencies of our professionals and the unique needs of our clients with maximum effectiveness.

Strategic Talent Development of Future Leaders

Strategic talent management efforts focus on identifying and developing those partners in Deloitte member firms who exhibit the potential for global leadership in client service and practice management roles. Our goals are to foster stability during leadership transitions and to maintain continuity in our client relationships through careful management. To maintain a strong pipeline of capable individuals who are prepared to assume global leadership roles, we identify and develop partners who exhibit strong leadership and practice management qualities.

The Young Partners Advisory Group consists of young partners who have been identified for their outstanding leadership potential. The group's task is to address a topic of particular importance to the global organization. Our most recent group includes young men and women from almost 20 countries, with experience across multiple industries and functional areas.



Professional Challenges and Advancement Opportunities

DTT's gEm-based performance management system helps Deloitte member firms set expectations for individual and team performance and ties the results to appropriate levels of compensation and reward. The culture of our organization recognizes and rewards talented people and provides exemplary performers with opportunities for advancement.

Development opportunities—from coaching and mentoring to international experience—are provided to help the people in Deloitte member firms develop the knowledge, skills, and experience needed for outstanding performance. The reward system is guided by a competency-based structure that defines roles, sets performance expectations, and evaluates people and teams based on their performance.

Special advancement opportunities are available to those qualified to become partners of our member firms. Becoming a partner in any member firm requires many years of training, as well as talent, skill, and proven performance.

The partner admissions framework recommended for use by member firms strives to ensure that the process is fair, objective, and transparent, and that it is based on accomplishment and an understanding of the economic and business environment in which the candidate operates.

The framework provides six criteria to evaluate candidates:

- Service excellence
- Technical competency
- People development
- Demonstrated commitment to our shared values
- Leadership effectiveness
- Marketing and business generation.

Employer of Choice

During the past five years, DTT's member firms have been recognized as employers of choice on more than 30 occasions. Various Deloitte member firms have received the following awards and recognitions:

- Named one of the best places to work in Denmark, Finland, France, Ireland, Italy, the Netherlands, Portugal, the United States, and Uruguay by the Great Places to Work Institute
- Ranked one of the best companies to work for in Spain by *Actualidad Económica*
- Recognized as one of the top 100 employers of choice in Sweden by Universum
- Designated one of the most desired companies in Hungary by Budapest University of Economics
- Named an employer of choice for women in Australia for the third year in a row by the Equal Opportunity for Women in the Workplace Agency
- Honored as one of the Pan European Society's 100 best Czech companies
- Ranked one of the best companies to work for in Argentina by *Mercado* magazine
- Cited as one of the best companies to work for in South Africa by the Corporate Research Foundation
- Voted one of the best places to work in Germany by *WirtschaftsWoche*
- Included among the top 50 employers in Canada by *The Globe and Mail*
- Ranked eighth among the top 10 Icelandic employers in the annual company of the year survey conducted by the Commercial Workers Union
- Awarded a Work & Life Award by New Zealand's Equal Employment Opportunity Trust for helping our people integrate their activities and interests at work and outside work, thereby creating a culture that values its people and enables them to reach their potential.

Commitment to Multiculturalism and Inclusion

We emphasize cultural diversity through our Multiculturalism and Inclusion Initiative. Our vision for this initiative is to demonstrate by our actions that our member firms understand, value, and benefit from the different backgrounds of our people. Given our 71 member firms covering nearly 150 countries, DTT and its member firms are naturally diverse and multicultural; however, our vision is not limited to this broad view. Rather, DTT and its member firms strive to be multicultural and inclusive at all levels—within member firms, within local offices, and within client service teams.

Our commitment to and vision for inclusion require us to create opportunities for all our people to participate in the various aspects of our organization. Although our member firms are united by this vision, our Multiculturalism and Inclusion Initiative recognizes that the implementation of programs will be shaped, above all, by local and national cultures.

Our global strategy for multiculturalism and inclusion builds on several frameworks. One of our most immediate goals is to establish a baseline measurement, beginning this year, from which to determine accountability and adjust requirements. Another is to organize networks of member firms with similar profiles to share plans and programs, such as increasing the participation of minority groups and furthering opportunities for women in the workforce.

Finally, we are committed to providing global learning programs to develop the skills needed to work cross-culturally. Current programs include our Women in Leadership initiatives in the United States and the United Kingdom, the Destination Transformation program in South Africa, the Equal Opportunity initiative in Sweden, and Women in the Workforce networks in Europe, the Middle East, and Africa.

Women in the Workforce

As part of our commitment to multiculturalism and inclusion, we developed a process this year that requires member firms to measure and report gender statistics.

Currently, women in DTT and our member firms represent:

- 45 percent of all personnel
- 13 percent of all partners/directors
- 13 percent of the partners admitted in 2004
- 26 percent of managers.

Building a Sustainable Future

Principled Economic Conduct

Our member firms have a responsibility to improve economic and social conditions where they operate. We help sustain local, regional, and national economies by paying taxes and compensating our employees fairly.

Our activities in the area of corporate social responsibility go beyond our daily business functions. We support leading organizations that promote corporate social responsibility. As an organization of people dedicated to shared values and ethical principles, we donate our time and resources to build stronger communities.

A Positive Financial Impact through Ownership

Although we are a global organization, the partners of our member firms own their respective practices. As a result, Deloitte has a distinctive beneficial impact in each country where our member firms have a presence.

Typically, multinational companies repatriate a significant portion of the revenues generated by foreign subsidiaries back to the headquarters country. By contrast, virtually all the social and economic benefits of the revenues and profits generated by DTT's member firms remain in the communities where the work is performed, helping to build stronger local economies and foster job growth.

