

Deloitte.

The journey

Becoming the standard of excellence

Deloitte Touche Tohmatsu Worldwide Member Firms 2006 Review



Audit. Tax. Consulting. Financial Advisory.

Front cover: The journey to becoming the standard of excellence is illustrated by Deloitte Belgium partners, as they shift into high gear on a 1,000-kilometer cycling trip to southwest France. Contributed by the Deloitte Belgium Marketing, Communications & Business Development team.

Throughout this review, you will see many photographs of and by the people of Deloitte member firms as they travel on their own journeys. Whether it's climbing a mountain, cycling through the countryside, or flying to visit a client, they move with intensity and determination to reach their destination, whatever it may be.

For the convenience of the reader, a member firm of Deloitte Touche Tohmatsu (DTT) in a particular country is identified in the body of this report by the word "Deloitte" coupled with a country name (e.g., Deloitte Greece), in lieu of using the actual legal name of the member firm of DTT in that country. In many countries, services may be provided by the actual member firms but could also be provided in addition by—or solely by—subsidiaries or affiliates of the Deloitte member firm in that country, which are often organized as separate legal entities. Each of these separate legal entities is liable for its own acts or omissions and not those of other separate legal entities.

Additionally, for purposes of this publication only, individuals are identified by their name and the nomenclature discussed above for referring to a Deloitte member firm, whether that individual is a partner, principal, shareholder, member, director, or employee of that Deloitte member firm or one or more of its subsidiaries or affiliates (e.g., Aidan Poulos, Deloitte Greece).

For example, and specifically with respect to the United States, Deloitte & Touche USA LLP is the member firm of Deloitte Touche Tohmatsu. Services in the United States are provided by Deloitte & Touche LLP, Deloitte Tax LLP, Deloitte Consulting LLP, and Deloitte Financial Advisory Services LLP. All of these U.S. entities are referred to in this publication as "Deloitte United States."

Deloitte Research studies deliver ideas, fact-driven insights, and innovations designed to improve organizational performance. Through the contributions of research and practice professionals from the member firms of Deloitte Touche Tohmatsu, and the contributions of academic and industry contributors, Deloitte Research reports and articles bring ideas that matter to executives, boards, and leading business journals. To access the latest research, please visit www.deloitte.com/research. Refer to specific thought leadership pieces for copyright details.



Contents

Letter from the CEO	2
Bill Parrett	
Letter from the Chairman of the Board	4
Piet Hoogendoorn	
Deloitte in 2006	6
Setting the direction	14
Deloitte ... to be the standard of excellence	19
Magnet for talent/global culture	20
Eminence/brand image	28
Exceptionally client-centric	34
Leading in scale and growth	40
Superior and sustainable profitability	46
<i>Financial performance and governance</i>	50
Market leadership	56
Innovation	62
Flexibility	68
Leadership listings	74
The Deloitte global footprint	80

A letter to stakeholders from CEO Bill Parrett

To be the Standard of Excellence

To be the Standard of Excellence: that is the vision for Deloitte Touche Tohmatsu (DTT) member firms. It is and will continue to be their engine for success and catalyst for positive change. That reality was certainly reflected in the outstanding results of fiscal year 2006. In addition to solid financial performance, the stature of the Deloitte brand continued to grow in significant ways. Third party evaluators singled out the superior quality and integrity of a number of Deloitte member firm services. These accolades were seconded by significant new member firm client wins with major companies across industries.

Through independent internal surveys, the people of the Deloitte member firms expressed their support for the Deloitte culture and the broad array of programs that enable them to maintain a work/life balance. One of the most significant achievements was the launch of the new vision—to be the Standard of Excellence—and the decade 2010 strategy to achieve it. Many considerations prompted this launch. Above all, sweeping changes in global business and regulatory environments demanded a fresh strategic approach.

In the last year, Deloitte member firms have come a long way to becoming a standard of excellence. They continue to deliver measurable value to clients and stakeholders, thanks to their portfolio of service offerings and a unique variety of disciplines. The Deloitte difference is helping clients—of all sizes and in all industries—address the complexities of operating in an interconnected world.

The value member firm clients and capital markets place on these services is reflected in the financial performance. In FY06, aggregate member firm revenues from continuing operations grew more than 10 percent (more than 11 percent in local currencies), exceeding US\$20 billion, while aggregate member firm earnings rose 15 percent. The 10 percent increase marks the thirteenth consecutive year of growth. All service offerings—audit, tax, consulting, and financial advisory services—contributed to the positive financial performance. Likewise, all regions experienced strong revenue growth. In local currencies, the Asia Pacific/Japan region achieved an aggregate 13 percent growth rate; Europe/Middle East/Africa (EMEA) a combined 10 percent; and the Americas region 12 percent collectively.

For Deloitte member firms, becoming the standard of excellence extends beyond financial performance, to building a sterling reputation for quality and trust. That is why the business strategy has set eight measures of excellence with goals for each member firm, region, service offering, and industry group. You will be reading about these measures throughout this review.

Together, these measures of excellence also help focus the efforts of Deloitte member firms on fostering sustainability among corporations and communities worldwide. Some noteworthy achievements include:

Scale and sustainability: Worldwide, Deloitte member firms have increased their size and enhanced their expertise. Approximately 135,000 people now serve clients or support member firms in nearly 140 countries. This growth has been accelerated by two mergers in China, with more expected, in addition to mergers in Australia, France, and Poland.

Quality service: Member firms were recognized for their enterprise risk services expertise, and received awards for their tax and securitization service capabilities, among others. Deloitte member firm professionals provide services to more than 80 percent of the Global *Fortune* 500, yet large private, national, and local companies continue to be the main beneficiary of Deloitte member firms' full complement of professional services.

People: Member firms are working to enhance the already vibrant Deloitte culture and to attract and retain more than their share of talented people. A renewed focus is enriching people programs such as work/life balance, diversity, and providing new leadership and management opportunities for women. In FY06, 26 Deloitte member firms received Employer of Choice awards.

Community: A signatory of the United Nations Global Compact, Deloitte member firms are working with a variety of organizations—both global and local—to address the issues of the day, whether by providing drinkable water to those in need, or imparting a renewed sense of ethical behavior to young entrepreneurs. Visit www.deloitte.com/globalcompact to see how Deloitte member firms seek to live up to the 10 UN Global Compact principles. Further, in an effort to simplify and clarify communications with stakeholders, a stakeholder report will be published that details how member firms govern themselves and conduct their businesses. The report will be available on our website at www.deloitte.com/global.

In addition, member firms are proactively supporting regulatory change aimed at improving capital market effectiveness. Whether setting the tone for debate on issues such as governance and financial reporting, or providing expertise to standard setters in emerging markets, Deloitte member firms worldwide are leading by example.

Looking beyond fiscal year 2006, all member firms will continue to focus on the eight measures of excellence to build the Deloitte brand, while also strengthening the bonds of trust with stakeholders and capital markets.

Thank you for taking the time to learn more about Deloitte Touche Tohmatsu and its member firms. I hope that you will come away with a greater sense of the measurable value that Deloitte member firms bring to their many stakeholders.

Sincerely,



William G. Parrett
Chief Executive Officer
Deloitte Touche Tohmatsu



A letter to stakeholders from Chairman of the Board Piet Hoogendoorn

I congratulate DTT and its member firms for another successful fiscal year. This year, once again, the Deloitte member firms in the aggregate saw double-digit growth and the addition of many prestigious clients. Just as important, in FY06 a new global strategy for the future was approved that will help Deloitte member firms sustain this success in the years to come.

It is out of this strategy that DTT has developed the vision to be the Standard of Excellence. Even more than achieving financial benchmarks, this standard is now the goal of DTT and every member firm. To achieve excellence in all that we do is to be a truly world-class organization.

As chairman of the DTT Board, I like to think of governance as the first step in achieving excellence. And the Board has been working hard to ensure that we are the standard of excellence in governance, setting an example for both member firms and stakeholders alike.

But just what is good governance? Much time and research have been dedicated to answering this question over the past few years. Several regulatory and nongovernmental agencies, such as the New York Stock Exchange and the European Commission, have developed guidelines for public companies.

In these guidelines and research, one common theme generally emerges: the importance of oversight and transparency. Oversight ensures that the right strategies and the right initiatives are carried out effectively and according to the very highest ethical standards. It can also provide a fresh perspective on ideas and their implementation. Transparency allows stakeholders a clear view of processes and structures. A transparent organization clearly communicates its activities and goals and also encourages feedback and participation. Taken together, oversight and transparency can help an organization avoid crises and provide a solid foundation for both employees and clients to conduct their business.

To achieve excellence in governance, a board must be a strong and proactive body—and the DTT Board was designed to be just that. Our current governance structures were established in 1999; they were created in accordance with generally accepted governance standards—and with the goals of the global Deloitte organization in mind.

Since then, the Board has adjusted and refined its role and activities in order to achieve a standard of excellence we feel best serves member firm partners. We have reshaped our committees, set standing annual goals, and undertaken several measures to enhance our relationship with DTT management. We have also worked to increase communication and raise awareness of governance within DTT and undergone periodic self-evaluations to fine-tune our role, including a mandated review this past year. All of these actions are considered benchmarks of an effective board.

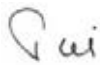
But why, as a private organization comprising independent partnerships, does DTT seek excellence in governance—a practice usually expected of publicly traded corporations? Because we understand the demands of today's marketplace, the increased level of scrutiny and expectations, and the value governance brings to the client. An emphasis on governance not only strengthens DTT and its member firms as they pursue their global strategies, but also sends a clear message to all stakeholders that we are dedicated to ethical conduct, are willing to submit to the same level of scrutiny as member firm clients, and believe in transparency and accountability.

But to be the standard of excellence, governance must be strong at the member firm level as well as the global level. And I am happy to report that it is—as the Board recently assessed from a member firm governance survey. Not only are member firms dedicated to the idea of strong governance; nearly all have boards and structures that adhere to generally accepted governance standards.

Such practices as separating governance functions from management, selection of the CEO, setting of compensation, and strong communication with stakeholders are all standards to which DTT member firms support and subscribe. These results are very encouraging, and DTT's Board will continue to work with member firms to enhance governance practices even more.

Achieving the standard of excellence is an ambitious goal in any organization—and even more so in one that encompasses 70 member firms operating in nearly 140 countries with approximately 135,000 employees. But achieving excellence in governance is not an option—it is an imperative. And through the hard work of member firm governance bodies, the commitment of the DTT Board, and, most importantly, the dedication of the people of Deloitte member firms throughout the world, it is a goal that is well within reach.

Sincerely,



Piet Hoogendoorn
Chairman of the Board
Deloitte Touche Tohmatsu



Deloitte in 2006

To be the standard of excellence—is a journey, not a destination. In a world where expectations keep growing and the bar is always being raised, trailblazers will become followers and innovators will turn into imitators if they lack a commitment to continually reassess and reposition themselves in an ongoing effort to redefine the standard of excellence.

In 2006, Deloitte Touche Tohmatsu member firms passed many important milestones on their journey to be the standard of excellence. Their successes are measured in many different ways, including the opportunities they provide for their people to excel, the outstanding services that deliver measurable value to their clients, and the contributions they make to the communities in which they work and live.

Managing for future generations

Striving for the standard of excellence requires the combined talents of exceptional people. In today's increasingly competitive market, Deloitte member firms aim to be the first choice for the most coveted talent—where the best choose to be. In 2006, approximately 135,000 highly talented people were part of a Deloitte member firm. Many of them were introduced to the member firms through the award-winning Deloitte worldwide global careers website, which receives approximately 4.2 million visits each year.

The best and brightest people have many choices, and, for that reason, Deloitte member firms offer their people a wide range of opportunities and an environment in which they can excel and develop. Each year, the majority of Deloitte member firms conduct a Global People Commitment Survey—in 2006,

Deloitte member firm offices in 99 countries achieved a response rate of almost 80 percent—which provides each member firm with valuable insights to better manage the workplace and strengthen its reputation as one of the best places to work. In addition, independent third parties have recognized Deloitte member firms on 26 occasions as being Employers of Choice.

Global People Commitment Survey results (percent agreeing)

I feel a strong sense of belonging to Deloitte:
2006: 75%, 2005: 71%

I am proud to tell others that I am part of Deloitte:
2006: 86%, 2005: 85%



An important reason why Deloitte member firms are such attractive workplaces is their commitment to multiculturalism and inclusion. This is further demonstrated by the Deloitte Shared Value of strength from cultural diversity. In 2006, for instance, Deloitte France received the Egalité label from the French government in recognition of its efforts to promote diversity in the workplace, create further job opportunities for women, and provide flexible working hours. Deloitte member firms in Australia and the United States were also recognized for the excellent work environments they provide for women. Other member firms have their own programs designed to celebrate the Deloitte Shared Values. This is such an integral part of Deloitte Southern Africa that they refer to their program quite simply as “The Deloitte Way.”

Deloitte member firms in emerging markets

Globalization is provoking worldwide shifts in workforces, and to ensure the long-term sustainability of Deloitte member firms, significant investments have been made in emerging markets to meet the growing demand for services in their countries. Many of the fastest-growing member firms are in emerging markets, such as Deloitte China, which in 2006 grew by 60 percent for Mainland China and 42 percent overall, and the Commonwealth of Independent States (CIS), which grew by 63 percent.

One way that Deloitte member firms in emerging regions are leveraging their combined size, scale, and expertise to the benefit of both their people and their clients is by clustering their practices. Last year, for example, a Latin American Countries Organization (LATCO) cluster was formed among the member firm practices in Argentina, Colombia, Costa Rica, Ecuador, Guatemala, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

This year, an ASEAN cluster was formed among member firms in Indonesia, Singapore, Malaysia, Thailand, the Philippines, and Guam—an important component in the strategy to double the strength of Deloitte member firms in Asia in the next five years. Already, Deloitte member firms are among the fastest-growing of the Big Four in the Asia Pacific/Japan region.

A third cluster will coordinate member firm practices in the Bahamas, Barbados, Bermuda, the Cayman Islands, Jamaica, and the British Virgin Islands. Further clusters are being formed in Africa and parts of Europe.

Delivering measurable value

Value creation is central to the growth and sustainability of any organization. The key to Deloitte member firms’ success in achieving their objective of being the first choice for the most sought-after clients is delivering services that provide measurable value to those clients. For example, these value-added services—delivered according to defined client service standards, such as The Deloitte Approach—are a key reason why the Deloitte member firm in Portugal is the trusted business adviser to GE and has, for the past four years, received that company’s outstanding service award, a designation GE normally reserves for its own employees.

This year, the marketplace responded to this value offering with a significantly greater demand for service. Deloitte member firms increased their service hours by a total of 10 percent in 2006, helping to generate aggregate revenues of more than US\$20 billion.

Deloitte member firms deliver a unique, comprehensive range of services through four world-class businesses, each of which deploys a valuable suite of tools, methodologies, and best practices.

“Deloitte was rated as a ‘Leader’ in ERM [enterprise risk management] consulting, achieving the highest overall score in the evaluation.”

Forrester Research, Enterprise Risk Management Consultants Scorecard Summary: Deloitte, October 26, 2005, by Michael Rasmussen and Christine Ferrusi Ross with Tom Pohlmann and Olivia Ester.

Left to right, Amélie Clerc, Recruitment Manager, and Caroline Dalqué-Marty, Director of Development of Competencies (both Deloitte France), helped Deloitte France receive the coveted Egalité label from the French government in recognition of its efforts to provide flexible working hours and equal job opportunities for women.

Audit

The very strong growth of Deloitte member firms' audit and enterprise risk services in 2006 reflects their continued investment in world-class capabilities and expertise to assist clients in meeting increasingly complex regulatory and governance requirements. This is a global trend that has driven demand in all regions with increasing need for cross-border teaming and deployment of specialist resources between Deloitte member firms.

Deloitte member firms continue to give the highest priority to the delivery of quality audits. The Deloitte Touche Tohmatsu global audit methodology was substantially revised and rolled out in 2005 to be fully compliant with new International Standards of Auditing, supported by significant learning programs throughout the Deloitte member firm network.

Member firm audit practitioners have been very busy helping their clients in their transition to, and compliance with, the requirements of International Financial Reporting Standards (IFRS). The comprehensive and highly popular IFRS e-learning curriculum is available free on Deloitte.com and IASPlus.com. (Read about these programs on Page 60.)

Enterprise risk services practitioners, meanwhile, continue to respond to high client demand for assistance in meeting new internal control regulations and providing internal audit services. At the same time, they are also exploring exciting new opportunities to assist member firm clients with their data security and privacy needs, as well as data analysis and interrogation.

The audit and enterprise risk professionals of Deloitte member firms proudly contribute to the integrity and sustainability of financial markets and act as a vital link in the financial reporting change.

Tax

Together, Deloitte member firms' tax practices have grown into a US\$4.3 billion dollar business, with an aggregate 10.1 percent revenue growth in 2006 after experiencing an uncertain regulatory environment during the previous two years. The strength of this outstanding growth was due to their quality expertise, innovative new offerings, and commitment to strategic initiatives designed to anticipate the changing marketplace and its impact on clients.

Many Deloitte member firm initiatives have been developed by the member firms' tax practitioners. For example, Dbriefs—webcasts for clients that provide in-depth presentations and discussions on critical tax challenges—were pioneered by Deloitte United States' tax group. Dbriefs are now available on a variety of other topics, and member firm tax practitioners in the Asia Pacific/Japan region have recently launched this successful webcast series.

Through these unique initiatives and other innovations, Deloitte member firms' tax practices are building a leading reputation that is gaining recognition in the global market. This year, Deloitte was named the best brand globally in tax services in an *International Tax Review* survey of global tax services. In addition, Deloitte member firms' transfer pricing expertise has put them at the top of the *Euromoney* list of "World's Leading Transfer Pricing Advisers" for the past six years.

