Being open about how the PwC network is organised and governed, and the high standards that we expect all PwC firms to follow, is important to us.

We understand the impact that our work can have on our stakeholders, the capital markets, and the communities in which we operate. Therefore, we wanted to share some details about our legal structure, our policies on independence, and remuneration.

We believe that the key factors that differentiate PwC from our competition are the talent of our people, the breadth of the PwC network, and the standards with which PwC firms comply.

**Network standards, policies and governance**

To support transparency and consistency, each PwC member firm’s Territory Senior Partner signs an annual confirmation of compliance with PwC’s standards.

Each member firm also has an elected governance board 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.
Annual standard compliance confirmations cover a range of areas, including independence, ethics and business conduct, enterprise risk management, governance, anti-corruption, anti-money laundering, anti-trust, insider trading and information protection. In addition, member firms are required to confirm compliance with other business-related standards (i.e. strategy and alignment, leadership and management, people, brand, technology, investment, serving clients).

Confirmations are reviewed and member firms are required to develop an action plan to address specific matters where they are not in compliance and/or where process improvements are needed. The action plans are also reviewed and their execution 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.

There are some common principles and processes to guide PwC member firms in applying PwC’s standards. Major elements include:

**The way we do business**
PwC member firms undertake their business activities within the framework of applicable professional standards, laws, regulations and internal policies. These are supplemented by a PwC Code of Conduct applicable to all of their partners and staff.

**Sustainable culture**
To promote continuing business success, PwC member firms 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.
Policies and processes
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.

Conflicts of Interest
Given the broad nature of our operations and the many clients that we serve, PwC does face risks of potential conflicts of interest. We take any potential conflict of interest very seriously and if a conflict is identified, we take timely steps to resolve or remove it. PwC firms maintain internal controls and processes to identify potential conflicts, comply with relevant regulations. We also have in place programmes intended to reinforce the need to act in accordance with PwC codes of conduct and frameworks for ethical decision making at both a member firm and network level.

PwC Network approach to government roles and assignments
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, due to the potential for conflicts of interest to arise. 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.

Having a set of principles for use across the PwC network helps us take a consistent approach and is intended to minimise potential conflicts and avoid the perception that confidences gained from one role could be used in another or for the advantage of a PwC firm.

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

1. 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.

2. 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.

3. 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.

4. 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 point three (3) 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 PwC firm must comply. However, we expect member firms to have a common minimum approach in line with these principles.


Our Code of Conduct lays out the framework and reinforces the importance of conducting business according to professional standards, laws, and regulations, as well as our own policies, values, and standards, even as we work across borders. The 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 shows that we care about each other and our business. And it helps us live up to our commitment to deliver quality outcomes. Each PwC person – 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 which is available to anyone who may have concerns to report at 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.
Managing independence

As auditors of financial statements and providers of other types of professional services, PwC 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.

PwC has implemented policies and processes based on the ISQC1, issued by the International Accounting and Auditing Standards Board, the Code of Ethics for professional accountants 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 policies and processes 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 of the member firm in that jurisdiction.
Each PwC 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.

**Managing independence requirements**

PwC maintains a system identifying entities which are subject to independence requirements for PwC 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 PwC firm enters into a new audit or non-audit engagement or business relationship.

PwC continues to invest in systems and processes that provide an integrated approach that promotes compliance and data quality.

Firm and personal relationships independence requirements apply to the interests and relationships of each PwC firm and to their partners, as well as to practice staff involved in providing services to an assurance client or its related entities. The independence requirements are set out in the PwC Independence Policy, supplemented by any local requirements. Key controls include:

- 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 PwC 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 PwC firm enters into a new joint business relationship, it must evaluate it for compliance with the PwC independence policies. All PwC 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 PwC firms are required to obtain authorisation from the group audit engagement partner responsible for services to that entity (or a related entity). We are continually investing in improving our support system, indicating PwC’s commitment to have effective, efficient, and technology-enabled processes to support independence.
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 provisions of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics, as well as the rules and standards issued by other regulatory authorities. PwC 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 impression that the sale of non-audit services to our audit clients can create and some misconceptions that exist around this.

In FY19 over 70% of revenues from our audit clients in major global indices were for audit services, and less than 30% for non-audit services. The level of provision of non-audit services to audit clients is also declining with the figures in FY18 for the same group of clients being 69% audit services and 31% non-audit services, and for FY17, 68% audit services and 32% non-audit services.

### Revenues from audit clients

<table>
<thead>
<tr>
<th>Year</th>
<th>Audit services</th>
<th>Non-audit services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>2018</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>2017</td>
<td>68%</td>
<td>32%</td>
</tr>
</tbody>
</table>

70% of revenues from our audit clients in major global indices were for 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. 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 PwC 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 PwC firm is responsible for monitoring the effectiveness of its quality management systems.

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 monitors each firm’s compliance with professional standards and policies, including those relating to independence, through visits to PwC firms. The monitoring programme is based on professional standards relating to quality control, including ISQC1, 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. PwC 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.