Our Perspective on Corporate Social Responsibility

Our shared values, ethics, integrity, and independence are fundamental. These values help build public trust and form the basis of our approach to corporate social responsibility. To be socially responsible, we:

- Collaborate with organizations dedicated to fostering sustainable economic growth and social equity
- Work within the public and private sectors to support economic development and education
- Encourage the member firms to reward their people for contributing to their communities.

Making a Global Difference

To advance responsible globalization, member firms have entered into strategic commitments with several organizations. These organizations promote responsible global citizenship and sustainable development by encouraging businesses to recognize and commit to economic growth, environmental protection, and social equity all over the world. These organizations provide a valuable forum for discussion of corporate social responsibility and best practices for acting on our commitment.

World Economic Forum

DTT was one of the founding signatories of the World Economic Forum's Global Corporate Citizenship Initiative (GCCCI) in 2002. The GCCCI conducts annual surveys of signatories to gain insight into corporate social responsibility and produces thought leadership on specific issues related to responsible business practices.

World Business Council for Sustainable Development

A member of the World Business Council for Sustainable Development since 1991, DTT has been actively involved in many working groups and projects through the years. This organization is a coalition of 170 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance, and social progress. Most recently, we worked with Rabobank and STMicroelectronic on a three-year project to develop *Striking the Balance*, a report addressing the value of sustainability reporting and best practices for achieving it.

United Nations Global Compact

Deloitte has been involved with the United Nations Global Compact, an initiative seeking to promote responsible global citizenship by advancing universal values in business operations, since its inception. DTT is the only professional services organization to be a founding member of the initiative. The Global Compact brings companies together with U.N. agencies, labor, and civil society to support 10 principles in the areas of anti-corruption, human rights, labor, and the environment. We strongly support the 10 Global Compact principles and we participate in global meetings and a number of regional Global Compact networks.

Most recently, Deloitte was commissioned by the United Nations Development Programme and the United Nations Industrial Development Organization under the auspices of the Global Compact to provide a resource document for its workshop on partnerships for small enterprise development. We have also fulfilled our obligation to publicly communicate our progress in relation to the Global Compact principles.

“It is no longer sufficient for multinational corporations to do merely what is legal. In every instance, multinational corporations must do what is right—through their conduct, not just their words.”

William G. Parrett

International Center for Corporate Accountability Conference
at the United Nations
May 2004

Improving Our Communities

The community involvement of our people is integral to our approach to corporate social responsibility and an effective way for us to contribute to sustainable communities. Our people devote their time and energy to projects such as school mentoring, health assistance, and e-learning for unemployed young people. These efforts create greater social awareness of the value of corporate citizenship and have far-reaching benefits for our professionals and the communities where they live. Here are a few examples of what some of our member firms and their people have done:



Junior Achievement, Argentina. In addition to providing pro bono auditing, Deloitte's Argentine firm collaborated on the Junior Achievement TITAN program, which uses computer simulations to help students gain experience running a company and to apply the theory they learn during Junior Achievement classes.

Fim de Semana com Música, Brazil. Deloitte Brazil sponsored music classes for 30 teenagers from Favela Paraisópolis as part of a community cultural project known as Fim de Semana com Música (Weekend with Music).



School Mentoring Program, China. In collaboration with local secondary schools, Deloitte China worked with the Education & Manpower Bureau of the Hong Kong SAR government to facilitate a school mentoring program for underprivileged students. We hope to make a contribution to the development of the local workforce through mentoring relationships with Deloitte professionals.



The Civilia Foundation, Czech Republic.

Since December 2003, Deloitte's firm in the Czech Republic has conducted various fundraising events for Civilia Foundation, an organization that provides shelter for older abandoned children.

E-Learning Class, France. In partnership with Solidarités Nouvelles face au Chômage (SNC), Deloitte's French firm hosts an e-learning class for unemployed people. Our professionals lead seminars, mentor SNC members, and assist in resume preparation.

Project Siyakhula, South Africa. The idea for Project Siyakhula was born in 1998, when accounting trainees from Deloitte in Pretoria recognized that by sharing their knowledge, they could make a difference in the education of disadvantaged pupils from township schools. These trainees began visiting disadvantaged schools on Saturday mornings to provide accounting lessons; six years later, the project continues to make a tangible difference in the lives of students nationally.

La Fundación Tomillo, Spain. Deloitte Spain joined with la Fundación Tomillo to design and present a four-hour course for young people who are unemployed or at risk of scholastic failure. The course, Learning to Work with Equipment, placed special emphasis on communication skills and hands-on activities.

The Mustard Children's Home, Taiwan. This year, Deloitte Taiwan donated building maintenance materials for the Mustard Children's Home, and volunteers repainted the walls and cleaned the surroundings. In addition, Deloitte Taiwan will grant scholarships to five children each year and provide them with living allowances until they turn 20.

skills4industry, United Kingdom. This business employment program, skills4industry, is led by Deloitte's United Kingdom firm and backed by some of the United Kingdom's largest companies. It provides 16- to 18-year-old students from disadvantaged communities with the qualifications, skills, and experience they need to secure employment.

United Way, United States. With more members than any other company, our U.S. member firm is the clear leader among corporations in United Way's prestigious Alexis de Tocqueville Society—a group of individuals who contribute \$10,000 or more to United Way with the goal of improving people's lives. Deloitte's participation in the program increased by 30 percent last year, creating an even greater impact in communities around the country.

