

2018 Transparency report

*Working together to build
trust in society and solve
important problems*

pwc

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with over 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/mt

www.pwc.com/mt/annualreviewmalta

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Note to readers:
PwC refers to the Malta member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

Introduction from the Territory Senior Partner

I am pleased to present our firm's review for the period ended 30 June 2018.

PwC Malta has changed its reporting date to 30 June in order to align itself with the reporting of the PwC Global network, of which PwC Malta forms part. Data and figures reported in our transparency report therefore cover the period from 1 January 2017 to 30 June 2018.

My term of office commenced on 1 October 2017 when I took over from Kevin Valenzia. During his 43 years with the firm, 22 years of which as a

partner and 8 years as Territory Senior Partner, Kevin contributed heavily to the firm's achievements and to its evolution into the firm it is today.

During his tenure, Kevin always led by example. His energy, enthusiasm and leadership, together with his foresight, enabled PwC Malta to strengthen its position as the leading professional services firm in Malta and significantly contributed to Malta's development as a financial services centre. His role and contributions both to the firm, and to the market in general, have been invaluable and, indeed, he should be proud of all that he has achieved.

It is a great privilege to be PwC Malta's Territory Senior Partner. I am really excited to be given this opportunity, to

lead a firm that comprises a group of very talented people led by committed and dynamic partners and managers, and one that handles such a significant and diverse client base. As at 30 June 2018, PwC Malta engaged 614 people, with revenues for the 2017 calendar year of €35 million and of €21 million for the 6 month period ended 30 June 2018, indeed a remarkable achievement.

I believe that PwC Malta is a firm that is at the forefront of the profession today, carrying out engagements that are complex and that contribute to Malta's economy in no small measure. Our growth and dynamism in the market however, had no impact on the values that the firm has been built on. Acting with integrity, working together, caring, making a difference and reimagining the possible – remain at the foundation of everything that we do and are synonymous of how we interact with our people and with our clients.

“Our continued investment demonstrates our intent to remain the firm of first choice for our clients and our people.”

Our people

Our people are and will remain our greatest strength. We have, during the 12 months ended June 2018, recruited over 250 professionals across the firm, including 65 experienced hires, over 70 graduates and more than 110 interns and have, through our various initiatives, invested in our people's ongoing training, our student programmes, the tools we use and the environment in which we work.

2017/18 has been a period characterised by a continuing strong economic performance in Malta as a whole, a period that has put pressures on people retention across all industries besides the infrastructure in general. We have not been exempted from these pressures. Our reaction has been to continue to invest in our infrastructure

and in our people. We have, and will continue, to invest significantly in the environment in which we work as our people deserve to work in the best facilities that we can provide, while we continue to be a major recruiter.

In December 2017 we successfully acquired the Richard Clarke Academy, an ACCA training business. In April 2018, we completed a significant investment in a state-of-the-art centre - The Hub – a space purposely designed around the innovation eco-system bringing together two concurrent architectural concepts – a contemporary learning space for our Academy and a collaborative space to innovate with our clients.

Our continued investment demonstrates our intent to remain the firm of first choice for our clients and our people. We recognise our responsibilities in

leading by example ensuring that we offer equal opportunities, and that we embrace diversity in a way that reflects the society in which we operate. We also intend to set an example in terms of the environment. We have taken a number of initiatives to reduce our impact and we have also embarked on an investment plan that will further demonstrate our commitment to being a responsible employer. We will continue to challenge ourselves to always do better to create a sustainable environment.



Our clients

We are engaged with government, local businesses and international entities, authorities and bodies, through a broad range of services, helping them to develop opportunities, solve important problems and create a long-term sustainable future for their stakeholders.

During this period, we remained engaged with our clients in providing a distinctive service and in building on the relationships that have been formed over the years throughout the market.

The depth and quality of our client base together with our success within the financial services industry has characterised the strength of our firm and established our reputation as pioneers and leaders within the local market. We are recognised as leaders in each of our core services - assurance, advisory and tax - through the quality of our work and thought leadership, and we aim to maintain this position through the continuing evolution of these services.

Operating in a sector characterised by transformation, regular developments and changes within the regulatory environment has seen us continually focusing, being agile, and enhancing our financial services and regulatory offerings.

We also recognise that the speed of change in the way that business is, and will be carried out, is accelerating as a result of technological developments.

The digitalisation of business is definitely upon us. We have been investing in blockchain, cyber security and data analytics offerings, and we will continue to enhance our service offerings in these areas. This transformation will reshape the way we operate and offer exciting opportunities for the firm and its clients.

As a firm we have and will continue to embrace all these developments. In fact, they have strongly influenced our investment decisions and strategy:

- the Hub provides an environment where clients can use design thinking to identify creative ways of solving issues
- the roll out of cloud-based collaborative technologies, such as Google, will transform the way we work together with our clients and
- our technology offerings have been structured into three streams:

- *Managed Services*

where we are able to assist clients in outsourcing part of their IT support function

- *IT Security Services*

where we are able to provide assurance to clients' systems and also identify any shortcomings

- *Digital Consulting Services*

where we provide clients with Business Intelligence solutions and project management services on systems implementation

In all instances, our focus is on adding value to our clients. We are committed to continue doing this through our focus on quality and professionalism, using the latest in what technology can provide and through further developing the services that we already provide.

Looking forward

We are the leading professional services firm on the Island, and our challenge is to retain that position.

To do so, we must continue to attract and retain top talent, and develop new skills within our people that will allow us to support our clients and to provide innovative services aligned with the onset of emerging technologies.

For our clients, and for us, doing business in a dynamic economic environment that is heavily influenced by rapid technological breakthroughs and constant changes, will present its challenges.

We intend to play a key role and to be at the forefront of this transformation-making a difference, innovating and focusing on quality alongside our clients through our people.



David Valenzia
Territory Senior Partner

October 2018

Do you have any questions
for David?



david.valenzia@pwc.com



@David_Valenzia

Message from the Head of Assurance

The eighteen-month period to June 2018 was challenging but also rewarding for our assurance practice. We maintained our strong revenue base, actually growing it in the first half of 2018, as we continued to attract new clients to the firm and to consolidate our relationships with existing ones. Income from statutory audit and directly related services amounted to 45% of the firm's total income during the eighteen-month period ended 30 June 2018.

The environment within which we are carrying out our statutory audits is undergoing a period of significant change. Audit reform legislation in the EU has been far reaching and the requirement for mandatory firm rotation for the auditors of public interest entities is alone a major game changer in the market. Coupled with this, tighter restrictions on the provision of non-audit services will also redefine the overall strategy of audit firms. At PwC, we are prepared to embrace these changes and to move forward with confidence in this respect. We recognise that we are market leaders in the audit of public interest entities and have so far been extremely successful in retaining the audit mandates of those audit clients who were obliged to request multiple proposals for their audits. We know that when actual

audit rotation kicks in this will be more disruptive but we are planning for this well before it happens.

