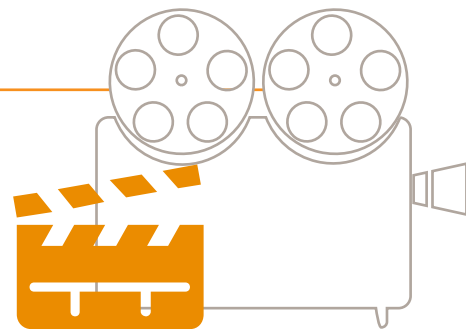

One Firm, Transforming Our Region

Middle East Annual Review 2016



Interview with Hani Ashkar



Hani Ashkar, Territory Senior Partner, Middle East talks to Hala Kudwah, our Financial Services Consulting Partner based in KSA about our performance over the past year, the outlook for our firm and our role in building trust in society.

As people look through the first Middle East Annual report 2016, despite some challenges, it was a very successful year for PwC?

Our region is undergoing a once in a generation transformation. Globally we see 5 forces, or “Megatrends”, impacting the world - demographic change, shifts east in economic power, rapid urbanization, resource constraints and massive technological upheaval. We are at the epicenter of these Megatrends with each of them having significant implications across our region. These forces, alongside the impetus from sustained lower for longer oil prices have driven a swathe of transformation across the GCC. In particular the launch of Vision 2030 in Saudi Arabia, as the Kingdom looks to diversify away from oil and drive a range of other reforms, has seen us work on many transformation programmes in the Kingdom.

While challenges continue across the Middle East, we remain committed to all parts of the region. Egypt is starting to see positive progress economically, and we retain an active presence in both Iraq and Libya.

So yes, to the outside world it would look like difficult times in the region, but this level of change, our ability to provide strategy through execution solutions and our strong regional relationships have meant that we’ve had a successful year. We performed strongly with revenues up 14% this year.

I’d like to take this opportunity to thank all my fellow Partners and staff for their hard work and commitment and, of course, our clients for the trust they place in us.

It is unprecedented for professional services firms to issue their results in the region - what was the driver for issuing this report?

Two main drivers - impact and transparency. We are very proud of the work we do in the region and the positive impact that we have on our clients, people and society. We have a two folded purpose as a firm, to solve important problems and to build trust in our society. The regional annual report is a great way to get this across and it demonstrates not just our financial results but the broader impact we are having across the region. We have used our Total Impact Measurement and Management (TIMM) framework that allows us to take a more holistic approach to our impact across economic, human and environmental dimensions.

I think the report demonstrates both our commitment to the region and our positive impact. When you employ more than 4,000 people in the region you can have a tremendous positive impact, especially when the overwhelming majority includes young talent. In fact, our workforce is made up of 74% Millennials (generation born between 1980 and 1995) and our proportion of women is higher in this group than in any other.

Our purpose is also built on trust. Transparency and disclosure are an important part of trust and by publishing this report we felt we were setting the benchmark on the trust agenda.

I'm most proud of our graduate and Watani programmes



Hani Ashkar

Middle East Territory
Senior Partner



Hala Kudwah

KSA Financial Services
Consulting Leader

It has been two years now since PwC made the bold move to acquire Strategy& - how has that progressed in the Middle East?

It’s been a great success story for us. The marketplace is continually telling us that being able to provide the full-spectrum of strategic advisory services, all the way through to being able to implement and execute them in today’s environment, has become an imperative.

The capabilities that Strategy& has brought into PwC are complementary and allow us to do just that. I personally think we now have a range, depth and quality of services that cannot be matched.

Tell us more about your most recent acquisition, HLP Consulting.

This is an important part of our expanding Capital Projects and Infrastructure services. HLP specialises in the provision of claims preparation and analysis, dispute resolution, expert witness, contract management and commercial management services to the construction, infrastructure and energy sectors.

This acquisition expands PwC’s capabilities to provide specialist services in relation to capital projects, review phasing, disputes and claims. It also helps build on our significant forensic capabilities in the region. With falling oil prices, we are likely to see an increase in construction-related disputes and with this acquisition we seek to better serve and equip our clients.



Other than strategic acquisitions, what else are you focused on?

