

Global Annual Review 2020

# Working together to build a better tomorrow





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## Introduction

The COVID-19 pandemic has been a human, health, and economic crisis that has deeply affected the lives of many people around the world, including members of our PwC family, their relatives and friends. Our heartfelt condolences go out to all those who have lost loved ones during this difficult time.

When the pandemic struck, we adapted quickly across our network to support all of our stakeholders during this unprecedented time, with examples like:

- Protecting the safety and security of our people and preserving jobs.
- Working with clients to deal with the immediate impacts of the pandemic
- Using technology to seamlessly deliver quality audits, tax and consulting services.
- Helping the communities in which we live and work, from supporting healthcare systems, to distributing food and medical supplies, to providing humanitarian relief in emergencies.

I am proud of what we have done over the last year and the way my colleagues adapted quickly to a huge amount of change. While at the same time continuing to connect, collaborate and innovate for the benefit of our stakeholders across the world. On behalf of the entire leadership of PwC, I would like to thank the 280,000 plus people at PwC for all they have done and continue to do.

As the global economy has slowed, so too has demand for some of our services and, like for many businesses, the next 12 months are going to be difficult. This is a time for business to reflect, in some cases repair, and evolve to support stakeholders and this applies to us, too.

The pandemic has impacted everyone, amplifying and accelerating some of the biggest challenges in our society, and demonstrating the urgent need for systemic change in areas like social inclusion, the need for reskilling, the broader Environment, Social and Governance (ESG) agenda and the pressing challenge of climate change. These are all symptoms of a deeper problem: our economies are not delivering sustainable, inclusive outcomes for society. It is clear that businesses - including PwC - need to change and that is why we are

focused on developing the capabilities needed to help build trust and help solve these very important problems. Looking ahead, the breadth and depth of the knowledge that we have at PwC and our ability to provide a comprehensive range of services have never been more important. There has never been a more pressing need to deliver wider assurance and rebuild trust. To help our stakeholders navigate tax and legal systems and to develop the workforces of the future. And to help our clients rethink and reconfigure their businesses for a changed world.

For the next twelve months, we are focused on a number of key priorities:

- **Quality:** The uncertainty created by the pandemic has placed an even greater focus on trust in institutions, trust in information and increased transparency. Investing in the enhancement of the quality of all of the services we provide remains our number one priority.
- **Jobs:** Doing the right things to preserve jobs for our people and continuing to invest in building the workforce PwC needs for the future.
- **Safety and Wellbeing:** Keeping our people safe and comfortable and keeping processes and technologies in place to protect them whether they are working from the office or continuing to work from home.
- **Clients:** Supporting our clients rethink the business models they have today and restart their operations in ways that successfully serve their stakeholders and help build a world that is more inclusive and sustainable going forward.
- **Innovation:** Driving and scaling up innovation and the development of new products and services right across PwC to best serve our stakeholders today and tomorrow. PwC Digital Labs now operate across 30 countries with thousands of our colleagues using them to spark ideas, invent new solutions together and share best practices.
- **Upskilling:** Upskilling our own people and helping to upskill people in our communities across the world has become even more important as the pandemic has accelerated the use of technology and remote working. We continue to invest heavily in this area committing US\$3 billion over three years.
- **Culture:** Redoubling our efforts to foster a PwC culture where everyone feels valued, listened to and has the opportunity to grow and succeed. To deliver this, we have this year set up a new Global Diversity and Inclusion Council with nine of our most senior partners from around the world.

- **Climate:** The climate emergency has never been more pressing and in response we recently published a plan of how we intend to be a “net zero” organisation by 2030.

I hope you can take the time to explore our global annual review and let us know what you think.

### Bob Moritz

Global Chairman of the PwC network



# Increasing transparency

We're committed to reporting how we create value for a broad range of stakeholders and are on a journey to expand the metrics and disclosures we cover in this Review. Below are a few highlights.

284,258

PwC firms' headcount, globally,  
at 30 June 2020

276,005 at 30 June 2019

2030

The year we commit to achieving our  
new net zero target

US\$43bn

PwC firms' gross revenues in FY20

US\$42.4bn in FY19

84%

Fortune Global 500 companies which  
are PwC clients

85% in FY19



We understand the impact that our work can have on our stakeholders, the capital markets, and the communities in which we live and work. We support the growing calls for organisations to be more transparent about their impact on society, and have been working alongside standards setters and regulators to seek greater consistency and alignment.

Over the course of the past 12 months, we have been supporting the International Business Council of the World Economic Forum (WEF) to agree a series of broad performance measures that all businesses can use consistently to demonstrate the impact they have, not just financially, but on broader society. While the measures were only published last month, we have decided in our FY20 Global Annual Review to begin our three-year journey to be as open and transparent as we can against each of the core WEF metrics and disclosures. We have provided comparatives where these are available.

We've also provided much more information on the Principles of Governance applied by the PwC network, including:

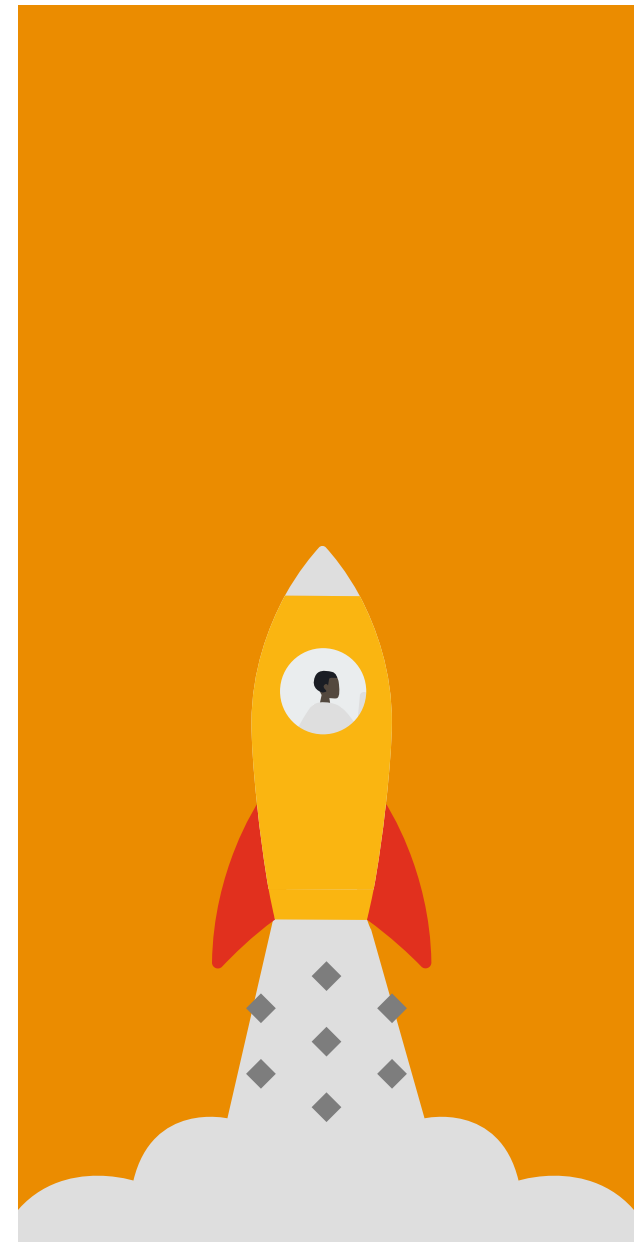
- [Our approach to enterprise risk management](#)
- [The operation of our global oversight board](#)
- [How we deal with anti-corruption and money laundering](#)

The WEF metrics allow for organisations not to publish data where there is a good reason not to do so.

For PwC, this applies in areas that include:

- Our land and water use. As we are a service-orientated organisation, our consumption of these two resources is limited and exists only in the offices that we operate from.
- Financial capital metrics, such as share buybacks, dividends and capital expenditure. We are a network of member firms that are predominantly separate partnerships in legal structure. Accordingly, metrics that are applicable to corporations are not applicable across our network.
- Child, forced or compulsory labour. We do not use these forms of labour in any of our own operations. Our suppliers have to abide by our [Global Third Party Code of Conduct](#), or its equivalent, which is explicit in our opposition to and intolerance of any form of child labour, human trafficking and modern slavery.

We believe we have made a good start in addressing some of these additional disclosures. But watch out for more to come in future Global Annual Reviews.





## Principles of Governance

- **100%**  
Percentage of PwC professionals trained in anti-corruption in FY20  
100% in FY19
- **Our purpose** is to build trust in society and solve important problems.  
Read examples of how we're doing that.
- **Board of PwCIL** is responsible for the governance of PwCIL, oversight of the Network Leadership Team, and approval of network standards. It consists of 18 elected members, six of whom are female.
- **Speaking up when something doesn't seem right is crucial to our culture at PwC.**  
Each member firm provides a mechanism to report issues. There is also a confidential global 'Contact Us' email option available to anyone who may have concerns to report at both PwC and beyond.
- **Risks with the highest potential impact for the PwC network are identified annually.**  
These key network risks cover five areas: quality and compliance; network resilience; market risks; societal and trust; and network mutuality and speed of response



## Planet

- **432,372**  
Total tonnes of carbon emissions in FY20  
599,258 in FY19
- **357,998**  
Tonnes of carbon emissions in FY20 from air travel  
504,962 in FY19
- **Net zero**  
Our commitment to eliminate our carbon impact by 2030



## People

- **22%**  
Share of female partners at PwC firms in FY20  
21% in FY19
- **Mental health and wellbeing benefits**  
available in member firms include: PwC's Habit Bank, webinars with experts and psychologists, Mental Health First Aid training, a mental health app and more.
- **58**  
The average hours of training provided to PwC partners and staff using Vantage, our online learning platform.  
52 in FY19



## Prosperity

- **63,053**  
People joined PwC firms in FY20  
69,734 in FY19
- **US\$187.6m**  
Total community investment in FY20  
US\$187.5m in FY19
- **47,864**  
PwC professionals supported their communities in FY20 by volunteering  
61,284 in FY19
- **US\$3bn**  
invested in people, technology, new products and services, and quality in FY20.  
US\$3bn in FY19

# Our people



With over 284,000 professionals in 155 countries around the world, we come from many different backgrounds and places. Guided by our shared purpose, values and behaviours, we work together to build trust in society and solve problems for clients and the communities in which we live and work.

The wellbeing, safety and development of our people is at the heart of everything we do. This has been more important than ever over the past year. As the COVID-19 pandemic spread rapidly across the globe, organisations of all kinds – including PwC – have had to react and respond appropriately in some very challenging circumstances. With our values steering our decision making, we have focused on:

- **Keeping our people safe:** Thanks to long-standing investments in technology, we rapidly switched to remote working. In a matter of days, the vast majority of our workforce was able to continue seamlessly doing their jobs from home. Our values of care, working together and reimagining the possible have been brought to life as our people adapted to new ways of working and collaborating.

We planned for a safe and measured return to the workplace tailored to each market, taking into consideration safety protocols, updates to workspace configuration, technology requirements, the wellbeing needs of our people and client considerations. Examples include using tracing apps to identify employees who may have been exposed to COVID-19, temperature checks as people arrive at the office, booking systems to manage capacity, and sanitisation and social distancing measures within our offices.

- **Preserving jobs:** Protecting jobs has been a priority from the onset of the pandemic. Unfortunately, we have seen some job losses in a few markets around the world, particularly in the Advisory business. But we are working hard to limit these by taking actions such as containing non-essential costs and reducing partner earnings. In the cases where jobs were lost, we have tried to keep our values and behaviours central to how we handled them, and provided care, compassion and support. A testament to this was apparent in the sentiments of staff who openly shared their stories on LinkedIn, drawing hundreds of comments and other media attention.



In the few instances where member firms accepted government support, it was for the purpose of protecting employment through wage subsidies or benefits support.

■ **Caring for the wellbeing of our people:**

As governments around the world take measures to curb the spread of the coronavirus, which in turn is having an impact on the economy, we know this is a difficult and uncertain time for our people and their families. As a result, we introduced a range of actions to support our people's mental health and wellbeing, wherever they may be in the world. These have included access to live webcasts with doctors and mental health professionals; enhanced mental health benefits; additional backup care and educational resources for families struggling with distance learning and to care for children and other family members; resources and tools to support remote working; and COVID-19 screenings at home.

- **Developing our people:** We have expanded the development programmes and opportunities we offer our people, allowing them to transform their skills into new and different areas. We have also swiftly reimagined our learning and development content and delivery to prepare our people to be effective in the new virtual world of work, including by benefitting from all of our technology tools and leveraging our global online learning platform Vantage.

■ **Building a diverse and inclusive workplace:**

We are committed to making sure all of our people – regardless of the colour of their skin, their gender identity, sexual orientation, religious beliefs, disabilities or other differences – feel like they belong and can reach their full potential. Over the past year, many of our firms have taken additional actions to help address potential inequities and discrimination.

Developing inclusive leadership skills in all our people has become more important than ever before. Across our network, we are investing in a variety of ways to help our people identify potential blind spots and biases, deepen their emotional intelligence, demonstrate empathy and create allyship as core leadership skills. These efforts are continuing as part of our ongoing commitment to cultivating a culture of inclusion.

In addition, in FY20, we took a new approach to help accelerate and activate change, by establishing an Inclusion and Diversity Council to drive action on diversity and inclusion at PwC globally. The Council includes senior leaders from PwC firms in Asia Pacific, Africa, Canada, China, India, InterAmericas, Netherlands and the US. It will be responsible for determining what programmes, initiatives and policies we should continue, stop, scale or start, as well as engaging with leaders across the network to drive accountability and accelerate change at a local level.



**“Juggling care of family while working remotely is challenging, especially as a single parent. Having PwC US provide additional financial support to care for my child during the pandemic, and informal but important signals such as the ability to charge time to a code devoted to lost time when caring for ill family members, is a true demonstration of PwC’s values.”**

Dale Meikle,  
Director, PwC US

- **Refreshing our career progression framework:** We have updated our global career progression framework – the PwC Professional – setting out clear expectations at all staff levels across five key dimensions. The framework, which underpins all elements of career development, helps our people to be effective in the digital world and underscores the importance of inclusion and diversity.

## Our people in numbers

In FY20, PwC firms' global headcount grew by 3% to 284,258 people. We saw the largest headcount increases in Asia (9%) and Central and Eastern Europe (5%). Headcount declined in the Americas (-2%) and Australasia and Pacific Islands (-1%), mainly due to the impact of the pandemic. The PwC network's global presence remains extensive with firms operating across 155 countries.