IMPACT Day 2004. More than 20,000 Deloitte people from some 100 locations in Finland, India, Mexico, and the United States stepped out into their communities on 8 October 2004 for IMPACT Day. Local office teams spent months organizing this event. Our volunteers supported a number of causes by mentoring children, delivering meals to the elderly, beautifying facilities, painting murals, planting trees, and pulling weeds. Practice leaders and clients of member firms in East and West Africa convened in Mombasa, Kenya, to discuss ways that business can address development concerns in the region. Three offices in China will hold their own IMPACT Day later in the year.

Community Service Recognition

Around the world, DTT professionals and member firms are recognized for their outstanding community involvement. These awards underscore what is possible through the dedication of time, resources, and skills.

Citizenship in Action Award, United States.

In December 2003, the U.S. Chamber of Commerce's Center for Corporate Citizenship awarded DTT's U.S. member firm its inaugural Citizenship in Action award, honoring the firm for its decision to champion early ethics education. Deloitte took the honors for its work with Junior Achievement to create the Excellence through Ethics curriculum.

Socially Responsible Enterprise 2004,

Mexico. In 2004, for the fourth consecutive year, the Centro Mexicano para la Filantropia named Deloitte Mexico a socially responsible enterprise. The award recognizes companies that promote social responsibility and are most committed to the development of Mexico and its communities.



Concern for the Environment

As a network of professional services firms, we do not have the far-reaching environmental impact of an industry such as manufacturing. Our main effect on the environment is in the areas of transportation, energy consumption, and waste. Many of our member firms have already taken the initiative to monitor, manage, and report on their environmental impact and activities. We will work with our member firms to encourage the development of systems to measure, monitor, and report environmental impact and to make efforts to reduce negative effects wherever possible.



Looking Forward

DTT's member firms have a long history of working directly with local communities to help improve social and economic conditions. We will continue to encourage our people to help improve their communities and to reward them for their efforts.

We are moving toward a model in which most of our community involvement, social investment, and philanthropic activity will be conducted through long-term partnerships with business, civil society, and the public sector. Because we believe our most significant contributions to the global community are made through the time and experience of our people, we are working with member firms to establish measures to best capture our contributions to society through volunteerism and pro bono service hours. These ongoing efforts are expected to be effective in helping us sustain our leading position with respect to corporate social responsibility.



Leadership and Governance

It is through strong, well-conceived governance and leadership structures that DTT's member firms maintain the highest levels of quality and integrity and sustain the trust of their clients, the capital markets, our people, and the public.

As a global organization comprising member firms and their affiliates in nearly 150 countries, we have governance and management structures at both the global and member-firm levels. Our global policies form the basis for member firms to tailor their policies to comply with local rules and regulations. Although our policies have withstood increased scrutiny and recent regulation, we constantly work to identify areas for improvement and new ways to anticipate regulations, allowing us to maintain the highest level of confidence among our stakeholders.

A Unifying Structure

Deloitte is structured as a Swiss Verein, an association of member firms that are legally independent of one another but operate under related names. These names include "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," "Tohmatsu," and others.

The Verein is led by The Executive, which is headed by the global chief executive officer; day-to-day management is executed through the Management Committee. Together, they are responsible for determining and managing the strategic direction of the organization. The DTT Board of Directors is our highest governing body. These management and governance bodies, along with other internal administrative services, such as human resources and technology, comprise what is referred to as DTT, or the global organization. The global organization and the member firms form the Verein.

The Verein sets out specific guidance to the member firms, including those regarding independence and integrity. The Verein also provides each member firm with exclusive privileges in its specific jurisdiction; all member firms must comply with the laws, regulations, professional rules of conduct, and codes of ethics of both the Verein and their respective localities.

As a Verein, or association of member firms, DTT does not provide any services to clients.

It is funded by annual subscriptions paid by each member firm, and does not have individual partners, principals, or shareholders. DTT personnel consist of staff of a subsidiary of DTT or of partners, principals, or employees of member firms on assignment to DTT. The cost of these assignments is borne by DTT.

Member-Firm Structure

The partners of DTT's member firms are the sole owners of their practices. Their member firms are organized on an individual-country or regional basis, and each operates within the legal and regulatory framework of its particular jurisdiction. They are separate and independent firms that are owned and managed locally. These firms have come together to practice under a common brand, methodologies, client service standards, and other professional standards and guidelines.

Our structure seeks compliance with rules of local ownership and management governing the accountancy profession in most countries. It also reflects the fact that our member firms are not subsidiaries or branch offices of a global parent. Rather, they are locally formed entities that have voluntarily come together into a global association to coordinate their approach to client service. This structure also confers significant strengths: a deep understanding of local markets and a sense of responsibility and initiative among our professionals, who have a direct stake in the integrity and growth of their practices.

Flexibility within a Strong Network

The Verein structure allows Deloitte to be a leader at all levels—locally, nationally, and globally—because its governance policies are sensitive to the professional environment and culture of individual countries. At the same time, individual practices, as members of the DTT global organization, have access to the cross-functional skills, knowledge, and consultation networks of Deloitte, as well as its market recognition and reputation.

DTT has adopted standards regarding specific leadership and governance structures. Each DTT member firm has a managing partner, senior partner, or equivalent. In addition to the responsibility for the executive management of their respective national practices, these partners are responsible for local implementation of global policies and strategies and for aligning national policies and strategies with those of the global organization.

Each member firm is required to have a governing body, such as a board of directors or board of partners, to facilitate the sound governance of the individual practice, the implementation of local rules and regulations, and the implementation of DTT global policies and procedures.