Digital. Remaining at the forefront of the wave of digitisation sweeping the region stood out as being vitally important for us. We are working with some of the region's most vital government and corporate organisations across the digital agenda. Examples include disruption in telecoms, engagement in financial services, digitizing government services and keeping digital services safe and trusted. We also announced the launch of our Digital Experience Centre here in Dubai.

Keeping up with these changes also meant rethinking how we work, how we stay connected, how we share and how we get things done. We need to constantly remain ahead of the curve by thinking of new ways of doing business. And as the region's pioneers in the adoption of Google for Work, we are doing just that.

"Going Google" helps us develop our thinking around innovation at work and enables us to embed this change into every aspect of our business. Our partnership with Google allows us to bring to market innovative disruptive technology and deep industry and process knowledge required to help clients reinvent, innovate and transform their businesses.

Where did the firm's growth come from? Do specific areas stand out?

All of our Lines of Service have performed strongly. We have been expanding our service offering to be able to provide a full Strategy through Execution service to our clients. Our Strategy& (formerly Booz and Co) business performed strongly as did our Management Consulting, Tax and Assurance business. Despite a softening M&A environment our Deals business also posted positive growth.

People are key to our business! How would you describe PwC Middle East and what is the potential for young generations to join PwC?

If I had to pick out one thing that I'm most proud of, it would be our graduate and Watani programmes. In September this year we welcomed over 270 graduates into PwC in the region. Over 80% of these graduates are Arabic speaking and over 40% are female. They will receive world class development by working on iconic projects, being coached and mentored by our partners and staff and given high quality training.

Fostering local talent is another way for us to make our mark in the countries in which we operate. A great example of this is our Watani programme for UAE and Saudi nationals. Watani is a three-year programme for young nationals that provides the exciting opportunity to work, travel and study with PwC, in both the region and the UK. I was particularly proud that we were recently awarded recognition for the programme from both the Ministry of Economy and the AAA in the UAE.

Have our requirements changed in terms of the kind of people or skills we are looking for?

Just as adapting to technological disruptions is a priority in light of today's fast-changing marketplace, so too is our focus on retaining and attracting the right talent. We have talked a lot about technology, and having the ability to continually adapt to these new technologies will be, I think, a real skill for the future. We are now hiring different skill sets such as data scientists and creative talent to meet new demand.

The whole issue of gender diversity and being able to work with different people from different backgrounds and cultures is a critical skillset.

We need people who know how to work with teams, people who know how to collaborate, and who know how to listen.

PwC globally is involved in many programmes promoting diversity and inclusion. For example, PwC is an Impact Champion for the UN initiative 'HeForShe'. Could you talk about what we are doing in the Middle East in this area?

Our firm is incredibly diverse and I am passionate about ensuring that we create an inclusive work environment to harness this diversity and make it a competitive advantage for us in the market.

HeForShe is a UN initiative that brings men into the conversation and highlights the benefits of gender equality for everyone. Every year, we celebrate Global Diversity Week along with other PwC network firms, but creating a culture of inclusion goes beyond one week of activities.

We are focused on driving leadership accountability, increasing awareness, building a diverse talent pipeline and ultimately making diversity and inclusion part of how we do business. This year, we also launched the V20 Council - a group of representative Millennials (those born between 1980 and 1995) who act as a sounding board for the leadership team and provide a different perspective on our strategic priorities.

Finally.. how do you see FY17 contributing to the success of PwC, and what do you think the future looks like for PwC?

As I said earlier, we have a lot of momentum going into next year, with much to build on. We have to be balanced as there are clearly economic headwinds both globally and locally but we certainly have a lot to be proud of across our network in the Middle East.

Our region continues to go through significant transformation. So I see our firm as an adaptable and pioneering organization in the region – becoming ever-more technology-enabled and continuing to anticipate the solutions our clients will need in this ever-changing environment. That translates into a lot of opportunities for all of our people, and to me that's really the exciting part!

One Firm: Transforming our Region



**Welcome to the
inaugural
edition of our
Middle East
Annual Review
2016.**

Our purpose is to help solve our region's most important problems and to build trust in our society

Our region is undergoing a profound transformation. The Middle East is at the epicentre of a range of long-term, global structural forces - what we call the "Megatrends" and these, combined with the lower for longer oil price environment, are driving the transformation. The challenges posed by this transformation both inform and reinforce our strategic purpose - to help solve our region's most important problems and to build trust in our society.