# 284,258

PwC global headcount in FY20  
— a growth of 3% (YoY)

### PwC People

	FY20	FY19	Growth
Americas	72,129	73,801	-2.3%
Asia	80,354	73,856	8.8%
Australasia and Pacific Islands	10,345	10,444	-0.9%
Central and Eastern Europe	14,422	13,695	5.3%
Western Europe	90,462	88,064	2.7%
Middle East and Africa	16,546	16,145	2.5%
<b>Total</b>	<b>284,258</b>	<b>276,005</b>	<b>3.0%</b>

	FY20	FY19	FY18
Assurance	118,771	115,438	107,691
Advisory	71,466	68,194	62,613
Tax	55,229	55,261	50,243
Support staff	38,792	37,112	30,383
<b>Total</b>	<b>284,258</b>	<b>276,005</b>	<b>250,930</b>

	FY20	FY19	FY18
Partners	11,356	11,464	11,093
Client service staff	228,844	222,275	201,164
Practice support staff	44,058	42,266	38,673
<b>Total</b>	<b>284,258</b>	<b>276,005</b>	<b>250,930</b>

## Looking after our people's wellbeing

Even before the pandemic, mental health and wellbeing were priorities for PwC. Now they have moved even higher up the agenda. Our member firms have a wide range of initiatives and programmes in place to support people in being the best that they can be at work and beyond. In the UK, our [Green Light to Talk initiative](#) encourages open and honest conversations about mental health and wellbeing, with the aim of making them a normal part of our culture. [PwC's Habit Bank](#) provides inspiration for everyday actions our people can take to enhance their wellbeing. Webinars with experts and psychologists are available in PwC firms across the network. In the Netherlands, Malaysia and the UK, PwC offers Mental Health First Aid training to raise awareness and identify mental health issues, while in the US, the firm offers 'Ginger' – an app that helps people look after their mental health.

## Using data and technology to improve the people experience

In FY20, we continued our journey to standardise and streamline our people processes and technologies. This involved building on our implementation of Workday as our one consistent global human capital management system to create an enhanced and more fully integrated experience for our people. Leveraging Workday as a consistent and correct source of data, we improved the ability for leaders across the network to make informed decisions through various reports and dashboards.

## Welcoming new joiners

In FY20, 63,053 people joined PwC firms (FY19: 69,734), including 35,591 graduates and school leavers and 23,251 experienced professionals. This is a testament to our continued attractiveness as an employer of choice.

### New joiners

	FY20	FY19	FY18
<b>Graduates (&amp; school leavers)</b>	35,591	38,053	27,016
<b>Experienced professionals</b>	23,251	26,749	32,924
<b>Support staff</b>	4,211	4,932	4,836
<b>Total</b>	<b>63,053</b>	<b>69,734</b>	<b>64,776</b>



**“Workday has significantly improved my comfort of work in terms of the administrative management of my team. I have all the information I need in one place including dates, goals and feedback. I can also control time off balances, which helps me with capacity planning. Thanks to the reminders, we can also easily celebrate birthdays and anniversaries in the group, which helps build closer relationships.”**

Justyna Wasilewska,  
Senior Team Leader, PwC Poland

During the pandemic, PwC firms moved swiftly to provide effective, virtual onboarding experiences. In April and May we onboarded over 5,900 professionals virtually.

PwC is among the largest recruiters of graduates in the world. As we continue to embed technology across the PwC network and digitise our services, we're increasingly looking for graduates with degrees in science, technology, engineering and mathematics. In addition to graduates, we are increasingly working

with schools to recruit apprentices from a wide range of educational and social backgrounds. Student surveys show that PwC is considered an attractive organisation for graduates to join.

These student surveys were conducted prior to the COVID-19 pandemic. In the wake of the pandemic, we are sharing with students our actions, aligned with our purpose and values, that include honouring offers of employment, holding internship programmes or offering compensation for cancelled

internship programmes, and trying to preserve our people's jobs and caring for their wellbeing. We believe these actions will be seen as attractive by students in 2021 and into the future.

## International mobility

PwC's extensive international mobility programme is key to helping us build the global acumen of our people so they can best support our multinational clients.

## Universum World's Most Attractive Employer Rankings



### Business students

	2020	2019	2018
Among the Big Four networks	3	2	4
Overall	8	3	6



### IT/engineering students

Among the Big Four networks	2	3	3
Overall	50	49	41

While our strategy continues to evolve to support client needs, drive business growth, enhance quality, and create opportunities for our people, COVID-19 and the imposition of travel and quarantine restrictions across many countries significantly disrupted international mobility activity in the latter half of FY20.

The total number of new international moves in FY20 was 2,938, which represented an 11% reduction (FY19: 3,294). These moves took place across 114 countries (FY19: 118 countries). The proportion of new international moves undertaken by women in FY20 was 44% (FY19: 45%).

As the COVID-19 pandemic spread, we accelerated our efforts to assess the viability of deploying our people's skills across borders without them needing to physically relocate. We anticipate that such international remote working arrangements will supplement traditional mobility options in certain scenarios in FY21.

## Global People Survey

Due to the pandemic, we postponed our Global People Survey for FY20. We didn't want to burden our people with an additional request at a time when they were adapting to full remote working and juggling personal and professional responsibilities. Instead, we focused on real-time communication and polling of our people to make sure we stayed connected with and responded to what they needed most during the height of the pandemic and as they were starting to return to our offices. We plan to carry out the global survey again in FY21.

## Developing our people

### Fast, easy and more personalised learning

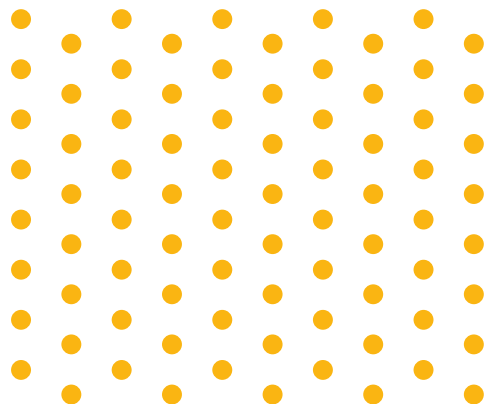
On our journey to continuously personalise learning, Vantage – our online learning platform – gives direct, easy and fast access to a wealth of learning content from PwC and beyond to all of our 284,000 people globally. This platform enables all our people to customise their learning for both content and usage.

In the past year, our professionals accessed an average of 1.2 million learning assets each month. In addition to the untracked on-the-job learning that is a key element of our learning strategy, the average training hours per employee using Vantage in FY20 was 57.9 hours (FY19: 52.3 hours).

While a baseline number of hours of learning is foundational to our culture of perpetual learning, as COVID-19 took hold, we used Vantage to help rapidly upskill our people and enable an effective transition to new ways of working, leading virtual teams and maximising their effectiveness in working remotely. In turn, this equipped our people with the capability and confidence to serve clients in a responsive and quality manner.

Vantage enabled our people, in real time, to design their own learning paths, accessing the content they needed, when they needed it, in a variety of ways ranging from podcasts and videos, to articles, assessments and live-streams. By the end of March – when the vast majority of our teams had transitioned to working from home – our people had accessed relevant assets over 23,000 times (a 1600% increase over February). Twenty-nine percent of these assets were in the top 100 informal learning items for March, focused on virtual working, managing virtual teams, moving to virtual learning, and top tips around safety related to the coronavirus.

In addition, we successfully made the move to primarily virtual learning. While initially part of our COVID-19 rapid response effort to convert critical in-person learning to virtual delivery, this has seen us reimagine learning and development, including converting hundreds of hours of existing in-person learning into compelling virtual experiences, complete with 'blueprints' for sustainability.



As a result, we have repositioned learning in a bold new way for the future.

### Equipping our people with digital skills

Our Digitising the Network programme is aimed at equipping our people with the skills, knowledge and digital resources that will help them and PwC be fit for the future. By upskilling our people, we're able to create the next generation of solutions for clients while giving our people the skills needed in today's world.

PwC's Digital Accelerator programme puts groups of PwC people through a two-year immersive training programme that teaches them skills in technology such as automation, machine learning, design thinking, and digital storytelling. They become local champions who lead by example and coach their colleagues to bring a digital approach to every client engagement and to our internal ways of working. In FY20, more than 3,000 PwC people in 20 countries took part in the programme.

Meanwhile, Digital Academies provide our people with hands-on learning in data wrangling, analytics, visualisation and robotic process automation, leveraging a wide array of tools. In FY20, more than 100,000 PwC people completed the global curriculum modules for Digital Academies, and over 35,000 PwC people became active users of analytics and workflow tools, running over 4.1 million workflows in a 90-day period. And our people created more than 7,500 assets which were included in our Digital Lab, an online community

where PwC people from all around the world are actively sharing their ideas and inventions with each other.

### Providing a visible, portable record of learning

In today's rapidly changing digital world and gig-based economy, skills represent a new form of currency. PwC's Badge Programme promotes continuous learning by supporting our people to acquire the skills needed for the future, pursue career goals, unlock new opportunities and increase their value to clients.

Badges enhance the value proposition by providing a visible, portable record of learning. To date, the programme has reached over two dozen countries including the US, UK, China, Germany and countries in the Middle East with additional countries adopting it in the coming year. Already, close to 103,000 badges have been earned by over 66,000 PwC partners and staff. [Find out more.](#)

### Learning and education to drive quality

PwC member firms are committed to delivering quality services around the world. This commitment is supported by an approach to technical training based on the requirements of the member firms in each of our lines of service.

The PwC approach to assurance technical learning and education is to provide access to a curriculum of formal courses needed to prepare partners and staff for the delivery of high quality assurance services.



**“Earning badges really piqued my interest in new digital tools and helped me learn how to apply data wrangling and visualisation solutions on client engagements. The response from my clients has been really positive – they appreciate our innovative digital perspectives. They look to PwC to lead the way.”**

Michael Pantages  
Senior Manager, PwC US



In some cases, member firms may supplement this curriculum to address additional local training needs.

To maximise consistency in the network, the formal curriculum provides access to training material covering: the PwC audit approach and tools, updates on auditing standards and their implications, and areas of audit risk and areas of focus for improved quality.

The curriculum uses a blend of delivery approaches, including remote access, classroom/virtual classroom learning and real time, on-the-job support. The curriculum supports PwC's primary training objective of audit quality, while providing practitioners with the opportunity to sharpen their professional judgment, scepticism, and technical and professional skills.

The PwC approach to technical learning and education in our other lines of service – Advisory, Tax and Legal – is to provide access to courses needed to prepare partners and staff for the delivery of high-quality services. This network-wide training is also supplemented by, and supplements, local courses.

Example areas covered by the technical courses includes:

- International tax and legal academies
- Core consulting skills

- Our newly launched Global Cyber Academy, which provides externally recognised certifications in cyber skills.

### Leadership development

PwC's designated Centre of Excellence for Talent and Development is responsible for the leadership development and succession planning of our most critical partners across the network. Our Network Key Talent Pool is comprised of a grouping of around 500 member firm partners, who are on succession plans for critical roles and whose development and succession is supported in a bespoke manner. It is also responsible for delivering the Network Leadership Development Program which is designed to accelerate the development of approximately 200 selected member firm partners annually, thereby building our leadership bench strength for the future.

Now in its fourth year, this 22-month experience provides participants with the opportunity to engage in a series of assignments and formal learning activities, several team challenges, leadership networking and interactions with an assigned mentor. In addition, the programme features intensive cultural and business immersions that bring to life important and diverse markets around the world, expanding participants' worldviews and increasing their effectiveness in leading through complexity and uncertainty. The advent of COVID-19 saw us pivot all of this development and succession work to online delivery.

Examples include providing regular, timely leadership insights for these partners and asking for feedback to ensure the support being offered is meeting their needs.

In addition, PwC used the opportunity of the enforced virtual environment to launch 'Reinventing the Future', a major development initiative designed to ensure key client-facing partners from around the network are equipped to support clients in repairing, rethinking and reconfiguring their businesses in the light of the massive changes happening in the world and to build a more sustainable future. This five-week series of seminars and tutorials challenges partners to grapple with key strategic topics and translate them into their client context. Four hundred member firm partners are currently participating in this initiative, with the expectation that it will be scaled up to more client-facing partners.





# Building a diverse and inclusive workforce

**Over the past year, events in the United States triggered a worldwide movement for social justice and equality – proving a stark reminder of the deep-rooted inequalities that are still present in our society. It is clear that our economies aren't serving the needs of our societies and too many people are being left behind. This issue has been exacerbated by the COVID-19 pandemic.**

At PwC, we believe it's everyone's responsibility to help create a world of equal opportunity where no one is judged by the colour of their skin, their sexual orientation, gender identity, religious beliefs, disabilities or other differences. Many of our member firms have taken additional actions to help address inequalities and are actively reaching out to their people to talk about issues of race and to work together, in order to ensure our Black colleagues feel valued and have the opportunity to reach their full potential.

## A leadership priority

Ensuring everyone feels included and valued at PwC is a priority for the Network Leadership Team. While we are very proud of our efforts to date to foster an inclusive and diverse culture at PwC, and of the recognition we have received as a result of our efforts, it remains critically important for us to do more to drive better results in the area of diversity and inclusion. That is why we have set up an Inclusion and Diversity Council at the global level, rather than naming an individual Global Diversity Leader. The Council includes senior leaders from PwC firms in Asia Pacific, Africa, Canada, China, India, InterAmericas (which covers Panama, Dominican Republic, Costa Rica, Guatemala, Nicaragua, El Salvador and Honduras), Netherlands and the US. Working closely with PwC's Network Leadership Team, the Council will engage with other senior partners as well as local and regional diversity leaders across the network to drive accountability and accelerate action at a local level. It will also be responsible for determining what programmes, initiatives and policies we should continue, stop, scale or start to make progress on diversity and inclusion. We are excited about the opportunity we have to build on our progress and efforts to date and, with leadership from the Inclusion and Diversity Council, drive bold action and improved results.

Developing inclusive leadership skills in all our people has become more important than ever before. Across our network, we are investing in a variety of ways to help our people identify potential blind spots and biases, deepen their emotional intelligence, demonstrate empathy and create allyship as core leadership skills. We envision these efforts to continue into FY21 and beyond as part of our ongoing commitment to cultivating a culture of inclusion.

## Tracking our progress

We employ people from diverse cultures and backgrounds and with a wide range of experiences. And we're committed to building an environment where all of our people feel they belong and can reach their full potential. To make progress on diversity and inclusion, data on talent is key. Globally, we consistently measure and track gender diversity progress in our staff levels, partnership, and leadership pipeline at PwC, as well as engagement levels across a number of diversity dimensions. We use this data to make strategic decisions.

Given the geographic footprint of the network, we have tremendous racial and ethnic diversity, and within many individual member firms these aspects of diversity will also be measured and tracked. Based on its individual data, each PwC member firm creates and

implements annual diversity plans with the full support of that firm's Territory Senior Partner. At the end of every year, each Territory Senior Partner is responsible for reporting on progress made towards the annual diversity plan, and held accountable for that progress.

## Advancing women at PwC

In FY20, 50% of college hires (FY19: 51%) and 47% of experienced hires (FY19: 45%) globally were female. One of our priorities is to retain a greater proportion of women and increase female experienced hires to achieve higher female representation at senior grades, particularly director. PwC member firms around the world have many different programmes in place to help women reach their full potential. However, our progress has not been as rapid as we would like. We are working hard to accelerate progress by reviewing our recruitment processes for senior roles, offering more mentoring and leadership development opportunities and making more roles open to flexible working for women and men. We are also focusing on gender within technology. A key priority continues to be investing in developing our female talent to build technology services and products that are redefining our network and our clients' future. In FY20, PwC was named one of the Top Companies for Women Technologists by AnitaB.org, whose goal is to achieve 50/50 gender representation in the tech industry by 2025.