Each member firm also appoints a representative to serve as a liaison to the global organization and to represent the member firm at the DTT World Meeting. This meeting is held annually to update member firms on strategy

The Global Organization

The member firms support and adhere to the purposes and policies of the Verein by:

- Conducting themselves in a manner that advances the reputation of the organization
- Aligning national plans, strategies, and operations with those of the global organization, as appropriate, in consultation with global executive management
- Adhering to all requirements regarding professional standards, shared values, methodologies, governance of the Verein, and systems of quality control and risk management
- Advising DTT's executive management of the details of all joint ventures, joint practices, proposed mergers, and practice activity in jurisdictions other than those assigned to the member firm.

and initiatives proposed by global management and to vote on specific matters pertaining to the Verein, such as approval of board members or changes in the governing documents, financial statements, and voting entitlements of the member firms.

DTT Membership Quality Control

The partners of Deloitte's member firms are accountable for their actions. To monitor compliance with global policies and procedures, member firms must undergo periodic practice reviews conducted by the global organization.

When appropriate, DTT considers the addition of member firms in emerging jurisdictions to help serve our clients more effectively. Our rigorous admission process ensures that DTT's governance remains strong locally, as well as globally.

Before any admission is proposed to the board, a practice review is conducted on behalf of DTT, covering the following matters:

- Professional reputation and integrity of the firm and its partners
- Quality of the firm's leadership and management
- Profitability and financial position of the firm
- Litigation
- Current market position and rate of growth
- Quality control procedures and a limited review of engagements in all practice areas.

The review team will make its recommendation for or against admission of the applicant based on the results of the practice review.

Once admitted, each member firm is subject to applicable practice review processes to determine its compliance with global policies and procedures, as well as with local rules and regulations.

These reviews provide reasonable assurance that the policies and procedures relating to the member firm's system of quality control are relevant, adequate, operating effectively, and complied with in practice. Practice reviews are conducted regularly across all functional areas and in each member firm,

DTT's Leadership Bodies

In addition to the national management and governance bodies that have direct authority over their respective member firms, globally, DTT is governed by its Board of Directors, led by The Executive, and managed by the Global Management Committee. The Board of Directors works with its Governance Committee, which helps direct issues to be addressed by the board. Made up of representatives from throughout DTT, these leadership bodies are designed to be inclusive and to allow a diversity of opinions.

The Executive and the Global Management Committee

Our global chief executive officer is elected by the partners of DTT's member firms and serves a term of four years. The Executive comprises DTT's most senior leaders. It is responsible for establishing the vision and strategy that optimizes DTT's success and for protecting the long-term interest of all stakeholders. With eight members from various regions around the world, the group works in a collegial style and attempts to reach decisions through consensus.

The Executive is led by the global chief executive officer, currently William G. Parrett, who chooses the members subject to approval by the board and the provisions of the Verein. The Executive carries out its responsibilities through the Global Management Committee, a group of 17 partners with geographical and functional representation. This group focuses on business performance and execution of global strategy.

Board of Directors and Governance Committee

The Board of Directors, with 33 members, is our highest global governing body. The board has responsibility for addressing governance issues in our global organization. Currently led by Piet Hoogendoorn, the board oversees DTT management processes and monitors ethical conduct.

Members of the board are appointed by individual member firms that are themselves selected based on size, revenues, and number of multinational clients. The board also includes five regional seats, ensuring that smaller member firms are represented. Once elected, a member can serve up to a four-year term.

The board is served by the Governance Committee, which has oversight responsibility for the organization's management. This multicultural group of senior partners engages in efficient, open discussion of issues before they proceed to the board. The Governance Committee has equal representation of DTT's 13 largest member firms. Each committee member has one vote on matters considered by the committee. To avoid conflicts of interest, no member of the Governance Committee may also serve on The Executive. The board also has a number of subcommittees that coordinate and recommend action on a wide scope of financial and administrative issues within the context of the global organization.

with the oversight of functional and risk management leaders. These often involve detailed engagement examinations by service-line specialists from outside the practice.

Member firms must establish detailed plans to address recommendations arising from practice reviews, and DTT leaders actively monitor adherence to these plans. Failure to comply with current policies and procedures could result in disciplinary action and expulsion for member firms whose conduct is found by the Board of Directors to be unprofessional or improper according to the conditions of the Verein.

Other global compliance processes have been undertaken or are planned, including the following:

- Risk management program design reviews have been conducted by the Global Risk Group
- Technology and security standards reviews are planned by the Global Information Security Office
- Internal audits have been conducted to ensure that firms maintain their books and records in accordance with the DTT standards for member firms
- Monitoring of compliance with ethics standards is planned by the Global Ethics and Compliance Office
- A quality report card for each member firm is being considered.

Ongoing Oversight and Continuous Improvement

As part of our ongoing effort to strengthen oversight and enforcement of our governance and membership policy, we review our global policies to identify ways to achieve improvement. As a result of our most recent review, DTT is considering the following recommendations:

- The establishment of a “national office” structure for each member firm, modeled after those already in existence for some of our large member firms
- The involvement of a senior leadership team in further assessing member-firm compliance with certain membership standards
- The extension of the scope-of-practice reviews to other aspects of member firms’ management practices and processes covered by global policies.

Partner Compensation

Although the compensation practices of individual member firms vary, generally, the partner compensation system is an earnings-allocation process.

Typically, each partner in a member firm is allocated partnership interests, known as units, in his or her respective member firm. Under recommended guidelines, the number of units allocated to a partner is determined by several factors, with performance and client service quality being the most significant. The operating earnings of

member firms are generally expressed in terms of unit value. Partners of member firms are compensated in accordance with their number of units at the applicable unit value for their firm. This compensation generally provides for the equivalent of salary, short- and long-term benefits, return on capital, and professional indemnity insurance.

According to recommended guidelines, the objectives of the partner compensation system are to develop and reward partners in a way that:

- Promotes the delivery of client services that set the standard for integrity and quality
- Encourages professional excellence and growth
- Rewards partners based on their relative value and the extent of their sustained performance
- Supports the global organization’s professional and business strategy
- Supports business-building and increasing profitability.