Quality remains the cornerstone of our audit practice. Independence and objectivity are equally important pillars that underscore all that we do and what we stand for. We have continued to invest in resources, and in systems, to ensure that our focus on these areas remains unyielding. This includes initiatives that give increased importance to audit efficiency and effectiveness and the restructuring of our audit teams to ensure that we deliver value to our clients from a technical, industry knowledge and business perspective. We continue to apply PwC Audit, a common audit methodology that provides the framework to ensure that our work is fully compliant with all relevant audit standards and that facilitates the execution, review and control of our audits.

Recruitment, retention and the on-going training of our people are areas where we continue to invest time, resources and focus. We recognise the importance of having a proficient, skilled and motivated

team of professionals to take to the market and work incessantly for this to happen. This is not an easy task as people sometimes make career choices that are not always aligned with the firm's career path mapped out for them.

Our staff numbers are growing significantly both from local and from overseas sources. Training offerings are constantly being expanded to keep up with developments both from a general and from an industry specific standpoint and the creation of our new training centre at The Hub has enabled us to be more versatile and innovative in the training that we offer our people. A number of initiatives are also being taken to encourage retention of our people and we constantly talk to them about the huge opportunities that exist within our firm for ambitious, talented and driven individuals.

As we move our assurance practice forward into an ever-changing world we recognise the need for the service that we offer to remain relevant. Change is demanding that

we deliver our services in a different, more modern and above all technologically up to date manner. Our audit process is already very dependent on IT with a suite of tools that support and enrich our audit approach. We will be investing more in technology to automate, simplify and streamline our services thereby improving processes and making the whole audit experience more connected for our clients and our people.

Our aim is to have a comprehensive and technologically enabled audit methodology that is delivered by a team of talented professionals and that maintains the strong values that our firm is proud to uphold. We remain committed to having a positive impact on our clients, on the business community that we serve and on society as a whole.

Do you have any questions
for Simon?

 simon.flynn@pwc.com



Simon Flynn
Head of Assurance
October 2018



Our Firm

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The structure of our firm

Legal structure and ownership

PricewaterhouseCoopers (PwC) is a civil partnership governed by Maltese law. The firm is owned by a group of 20 members, commonly referred to as partners, all of whom are professionals active within the practice.

The firm is registered as an audit firm with the Accountancy Board in terms of the Accountancy Profession Act (the Act). David Valenzia is the firm’s Compliance Principal in terms of the Act replacing Kevin Valenzia who retired on 31 December 2017. David Valenzia is the Territory Senior Partner and as senior partner subjects himself at the end of a 4 year term to the full partnership board’s approval for re-appointment.

The number of partners of the firm who are Certified Public Accountants holding a practicing certificate in auditing, and the percentage of voting rights in the firm held by such partners and directors, are materially in excess of the thresholds established in article 10.4 of the Act.

Subsidiary undertakings

The principal subsidiary undertakings of PwC Malta as at 30 June 2018 are:

Subsidiary undertaking	Principal activity
PwC Malta Technology Services Limited	Provision of IT services
Abacus Holdings Limited	Licensed to provide trustee services
Medina Management Services Limited	Licensed to act as a corporate service provider
Abacus (Nominee) Limited	Licensed to provide trustee services
PwC Academy Limited	Provision of educational and training services

Governance and management structure

The governing body of the firm is the partner group, which meets at regular intervals to discuss strategy and to monitor the firm’s progress.

The Partner Council meets to discuss proposals for partner remuneration, for bonuses payable to the managers, and proposals for changes to the level of partner capital contributions. The total level of partner remuneration, level of capital contributions as well as any bonuses payable to managers are reported at the partners meeting.

The firm is organised into three service lines, namely assurance, advisory and tax (including company administration).

Service line issues are delegated to subsidiary boards comprised of all the partners in the respective service line, together with the Territory Senior Partner.

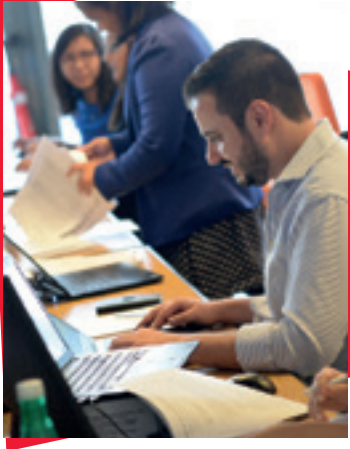
Dedicated function boards are also devoted inter alia to managing other areas within the firm, including human capital, quality and risk management, clients and markets and finance.

There are also a number of supporting boards, in addition to the function boards, including diversity, regulatory, technology and sustainability.

All function boards and supporting boards have a role across all lines of service.

This structure ensures that all partners are actively involved in the management

of the firm, while certain partners carry specific executive roles, reporting to the partner group as a whole.





	Designation	Partner Council	Assurance Board ¹	Tax Board	Advisory Board	Quality and Risk Management Board	Human Capital Board	Clients and Markets Board	Finance Board
David Valenzia	Territory Senior Partner	✓	✓	✓	✓	✓	✓	✓	✓
Simon Flynn	Head of Assurance	✓	✓			✓	✓		✓
Fabio Axisa	Assurance Partner		✓						
Stefan Bonello	Assurance Partner		✓					✓	
Joseph Camilleri	Assurance Partner	✓	✓					✓	✓
Stephen Mamo	Assurance Partner		✓					✓	
Lucienne Pace Ross	Assurance Partner		✓			✓	✓		
Romina Soler	Assurance Partner		✓						
Neville Gatt	Head of Tax	✓		✓			✓		✓
Bernard Attard	Tax Partner			✓				✓	
David Ferry	Tax Partner			✓			✓	✓	
Chris Galea	Tax Partner			✓		✓			✓
Steve Gingell	Tax Partner			✓					
Mirko Rapa	Tax Partner			✓		✓			
Joseph Muscat	Head of Advisory	✓			✓		✓		✓
Bonavent Gauci	Advisory Partner				✓			✓	
Michel Ganado	Advisory Partner				✓		✓		
George Sammut	Advisory Partner				✓	✓			
Ryan Sciberras	Advisory Partner				✓			✓	
Lisa Pullicino	Human Capital Partner						✓		

¹ authorised to sign audit reports on behalf of the firm



Our firm as part of a global network

Network arrangements and network firms

PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC Network. 'PwC' is often within the PwC network or to several or all of them collectively.

In many parts of the world, accounting firms are required by law to be locally owned and independent. Although regulatory attitudes on this issue are changing, PwC member firms do not and cannot currently operate as a corporate multinational. The PwC network is not a global partnership, a single firm, or a multinational corporation.

For these reasons, the PwC network consists of firms which are separate legal entities.

PricewaterhouseCoopers International Limited

The firms that make up the network are committed to working together to provide quality service offerings for clients throughout the world. Firms in the PwC network are members in, or have other connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee.

PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for member firms in the PwC network. Focusing on key areas such as strategy,

brand, and risk and quality, the Network Leadership Team and Board of PwCIL develop and implement policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain "PricewaterhouseCoopers", however there is no ownership by PwCIL. A member firm cannot act as an agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control member firm's exercise of professional judgement.