## Female representation in our global workforce

	FY20	FY19	FY18	FY17	FY16
<b>Directors</b>	36%	35%	34%	33%	32%
<b>Senior managers</b>	44%	44%	41%	40%	38%
<b>Managers</b>	47%	46%	46%	46%	46%
<b>Senior associates</b>	49%	50%	50%	49%	49%
<b>Associates</b>	51%	52%	53%	52%	51%

We have also focused on female representation in our member firm partnerships. It takes time for any individual to progress through to partnership. As a result, despite significant leadership focus and attention, progress has been slow. Female representation in our member firm partnerships has gradually increased to 22%, while PwC firms' female partner internal admissions across the PwC network have remained broadly consistent in recent years.

## Female partner representation

	FY20	FY19	FY18	FY17	FY16
<b>Global Leadership team</b>	40%	40%	47%	50%	41%
<b>Network Leadership team</b>	0%	0%	0%	0%	0%
<b>Global Board</b>	39%	33%	33%	33%	11%
<b>Strategy Council</b>	0%	0%	0%	5%	5%
<b>Partners</b>	22%	21%	20%	19%	18%
<b>Internal partner admissions</b>	29%	30%	30%	27%	27%

While the gender balance on our Global Leadership Team is better, we still have much to do to reach gender diversity across our Network Leadership Team and Strategy Council.

At a country level, a number of PwC Strategy Council firms have – or are close to – reaching gender parity on their territory leadership teams, including Australia (44%) and the Netherlands (43%). Other parts of the world where we are seeing progress include PwC firms in Canada (33%) and the UK (31%). In Africa, PwC's regional leadership team is made up of 44% women, while PwC Southern Africa appointed its first female CEO in 2019.

A critical aspect of ensuring greater gender balance in member firm leadership roles is providing leadership opportunities and experience earlier in female partners' careers. During FY20, member firms and our Global Financial Services Practice worked together to launch a sponsorship program called Women in Leadership. Its goal is to increase gender diversity in leadership roles and in its first year of operation 14% of the participants were promoted to these roles.

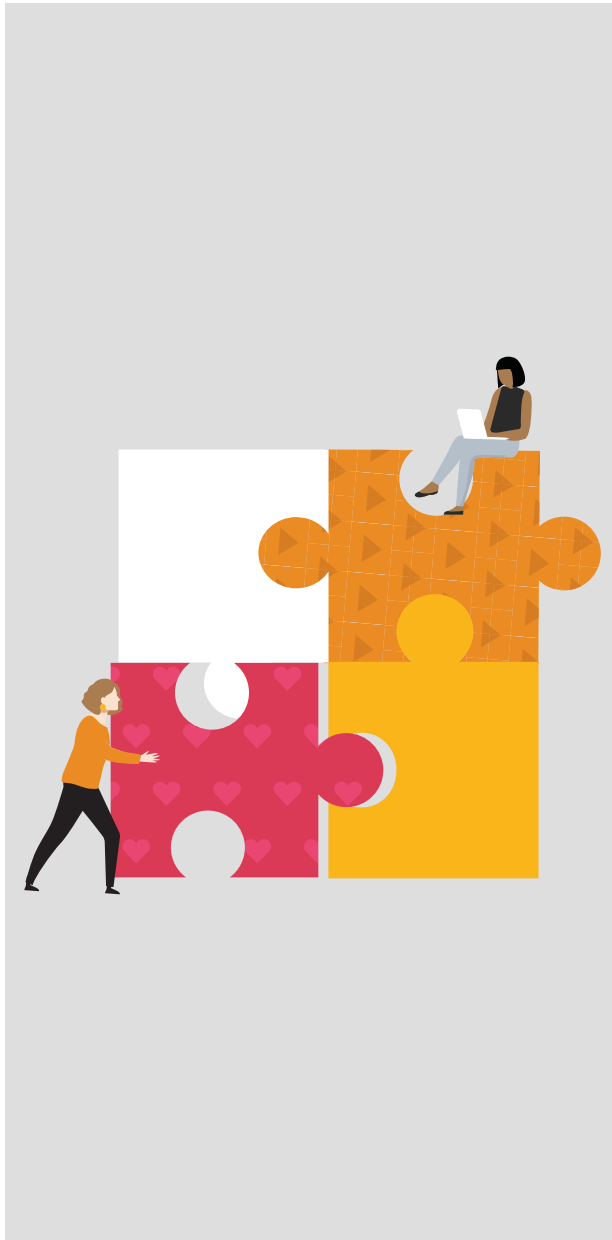
## Fairness in pay

At PwC, we believe in paying people equitably, irrespective of their race, gender or age. PwC member firms regularly conduct comprehensive reviews of compensation data to understand any differences between and among staff. Some member firms may choose to add additional types of pay equity reviews, such as compensation differences among partners, or an analysis along racial/ethnic lines.

Several of our member firms make public disclosures detailing their approach to pay equity, including in Australia, the US, the Netherlands, and the UK, as well as in Switzerland, which has obtained the EQUAL-SALARY certification after having been audited by an independent third party.







## Focusing on all dimensions of diversity

Our commitment to diversity includes all dimensions of diversity, including ethnic and racial, LGBT+, age, disability and thought and skills diversity.

We are a founding member of the [Partnership for Global LGBTI Equality](#), a coalition of organisations working in collaboration with the World Economic Forum to advance global progress for equality and social and economic inclusion for LGBT+ people.

In FY20, we had 21 LGBT+ networks across our network (FY19: 20). This year, as pride events were cancelled worldwide, our global Shine networks moved to celebrating pride virtually in Canada, the US, the UK, Australia, as did our community of Europe, Middle East and Africa Shine networks. Find out more and [watch our leaders](#) talk about what Pride means to them.

In FY20, we became a signatory to [The Valuable 500](#), a business-to-business initiative catalysing the influence of large private sector corporations to include disability as a dimension of diversity for management and boards. This is part of our commitment to elevating disability and further accelerating the inclusion of persons with disabilities in the workforce and beyond. A number of member firms have also made local commitments, including France, Italy, Switzerland, and PwC Europe.

## Encouraging our people to speak up and act

We believe it's everyone's responsibility to help create a world of equal opportunity where no one is judged by the colour of their skin, their sexual orientation, gender identity, religious beliefs, disabilities, age or other differences. When we see instances of racism and discrimination, we encourage our people to [speak up and act](#). And many of our firms have taken additional actions to help address potential issues of inequality and discrimination.

Working to eradicate inequality – in its many different forms – is at the heart of our purpose and helps us bring our values to life. When it comes to diversity and inclusion, we have set the bar high. And while we have more work to do, we're on the right track. To find out more about our approach, take a look at [The PwC diversity journey](#).





# Our clients

**Our greatest impact on the world is through the advice and services we provide to our clients. We believe a well-functioning, competitive economy is the most powerful generator of social progress ever created – and that helping our clients succeed is a positive contribution to achieving it.**

Even before COVID-19, success increasingly meant companies understanding and reflecting the priorities of a broader group of stakeholders than just investors – from employees and customers to NGOs and governments. This is a central part of our work, all the way from strategy to execution and reporting.

Our scale – we serve 200,000 clients across the world, including more than 100,000 entrepreneurial and private businesses – means we can have a significant impact on the global economy. Our clients range from leading multinational companies to small start-ups, and from family businesses and private individuals to governments and non-governmental organisations. And they're located in nearly every country in the world.

## Transformation through COVID-19 and beyond

As the COVID-19 crisis took hold, our work supporting organisations became even more important.

Trust is crucial in times of great turbulence. For us, this need has driven a focus on finding ways to deliver audit and assurance services effectively in unprecedented circumstances. Investments in technology and skills made over several years have enabled us to deliver high-quality audit and assurance services even in the context of social distancing. We have also engaged with regulators to facilitate transparency and alignment about any methodological or other changes deemed necessary in the COVID-19 context.

On the advisory side, we supported our clients in multiple ways – including helping to develop and roll out remote strategies to hire and mobilise teams, cash flow forecasting, business continuity scenario planning, rethinking their operating models for the future and much more. You can see some examples of how we have supported clients [here](#).



Tax, trade and regulatory compliance have also become increasingly important issues in the context of COVID-19, as governments responded with significant packages of short-term measures to support individuals, businesses and economies, and began to think about how to fund significant additional expenditures. Our tax, legal and people businesses have focused on understanding changes in each territory and supporting clients in the short-term as they [Navigate Tax, Legal and Economic Measures in response to COVID-19](#), as well as on continuing to support clients as they navigate ongoing complexity and risk in a rapidly evolving world.

To help clients structure their thinking about how to navigate COVID-19 we developed a framework for analysis and action. In May we published an article laying out an approach that recognises the need to simultaneously make immediate changes that enable business continuity and plan for transformation in the context of accelerated societal change. The '5Rs' framework (repair, rethink, reconfigure, restart, report) provides a simple, structured way to think about how to respond to these needs. It puts front and centre the way COVID-19 interacts with changes that were already under way in the operating environment – from the rise of digital platforms to disruptions in geopolitics to the challenge of climate change. You can read the full article laying out the framework [here](#).

## The big questions confronting our clients

As we engage with our clients on navigating a complex and fast-changing world, there are six key questions they are asking. These look beyond the immediate challenges of COVID-19 and address deep trends in the way society and the economy function, driven by the forces outlined in the [ADAPT](#) framework.

The questions are:

- How do I transform so I can succeed in the future?
- How do I build my workforce for the future?
- How do I optimise value creation and sources of funding in my business?
- How do I build a sustainable business and meet rapidly changing societal expectations?
- How do I optimise risk and stay compliant with rules, regulation, and manage reputation in an increasingly complex and conflicted world?
- How do I engage with and report on progress to my stakeholders?

Across the network we have a broad and deep range of capabilities and methodologies to address each of these questions. We collaborate across the network to help provide clients with the best possible advisory and execution services, from strategy all the way to execution. This approach allows us to bring together the benefits of deep expertise that comes from specialisation with the benefits of a holistic insight that comes from a breadth of perspective. But we know that there will be new capabilities critical to clients' success in the future, such as skills in environmental issues, and we are investing to build these capabilities at scale.

The need for business leaders to fundamentally rethink the way they plan, invest and operate in the future is underlined in [our survey](#) of almost 700 global CEOs. The findings show that digital infrastructure, flexible working and employee wellbeing will top their boardroom agendas as they reconfigure business operations to secure growth in the next 12 months and beyond. Ensuring supply chain safety and resilience will also remain a focus.

## Driving innovation

One of the ways we create value for our clients is by driving innovation across our network and developing new products and services. In FY20, we brought over 50 innovative new ventures and products to the market.

We're focused on creating an environment that encourages our people to come up with new, creative solutions to augment and amplify our traditional services. Our Global Innovation Challenge, which uncovers early stage technology-enabled solutions created by our people that solve problems for our clients and society, plays an important role in identifying commercially-viable solutions to new and emerging business issues. In FY20, we saw record levels of interest across the network with over 350 entrants involving almost 5,000 PwC people from 48 countries. Nearly a third of the entries are already at pilot stage, with 20% being launched, and 11% looking to scale up. [Find out more.](#)

Our people are using their skills to innovate and offer our intellectual property in the form of products. Today, we license more than 100 products throughout the network, including PwC's [Check-In app](#), which clients use to help make their people feel safer in the workplace and more connected while working remotely. Other examples include PwC's [IFRS17 Software](#) which fully automates the IFRS17 reporting process, and PwC's Digital Maker which simplifies workflow and allows clients to automate data migration.

## The profile of our clients

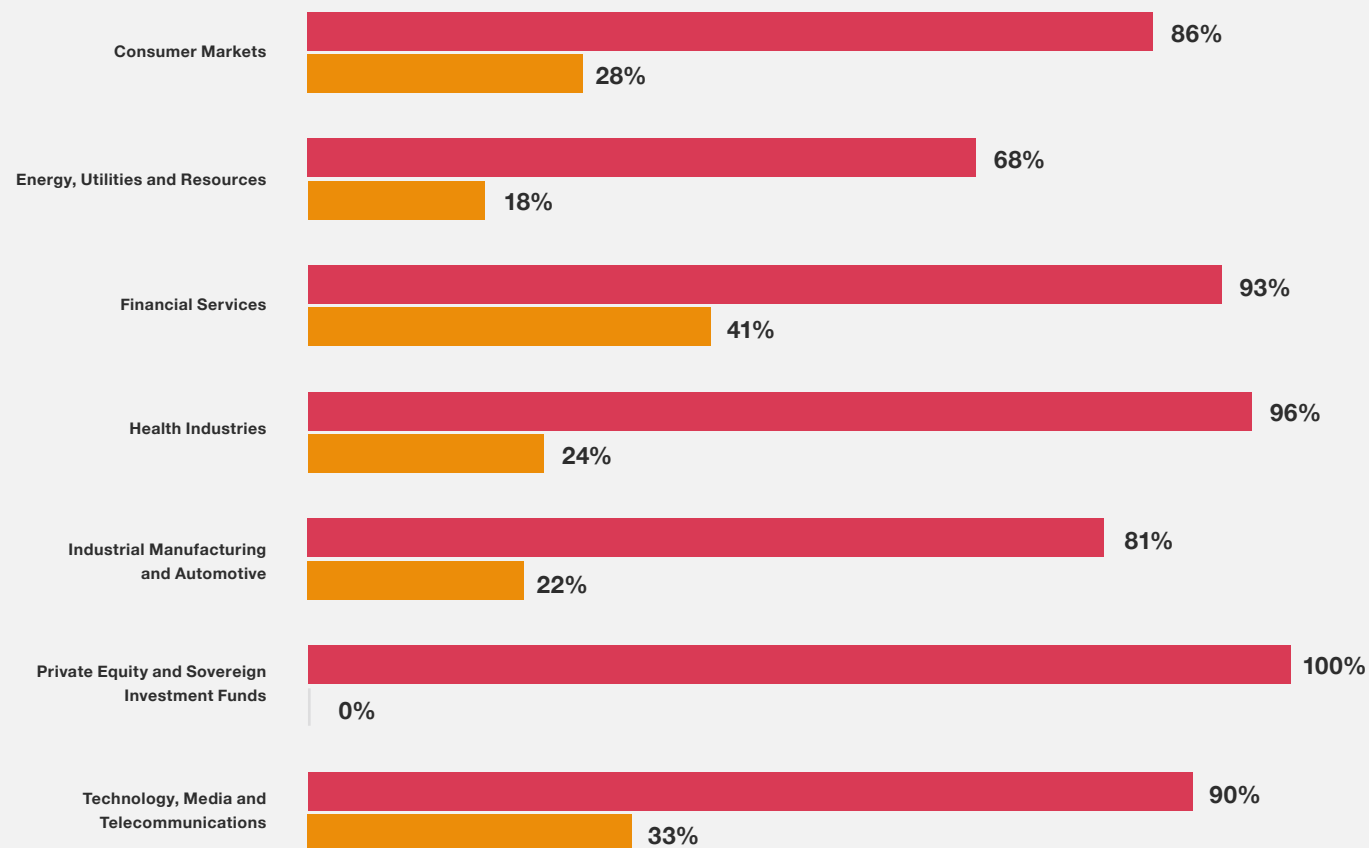
Indices	Total clients	Audit clients
Fortune Global 500	84%	28%
S&P Asia 50	86%	45%
S&P Latin America 40	75%	23%
S&P Europe 350	93%	32%

We also rolled out Workbench, allowing our people to access Robotic Process Automation (RPA), AI and advanced data analytic tools. Over 42,000 PwC people have become active users of the platform, running more than 750,000 automations every week. Our teams are also helping clients save time by creating automations to streamline data processing and functions for tax calculations, M&A synergies, regulatory reporting and more.