Consulting

Deloitte member firms' consulting practices have had a strong year. The practices are regularly recognized in analyst reports and service rankings for their outstanding expertise in areas such as business intelligence, customer relationship management (CRM), risk and regulatory, as well as in several industry sectors. In addition, several of the member firm consulting practices are the recipients of awards from their alliance partners—SAP, Oracle, Hyperion—while many of the individual member firm practitioners are cited as being among the most influential business consultants.

In 2006, Deloitte member firms focused on building their global capabilities, expertise, and eminence in three major cross-service initiatives: Finance transformation encompasses improving the role of the finance function, including how finance contributes to business success, addressing the finance organization and/or cost structure, and improving finance processes. Human resources transformation includes linking to corporate strategy and to creating business value through human resources services that address a company's most pressing strategic challenges; this involves anticipating critical workforce trends, shaping and executing business strategy, identifying and addressing people-related risks and regulations, enhancing workforce performance and productivity, and

offering new human resources services to help a company improve and grow. Finally, creating business value through information technology means that Deloitte member firms, operating at the intersection where IT and business meet, address numerous client challenges and opportunities regarding revenue and profit growth, governance, risk and compliance, and transformation of key business functions to help clients realize business value.

Financial Advisory Services

Through a portfolio of services including corporate finance, M&A transaction services, forensic and dispute, reorganization services, and valuations, Deloitte member firms' financial advisory services (FAS) practices assist their clients in meeting the most complex challenges presented by their business opportunities and risks.

Global markets for mergers and acquisitions are expanding fast to include new participants from emerging economies in Asia, Latin America, and the CIS. In this environment, Deloitte member firms assist both corporate and private equity buyers with increasingly large and complex transactions with their distinctive, seamless mix of services that span the full M&A life cycle, such as merger integration advisory services, integrity and commercial due diligence, divestment advisory, and debt advisory services.

Regulatory changes, such as the anti-money laundering legislation enacted in many countries, continue to drive the global demand for forensic and dispute services. Deloitte member firms have responded with innovations—such as D&Tect, a fraud detection methodology; and AFTNet, an analytical tool for major litigations and investigations involving large amounts of data—market-leading products developed through a cohesive network of dedicated specialists and ongoing investment in and use of leading-edge technologies and methodology.

Four years ago, Deloitte member firms positioned themselves to meet the growing demand for valuation services by establishing valuations as a global service line so they could further expand their capabilities in this increasingly specialized and complex business. Today, they are uniquely well positioned to advise their clients across borders in a market where demand is high, driven primarily by mergers and acquisitions activities and the transition to and compliance with IFRS.

“According to Kennedy Information, Deloitte is the world’s largest management consulting firm.”

Source: “World’s Largest Management Consulting Practices,” Consultants News, June 2006, © Kennedy Information, Inc.

The Deloitte difference

Clients find great value in the unique array of services provided by Deloitte member firms, addressing a full range of global, local, regulatory, and business issues in each market segment.

A Lead Client Service Partner (LCSP) manages the relationship with each member firm client. LCSPs develop a strategic understanding of their clients, enabling them to anticipate issues and opportunities, and coordinate multidisciplinary member firm teams to meet the clients’ needs wherever they arise around the globe.

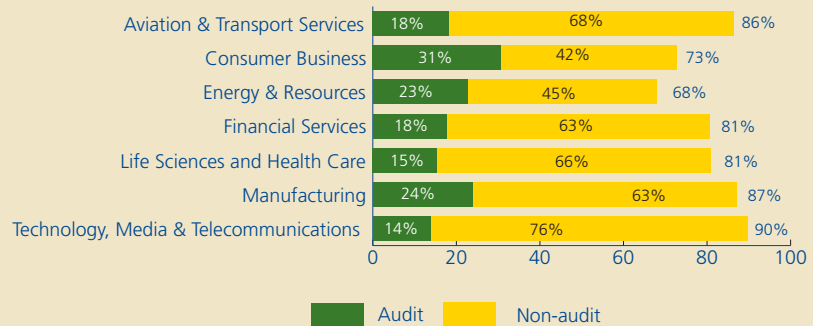
Deloitte member firms maintain rigorous independence from attest clients, while offering advisory and consulting services to non-attest clients. Client segmentation allows a focus on the specific business challenges faced by companies in a particular market sector—such as the middle market from which Deloitte member firms generate more than half of their aggregate revenues. This year saw the establishment of a global Middle Market

Management Committee, which will lead the development of new tools and methodologies to serve middle market companies.

Deloitte member firms also segment their clients by industry. LCSPs and their client

service teams go to market through eight global industry groups (and corresponding regional and national groups) that have a deep understanding of the challenges and issues facing each industry, and tailored solutions to address them.

Percentage of *Fortune* Global 500® served by Deloitte member firms



Overall, Deloitte member firms serve over 80 percent of the companies listed on the 2006 *Fortune* Global 500®. In addition, Deloitte member firms serve countless middle market clients, which account for more than 50 percent of aggregate revenues. These middle market clients fuel the economy, sustain growth, and are potentially the leading organizations of the future.

Serving leading industries around the globe

A key component of Deloitte member firms’ ability to provide quality service is their knowledge of their clients’ industries. Dedication to attracting and developing professionals with deep industry expertise has made Deloitte member firms some of the most sought-after service providers to the *Fortune* Global 500®. In addition, member firms serve a wide range of national and middle market enterprises, public institutions, privately owned companies, and public sector organizations.

- **Aviation & Transport Services**—Deloitte member firms serve 9 of the world’s top 10 airlines, 20 of the world’s major national railways, three of the five largest global shipping companies, and the world’s largest freight transportation and logistics companies.
- **Consumer Business**—Deloitte member firms serve 73 percent of consumer businesses in the *Fortune* Global 500®, including 87 percent of the consumer products companies, 75 percent of the top 20 retailers, and 80 percent of tourism, hospitality, and leisure companies.
- **Energy & Resources**—Deloitte member firms serve 51 of the 75 Energy & Resources companies included in the *Fortune* Global 500®, almost three-quarters of the world’s largest mining companies, and 43 percent of the largest national oil companies (NOCs). NOCs are government-owned firms that according to *The Economist* collectively control 90 percent of global oil reserves.

- **Financial Services**—Deloitte member firms serve all of the top 20 global banks, all of the top 10 global securities companies, 18 of the top 20 global insurance companies, and 17 of the top 20 global asset management companies.
- **Life Sciences and Health Care**—Deloitte member firms serve over 80 percent of the *Fortune* Global 500® life sciences and health care companies, all of the top 10 pharmaceutical companies, 8 of the 10 largest medical equipment companies, 9 of the 10 largest biotech companies, and leading health care companies around the globe.
- **Manufacturing**—Deloitte member firms provide professional services to 87 percent of the manufacturing companies listed on the *Fortune* Global 500®. They serve all of the nine largest aerospace and defense companies, 32 of the 35 global automotive companies, 17 of the 18 top manufacturers of diversified industrial products, and 30 of the 39 largest process companies in the world.
- **Public Sector**—Deloitte member firms serve the largest departments and ministries in all of the leading 25 nations as ranked by the World Economic Forum. They also serve local, state, and provincial governments in North and South America, Europe, Latin America, and the Asia Pacific region.
- **Technology, Media & Telecommunications**—Deloitte member firms serve 26 of the 29 largest technology companies, 20 of the 22 largest telecommunications companies, and six of the seven largest global media companies.

Leading by example

As one of the world's most respected professional services providers, Deloitte member firms have assumed the responsibility of being leaders in their business and professional communities. They are committed to applying the highest standards of professional conduct—with respect to independence, ethics, and all other professional requirements—and to behaving in a manner that sustains the public's trust and reinforces their reputation. This commitment has also led them to share the expertise and experience of their people with the business and professional communities and with government to help fashion the best possible regulatory and public policies.

Around the globe, Deloitte member firm professionals play leadership roles on the boards and committees of professional institutes, oversight and regulatory bodies, and business associations, where they contribute to the debate on critical issues and help shape policy. For example, Deloitte member firms and many of their partners are working with five of the other large global professional services organizations to address major issues facing the profession, investors, and the capital markets. Among these issues are the public's understanding and expectations of the role of audits and auditors, improving the quality of financial reporting, achieving greater consistency and quality in regulation, and addressing the sustainability of the auditing profession and auditor liability. (Read more about DTT's viewpoint on Page 14.)

Deloitte member firms also measure their success beyond clients. In June 2000, DTT became a founding member of the United Nations Global Compact; and in each year since then, Deloitte member firms have worked to advance their support for its 10 principles—in the areas of anticorruption, human rights, labor, and the environment—and further their activities as good corporate citizens. In 2006, Futhi Mtoba, chairman of Deloitte Southern Africa, was appointed as one of 10 business representatives to serve on the UN Global Compact Board.

Dr. Wolfgang Grewe, CEO of Deloitte Germany, is the Deloitte Global Social Responsibility (CSR) Leader. He is working with all Deloitte member firms to help them appoint their own CSR leaders, who will plan and allocate appropriate resources toward responsible and sustainable business practices and community development.

Deloitte member firms' approach to CSR is shaped by the recognition that, because they are a professional services organization, their impact on society comes in large part from the way they serve clients. Accordingly, they seek to achieve excellence and continuous improvement in three ways: by applying responsible business practices in the management of their business and the way they serve their clients; by investing in the talent and diversity of their current and future work force; and by a commitment to their local communities and helping to address shared global challenges.

This year, for example, a subsidiary of the Deloitte member firm in Japan, Tohmatsu Evaluation and Certification Organization (TECO), was accredited as a Designated Operational Entity under the Clean Development Mechanism (CDM) of the United Nations Framework Convention on Climate Change. The CDM's mandate includes assisting developing countries in achieving sustainable development, and the accreditation allows TECO to support clients' efforts to mitigate greenhouse gas emissions under the Kyoto Protocol.

Around the globe, Deloitte member firm professionals play leadership roles on the boards and committees of professional institutes, oversight and regulatory bodies, and business associations, where they contribute to the debate on critical issues and help shape policy.



Patrick Herrington, Manager (Deloitte United States), volunteering at a Junior Achievement event in Brooklyn, New York, says, "A lot of bright, intelligent people have a lot to offer kids, and I think Junior Achievement is an excellent organization that allows Deloitte member firm people to teach kids about business, economics, and our place in the world."

The business of helping communities

Each year, tens of thousands of people in the Deloitte member firms contribute their professional skills and financial resources to a variety of social causes in order to have a positive impact on their communities. While community involvement takes many different forms throughout the world, there is an increased focus on community investment activities that use the competencies and skills of member firm professionals. Therefore, many firms concentrate their efforts in three areas: education, entrepreneurship, and employability.

For example, more than a dozen member firms, representing all regions, commit both financial support and time to Junior Achievement Worldwide (JA), a not-for-profit organization that uses hands-on experience to educate children in grades kindergarten-12 about the value of free enterprise, business, and economics. Involvement with JA spans many areas, from serving as mentors and advisers to JA students to providing leadership for the organization as a whole. This year, Ainar D. Aijala, Jr., a former JA student and the current vice chairman and deputy CEO of the consulting arm of Deloitte United States, was named chairman of the board of directors of JA Worldwide.

To celebrate and renew commitments to community involvement, many member firms choose to set aside a day called IMPACT Day.

In 2006, more than 20 percent of the approximately 135,000 people of Deloitte member firms in over 35 countries volunteered their time in many areas, such as leading education and learning programs and helping nonprofit organizations address their business challenges. For example, Deloitte Netherlands used IMPACT Day to gather young professionals and senior leaders to kick off yearlong community initiatives to be undertaken by their firm. Initiatives include Junior Achievement, Close the Gap (a project in association with Deloitte Belgium, which aims to close the digital divide between developed and underdeveloped countries), WorkMate (a unique website that pairs volunteers with local NGOs), and Schoolchild Africa (an initiative started by three Deloitte member firm professionals, which builds schools in Africa and supports the local community).

Quality control

DTT and its member firms have quality assurance processes for each function in a member firm and for many expert areas, including independence, ethics, and risk management. These quality assurance measures are designed to address the unique considerations associated with Deloitte member firms' delivering high-quality services. The quality assurance processes are initiated through the development of DTT and local member firm standards, which underlie the provision of professional services, and global frameworks. These, in turn, work to establish consistent methodologies among the business practices of Deloitte member firms. One such global framework is the *Professional Practice Manual*, which provides guidance for all member firm functions on policy issues, including client acceptance, independence, ethics, conflicts of interest, and resolution of differences of opinion.

While setting these standards creates an environment in which quality is the leading focus for providing professional services, DTT and its member firms also recognize the importance of monitoring member firm compliance with standards across engagements, functions, and member firms on a continual basis. Therefore, in addition to the quality review processes that are incorporated into the conduct of Deloitte member firm engagements, periodic independent quality reviews are performed on selected engagements in each function. Member firm functional and risk management leaders oversee the latter, which involve detailed engagement examinations by service-line specialists from outside the practice or engagement being reviewed.

Annual practice reviews of member firm audit functions are performed to determine whether the Deloitte member firms have complied with DTT's audit approach, DTT and member firm policies, and applicable local laws and regulations. Member firms are required to establish detailed action plans to address recommendations arising from practice reviews. Adherence to the action plans is monitored by the leaders of the member firm and DTT, and failure to implement

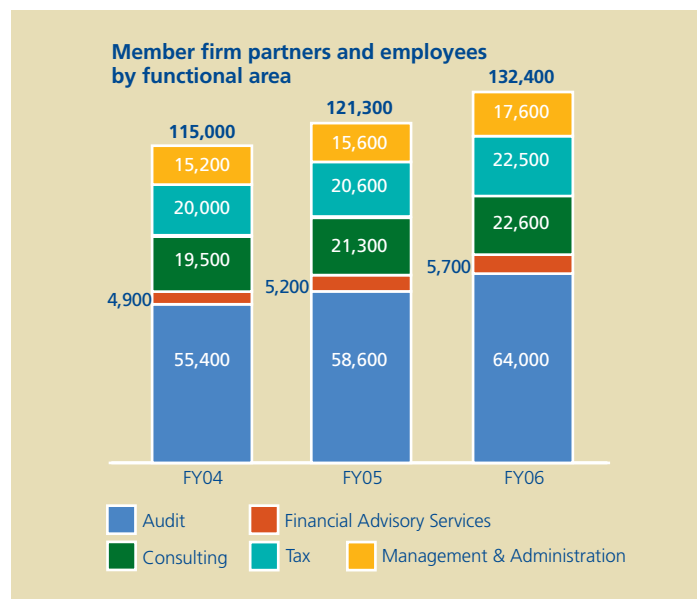
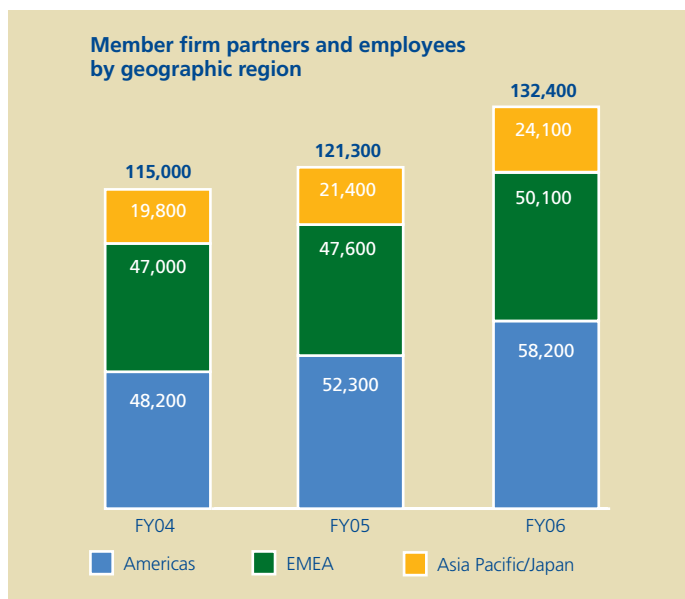
adequate improvements may be addressed with disciplinary action. Each year, the results of the member firm audit practice review program, along with a summary of proposed actions aimed at enhancing performance, are reported to the global CEO, the Executive, and DTT's board of directors. Results of the most recent member firm audit practice reviews will be available in DTT's report entitled, *Governance, Quality Control, and Financial Results*, available on www.deloitte.com/global.

Quality reviews of the member firm advisory functions—tax, enterprise risk services, financial advisory services, and consulting—include consideration of DTT and, member firm policies applicable to engagements, and, where applicable, compliance with local laws and regulations. The results of these reviews are addressed through recommendations by member firm and DTT functional leadership.

Through these quality control processes, DTT and its member firms are able to continually improve the quality of the professional services delivered by member firms.

Quality Review Program—FY06

	Audit	Tax	ERS
Number of member firm engagements reviewed	1,842	278	334
Number of member firms in which engagement reviews were carried out	41	15	32*
* Number of countries			



Left to right, Manoj Singh, CEO, Deloitte Asia Pacific, and Clarence Kwan, National Managing Partner, Chinese Services Group, take part in "Looming Large: The Future of Business in China and India," a Deloitte Insights podcast produced by Deloitte United States. More than 100,000 visitors have downloaded episodes of the series since it began in January 2006 on www.deloitte.com/us. Deloitte United Kingdom, Deloitte Australia, and Deloitte Canada have also launched their own versions of this innovative way to market Deloitte's thought leadership.

Presence of Deloitte member firms

	FY04	FY05	FY06
Number of member firms	71	71	70
Number of countries	148	148	136

The DTT strategy will assist member firms to leverage their valuable resources, achieve a differentiated level of quality, and improve their position in the marketplace by encouraging clustering or regionalization. This will likely result in a smaller number of member firms, however, it will enhance service capabilities.

Leading through innovation

Innovation is a critical quality much needed to achieve Deloitte member firms’ global vision to be the standard of excellence. Being innovative means developing new tools, methodologies, and services to address new challenges. In just three years, for example, Deloitte Southern Africa’s sustainable growth and innovation (SGI) service line has been expanded to other member firms that now assist clients in Australia, Europe, and the United States in designing, deploying, and staffing SGI programs.