The governance bodies of PwCIL are:

- Global Board, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of network standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years
- Network Leadership Team, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere
- Strategy Council, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of

the network and facilitates alignment for the execution of strategy

- Global Leadership Team is appointed by and reports to the Network Leadership Team and the Chairman of the PwC Network. Its members are responsible for leading teams drawn from network firms to coordinate activities across all areas of our business

Size of the network

The total turnover achieved by statutory auditors and audit firms from EU or EEA Member States, that are members of the PwC Network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements, for the



year ended 30 June 2018, is €3 billion. This represents the turnover from each entity's most recent financial year converted into Euro (€) at the exchange rate prevailing at that financial year end date.

A list of PwC Network audit firms and sole practitioner statutory auditors in the EU/EEA Member States, as at 30 June 2018, can be found in Appendix 2.

Key features of the network

Every PwC firm is responsible for its own risk and quality performance and, where necessary, for driving improvements.

Each PwC firm is also exclusively responsible for the delivery of services to its clients.

To support transparency and consistency, each PwC firm's Territory Senior Partner signs an annual confirmation of compliance with certain standards. These cover a range of areas, including independence, ethics and business conduct, assurance, advisory and tax risk management, governance, anti-corruption and information security that includes data protection and privacy.

These confirmations are reviewed by others who are independent from the PwC firm in question. Member firms are required to develop an action plan to address specific matters where they are not in compliance. The action plans are reviewed and their execution monitored. There are some common principles and processes to guide PwC firms in applying the network standards.

Major elements include:

The way we do business

PwC 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 Ethics and Business Conduct for 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 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

Each PwC firm has its own policies, based on the common standards and policies of the PwC network. PwC firms also have access to common methodologies, technologies and supporting materials for many services.

These methodologies, technologies and content are designed to help a member firm's partners and staff perform their work more consistently, and support their compliance with the way PwC does business.

Quality reviews

Each PwC member firm is responsible for monitoring the effectiveness of its own quality control systems.

This includes performing a self-assessment of its systems and procedures and carrying out, or arranging to have carried out on its behalf, an independent review.

In addition, the network monitors PwC member firms' compliance with network quality expectations and risk and quality standards and policies. This includes monitoring not only whether each PwC firm conducts an objective quality control review programme, but also considers a member firm's processes to identify and respond to significant risks.

For assurance work, the quality review programme is based on relevant professional standards relating to quality controls including International Standard on Quality Control 1: 'Quality Control for Firms that Perform Audits

and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' ('ISQC1').

The overriding objective of the assurance quality review programme is to assess for each relevant PwC member firm that:

- quality management systems are appropriately designed
- operating effectively and comply with applicable network standards and policies
- engagements selected for review were performed in compliance with applicable professional standards and PwC Audit requirements, and significant risks are identified and managed appropriately

A member firm's assurance quality review programme is monitored, as is the status and effectiveness of any quality improvement plans a PwC firm puts in place.



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, both as individuals and as members of teams.

The partner remuneration system includes three core elements for which partners are rewarded: first, the role they are asked to play in the partnership; second, how well they carry out their responsibilities, with a particular emphasis on quality; and, third, how well the firm performs as a whole. Within this framework, the determination of an individual partner’s

rewards hinges on an evaluation against individual and team objectives.

The Partner Council meets to discuss proposals for partner remuneration, for bonuses payable to the managers, and proposals for changes to the level of partner capital contributions. The total level of partner remuneration, level of capital contributions is reported at the partners' meeting.



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Quality Management for Service Excellence

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Quality Management for Service Excellence

Delivering service of the highest quality is core to our purpose and our assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.

To help PwC Malta put this strategy into effect, the PwC network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the assurance practice focused on having the necessary capabilities in our organisation and deploying our people to consistently use our methodologies, processes and technology in the delivery of services in an effective and efficient manner

to fulfil the valid expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our quality management system (QMS) must be designed and operated so that these objectives are achieved with reasonable assurance.



Internal quality control system

The overriding objective of the quality control system is to assess that:

- a quality management system is appropriately designed, operating effectively and complies with applicable network standards and policies
- engagements selected for review were performed in compliance with applicable professional standards and PwC audit requirements
- significant risks are identified and managed appropriately

PwC Network member firms' quality control system for the assurance practice is based on the International Standard on Quality Control 1 (ISQC1): "Quality Control for Firms that Perform Audits and Reviews of Financial Statements and

Other Assurance and Related Services Engagements", issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

ISQC1 requires the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- the firm and its personnel comply with professional standards and applicable legal and regulatory requirements
- the reports issued by the firm/engagement leaders are appropriate in the circumstances

Elements of our internal quality control system

Our internal control system is based on the six elements of quality control set out in ISQC1, which are

- leadership responsibilities for quality within the firm
- relevant ethical requirements
- acceptance and continuance of client relationships and specific engagements
- human resources
- engagement performance
- monitoring



Leadership responsibilities for quality within the firm

The policies and procedures that form our internal quality control systems have been documented, and there is a monitoring regime to enable the partners to review the extent to which the policies and procedures are operating effectively.

The policies and procedures are embedded as part of the firm's day-to-day activities.

Although this Transparency Report is focused on our assurance practice, many of our systems, policies and procedures operate firmwide across all parts of our business.



The overall responsibility for the firm's internal quality control system, lies with the partners. The day-to-day responsibility for the implementation of this system and for monitoring risks and the effectiveness of controls is delegated to the line of service leaders and function leaders as appropriate.

The firm's leadership is committed in delivering high-quality service and upholding the values of integrity, independence, professional ethics and professional competence which are embedded within the audit process.

The firm's leadership has appointed a number of partners (supported by appropriate additional resources) in roles dedicated to establishing high standards of quality.

Lucienne Pace Ross is the partner designated as Risk Management Partner.

Risks to audit quality are identified through the Audit Quality Risk Assessment (AQRA) which forms part of the firm's Enterprise Risk Management (ERM) plan, that also takes into consideration, the results of firm, PwC Network and regulatory compliance reviews, the regulatory environment and current developments, and the prevailing economic and market conditions.

Once risks have been identified, the probability and impact of such events happening in the future are determined; actions to address those risks are identified as well as opportunities.

Audit engagement leaders take primary responsibility for the delivery of the firm's audit opinion. Audit quality is a major component of the partner planning, assessment and execution process. Partners are held accountable for their performance. In this respect, the firm has adopted a recognition and quality accountability framework which applies to all partners. The purpose of this framework is to facilitate a common approach among PwC firms in responding to poor quality in providing professional services and more specifically:

- failures to meet professional standards, comply with external regulations or PwC standards and policies
- behaviours that jeopardise the quality of the firm's audit opinion



Ethical requirements



Culture and tone at the top

Our values define who we are, what we stand for, and how we behave.

While we come from different backgrounds and cultures, our values are what we have in common. They guide how we work with our clients and each other, inform the type of work we do, and hold us accountable to do our best. They govern our actions and determine our success.

Our values help us work towards our purpose of building trust in society and solving important problems.

