

## **Appendix 1 GENERAL TERMS OF CLIENT CONTRACT ON PERFORMANCE OF REVIEW**

This Appendix to the Client Contract uses the terms defined in the Client Contract and takes into account the facts that:

- In connection with the position of the Audit Firm in society that requires it to be independent and objective in its activity, the review service provided under this contract is inseparably linked to its intended users (the general public and the users listed in the professional standards set forth in section 46 of the Auditors Activities Act) in whose interest is the review service provided under this contract.
- The Client has to organise its accounting and prepare its annual report in accordance with the Accounting Act and to satisfy the requirements and obligations related to the presentation of the annual report that are set forth in the Commercial Code.
- The provisions of the Law of Obligations Act shall apply to this contract along with the specifications provided in respect of client contracts in the Auditors Activities Act.

The Parties enter into the Client Contract under the following terms and conditions:

### **1. Review Service to be Provided by Audit Firm and Subject Matter**

- 1.1. The Review service to be provided by the Audit Firm and its subject matter are set forth in the Client Contract.

### **2. Time Frame for Service to be Provided by Audit Firm**

- 2.1. The duration of the Review (work measured in hours) is set forth in the Client Contract.
- 2.2. The date when the Audit Firm shall issue the Independent Auditor's Report is set forth in the Client Contract.

### **3. Independent Auditor's Report and Signatory of Report**

- 3.1. Based on the Review performed, the Audit Firm shall issue the Client's shareholders an independent auditor's review report in which it expresses, in the form a negative assurance conclusion, limited assurance obtained by conducting the Review (Auditors Activities Act section 51 subsection 3 and International Standard on Review Engagements (Estonia) 2400 (revised)).

Examples of an independent auditor's review reports (in the Estonian language) are provided on the website of Audiitorkogu (the Estonian Association of Auditors) and are available on pages 60-74 of International Standard on Review Engagements (Estonia) 2400 (revised), see:

[http://www.auditorkogu.ee/docs/Koolitus/ISRE%20\(EE\)%202400%20\(muudetud\).pdf](http://www.auditorkogu.ee/docs/Koolitus/ISRE%20(EE)%202400%20(muudetud).pdf)

- 3.2. The person that signs the Independent Auditor's Report on behalf of the Audit Firm is set forth in the Client Contract.
- 3.3. For better fulfilment of its professional responsibilities and at own risk, the Audit Firm may involve in the performance of the Review experts, assistants and other persons that act under the supervision of the Audit Firm.

#### **4. Service Fee and Settlement Procedure**

- 4.1. The fee for the service provided by the Audit Firm is set forth in the Client Contract.
- 4.2. The fee for the Review does not include the fees for other professional services provided by the Audit Firm. If a consultation or other service requested by the Client falls beyond the scope of the Review, it will be agreed separately in writing.
- 4.2. If the scope of the Review increases because the Audit Firm has to perform additional procedures or more extensive procedures to express a negative assurance conclusion or to obtain assurance about the fact that a modified report must be issued, in accordance with the requirements of paragraph 58 of International Standard on Review Engagements (Estonia) 2400 (revised), the Audit Firm may charge an additional fee at the rate of fifty euros per 1 hour.
- 4.4. The fee and time schedule of the Review performed by the Audit Firm are estimated, among other things, based on the Audit Firm's preliminary assessment of the Client's financial accounting and the information provided to the Audit Firm by the Client's staff and depend on a reasonable level of assistance provided by the Client's staff. When the scope and/or time period of the Review increase(s) because the Client fails to meet its contractual obligations or does not meet them properly, the Audit Firm may change its fee and the deadlines scheduled for performing the work. If, during the Review, circumstances arise that do not allow the Audit Firm to perform the Review for the fee agreed in subsection 4.1. of the Client Contract, the Parties will agree an additional fee and continuation of the Review (including changes in deadlines).
- 4.5. When performance of Review procedures is delayed or the volume of work planned by the Audit Firm increases (e.g. the Audit Firm has to make repeated corrections or re-check updated versions of financial statements) due to circumstances caused by the Client, the Audit Firm may increase its fee based on the time spent on the additional work by applying an hourly rate of 50 euros (plus value added tax).
- 4.6. The Client shall pay the amount due for the Review within seven calendar days after the date of issue of the Audit Firm's invoice to the current account of the Audit Firm. When the Client does not settle the amount recorded in the invoice issued by the Audit Firm by the due date, the Client shall pay interest on arrears accruing at the rate of 0.25% per day for each day of delay. The costs of collecting any overdue invoiced amounts shall be covered by the Client.