PwC is deeply involved in the innovation ecosystem. We work with corporate innovation teams throughout the world, and venture capitalists from Silicon Valley to Shanghai as they build their businesses of tomorrow. As of August 2020 we were working with nearly 300 'Unicorns' (privately held startups worth over US\$1 billion) as defined by CB Insights.

A breakdown of PwC's total revenues in the past year shows that 75% came from clients served by multiple PwC firms (FY19: 73%), with the remainder coming from clients served by one firm, including governments and their agencies.

### Clients of PwC firms as a percentage of the Fortune Global 500



■ Total clients  
■ Audit clients

**Note:** Audit clients include both sole and joint audits. Non-audit clients are those companies where PwC did not provide statutory audit services and where revenues exceeded US\$500,000 in FY20.



# Committed to quality

## Our approach to delivering quality services across all our operations and network

### Focus on quality...

The quality of the work we do is a top priority for PwC and quite rightly a baseline expectation from all our stakeholders. But what do we mean by quality? Historically, it meant compliance and meeting the standards set before us. However, that's a given. It's much more than just complying with policies and regulations. With stakeholder expectations continuing to rise and evolve, a relentless focus on quality has never been more important. At PwC, we strive to consistently meet the expectations of our stakeholders and comply with all applicable standards and policies.

We are building a culture across a network of 284,000 people that emphasises that quality is the responsibility of everyone at PwC. This begins with tone at the top and creating an environment of quality and high performance. Over the last year, we have been focused on fostering the right tone at the top at all our member firms across the world, while at the same time seeking to drive a quality mindset that extends beyond compliance.

### ...right across all our businesses

Each member firm is required to have in place a system of quality management (SoQM); to annually complete a quality management system performance assessment; and to communicate the results of these assessments to network leadership. These results are then discussed in detail with the leadership of each member firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation. During FY20, the Network Leadership Team continued to make driving quality improvement a key priority with specific actions agreed, for example improving the consistency of usage of quality indicators in our Strategy Council member firms.

It is very important that we are transparent about both the efforts that we are making to enhance quality, and also the results and the impact that these efforts are having.

We welcome the increased public focus on audit quality, and the dialogue about how auditors, preparers and investors can work collaboratively to increase the confidence in financial reporting. We have actively contributed to this debate with audit committees, boards and regulators worldwide and we continue to publish our overall network internal inspection results for audit engagements. We are eager to keep engaging with others to share, listen and learn – while continuing to invest in enhancing the quality of every audit we undertake.

The quality of our work across the full range of our services, including Tax and Advisory, is equally important and it has been a key focus for us, both in terms of how best to test, measure and enhance quality, but also prioritising the levels of investment we need to make to achieve expected levels of quality.

At PwC, our Tax & Legal Services are underpinned by our PwC Purpose and Values and a focus on the principles contained within our PwC Global Tax Code of Conduct. As of 30 June 2020, Tax Policy Panels had been established in 32 territories (2019: 31), including all of our Strategy Council member firms. A Tax Policy Panel comprises senior partners and subject matter experts who determine whether a potential tax project or advice position fits with our brand values and our commitments in the Global Tax Code of Conduct. During FY20 over 340 matters were considered and discussed by our Tax Policy Panels (FY19: over 330).

Ensuring we deliver the outcomes demanded by clients in a way that gives them the right experience is an important consideration for our Advisory teams. We are proactive in thinking about new challenges to the quality of our delivery; for example as we increasingly use and deploy world-class technologies and automations, a key focus has been on identifying, managing and mitigating the risk associated with technology-enabled transformation. We regularly perform ‘in flight’ reviews of the most significant projects at our Strategy Council member firms to check on progress against objectives and successful and timely delivery so that we may make any necessary changes and adjustments. In FY20, over 400 (FY19: 200) in flight reviews were undertaken on projects. Our Advisory business has also increased focus on driving quality through standardisation, using consistent methodologies and delivery models across the network.

### Specific focus on audit quality

Delivering quality audits is core to our purpose, and all of our member firms across the world are committed to providing high quality audits. When our work falls below the standards that we expect and that are set by the regulators, we should rightly be criticised. We take any instance of a sub-standard audit very seriously and we work hard to analyse the root cause of the issue, learn the lessons and take the opportunity to enhance the quality of future audits.



**“Delivering quality audits is core to our purpose and in the uncertain and turbulent times of the COVID-19 pandemic has become more important than ever.”**

James Chalmers  
Global Assurance Leader, PwC



## Our response to COVID-19

The COVID-19 pandemic has had an unprecedented impact on our clients and our people, as well as global and local economies and broader society.

At PwC, in addition to safeguarding the health, safety and well-being of our people, we have remained focused on working together as a network, with our clients and other stakeholders to continue to deliver audit quality.

From the early stages of the pandemic we put a team in place to monitor developments globally and to highlight areas of critical importance to support execution of quality audits. We developed specific guidance on the impact of COVID-19 for our audit leaders around the world covering critical aspects of audit quality including regulatory and standard setting updates, audit reporting, methodology, accounting and learning and education - giving our teams the means to consider the unique circumstances in play and to respond accordingly. Our member firms also reflect quality in the evaluation, reward and accountability of the relevant Assurance partners and leadership teams.

To help our member firms deliver consistent high quality audits, PwC has established clear objectives around audit quality and provides support to help those firms meet these objectives. Our member firms can only

deliver quality audit services if they have access to the necessary capabilities – both in terms of people and technology. That’s why our quality objectives focus on having the right capabilities – both at a member firm level and across our network – and on using these capabilities to meet our own standards and applicable professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values.

### Meeting challenges

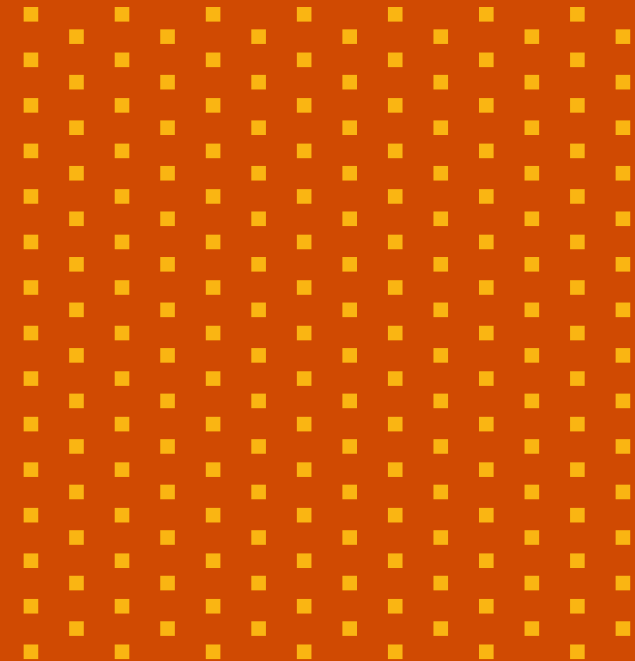
As a result of the COVID-19 pandemic we faced a number of new challenges in our audits. To support our audit teams in dealing with these challenges, we’ve issued guidance, for example with respect to physical inventory counts and auditor reporting on COVID-19, and encouraged use, where necessary, of specialists to support audit teams on impairment and going concern analysis.

A member firm’s system of quality management provided the framework to identify, assess and respond to the risks arising from the pandemic and we shared experiences and examples from across our network as the pandemic progressed to provide continuous and real-time learning and to respond to developing and evolving risks and challenges.

### Using technology

Our audit technology infrastructure and tools have been in place for a number of years and enabled our people to continue to carry out their work despite the significant change in our physical work environment.

The impact of COVID-19 continues to evolve. We are continuing to assess and respond to potential risks in our audits.



## Integrated and aligned in the right way

The audit quality objectives focus on having the right people, supported by effective methodologies, processes, and technology, appropriately directed and supervised. These represent the capabilities that we believe are relevant to achieving and sustaining audit quality. To help our member firms achieve these objectives, we also have a number of dedicated functions within the PwC network that develop practical tools, guidance and systems to support audit quality. We've integrated and aligned these elements to create a comprehensive and interconnected quality management framework, Quality Management for Service Excellence (QMSE), that each member firm implements and tailors to reflect their individual circumstances.

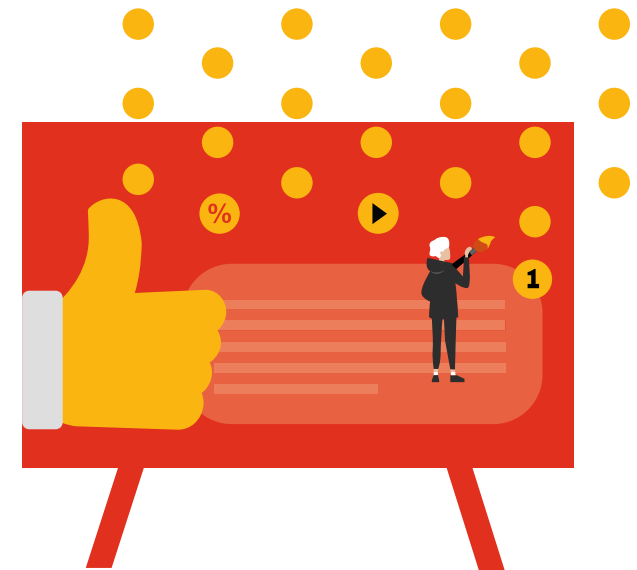
Where appropriate and necessary, our audit teams are able to draw on expertise from parts of the firm outside the assurance practice. Audit – especially in today's data-rich world – requires analysis and judgement on vast amounts of increasingly diverse information. Deep understanding of technologies like data analytics as well as capabilities around the valuation of physical assets and complex financial instruments, actuarial calculations, treasury operations, tax compliance, and many other areas can all be vital. Being able to bring these skills to bear on audit work helps strengthen audit quality and the trustworthiness of information used by the users of financial statements.

To avoid the risk of potential independence conflicts, PwC firms have applied global ethical guidelines that tightly limit the non-audit services they are willing to provide to audit clients. These have the effect of prohibiting auditors from acting in a management capacity or as an advocate for an audit client, and from auditing any work that they've done themselves.

These guidelines are reinforced by regulatory restrictions on the services the firms can sell to audit clients. These restrictions vary by country – but may include a complete ban on selling some services, and caps on the revenue that can be generated from others as a proportion of audit fees. In addition to these restrictions some member firms have further limited the services they provide to certain clients in response to local concerns.

## Delivering quality

Central to the QMSE framework is the recognition that quality management needs to be embedded in everything we do as individuals, teams, and firms. To support consistency and guide member firms, the quality objectives are supported by designated key activities which are considered necessary to achieve the quality objectives, focused mainly on building a quality infrastructure and organisation. Each member firm supplements these key activities to respond to risks that they have identified as relevant for their operating environment and client base.



## Values, judgments and professional scepticism

Performing quality audits requires more than just the right processes. The auditor's role is to reach a professional judgment based on reasonable assurance as to whether the financial statements prepared by the entity's management are free of material misstatements and present a fair picture of the entity's financial performance and position. To carry out this assessment effectively, the auditor needs to use all the capabilities that have been built up in line with our quality objectives. These include professional scepticism, specialist skills and judgment – all supported by state-of-the-art technology.

PwC's values guide the auditors in making their assessments, in applying ethical behaviour and building a strong culture. Some member firms have started initiatives to look into how they can further strengthen their culture and drive the behaviours that underpin quality. These pilots cover topics around how auditors can challenge each other and clients more effectively and how audit teams can use feedback to facilitate continuous learning.

## Highly-skilled professionals

We aim to recruit, train, develop and retain the best and the brightest staff who share in PwC's strong sense of responsibility for delivering high-quality services. PwC provides access to a curriculum of formal learning and technical courses to prepare staff and partners for the delivery of quality assurance services. During the year, we have maintained a focus on providing PwC's audit practitioners with the opportunity to sharpen their professional judgment, scepticism, technical and professional skills. The audit curriculum is available to the member firm in a modular format, allowing PwC member firms to select when they will deliver different portions of the curriculum and augment with locally developed training based on local needs. The materials have a variety of designs and formats which all follow consistent principles:

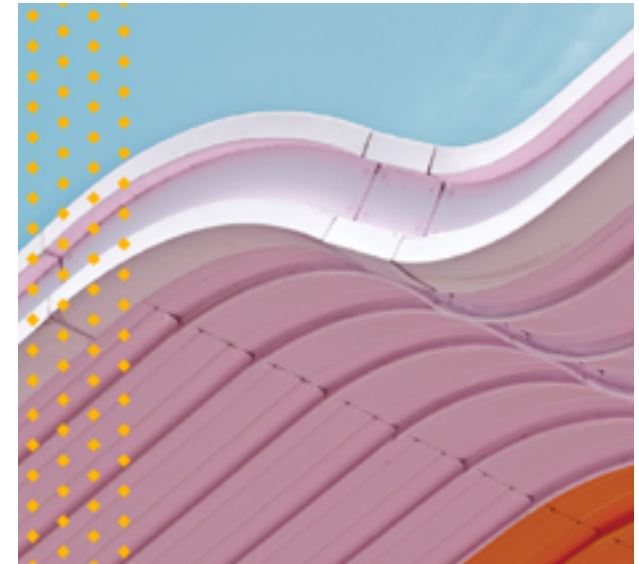
- Focus on practical application
- Simulate on-the-job experiences
- Make use of technology in the classroom / virtual classroom where appropriate

Our audit engagements are staffed based on expertise, capabilities and years of experience. Engagement leaders determine the extent of direction, supervision and review of junior staff. In order to learn and further develop their skills, team members obtain feedback on their overall performance, including factors related to audit quality such as technical knowledge, auditing skills and professional scepticism. Audit quality is an important factor in performance evaluation and career progression decisions for both our partners and staff.

## Enabled by technology

New technologies are transforming the way audits are performed, resulting in improvements in quality, insight and user experience for audit professionals and clients.

- Aura Platinum – our cloud-based enterprise resource planning system for the audit – is at the heart of how we build and execute the audit plan, and drives global quality and consistency. It lays the foundation for future digitisation and automation and now has 100,000 users across the PwC network.