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

**Acquisitions**

PwC has established protocols and processes that are followed for any proposed acquisition of another entity by a PwC firm to ensure that any independence issues are identified and addressed.

In FY19, PwC firms completed nine acquisitions in our Advisory practice and formed four alliances and strategic investments around the world in our Assurance and Advisory practices – expanding our professional capabilities in strategic areas such as data analytics, user experience, digital transformation, and healthcare technology.

**Partner remuneration**

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

The underlying premise of the partner income philosophy is to encourage, recognise and reward partners as individuals and as members of teams, but also as owners of the business. Reward is based on their 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 contribution.

**Continuing education**

We’re committed to the development of all member firm partners and staff in all parts of the PwC businesses around the world. We invest in leadership development to ensure we set the right tone at the top and create a positive working environment where people can grow and reach their full potential. Investing in the development of our people also allows us to continually improve the quality of our services.

Our Network Leadership Development Programme is designed to accelerate the development of approximately 200 select member firm partners annually, thereby building our leadership bench strength for the future. Now in its third 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...
connections with an assigned mentor. In addition, there are two in-person events that feature intensive cultural and business immersions in important and diverse markets around the world, such as China, India and the United States.

We also offer online learning tools and resources through Vantage, a cloud-based innovation that delivers training on a wide range of topics to our 276,000 people across the network. This platform enables all our people to customise their learning for both content and usage. An innovative feature includes Playlists, a way to create personalised learning by grouping together a combination of podcasts, videos, websites, reading articles and job aids, that can be saved and played back at a time that suits the user, and shared with others. A simple but engaging and effective way of helping individuals to personalise and take control of the learning they need and access it anytime. Learn more.

Learning and education in our Assurance practice
The PwC approach to Assurance learning and education is to provide access to a curriculum of formal learning and technical courses needed to prepare staff and partners for the delivery of quality assurance services. In some cases, PwC member firms may supplement this curriculum to address additional local training needs.

PwC member firms are committed to delivering quality assurance services around the world. To maximise consistency in the network, the curriculum provided covers the PwC audit approach and tools; updates on auditing standards and their implications; and areas of focus in specific audit risk areas and/or areas of focus for enhanced quality.

This curriculum is designed using a blend of delivery approaches, which include remote access, classroom learning and 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, technical and professional skills.
The curriculum is available to the network in multiple modules, allowing PwC member firms to select when they will deliver different portions of the curriculum based on local needs.

The conversion to modular content along with other innovative learning approaches have led to formal recognition from the broader learning community. In both 2017 and 2018, PwC’s Learning and Education won a Brandon Hall Group silver award for excellence in the ‘Best Strategy for a Corporate Learning University’.

While our classroom materials have a variety of designs and formats that deliver the learning experience, all follow consistent principles:

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

Our remote access materials – available through the new learning platform Vantage – also have a variety of designs and formats that deliver the learning experience, including the following:

- eLearns that allow participants to work at their own pace, access learning when needed, and provide feedback. Some examples include a simulated on-the-job experience in an immersive solution; use of gamification; and individualised, real-time feedback and coaching based on choices made by the learner during the eLearn

- Microlearning, how-to videos and performance support videos that are accessible at time of need and are small, easy-to-absorb learning activities. These learning activities range from short lessons on how to use technical tools, to on-the-job-support to reinforce concepts learned in formal training.

In 2019, we won two Brandon Hall Group bronze awards for excellence in the ‘Best Use of Games and Simulations for Learning’ for two courses we created that simulated on-the-job experience decisions using gamification/learning game theory and which provided real-time feedback and coaching based on choices made by the learner during the training.

**Legal structure, ownership, network arrangements and leadership**

**Network arrangements 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 countries around the world.

PwC firms are members of PricewaterhouseCoopers International Limited and have the right to use the PricewaterhouseCoopers name.
As members of the PwC network, PwC firms share knowledge, skills and resources. This membership facilitates PwC 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.

**PricewaterhouseCoopers International Limited**

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

PwC firms 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 the standards of the PwC network.

**Network Leadership Team**

The Network Leadership Team (NLT) sets the overall strategy for the PwC network and the standards to which PwC firms agree to adhere. The NLT is made up of the Chairman of the PwC network, the senior partners of the US, the UK and China 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 bi-weekly and on further occasions as required.

**Strategy Council**

The Strategy Council, which is made up of senior partners of the 21 largest PwC firms and regions, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy. The Strategy Council meets on average four times a year.
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.

Global Board
The Board, which consists of 18 elected members, is responsible for the governance of PwCIL, oversight of the Network Leadership Team, and approval of network standards.

The Board does not have an external role outside PwC. 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. During FY19, the Board met 11 times, either in person or by conference call.

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, and partner remuneration. To read transparency reports for PwC member firms in the EU, click here. Other PwC member firms that publish transparency reports include our firms in the UK and Australia.