The global team, based primarily in Johannesburg, has been responsible for developing businesses that to date generate in excess of US\$1 billion and that are committed to helping both Deloitte member firms and their clients create new businesses to generate an additional US\$1 billion in revenues by 2011.

Innovation also includes developing new approaches to assist member firm clients and others to achieve success, such as Deloitte United Kingdom’s newly launched Deloitte Academy in London. The Academy provides

free-of-charge technical training and support to help directors of public companies keep pace with management and governance issues. In China, where a young accounting profession struggles to meet the burgeoning demand for services, the Deloitte member firm has established Learning Centers in Beijing, Shanghai, and Hong Kong designed to give the new generation of Chinese accountants an opportunity to gain the skills they need to further their professional development.

The journey continues ...

These are just some highlights of the achievements made by Deloitte member firms on their journey to the standard of excellence in 2006. Many more examples of their successes—including the value they bring to their clients, the careers they offer to their people, and the contributions they make to their communities—are provided throughout this review. These stories describe the development of new programs, the delivery of new services, and the creation of new opportunities that raise the bar for their people, their firms, and their profession.



Setting the direction

The professionals of Deloitte Touche Tohmatsu member firms know that what they say and do makes a difference in sustaining public trust in capital markets worldwide. These professionals are leading by example by actively participating in professional forums, such as the Global Public Policy Symposium, and advocating change for enhanced transparency, improved financial reporting, and more efficient capital markets.

Building stronger and more transparent capital markets has become a focus for regulators, the accounting profession, investors, management, boards, committees, and other stakeholders in recent years, the result of a few high-profile corporate collapses. Consequently, there is now greater accountability for all concerned, and significantly improved financial reporting. For this reason, Deloitte member firms will continue to improve their own systems and processes and be advocates for change.

Achieving global consistency

In a global economy, investors would benefit significantly from consistent high-quality financial reporting across markets. This, however, can only be achieved if there is greater uniformity in the way accounting, governance, business practice standards, regulation, and oversight systems are developed and applied. Importantly, such consistency would support the improvements professional services firms have made in enhancing audit quality.

Deloitte member firms support the adoption and implementation of International Financial Reporting Standards (IFRS). As countries undertake this task, their ultimate objective should be to implement IFRS as a whole to avoid the formation of hybrid standards and therefore inconsistency. Further, preparers and issuers must be given sufficient time to adjust to the global standards, so that implementation is effective and consistent with the way the standards were intended to be applied.

Deloitte member firms also strongly support the efforts of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board to achieve convergence or mutual recognition between IFRS and U.S. GAAP. They applaud the IASB's acknowledgement that principle-based

accounting is its aspiration. If markets moved toward more principle-based accounting, accountants and auditors could more easily apply their professional judgment, which is relatively more difficult to do under highly prescriptive standards.

There is also a role for national regulators in building greater consistency in corporate governance, business practices, and the interpretation of standards, laws, and regulations across borders. National regulators must work more cooperatively and consider the impact of their decisions in other jurisdictions. It would help if regulators agree on principles to guide regulation development and, where possible, agree on some common approaches to issues such as oversight systems, independence, and interpretation of standards, just to name a few.

Acting responsibly in the face of regulatory change

In recent years, new regulations, such as Sarbanes-Oxley (SOX) in the United States and other similar legislation, have been introduced in markets around the world. This was in response to outrage from investors and other stakeholders about significant corporate collapses. While much debate has focused on associated compliance costs, it must be recognized that considerable improvements have resulted for many companies.

Laws like SOX ended up being far-reaching in their effect on business operations, governance, transparency, and responsibility, far beyond accounting and auditing. This is reflected in the compliance costs many companies experienced. Let's look at SOX as an example.

- CEOs and CFOs must now certify that to their knowledge the financial information is fairly presented and they have evaluated the effectiveness of internal controls over financial reporting.
- CEOs and CFOs forfeit bonuses and other incentives where restatements are needed due to material noncompliance resulting from misconduct.
- There are stronger conflict of interest requirements, including prohibition of personal loans to company directors and executives.
- Audit committees are more independent; they take more responsibility for the auditor appointment and resolution of accounting matters.
- There is greater protection for whistleblowers.
- The accounting profession is now more regulated.
- New rules outlining minimum standards of professional misconduct of attorneys have been issued.

Global Public Policy Symposium

London

October 2005



Left to right, Professor Stavros Thomadakis, chairman, Public Interest Oversight Board, John Humphrys, BBC UK, and Bill Parrett, Global CEO, DTT, discuss global audit quality.

There were also significant new internal control requirements placed on companies, commonly referred to as S404, and a requirement for auditors to opine on the effectiveness of the company's internal controls over financial reporting.

Over the past years, companies were not as attentive as they probably should have been to these governance and transparency matters, and internal controls. Also the requirements on auditors to check internal controls were not as robust. The introduction of laws like SOX have highlighted the need for significant attention and improvement in the internal controls of some companies, a positive development that should not be underestimated. This has, however, in effect, resulted in what some might perceive as deferred maintenance costs for business. This situation will balance out in the future, with a return to some normality.

Also contributing to compliance costs was the learning curve a great many people underwent during implementation, exacerbated by the far-reaching nature of SOX or other similar legislation. During the implementation, Deloitte member firms took their responsibility

seriously and acted according to what they saw as the letter and the spirit of the law.

There is no question that there have been new costs for many companies associated with the implementation of regulations such as SOX. For some, this was needed to address the laxness of the past. For all, this is an investment to improve financial reporting and build stakeholder trust—something that will benefit companies and the capital markets in the long term.

Looking ahead, Deloitte member firms expect the whole process to become less costly and smoother for all concerned. Over time, however, the markets will experience new challenges, and internal controls will become more important than ever. For example, as technology continues to advance the speed of information, flow to the markets will increase, and the need for internal controls will intensify.

Deloitte member firms also acknowledge that there will be implementation issues for small to medium-sized enterprises as they implement SOX and other similar requirements. The importance of controls, again, should not be underestimated. Further, over time,

stakeholders will continue to monitor the cost-to-benefit ratio of the laws to assess whether the balance is right and if the overall objectives are being met.

Audit firm rotation does not equal audit quality

Deloitte member firms oppose regulatory or legislative measures that require the periodic rotation of audit firms, as these measures impose an unacceptable risk to audit quality, without any evidence that they enhance independence or competition, as some have suggested.

Audits are done best when the auditors understand the industry, business processes, environment, people, and culture of the company being audited—knowledge that can only be accumulated over time. This enables the auditor to understand what is, and what is not, being communicated. With compulsory audit firm rotation, this knowledge is lost and the rebuilding process starts again. Clearly, this jeopardizes the quality of the audit.

Mandatory rotation is also at odds with the prevailing views in the global business and financial community, which has expressed not

“It is unacceptable to provide scant detail when dealing with capital markets where billions of dollars of investors’ money are at stake,” (June 2006)

—Bill Parrett, Global CEO

only concerns for increased costs associated with frequent rotation of audit firms but also the negative impact on quality. The International Chamber of Commerce and the Union of European Industrial and Employers' Confederations have both issued statements opposing mandatory audit firm rotation.

Audit quality and the benefits of a full portfolio of services

As noted earlier, the nature of the audit today is so complex that performing it effectively requires a detailed knowledge of the business and the way in which transactions are undertaken. Because business transactions are so diverse and with multiple implications, audit teams need to include specialists in many areas such as tax, money laundering, and securitization.

Deloitte member firms, while providing a full portfolio of services, understand the need to fully comply with local laws and regulations and take care not to provide restricted services to their audit clients. Further, they recognize that there are appropriate limits on the non-audit services they can provide to audit clients. In fact, many Deloitte member firms worked under similar self-imposed restrictions long before they became mandatory.

Deloitte member firms have taken significant steps to maintain independence and will continually review these steps to meet changing demands. Some examples include: the development of an online Global Independence Monitoring System, where member firm partners, directors, and managers declare their investment holdings for cross-checking; a global independence network, including independence leaders in all member firms; codified independence policies and procedures, which are followed by all member firms, subject to local requirements; and a self-imposed partner rotation policy that was in place well before many current statutory requirements. This policy stipulates that the Lead Client Service Partner and quality review partner cannot function in these roles for more than seven years, or for a shorter period where required, and prohibits their return to these roles for a minimum of two years.

The audit expectation gap

There remains a difference in the expectations of investors, the business community, and other stakeholders about what an audit can and cannot accomplish, including the

expectation that auditors should find fraud more immediately. Auditors have a role to play in protecting shareholders from fraud, as do company executives, board members, management, the governance structure, and internal controls implemented within a company. All need to be best-in-class to help reduce the incidents of fraud and alert people to them more quickly.

In today's business environment, auditors are not responsible for detecting all instances of fraud or material misstatements in financial reports or in the entity's operating activities. Rather, audits are designed to provide reasonable assurance that the entity's financial reports are free from material misstatement. What does this really mean? Auditing standards make auditors responsible for properly planning and performing the audit, identifying and assessing risk factors that could lead to material misstatements in the financial statements due to fraud or error, and designing the audit procedures to respond to these risks. In performing these activities, the auditors are required to use reasonable judgment to identify the areas to test, the nature and design of the tests to conduct, and the sufficiency of the tests once they have been performed. These tests provide reasonable assurance, as opposed to an absolute assurance, that material fraud or errors have not affected the financial statements.

Further, audits are subject to the business and regulatory environments in which the audit takes place. These environments shape what an audit can accomplish by affecting the cooperation auditors receive from the entity being audited. For example, environments that do not effectively enforce penalties for those who provide false or misleading information to auditors decrease audit effectiveness. This is especially the case in instances of collusive fraud, which involves multiple individuals providing deceptive information to, or hiding

information from, the audit firm. Enforcement discourages collusion and decreases the likelihood of inaccurate information being provided to auditors.

Other factors that affect fraud deterrence are company management and business structures. Executives and board members have a responsibility to create a governance structure, culture, and systems to deter fraud, including setting the right tone at the top.

But, auditors do have a role to play in helping close the expectation gap. They must continue to improve their own performance, which means investing in processes, procedures, training, and technology; work with regulators and standard setters to develop the best framework and environment to conduct an effective audit, including the detection of fraud; and be more proactive with investors and other stakeholders to develop an appropriate cost-benefit balance. Closing the gap will require broad consultation among interested parties and a serious dialogue about what can be done, who can do it, and at what cost.

Competition in the audit market

Over the past two decades, there has been consolidation in the professional services market, especially among the largest professional services firms. This was driven by market forces, as global companies demanded firms that could provide the highest quality audits in multiple geographies using a broad range of resources and expertise. In order to satisfy client demands, several firms merged their practices, with the approval of regulatory authorities.

Since then, however, some regulators have suggested that greater competition is required in the audit market—but for what reasons?

If it is to improve auditor independence, the largest global professional services firms have

Deloitte member firms have taken significant steps to improve their audit methodologies with a multiyear, multimillion-dollar investment to develop The Deloitte Audit™. This new system will improve the detection of contemporary financial reporting problems and address the increasing complexity of audits brought about by globalization.

never been more independent than they are today. Because of their size and global reach, none is financially beholden to one client or a small number of clients.

If it is to provide greater choice to businesses, almost all companies have as much choice as they ever did. Today, many firms, supported by their international affiliations, are capable of auditing all but the very largest multinational companies. These companies, however, make their choices based on their auditors' expertise, industry knowledge, and technical capabilities, in addition to their geographic reach.

Even when the profession was composed of the "Big Eight," the market choice for multinational companies with global operations was essentially no better than it is today. Generally, only three or four professional services firms ever had the geographic reach and industry expertise to meet client requirements.

Deloitte member firms have had a consistent public position on the appropriate level of competition within the profession.

Companies should be required to state publicly their reasons for changing auditors.

Furthermore, they welcome more participation in the market for public company audits, and believe steps can be taken to encourage this, including: changing archaic independence rules that act as inhibitors; promoting principle-based accounting, reporting, and auditing; ensuring a reasonable level of security for audit firms; and not limiting career development for auditors.

Global partnerships

Some regulators question whether the current federation-style structure of audit firms is the most appropriate to deliver consistent high-quality audit work across geographies. As part of their strategy development, Deloitte member firms recently reviewed this and reaffirmed the appropriateness of their current structure as a Verein. At the same time, however, they recognized that, in a changing world, they need to be open-minded and flexible, two important prerequisites for achieving sustainability.

Any change to the current structure, including a global partnership, would require regulatory change affecting ownership restrictions, professional requirements, and liability regimes. Only then could such a change even be considered by Deloitte member firms. If this happened, Deloitte member firm partners would then have to agree to a global partnership arrangement and the terms relevant to it. This would be a significant cultural change for the member firms united for certain common goals and committed to client service excellence, but legally independent.

A role for all

The past decade has been notable for some significant business failures. As complex businesses, they failed for a number of equally complex reasons, but primarily because they had poor governance, weak and inappropriate business models and strategies, and breakdowns in ethical behavior and fraud.

Many capital market players are responsible for helping protect investors against such failures. Auditors can continue to improve their performance and equally, where necessary, be held accountable for any wrongdoing. They would expect nothing less of others who act inappropriately or undertake illegal activities. In any case, the penalty should be appropriate, and auditors cannot be expected to be the insurers of the capital markets.

Ultimately, the best assurance of an effective capital market occurs when all players act with integrity and provide services of the highest quality. Integrity holds different connotations for different people. For the people of Deloitte member firms, integrity means the steadfast adherence to high ethical principles, values, and professional standards. The reputation of Deloitte member firms rests on this.

In an article from the 21 June 2006 edition of the *Financial Times*, Global CEO Bill Parrett takes a strong stand on the issue of lying to auditors.





To be the standard of excellence— bringing the vision clearly into view

When we take a closer look at the most recognizable and respected business organizations in the world, several attributes become clearly evident. As these brands have demonstrated, when certain traits are shared and converge through a multifaceted lens, the picture that emerges is that of a leader.

The vision of Deloitte member firms is to be the standard of excellence. We, too, have identified several attributes at which many Deloitte member firms excel. The premise is that when each of these is embraced and exemplified across all Deloitte member firms, the Deloitte brand that will come clearly into focus will be recognized as the standard of excellence.

By delivering measurable value to clients through a global network of member firm professionals, Deloitte member firms will be the first choice of the most sought-after clients even when obstacles may be in the path.

Take the appointment of Deloitte France as joint auditor of the BNP Paribas Group. With more than 110,000 employees in 85 countries, BNP Paribas is the sixth largest bank in the world (before the acquisition of Banca Nazionale del Lavoro) and number one in the euro zone.

Until 2000, Deloitte France was the auditor of Paribas; however, when Paribas was acquired by BNP the engagement ended. The relationship with BNP Paribas did not end. In fact, Deloitte France built a preferred provider position in consulting and FAS. Deloitte France helped the new group integrate its capital markets activities and assist with Y2K and IFRS conversions. Member firms in the United States and Luxembourg participated in major projects, such as anti-money laundering and Sarbanes-Oxley 404 compliance services.

It came as no surprise that when BNP Paribas issued the audit tender, Deloitte France's work for the company and its client service relationship were strong selling points. Nevertheless, Deloitte France had a big hurdle to jump. Recent legislation in France put in place tighter restrictions regarding auditor independence. As Pascal Colin, the Lead Client Service Partner for Paribas (Deloitte France), points out, "We were asked to demonstrate that past relationships would not impinge on our independence when we became auditors. It was a demanding proposal process, and the audit committee was very involved in the decision. However, we were able to prevail and win the work."

Deloitte France will be the auditor of key activities—global capital markets, asset management, securities services, real estate, and consumer financing. Jean-Paul Picard, Deloitte France Managing Partner, will serve as advisory partner. This engagement draws on Deloitte member firms' expertise around

the world. In addition to Deloitte France, Deloitte member firm professionals in Argentina, Brazil, Germany, India, Ireland, Italy, Hungary, Mexico, Morocco, the Netherlands, Spain, Turkey, the United Kingdom, and the United States will be servicing the engagement.

This is just one example of the type of story in the pages that follow. The attributes of excellence are shown in the diagram below.

But what does each of them mean? After all, if a picture is worth a thousand words, then the one below merits some words of explanation.

Rather than offer abstract definitions, we have chosen to illustrate each attribute by sharing how others regard its importance—and how Deloitte member firms bring each to life on their own behalf as well as for their clients and stakeholders.

To find out more, turn the page.





Magnet for talent/ global culture

*Drawing talent by demonstrating
eminence, multiculturalism, and diversity*

Thoughts on how business contributes to a global culture

Kofi Annan

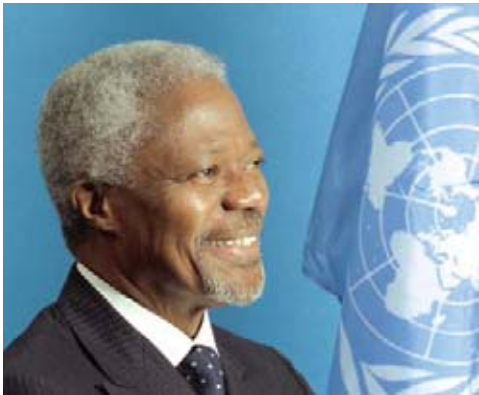


Photo by Sergey Bermeniev, courtesy of the UN.

Kofi Annan, Secretary-General of the United Nations, is the first to be elected from the ranks of UN staff. Among his priorities, the Secretary-General has sought to build closer partnerships with civil society, the private sector, and other non-State actors whose strengths complement those of the UN.

In the excerpted address below on “The Business Contribution to the Millennium Development Goals,” he speaks to the importance of the private sector’s role in global challenges.

“Reducing poverty builds healthy and dynamic workforces. It creates purchasing power, boosts productivity and eases social tensions. And at a time when businesses spend much of their time fighting the perception that they are responsible for many of the world’s ills, playing a stronger role in the fight against poverty would show that business can be part of the solution.