- Connect Suite – our suite of collaboration tools which has 700,000 users – helps us to efficiently collaborate and exchange information with our clients and group audit teams across the network.
- PwC Extract – our data extraction tool – enables teams to gather and manage client data. It allows teams to connect to client systems, acquire data in a secure way and store data safely.
- Halo for Journals – our data analytics tool – provides deeper insights to clients through built-in visualisations and allows engagement teams to spend less time performing manual processes and more time understanding transactions.

It enhances quality by helping to identify unusual items and potential risks. Halo is currently used for 13,000 audit clients, and in FY20, it analysed 580 billion “general ledger” lines.

In the future, we believe that a step-change in audit quality will be achieved through a new partnership between people and technology. We are investing heavily in advanced digital skills and AI-powered tools that are transforming the way people and tech work together. AI and automation have the potential to enhance audit work with exceptional speed and accuracy, eliminating human bias and error, and augmenting human judgement. Our auditors will work with intelligent machines to test billions of transactions in seconds, spot patterns and trends in data, and detect anomalies and exceptions.

We are building AI Auditor, a suite of AI-powered applications designed to enhance audit quality and insight. Our first application, GL.ai, detects anomalies in a company’s general ledger with a focus on fraud and error. Cash.ai is our second application. It automatically performs the testing of cash balances automating at least 80% of the audit of cash, improving quality through the consistent application of our methodology.

Our extensive pilots of these tools have delivered demonstrable quality improvements as well as improving the experience for our teams.

The development of the next two applications is underway – automating the testing of Accounts Payable and Accounts Receivable - and we will continue to invest in these tools and developing the skills of our people to maximise and accelerate the benefits across the entire audit.

## Internal reviews

Monitoring carried out by each member firm encompasses a review of completed engagements, Engagement Compliance Reviews (ECRs). They are risk-focused covering, on a periodic basis, individuals in each firm who are authorised to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures. In addition, the PwC network undertakes periodic reviews of the systems of quality management of member firms to assess whether the overall quality objective and underlying quality management objectives have been achieved.

Reviews are led by experienced independent Assurance partners, supported by independent teams of directors, senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and use a range of checklists and tools developed at the network level when conducting their review procedures.



Between 2016 and 2020, we reviewed a total of 9,166 audits by member firms worldwide, and the results are set out in the table above. 45% of those audits were 'public interest entities' (essentially listed and other significant companies) – and amongst these public interest entity audits, 214 were classified as non-compliant over the five years.

Where an audit is deemed to be non-compliant, we consider what, if any, impact this may have on the financial statements of the entity. For the 2020 inspection cycle, of the 1,661 audits that we reviewed through our own inspection process, 63 (3.8%) were rated as non-compliant, and of those, four require a restatement of the audited organisation's financial statements and/or for the auditor's report to be withdrawn or reissued, compared with eight that required restatements or for the auditor's report to be withdrawn or reissued from the 2019 inspection cycle.

We are investing heavily in enhancing audit quality and are committed to continuous improvement, raising the quality bar and setting higher standards for ourselves. We know that we have more to do and that we need to reduce the level of non-compliant audits further.

## Engagement Compliance Reviews

Results of our network internal inspections for audit engagements

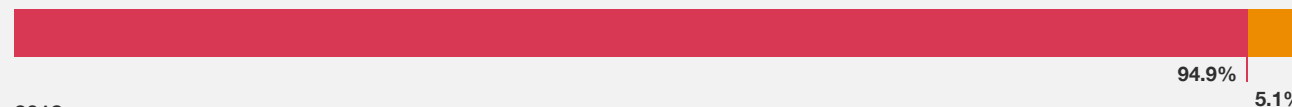
	2020	2019	2018	2017	2016
<b>Total audit engagement reviews</b>	1,661	1,768	1,890	1,870	1,977
<b>Compliant (%)</b>	82.2%	76.5%	76.0%	72.8%	74.4%
<b>Compliant with Improvement Required (%)</b>	14.0%	18.4%	16.2%	18.4%	18.9%
<b>Total Compliant (%)</b>	96.2%	94.9%	92.2%	91.2%	93.3%
<b>Non-Compliant</b>	63	91	147	164	132
<b>Non-Compliant (%)</b>	3.8%	5.1%	7.8%	8.8%	6.7%

## Results of our network internal inspections for audit engagements

### 2020



### 2019



### 2018



■ Total compliant audit (%)  
 ■ Non-compliant audits (%)





We remain committed to additional investment and actions needed to further enhance quality at both a local firm level and across the PwC network.

### Monitoring by audit regulators

In addition to our internal review programme, our member firms are subject to monitoring and inspection by external regulators. Some 55 of these regulators are members of the International Forum of Independent Audit Regulators (IFIAR). In 2015, as an initiative to improve audit quality, nine leading audit regulators represented on IFIAR's Global Audit Quality Working Group, and the six biggest global audit networks agreed on a target to decrease the proportion of audits of listed public interest entities identified with findings from regulator inspections on an aggregate basis.

Starting with a baseline result for the six networks of 39% of audits with findings in IFIAR's 2015 Survey, the target was to reduce that figure by at least 25% over a four year period on an aggregate basis. In January 2020 IFIAR reported a reduction by 21% in the rate of audits with findings over the four year period for the six biggest audit networks collectively.

The equivalent figure for PwC for these nine regulators indicates a reduction from 34% in 2015 down to 24% in the 2019 survey published in February 2020, thereby indicating that PwC achieved its element of reduction for the collective IFIAR target.



### IFIAR quality improvement target met

A new 25% reduction target has been established with the Global Audit Quality Working Group for the period from 2019 to 2023 with an expanded group of 25 audit regulators. We will monitor our progress against that target for regulatory inspection results over the next four years.



# 55

Regulators are members of the International Forum of Independent Audit Regulators (IFIAR)



# 21%

Reduction in the rate of audits with findings over the four year period for the six biggest audit networks collectively.





# Impact on society and our planet

**Even before the COVID-19 crisis, pressure was building that put the world at a crossroads. Climate change, polarisation and disruptive technological change were creating unsustainable pressure on the societies, economies and ecosystems in which we all live and in which companies operate. COVID-19 has made these challenges more pressing and further raised the importance of progress towards the UN Sustainable Development Goals (SDGs).**

We believe that achieving the SDGs means addressing design problems in the way our economy is structured. The system of norms, regulations and laws that govern the economy have delivered tremendous improvements in prosperity, health and equality over time. However, they have not evolved quickly enough to meet the most pressing challenges the world faces now. Economic and social progress need to be recoupled.

To address the important problems of this era, we are working to:

- Support change that people and organisations can make in the current context. Our focus has been on two areas: inclusivity and environmental sustainability.
- Help solve the design problem with policy makers, standard setters and others. Our focus has been on helping improve the quality of information in the system by supporting efforts to align and embed non-financial reporting.

Given the urgency and severity of the challenges, addressing these issues has never been more important. Business does not prosper in societies that are not prospering.

## ***How we have impact***

We believe that everyone at PwC should be able to have a positive impact on society, both through the paid work we do for clients and beyond.

We deliver this support in three ways:

- **Volunteering.** Nearly 48,000 (FY19: 61,284) PwC professionals volunteered to support their local communities in FY20 – a contribution of over 816,000 hours (FY19: 925,818). During the COVID-19 pandemic, our teams moved quickly to use technology to volunteer virtually, allowing our people to continue sharing their skills as they worked from home. We are pleased to say that more than 26,000 PwC people around the world continued to share their professional skills during the period from July 2019 to June 2020. Given the additional responsibilities many of our people were juggling such as caring for family members and supporting children's distance learning during lockdown situations, this number was down from last year (FY19: 29,716).
- **Pro-bono client work.** Across the network, we engage in a broad range of pro- and low-bono projects that are conducted with the same combination of expertise and commitment that we put into our client work. This work spans support for small local charities through to national and global civil society organisations.



# 47,864

PwC professionals volunteered to support their local communities in FY20

## ■ **Partnerships and policy engagement.**

We believe that working in partnership with other organisations to advance global public policy and dialogue is crucial to achieving the kinds of system change needed. We have played an active role on a range of public policy issues including supporting several organisations as they develop non-financial reporting standards, working with UNICEF on the skills agenda, and coalition building in the US to support action that addresses issues raised by the Black Lives Matter movement.

In October 2018, we set an ambitious global target for our corporate responsibility programmes across our 21 largest member firms: to invest in the future and growth of 15 million people, non-governmental organisations (NGOs), and social and micro enterprises to help them maximise their potential by 2022. We are delighted to report that we remain on target to achieve this goal. From July 2019 to June 2020, we reached more than 5.2 million beneficiaries, and since the launch of our ambition in 2018, we have reached a total of 13.7 million beneficiaries. Beyond these numbers, we also conduct other pro-bono work through partnerships with other organisations and produce thought leadership that adds to public understanding of significant societal issues.

In addition, in a year when the impacts of COVID-19 were felt across all parts of our business, our financial investments in communities remained steady

compared to the previous year. Some of our cash and in-kind donations were focused on the immediate and ongoing needs of front-line community organisations and NGOs in response to the pandemic.



## Societal impact

Indicator	Unit	FY20	FY19
<b>Total community investment</b>	USD	187,592,456	187,493,217
Cash and inkind donations	USD	82,906,447	80,921,759
Volunteer hours	USD	24,770,769	34,200,244
Probono and discounted engagements	USD	64,461,431	59,131,877
Management costs	USD	15,453,809	13,239,337
<b>Volunteer hours</b>	hrs	816,805	925,818
Skilled + professional hours	hrs	640,298	676,206
General hours	hrs	176,507	249,612
<b>Number of volunteers</b>	people	47,864	61,284
Skilled + professional participants	people	26,246	29,716
General participants	people	21,618	31,568

Unless otherwise stated all societal impact indicators reflect the performance of our 21 largest firms.

## What we are focusing on

While each territory where we operate is different, the big societal challenges across the globe are generally related to two themes. The first is around inclusivity and whether everyone has a chance to achieve their potential. The second is around environmental sustainability, with a focus on climate change. We undertake a broad range of initiatives that help to address both of these areas. In addition, we believe there are underlying systemic issues that need to be addressed, and are therefore actively supporting a reform agenda that has the potential to reshape how market economies function, and ensure the rules and norms that govern corporate behaviour reflect the priorities of the 21st century.

We have also mobilised support in response to environmental and humanitarian crises. This section sets out examples of our activity in each of these areas.

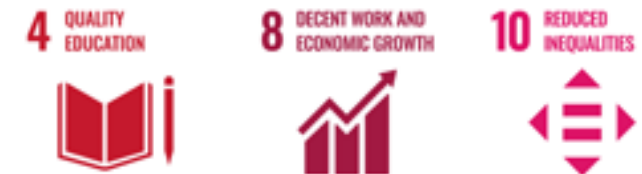
## Inclusivity and skills

The economy should serve the interests of society, not the other way around. That is why we are committed to action that improves inclusivity and enables more people to participate in and benefit from the economy, and society more broadly.

Our biggest global programme in this area is 'New world. New skills.', which seeks to enable more people to have the digital skills they will need to succeed in the future.

## New world. New skills: Upskilling communities

Our New world. New skills. initiative is aimed at addressing the mismatch between the skills people have today and those needed for the digital world. Of the 5.2 million people, NGOs and social and micro enterprises we reached last year through our community programmes, nearly 3 million were involved in New world. New skills. initiatives. To find out more, [click here](#).



## Beneficiaries reached

13 million reached of total ambition of 15 million by 2022

### Ambition



Unless otherwise stated all societal impact indicators reflect the performance of our 21 largest firms.



In FY20, we joined forces with UNICEF in support of Generation Unlimited, to help upskill millions of young people around the world. We have also made our Digital Fitness App free to people and communities across the world. This free version of the app empowers people to stay relevant, boost their digital acumen, and access resources to help them navigate the digital age.

### Addressing social injustice issues

Over the past year, events in the United States triggered worldwide protests and calls to end systemic racism and injustice. Many of our firms have taken actions to help address inequalities and discrimination.

For example:

- In the US, PwC is helping to build a more equitable society by enabling its people to use their time, skills and experiences to address social injustices. Through our pro bono program, Skills for Society, employees receive 40 hours to help nonprofit organizations and educational institutions address systemic causes that contribute to the opportunity gap.

In August, the firm published its first-ever Diversity & Inclusion Transparency Report which outlines how it will build upon a culture of belonging.

As the co-founder of CEO Action for Diversity & Inclusion, together with more than 1,300 CEOs of the world's leading companies and business organisations, the firm is advancing diversity and inclusion in the workplace. To further accelerate progress, it has recently launched CEO Action for Racial Equity, a two-year fellowship that provides the opportunity for CEO Action signatories to advance racial equity through public policy.

- In March 2019, PwC Australia and its Indigenous Consulting firm launched a public action plan with endorsement from Reconciliation Australia, the national lead organisation for reconciliation with First Nations peoples in Australia. Guided by the principles of the United Nations Declaration on the Rights of Indigenous Peoples, the plan is focused on increasing economic participation, deepening the firm's cultural fitness, and building trusted strategic relationships with Aboriginal and Torres Strait Islander peoples. The plan has 48 measurement targets aligned to 11 commitments, and in less than a year post launch, the firm exceeded seven targets and achieved another 18. The firm is on track to deliver on all commitments by 2023. Read more: PwC Australia Reconciliation Action Plan Progress Report 2020.



**“A net zero world is within reach. Getting there will take innovation, hard work and bold thinking but the benefits will be immense. The pandemic has shown us new ways of working using investments in cloud-based computing, which we will take forward into the future. We’re determined to help address climate change – not just in our own operations and supply chain but also in the way we advise and support our clients.”**

Bob Moritz,  
Global Chairman of the PwC network

## Environmental sustainability and a net zero

The second set of issues we are focused on relate to environmental sustainability. We've been a proud signatory to the UN Global Compact since 2002, and are committed to operating responsibly in line with its ten principles.



PwC has made a worldwide science-based commitment to achieve net zero greenhouse gas (GHG) emissions by 2030. The commitment includes supporting our clients in reducing their emissions as well as reducing those from the PwC network's operations. We will decarbonise our operations, including our travel footprint, and neutralise our remaining climate impact by investing in carbon removal projects. We will also engage with our suppliers to help them tackle their own climate impact.

We have committed to reduce our total greenhouse gas emissions by 50% in absolute terms by 2030.

This includes switching to 100% renewable electricity in all territories, as well as making energy efficiency improvements in our offices and halving the emissions associated with business travel and accommodation within a decade. In FY20, emissions associated with flights alone represented around 83% of our total carbon footprint (FY19: 85%).