## **5. Responsibilities of Client**

5.1. The Client shall be responsible for:

- 5.1.1. implementing and maintaining an effective internal control system that the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- 5.1.2. selecting appropriate accounting policies and measurement bases, designing and applying internal accounting regulations and safeguarding the entity's assets in accordance with the requirements of effective legislation, and preparing and retaining the required accounting registers and financial statements;
- 5.1.3. preparing the draft management report and financial statements in good faith and applying appropriate measures for verifying the fairness and accuracy of information;
- 5.1.4. ensuring access and providing the Audit Firm with all the source documents and other information that are required for performing the Review as well as all effective contracts and agreements and information on contracts and agreements the Client intends to conclude before the end of the Review. The Audit Firm may obtain copies, duplicates or extracts of the documents named in the previous sentence and may obtain the evidence required for the Review in other ways. Among other things, information and documents are required when the source documents and other information required for performing the Review are not or are insufficiently recorded in the Client's accounting or when there is no data on them, but in the opinion of the Audit Firm they are required for performing the Review;
- 5.1.5. preparing the materials required for performing the Review at least seven days before each stage of the Review based on the list provided by the Audit Firm and during the Review based on the requests of the Audit Firm;
- 5.1.6. ensuring the cooperation of its staff in all Review procedures throughout the performance of the Review and unlimited access to persons from whom the Audit Firm determines it necessary to obtain evidence for the Review;
- 5.1.7. paying for the Review in accordance with the terms set forth in the Client Contract;
- 5.1.8. confirming, before the issue of the independent auditor's report, in a management's representation letter that all the information presented in the financial statements is true, accurate and complete and that all contingent liabilities, transactions with related parties, significant subsequent events and other important matters are disclosed in the financial statements and that no information has been withheld from the Audit Firm that could affect making a true and fair assessment of the financial information;
- 5.1.9. making sure that the independent auditor's report is used only as an integral part of the full annual report;

- 5.1.10. cooperating with the Audit Firm in the performance of the Review in every possible way so as to help achieve the result of the Review.
- 5.2. By signing the Client Contract, the Client confirms that the decision to enter into the Client Contract with the Audit Firm and the terms of remunerating the Audit Firm have been approved by the Client's competent governing body.

## **6. Responsibilities of Audit Firm**

- 6.1. The Audit Firm shall be responsible for:
- 6.1.1. issuing, based on the Review performed, an independent auditor's report on the Client's financial statements on the date agreed in the Client Contract at the latest, provided that the Client has submitted its financial statements to the Audit Firm seven days before the agreed date of issue of the independent auditor's report and has fulfilled all its other obligations in a timely manner. The independent auditor's report is issued to the Client in the format provided in the law and professional standards, in Estonian, signed or digitally signed by the audit Firm (Auditors Activities Act section 51 subsection 3, International Standard on Review Engagements (Estonia) 2400 (revised));
- 6.1.2. issuing, if necessary, a written memorandum to the Client's management in which the Audit Firm highlights its findings and makes recommendations and suggestions;
- 6.1.3. informing the Client forthwith of any problems that prevent the Audit Firm from fulfilling its obligations and the measures that the Audit Firm will apply to eliminate or overcome such problems;

## **7. Liability of the Parties**

- 7.1. The Client shall not be liable for breaching its obligations under the Client Contract if this was caused by unforeseen circumstances or circumstances beyond the control of the Parties (force majeure).
- 7.2. The Parties define force majeure as any event or circumstance that is beyond the Client's control such as a fire, activity of a military nature, strike, mass disorder, flooding or other event or circumstance with similar features which prevents the Client from duly meeting its obligations under the Client Contract or renders it impossible. Events resulting from the negligence or deliberate acts of the Client or its staff do not qualify as force majeure.
- 7.3. The Audit Firm shall be liable to the Client in accordance with the provisions in the Auditors Activities Act.
- 7.4. The Audit Firm shall not be liable when the damage caused is not the fault of the Audit Firm; this includes cases where the damage caused results from misleading information

provided by the Client during the Review either orally or in writing or the Client's failure to provide information.