As previously noted, to ensure our member firms’ audit partners focus on their prime responsibility—to provide audit services of the highest quality—our global policy forbids them from receiving compensation, bonuses, or other direct financial incentives for selling products or services, other than audit, review, or assurance-related services, to their audit clients.

Financial Performance

Member-Firm Financial Performance and Growth

Deloitte is a stronger organization today than ever before. Through the hard work and dedication of people in the member firms and the global alignment of our strategic initiatives, we have achieved unprecedented growth in markets around the world. DTT's strategy to serve clients through a multidisciplinary approach has resulted in the enhancement of our member firms' client bases and has opened new areas of opportunity.

Regulators, the investing public, and others have an interest in obtaining more information regarding professional services organizations such as Deloitte and its member firms, and we have a desire to be more transparent. Our commitment to communicating more openly with our stakeholders extends to the area of financial results. Although financial results do not tell the whole story, they do provide valuable insight into our achievements and the trust clients place in DTT's member firms. We believe communicating key financial information of the member firms is a valuable step in building and sustaining confidence internally and externally, with clients and the public.

The strong financial performance of the member firms is necessary for their continued ability to deliver outstanding quality. To assess financial performance and track the progress of their strategy, we monitor key financial measures such as revenue growth, operating activity results, market share, and changes in average partner earnings.

Strong Performance in Challenging Times

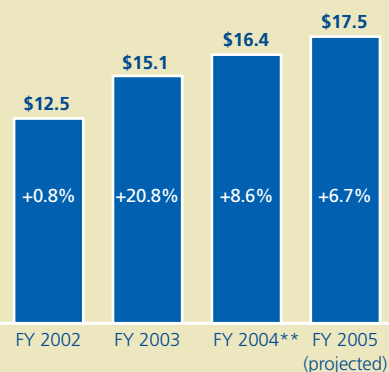
Although our professions have undergone unprecedented turmoil and transition during the past three years, Deloitte's member firms have seen consistent growth in the demand for their services. Results for the past three fiscal years ended May 31, and the plan for next year, reflect continued revenue growth. Both in the United States and globally, revenue growth in fiscal 2002 was affected by the events of September 11, 2001. The high

growth rate of 20.8 percent in fiscal 2003 reflects the recent consolidation in our professions, as well as our success in winning new business.

Economic indicators signal an improving global economy, which we expect to contribute to the continued growth of our member firms. We are projecting an increase in total member-firm revenues of approximately 7 percent for fiscal 2005 and we anticipate growth in each of our functions and in each major region of the world.

In addition to revenue, market share is a key indicator of our global strength. DTT's member firms audit their fair share of *Fortune's* Global 500 and, as a result of their broad array of services, they maintain significant service relationships with a majority of the Global 500.

Revenue growth* (in billions of US\$)



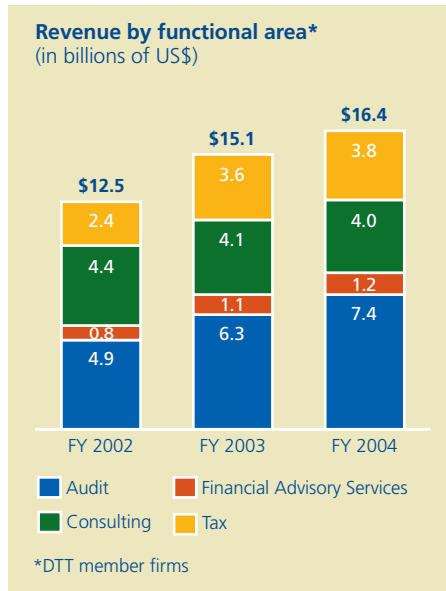
*DTT member firms

**As described earlier, member firms divested certain practices during fiscal year 2004. After excluding the divested practices from each year, revenue growth for the continuing businesses was 11.1%.

The information reported reflects the sum of selected operating and financial performance data of the member firms and their subsidiaries and affiliates in the Verein. Each member firm is a separate and independent legal entity. As such, DTT member firms maintain their financial records in accordance with local accounting standards and regulatory or statutory requirements, as appropriate, for their respective legal forms as partnerships, limited liability companies, corporations, or other structures. Accordingly, although the member firms use a similar structure of financial accounts, certain items may be accounted for differently in different member firms as a result of varying accounting practices across international borders and the various legal structures.

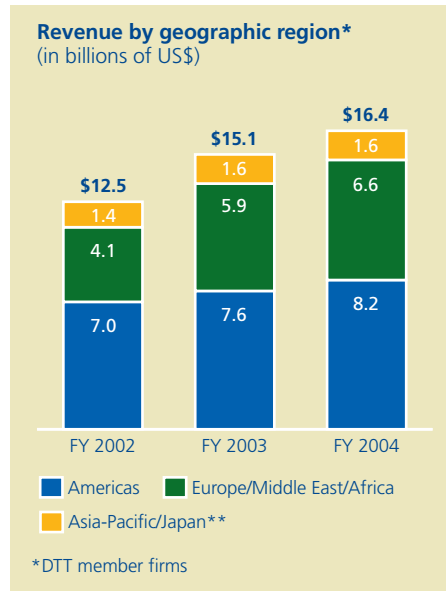
Member firms include the results of all entities that are majority-owned by their partners. In addition, DTT member firms have minority interests in other legal entities, certain joint ventures with strategic alliances, and other business relationships, for which the results are not included in the information presented here. Revenues include reimbursed expenses.