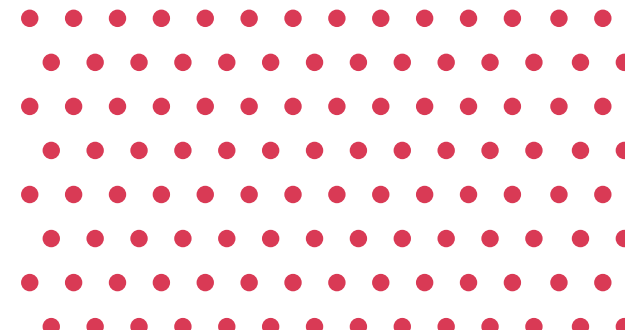
We continue to support a range of high-quality carbon reduction projects. These projects not only reduce carbon emissions, but allow us to take responsibility for our impact. The projects we are helping to support have collectively impacted over 4.3 million people, protected or restored 539,000 hectares of land, and created over 1,820 new full time jobs. Find out more about our offset projects.

Our net zero commitment builds on work we have been doing to drive down emissions. In October 2018 we committed to drive efficiencies, go 100% renewable, and offset 100% of our air travel emissions. We have made significant progress towards that goal, in part as a result of the response to COVID-19. With our entire workforce working from home at various stages throughout the year, we have seen our Scope 1 and 2 emissions reduce by 14% and 25% respectively. Air travel is our largest source of carbon emissions, and as expected, we saw a reduction – 29% – in our Scope 3 emissions from last year due to COVID-19 restricting both domestic and international air travel.

In FY20, we purchased 71% of our electricity from renewable sources, which supports our goal of becoming 100% renewable by 2022 across our 21 largest territories (FY19: 65%).



The greatest environmental impact from operating our business comes from the energy we use to power our offices and air travel. We report annually on the areas of our environmental impact that are most material to PwC, namely Scope 1, 2 & 3. Because our reliance on natural capital is small compared with many other industries, we have not aligned our global reporting against the Task Force on Climate-related Financial Disclosures (TCFD) and do not report on our consumption of fresh water and land use.





## Environmental impact

Indicator	Unit	FY20	FY19	FY18
<b>Total GHG emissions</b>	tCO2e	432,372	599,258	527,725
Scope 1 (direct emissions from owned and controlled buildings and vehicles)	tCO2e	28,597	33,088	35,381
Scope 2 market-based (purchased heat and electricity)	tCO2e	45,777	61,208	65,399
Scope 3 (air travel)	tCO2e	357,998	504,962	426,945
<b>Emissions per employee (tCO2e/employee)</b>	tCO2e/people	2.05	2.43	2.31
<b>Renewable energy (% of total energy consumption)</b>	%	71%	65%	60%

Location-based emissions (tCO2e):

**Total gross emissions**

FY20: 489,626 FY19: 662,298 FY18: 588,619

**Scope 2 location-based (purchased heat and electricity)**

FY20: 103,031 FY19: 124,248 FY18: 126,293

**Location-based emissions per employee**

FY20: 2.32 FY19: 3.19 FY18: 3.18

Unless otherwise stated all environmental impact indicators reflect the performance of our 21 largest firms.

## Systemic reform

Alongside action on inclusion and environmental sustainability, we are committed to supporting systemic change in the way the global economy operates.

Our view is that significant evolution is needed in economic structures that guide the economy; that these changes are in the enlightened self-interest of business as well as the interest of wider society; and that we can contribute to positive change by drawing on our breadth of experience across sectors and countries, and our depth of experience in terms of purpose, corporate governance, incentives and reporting.

Our focus has been on supporting policy makers, standard setters and businesses in aligning around a common set of reporting standards for non-financial information. Such information will make it much easier for investors and other stakeholders to understand how companies are operating and make decisions about who to invest in, who to do business with and what to engage with businesses about.

We have been collaborating with the World Economic Forum International Business Council to identify a universal set of environmental, social and governance (ESG) metrics that will set a new benchmark for what responsible businesses disclose about their impact on the world. The [final set of metrics and disclosures](#) was published in September 2020.

We led the 'Planet' pillar of the work, which has been conducted in collaboration with a range of stakeholders.

In addition, we have engaged with major global organisations including the G20, OECD, UN, EU and others. For example, we have contributed to a range of consultations on non-financial reporting standards and played a key role at the T20 Global Solutions Summit – a virtual event that brought together leading thinkers to inform policy making by the G20.

## Stepping up in times of need

When disaster strikes, our foundations and firms around the world spring into action to help the people and communities affected. Below are some examples of the work we have done.

### Support in Beirut

After the devastating explosion hit the city of Beirut in August 2020, PwC Middle East launched the 'Together For Beirut' campaign, which saw PwC people from across the region come together to donate, sort and pack food, clothes and first aid supplies that were shipped to Lebanon through a number of local and regional NGOs. Our office in Beirut also participated in clean-up and support efforts in the areas affected.

### Improving life for Rohingya refugees

In collaboration with local NGOs, PwC has installed 61 transitional shelters for Rohingya refugee families at the world's largest refugee camp. We have also installed nine washing facilities and five deep tube wells to address refugees' hygiene and water needs, as well as 81 solar lights to help ensure the safety of women, children and senior citizens. Over 772 Rohingya beneficiaries who did not previously have access to safe and reliable water supply are now benefiting from two deep tube wells installed by PwC in blocks adjacent to the camp.

In addition, primary healthcare shelters supported by PwC in 2018 have been established in the Kutupalong and Balukhali camps. Between June 2018 and March 2020, 100,457 patient visits were recorded at these free facilities. The medical shelters successfully withstood cyclone Amphan and severe monsoon rainfall in the previous two years. To address the need for the expansion of health services due to increasing footfall at the medical centres, PwC will be supporting the set-up of a diagnostic laboratory and toilets for patients at the Balukhali camp. The laboratory will provide free services to Rohingya refugees and the host community.



**“The support work helped ease the frustration that everyone was experiencing during these times. Giving back to the community is one way to feel productive and focused since we are currently living in uncertainty.”**

Elissar Hassan,  
Lebanon-based senior associate  
and volunteer, PwC Middle East



# Revenues and investments

**For the 12 months ending 30 June 2020, PwC firms around the world had gross revenues of US\$43 billion – up 3% in local currency and 1.4% in US dollars.**

During the first nine months of FY20 to the end of March 2020, revenues grew by nearly 7% over the same period last year with increases across all lines of business and in every major market. From April to June 2020, revenues were significantly impacted by slowing economies as countries around the world fought the COVID-19 pandemic. Compared to the same three months in 2019, revenues were down from April to June 2020 by 6%.

## Across the world

In the Americas, revenues rose by 3% with a particularly good performance from businesses in the United States and Canada. Revenues in Western Europe were up by 2%, while in Central and Eastern Europe, revenues grew by 4%.

Revenues from the Middle East and Africa rose by 10% with a strong result from the Middle East where revenues were up 14%. Across Asia, revenues grew by 5% while in Australasia and the Pacific Islands, revenues were down 1% reflecting difficult trading conditions throughout FY20.

Regional growth numbers for the full year FY20 mask the impact of COVID-19, with all regions performing as anticipated up to the end of March 2020 and then feeling the full impact of the economic restrictions caused by the pandemic. For the last three months of FY20, in most markets around the world we experienced declines in revenues compared with the same period in FY19 with falls in revenues of up to 30% in certain countries.

## Lines of business

Around the world, our businesses are focused on providing high quality services that help our clients respond to an ever more complex and challenging environment and address current and future opportunities. While all our lines of business continued to grow in FY20, each was impacted by the economic effects of COVID-19 and we expect market conditions to be challenging for all our operations throughout FY21.

**Assurance:** Assurance remains PwC's largest operation across the world and our brand defining business, serving key stakeholders and helping to build trust in the world's capital markets. In FY20, revenues from our assurance operations grew by 3% to US\$17.6 billion, driven by continued strong demand for our core audit. As management and other stakeholders seek insight into operations, risks and performance, and to increase confidence and resilience in business, we have seen continued strong growth in our broader assurance services, such as internal audit and governance, risk and controls. Demand for our digital risk solutions has also remained strong as companies look for support as they accelerate their transition to the Cloud.

**Advisory:** PwC Advisory operations grew by 4% to US\$14.7 billion. This growth was driven by high demand across the world for advice on strategy, business transformation and value creation in the first nine months of the financial year. Our advisory business differentiates by bringing together consulting, deals and cybersecurity professionals, and our operations benefited from increased teaming with our tax and risk assurance colleagues to provide a more integrated service for our clients that gives the advice and support they need from strategy right through to execution.

**Tax & Legal Services:** PwC Tax & Legal revenues grew by 2% to US\$10.7 billion, with demand for tax reporting

and strategy, people and organisation and legal services in the first nine months of the year offset by the impact of the pandemic in the final three months. Guided by our PwC Global Tax Code of Conduct, the professionals in our Tax & Legal Services teams use their knowledge and expertise to help clients – ranging from individuals to the largest global corporations – to navigate complex and challenging environments, address people and legal issues, and comply with their tax and reporting responsibilities.

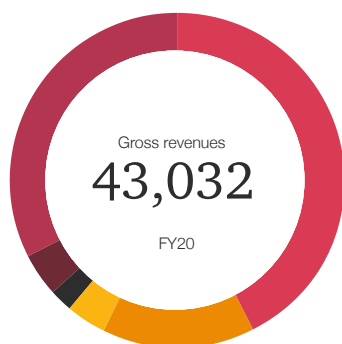
## Investing in the future

Despite the economic challenges of the past few months, we have continued to invest heavily in the training and development of our people, new products and services, technology and in enhancing the quality of the work that we do. Across the PwC network, we invested over US\$3 billion during FY20 in building the PwC of tomorrow.

As part of that programme of building the PwC of the future in FY20, PwC firms completed three acquisitions and four strategic investments around the world in our Advisory practice – expanding our professional capabilities in strategic areas such as cybersecurity and digital transformation.

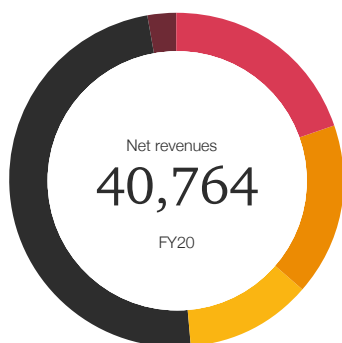


### Aggregated revenues of PwC firms by geographic region (US\$ millions)



	FY20 at FY20 ex. rates	FY19 at FY19 ex. rates	% change	% change at constant ex. rates
<span style="color: red;">■</span> Americas	18,286	17,798	2.7	3.0
<span style="color: orange;">■</span> Asia	6,382	6,103	4.6	5.0
<span style="color: yellow;">■</span> Australasia and Pacific Islands	1,721	1,847	-6.8	-1.0
<span style="color: darkgrey;">■</span> Central and Eastern Europe	950	948	0.2	3.8
<span style="color: darkred;">■</span> Middle East and Africa	1,766	1,651	6.9	9.6
<span style="color: maroon;">■</span> Western Europe	13,927	14,101	-1.2	1.6
<b>Gross Revenues</b>	<b>43,032</b>	<b>42,448</b>	<b>1.4</b>	<b>3.0</b>

### Aggregated revenues of PwC firms by service line (US\$ millions)



	FY20 at FY20 ex. rates	FY19 at FY19 ex. rates	% change	% change at constant ex. rates
<span style="color: red;">■</span> Assurance	17,603	17,382	1.3	2.8
<span style="color: orange;">■</span> Advisory	14,681	14,369	2.2	3.8
<span style="color: yellow;">■</span> Tax	10,748	10,697	0.5	2.0
<span style="color: darkgrey;">■</span> Gross revenues	43,032	42,448	1.4	3.0
<span style="color: darkred;">■</span> Expenses and disbursements on client assignments	(2,268)	(2,538)	-10.6	-9.0
<b>Net revenues</b>	<b>40,764</b>	<b>39,910</b>	<b>2.1</b>	<b>3.7</b>

% change at constant exchange rates reflects local currency growth without the impact of US dollar exchange rates.

FY20 revenues are the aggregated revenues of all PwC firms and are expressed in US dollars at average FY20 exchange rates.

FY19 aggregated revenues are shown at average FY19 exchange rates. Gross revenues are inclusive of expenses billed to clients. Fiscal year ends 30 June.



# Risk and governance



Being open about how the PwC network is organised and governed and the high standards that we expect all member firms across the world to follow, is important to us. In the following section you can read about:

- PwC Network legal structure, leadership and governance
- Network standards, policies and monitoring compliance
- The way we do business and Codes of Conduct
- PwC's approach to risk identification and mitigation
- PwC's approach to anti-corruption
- PwC's approach to anti-money laundering
- Complaints and allegations
- Managing independence
- Partner remuneration

## Legal structure, leadership and governance

### Network structure and member firms

In many parts of the world, the right to practise audit and accountancy is granted only to firms that are majority-owned by locally qualified professionals. PwC is a global network of separate firms, operating locally in 155 countries around the world. As of 30 June 2020, the PwC network has 630 client-facing entities. The partners in each firm elect a Territory Senior Partner to lead that firm for a fixed term. The length of this term, and the maximum number of terms that any Territory Senior Partner can be elected is set by each member firm.

### PricewaterhouseCoopers International Limited

PwC firms are members of PricewaterhouseCoopers International Limited (PwCIL), a UK private company limited by guarantee that acts as a coordinating entity for member firms. PwCIL does not practise accountancy or provide services to clients. It works to develop and implement policies and initiatives to create a common and coordinated approach for member firms in key areas such as strategy, brand, and risk and quality.



Member firms have the right to use the PwC name and draw on the resources and methodologies of the PwC network. In return, member firms are required to comply with common policies and standards. Each member firm pays a service charge to the PwC network to fund network costs.

As members of the PwC network, PwC firms share knowledge, skills and resources. This membership facilitates member firms to work together to provide quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – including being knowledgeable about local laws, regulations, standards and practices.

### **Network Leadership Team**

The Network Leadership Team (NLT) sets the overall strategy for the PwC network and the standards to which member firms agree to adhere. The NLT is made up of the Global Chairman of the PwC network, the Territory Senior Partners of the China, the UK and US member firms, and a fifth member appointed by the Global Board, currently the Chairman of PwC Europe. The Chairman of the PwC network and the fifth member may serve for a maximum of two terms of no more than four years each in their respective capacities. The terms of the other NLT members are limited by the arrangements in their respective firms. The NLT typically meets three times a month and on further occasions as required.

### **Strategy Council**

The Strategy Council, which is made up of the Territory Senior Partners of the 21 largest member firms and regions, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy. The Strategy Council is expected to meet at least quarterly. In FY20 the Strategy Council met 11 times (FY19: 11).

### **Global Leadership Team**

The Global Leadership Team (GLT) is appointed by, and reports to, the NLT. Its members are responsible for leading teams drawn from PwC member firms to coordinate and lead PwC's activities across all areas of the business. The GLT typically meets monthly and on further occasions as needed.