To deliver on our purpose we have a simply strategy. One Firm: Transforming our Region. We have invested in both the very best talent in the region with over 4,000 people, including almost 1,000 people in Saudi Arabia and over 1800 in the UAE and an unparalleled range of expert capabilities from Strategy, through Advisory and Consulting to Tax and Assurance Services, underpinned by the standout digital platform in the region.

Furthermore, our diverse talent is part of the fabric of our society with a deep and thoughtful understanding of the socio-economic and cultural context of our region. We recently welcomed over 300 new graduates to our Firm, over 80% of whom are arabic speaking and over 40% are female.

In this first Middle East Annual Review you'll see how as a result, we are uniquely placed at the vanguard of the region's transformation. As, One Firm, we bring our diverse capabilities and people together to work on many of the largest, brand-defining projects in the Middle East.

It's not just what we do though, it's how we do it that sets us apart. We have a set of values that informs everything that we do.

Although we come from different backgrounds and cultures across our region, they are what we have in common. They capture our shared aspirations and expectations. They guide how we behave, make decisions, treat each other, and serve our clients. They hold us accountable to do our best.



**Act with
integrity**



**Make a
difference**



Care



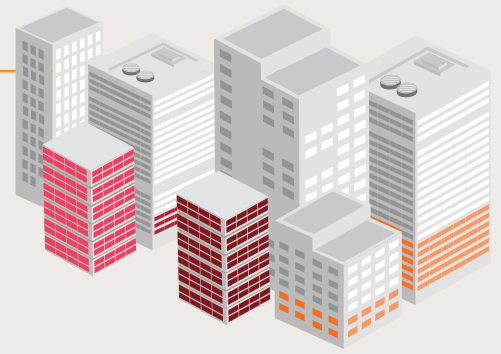
**Work
together**



**Reimagine
the possible**

I hope you enjoy our very first Middle East Annual Review.

What's driving the future of our region?



A look at the five 'Megatrends' that are transforming the Middle East

Distinguishing clearly between cyclical and structural trends can often be difficult. In our region, where the oil cycle appears to determine the fate of so many sectors, it is especially hard. When 65%-95% of government revenues come from oil and gas, as is the case for most of the region, this 'new normal' era of low oil price and squeezed liquidity has created the impetus for urgent action as we find ourselves today at the epicenter of megatrends that are reshaping our world. At PwC, we have identified five key Megatrends which we believe are creating new realities here in the Middle East. Understanding how these changes will impact our region – both separately and together – as well as our ability to collectively navigate these megatrends will certainly define our success over the next few decades.

With the region's populations expected to grow 40% by 2020 – **demographic and social change** is one element that defines this new reality, having driven both prosperity and instability across the Middle East. This explosive population growth is already being felt, having both boosted economies but also strained resources and raised the spectre of youth unemployment which today stands at 30%. 2020 will also account for a Middle Eastern generation comprised of 20% elderly.

Part of that population growth stems from the inflow of expatriates, responding to the **shift in global economic power** which has placed the Middle East firmly in the middle of the world's fastest-growing markets allowing Dubai, in particular, to turn itself into a global hub bridging the economies of the West, with the new thriving markets of the East. The region is a global centre of aviation, being already home to the world's busiest international airport and leading global carriers. But fears over oil and stability translates into equally strong fluctuations of investments into our region.

Meanwhile, we are already one of the world's most **urbanized regions**, a trend that is only set to grow further with new cities and projects being unveiled by the day on one side, and massive displacements of people from the other. Economists expect our urban population to grow by 1500 people every day for the next 35 years. With such a once-unimaginable rate today a reality, our cities will need to grow over decades, not centuries. The good news is that this creates a wealth of opportunities for private sector investment, and this is only the beginning.

This all inevitably translates into a pressing struggle to develop sufficient infrastructure to cope with both the population explosion and the pressures brought by **climate change and resource scarcity**, which impacts our region in more ways than most. Our residents are also amongst the world's highest users of water and energy, but fears remain that in 50 years, both water and oil will become scarce commodities. Tackling water consumption and energy diversification have therefore also become more pressing issues today than ever.