The trust that our clients, communities and our people place in PwC, and our high standards of ethical behaviour, are fundamental to everything we do. Our core set of shared values state that when working with our clients and colleagues we:

- act with integrity
- make a difference
- care
- work together
- reimagine the possible

At PwC, we adhere to the fundamental principles of the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants, which are:

- a. Integrity – to be straightforward and honest in all professional and business relationships
- b. Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements
- c. Professional competence and due care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise, legislation and techniques and act diligently

and in accordance with applicable technical and professional standards

- d. Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties
- e. Professional behaviour – to comply with relevant laws and regulations and avoid any action that discredits the profession

In addition, our Network Standards applicable to all Network firms cover

a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/anti-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake regular mandatory training and assessments, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and



leadership in PwC Malta monitors compliance with these obligations.

PwC Malta has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals-behaviours that will enable us to earn the trust that we seek. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal- to do the right thing.

Upon hiring or admittance, all staff and partners are provided with a copy of the PwC Global Code of Conduct. They are expected to live by the values expressed in the code in the course of their professional careers.

Our Code of Conduct sets out a common framework around how we are expected to behave and do the right thing. These help guide our behaviours and build trust:

- in how we do business
- with each other
- in our communities and
- in how we use information

The Firm has an Ethics and Business Conduct Leader who is supported by staff. He is dedicated in:

- setting an appropriate tone at the top through communications and behaviours
- ensuring that all partners and staff are trained on the Code of Conduct and our local supplemental policies and us responsible for assisting the firm in meeting its professional conduct obligations

- making available reporting lines for concerns without the fear of retaliation and facilitating proper investigations

Complaints and allegations policy

The PwC Code of Conduct encourages partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right. Our firm has a policy pursuant to which any partner or staff can report inappropriate business conduct or unethical behaviour. Matters are reported to the Ethics and Business Conduct Leader; who will investigate and resolve the issue that has been raised. We are committed to deal responsibly and professionally with any genuine concerns raised about possible malpractice, partners and staff have a responsibility to report and express concerns in good faith, honestly and respectfully.

Confidentiality and information security

Confidentiality and information protection are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation.

Our firm's Information Security Partner and Partner Responsible for Data Protection is responsible for providing oversight, policy and strategic direction on confidentiality and data privacy matters. Our information security policies and procedures aim at ensuring that:

- information is protected from internal and external threats
- confidentiality, availability and integrity of information is maintained

- statutory regulatory and contractual obligations are met
- access to confidential information is granted only for justified business needs

Our policies and procedures include:

- encryption of all the firm's laptops, PCs and memory sticks
- secure and managed apps for data accessed by mobile devices
- software restricting the use of removable media
- access to engagement files – both electronic and hard copy paper files – which is restricted to those on a 'need to know' and is regularly reviewed
- regular backup of data on individual laptops and PCs
- daily data backups of all servers
- clear-desk policy, both in our offices and at client sites

- securing hard copy files when they are not in use
- remote access to our network via a secure virtual private network, or equivalent technology
- policies on the transmission of data by email outside of the organisation
- restricted access to operational areas of PwC Malta

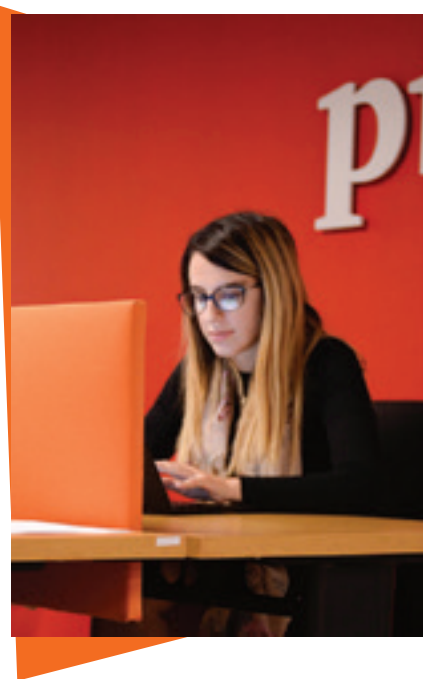
The firm's policies and procedures are supported by ongoing compliance monitoring. An incident response procedure is also in place.

Anti-corruption

The PwC Code of Conduct and local legislation makes it clear that it is unacceptable for our people to solicit, accept, offer, promise, or pay bribes. Policies, procedures and training with respect to anti-corruption are in place.



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 serving the capital markets and our clients.

PwC has implemented policies and processes based on 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 relevant regulatory authorities that are to be followed to maintain independence from clients, when necessary.

Each PwC firm has a designated partner with appropriate seniority and standing, typically supported by other specialists, who is responsible for managing the independence process and providing support to the business. The designated partner in Malta is Lucienne Pace Ross.

Independence policies and practices

The PwC Global Independence Policy covers, among others, the following areas:

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements
- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services ('SOPS'), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients
- business relationships, including policies and guidance on joint business relationships (such as joint

ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business

In addition, there is a Network Risk Management Policy governing the independence requirements related to the rotation of key audit partners.

The policies and processes implemented by PwC are designed to help the firm comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Where local standards go beyond the international requirements, compliance with those standards is also required.

Independence-related tools

As a member of the PwC Network, PwC Malta has access to a number of tools which support PwC firms and their personnel in executing and complying with our independence policies and procedures. These include:

- The Central Entity Service ('CES'), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the member firm before entering into a new non-audit engagement or business relationship. This system drives the 'Independence List' and also feeds Independence Checkpoint



- ‘Independence Checkpoint’ which facilitates the pre-clearance of publicly traded securities by all partners, directors and practise managers before acquisition and records their subsequent purchases and disposals. Where a PwC member firm wins a new audit client, this system automatically informs those holding securities in that client of the requirement to sell the security where required
- Authorisation for Services (‘AFS’) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats of the service

and proposed safeguards, and acts as a record of the audit partner’s conclusion on the acceptability of the service

- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory)

PwC Malta also maintain a rotation tracking system which monitors compliance with audit rotation policies for engagement leaders, other key audit partners involved in an audit;

and a database that records approved business relationships entered into. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.

Engagement leader, quality review partner and key audit partner rotation policy

We adhere to the rotation requirements of the independence rules published by IESBA, and the EU Audit Regulation as it applies to particular audited entities.

Key audit principals, as defined by the Malta Code of Ethics (which includes the transposition of the EU Audit Regulation), include the statutory auditor designated by the firm as being primarily responsible for carrying out the statutory audit of

EU public interest entities, including at the level of the group, the statutory auditor who signs the audit report and, in the case of a group audit, the statutory auditor designated at the level of material subsidiaries as well as the individual responsible for the engagement quality control review.

In respect of an audit of public interest entities, or clients designated as being high profile clients the key audit partner tenure is set as maximum to seven years, with a two-year cooling-off period. For EU public interest entities the key audit partner tenure is the same as for public interest entities however the cooling off period is three years.

For all clients that are neither public interest entities nor high profile clients, the length of service for an audit engagement leader and quality review partner is reviewed by leadership for familiarity and self-interest threats that are created when using the same senior personnel on an audit engagement over a long period of time.

Consultation, training and confirmations

Consultation by engagement teams on independence issues is embedded in the PwC culture. Teams are encouraged to consult with independence experts when a matter is complex, where the facts and circumstances of a situation suggest more than a single conclusion may exist, or in the case of doubt.