This sense of what business can do for others—and what it must do for itself—is at the heart of the Global Compact corporate citizenship initiative that I launched six years ago. What started as a simple call to action is today a multi-stakeholder partnership in which some 2,000 companies, from more than 80 countries, are working together to advance 10 universal principles in the areas of human rights, labour standards, the environment and the fight against corruption.

Through the Compact, companies are integrating the principles into their mission statements and activities. They have been spreading awareness about HIV/AIDS in the workplace, and in the wider community. They have provided micro-finance for rural entrepreneurs, and assistance to small- and medium-sized local enterprises. They have taken steps to ensure transparency and more ethical management of their supply chains.

Our challenge now is to scale up what works, and to build on the pilot projects we have started in several places. For example, business can play a key role in many large-scale “quick wins”—such as universal access to anti-malaria bednets or the provision of locally produced school meals. These would save and improve millions of lives in just a few years.

At the same time, we continue to look to Governments of developing countries to put in place the necessary incentives, infrastructure, policies and property rights protections. We look to them for effective governance and to uphold the rule of law. Only in this way will capital and business activity flow to more than just the handful of countries that receive the lion’s share today. Only in this way will we realize the full potential of business in supporting the Goals. Business cannot grow if States falter or fail.”

Excerpted from “The Business Contribution to the Millennium Development Goals,” given on 14 June 2005.

Yamato Holdings Co., Ltd.

Never be content with the status quo—instead, challenge it to move in new directions. Each day, Yamato Holdings challenges and empowers its employees to do just that in order to help implement a new three-year strategy that will further expand and build value in the company.

Decades before the term “employee empowerment” was coined, it was already a reality at Yamato Holdings (formerly Yamato Transport). In 1931, the company formulated three simple principles recognizing employees as the key to excellence in customer service and better serving society. The result: Yamato Holdings has evolved into one of the world’s most decentralized organizations—and also one of the most innovative.

Yamato Holdings has revolutionized the door-to-door parcel delivery business in Japan. It is the only private company whose infrastructure allows it to guarantee next-day delivery anywhere in the country. Some recent innovations include real-time online status reports on deliveries, an email service that sends confirmations to senders and recipients, the option of having packages sent and received at local convenience stores, and Kuroneko Mail, a direct mail delivery service.

“Each employee represents ‘the spirit of Yamato,’” explains Toshizo Kurisu, Executive Officer, Financing and Accounting, at Yamato. “That is why we empower them to be innovative in serving our customers. In turn, that environment helps us attract excellent people and motivate them, as our employees, to help our company excel.”

The current three-year Yamato Group Revolution Plan is designed to position the company for the privatization of postal services in Japan in 2007. The Plan focuses on leveraging the company’s delivery services to accelerate the growth of the entire group. Ultimately, the company wants its non-delivery business to be comparable to its delivery business, with a similar level of operating profits.

A key part of the Group Revolution Plan involves implementing the infrastructure, including internal controls, to support Yamato’s expanding business.

“Yamato Holdings’ decentralized operations present unique opportunities to lead the company to further growth,” explains Yutaka Kawakami, Deloitte Japan, Lead Client Service Partner for Yamato. “The challenge is to implement internal controls that will enable the expansion of new businesses effectively without restricting employees’ autonomy and ability to react quickly when serving customers.”

Since Yamato Holdings’ culture is to “think at each employee’s level,” the company is designing its internal controls from the same perspective. The Deloitte member firm in Japan, whose service relationship with Yamato Holdings spans more than 20 years, is ideally suited to support the internal control project. Deloitte Japan’s knowledge of Yamato Holdings’ culture enables it to help identify key risk areas to be controlled, provide advice on internal control best practices, and—most importantly—to support them in rigorously assessing the new controls and their impact on Yamato’s organization.

“Japanese auditing standards are moving toward international ones, and Deloitte Japan keeps us abreast with all of the changes in the Japanese accounting environment. Effective audits, and strong internal controls, help us manage our business, and Deloitte Japan’s solid and rigorous audit helps strengthen the public’s trust and confidence in Yamato,” notes Kurisu.

Left to right, Yutaka Kawakami (Deloitte Japan), Lead Client Service Partner, and Toshizo Kurisu, Executive Officer, Financing and Accounting, of Yamato Holdings at Yamato’s Ariake base in Tokyo.



“Effective audits, and strong internal controls, help us manage our business, and Deloitte Japan’s solid and rigorous audit helps strengthen the public’s trust and confidence in Yamato.”

—Toshizo Kurisu, Executive Officer, Financing and Accounting, Yamato Holdings
at Yamato’s Ariake base in Tokyo

Attracting, developing, and retaining talent

Becoming the first choice of the world's most coveted talent

To become the first choice of the world's most sought-after clients, Deloitte member firms must become the first choice of the world's most coveted talent.

In 2006, this means a keen focus on the needs of the stakeholders with work/life balance as a top priority. In today's fast-paced world of email and PDAs, companies need to help and empower people to disconnect when they need to in order to maintain a sense of balance between work life, personal life, and everything in between. One of the ways in which DTT is making progress in this area is the development of a global women's initiative. This initiative will soon be launched in the member firms, focusing on the development and advancement of talented women in preparation for leadership roles. This has been an ongoing priority of Deloitte member firms.

In France, the government awarded Deloitte France the Egalité label for excellence in professional equality, equal access and opportunity for training, and concern for parenting. This recognition is a result of a long-standing effort of the French firm to recruit and retain women. The effort has paid off, with the percentage of female partners in the firm now up to 19 percent. As Veronique Staat, audit partner, Deloitte France, notes, "When I became partner I was working on a part-time basis . . . good proof that there is no discrimination against part-time workers." In addition, Deloitte France received the "Diversity Award" from the prime minister in March 2006. This distinguished award recognizes not only the policy in place at the firm, but also the reality of diversity management.

One of the hallmarks of Deloitte United States is the Women's Initiative (WIN). A defining strength of its culture, values, and brand, WIN demonstrates a commitment to advancing and retaining women. Through leadership development, succession planning, work/life programs, and related innovations, WIN is recognized as a market leader in issues concerning women in the workplace. This year, WIN teams delivered more than 235 programs reaching an audience of 11,000, were honored with seven major awards, and were invited by more than 60 clients to help initiate or better execute their WIN efforts. The success of WIN is also evident in the high number of women partners, principals, and directors—the highest among the major professional services organizations in the United States.

Deloitte Australia is leading the charge for the advancement of women in the Asia Pacific region. Deloitte Australia CEO Giam Swiegers was named "Leading CEO for the Advancement of Women" in 2005 by an Australian government agency, while at the same time the firm was recognized as an "Employer of Choice for Women" for the fifth consecutive year. As Swiegers notes, "This is a great achievement, and yet another indicator that we're heading in the right direction."

In Southern Africa, the Women's Leadership Initiative focuses on building relationships with women leaders in business and government and works to ensure that Deloitte Southern Africa's talented women are retained and prepared for leadership positions. As a result, women in the firm represent a significant portion of key leadership positions on the Board (29 percent of the Board is female) and within business units (20 percent of partners/directors are female).

The Deloitte Middle East firm recently launched the Deloitte Retention & Advancement of Women program, which includes a number of projects focused on creating significant improvements in the advancement of women into key leadership roles and ensuring that women have more support in overall career planning.

Number of countries with users in the Deloitte Learning Platform (DLP)—132; current user population in DLP—99,061; users who completed e-learning in FY06—68,882

Career life cycle

The cycle of one's career has many paths, and Deloitte member firms are committed to supporting their people by offering developmental opportunities and experiences to challenge them. Before you even begin your career at a Deloitte member firm, there are opportunities to familiarize yourself with the culture and work environment. One such example is the Global Internship Program, which provides the best and brightest future professionals with an opportunity to work in another country while they are completing their education.

Once people are on board at a member firm, emphasis is placed on gaining a broad spectrum of experiences. Each year, international assignment programs offer more than 1,100 member firm partners and professionals from approximately 70 countries the opportunity to expand their skills and experience by working abroad at another member firm at different stages of their careers.

Member firm professionals also have access to a deep library of e-learning resources through the Deloitte Learning Platform, with 60,000-plus hours of vendor e-learning courseware in 15 languages available. There are also 500 Deloitte member firm proprietary courses, including compliance-related learning on topics such as ethics, independence, and Sarbanes-Oxley. These programs help build the technical and interpersonal capabilities needed to achieve personal and business goals, and offer flexibility in the availability of learning options.

To assist Deloitte member firm professionals on the path to leadership, a DTT initiative born of the new vision and strategy has been created, called the Deloitte Development Center. This represents a long-term commitment to learning for member firm partners with significant growth potential and will include targeted leadership programs, coaching, and thought leaders forums aimed at building the next generation of leaders.

Proudly living “The Deloitte Way” in Deloitte Southern Africa

In Deloitte Southern Africa, the past year was marked by a surge of renewed commitment from its people to live and demonstrate the Deloitte brand. The firm launched an initiative called “The Deloitte Way,” which brings the Deloitte Shared Values to life by emphasizing behaviors to be practiced on a daily basis. The initiative has energized the firm’s people in ways that leadership never anticipated. For example, feedback showed that a number of professionals remained with the firm rather than explore other opportunities after being presented with The Deloitte Way. In particular, they noted that they wanted to be part of the Southern Africa firm’s future and participate in the culture change brought about by the initiative. The Deloitte Way has also given the people of Deloitte Southern Africa a meaningful opportunity to demonstrate their passion for Deloitte, which has carried over into interactions with clients and other stakeholders.

Deloitte Shared Values

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

Women at Deloitte member firms

Women as percentage of total:

45%

Women as percentage of member firm partners and directors:

16%

Women as percentage of member firm managers:

33%

Women admitted as new member firm partners and directors in 2006:

26%

Women play an increasingly valuable role in Deloitte member firms. Compared with the number in 2005, the total number of women admitted as new member firm partners is on the rise—a trend that will help us to achieve more diversity among Deloitte member firms’ future leadership. Deloitte member firms have increased the aggregate percentage of women admitted as partners and directors from FY05 to FY06 by 15 percent.

As part of their commitment to being employers of choice, Deloitte member firms work toward the advancement of women within their organizations. For instance, an aggregate 26 percent of member firm participants in international assignment programs are women. This percentage exceeds the known average for other global organizations, which is generally less than 20 percent.

Women account for more than 35 percent of member firm participants in DTT’s Global Development Program, an international assignment program designed to enhance global client service skills and provide experiential learning for top Deloitte member firm professionals early in their careers.

“Deloitte United Kingdom’s diversity agenda continues to remain a priority for us. Positive indicators of our progress include feedback from staff in which 82 percent of our people said the firm creates an environment that supports people of different cultures, up from 77 percent last year.”

—Lisa Bondesio, Head of Diversity, Deloitte United Kingdom



Riding in a calesa, a horse-drawn carriage, in Manila, Philippines.
Contributed by Katherine Rose Chua, Deloitte Philippines



Eminence/brand image

Building and maintaining the distinction of the brand as a symbol of the highest integrity and quality

Thoughts on building a world-class brand

Shelly Lazarus



Photo courtesy of Ogilvy & Mather Worldwide

Shelly Lazarus is Chairman and Chief Executive Officer of Ogilvy & Mather Worldwide, an organization well known for its ability to build some of the biggest worldwide brands. Lazarus started at Ogilvy at a time when its legendary founder David Ogilvy still walked the halls and personally preached that the purpose of advertising was to build great brands. Lazarus discusses below the challenges of building a world-class brand, and what characteristics can move an organization ahead of the pack.

“For an organization to achieve world-class brand status, it has to stand for something. Take American Express. They stand for a remarkable service ethic. Their point of view is: whatever your issue is as a card member, American Express will take care of it and will not be satisfied until every card member is satisfied. That clearly differentiates them.

Building a great brand is something you have to be conscious of at all times. It takes a lot of work, because it doesn’t just happen. Building a great brand requires auditing everything you do from an outsider’s perspective. You need to constantly challenge everything you’re doing to ensure that it is consistent with what it is you want to stand for and be known for, because every activity

communicates something about a brand and the reputation of the organization. That’s why I advise CEOs to walk through their lobby every morning and decide whether it actually reflects who they are—and who they want to be—as a company. Your brand speaks to and should drive everything, from whom to hire, to the charitable causes you support, right down to what your lobby should look like.

Great brands often assume a position of thought leadership in a particular field or area of pursuit. They are associated with the people who tell the world where the industry is going, or interpret what’s happening in the world. There are people within their organizations to whom others turn for wisdom and guidance. Great brands almost always garner enormous trust. You immediately trust them because you’ve come to know them, you’ve come to rely on them, you’ve come to believe that they have integrity, that they stand for things, and that they’ll be there for the long term.”

HSBC

Here's a question: Can you name the 10 largest banks in the world? Chances are that HSBC is on your list—the short list, that is. In fact, HSBC ranks number five on the prestigious *Forbes* Global 2000 list of the world's biggest companies.

When you review the history of the HSBC Group over the last 10 years, two words come to mind: growth spurt. During this period, the organization expanded rapidly through both organic and acquisition activities. From US\$402 billion in assets in 1996, HSBC's assets have multiplied over four times to US\$1,738 billion today.

It was at the same time—1996, to be exact—that the International Assignment Services (IAS) tax team at the Deloitte United Kingdom member firm started assisting this client with its global expatriate issues. “When I think about our history with HSBC, it began with a relatively small global expatriate tax engagement in October 1996,” notes Ellie Patsalos, Deloitte United Kingdom, Lead Client Service Partner for HSBC Holdings plc. “Our contract, which we received through competitive bid, engaged us to attend to the tax needs of HSBC's International Managers and secondees. The services we provided and continue to offer the client run the gamut from tax-related compensation and benefits issues to personal tax filings.”

Today, with the growth of the group, the number of HSBC employees has also grown significantly. So too has the scope of the Deloitte United Kingdom's IAS services to HSBC and the term of its contract, which has been extended two times. “HSBC specifically commented on the outstanding level of service rendered by the Deloitte team in the United Kingdom,” says Patsalos.

A common culture and growth trajectory help too. As HSBC spread its eminence and brand across the world, Deloitte Touche Tohmatsu and its member firms pursued an analogous strategy. In fact, wherever HSBC ventured, Deloitte member firms were there too. This enabled Deloitte member firms in the United Kingdom and elsewhere to serve the client both globally and locally. Patsalos comments: “HSBC refers to itself as ‘the world's local bank.’ Deloitte member firms can make a similar statement with regard to professional services.”

From serving the client's expatriate tax needs, teams from Deloitte member firms developed a foundation to assist the client in not only other facets of tax, but also in other specialties. Examples are many and span the world. In Canada, the member firm has significant engagements working for HSBC on special situations (reorganization services). In Mexico, HSBC selected the resident Deloitte member firm to undertake several engagements, such as debt portfolio securitization (financial advisory services), IT organization strategy (consulting, legal, tax) and corporate tax services (tax). And, in the United States, HSBC has asked Deloitte United States to complete reorganization services work.

Left to right, Ellie Patsalos (Deloitte United Kingdom), Lead Client Service Partner, and Stephen Green, Global Chairman, HSBC Holdings plc, in the HSBC boardroom in London.



“HSBC likes to do business with people we know and trust. Deloitte member firms have earned that trust and respect.”

—Stephen Green, Group Chairman, HSBC Holdings plc

Adding value to the brand

Strategic partnerships raise Deloitte's profile across the globe

Deloitte has been a strategic partner with the World Economic Forum for many years, but 2006 was an exceptional year in which Deloitte worked closely with the Forum on several initiatives and on raising its visibility during the Annual Meeting in Davos, Switzerland. Global CEO Bill Parrett led Deloitte's delegation at Davos and brought the messages of leadership and talent management to the prominent audience in attendance.

Deloitte also set the standard for intellectual and gastronomical distinction at Davos with the highly popular CEO dinner and with the lunch hosted by Deloitte France. Both events overflowed with attendees as guest speakers Fareed Zakaria, editor of *Newsweek International*, and Christine Lagard, French Minister delegate for Foreign Trade, respectively, shared their thoughts on globalization and the emerging economies of China and India.

Continuing to build on the strategy to raise Deloitte's profile in key regions, Deloitte entered into a partnership this year with the Boao Forum for Asia (BFA), an organization formed several years ago among Asian nations to address issues particular to the region.

In a five-year agreement with the BFA, Deloitte serves as the sole intellectual supporting partner to the organization; at this year's conference the Deloitte team took the lead in developing the session topics, outlines, and format, and Global CEO Bill Parrett chaired a session on state-owned enterprises and how they can be innovative and entrepreneurial.

Leading by example

How do you contribute to the debate about the role of business in building better global communities? For the people of Deloitte member firms, it is by playing leading roles in some of the organizations that are shaping public policy.

Each year, professionals from Deloitte member firms serve on the boards and committees of various local, national, and global professional institutes, business associations, regulatory bodies, and nongovernmental organizations. Of the many examples of Deloitte member firm professionals in such roles, two recent appointments serve to illustrate our member firms' commitment.

Deloitte United States principal Charles Heeter was elected to a two-year term as chairman of the Business and Industry Advisory Committee (BIAC) to the Organisation for Economic Co-operation and Development (OECD). The BIAC is the official representative group for the business communities of more than 30 OECD member and observer countries.

"The BIAC is the voice of business at the OECD," says Heeter. "As chairman, my role is to help the BIAC ensure that the best possible business and industry advice is available to the OECD, so that its policies, programs, and recommendations can contribute as fully and effectively as possible to building strong economies around the globe."

United Nations Secretary-General Kofi Annan appointed Futhi Mtoba, chairman of Deloitte Southern Africa, as one of 10 business representatives to serve on the UN Global Compact Board. The board's role is to provide strategic advice to the initiative, assist in implementing the Global Compact's integrity measures, and serve as an advocate of responsible business practices around the world. Mtoba's appointment reflects her personal commitment to the Global Compact's mission and principles. She is actively involved in high-profile organizations, such as the NEPAD Business Foundation, the Money Laundering Advisory Council, and the Independent Regulatory Board for Auditors, whose activities range from promoting development in the African continent to combating money laundering to leading the transformation of the accounting profession.