But what if **technology** were to be part of the solution? Our region is leapfrogging fixed internet and moving straight to mobile. Our people are some of the world's fastest adopters of smartphone and social media; yet we haven't seen that translate into commercial growth – yet.

It is true that the urgency of the transformation currently underway is a reaction to the sharp drop in oil revenues, but the direction of change – and its complexity – is an inevitable response to these multiple global forces. An untapped opportunity lies herein and it is our collective responsibility to join our efforts to turn potential growth opportunity into a tangible one for generations to come.

On the one hand, Governments know they need to cut subsidies, expand their fiscal base and bring private investment and corporate practices into state entities. But they also know they need to keep building infrastructure, enable technology and innovation and start producing the right kind of graduates to drive productivity growth. By understanding the broader context, governments can ensure they are doing everything needed to make the transformation successful.

We believe our region must accelerate our ability to leverage and commercialise technology, diversify our economy, and become a competitive contender of global scale. Together, by translating a common understanding of these megatrends into practical guidelines for future strategy, we can manage change and seize the opportunities to help solve the region's most important problems and build trust in our society.



Stephen Anderson
Middle East Clients & Markets Leader



Demographic and social change



Shift in global economic power



Rapid urbanisation



Climate change and resource scarcity



Technological breakthroughs

Key Performance Indicators

How we are doing

Our growth

Revenue

up **14 %**



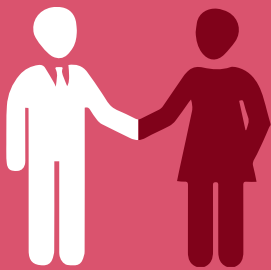
Supporting our communities



3,552

hours volunteered by
457 of our people

Our clients



We work with over

5,000

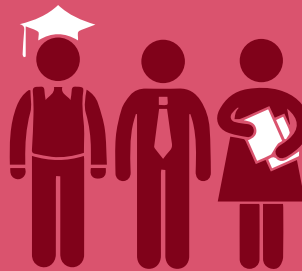
clients, helping them create
the value they're looking for

Net Promoter Score

60%

measures our clients' loyalty
and how likely they are to
recommend PwC services

Who has joined us



1,053

joined us this year

Our new joiners include:

307

Graduates

650

experienced
professionals

96

support staff

Our reach



We're wherever
our clients are
We have 21
offices across
the Middle East
spread in
12 countries.

Our people



We have around

4,000

employees across
the Middle East

GPS

76%

measures our people's
engagement, including
how likely they are to
recommend PwC as a
preferred place of work

of which

200

are partners.

Our Corporate Impact



Committed to Transparency: Our 2016 Middle East TIMM

Measuring our contribution to society

Can a company's total contribution to the economy and society be measured? At PwC we think it can.

We use a unique framework we call Total Impact Measurement and Management (or TIMM) to gauge our contribution to the economy and society, and weigh it against the impact we inevitably have on the environment. It's one of the ways we're providing greater transparency for our stakeholders, and improving the information we use for decision-making. TIMM is also a tool we deploy for our clients to help them measure and manage their own impact in a holistic manner.

TIMM is a relatively new framework, this is the first year we have used this methodology to measure the total impact of our own business on the Middle East region, and we are already able to value a number of these impacts in monetary terms. It has given us a holistic concept and language to discuss a wide range of issues internally, helping ensure consideration of our economic, social, fiscal and environmental impacts, alongside our financial business performance. It has also helped us to understand the relative importance of different aspects of our business, and where to focus our efforts to decouple business growth from our undesired environmental and social footprint. Here are our 2016 results.

Our 2016 impacts

Our economic impact is the biggest part of our positive contribution to the Middle East Region.

The combined impact of our profits and payroll reflects our Gross Value Added (GVA) contribution to the GDP of the region, which is estimated at \$640 million. Our contribution to the region's economy manifests itself through the value we create for our clients, the spending of the firm in delivering our advice through our procurement (in particular from travel across the region and spending in hotels and restaurants), and the spending of our employees in their local economies. This economic impact is supplemented by our fiscal impact which is valued at \$18 million. Our fiscal contribution is driven by the corporation taxes we pay, the charges that the firm pays to government on behalf of its employees for visa and other public service fees, and the income tax paid by our employees.