Our 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.

Annually, all partners and practice staff receive mandatory training on the firm’s independence policies and related topics. Completion/attendance is monitored and non-completion or non-attendance may lead to disciplinary action being taken.

Additionally, classroom training is delivered by the firm’s independence specialists as required.



PwC Malta requires all partners and staff upon joining the firm and at least annually thereafter to confirm that they comply with all aspects of the firm's independence policy. In addition, all partners and directors must confirm that all non-audit services and business relationships for which they are responsible comply with policy, and that the firm's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes:

- to identify potential breaches of independence that may have arisen
- as an important reminder of the firm's independence policies and procedures

All partners and practise staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with all aspects of the firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships.

Independence monitoring and disciplinary policy

PwC Malta is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition

to the confirmations described above, as part of this monitoring, we perform:

- compliance testing of independence controls and processes
- personal independence compliance testing of a random selection of partners as a means of monitoring compliance with independence policies
- an annual assessment of the member firm's adherence with the PwC Network's independence risk management standard

In addition, global policies are supplemented by local policies and guidance to reflect any local laws or regulations.



The results of PwC Malta's monitoring and testing are reported to the firm's management on a regular basis. Based on the reviews outlined above, we confirm that we have conducted an internal review of our independence practices during FY18.

The firm has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

If any breaches are identified, or occurred, there would be a discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach

on the independence of the firm and the need for safeguards to maintain objectivity. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in the firm's systems and processes and for additional guidance and training.



Acceptance and continuance process

Considerations in accepting and continuing an audit client relationship

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether

we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

Client and engagement acceptance and continuance

PwC Malta focuses on the quality of prospective clients and has established consistent policies and rigorous vetting procedures for client and engagement acceptance and continuance that are also in line with anti-money laundering legislation.

In assessing acceptance of a prospective client we consider:

- the identity, business reputation, integrity and ethics of the client's principal owners, key management

and those charged with its governance

- information concerning the attitude of the client's principal owners, key management and those charged with its governance towards matters that might affect the provision of a prospective service (for example, aggressive interpretation of accounting standards and the internal control environment in the context of assurance engagements)
- the nature of the client's operations, including its business practices
- imposed limitations in the scope of work which may raise questions about the integrity of the client
- indications that the client might be involved in money laundering or other criminal actions

- the public profile of the prospective client and the underlying reasons for that profile
- a sense of the operating and control environments of entities involved
- financial condition and the prospective client's ability to pay our fees
- whether heightened risks of fraud exist (for example, opportunities, incentives, or pressures)
- independence and potential conflicts of interest
- any current or previous relationships with other PwC firms

Audit engagement acceptance

PwC Malta has implemented a process to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance ('A&C')). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management. More specifically, this system enables:

a) Engagement teams:

- to document their consideration of matters required by professional standards related to acceptance and continuance
- to identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement
- to facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement



b) Member firms (including member firm leadership and risk management):

- to facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements
- to provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio
- to understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance

Managing potential conflicts of interest

The firm attaches great importance to confidentiality and to the management of potential conflicts of interest.

While very active in the corporate finance arena, the firm does not act as the originator of potential transactions, as this would entail having to choose between clients as to where to direct a business opportunity.

Conflicts of interest may arise on non-audit services, in particular when clients request assistance on purchase or sale transactions that may involve other clients in a counter party or competitor capacity.

When approached by more than one company to assist on a particular transaction, we ensure that we are able to assist on the transaction concerned within the constraints of audit independence rules.

In certain cases, we may be approached by more than one bidder. In such instances, all the clients concerned are advised that we would not be acting on an exclusive arrangement. The work concerned would in these cases be handled by teams working in a strictly segregated fashion.

Withdrawal from an engagement

Policies and procedures, in accordance with legal and professional obligations, are in place for circumstances in which we determine that we should, or are required to withdraw from an engagement. These policies include the need for appropriate consultations both within the firm and with those charged with governance at the entity.





Human resources

Recruitment

We are committed to attracting and retaining the best and brightest graduates and professionals – people who share our strong sense of responsibility for delivering high-quality services. We focus on creating unique career opportunities and a work environment that offers significant personal and professional growth. It has been very rewarding to see these efforts and the culture we are building attracting high calibre students and graduates.

In the 12 months ended 30 June 2018, we recruited over 250 professionals across the organisation, including over 70 university graduates and ACCA students and more than 110 interns into our various student programmes.

We also continued to transform and innovate our summer internship programmes, increasingly seeking students with educational backgrounds that differ from the traditional accounting qualification. We have in fact this year opened our internships to a number of students with technology, commerce and legal backgrounds.

More specifically, our recruitment processes are key drivers in attracting and recruiting graduates with potential, as well as qualified and experienced professionals with technical expertise, management skills, leadership attributes and personal integrity.

At the interview stage, assessment of candidates is carried out against the PwC Professional, our leadership development framework that defines what it means to be a professional at PwC and helps us develop our people into authentic and inclusive leaders. In this way we ensure that we recruit people who match the skills and behaviours we are looking for.

Developing our staff

The ongoing development of staff once they join the firm centres around a personal development and coaching system, supported by a comprehensive and fully integrated training programme across all lines of service.

The system entails:

- assigning a development coach to all staff within the firm
- setting and agreeing personal development objectives aligned with the firm's goals
- providing feedback after the performance of material assignments and at periodic intervals. This process entails formal manager and partner meetings with all staff, and

serves as a determining factor in an individual's career progression

- attendance to a series of training programmes and courses throughout one's career with the firm. Courses may be technical in their content, or may deal with the development of personal skills, the use of IT and the values of the firm

Continuing education

The PwC approach to assurance learning and education (L&E) is to provide access to a formal curriculum of technical courses, while also providing support for PwC firms' L&E leadership to consider local or broader training needs and to foster personal accountability for continuing education. We and other PwC member firms are committed to delivering assurance services around the world. To maximise consistency in the network, the formal curriculum, developed at the Network level, provides access to training materials 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.



This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning and on-the-job support. The curriculum supports our primary training objective of audit quality while providing practitioners with the opportunity to sharpen their professional judgement, scepticism, technical and professional skills.

The curriculum allows us to select when we will deliver different portions of the training based on local needs. The modular content along with other innovative learning approaches have led to formal recognition from the broader learning community. In 2016, PwC's Learning and Education was recognised by the Corporate Learning Network

(CLN)2 with the 2016 International 'Corporate University Best-in-Class' (CUBIC) Award, and 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" © 2017, 2018 Brandon Hall Group, Inc.

Our L&E leader then considers what additional training is appropriate – formal and/or informal – to address specific local needs.

Our practices to maintain capabilities and technical competence also include monitoring the completion of mandatory training and implementation of remedial actions when needed, equipping our tutors with effective instructor skills and continuous assessment of the

effectiveness of our programmes through a number of evaluation techniques.

Partners and staff working on a full-time basis with the firm attended a total of more than 65,000 hours of training between July 2017 and June 2018.

This training ensures that our people are alert to regulatory changes, reinforces their awareness of key compliance matters, and supports the wide range of industry expertise and specialist skills available across the firm.