Business ideas: informative, insightful, and inspiring

What are the major issues confronting businesses today and shaping tomorrow's marketplace? Where can organizations find insightful analysis to help them develop the appropriate response strategies?

Each year, Deloitte Research delivers more than 30 innovative, practical insights companies can use to improve performance and gain competitive advantage. This year, Deloitte Research concentrated on four pan-industry issues: globalization—emerging markets such as China and India, as well as trends in offshoring and outsourcing; changing workforces, changing consumers—talent management and changing consumer demographics; value leadership—sustainable growth, innovation, strategic flexibility, and risk management; and business transformation—mergers and acquisitions, and synchronization.

Recent reports include *Wealth with wisdom*, which examines challenges facing consumer businesses serving the aging baby boomer market; and industry-focused studies, such as *Global powers of retailing 2006*, *Financial services in 2010*, and *Governing forward: New directions for public leadership*. Soon to be released is *Connecting people for performance*, the second in the series *It's 2008: Do you know where your talent is?* This new study builds upon the highly successful report *Why acquisition and retention strategies don't work* to explore the connections that spark innovation and growth.

Deloitte Research studies—unique to Deloitte member firms for their clients—are an example of the quality and value Deloitte member firms bring to their clients. A complete list of studies can be found at www.deloitte.com/research.



Every day, the New York subway, often the fastest way to get to work, carries hundreds of Deloitte United States people on their way to serve clients.

Contributed by Siobhan Harris, Deloitte Touche Tohmatsu



Exceptionally client-centric

Staying one step ahead of client needs

Thoughts on being exceptionally client-centric

Léo Apotheker



Léo Apotheker, a member of the SAP AG Executive Board and President of SAP's Global Customer Solutions & Operations, discusses how alliances enable SAP to better help its customers succeed. SAP is the world's leading provider of enterprise applications for all types of organizations.

At DTT's Clients & Markets Global Leadership Meeting in Frankfurt, Léo Apotheker of SAP AG explains how IT is accelerating innovation.

"Throughout history, great alliances have created new realms of possibility. Alliances enable two companies to deliver solutions that neither could deliver as well on its own—two individually strong firms join forces to deliver one powerful solution. The associates gain from a stronger combined value offering while customers benefit from the best of both organizations.

Through alliances and partnerships, SAP teams with other world-class companies, like Deloitte member firms, to combine expertise and industry knowledge to deliver a full spectrum of integrated solutions and services to customers that add value and drive growth.

By collaborating, by combining complementary skills and know-how, by being proactive and providing innovative solutions, we help mutual customers quickly deploy and benefit from solutions that transform and improve their core business processes.

Our associates are usually highly innovative and acknowledged leaders in their fields who share our corporate values of customer service and excellence and our vision to help customers optimize their operation and resources across their entire value chain. Deloitte member firms' depth and breadth of SAP experience deliver value to our customers. Fundamental to our relationship are mutual creativity, strong collaboration, open dialogue, and continuous learning and knowledge sharing for the benefit of our customers.

'Being the standard of excellence' means quality in everything we do—innovation to continually raise the bar, thought leadership that sets the agenda in our industry, professionalism, and above all teamwork. Behind all of this is a single purpose—customer success. Commitment, focus, and dedication to customer success enables any company to 'become the standard of excellence.'"

SABMiller

SABMiller plc is one of the world's largest brewers, with interests or distribution agreements in more than 60 countries on five continents. Who better to serve this client than Deloitte member firms with geographic profiles and capabilities to match?

Sometimes a client relationship spans the years. In the case of SABMiller, Deloitte member firms have been serving the group's needs for just about 20 years. The story starts in South Africa, specifically in Johannesburg, the company's original headquarters and location where the resident Deloitte member firm has delivered a wide range of services.

"From Deloitte Southern Africa's early work with the company, we gained an understanding of the business from a number of perspectives," explains Lawrence Hutter, Deloitte United Kingdom, Lead Client Service Partner for SABMiller. "The projects conducted in finance, human resources, information technology, internal audit, operations, sales & marketing, and tax provided broad business insight. When SABMiller expanded into Central Europe, the Deloitte member firms were there to support them. It's been all over the map since then with a particular focus recently on SABMiller's substantial Latin American operations," he adds.

Today, the global beverage industry is undergoing tremendous change. The driving forces are many. They include shifts in consumer tastes and habits, the ever-more-powerful retail trade, downward pressure on prices and margins, and complex, demanding regulations. "We're helping SABMiller address these issues," notes Colin Clarkson-Short, IT principal in Deloitte United Kingdom's consulting function. "Clients in the industry need solutions, and that's what we bring."

This principle came into play in a big way when SABMiller decided to set up a United Kingdom-based subsidiary, Miller Brands. "The opportunity arose for us to take control of four international brands in the United Kingdom," notes Gary Whitley, Managing Director, Miller Brands UK. "However, to do so, we needed to create a new organization along with all the necessary business processes and systems and to put this in place within an accelerated time frame—just six months."

Deloitte United Kingdom was appointed to project manage the establishment of the business and its supporting systems. Deloitte member firms' alliance with SAP and collaboration around standard templates for food and beverage companies made all the difference. SAP's ERP software and Deloitte United Kingdom's implementation and consulting expertise proved a powerful combination.

"The project went live on the promised date without any problems," says Miller Brands' Whitley. He adds, "Deloitte fast-tracked the start-up, which enabled us to trade immediately with some of the most sophisticated and demanding retailers in the world."

And the story continues. The successful deployment of the SAP beverage template in the United Kingdom led to additional SAP implementation work in Poland (where 750 users went live in less than 10 months) and now in Peru. As Brian Nicholas, Global Chief Information Officer, SABMiller, notes, "Dealing with consultants is all about the people they bring in to run the project. The work done in Poland was a good example—great job, good people, and no mistakes."

Left to right, Colin Clarkson-Short, IT Principal (Deloitte United Kingdom), Brian Nicholas, Global CIO (SABMiller), Lawrence Hutter, Lead Client Service Partner (Deloitte United Kingdom), and Gary Whitley, Managing Director (Miller Brands UK), at SABMiller headquarters in Woking, England.



“We find Deloitte to be quality oriented, proactive, and focused on getting things done. Issues and problems arise—that’s the way it is. However, Deloitte is eager to discuss them and, more than that, resolve them promptly.”

—Brian Nicholas, Global CIO, SABMiller

Staying a step ahead to benefit clients

The Deloitte Approach to client service excellence

When clients choose Deloitte they gain access to a vast global network of people, ideas, and expertise. But scale and scope alone don't set Deloitte member firms apart. In fact, clients may sometimes see the size and diversity of the organization as a barrier to working with us.

That is why, for the third year in a row, member firms have invested in The Deloitte Approach—a globally consistent way of understanding clients' needs and ensuring that wherever member firm professionals interact with member firm clients, in whatever capacity, they receive the full benefit of Deloitte member firms' deep technical knowledge, industry expertise, and global network of professionals, all delivered in a coordinated and consistent fashion.

At the center of The Deloitte Approach is the Lead Client Service Partner, one individual who is responsible for ensuring that every interaction a client has with a Deloitte member firm is meaningful. By giving the lead partner and his or her service team access to Deloitte member firms' best analytical tools, global information systems and knowledge bases, and industry specialists, The Deloitte Approach helps account teams develop a deeper, more complete understanding of a client's challenges and opportunities, deploy the most appropriate people, and deliver solutions that bring exciting and obvious results to clients.

Deloitte OnLine— excellence in collaboration

Deloitte OnLine is a daily factor in the lives of many Deloitte member firm people and their clients. It is integral to the efficiency and success of project work, and, more than that, it differentiates Deloitte member firms from their competition by allowing them to deliver a higher level of client service. More than 130,000 users have actively used Deloitte OnLine in the course of engagement delivery over the past year; more than 24,000 client users visit Deloitte OnLine to gain access to a wide range of relevant information and key tools and resources.

Recently, the Deloitte OnLine team completed a major upgrade, delivering an enhanced collaboration capability to the member firms and their clients. This journey, which began two years ago, included members from almost every global technology team, every function, and a multitude of member firms. The project culminated in a massive 12-day migration, with the team working almost around the clock to deliver a successful implementation to a demanding stakeholder community. This was the most complex migration of this type—and it was executed on time and on plan, with the system effectively sustaining full production load immediately following the migration. The result—an environment that includes nearly 100 servers, over 30,000 collaborative workspaces, and nine terabytes of data.

“Client service excellence is a journey, not a destination. Deloitte member firms must be better at it today than they were yesterday, and better tomorrow than they are today. Committing to that journey is the surest single signpost to success.”

—Jerry Leamon, Global Managing Partner, Clients & Markets



Waiting for a flight at Quito International Airport.
Contributed by Paulina Batallas, Deloitte Ecuador



Leading in scale and growth

*Expanding the range of services to meet
the growing needs of business*

Thoughts on leading in scale and growth

Ira Millstein



Ira M. Millstein is a senior partner at Weil, Gotshal & Manges LLP, Director of the Yale Center for Corporate Governance and Performance, and Senior Associate Dean for Corporate Governance at the Yale School of Management. He chaired the Organisation for Economic Co-operation and Development (OECD) Business Sector Advisory Group on Corporate Governance in 1997-98, whose report led to the internationally recognized OECD Principles of Corporate Governance.

“Good governance leads to good performance. I may not be able to prove that empirically, but I can demonstrate that bad governance leads to bad performance—and between the two, I’ll take good governance anytime.

Good corporate governance is now almost universally recognized as a prerequisite to accessing capital—investors need assurance that their money will be protected. Joining the global capital market requires developing corporate governance practices based on the principles of fair and equitable treatment of shareholders, disclosure, transparency, the existence of a board of directors with real responsibilities, and the rule of law. These concepts were the foundations of the OECD Principles of Corporate Governance.

There is no one-size-fits-all way of implementing the principles, and we can learn from one another. The dispersed ownership model of the United States and the United Kingdom, for example, differs from economies where many companies have a dominant shareholder—such as the state or a family. In China, for instance, the state is the dominant shareholder in companies, yet they also seek investment from foreign sources. Therefore, China has to implement a

governance system that protects minority investors while accommodating the principal owner. Their model won’t ultimately look like that of the United States, but it should be based on the same underlying principles.

Another important issue relates to the board’s responsibilities. After Enron, boards became mired in compliance when their real job is to select the best management available and help improve long-term corporate performance. They need, of course, to oversee compliance, but their priority should be performance and strategic and risk management oversight to enable the company to prosper and grow. Many U.S. boards with a combined CEO/chair should consider separating those positions. One individual can’t do justice to both jobs at the same time. Few in the United States believe that—even though the rest of the world does—but, to me, that’s a key element when it comes to setting the standard of excellence in governance.”

Ira Millstein currently chairs the OECD Business Group on Boardroom Practices, which is studying the application of governance principles in boardrooms around the world.

Cardinal Health

In 1971, Robert Walter purchased Cardinal Foods in a leveraged buyout. Over time, it shed its roots in the wholesale food trade and was transformed into a major force in the global health care industry. How major? Cardinal Health, as it is now known, is a US\$80 billion enterprise that operates on six continents and ranks number 19 on the *Fortune* 500® ...

The house that Robert Walter started in Dublin, Ohio, came together brick by brick. Year upon year, it grew higher and wider through a strategy of acquisitions.

The management team shopped wisely. It took the company public, first on the NASDAQ and then on the New York Stock Exchange. In its short 25-year history, Cardinal Health expanded into a multi-faceted enterprise—wholly focused on health care, yet diversified in its slate of products and services.

What does Cardinal Health do? It manufactures, packages, and distributes pharmaceuticals and medical supplies. It delivers health care solutions that reduce costs, improve efficiency, and render better care to patients. It offers clinical services and develops automation products to improve the management of supplies and medication for hospitals, physicians' offices, and pharmacies.

"Companies that become larger and more complex through a series of acquisitions invariably need to look inward. We grew up very quickly. Consequently, we faced some internal challenges which, when resolved, would enable us to amplify our value," says Jeff Henderson, Executive Vice President and Chief Financial Officer, Cardinal Health.

Take tax. In going from \$0 to US\$80 billion in annual sales in a relatively short time, the issue occurred: How does Cardinal Health ensure accurate tax filings in all of the jurisdictions where it does business to close its books in a timely manner?

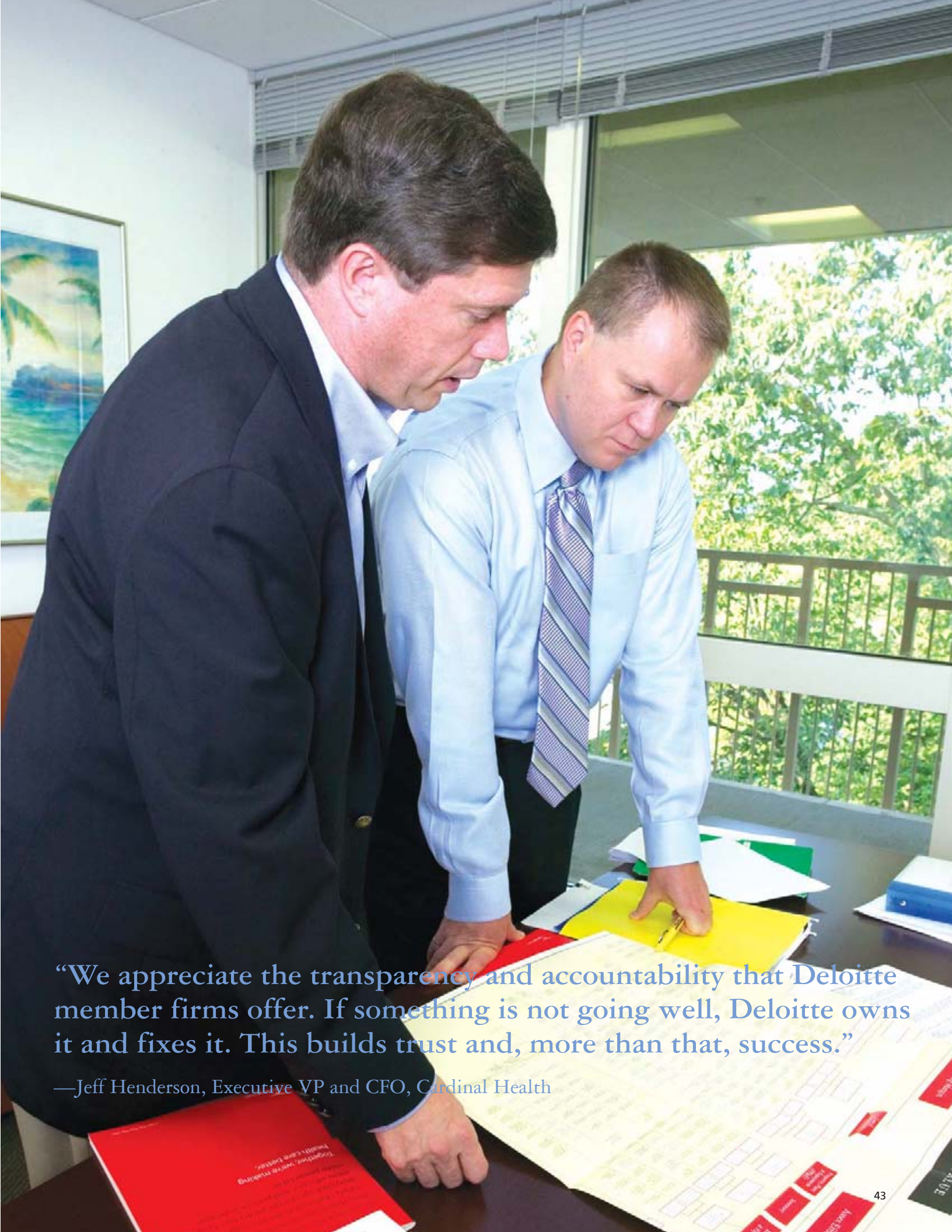
A team of Deloitte member firm tax specialists from around the world provided income tax assistance for more than 25 entities. Services ranged from preparation of corporate-provided tax reporting packages to the review of locally prepared packages. In specific jurisdictions, local Deloitte member firm resources helped reconcile the income tax accounts. In the United States, the team enhanced the tax reporting packages and also analyzed and compiled tax accounting information received from foreign locations.

The result? "When we compared book closing at the end of our last fiscal year with the previous one, the difference was monumental," advises Henderson.

Terry Noetzel, Deloitte United States Principal and Lead Client Service Partner for Cardinal Health, notes: "To address the varied needs of this client, we deploy a dedicated, cross-functional global team. In this way, Deloitte member firms not only respond to the client's agenda but also proactively offer ideas and perspectives, and challenge their thinking."

Noetzel adds, "Deloitte member firms recently started a finance transformation project to install a common set of processes across the organization. It's still early. However, our experience shows that this enterprise-wide system will improve effectiveness and yield a range of efficiencies. In the end, Cardinal Health will be positioned to unleash its full power."

Left to right, Principal Terry Noetzel (Deloitte United States), Lead Client Service Partner for Cardinal Health, and Jeff Henderson, Cardinal Health Executive Vice President and CFO, discuss Deloitte's Enterprise Value Map at Cardinal Health headquarters in Dublin, Ohio.



“We appreciate the transparency and accountability that Deloitte member firms offer. If something is not going well, Deloitte owns it and fixes it. This builds trust and, more than that, success.”

—Jeff Henderson, Executive VP and CFO, Cardinal Health

Committing resources

Strong growth— dramatic in several countries

In an effort to keep pace with client needs and expectations, member firms are adding resources and growing around the world. The network of knowledgeable member firm professionals continues to expand every day, building worldwide expertise, everywhere from Albania to Zimbabwe.

Deloitte CIS, which now has over 100 partners, has exceeded 50 percent revenue growth in each of the last five years—and, with close attention to costs, has increased gross and net profit margins each year. In March 2006, Deloitte CIS became the newest member firm to exceed US\$100 million per year in revenues.