Our social impacts are valued at \$10.4 million and reflects the investments we make in training our people and our financial contribution to the health and education costs of our employees. Whilst we aim to retain as many of our staff as possible, some decide to leave the firm and continue their careers elsewhere. In these cases, the qualifications they obtain at PwC help to increase their future earnings throughout their professional lives. This skills uplift benefits the Middle East economy, and we have valued the direct social impact of training our accountants at \$0.74 million.

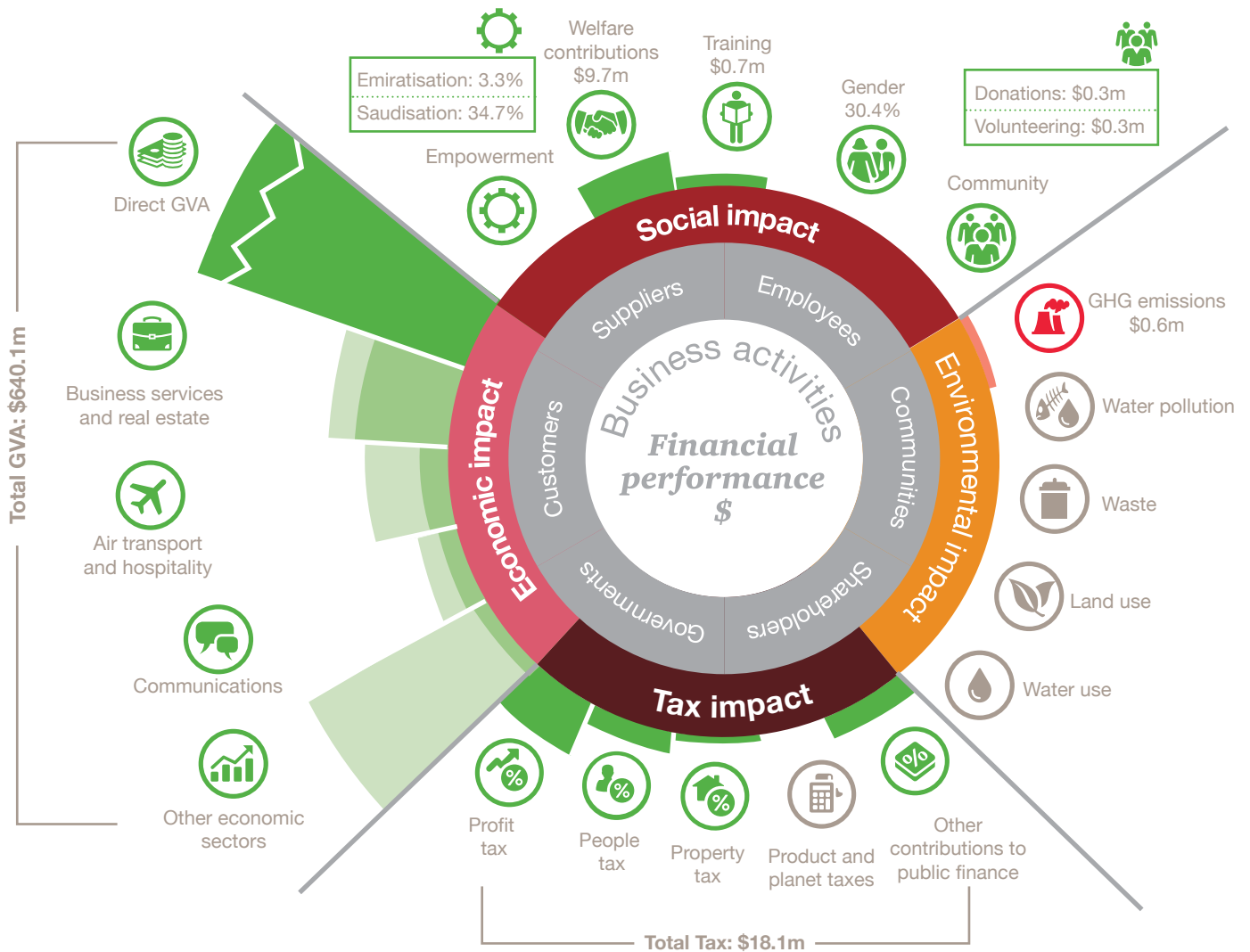
We also contribute towards the Government's welfare costs through providing a discretionary allowance to support our staff's education costs for their children and their health insurance costs which is valued at \$9.7 million. In addition, 42 PwC employees spent 1,617 hours in skilled volunteering jobs and 415 PwC employees spent 1,935 hours in general volunteering jobs in the Middle East. This volunteering effort has been costed at \$0.30 million.