The sum of these selected operational and financial statistics does not constitute a financial consolidation of the DTT member firms on an actual or pro forma basis; such a consolidation would generally not be appropriate or permissible under international or local generally accepted accounting principles. Further, the composite amounts do not attempt to reconcile or restate items that are treated differently among the member firms.



Each World-Class Function Contributes to Performance

From a functional perspective, our member-firm tax practices contributed the largest revenue increase, with almost 60 percent growth over the past two years. This reflects the addition of a significant number of new clients resulting from the consolidation in our professions. As a result of transitioning clients, as well as the impact of new regulations that increased our member firms' clients' need for audit and advisory services, audit revenues rose by more than 50 percent over the two-year period. Although consulting revenues decreased slightly in 2003, as they did for our major competitors, they rose 4 percent in 2004 after adjusting for divested practices in certain markets.



**Asia-Pacific/Japan revenue contributed approximately 10 or 11 percent of total revenue for each of the three fiscal years. However, as a result of lower rates per hour in the region, professional service hours for the Asia-Pacific/Japan region represented 18, 16, and 15 percent of the total in fiscal years 2002, 2003, and 2004, respectively.

Executing Our Strategy to Increase Scale around the World

Revenues in the Europe/Middle East/Africa (EMEA) region increased by more than 60 percent in the past two years, and now account for more than 40 percent of total global revenue. Deloitte member firms have seen average annual growth of approximately 8 percent in the Americas and the Asia-Pacific/Japan regions. Japan had a challenging year in 2003, but recovered well in 2004. Revenues in Japan increased by 13 percent after adjustment for the divestment of part of its consulting practice.

Strategic Investments Contribute to Strong Operating Activity Results

As noted on page 29, financial results are compiled based on the respective accounting treatment for each member firm. In addition, based on the appropriate accounting for the various legal structures, certain items may be accounted for differently in the member firms. These differences in accounting treatment among member firms include such items as whether partners' compensation is charged against earnings or paid as a distribution from earnings, whether income taxes are the responsibility of the firm or of the individual partners, the accounting for pension and retirement costs and other partner benefits, the estimated useful lives of depreciable assets, and other factors affecting capitalization standards and deductibility for income taxes.

Operating activity results before such items would be 23.0 percent, 22.2 percent, and 23.8 percent for fiscal years 2002, 2003, and 2004, respectively. Operating activity results after deduction of the items discussed above would be considerably lower, given their significance in many member firms. The lower operating activity results in fiscal 2003 were attributable to the costs and challenges associated with the consolidation in our professions and the retention of our consulting capabilities in many member firms.

It is important for the financial stability and the sustained quality of the services offered by DTT's member firms that the partners of those firms benefit from the greater profitability, which improves their ability to make ongoing investments. During the past several years, average partner compensation in many member firms increased in conjunction with improved business performance.

Based on analysis, the compensation of the partners of our member firms is comparable to that of executives in the geographies in which they work. However, given the wide ranges of partner compensation throughout the world, which reflect the differing tax and legal structures, treatment of profit sharing, marketplace circumstances in the various geographies, and other items, worldwide average earnings per partner are not meaningful.

We expect member firms' costs to increase in 2005 as we continue to invest in training and quality control measures for service delivery. These investments are vital as member firms position themselves to manage growth.

Strong Financial Condition Is Key to Sustainable Leadership

The partners are the member firms' sole owners. Most partners have invested significant capital and hold an equity interest in their national practices. This substantial investment provides the working capital that enables the member firms to maintain training programs, build state-of-the-art technology, develop new services, and meet professional, governmental, and industry regulations and standards. Deloitte member firms have a ratio of current assets to current liabilities that averages greater than 2:1.

For most of our member firms' partners, this equity interest in his or her member firm represents a substantial portion of his or her net worth. As partners, they assume a certain degree of liability for adverse events affecting their practices. Given their personal investment, we believe this ownership structure provides a practical incentive for partners to act as professional leaders who are committed to sustaining excellence in every aspect of their work.

Like all companies, the member firms have other commitments, such as guarantees, leases, and pensions, some of which are funded and some of which are unfunded; however, as in the case of all liabilities, the obligations are specific to individual member firms.

Litigation and Insurance

Given the litigious environment in certain parts of the world, legal and professional insurance costs are becoming more significant. Although DTT member firms maintain insurance coverage, the proliferation of litigation is causing this coverage to become increasingly difficult to obtain, and it is virtually nonexistent in some places. The exposure assumed by organizations such as our member firms is not proportional to our responsibilities under professional requirements. This discrepancy and related litigation continue to be among the most significant challenges to our member firms—and therefore, to DTT—influencing the retention of people, the cost of services, and the viability of professional services organizations.

DTT's member firms, like all other major professional services organizations and DTT itself, have been named as a defendant in a number of civil lawsuits. Most of these suits are premised on allegations that financial statements issued by clients and reported on by our member firms were incorrect. Although this is one of our most significant challenges, our member firms have been able to address these cases in an appropriate manner without affecting their overall ability to serve clients.

DTT's member firms maintain professional indemnity insurance coverage at levels currently available in the marketplace. To respect the confidentiality of the carrier's interest, we treat data about insurance coverage as proprietary and confidential.

Each DTT member firm is required to purchase professional liability insurance customary to the laws under which it operates and at a level appropriate for the risks associated with the services it provides.

Ensuring Financial Stability

Meeting the responsibilities of DTT's member firms to their clients and people requires a financially stable and sustainable organization. DTT's member firms energetically pursue all appropriate opportunities for practice growth while maintaining prudent control over spending. They manage their core financial activities, such as tax payments, billing, and partner compensation, with integrity and honesty.