Deloitte China has achieved 60 percent revenue growth in the Chinese Mainland and 42 percent overall. Global market opportunities, significant mergers, and a five-year investment growth strategy have supported the growth of this practice from more than 120 partners and 1,500 people in 2003 to over 260 partners and 5,500 people today.

Deloitte Brazil has doubled its size in the last four years and exceeded 23 percent revenue growth in 2006 (measured in Brazilian reais). This growth, coupled with commensurate improvement in profit margins, has enabled the average profit per partner in Brazil to become the second highest in the Americas.

High growth in Audit and ERS

Deloitte member firms' audit businesses and enterprise risk services (ERS) continue their strong revenue growth. A key driver of growth is the continuing focus on internal controls and governance standards, which has caused ERS revenues to more than double in aggregate in the past three years. The expertise of audit professionals has been in high demand, helping clients in their transition to changing regulatory standards and compliance with International Financial Reporting Standards (IFRS).

It has been a particularly strong year for Deloitte member firms winning prestigious new audit engagements, including Bristol-Myers Squibb in the United States; BNP Paribas, Fortum and Scottish Power in Europe; Nippon Life and NYK in Japan; Agricultural Bank of China; and Singapore Telecommunications Limited.

Deloitte member firms' audit and ERS leaders are continuing to pursue growth opportunities. ERS practitioners in the member firms are expanding their capability to assist their clients in responding to new regulatory and governance requirements, particularly in the European and Asian markets, and are deploying technologically enabled services to support boards of directors with risk evaluation and monitoring. Particularly exciting are the high market demands for internal audit co-sourcing and for assistance in dealing with data security and privacy requirements, as well as data analysis and interrogation.

New services include helping financial services companies deal with the European Directive governing the market in financial instruments, and member firm audit practitioners are leveraging their specialist experience in IFRS to assist member firm clients struggling with interpretations of the more complex new reporting standards.

Deloitte CIS, which now has over 100 partners, has exceeded 50 percent revenue growth in each of the last five years—and, with close attention to costs, has increased gross and net profit margins each year.



A Deloitte Belgium partner stops to call the office and enjoy the view of the Tourmalet in the French Pyrenees.
Contributed by Deloitte Belgium Marketing, Communications & Business Development team



Superior and sustainable
profitability

Exceptional revenue growth maintained over time

Thoughts on strategies for superior and sustainable profitability

Minister Mentor Lee



Minister Mentor Lee (left) with Chaly Mah (center), CEO, Deloitte ASEAN, and Bill Parrett, Global CEO.

In August 1965, Malaysia severed its ties with Singapore; this resulted in the creation of the Republic of Singapore. In an address to the DTT Annual World Meeting in June 2006, Singapore's first prime minister and current Minister Mentor Lee Kuan Yew, discussed Singapore's strategy for sustaining growth and prosperity.

"We were up against a wall. All of our ties had been with Malaysia—our water and food came from there, our trade was with them. We had to learn to survive, on our own, in a highly competitive world.

Wealth is not created by government. It is created by the businesses that develop ideas, trade, and create products. The 'business' of government is to facilitate that, so more wealth is created. I didn't go to business school—I was trained as a lawyer—but common sense told me and my colleagues that, for people to want to put their businesses into Singapore, we had to be different from and better than other countries in our area. Therefore, we decided we would become a first world oasis in a third world region. We set out to be first world in everything: education, health, communication, infrastructure, security, travel, and business environment.

What has been the result? Singapore has no oil, yet Exxon, Mobil, Shell, BP, Chevron, and our own Singapore Petroleum all choose to build refineries here. Why? Because we provide security, stability, reliability, predictability, and efficiency, which beat everyone else in the region. That is what has made it more profitable for businesses to invest in Singapore than somewhere else, and that is why they invest. Even without oil, the refineries can operate better and cheaper here than anywhere else."

Lee Kuan Yew was prime minister of Singapore from June 1959 to November 1990. He is currently Minister Mentor.

Focus Media

What is the best way to ignite the interest of the urbanized, affluent, on-the-move consumers in China? An entrepreneur had an idea of how to reach this target audience: create advertising space in must-go-to locations . . .

In January 2003, Jason Jiang set up a media network of flat-panel displays in high-traffic areas in 50 office buildings in Shanghai. With that pioneer effort and a bold business model, he opened Focus Media a few months later. Its vision? To be the largest “out-of-home” multiplatform lifestyle media company in China.

To turbocharge this new, nontraditional advertising category, Focus Media had a plan. Infrastructure issues reigned supreme. There were venues to tap, such as supermarkets and retail chains, as well as elevators and outdoor locations, to expand the company’s platforms. Mobile handsets offered other means. So did extending the horizon to other cities. And there was more—lots more. There were acquisitions to make, patents to commercialize, and brand-name domestic and international marketers to sign up to fill its pipeline.

For this to occur, the management team envisioned an IPO in Focus Media’s future—the near future. As Jiang, Chairman and CEO, explains, “We knew we needed to go public to grow rapidly in the China market. We also understood that we needed the best external advice to help us with this transaction and with our audit and tax issues.”

Focus Media asked SoftBank, one of its strategic investors, for a recommendation. SoftBank had been working with Deloitte China on a range of investment projects and suggested setting up a meeting. “Deloitte was highly regarded in China for helping high-growth companies, such as SMIC, go public,” notes Daniel Wu, Chief Financial Officer, Focus Media. “We invited Deloitte China and several others in.”

Deloitte China and Deloitte United States put together a multidisciplinary team: from Deloitte China, Joseph Chan, who has extensive background in the media industry and cross-border IPO transactions and now serves as Lead Client Service Partner for Focus Media, and Ryan Chang, tax partner, who specializes in cross-border transfer pricing strategies; and Stefanie Starna, Deloitte United States partner in China, who has hands-on experience in helping companies in China go public in the U.S. capital markets.

“Deloitte China and Deloitte United States differentiated themselves with these experts,” says Wu. “They understood our business, needs, and goals. They were client-focused and offered a comprehensive, value-added level of service.” Adds Jiang: “Focus Media aspires to be number one in the sectors it covers and aims to enter. For advisers, we also wanted the number one brand in the market—Deloitte.”

On 13 July 2005, Focus Media listed on the NASDAQ as ticker symbol FMCN. The 10-month journey proved highly successful. It also proved to be the beginning of an ongoing relationship. “We continue to engage Deloitte member firms to assist us to run our business better,” Wu notes.

And how is business? Focus Media sends messages through numerous networks and platforms. It operates in 80 cities and serves a customer base of 1,800 brands, including China Telecom, Motorola, Nokia, P&G, Toyota, and Unilever.

Left to right, Jason Jiang, Focus Media Chairman and CEO, and Joseph Chan, Lead Client Service Partner (Deloitte China), discuss one of Focus Media’s flat panel advertising displays at the company’s headquarters in Shanghai, China.

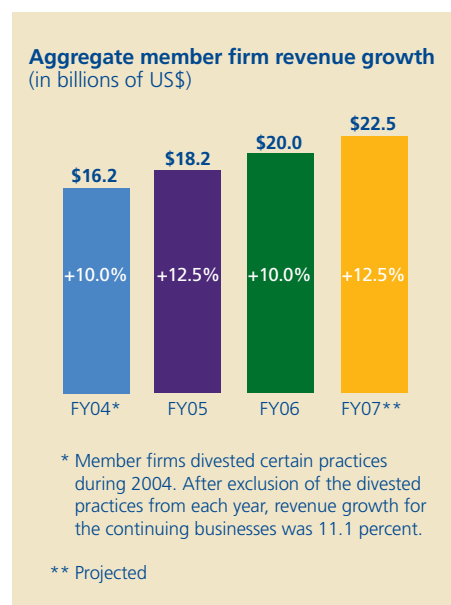
“We knew we needed to go public to grow rapidly in the China market. We also understood that we needed the best external advice to help us with this transaction and with our audit and tax issues.”

—Jason Jiang, Chairman and CEO, Focus Media



Balanced growth sustains strong financial performance

The strong performance of Deloitte member firms in all regions and across all of their four world-class businesses produced aggregate revenues of more than US\$20 billion in the fiscal year ending 31 May 2006, an increase of 10 percent over 2005. This was the fourth consecutive year of double-digit revenue growth from the continuing operations of the member firms.



Strong financial performance is important to Deloitte member firms' ability to deliver measurable value to their clients. Through sustained growth, the firms are able to provide opportunities to attract, retain, and motivate the best people with superior expertise, and to invest in developing innovative new tools and methodologies to deliver world-class service to clients in each market segment.

To help ensure that member firms are meeting DTT standards, DTT reviews their financial and operating results, such as member firm revenue growth, profit margins, operating and financial leverage, market share, and average earnings per partner.

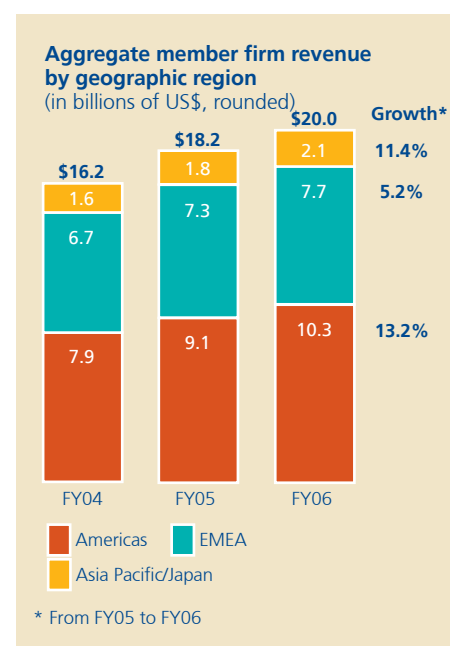
Revenue growth in all lines of businesses and geographic regions

In 2006, Deloitte member firms' combined operational revenue growth was 11.5 percent in local currencies, but the relative strengthening of the U.S. dollar against the U.K. sterling, the euro, and other currencies held growth to 10 percent in U.S. dollars. This growth in revenues was substantially driven by a 10 percent increase in service hours, reflecting clients' increased demand for Deloitte member firm services. Deloitte member firms provided 135 million hours of service to their clients in fiscal 2006.

Balanced growth across geographies

Revenue growth in 2006 was also impressive for its balance in all geographies. Each region in aggregate grew by double digits before the effect of currency exchange rates is considered.

North America, which generated 47 percent of total member firm revenue, grew by 12.5 percent to US\$9.5 billion in 2006. Central and South America grew by 24.1 percent. The region's growth was attributable to the stronger economies and currencies of countries in the region and the synergies they achieved through the new LATCO cluster of practices.

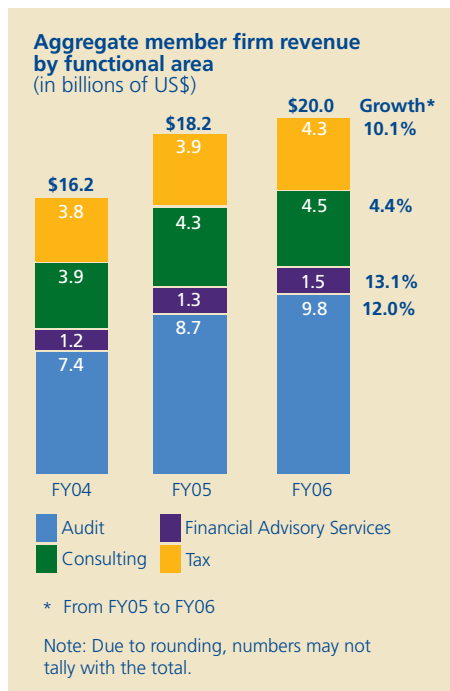


In Europe, Deloitte member firms' aggregate revenues grew by 10 percent in local currencies, and these practices contributed 36 percent of total global revenues. Aggregate revenues from member firms in Europe/Middle East/Africa (EMEA) grew to US\$7.7 billion. Revenues of the member firm in the CIS grew by 63 percent, leading all EMEA member firms, including Deloitte Turkey (which grew by 38 percent) and Deloitte Middle East (which grew by 24 percent).

The Asia Pacific/Japan region, which contributed 10 percent of total revenue, grew by 11.4 percent to US\$2.1 billion. The Deloitte China practice led revenue growth in the region, at 42 percent, complemented by an 11 percent growth by Deloitte Taiwan.

World-class businesses

Each of the four primary businesses contributed to revenue growth in 2006.



The generally improved global economy helped member firm financial advisory practices lead all four businesses in revenue growth, with a combined increase of 13.1 percent. Member firm audit revenues posted an aggregate 12 percent gain, a result of a continuing demand for improved audits and strengthened internal controls, which drove a 26 percent increase in total enterprise risk service hours.

After a transitional year in which demand for discretionary noncompliance services had weakened, member firm tax services rebounded with 10.1 percent revenue growth in 2006. Member firm consulting practices continued their divestment of certain businesses, which constrained their overall growth rate. As a whole, member firm consulting revenues grew by 4.4 percent, though human capital advisory services increased by 18 percent, and strategy and operational consulting by 6.5 percent. The restructuring of the consulting practices is now complete, and the businesses are well positioned to pursue aggressive growth targets in 2007.

Projected continued growth in 2007

Deloitte member firms are projecting continued strong revenue growth in 2007.

In 2006, the member firms increased their staffs by an aggregate 9 percent—approximately 135,000 people help serve Deloitte member firm clients around the world. This growth reflects the high value that clients place on Deloitte member firm services, and the increased demand for those services that has been experienced in recent years is expected to continue in 2007.

The long-term sustainability of Deloitte member firms requires them to invest to continually strengthen their ability to provide clients with the highest-quality services. These investments include developing learning and growth programs to further enhance their people’s professional skills; building state-of-the-art technologies; improving service methodologies and processing and developing new ones; and meeting professional, governmental, and industry regulations and standards.

Deloitte member firms are effectively capitalized with strong balance sheets and adequate liquidity to support their continued growth. Total debts of the member firms are less than 15 percent of assets. The average current ratio of assets to liability of the member firms is greater than 2:1. This leverage provides ample liquidity to be flexible in response to changing market needs, and to make the investments necessary to sustain growth.

On the basis of these factors, together with a continued strong global economy, aggregate member firm revenues are projected to increase by 12.5 percent next year, with balanced growth again expected in all primary businesses and operating regions.

Partner compensation

Partners are the owners of the respective Deloitte member firms, and most of them invest significant capital and hold equity interests in their national practices.

The substantial investments partners make in their member firms provide the working capital that enables a firm to invest in the future of its business. In addition, like all companies, member firms have commitments such as guarantees, leases, and pensions. Some of these commitments are funded while others are not. However, as is the case with all liabilities, the obligations are specific to the individual member firm.

Most partners' equity interest in their member firm represents a substantial portion of their net worth. Accordingly, adverse events affecting their practices can have a significant personal impact on member firm partners. Compensation for member firm partners is, therefore, of an amount that reflects the sizable investments they have made into their firms and the risks they assume as owners. In addition, Deloitte member firms believe that the fair compensation of their member firms' partners provides them with a practical incentive to act as professional leaders and to be committed to sustaining excellence in every aspect of their work.

Ensuring financial stability

Member firms pursue all appropriate opportunities for practice growth while maintaining prudent control over spending. Core financial activities—tax payments, billing, partner compensation, etc.—are managed with integrity and transparency.

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

About the 2006 aggregate revenues

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. (For more information on the Verein, please see Page 54.) Each member firm is a separate and independent legal entity. As such, 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

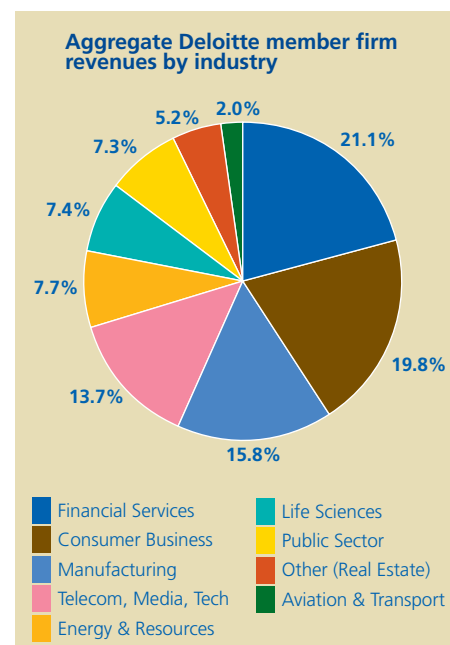
partnerships, limited liability companies, corporations, or other structures. Accordingly, although the member firms use a similar structure of financial accounts, certain items may be accounted for differently in different member firms as a result of varying accounting practices across international borders and the various legal structures.

Member firms include the results of all entities that are majority-owned by their partners. In addition, 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 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, composite amounts do not attempt to reconcile or restate items that are treated differently among the member firms.

Select composite DTT and member firm financial position information (in billions of US\$)		
	31 May 2005	31 May 2006
Client receivables	\$4.1	\$4.8
Total current assets	6.6	7.8
Total assets	9.6	10.0
Current liabilities	2.8	3.6
Third-party debt and partners' capital	5.9	6.4

The amounts above represent combined, 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.



Deloitte member firm people

	Americas	EMEA	Asia Pacific/Japan
Partners	3,700	2,800	1,500
Professional staff	42,500	38,200	19,200
Administrative staff	12,000	9,100	3,400

Turnover rate

Member firm turnover rates are higher than desired. However, one of the member firms' focused goals is to reduce the average rate to approximately 20 percent. Only through careful execution and measurement of success will member firms reach DTT's vision of becoming the standard of excellence.



Andrew Boyd (Deloitte New Zealand) battles the whitewater rapids of the Waimakariri River, South Island, New Zealand, during the annual Speight's Coast to Coast multisport race, the oldest and biggest multisport (kayaking, bicycling, and running) event in the world. Contributed by Andrew Boyd, Deloitte New Zealand

Organization and governance

The governance structures of DTT have been established in accordance with generally accepted governance standards. Although DTT is a private organization, it seeks to achieve excellence in governance, which strengthens the global organization and the Deloitte member firms as they pursue their global and national strategies, and contributes to member firm success in sustaining superior profitability. DTT's governance practices demonstrate to all of its stakeholders that DTT is dedicated to ethical conduct, is willing to submit to the same level of scrutiny as member firm clients and other public organizations, and places a high value on transparency and accountability.