Finally, as a professional services firm, our direct environmental impact is small compared with other industries, but we make a concerted effort to minimize our negative impacts all the same. Most of our impact is driven by greenhouse gas emissions which has been valued at \$0.63 million. This impact is generated predominantly by the energy use in our buildings and from air travel to work with our clients.

The total impact of the PwC Middle East firm is the result of the integrated and balanced contribution of our economic, social, environmental and fiscal impacts. In aggregate, our societal contribution is significant based on our work with our clients - helping them to grow and develop; the contribution to Government finances we make through taxes and charges paid, and through the investment we make in skills and talent which benefits not just our people but society more generally.

The combined impact of our profits and payroll reflects our Gross Value Added (GVA) contribution to the GDP of the region, which is estimated at 640\$ million

Middle East 2016 Total Impact Measurement and Management



Key

- | | | |
|---|--|---|
| ■ Negative impact, direct | ■ Positive impact, direct | ■ To be completed in the future |
| ■ Negative impact, indirect | ■ Positive impact, indirect | |
| ■ Negative impact, induced | ■ Positive impact, induced | |

How we do it:
Building Trust,
Solving Problems

Developing talent in the Middle East

To meet our clients' needs and fulfil our purpose, we need the best talent everywhere we do business. That's why we're committed to developing our people.

A great example of this commitment in action is in the United Arab Emirates, where PwC Middle East runs a programme under the name of 'Watani', Arabic for 'National'.

The Watani Graduate Programme offers an opportunity for UAE Nationals to join PwC Middle East, where they work and study for three years in both the UAE and the UK. Watani is the only professional services programme dedicated to helping UAE Nationals gain an internationally recognised qualification – the ACCA (Association of Chartered Certified Accountants) – while also gaining international experience in a developed market.

The programme has been hugely successful in developing local talent for PwC Middle East.

Omran AlAmri, one of the many graduates who has benefitted from the programme, comments: "The Watani programme is the foundation for my career in professional services. It gives me the experience I am looking for, support to achieve my professional qualification and an opportunity to develop my skills working with diverse and dynamic people. The firm and its leadership team have invested in this great initiative which will develop the future leaders of the region."

Given its success, the Watani Client Secondment Programme was launched in 2016. This provides PwC Middle East's clients, mainly in UAE, and at a later stage across the Gulf Cooperation Council (GCC), the opportunity to send their people to work with PwC and gain a globally-recognised professional qualification. The secondment programme was created in response to multiple requests from clients, and has been enthusiastically received.



Omran AlAmri

In September 2016, the firm received the 'Pioneering Awards' from the UAE Ministry of Economy for attracting, hiring and training UAE Nationals in the Accounting and Auditing Profession. This achievement is a stepping stone for PwC Middle East and is in line with the UAE Government's vision of having 100 UAE Nationals qualified by the Association of Chartered Certified Accountants (ACCA) by 2021.

"The Watani programme is the foundation for my career in professional services. It gives me the experience I am looking for, support to achieve my professional qualification and an opportunity to develop my skills working with diverse and dynamic people."



"PwC is committed to attracting, developing and retaining the best talent in the region. We are proud that our people engagement scores showed a big spike this year, going up 5% which was the biggest improvement amongst all of the PwC firms in the network. These results reflect that our people value the working environment that PwC offers."

Emma Campbell

PwC Middle East Human Capital Partner and People Leader

Helping to protect workers' rights in the Middle East

The welfare of construction workers in countries across the Middle East is a frequent focus of attention in the media, both within the region and worldwide. This means that responsible employers in the Middle East face the challenge of demonstrating that they're complying with high standards in how they treat their workers, if they're to gain a deserved reputation as businesses that do the right thing.