### **Committee**

### **Committee focus areas**



#### **Governance**

- Network governance and leadership matters, including succession planning



#### **Clients & Markets**

- Relationships (including clients, joint business relationships) and markets
- Portfolio of services (including delivery models)
- Brand positioning



#### **Technology & Innovation**

- Technology and innovation strategy, enablement and execution



#### **Risk, Quality & Public Interest**

- Public Interest and stakeholder matters
- Enterprise-wide risk management and legal matters
- Network standards, ethics & compliance and policies



#### **Operations**

- Finance and operations including network investments and performance
- People, including up-skilling, culture and values



### **Global Board**

The Board of PwCIL, which consists of 18 elected members, is responsible for the governance of PwCIL, oversight of the NLT, and approval of network standards. Each of the 18 members are full-time partners of PwC member firms around the world. Of the 18 board members, six are female.

Board members are elected every four years by partners exercising their votes through their member firms. The current Board, with members from 13 countries, took up office in April 2017. Board members may serve a maximum of two terms of four years each. For five Board members, this is their second term. Seven Board members currently serve as chair of their member firm's governance body, providing strong alignment on matters of strategy, quality and execution amongst member firms.

The Board currently has five standing committees: the Governance Committee, Clients and Markets Committee, Technology and Innovation Committee, Risk, Quality and Public Interest Committee and the Operations Committee. The Board may establish other committees from time to time. Below is a summary of each Committee's focus areas

During FY20, the Board met 12 times, either in person or virtually. Collectively, the Board's committees met 36 times, either in person or virtually.

### **Governance Boards in Member Firms**

All member firms are required to have a separate local governance body to oversee the performance of the firm's leadership and to provide direction and guidance. While traditionally these governance boards have been made up of partners from that firm, increasingly external independent people are joining these boards or member firms are setting up additional advisory bodies made up of external independent members. This is good practice and we are encouraging its wider adoption across member firms in the PwC network. For example the majority of the Strategy Council firms either have, or are taking steps to have, some form of independent oversight, either in the form of external governance board members or advisory bodies. PwC US currently has three independent non-executive directors on its Board and PwC UK has five independent non-executive directors on its Public Interest Body.

### **Transparency**

Many PwC member firms publish annual transparency reports disclosing information relating to legal structure and ownership, governance structure, internal quality control system, quality assurance, education and independence practices, audit revenue, and partner remuneration.



## Network standards and policies

PwC Network member firms are required to comply with standards over ten areas:

**Strategy and alignment:** Each member firm shall implement a strategy which is aligned with the PwC network's strategy and implement the strategic initiatives set out by PwC's NLT.

**Investment:** Each member firm shall annually invest a percentage of its net revenues to fund investments, at levels to be agreed annually with PwC's NLT. Investments are used to fund, amongst other things, enhancements in quality, risk management, technology developments and acquisitions.

**Technology:** Each member firm shall implement the network technology strategy including specific policies on information security and data protection.

**Quality:** Each member firm shall establish business processes that promote and facilitate the delivery of quality services and comply with all applicable PwC network and professional standards and requirements, including having processes in place to enable firms to provide quality services in a manner that meets relevant stakeholder expectations and member firms only accept clients and undertake engagements that are consistent with PwC's network risk management policies.

**Brand:** Each member firm shall consistently reflect the attributes of the PwC Brand, including brand positioning, brand personality and visual identity, in all external and internal activities and messages.

**Governance:** Each member firm shall have an oversight function, independent from management, which practices continuing good governance.

**Enterprise Risk Management:** Each member firm shall establish an enterprise risk management programme

and integrate this within its business operations and perform an enterprise wide risk assessment which identifies and prioritises the components of enterprise-level risk, and develops specific action plans to mitigate each identified risk (See below for more detail).

**People:** Each member firm shall put in place an appropriate strategy, policies, processes and systems to attract, retain and develop a diverse group of people of the quality needed to deliver services and operate its business.

**Ethics & Compliance:** Each member firm shall embed a strong culture of ethics and business conduct in its people and in the way they conduct their business including training for all new joiners in ethics and compliance and annual training and assessment for all employees (See more detail on ethics and compliance on the next page).

**Independence:** Each member firm shall establish systems, policies and procedures designed to ensure that the firm and its people comply with independence laws and regulations, including PwC minimum requirements and policies (See more detail on independence below).

In addition to the common standards and policies of the PwC network, PwC member firms also have access to common methodologies, technologies and supporting materials for many services.

These methodologies, technologies and materials are designed to help member firms, partners and staff perform their work more consistently, and promote quality while supporting their compliance with the way PwC does business.

## Monitoring compliance with Network standards and policies

**By PwC member firms:** Each member firm is required to monitor its controls and the effectiveness of its quality management systems in a manner appropriate to the level of risk in its environment, in particular whether the policies and procedures which constitute its system of quality management are designed appropriately and operating effectively to provide reasonable assurance that its work is performed in compliance with laws, regulations and professional standards.

This includes performing annual risk assessments and action plans, reviews of the PwC member firms' systems and procedures, transaction testing where appropriate, and reviews at the individual engagement level across each line of service.

**At the network level:** Each year, PwC firms use a single common technology platform to confirm their compliance with the network standards. The platform enables member firm controls to be reviewed centrally, testing requirements to be established, and evidence to be collected.

- Each year every member firm must complete an annual self-assessment of its compliance with network standards and related policies, procedures and controls and confirm whether it is in compliance with the requirements of the standards. The member firm must support its self-assessment with appropriate evidence
- As part of the self-assessment, a senior partner or principal of the member firm is required to sign a confirmation as to whether the member firm was in compliance, in all material respects, with each network standard. The senior partner also commits to addressing any remedial actions identified as a result of the self-assessment. To address specific matters where process improvements are needed, action plans are prepared, reviewed and their execution monitored







- Each self-assessment is independently evaluated by a core team of specialists and feedback is provided to the member firm, where appropriate. Where a member firm is unable to adequately confirm compliance, in all material respects, with the standards, it is required to implement a remediation plan. The member firm's progress against its remediation plan is monitored.

All member firm partners and staff are also required to complete individual annual compliance confirmations indicating their understanding of, and compliance with, those policies which are applicable to them.

**Network Review Program:** In addition to the monitoring of network standards described above, the Network Review Programme (NRP) coordinates and facilitates network-wide reviews that are sponsored/requested by global leadership. These reviews provide for the assessment of member firm maturity and/or compliance with network standards as well as other thematic type reviews of functional areas. The programme is determined annually and is flexible in order to serve the evolving needs of the network and network leadership.

The NRP plays an important role in network monitoring including:

- Supporting forward progress on network priorities, including progress on and compliance with network

standards, in line with the development and execution of the network's strategy

- Providing an overarching framework for all network-wide reviews, enhancing consistency, transparency and identifying overlaps and interdependencies
- Assessing network risk assumptions and supporting mitigation measures for identified network risks
- Providing a more holistic understanding of themes and issues across the network and within individual member firms

## The way we do business and Codes of Conduct

PwC member firms undertake their business activities within the framework of applicable professional standards, laws, regulations and internal policies. They also nurture a culture that supports and encourages PwC people to behave appropriately, with integrity and ethically, especially when they have to make tough decisions. PwC people have ready access to a wide array of support networks within their respective firms – both formal and informal – and technical specialists to help them reach appropriate solutions.

The PwC Code of Conduct (the 'Code') is applicable to all partners and staff in the PwC network. It does not provide detailed guidance on every situation where PwC partners and staff might need to answer the question, "what is the right thing to do?" Instead, being principle-based guidance, it is designed to help PwC people think about difficult questions, promote consultation, and encourage speaking up where concerns arise.

The Code also describes a common set of expectations and a key element is abiding by applicable laws and regulations. If any local law or regulation is more restrictive than the Code, local law or regulation governs.

Each member firm has the obligation to comply with network standards and policies which complement the principles embodied in the Code. Certain sections of the Code are reinforced by PwC's ethics and compliance standards, network risk management policies and local supplemental policies, which seek to address local legislation, regulation and risks. We expect the same standard of behaviour from those organisations who work with member firms. Third parties are required to regularly confirm their compliance with the PwC Third Party Code of Conduct or its equivalent.

**Tax** - It is a general principle that taxpayers have a right to manage their tax affairs provided they act within the law. Equally they should also be able to access independent advice on their tax position.

However, the dynamic and complex nature of tax laws - both at a national and international level - is such that it is not always clear where lines should be drawn. To help our clients and our people make informed decisions on tax, taking into account the relevant considerations, the member firms of the PwC network act according to the following Global Tax Code of Conduct.

### Conflicts of interest

Given the broad nature of our operations and the many clients that we serve, PwC frequently faces the risks of potential conflicts of interest. We take any potential conflict very seriously and if a conflict is identified, we take timely steps to resolve or remove it. Member firms maintain internal controls and processes to identify potential conflicts and comply with relevant regulations. We also have in place programmes intended to reinforce the need to act in accordance with the PwC Code of Conduct and frameworks for ethical decision making at both a member firm and network level. We understand that there is a greater risk of conflict, or a perception of such by our stakeholders in some key areas. We've created separate principles to deal with these.

**Working with Government** - PwC has put in place a set of principles that our network expects to be followed by all firms when hiring a former government official or when someone from PwC takes a senior post in government.

When we refer to government in this instance, it covers not only organisations regarded as strictly governmental, but also organisations that regulate or have public oversight of the professional services that we provide.

### Principles

When we recruit staff from governments and related agencies or when our people leave to join those organisations, our principles are:

- When Government Officials join PwC, we uphold any professional restrictions the government or the law imposes on them. Where there are no rules, we put appropriate restrictions in place
- When Government Officials join PwC they do not represent us in front of those government bodies they previously represented for a period of at least one year or for a longer period if prescribed by the government





- When a senior PwC person joins a body that has regulatory oversight of PwC and our practitioners, we advise the body of any ongoing financial interest they have in PwC (e.g., pension arrangements), and ask that the individuals are not involved in making decisions about PwC for at least one year and until that financial interest concludes
- We take steps to request retired partners advise us prior to accepting appointments with any government body or regulatory agency so we can uphold the practice outlined in the point above

There will be differences in how these principles apply to local circumstances for our member firms as local laws or regulations could override the principles or provide additional requirements with which a member firm must comply. However, we expect member firms to have a common minimum approach in line with these principles.

## PwC's approach to risk identification and mitigation

The Board of PwCIL provides oversight, review and approval of the Network Enterprise Risk Management (ERM) approach and focus. The Risk, Quality and Public Interest Committee is responsible for the monitoring of key risks and responses.

The NLT provides strategic direction (including in the area of ERM). The responsibility for network risk management, including ERM, has been delegated to the Chief Risk Officer (CRO).

The Global Leadership Team has ownership of certain risks and sets guidelines for associated compliance and monitoring. This includes Line of Service leaders who have responsibility for their Line of Service Quality Management Systems.

The Network Risk Council provides strategic direction and advice to network risk management strategy, including consideration of strategic risks and input to the network ERM programme. The Network Risk Council comprises the Global Markets leader, CRO, the Chief Operating Officer (COO), Global General Counsel, Chief Ethics & Compliance Officer, Global Clients and Industries leader, Purpose, Policy & Corporate Responsibility leader and the Head of Global Security.

The PwC network and member firms operate a rigorous approach to Enterprise Risk Management. Those risks with the highest potential impact for the PwC network are identified annually. These Key Network Risks and their related significant mitigation plans are reviewed by the Global Board and specifically its Risk, Quality & Public Interest Committee.



The current Key Network Risks are:

#### Quality & Compliance:

- **Client & Service quality:** Failure in client acceptance or continuance, or management of service delivery quality in existing and new services with cross border and network implications.
- **Compliance:** Failure to manage and comply with legal or professional requirements, including local policies and standards leading to regulatory action and/or significant conflicts of interest.
- **Independence:** Failure to comply with external independence requirements and manage the ongoing complexity and changes in independence regulations, against a growth agenda in new areas and changing expectations.
- **Significant matters:** Failure to respond appropriately and with speed to a significant issue in a member firm with network implications, whether security, technology or client related.
- **Regulatory/Public Policy changes:** Risk of a regulatory change that would hamper our ability to operate in a sustainable way.

- **Data strategy & management:** Failure to manage and maintain firm or third party data with the highest compliance & regulatory standards.
- **Information & Cyber security:** Failure to manage security of firm or third party information causing legal, reputational and brand damage to the network.

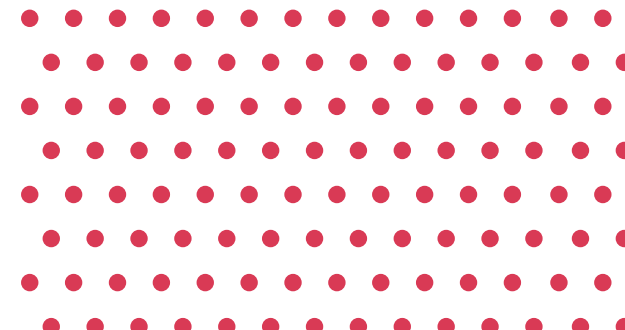
#### Network Resilience:

- **Black Swan & Green Swan Events:** Failure to prepare for market events with network wide implications which require an immediate response, such as a regulatory event or a macroeconomic disruption like a pandemic. Failure to prepare for environmental events with network wide implications in terms of immediate response, reputational damage and potential macroeconomic impact.
- **Member Firm Resilience:** Failure of a significant member firm to withstand a shock whether economic, regulatory or political, or inadequate contingency planning. This risk has clearly been an area of focus as a result of COVID-19.
- **Technology Resilience & Availability:** Failure to manage critical system availability impacting ability to service clients and manage the business.

- **People:** Failure to adequately plan for workforce related changes such as automation, to attract, retain and train the appropriate talent and to ensure resources can be deployed rapidly to meet opportunities. In recent months, this has included the need to respond to the health emergency, the need to adopt different virtual and socially distanced business practices and the challenges of ensuring a successful 'return to office' strategy.

#### Market Risks:

- **Technology enabled disruption:** Failure to respond to, and prepare for, disruption, including getting new services and solutions to the market with speed and agility
- **Strategic Execution:** Failure to ensure relevance and meet client expectations.
- **Investment:** Failure to ensure sufficient investment in future growth areas and reinvestment in existing services



**Societal and Trust:**

- **Societal and Trust:** Failure to anticipate and respond to market and societal expectations or engage in the broader societal agenda.
- **Purpose, Values & Behaviours:** Failure to adopt and live our values

**Network Mutuality and Speed of Response:**

- **Network Mutuality/ Alignment:** Failure of member firms to act collaboratively caused by conflicting regional and national priorities in the external environment.
- **Speed of Response to Change:** Failure of member firms to execute multiple priorities simultaneously



PwC's network standard on Enterprise Risk Management requires each member firm to develop an ERM programme with roles and responsibilities for identification, prioritisation and mitigation of enterprise-level risks. This programme identifies the most significant risks which could impact the member firm, using the Key Network Risks as a major input. For every risk identified, each member firm is required to assess the probability of the risk occurring, its potential impact and whether the risk is operational, forward looking or emerging.

**PwC's approach to anti-corruption**

Corruption is at the centre of some of the world's pressing problems including terrorism and government instability. PwC is opposed to corruption in any form and recognises the importance of making smart choices when it comes to its business relationships. We think carefully about our actions to avoid engaging in or facilitating bribery, corruption, money laundering, and/or terrorist financing activities.