Global structure

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

As a Verein, DTT does not provide any services to clients. It is funded by annual subscriptions paid by each member firm, and it has no individual partners, principals, or shareholders. DTT personnel are staff of a subsidiary of DTT or they are partners, principals, or employees of Deloitte member firms on assignment to DTT. The cost of these assignments is borne by DTT.

Member firm structure

The partners of Deloitte member firms are the sole owners of their practices. The 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.

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 DTT executive management
- Adhering to all guidelines 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.

DTT's leadership bodies

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. These leadership bodies are made up of representatives from Deloitte member firms and are designed to be inclusive and to allow a diversity of opinions.

The Executive and the Global Management Committee

DTT's global CEO is elected by the Board and ratified by Deloitte member firm partners and serves a term of four years. The nine-member Executive comprises DTT's most senior member firm leaders from various regions around the world. It is responsible for establishing the vision and strategy that optimizes Deloitte member firms' success and for protecting the long-term interest of all stakeholders. The Executive works in a collegial style and attempts to reach decisions through consensus.

The global CEO, currently William G. Parrett, leads the Executive and chooses its members, subject to approval by the Governance Committee and the provisions of the Verein. The Executive carries out its responsibilities through the Global Management Committee, a group of 18 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 is DTT's highest global governing body. The Board has responsibility for addressing governance issues within the competencies of the Verein and is guided by its fundamental and annual goals. The Board oversees DTT management processes and monitors ethical conduct.

To best serve the global organization, it was determined that a large board was necessary to ensure representation from countries and regions based on a one member/one vote system, with a two-thirds majority required for important decisions.

The current Board, led by Piet Hoogendoorn of Deloitte Netherlands, was elected in 2003 and will serve until June 2007. It has 34 members, representing 15 countries that were selected on the basis of their size, revenues, and number of multinational clients. Each country appoints its representatives to the Board. This Board specifically includes five regional seats reserved for medium- and smaller-sized firms: two from Europe/Middle East/Africa, two from Asia Pacific/Japan, and one from LATCO.

The Board is served by the Governance Committee. This multicultural group of senior member firm partners engages in efficient, open discussion of issues before these issues proceed to the Board. The Governance Committee has equal representation of the 12 largest Deloitte member firms plus the CEO. Each committee member has one vote on matters considered by the committee. To avoid conflicts of interest, a member of the Governance Committee may not also serve on the Executive, except for the global CEO. 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.

Litigation and insurance

The increasingly litigious environment in certain parts of the world is raising the legal costs and professional insurance costs—and the risk profile—of all global professional services organizations, particularly with respect to their audit functions.

Professionally related litigation is a problem for all professional services providers. With respect to management fraud, auditors are increasingly subject to immediate regulatory action and civil litigation whenever fraud is exposed in public companies—including systemic collusive fraud by management—a phenomenon that the audit was never designed to guarantee against.

That effectively places audit firms in the position of insurers of the capital markets, which is an unsustainable position. This is not to say that auditors should not be subject to legal action if they are involved in collusive fraud (although this is rarely the case) or where there has been some other significant failure to perform in accordance with professional standards.

Deloitte member firms maintain professional liability insurance coverage; but in the profession as a whole, insurance has become increasingly difficult to obtain in the commercial market. Each Deloitte member firm is required to purchase professional liability insurance to the extent it is available, customary according to the laws under which it operates and at a level that is believed to be appropriate for the risks associated with the services it provides. Notwithstanding, such insurance protection is far less than the potential exposure to claims against the profession.

While Deloitte member firms have been able to effectively manage around these risks, this environment—particularly as it continues to develop—is a significant challenge to Deloitte member firms and other professional services organizations. Deloitte member firms, like the others, are private partnerships, which is the legal requirement in many markets. This is creating negative ramifications for operating the business and increases the personal liability for the owners. This, in turn, may also negatively affect the ability of member firms to attract and retain talented people; and the cost of services, and, if not rationalized, may inevitably have an impact on the long-term viability of professional services.

Governance goals

The Board is responsible for ascertaining that DTT is managed effectively in pursuing its mission, providing oversight with regard to DTT's strategies, policies, decisions, and the execution of those strategies. It is firmly committed to achieving the Deloitte member firms' business objectives in a manner consistent with their Shared Values.

Working as a whole group and through its committees, the Board discharges its responsibilities, which include:

- Approving and supporting DTT's overall mission
- Monitoring and overseeing the DTT management team, working together in a collaborative fashion; managing the process of selecting the DTT Chairman and global CEO; approving the selection of other senior leaders
- Reviewing and approving the allocation of Board seats to countries and regions
- Reviewing and approving DTT strategic and business plans; developing a depth of knowledge of the business of Deloitte member firms, understanding and challenging the assumptions underlying the plans
- Reviewing and approving DTT financial objectives, plans, and actions, including cost allocations and expenditures
- Reviewing and approving major global transactions
- Monitoring performance against the strategic and business plans
- Encouraging ethical behavior and compliance with laws and regulations and DTT's own governing documents
- Performing other functions specifically required by DTT's governing documents
- Communicating on Board matters with Deloitte member firms and their partners
- Assessing the Board's own effectiveness in fulfilling these responsibilities.

Goals for 2006

The Board believes in continually seeking ways to improve DTT's governance activities. Each year, it establishes specific improvement goals, some of which build upon progress achieved over the previous year. Improvement goals for 2006 included:

- Continuing to improve DTT governance such as focusing on the agenda-setting process, director evaluation process, strategy, management performance oversight, and succession planning
- Improving oversight of Deloitte member firms within the competence of the Verein
- Improving connections with Deloitte member firm partners
- Reviewing DTT's overall governance structure for the fiscal year.



Market leadership

Distinguishing an organization based on market share or competitive advantage

Thoughts on market leadership

Fernando Henrique Cardoso



Fernando Henrique Cardoso was the elected President of Brazil from 1995 to 2003. During his time in office, Cardoso reduced government involvement in the economy and attracted foreign investment to Brazil. He is an eminent sociologist and has lectured at leading universities around the world.

Cardoso discusses below the standard of excellence and what it takes to be a market leader—whether it be in the public or private sector, and what the two sectors can learn from each other.

What does “being the standard of excellence” mean to you?

I don't think there are general standards of excellence that could be of universal application. I don't trust unique prescriptions or handbooks. I consider that each organization, group, or person must establish their own references regarding the meaning of excellence, which always is relative in terms of time and place. However, any person or organization that stands out has some of the following characteristics: constantly looking to extend their knowledge; trying to be the best at all tasks, both the simple and the difficult ones; and being predisposed to have an open dialogue, to accept differences and changes.

In terms of becoming a market leader, what can the private sector learn from government? What can government learn from the private sector?

Each sector could learn from the other one that the development of a country depends on the performance of both of them—that although interests from the public and private sectors could be opposite, in fact people's lives depend on the good operation of both and on good interaction between them.

As governments seek new ways to solve ongoing challenges, such as reducing illiteracy, promoting global health, and combating poverty, what role can the private sector play?

In some Latin American countries, illiteracy has almost disappeared or is about to disappear. Global health also presents a picture of great progress. Unfortunately, we continue to have social and economic inequality, although poverty has diminished considerably in Latin America, too. Fighting against poverty will be efficient if government, the private sector, and society itself work together in a unique project. This is the challenge.

Bayer

In 1888, Carl Duisberg formed Bayer's first pharmaceutical department. With its landmark creation of aspirin in 1899, Bayer began its long journey into the world of science, health care, and pharmaceuticals.

Today, Bayer AG (Bayer), headquartered in Leverkusen, Germany, is a research-based, growth-oriented global enterprise with core competencies in the fields of health care, nutrition, and high-tech materials. In 2006, Bayer announced its acquisition of Schering, Bayer's largest acquisition to date. Bayer engaged the assistance of Deloitte member firms with this important integration work, turning yet another corner in the relationship between Deloitte and Bayer. Rolf Classon, former CEO of Bayer HealthCare and current member of Bayer HealthCare Supervisory Board, discusses the relationship and the importance of continuity in the journey toward the standard of excellence.

How has the relationship between Bayer and Deloitte member firms evolved?

The relationship goes back to the early 1990s, beginning with our work with various Deloitte member firms. It was not a picture-perfect project, but not because of the relationship—it was just a difficult project to begin with. But what impressed me was that even in difficult times, the team of Deloitte member firm professionals took absolute ownership. They were there—for us and together with us in a way, to me, that was very unusual. It was their fact-driven, realistic

approach that impressed me, and the people working with me, so much. The team showed me they could be counted on not only in times when things were sailing very smoothly but also when it was difficult.

Now, because of the personal relationship I had with Gary Coleman, Deloitte United States, Lead Client Service Partner for Bayer, and how he followed me and followed my business, for me it was a no-brainer to choose to continue to work with him. And even when I didn't work with him, I continued to use him as a conduit, to access other functional parts of Deloitte member firms—audit, tax, consulting, financial services, M&A—and found that people I interacted with from other areas all behaved in the same way. They were not only there when everything was going well, but also there when we were having trouble. They had that same responsive approach to caring for me as a client. It comes down to one thing: consistency. More than anything else, that is what continues to impress me about your organization. It is one of your most powerful pieces of ammunition.

How did Deloitte deliver value?

One of the most important things was how they brought a fresh perspective. There were many times when inside our company we were all looking at things the same way. The teams brought new ideas, and that came from two things—their intense understanding of our company and their great experience and perspectives from working with other companies in the same industry.

What are the attributes of a market leader?

Simplicity, a single-minded purpose and direction, and the acknowledgement of the importance of people. In the end, your business is about people, not about the product. You need to take advantage of your human capital—people are your most underutilized resource. You have good, smart people, and not only will the standard of excellence be delivered by leadership and partners—it will be delivered by everyone in the organization.

Left to right, Rolf Classon, former CEO of Bayer HealthCare and current member of Bayer HealthCare Supervisory Board, and Gary Coleman, Global Managing Director, DTT Manufacturing Industry, and Lead Client Service Partner (Deloitte United States) for Bayer.



“Deloitte brought new ideas, their intense understanding of our company, and their great experience and perspectives from working with other companies in the same industry.”

—Rolf Classon, former CEO of Bayer HealthCare and current member of Bayer HealthCare Supervisory Board

Marketplace distinction

A global, multidisciplinary approach to M&A

With access to nearly 3,000 dedicated M&A specialists, Deloitte member firms offer a comprehensive approach to M&A throughout the entire deal life cycle and provide a full spectrum of accounting, tax, financial advisory, and consulting services to both strategic buyer and private equity investor clients. Every service provided is tailored to the overall success of the transaction.

Over the years Deloitte member firms have assisted in many of today's most important strategic mergers and cross-border transactions. In the private equity arena, Deloitte member firms work exclusively with many of the biggest names in the field and, in aggregate, enjoy the distinction of serving 15 of the 20* largest private equity investor deals in history. Deloitte member firms also serve the needs of corporate acquirers by providing a deep set of services across every major industry.

The global breadth and local depth of member firm services help clients identify, address, and assess their transactional needs. By assembling a network of practitioner teams, Deloitte member firm M&A practices have been able to navigate complex cross-border deals in the United States and Europe, as well as the emerging Asian and South American markets.

Eyes on China

China is an increasingly important market for mergers and acquisitions. Not only are investors flocking to the market, but Chinese companies are beginning to look beyond their borders, acquiring companies in other parts of the world. A new Deloitte Research report, *Seven disciplines of venturing in China*, written in coordination with China Venture Capital Association, outlines the key features of China's venture capital and equity marketplace.

* In the United States as of July 2006

IFRS e-learning materials

Global capital markets are becoming increasingly integrated, and many countries have adopted or are moving to International Financial Reporting Standards (IFRS). In the European Union, companies with publicly traded shares or debt on a European exchange have been required to use IFRS for their financial reporting since 1 January 2005. Research by the world's six largest accountancy firms shows that an overwhelming majority of countries—more than 90 percent of a total of 59 countries surveyed—intend to adopt or converge with IFRS.

DTT has developed a learning curriculum that covers virtually all current IFRS on a standard-by-standard basis. Typically, standards are covered by an e-learning unit covering the basics of the standard with supplementary facilitator-led material, where appropriate, dealing with more complex issues of interpretation. E-learning units can either be completed online or downloaded individually to work offline.

This material was initially developed for internal use by Deloitte member firms, but since such a major investment was involved, it was decided to share the e-learning more widely and make this learning available free on Deloitte.com and IASPlus.com. The e-learning curriculum has made a significant contribution to the development of IFRS and has been a popular section on the public website: it has been downloaded almost 700,000 times. Within the member firms, people access the e-learning modules through the Deloitte Learning Platform, which makes it possible to track who accesses and completes the modules. The tracking not only helps with requirements for Continuing Professional Education (CPE) and Continuing Professional Development (CPD) but also promotes a high level of quality control.

“Relative to most other financial consulting service providers, Deloitte is a global firm that has developed an infrastructure to back its commitment to addressing the most complex issues that cross international boundaries, business processes, and industries.”

Source:© 2006 Kennedy Information, Inc, *Business Advisory Services: Delivering Financial & Business Consulting Capabilities*, April 2006. Printed with permission.



Swimming in the Aegean Sea off the Greek island of Ikaria.
Contributed by Christos Georgiou, Deloitte Greece



Innovation

Creating a competitive advantage that can put an organization into a "category of one"

Thoughts on innovation

Dr. Peter Lorange



Dr. Peter Lorange is Professor of Strategy and President of the International Institute for Management Development (IMD), a leading business school with more than 50 years' experience in developing the leadership capabilities of international business executives. Over 700 Deloitte member firm partners have attended the programs at the IMD campus in Lausanne, Switzerland, and at other locations. DTT is also a member of the IMD Learning Network.

Dr. Lorange discusses below the standard of excellence, and the importance of innovation in all areas of business.

"To understand the standard of excellence, to make that abstract statement more concrete, you need to focus on areas where excellence is key to your business—audit, tax, consulting, financial advisory, etc. An absolutely critical component is innovation. Innovations—in services or products—must be fast, minimizing the gap between abstract research and delivery to customers.

Another issue for Deloitte member firms is the fact that their services must be highly reliable and of the highest quality. When we deal with Deloitte member firms, we know they are rock solid. Excellence means we can depend on what they are saying.

An element pervading through any discussion of excellence is people, creating a global community of people, a global meeting place, where you have cross-cultural understanding. Businesses become more global when they talk about cross-border dilemmas rather than national sets of issues. Becoming a one-world culture contributes to becoming the standard of excellence. So having a human resources function that's up to speed is essential—people should be appointed, rotated to different countries, and developed. The human resources function needs to be more sensitive to a global set of roots. And more systematic rotations of people could make a lot of sense in becoming a standard of excellence. Training people to allow a global culture and global approach to happen is important. It costs money to become cutting-edge when it comes to the standard of excellence."

Oil sands

The oil sands are a segment of the global oil and gas industry whose time has come. Dick Cooper, leader of the Deloitte Canada Energy & Resources practice, presents the case for their potential as a strategic energy source.

The oil sands have been referred to as “new black gold.” Why?

For context, “black gold” refers to conventional sources of oil. “New black gold,” then, refers to nonconventional sources, such as the oil sands. In contrast to the conventional reserves of black gold—which are being depleted from many years of production—new black gold, specifically the oil sands, are available in vast quantities. The oil sands of Alberta, Canada, are considered to be one of the world’s largest oil deposits, with recoverable resources comparable to Saudi Arabia’s.

What’s the attraction?

The oil sands have been around for millions of years but have been commercialized only within the last several decades. Companies in northern Alberta began mining oil from sand in the 1960s. These early operations were costly and often government-subsidized. With ongoing improvements in technologies, these processes have become more economical. In the last few years, as oil prices have exceeded the US\$60 mark and higher, interest in the oil sands has grown. Add to that the ever-rising demand for the product, the proximity of the world’s largest oil consumer, and the political uncertainties in the main oil-producing countries, Alberta’s oil sands have become even more attractive. As a result, more companies are focusing on the Canadian landscape to find and produce oil.

Is this another trend of the moment?

No—not when you consider that companies here are producing 1.7 million barrels per day. We expect that rate to almost triple by 2015, creating a need for additional upgrading and refining and pipelines. Globally, the easiest and largest sources of conventional oil have been discovered. Deloitte Canada recognizes that the future of oil and gas in Canada and elsewhere will depend on more challenging geographies and nonconventional sources like the oil sands.

What are Deloitte Canada’s qualifications in the oil sands industry?

The Canadian practice has set up a Center of Excellence for nontraditional oil and gas to assist clients here and throughout the world. All companies, established oil majors or new entrants, face challenges. Foreign investment, royalties, accounting and valuation, regulatory approvals—our portfolio covers these issues and others, from pre-start-up to postproduction. Of note, we are developing carbon and environmental services for the industry.