One organisation that – under the monitoring of PwC – has been tackling this problem head-on is the Tourism Development and Investment Company (TDIC) of Abu Dhabi in the United Arab Emirates (UAE). TDIC is a major investor and developer of tourism, cultural and residential destinations in Abu Dhabi, with a portfolio of developments that includes the Abu Dhabi franchises of the world-famous Louvre and Guggenheim museums.

Back in 2009, TDIC became the first major developer in the Middle East to roll out an Employment Practices Policy (EPP) to safeguard the welfare of workers who are employed by the contractors (and their sub-contractors) on high-profile construction projects on Saadiyat Island. In each of the past four years, a joint team of PwC specialists drawn from the Middle East and UK firms has conducted an independent monitoring review for TDIC of its major contractors and subcontractors.

The PwC team conducts confidential interviews with workers, performs documentation testing on ethical recruitment areas, visits the company's sites, and compiles a detailed report – including action points – which is published externally by TDIC. In 2015 the review covered six contractors and eight subcontractors, engaged on seven TDIC projects employing a monthly average of some 5,555 workers.



“Responsible employers in the Middle East face the challenge of demonstrating that they’re complying with high standards in how they treat their workers.”

Key outcomes of the EPP initiatives that the PwC team is involved with include:

- The freedom for workers to speak out without fear of reprimand
- Increased level of welfare facilities at the workers’ accommodation and work sites
- Greater awareness by workers of their basic rights
- Ripple effect across organisations, countries and regions to set higher level of worker welfare standards
- Greater understanding by employers of their workers’ concerns and addressing them to ensure a happier/motivated workforce
- Enrichment of migrant workers’ communities through such activities as sports competitions, welfare forums and educational initiatives.

Says PwC UAE partner Adnan Zaidi: “As well as providing external stakeholders with transparent and credible insights into the welfare of workers on TDIC’s sites, our monitoring work has also brought many benefits within TDIC. These include contributing directly to improvements in TDIC’s contractor management and workers’ conditions, together with protection of their rights in areas such as health and safety training, accommodation and healthcare.”

Supporting Saudi Arabia's industrial development



Saudi Arabian Industrial Investments Company (SAIIC) is a joint venture between the Saudi Arabian Public Investment Fund, the Saudi National Oil Company Saudi Aramco, and the leading petrochemicals company SABIC. The company's aspirations are to drive economic development in Saudi Arabia by investing in ventures in strategic industrial sectors for the country, and helping to foster the wider development of manufacturing ecosystems.

In line with the Saudi Vision 2030, SAIIC will stimulate economic diversification, localisation of industries, creation of high-quality jobs, enablement of small and medium enterprises, and the attraction of foreign investment into the country.

After the creation of SAIIC, its shareholders and CEO were looking for help in quickly getting the investments and operations of the company up and running. A joint team from Strategy&, PwC Deals and PwC Consulting combined their 'strategy to execution' capabilities to support SAIIC in a 'Build, Operate and Transfer' mode for two-and-a-half years. The three elements of the project are to:

"Strategy& and PwC have provided us with the support and advice that we need to start fulfilling our mandate in a sustainable way and in the shortest possible time."

- 'Build' SAIIC's investment strategy, deal pipeline, operating model, and processes;
- 'Operate' the company's business development and investment execution activities, and corporate support services; and
- 'Transfer' know-how and capabilities to the full-time SAIIC staff who would be recruited over the duration of the program.

The Strategy& and PwC team has already started achieving tangible results on the ground. A solid pipeline of deals is now in place, and a memorandum of understanding has been signed with the US multinational General Electric to develop advanced manufacturing facilities in power & water, oil & gas, aviation, digital and other sectors, with a total estimated value of US\$3bn.

SAIIC's CEO, Rasheed Al-Shubaili, says: "Strategy& and PwC have provided us with the support and advice that we need to start fulfilling our mandate in a sustainable way and in the shortest possible time. We now have a robust platform in place to help drive future growth and success – both for SAIIC and Saudi Arabia."

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PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity.
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