The PwC standard on ethics & compliance specifically sets out how member firms are expected to identify and mitigate the risk of bribery and corruption in their activities. It is consistent with the principles of the UK Bribery Act 2010 and the U.S. Foreign Corrupt Practices Act, as these two laws have far reaching effects on PwC and our clients across the world.

The standard requires each member firm to establish systems, policies and procedures for the prevention of bribery and corruption. The standard sets out specific requirements for each member firm including:

- Appointing an experienced individual who, with appropriate leadership oversight, is responsible for implementation of the requirements of this standard.
- Annually preparing an anti-corruption risk assessment to evaluate (a) the level and type of corruption risks the firm faces and (b) the firm's policies and procedures in place to comply with this standard and/or to respond to local corruption risks.
- Training all personnel (including new joiners) annually on the PwC network and local anti-corruption policies and guidance.
- Taking steps to identify and resolve any departures from or violations of PwC network and local policies on anti-corruption.
- Annually undertaking monitoring to assess compliance with this standard and PwC network and local policies and guidance, and resolve deficiencies, where identified.

The standard also sets out the requirements for every partner and member of staff. It is clear that engaging in corrupt practices is not acceptable behaviour. Specifically partners and staff in member firms must not:

- Engage in bribery or any other corrupt practices, including the giving/receiving of preferential treatment that may be perceived as a bribe.
- Solicit, accept, offer, promise or pay a bribe or improper payment, either directly or through a third party. This includes so-called “facilitating payments” or “facilitation payments”.

Supplementary detailed policy and guidance provides practical and detailed explanations to explain difficult concepts such as what may constitute a bribe or corrupt behaviour and what is considered a ‘gift’ or other preferential treatment. Each member firm is required to have established a reporting procedure for any partner or staff member to disclose if they have unwittingly been involved in any activity which may have contravened this standard.

Member firms have an obligation under the network standards to provide both new joiner and annual training on anti-corruption. Each year, all PwC member firm partners and staff are required to sign a personal annual anti-corruption compliance confirmation.

## PwC’s approach to anti-money laundering

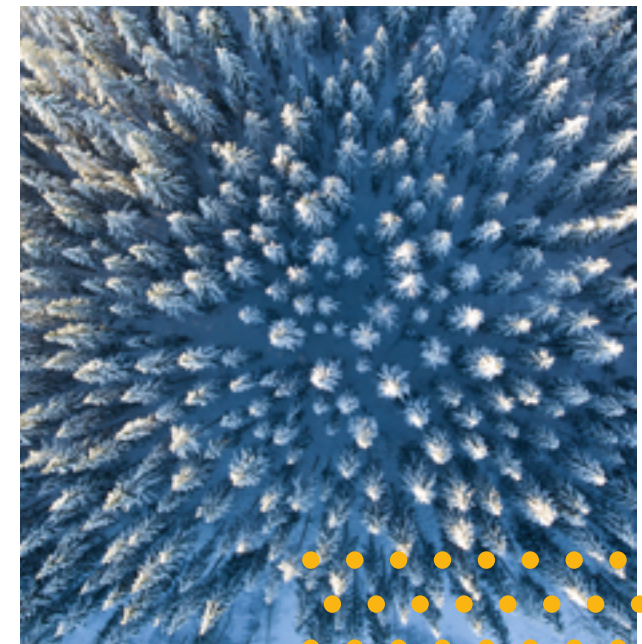
We demonstrate our integrity by knowing the identity of our clients and others with whom we do business, and adhering to applicable standards on anti-money laundering. Where we suspect criminal behaviour, we take appropriate action.

The PwC standard on ethics & compliance also sets out how PwC member firms may mitigate the risk that they inadvertently become involved in actual or potential money laundering activities. As most legislation on anti-money laundering is based on the Financial Action Task Force recommendations as a baseline, the PwC standard is consistent with these and the risk based approach guidance for accountants.

The standard requires each PwC member firm to establish systems, policies and procedures to mitigate the risk of being, directly or indirectly, involved in money laundering or terrorist activity. It sets out specific requirements for each PwC member firm including:

- Appointing an experienced individual who, with appropriate leadership oversight, is responsible for implementation of the requirements of the standard;

- Annually carry out a money-laundering risk assessment to confirm that they have in place policies and procedures which respond to (a) local money laundering/terrorist financing risks; and (b) to the requirements of the standard;
- Developing and implementing a money laundering action plan which addresses anti-money laundering risks identified in the risk assessment and the goals of the standard; and
- Training new personnel on the anti-money laundering policies and procedures.





The standard also sets out the core prohibitions and requirements for every partner and member of staff. It is clear that engaging in money-laundering practices is not acceptable behaviour. Specifically partners and staff in member firms:

- Do not provide any service, or enter into any business relationship, that could constitute them or a firm being involved in direct or indirect money laundering activities.
- Establish their client's identity (including the identity of any ultimate beneficial owners).



Supplementary detailed policy and guidance provides practical and detailed explanations that fully explain concepts such as when to do the checks and what to look for. Each member firm is required to have established a reporting procedure for any partner or staff member to report any knowledge or suspicion of money laundering.

## Complaints and allegations

The PwC Code of Conduct and behaviours we seek to reinforce are brought to life in numerous ways for our people, including formal training, leadership programmes emphasising a 'Speak up Culture' and 'Respect at Work', and in our day-to-day work and handling of complaints and investigations.

**Speak up.** Speaking up is crucial to our culture at PwC – it is a living example of our values and an essential first step. Speaking up when something doesn't seem right demonstrates integrity and that we have the courage to do the right thing. It helps to prevent mistakes and misconduct and fosters innovation. Speaking up also shows that we care about each other and our business. And it helps us live up to our commitment to deliver quality outcomes. Everyone within PwC – no matter what their level or role – is empowered to speak up when dealing with a situation that doesn't seem right. Each has a responsibility to report and express their concerns.

Each member firm in the PwC network provides a mechanism to report issues, which is available both internally and externally. There is also a confidential global 'Contact Us' email option on [pwc.com/codeofconduct](https://www.pwc.com/codeofconduct) which is available to anyone who may have concerns to report at both PwC and beyond.

**Listen up.** Listening and collaboration means we consult with our colleagues so that concerns are heard and addressed in an open and professional manner. We consult with our supervisors, coaches, ethics teams and human capital representatives. They are responsible for addressing and escalating as necessary the issues brought to their attention.

**Follow up.** For any allegation, complaint, or concern, we investigate and address the situation in an appropriate way. If a concern is reported, it will be handled with appropriate confidentiality and discussed with others only as needed. Disciplinary action is taken as appropriate and in accordance with established accountability frameworks in each member firm.

**Non Retaliation.** PwC is committed to protecting our people against retaliation. Retaliation is serious misconduct that will not be tolerated, and any PwC professional, whether a member firm partner or staff, who takes retaliatory action will be held accountable.



## Managing independence

As auditors of financial statements and providers of other types of professional services, member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour.

In relation to assurance clients, independence underpins these requirements. Compliance with these principles is fundamental to the role we play in the capital markets and serving our clients.

The PwC policies on independence and related processes are based on ISQC1, issued by the International Accounting and Auditing Standards Board, the Code of Ethics for professional accountants, including the International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA), and, where applicable, the rules and standards issued by other regulatory authorities, such as the US Securities and Exchange Commission, the PCAOB, and the European Commission.

These requirements are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Where other local standards go beyond the international requirements, compliance with those standards is also required by the relevant member firm and other PwC firms as applicable.

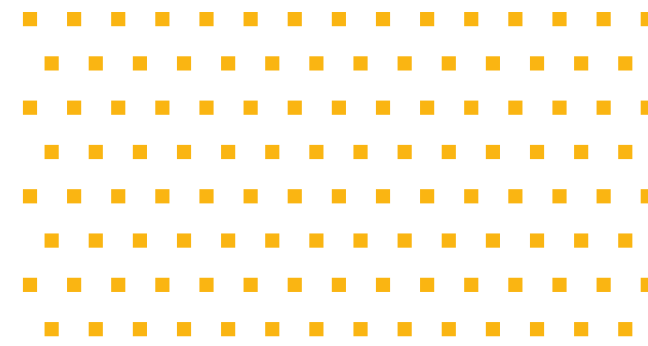
Each member firm has a designated partner with appropriate seniority and standing, typically supported by other specialists, who is responsible for managing the independence processes and providing support to the business. Compliance processes rely on, among other things, a combination of business activities and monitoring systems.

PwC maintains a system identifying entities which are subject to independence requirements for member firms and their partners and practice staff. This drives many of PwC's controls and processes and assists in determining the independence status of entities before a member firm enters into a new audit or non-audit engagement or business relationship.

As part of the PwC network's investment in quality, in FY20, PwC updated its core compliance systems, including re-platforming on modern technology, to support our ongoing compliance with independence requirements.

Firm and personal relationships independence requirements apply to the interests and relationships of each member firm and to their partners, as well as to practice staff involved in providing services to an assurance client or its related entities. The PwC policy on independence sets out the key controls each member firm is required to implement including:

- Monitoring of investments acquired and held by each firm, and their partners and practice staff managers
- Annual independence compliance confirmation – every partner and practice staff member is required to complete an annual confirmation of their compliance with relevant aspects of the independence policies, including personal independence
- Personal independence compliance testing – all member firms conduct personal independence compliance testing on a random sample basis as a means of testing compliance with personal independence policies
- Approval of joint business relationships – before a member firm enters into a new joint business relationship, it must evaluate it for compliance with the PwC independence policies. All member firms are required to periodically review such joint business or financial relationships to ensure their ongoing permissibility



- A rotation tracking system that monitors compliance with requirements relating to the rotation of audit engagement leaders and other key audit partners.

### Controls over non-audit services

Before providing non-audit services to entities that are subject to independence restrictions, all member firms are required to obtain authorisation from the group audit engagement partner responsible for services to that entity (or a related entity). The new system launched in FY20 has increased the effectiveness and efficiency of the process. Further changes to independence processes are planned in FY21 as part of our continual improvement process. To assist this process and promote understanding of the independence requirements that apply, PwC has developed a comprehensive set of policy and supplementary guidance documents that address the provision of non-audit services to audit clients and their related entities. These documents are based on the International Independence Standards established by the International Ethics Standards Board for Accountants (IESBA), as well as the rules and standards issued by other regulatory authorities. Member firms supplement this for local standards.

Our member firms are required to only provide those non-audit services to our audit clients that are permissible under the applicable rules. In many instances, these non-audit services are required by

law or regulations to be performed by the auditor. However, while ensuring we have the right controls in place regarding the provision of non-audit services to audit clients, we are also conscious of the threats to independence in appearance that can be created by the provision of non-audit services to our audit clients and we assess this threat as part of our acceptance processes.

In FY20 over 71% of revenues from our audit clients in major global indices were for audit services, and less than 29% for non-audit services.

The level of provision of non-audit services to audit clients is also declining with the figures in FY19 for the same group of clients being 69% audit services and 31% non-audit services, and for FY18, for those clients it was 64% audit services and 36% non-audit services.

We are very conscious of the need to be independent and to be transparent about how we deal with independence. We also firmly believe that having an array of skills and competencies within our member firms is fundamental to delivering audit quality.

### Revenues from audit clients

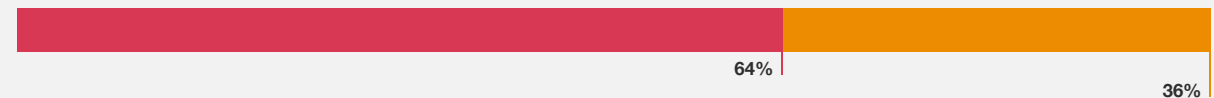
2020



2019



2018



■ Audit services  
■ Non-audit services

In addition, the ability to attract and retain talent by offering diverse and challenging career opportunities will continue to be essential in delivering quality audits, particularly as the audit evolves into the future.

### Consultation and training

Consultation by engagement teams on independence issues is embedded in the PwC culture. Teams are encouraged to consult with independence specialists when a matter is complex, or in the case of doubt.

PwC's processes are supported by training of partners and staff. All member firms are required to develop and implement a training plan to provide partners and practice staff with annual or ongoing training relating to independence appropriate to their position and role.

### Monitoring

Each member firm is responsible for monitoring the effectiveness of its quality management systems, and in particular whether the policies and procedures which constitute its system of quality management are designed appropriately and operating effectively to provide reasonable assurance that its work is performed in compliance with laws, regulations and professional standards. This enables each firm to sign a confirmation of compliance with PwC standards, and to prepare a remediation plan where deficiencies are identified.

This includes performing reviews of the PwC member firm's systems and procedures, and sample reviews at the individual engagement level, including the approval and conduct of non-audit services.

These reviews include a focus on independence and application of required policies and processes. PwC reviews each firm's compliance with professional standards and policies, including those relating to independence, through inspection activities directed at a risk based sample of member firms. In FY20, five member firms were subject to this periodic review (FY19: 4 firms). The review programme is based on professional standards relating to quality control, including ISQC 1, PCAOB Quality Control Standards and other applicable professional standards.

Any departure from independence requirements in the PwC independence policies and/or external regulations is evaluated. Member firms follow the relevant procedural steps set out in the IESBA Code of Ethics and/or that are issued by other regulatory authorities, which involves discussion with those charged with governance of the client regarding the nature of the breach, the impact on objectivity, and whether steps can be taken to address any threats to independence.

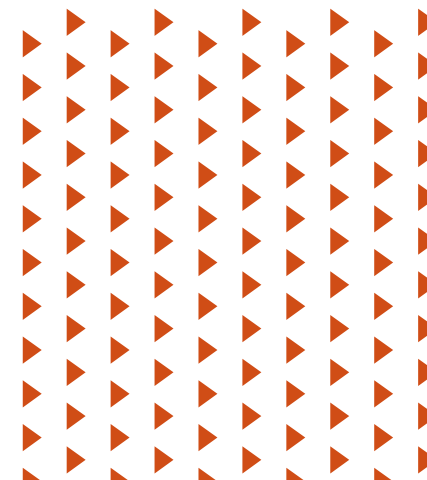
Member firms also follow applicable local requirements relating to the reporting of independence matters. Disciplinary measures may follow.

## Partner remuneration

An essential element of PwC's ethos is a set of common principles for remuneration of partners in member firms, based on partner performance, behaviours, and quality of work.

Payments to partners comprise both an equity return for their investment as owners of the individual firms as well as reward for their performance as individuals and as members of teams. This reward is based on their performance and contribution to their respective firms and, where relevant, to the wider network.

Quality is one of the most important measures in assessing a partner's performance with each member firm operating an accountability framework to both recognise positive quality behaviours as well as penalise non compliance with our standards or expected behaviours.



## Global Annual Review 2020

[www.pwc.com/annualreview](http://www.pwc.com/annualreview)

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Note to readers: In this Global Annual Review, the terms PricewaterhouseCoopers, PwC, our, we and us are used to refer to the network of member firms of PricewaterhouseCoopers International Limited or, as the context requires, to one or more PwC member firms.

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