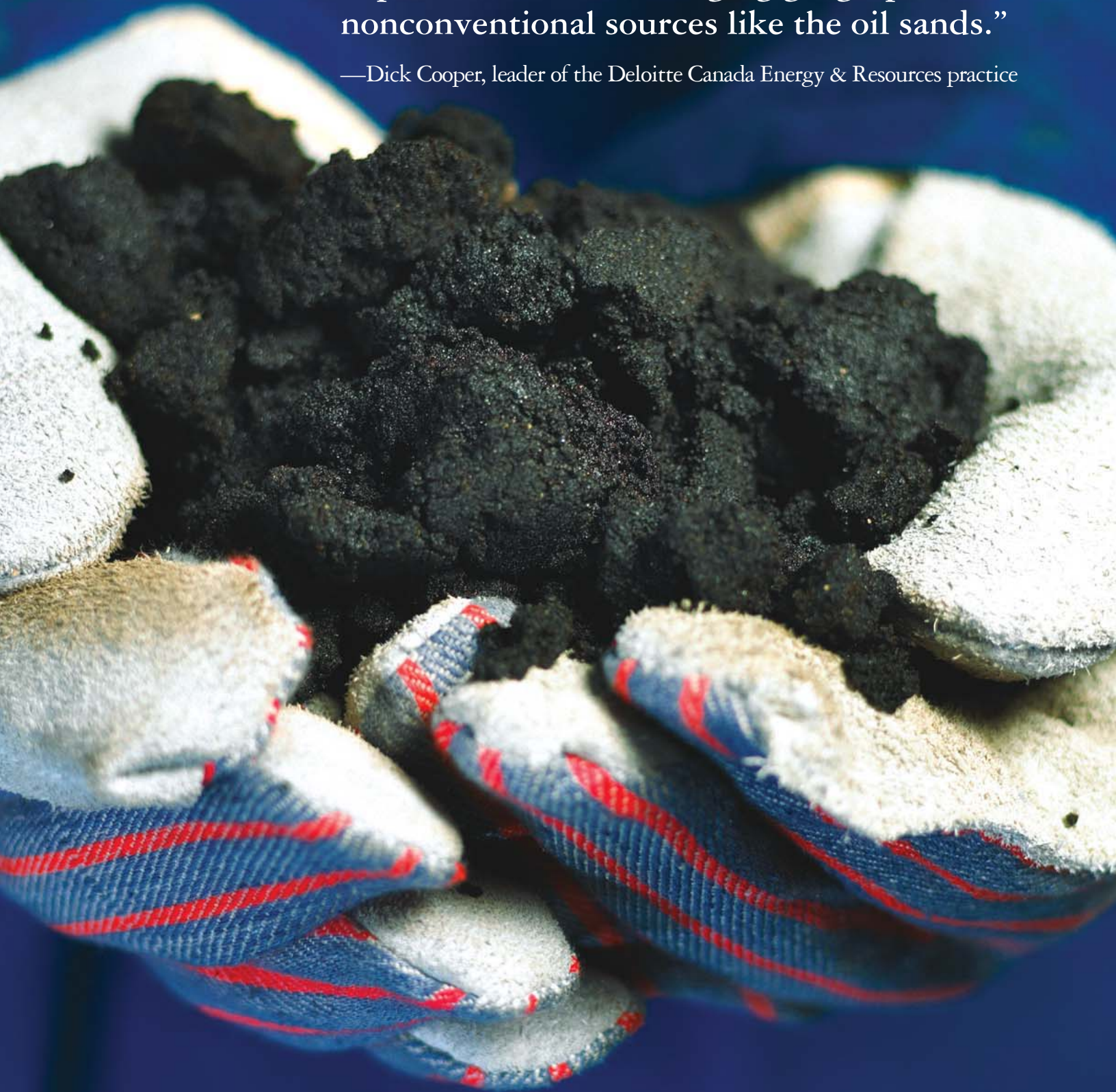
A project that comes to mind is our business interruption work for one of the top players. When a major fire shut operations for months, the Deloitte Canada team was on the scene to help with insurance recovery. The claim resulted in one of the largest amounts ever awarded to a company in North America.

Ten years out, what will the oil sands industry look like?

As I pointed out, production volumes will be up. Activity levels will, too. Some projects in the planning phase now may be delayed due to labor and supply shortages but not shelved. The oil sands are here, the production is proved, and the demand for oil will only grow. The national producers are here; and most, if not all, of the major global players will be, too.

“Deloitte Canada recognizes that the future of oil and gas in Canada and elsewhere will depend on more challenging geographies and nonconventional sources like the oil sands.”

—Dick Cooper, leader of the Deloitte Canada Energy & Resources practice



The oil sands, shown here, are a mixture of bitumen (a thick, sticky form of crude oil), sand, water, and clay.
Credit: Suncor Energy Inc.

Creative solutions

Innovation takes off in Australia and the United States

In the world of business, there is a special kind of alchemy that differentiates innovative companies from those where it is “business as usual.” While powerful voices in government and commerce push the message of innovation to make economies more globally competitive, results can be elusive. Four Deloitte member firms making real progress in this area are Australia, South Africa, the United Kingdom, and the United States.

Recently voted by member firm clients in Australia as the most innovative professional services firm, as part of *Business Review Weekly's* St. George Bank professional services client award, Deloitte Australia's innovation program has become a beacon for clients seeking a trigger to supercharge growth. Inspired by the success of the initial program in Deloitte Southern Africa, Deloitte Australia encourages its people to explore innovative ways to grow business for clients; to think of new products and services for the market; and to make improvements in internal processes and service delivery.

Deloitte United States has begun a similar program called “Innovation Quest,” which has also been fostering a culture of innovation. All ideas submitted to Innovation Quest are reviewed, added to an “Idea Bank,” and posted to a blog. Ideas recommended for further exploration are offered R&D support and resources to create a preliminary business case. If an idea is ultimately recommended for implementation, its contributors also receive a monetary award.

In Deloitte United Kingdom, the development of client value propositions is an important part of the firm's innovation agenda aimed at driving higher growth. Members of the firm are encouraged to identify opportunities to create new service offerings for clients that combine the firm's many and diverse skills, are differentiated, and respond to client needs and emerging trends in the marketplace.

Bolstering the effort on a global basis is Deloitte Research's thought leadership book, *The Innovator's Solution*, co-authored by Michael Raynor, Deloitte Canada, Director of Strategy and Innovation for Deloitte Research; and Clayton Christensen, a renowned author and professor at Harvard Business School.

Bringing safe water to the developing world

It is one of life's most basic necessities, yet almost one-third of the global population cannot access safe water. According to the World Health Organization, each day as many as 4,500 children die because of a lack of clean water.

When Deloitte member firms learned about the entrepreneur Dean Kamen's Enhanced Distillation technology—which has the capacity to deliver pure water efficiently and economically to small communities—they were determined to help bring the technology to the developing world. Working alongside other members of the Committee to Encourage Corporate Philanthropy (CECP) Board, senior Deloitte member firm leaders, including Bill Parrett, Global CEO; Greg Pellegrino, DTT Public Sector Managing Director (Deloitte United States); and Howard Weinberg, Deloitte United States Principal and Growth & Innovation Practice Leader, helped establish the Safe Water Network, a not-for-profit organization, and quickly devised a market-entry strategy to deploy Enhanced Distillation in developing countries.

Bill Parrett now serves on the board of directors of the Safe Water Network, and Deloitte United States continues to provide strategic planning for the organization. “One of the United Nation's Millennium Development Goals is to reduce by half the proportion of people without sustainable access to safe drinking water by 2015,” says Parrett. “This is an example of Deloitte member firms' reaching into their deep industry and functional expertise to tackle this difficult challenge.”

“Our work with the Safe Water Network is an example of Deloitte member firms’ reaching into their deep industry and functional expertise to tackle this difficult challenge.”

—Bill Parrett, Global CEO



Robert Lammerts, a Deloitte Netherlands partner, rides in his velomobile, a three-wheel recumbent bike designed for long journeys. Resplendent in Deloitte blue, Lammerts and his bike have participated in numerous long-distance races in Europe. Contributed by Robert Lammerts, Deloitte Netherlands



Flexibility

Nimble and responsive to both opportunities and challenges wherever and whenever they may occur

Thoughts on flexibility

Jorge Elías



Photo courtesy of La Nación

Jorge Elías is editor-in-chief of the Argentine newspaper *La Nación*, covering national and international events as they happen. From 1995 to 1999 Elías was a correspondent in Washington, D.C. He is the author of *Maten al cartero* (*Kill the Milkman*).

Here, Jorge Elías discusses the standard of excellence and the importance of flexibility in the ever-expanding global economy, and in Latin America, in particular.

“Because the economy sets the standards of a world in continual change, businesspeople around the world are always searching for new ways to satisfy their clients’ needs and improve the course of their business. Pioneering business trends have centered on investigating the benefits derived from corporate social responsibility, and the reputation and relationship of businesses with their stakeholders.

In this context, the word ‘excellence’ means one of the goals that enterprises are trying to achieve in order to become the company of choice of their most valuable clients. To attain this, superior communication with stakeholders is paramount to success, since we can assert that excellence makes us place information—the most valuable and short-lived of the world’s commodities—at the top of our priorities. It saves time and, of course, meets our clients’ expectations.

Latin America still has a long road ahead to achieve business excellence. Many of the largest Latin American companies have already started on that road and obtained some initial benefits. Medium-size enterprises, however, still have a long way to go.

One of the benefits in our favor is worldwide economic trends that largely benefit the interests of the region. A few years ago, the amazing growth of the Chinese and Indian economies was considered a serious threat to Latin American development, as most of the foreign investments were directed to Asia, particularly China. However, this fact, directly—or indirectly—in the end benefited Latin America, because the growth of those economies generated an increased demand for Latin America’s raw materials, with a corresponding increase in prices.

Great results are hardly ever obtained by chance; they are usually the outcome of talent and hard work. Undoubtedly, the best way to obtain great results is through excellence and the supply of products and services of outstanding quality. That will earn us esteem and respect around the world.”

Servicio de Administración Tributaria (SAT)

SAT, the Tax & Revenue Federal Agency in Mexico, faced several issues regarding the efficiency of its administrative processes and the effectiveness of its collections and disbursement systems. In the midst of conducting a project to transform its entire organization, it engaged Deloitte Mexico. Jorge Luis Ibarra, Chief Information Officer of SAT, discusses this project in the context of flexibility in the journey to the standard of excellence.

What does “the standard of excellence” mean to you?

Excellence is the art of achieving performance at its best and delivering accordingly. It is the highly recognizable attitude and commitment to make a difference. It means that someone, an organization, a brand, a service, or product, without any doubt, can satisfy certain needs and exceed expectations. Excellence, though, is a recognition that relates to a specific field, subject, or matter. It would be senseless to say ‘he or she or this company is the standard of excellence’ if we do not end the correspondent sentence with an identifier.

Which organizations exemplify the standard of excellence?

There are several that come to mind: Shell (oil & gas), CNN (news), FedEx (delivery services), and Toyota (cars and trucks). Each conducts business in a sustainable way, delivers outstanding value, has products/services that are recognizable and relevant, and employees and stakeholders who are satisfied.

What will it take for Deloitte to become the standard of excellence by 2010?

In order to give you an answer I should ask: In which subject or matter? If we can broadly tie

the question to professional services, I would say: To be outstandingly recognizable for the generation of value to their customers and to deliver with passion and commitment and a clear sense of ownership and accountability.

Why did you choose Deloitte Mexico for the SAT business transformation project?

The support of a solid and experienced business consulting firm was required. We had a positive experience with Deloitte Mexico for our back office government resource planning implementation and we thought the team could help as an integrator.

What has it been like working with Deloitte Mexico?

SAT is facing a major challenge to deliver our Integrated Business Solution for Revenue Management. Deloitte Mexico is helping us in several areas of this initiative. Although we are at an early stage, all expectations are that we are going to write together an outstanding success story.

How does this project demonstrate flexibility?

When you are dealing with an Integrated Solution, flexibility is embedded in our work plan and activities. This is a living

organization and our needs change daily. Deloitte Mexico’s multidisciplinary approach has been critical to this project, which demands several fields and areas of expertise.

How will this implementation change the experience of the taxpayer?

Dramatically! The complexity of tax law has been embedded in a friendly solution to allow non-tax experts to understand their obligations and rights and to comply with them. Several interfaces and physical presence at our offices countrywide will be at hand online through our Web page. Taxpayers will have personal portals with their own information to keep track of their movements/operations with our agency and receive information to resolve situations and doubts.

How will this implementation make the process more efficient for SAT?

Rather than working as a vertical silo organization, we will align our processes, products, and services. This solution will help us become more efficient and effective by supporting an integrated collaborative work environment.

“Deloitte Mexico is helping us in several areas of this initiative. Although we are at an early stage, all expectations are that we are going to write together an outstanding success story.”

—Jorge Luis Ibarra, CIO of SAT



Left to right, Alonso Yañez, Lead Client Service Partner (Deloitte Mexico), and Jorge Luis Ibarra, CIO, Servicio de Administración Tributaria, at SAT offices in Mexico City.

Agility to meet challenges

Clusters build strength in Latin America and Asia Pacific

To provide a higher level of specialization in Latin America, both in industries and in service lines, a new Latin American Countries Organization (LATCO) cluster was created. LATCO is made up of 11 Deloitte member firms that have joined forces—Argentina, Colombia, Costa Rica, Ecuador, Guatemala, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela—to better serve clients and provide opportunities for the region’s professionals.

The new cluster, represented by more than 180 partners, over 4,300 staff, and offices in 24 cities, is now better suited to meet the demands of the diverse member firm clients in the region. Cooperation throughout the region is now easier and faster, and that is critical to maintaining the region’s outstanding performance, where revenues grew by 15 percent in FY06. “Member firm people in LATCO will not only benefit from stronger specialization but will also enjoy a broader horizon in which to develop and work in a more international environment,” notes Alberto Terol, Regional Managing Partner, Latin America.

In June, the regional clustering of Deloitte ASEAN was officially announced. This development is part of aggressive plans to double Deloitte member firms’ strength in Asia within the next five years. Deloitte member firms in six countries—Indonesia, Singapore, Malaysia, Thailand, the Philippines, and Guam—make up Deloitte ASEAN, which comprises more than 150 partners and about 3,500 staff in over 15 office locations.

“In aggregate, the Deloitte member firms making up Deloitte ASEAN will be the second largest practice in Asia Pacific in terms of head count and in the top 20 of the Deloitte organization worldwide. Given the combined strengths of the region and the synergies offered through this combination, I expect Deloitte ASEAN to grow much faster than the market over the next five years,” notes Manoj Singh, Deloitte Asia Pacific CEO.

Avian Influenza: preparedness plan

Sometimes being prepared is the only thing you can do, especially when you don’t know where or when the challenge will arise. A global pandemic, triggered by the Avian Influenza virus, is such a challenge. The World Health Organization, among others, predicts that the virus, currently easily spread only within the bird population, could mutate to a strain that can be transmitted between humans, potentially triggering a global pandemic within 60 days of its onset. It is for this reason that the DTT Global Security Office (GSO), headed by Don Ainslie, has been tracking events relating to the Avian Influenza virus since December 2004.

On the basis of advice from experts in the field, DTT has instituted an accelerated preparedness planning process. The GSO has created a Member Firm Avian Influenza Response Plan Toolkit, which provides guidance to member firms on the preparation of local plans. In addition, a dedicated intranet site, the Avian Influenza Response Center, has been established on Deloitte Resources, Deloitte member firms’ global intranet, which contains the latest information.

Dr. Michael Osterholm, a leading expert on infectious diseases, has been retained by DTT to provide current assessments of the virus’ progression and medical guidance on how the organization should respond.

“DTT is in front of this issue because of the commitment to the people of the member firms and their clients. People’s welfare comes first, and we feel it’s prudent and responsible to give people the advice to prepare accordingly,” explains Jim Wall, Global Managing Director, Human Resources.

“DTT is in front of the Avian Influenza issue because of the commitment to the people of the member firms and their clients. People’s welfare comes first, and we feel it’s prudent and responsible to give people the advice to prepare accordingly.”

—Jim Wall, Global Managing Director, Human Resources



Left to right, consultants Ziggy Sethna, Simon Unter, Tim Moore-Barton, and James Livingston (all Deloitte United Kingdom) compete against Oxford and Cambridge in a record-breaking race from England to France in June.
Contributed by Uzma Mohamedali, Deloitte United Kingdom



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The Executive



Members of the Executive include (left to right): Alan N. MacGibbon, Prof. Dr. Wolfgang Grewe, James H. Quigley, William G. Parrett, Hirotake Abe, Jerry P. Leamon, Roger J. M. Dassen, John P. Connolly, and Jean-Paul Picard.



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The Deloitte global footprint

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Angola	Costa Rica	Ireland	Marshall Islands (Republic of the)	Peru	United Arab Emirates
Argentina	Croatia (Republic of)	Isle of Man	Mauritius	Philippines	United Kingdom
Aruba	Cyprus	Israel	Mexico	Poland	United States
Australia	Czech Republic	Italy	Micronesia (Federated States of)	Portugal	Uruguay
Austria	Denmark	Ivory Coast	Moldova (Republic of)	Qatar	Uzbekistan (Republic of)
Azerbaijan	Ecuador	Jamaica	Monaco	Romania	Venezuela
Bahamas	Egypt	Japan	Montenegro	Russia	Vietnam
Bahrain	Estonia (Republic of)	Jordan	Morocco	San Marino (Republic of)	Yemen (Republic of)
Barbados	Finland	Kazakhstan (Republic of)	Mozambique	Saudi Arabia	Zambia
Belarus (Republic of)	France	Kenya	Namibia	Serbia	Zimbabwe
Belgium	Gabon	Korea (Republic of)	Netherlands	Singapore	
Bermuda	Gambia (The)	Kosovo	Netherlands Antilles	Slovak Republic	
Bosnia and Herzegovina	Gaza Strip/West Bank	Kuwait	New Zealand	Slovenia	
Botswana	Georgia	Kyrgyzstan	Nicaragua	South Africa	
Brazil	Germany	Latvia (Republic of)	Nigeria	Spain	
British Virgin Islands	Ghana	Lebanon	Northern Mariana Islands	Swaziland	
Brunei Darussalam	Gibraltar	Lithuania (Republic of)	Norway	Sweden	
Bulgaria	Greece	Luxembourg	Oman	Switzerland	
Cameroon	Greenland	Macau SAR	Pakistan	Syria	
Canada	Guam	Macedonia (Former Yugoslav Republic)	Palau (Republic of)	Taiwan	
Cayman Islands	Guatemala	Madagascar	Panama	Tanzania	
Channel Islands	Guyana	Malawi	Papua New Guinea	Thailand	
Chile	Hong Kong SAR	Malaysia		Tunisia	
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