Each member firm has internal accounting controls for executing transactions in accordance with its management's authorization, maintaining accountability for assets, and permitting preparation of combined financial information. This helps ensure that each member firm's assets are safeguarded and that the financial information is reliable.

Select composite DTT and member-firm financial position information (in billions of US\$)

	31-May-03	31-May-04
Client receivables	\$3.5	\$4.1
Total current assets	4.5	5.7
Total assets	7.3	8.9
Current liabilities	2.7	3.0
Third-party debt and partners' capital	4.6	5.9

As previously discussed, the presented amounts represent composite, not consolidated, financial information. In addition, specific capital requirements vary in different markets and between member firms. For example, debt is considered to be held by the member firm in some jurisdictions, as reflected in the table above, and by the partners as individuals in others.

Board of Directors



Piet Hoogendoorn
Netherlands –
Chairman



Sharon L. Allen
United States



Igal Brightman
Europe/Middle
East/Africa



Sanford A. Cockrell III
United States



John P. Connolly
United Kingdom



Brian L. Derksen
United States



Hendrik Descheemaeker
Belgium



Martin J. A. Eadon
United
Kingdom



Richard J. Fineberg
United States



Carlos González
Spain



Ernesto González
Mexico



Alcides Hellmeister Filho
Latin America
and Caribbean



Erik Holst Joergensen
Denmark



David H. Laidley
Canada



Jerry P. Leamon
United States



Carol J. Lindstrom
United States



Alan N. MacGibbon
Canada



Chaly Mah
Asia-Pacific



Thomas M. Maloney, Jr.
United States



Harley B. McHutchison
Australia



Kenneth E. McKelvie
China



Andrew G. McMaster
United States



Libero Milone
Italy



Vassi Naidoo
Southern Africa



William G. Parrett
Chief Executive
Officer



Alain Pons
France



James H. Quigley
United States



Amadou Raimi
France



Achim Schmidt
Germany



Martin A. Scicluna
United
Kingdom



Shuichiro Sekine
Japan



Bob van Nes
Europe/Middle
East/Africa



Keiji Watanabe
Japan



Edward Way
Asia-Pacific

See the description of the Board of Directors on page 27.

Global Management Committee



Vassi Naidoo (1)
 Johannesburg
 Deputy Regional Managing Partner,
 Europe/Middle East/Africa (EMEA)

Ralph G. Adams (2)
 Edinburgh
 Global Managing Partner,
 Financial Advisory Services

Shuichiro Sekine (3)
 Tokyo
 Regional Managing Partner, Japan

Manoj P. Singh (4)
 Hong Kong
 Regional Managing Partner, Asia-Pacific

Jerry P. Leamon (5)
 New York
 Global Managing Partner,
 Clients and Markets

John P. Connolly (6)
 London
 Global Managing Director

Colin Taylor (7)
 Toronto
 Regional Managing Partner,
 North America and Global Managing Partner,
 Brand and Eminence

Alan S. Schneier (8)
 New York
 Global Managing Partner,
 Tax & Legal

Dr. Wolfgang Grewe (9)
 Munich
 Regional Managing Partner,
 EMEA and Global Managing Partner,
 Innovation and Investment

James H. Wall (10)
 New York
 Global Managing Director, Human Resources and
 Managing Director, Global Office

Jeffrey P. Rohr (11)
 New York
 Chief Financial Officer

Joseph J. Lambert (12)
 New York
 General Counsel

Wolfgang Richter (13)
 New York
 Chief Information Officer

Jeffrey K. Willemain (14)
 Detroit
 Global Managing Partner,
 Regulation and Risk

Not pictured above:

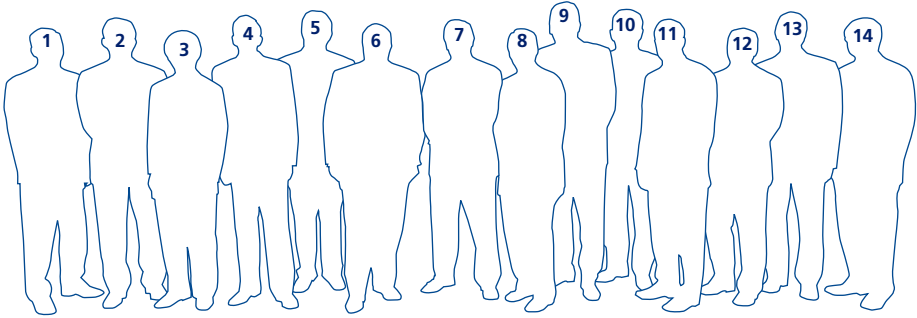
Stephen Almond
 London
 Global Managing Partner, Audit

William G. Parrett
 New York
 Chief Executive Officer

Paul D. Robinson
 Toronto
 Global Managing Partner, Consulting

Alberto Terol
 Madrid
 Regional Managing Partner,
 Latin America and Caribbean

See the description of the Global Management Committee and The Executive (pictured in the introductory letter) on page 27.