Training programmes and courses are progressive in their design, with each year's sessions building on the earlier training given to an individual.

Training is generally conducted in our training centre in Qormi. In May 2018, the

firm inaugurated a state-of-the-art centre, The Hub, a separate building adjacent to our offices, which besides other purposes consolidates all the firm's training courses and programmes. The 2,000 square metre building has a capacity of twelve separate spaces that enable a variety of training sessions to be held concurrently. Attendance at overseas courses and gatherings is still a regular occurrence, particularly on specialist topics.

The firm runs a programme called 'Altitude', a leadership development programme designed specifically for our newly promoted senior associates (staff members who have been with the firm for approximately 2-3 years). The programme focuses on providing a strong foundation in leadership skills, opportunities to build lasting relationships with peers

from across the firm, and to encourage participants to pro-actively plan their careers. 49 participants benefited from this programme, with 100% of them agreeing that it was relevant to their job responsibilities and stating that they would recommend it to others.

Access to reference material and subject matter experts

The firm maintains online reference materials covering all aspects of policy, procedure and methodology as well as a library of all relevant auditing, accounting and ethical standards. To keep technical knowledge up to date, partners and staff receive regular electronic update communications on technical and regulatory topics as they arise. Technical subject matter experts are also available.

Managing performance

We go out of our way to give our people the respect and recognition they deserve. We offer stimulating work, invest in continuous professional development, ongoing coaching and constructive feedback, as well as maintain fair and transparent performance evaluation and promotion processes.

Real-time feedback is provided regularly throughout the year, which then forms an element of our annual appraisal process. Agreed objectives and grade-related skills and capabilities are aligned to the PwC Professional, our leadership development framework that defines what it means to be a professional at PwC and helps us develop our people into authentic from all backgrounds, life



Engagement performance

and inclusive leaders. Moreover, any promotion in the firm is based on an individual's performance, their skills and the business case.

Remuneration

In determining remuneration for our staff, we carefully balance several elements including: the economic climate and the external market, recognition of people's hard work, including the quality of the work they deliver, the performance of the firm and investment for the future.

Diversity

Diversity means different things to different people and organisations. At PwC, driving diversity means bringing together the perspectives of individuals

experiences, preferences and abilities to create better outcomes for our clients, our people, and our communities.

As at 30 June 2018, our staff population included 30 different nationalities with 62% of our people being female and the average age of our people being 28. We are delighted to report that we are making excellent progress in our continued efforts to drive enhanced awareness and translate it into concrete and comprehensive actions. This year we achieved a high collaboration score, with 83% of our people saying that they believe PwC supports a collaborative culture.



We heavily invest in the effectiveness of our audits, in the skills of our people and in our underlying audit methodology, as well as in making the right amount of time and resources available, to ensure compliance with regulatory requirements and PwC's policies and standards. Standard terms of business under which we perform audit and non-audit assurance engagements are agreed in accordance with the legal and professional standard requirements. Engagement performance is further enhanced through regular feedback we seek from our clients paying close attention to things we need to improve. In addition, remedial or improvement actions are taken based on the findings

of the routinely internal and external reviews performed on the effectiveness of our risk and quality processes described further below.

Methodology and tools

PwC Audit

As a member of the PwC Network, PwC Malta has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate.

PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual

audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

The PwC Audit Guide explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content, support engagement teams in conducting assurance and related services engagements.

Aura

As a member of the PwC Network, PwC Malta has access to and uses Aura, which is the application that powers PwC's audits and supports its assurance



practices. It provides engagement teams with an application that integrates a broad range of capabilities, including built-in tools to promote audit quality, consistency and ease of documentation. Aura also integrates with a variety of other tools and applications, creating one work space for client work. Our audit work is planned, executed and documented using Aura which supports teams in applying our methodology effectively, by creating a transparent linkage between risks identified and the work done to address those risks, as well as providing comprehensive project management capabilities.

Developed technology

We continue to invest in audit technology that builds quality into the audit and enhances our ability to provide insights to our clients. Our technology is built and implemented globally ensuring consistency across the PwC network.

These tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- *Aura Mobile*- the mobile version of Aura, providing critical functionalities to users on the go, any time, anywhere. Engagement teams can easily monitor status of engagement tasks using the enhanced dashboard, review

EGAs, and manage coaching notes, including dictating them with voice to text capabilities

- *Connect* is our collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit. It monitors the status of requests and information between our clients and the engagement team on a real time basis. Connect provides visibility for both our clients and us to be able check progress through a consolidated dashboard showing all sites, a digitisation of engagement matters, and automated key performance indicators
- *Halo* is our new data auditing suite of tools allowing us to identify and

assess risks and determine where to focus audit efforts. The analytical and visualisation capabilities allow us to analyse patterns and trends, identifying unusual and high-risk transactions, and providing invaluable insight to both ourselves and our clients. Halo comprises three key components – acquisition of client data, transformation of data and applications for automated testing and analysis of data, for example, Halo for Journals allows engagement teams to gather all journal entries and utilise built-in functionality to apply engagement-specific criteria designed to focus testing on higher risk entries

Consultation

Consultation is a key element of quality control. The firm has policies setting out the circumstances under which consultation on accounting, auditing and risk management matters is mandatory.

Our consultative culture also means that our engagement teams regularly consult with each other on an informal basis, as well as with experts and others, often in situations where consultation is not formally required.

Our accounting consulting services team specialises in the application of International Financial Reporting Standards (IFRS) and provides support and guidance both internally to

engagement teams and externally in relation to the accounting treatment of specific transactions (i.e. treatment of complex financial instruments, business combinations, lease classifications).

The audit methodology team deals with and addresses audit issues, supports teams throughout the audit process and assists in delivering consistent and quality audits in accordance with the PwC audit methodology.

The risk and quality team led by the risk management partner, provides consultation on quality and risk management matters and assists engagement teams in complying with PwC Network risk management policies PwC's audit guide, policies, guidance,



templates, professional accounting and auditing standards and technical alerts on new developments are located in electronic repositories and are available to all partners and members of staff.

Any updates to global or local policies are communicated to all partners and members of staff via email alerts and also during mandatory training courses.

Supervision and review

The engagement leader and senior engagement team members supervise the audit, review the work done, coach the team and maintain audit quality. Our audit software, Aura, is designed to help audit team members track the progress of the engagement and therefore make sure that

all work has been completed, that work is reviewed by the relevant individuals including the engagement leader and, where relevant, Engagement Quality Control Reviewer (known in PwC Audit as the Quality Review Partner), and that all matters arising have been appropriately addressed.

The engagement leader is responsible to ensure that the audit is performed and documented as required and the conclusions reached are appropriate, by being timely and sufficiently involved throughout the audit. This includes making key judgments, initiating consultation requests on difficult or contentious matters as deemed appropriate and being satisfied that all risks have been appropriately assessed and responded to.

Engagement quality control review

We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, other public interest entities and clients identified as higher risk. QRPs are experienced individuals who are independent of the core engagement team; they receive training when appointed as a QRP and are appointed to an engagement based on their experience and expertise.