## **8. Confidentiality**

- 8.1. Any documents that the Audit Firm prepares in connection with performing the Review and/or any documents the Client prepares and submits to the Audit Firm as well as any other materials and/or information presented to the Audit Firm during the Review shall be regarded as work papers, which are the property of the Audit Firm. Work papers are confidential and the Audit Firm retains them in accordance with the requirements of Estonian laws and in conformity with the internal policies and regulations of the Audit Firm. Work papers may be disclosed in the cases provided by law.
- 8.2. The Client may not disclose and/or make available to third parties the Audit Firm's documents prepared during the Review without the prior *written* consent of the Audit Firm except in the cases provided by the laws of the Republic of Estonia.
- 8.3. The Client shall keep confidential the methods and techniques of performing the Review that were used to reach the Review conclusion. The confidentiality requirement does not apply to information that is publicly available or the client relationship between the Audit Firm and the Client whose existence the Audit Firm may disclose to clients, prospective clients and other third parties.
- 8.4. The Audit Firm shall keep confidential the information and documents obtained in the course of its professional activities. The obligation to keep professional secrets, which is set forth in the previous sentence, has no time limit and shall apply even when the Audit Firm ends its professional activity.
- 8.5. There is no obligation to maintain confidentiality when the Audit Firm has the Client's written permission to disclose information or when the Audit Firm is required to disclose information and documents under the Auditors Activities Act.
- 8.6. The Audit Firm shall maintain all copyright and other intellectual property rights to everything it has created, developed or designed before or during the performance of the Review including but not limited to systems, methods, software, know-how and work documents. The Audit Firm shall maintain all copyright and other intellectual property rights to the reports, written advice and other materials it has submitted to the Client.
- 8.7. The Audit Firm shall use the information it obtains in the framework of the Client Contract only for the performance of the Review and shall not disclose it to other parties.

## **9. Money Laundering and Terrorist Financing Prevention**

- 9.1. The Audit Firm has the obligation to identify the Client and its legal capacity, to identify and verify the identity and the right of representation of members of the Client's management board and the actual beneficiary. Copies of information gathered on verifying the identity and the right of representation of members of the Client's management board and the actual beneficiary are appended to the Client Contract.

- 9.2. The Client has the obligation to submit at the request of the Audit Firm any documents that are necessary for applying the diligence measures arising from the Money Laundering and Terrorist Financing Prevention Act and to provide relevant information, including information about transactions conducted and funds used by the Client, which must be consistent with the nature and scope of the Client's economic activities, as well as information about any changes in the list of actual beneficiaries.

## **10. Notices of the Parties**

- 10.1. Any agreement made between the Parties under this Client Contract including any notice or information related to the performance or amendment of the Contract or a dispute resulting from the Contract shall be deemed to have been delivered in accordance with the Client Contract when it has been sent to the other Party in a format which can be reproduced in writing either by fax or email or in writing or has been delivered to the other Party in exchange for a signature at the address recorded in the Client Contract. Any data and declarations of intention related to the Client Contract that have an informative nature and whose delivery to the other Party has no legal consequences shall be sent using a means of communication that a Party finds directly suitable (telephone, email).
- 10.2. A Party shall notify the other Party to the Client Contract in the manner described in subsection 10.1. also of any circumstances that may affect or obstruct fulfilment of the obligations or realisation of the rights set forth in the Client Contract.
- 10.3. A notice sent in a format that can be reproduced in writing shall be deemed to have been received when the other Party has confirmed its receipt in a format that can be reproduced in writing. A written notice shall be deemed to have been received when 5 (five) calendar days have passed since it was mailed. A notice sent by registered mail shall be deemed to have been received when it has been delivered to the other Party in exchange for a signature or its postal retention period has expired.
- 10.4. Either Party shall notify the other Party of any changes in the data recorded in the Client Contract within 2 (two) business days after the change was made. If a Party breaches this provision, a notice sent by the other Party to the address recorded in the Client Contract shall be deemed to have been properly delivered.

## **11. Entry into Force**

- 10.1. The Client Contract, any appendices to the Client Contract and their changes and supplements shall take effect as of their signature by the Parties.

## **12. Making Changes to Client Contracts**

- 13.1. The terms and conditions of the Client Contract can be changed and the Client Contract can be supplemented only on the basis of a written agreement between the Parties.

### **13. Expiry and Termination of Contract**

- 13.1. The Parties may cancel the Client Contract with good reason only.
- 13.2. Upon cancelling the Client Contract, the Parties shall promptly notify forthwith the Auditors Activities Oversight Board using the Auditors' Activities Register's information system and shall provide their explanations of the reasons for the cancellation of the Client Contract. Immediately after having notified the Auditors Activities Oversight Board, the Audit Firm shall present the Client with a report of the Review procedures that were carried out.
- 13.3. Upon cancellation of the Client Contract, the Client shall pay the Audit Firm without any further delay for all the works agreed upon in the Client Contract that were carried out up to the cancellation of the Client Contract and are reflected in the report presented to the Client under subsection 17.5 and forthwith for all work agreed in the Client Contract that was performed before the cancellation of the Client Contract. The preceding sentence shall not apply when the cancellation results from the suspension or expiry of the activity licence of the Audit Firm.
- 13.4. If the Client Contract is entered into for performing a review engagement on the financial statements for one calendar year, the Client Contract shall expire when the engagement has been properly performed by the Audit Firm.

### **14. Resolution of Disputes**

- 14.1. The Client Contract shall be performed and construed in accordance with the laws of the Republic of Estonia.
- 14.2. Any differences of opinion, disputes and complaints that cannot be resolved by agreement between the Parties shall be resolved in **Harju Maakohus** (Harju County Court).