The Young Partners Advisory Group of 2004



Porus Pardiwalla (1)
India, Audit

Louise Rainville (2)
Canada, Audit

Michael Shaw (3)
New Zealand, Tax

Kohei Kan (4)
Japan, Audit

Kathleen Farlow (5)
United States, Tax

Marion Farnschlaeder (6)
Germany, Tax

Francisco Perez Cisneros (7)
Mexico, Audit

Paul Meulenberg (8)
Netherlands, Consulting

Antoine de Riedmatten (9)
France, Audit

Domenico Arcuri (10)
Italy, Consulting

Vassi Naidoo (11)
South Africa
Young Partners Advisory Group Advisor

Kevin Black (12)
South Africa, Audit

Geoff Andrews (13)
Bahamas, Audit

Padraig Cronin (14)
Ireland, Tax

Victor Ng (15)
China, Audit

Janet Foutty (16)
United States, Consulting

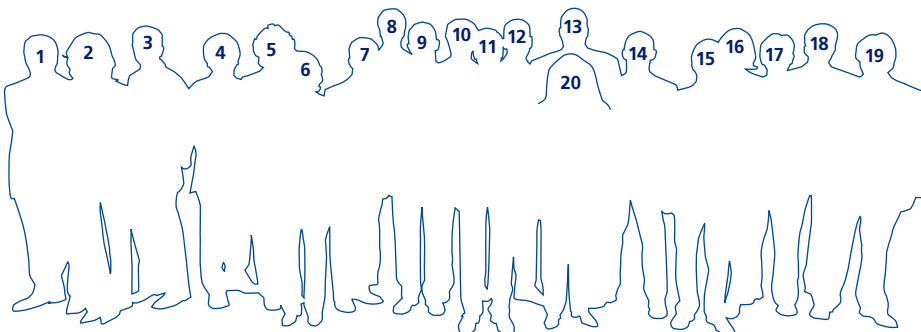
Philip Yuen (17)
Singapore, Audit

Hans Waren (18)
Sweden, Audit

Jaime Vargas Cifuentes (19)
Colombia, Tax

Anthoula Madden (20)
United Kingdom, Consulting

See the description of the Young Partners Advisory Group on page 21.



Our Expanded Global Reach

Americas

Argentina
Aruba
Bahamas
Barbados
Belize
Bermuda
Bolivia
Brazil
British Virgin Islands
Canada
Cayman Islands
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Guyana
Honduras
Jamaica
Mexico
Netherlands Antilles
Nicaragua
Panama
Paraguay
Peru
United States
Uruguay
Venezuela

Europe/Middle East/Africa

Albania
Angola
Austria
Azerbaijan
Bahrain
Belarus (Republic of)
Belgium
Bosnia and Herzegovina
Botswana
Bulgaria
Burkina Faso
Cameroon
Channel Islands

Congo (Democratic Republic of)
Croatia (Republic of)
Cyprus
Czech Republic
Denmark
Egypt
Estonia (Republic of)
Finland
France
Gabon
The Gambia
Gaza Strip/West Bank

Georgia
Germany
Ghana
Gibraltar
Greece
Greenland
Hungary
Iceland
Ireland
Isle of Man
Israel
Italy
Ivory Coast
Jordan

Kazakhstan (Republic of)
Kenya
Kosovo
Kuwait
Kyrgyzstan
Latvia (Republic of)
Lebanon
Libya
Lithuania (Republic of)
Luxembourg
Macedonia (Former Yugoslav Republic)

Madagascar
Malawi
Malta
Mauritania
Mauritius
Moldova (Republic of)
Monaco
Morocco
Mozambique
Namibia
Netherlands
Nigeria
Norway
Oman
Poland

Portugal
Qatar
Romania
Russia
Rwanda
San Marino (Republic of)
Saudi Arabia
Serbia and Montenegro
Slovak Republic
Slovenia
South Africa
Spain
Swaziland
Sweden

Switzerland
Syria
Tanzania
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom
Uzbekistan (Republic of)
Yemen (Republic of)
Zambia
Zimbabwe

Asia-Pacific

Australia
Bangladesh
Brunei
Darussalam
China (People's Republic of)
Fiji
Guam
India
Indonesia
Japan
Korea (Republic of)
Malaysia
Marshall Islands (Republic of)
Micronesia (Federated States of)
Nepal
New Caledonia
New Zealand
Northern Mariana Islands
Pakistan
Palau (Republic of)
Papua New Guinea
Philippines
Singapore
Sri Lanka
Taiwan
Thailand
Vietnam



Leaders of Our Largest Member Firms

Australia

Harley B. McHutchison, Chairman
Giam J. Swiegers, CEO
Keith W. Skinner, Managing Partner

Belgium

Hendrik Descheemaeker, Chairman
Jos Beddegenoodts, CEO
Ludo de Keulenaer, Managing Partner

Canada

David H. Laidley, Chairman
Alan N. MacGibbon, CEO

Central Europe

Otto Jelinek, Chairman
Bob van Nes, CEO

China

Kenneth E. McKelvie, Chairman
Peter G. Bowie, CEO

Denmark

Geert Bjoern Hansen, Chairman
Erik Holst Joergensen, CEO

France

Amadou Raimi, Chairman
Jean-Paul Picard, CEO
Alain Pons, Deputy Managing Director

Germany

Frank Tischer, Chairman
Dr. Wolfgang Grewe, Senior Partner

India

Dileep Choksi, Senior Leader
Udayan Sen, Senior Leader
Mukund Dharmadhikari, Senior Leader

Italy

Libero Milone, Chairman and CEO
Enrico Ciai, Managing Partner

Japan

Keisuke Ueda, Chairman
Hirotake Abe, CEO

Mexico

Juan Carlos Izaza, Chairman
Ernesto González, CEO and Managing Partner

Netherlands

Erik Beelaerts van Blokland, Chairman
Willy A. Biewinga, CEO and Managing Partner

South Africa

Futhi Mtoba, Chairman
Vassi Naidoo, CEO
Richard M.W. Dunne, Managing Partner

Spain

Rafael Farrán, Chairman
Carlos González, CEO
Miguel Zorita, Managing Partner

United Kingdom

Martin A. Scicluna, Chairman
John P. Connolly, CEO
Martin J. A. Eadon, Managing Partner

United States

Sharon L. Allen, Chairman
William G. Parrett, Senior Partner
James H. Quigley, CEO
Barry Salzberg, Managing Partner



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