The QRP is responsible for reviewing key aspects of the audit including independence, significant risks and the responses to these risks, judgements, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with

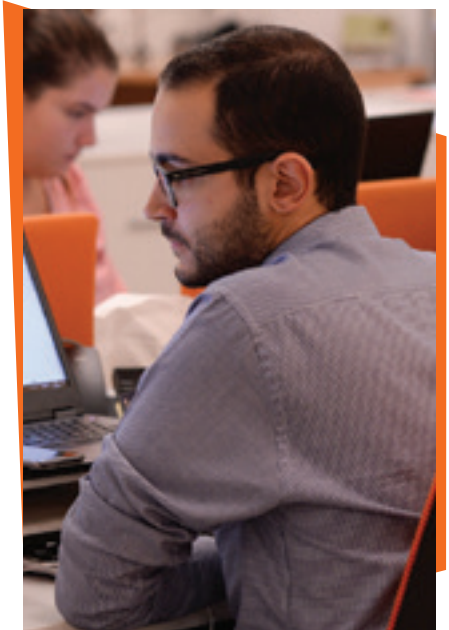
those charged with governance and the appropriateness of the audit report to be issued. QRPs are involved throughout the audit process so that their input is timely. The QRP will seek to challenge the audit team in the judgements they have made and work done. Their review is completed and any matters raised are resolved to the QRP's satisfaction in advance of the audit report date.

Differences of opinion

Policies are in place to resolve situations where a difference of opinion arises between the engagement leader and either the quality review partner, a technical expert or another assurance partner in relation to their professional views.

Engagement documentation

At the end of an engagement, teams are required to archive the electronic file in accordance with our policies which are more stringent than those laid down by professional standards. In the case of the electronic audit file, automated processes exist to make sure that the file is archived on time and the act of archiving prevents any further amendments being made to the file. Unless required for legal, regulatory or internal review purposes files are only accessible by members of the engagement team until they are destroyed. We have a retention and destruction policy around engagement files.





Monitoring of assurance quality

Quality reviews

We recognise that quality in the assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our assurance strategy.

Each PwC member firm is responsible for monitoring the effectiveness of its own quality control systems. This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute our Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that our audit engagements are performed in compliance with laws, regulations and professional standards.

Our firm's monitoring program is based on the PwC Network's Global Assurance Quality Review (GAQR) Program. This program which is based on professional standards relating to quality control including ISQC1, contains policies, procedures, tools and guidance which are used by PwC Network firms.

The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITL) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enable a consistent and effective performance of reviews across the PwC network.

Our firm's monitoring procedures include an ongoing assessment of the design and effectiveness of our quality management system, as well as a review of completed engagements (Engagement Compliance Reviews - ECR). The results of these procedures form the basis for the continuous improvement of our quality management system.

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our 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 engagement related policies and procedures.

Reviews are led by experienced assurance partners, supported by independent teams of partners, directors, and senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of GAQR-approved checklists and tools when conducting their review procedures.

The results of the quality reviews are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. In situations where adverse quality issues on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's assurance leadership

personnel may be subject to additional mentoring, training or sanctions in accordance with our firm's recognition and accountability framework.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of engagements. In addition, the GAQR Leader informs engagement partners of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners to consider these findings in planning and performing their audit work.

Root cause analysis

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. One of our primary objectives when conducting such analyses is to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at audits both with and without deficiencies, whether identified through our own internal inspections process or through external inspections, to help identify possible distinctions and learning opportunities.

For individual audits, an independent team of reviewers identifies potential factors contributing to the quality of the audit. We consider factors relevant



to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers, as appropriate to understand the factors that may have contributed to audit quality (the “why of the why”).

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

Statement on the effectiveness of the firm’s internal quality control system

Regular reports, based on documented monitoring procedures, are submitted to the partner group by the partners responsible for risk management and for monitoring quality in terms of ISQC1, to ensure the proper operation of the procedures described above.

The various reviews of our systems of internal control carried out during 2018 has not identified any failings or weaknesses that have been determined to be significant.

External quality reviews

In accordance with applicable regulatory requirements, each member firm may also be reviewed periodically by national and international regulators and/or professional bodies. In this respect, PwC Malta is subject to periodic review by the Quality Assurance Unit (QAU) of the Accountancy Board, usually on a triannual basis. The most recent QAU review of the firm was carried out in 2014.



3

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Appendix 1

Financial information

Services	12 months ended 31 December 2017	6 months ended 30 June 2018	18 months ended 30 June 2018
	€ million	€ million	€ million
Statutory audits and directly related services for audit clients (EU PIE and subsidiaries of EU PIE) ¹	2.9	2.8	5.7
Statutory audits and directly related services for audit clients (other entities)	12.0	7.6	19.6
Statutory audits and directly related services for audit clients	14.9	10.4	25.3
Non-audit services to audit clients ²	9.0	4.4	13.4
Services to audit clients	23.9	14.8	38.7
Services to clients we do not audit	10.8	6.5	17.3
Malta firm revenue	34.7	21.3	56.0

For the 12 months ended 31 December 2016, total firm revenue amounted to €33.3m of which €15.3m was generated from statutory audit.

¹If an entity met the definition of an EU PIE (or subsidiary of) as at 30 June 2017, we have included related revenues in this category.
²Non-audit services to audit clients are only provided where permitted by PwC Network and PwC Malta policies and applicable laws and regulations.



Appendix 2

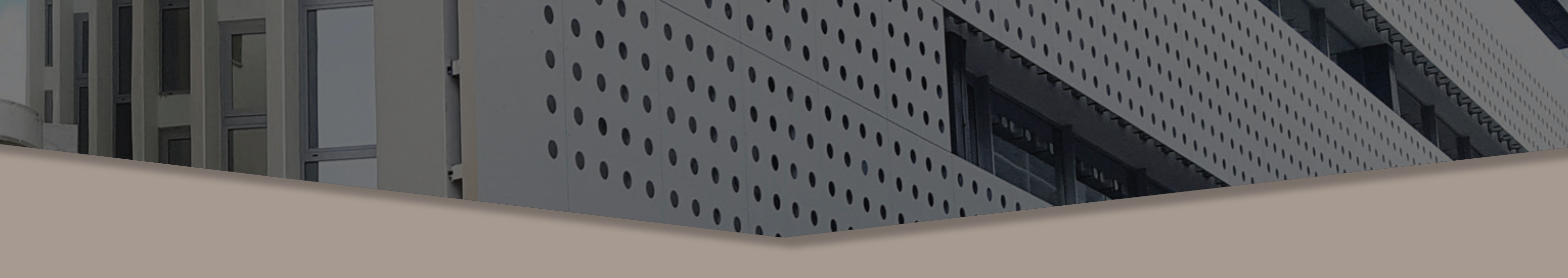
EU Entities (as at 30 June 2018)

Member State	Name of Firm
Austria	PwC Wirtschaftsprüfung GmbH, Wien
Austria	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
Austria	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
Austria	PricewaterhouseCoopers Vorarlberg Wirtschaftsprüfungs GmbH, Dornbirn
Austria	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
Austria	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
Austria	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bcvba/ Reviseurs d'entreprises scrl
Belgium	PwC Audit Services SPRL

Member State	Name of Firm
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
Finland	PwC Julkistarkastus Oy
France	PricewaterhouseCoopers Audit
France	PricewaterhouseCoopers Entreprises
France	PricewaterhouseCoopers France
France	PricewaterhouseCoopers Services France

Member State	Name of Firm
France	PwC Entrepreneurs Audit
France	PwC Entrepreneurs Audit France
France	PwC Entrepreneurs CAC
France	PwC Entrepreneurs CAC France
France	PwC Entrepreneurs Commissariat aux Comptes
France	PwC Entrepreneurs Commissariat aux Comptes France
France	PwC Entrepreneurs France
France	PwC Entrepreneurs Services
France	M. Philippe Aerts
France	M. Jean-François Bourrin
France	M. Jean-Laurent Bracieux
France	M. Didier Brun

Member State	Name of Firm
France	M. Hubert de Rocquigny
France	M. Didier Falconnet
France	M. Bernard Kervarec
France	M. François Miane
France	M. Yves Moutou
France	M. Claude Palméro
France	M. Pierre Pégaz-Fiornet
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.



Member State	Name of Firm
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Netherlands	Coöperatie PricewaterhouseCoopers Nederland U.A

Member State	Name of Firm
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z.o.o.
Poland	PricewaterhouseCoopers sp. z.o.o.
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB

Member State	Name of Firm
Sweden	Öhrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP
UK	James Chalmers
UK	Richard Sexton*

*Registration ceased subsequent to 30 June 2018



Appendix 3

Public Interest Entities currently audited by the firm

The Accountancy Profession Act defines a Public Interest Entity (PIE) as an entity whose transferable securities are admitted to trading on a regulated market of any EU Member State within the meaning of point 14 of Article 4(1) of Directive 2004/39/EC, a credit institution as defined in point 1 of Article 1 of Directive 2000/12/EC of the European Parliament and of the Council of 20 March 2000 relating to the taking up and pursuit of the business of credit institutions, or an insurance undertaking within the meaning of Article 2(1) of Directive 91/674/EEC.

The PIEs currently audited by the firm include:

Listed Bonds

- Central Business Centres plc
- Corinthia Finance plc
- Ferratum Bank (Malta) Ltd
- Gasan Finance Company plc
- MeDirect Bank (Malta) plc
- Mediterranean Maritime Hub Finance plc
- Pendergardens Development plc
- SD Finance plc
- Tumas Investments plc
- United Finance plc
- Virtu Finance plc

Listed Funds

- Amalgamated Investments Sicav plc
- Aquarium Funds SICAV plc
- Aurora Sicav plc

- Eiger Sicav plc GO plc
- ETSF Fund Sicav plc
- Global Funds Sicav plc
- HSBC Malta Funds Sicav plc
- RohFund Global Fund Sicav plc

Listed Equity

- Catena Media plc
- GO plc
- HSBC Bank Malta plc
- International Hotel Investments plc
- Kindred Group plc
- Lombard Bank Malta plc
- Malita Investments plc
- Malta Properties Company plc
- MaltaPost plc
- Midi plc
- Plaza Centres plc
- Simonds Farsons Cisk plc
- Tigne Mall plc

Credit Institutions

- BNF Bank plc
- CommBank Europe Ltd
- Credorax Bank Ltd
- IIG Bank (Malta) Ltd
- MFC Merchant Bank Ltd
- NBG Bank Malta Ltd
- Yapi Kredi Bank Malta Ltd

Insurance Companies

- Arnold Clark Insurance (Malta) Ltd
- Atlas Insurance PCC Ltd
- Bastion Insurance Company Ltd
- Building Block Insurance (Malta) PCC Ltd
- Cafina Assurances Ltd
- Caversham Insurance (Malta) Ltd
- Darag Malta Insurance and Reinsurance PCC Ltd

- Elmo Insurance Ltd
- Ergon Insurance Ltd
- European Insurance Solution PCC Ltd
- Falcon Insurance Ltd
- GasanMamo Insurance Ltd
- Genghis Insurance PCC Ltd
- HSBC Life Assurance (Malta) Ltd
- Multi Risk Indemnity Company Ltd
- One Insurance Ltd
- Oney Insurance (PCC) Ltd
- Oney Life (PCC) Ltd
- R&Q Insurance (Europe) Ltd
- Reed Insurance Ltd
- Rhenas Insurance Ltd
- SN SecureCorp Insurance Malta Ltd
- Tulip Assist Insurance Ltd
- Werla Insurance Ltd

The firm is also the auditor of the financial statements of the Central Bank of Malta and of Akbank T.A.S. Malta Branch, an EU based branch of a foreign bank.

The firm also audits the following entities that are EU incorporated and that issued securities that were accepted for trading on a market that is not regulated in the EU as defined point 14 of Article 4(1) of Directive 2004/39/EC

- Anchovy Studios plc
- IG Finance plc
- Gaming Innovation Group Ltd
- Homechoice International plc
- Tradehold Ltd

Appendix 4

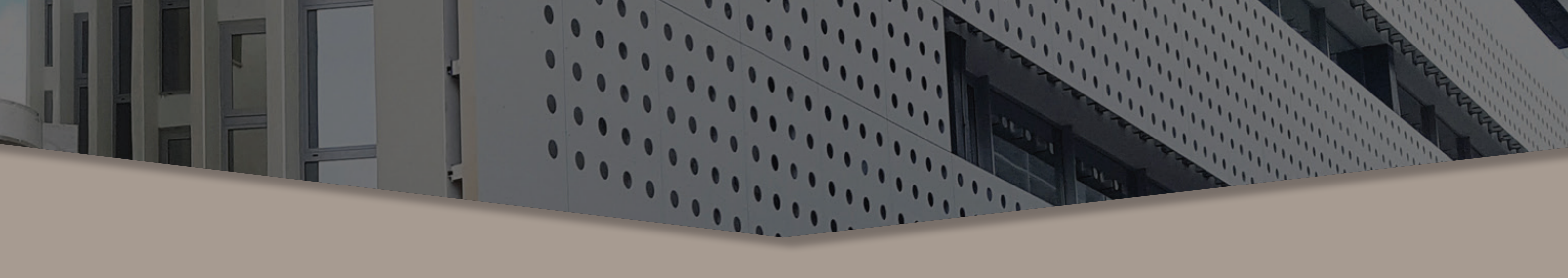
The firm's partners and director



Assurance Board from left to right: Fabio Axisa, Stephen Mamo, Lucienne Pace Ross, Joseph Camilleri, Romina Soler, Simon Flynn, David Valenzia, Stefan Bonello.



Tax Board from left to right: David Ferry, Chris Galea, Neville Gatt, David Valenzia, Mirko Rapa, Bernard Attard, Steve Gingell.



Advisory Board from left to right: George Sammut, Ryan Sciberras, David Valenzia, Joseph Muscat, Michel Ganado, Bonavent Gauci.



From left to right: David Valenzia - Territory Senior Partner, Nicolette Mirabelli - Risk Management Director, Lisa Pullicino - Human Capital Partner.

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