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Building trust in a time of change

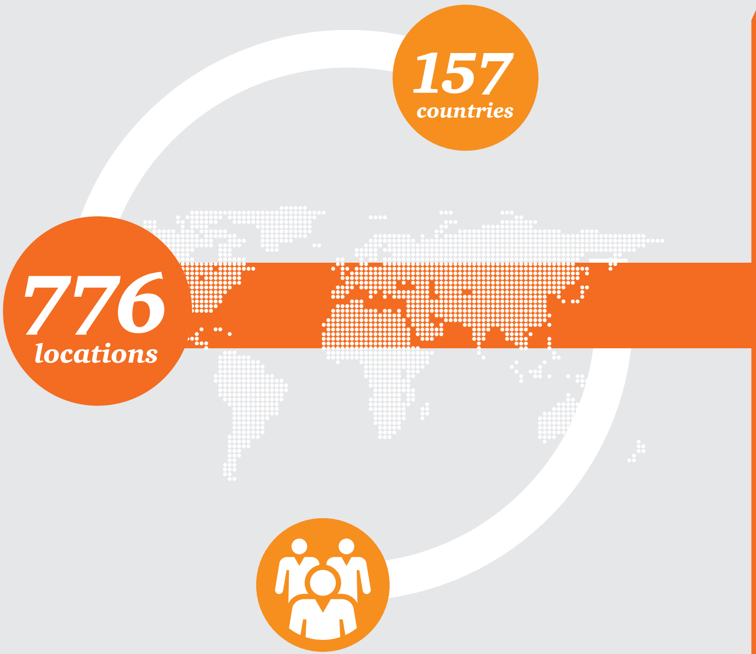
Global Annual Review 2013

Doing the right thing for our clients, people and communities around the world.

pwc

Our global network

PwC has a presence in almost every corner of the world.



This year our global workforce reached its largest ever total of:

184,235

Our revenues

Global
4% **US$32.1 bn**

Assurance
1% **US$14.8 bn**

Advisory
8% **US$9.2 bn**

Tax
5% **US$8.2 bn**

Our clients

PwC firms provided services to:

421
Fortune Global 500 companies

452
FT Global 500 companies

Note: All figures relate to the year ending 30 June 2013.

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com

In this Global Annual Review, we look at issues that impact our stakeholders around the world, and we examine our performance, our key network policies and standards, and our work in the global community during FY 2013.

Note to readers:
In this Global Annual Review, the terms *PricewaterhouseCoopers*, *PwC*, *our* and *we* are used to refer to the network of member firms of PricewaterhouseCoopers International Limited or, as the context requires, to one or more PwC member firms. For more information, see www.pwc.com/structure. FY 2013 runs from 1 July 2012 to 30 June 2013.

Revenue and other global figures are aggregates of results of individual PwC member firms.

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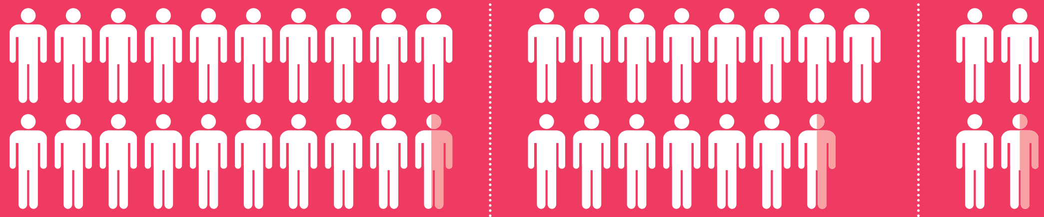
Our people

37,452 People joined PwC firms around the world



19,622
Graduates

14,640
Experienced professionals

3,190
Support staff

Corporate responsibility

47,000
PwC people involved in community activities

19%
increase

566,000
hours of professional services and skilled volunteering

39%
increase

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Chairman's interview

Mohamed Kande recently sat down with Dennis Nally, Chairman of PricewaterhouseCoopers International Limited, to get his views on a range of issues and events related to the past year. You can read excerpts from Mohamed's interview with Dennis here or view video selections at www.pwc.com/annualreview.

Dennis M. Nally

Chairman, PricewaterhouseCoopers International Limited

Dennis M. Nally was elected chairman of the PwC network on 1 July 2009; he began a second term as chairman on 1 July 2013. He joined PwC's Network Leadership Team in 2008. From 2002-2009, he was senior partner of PwC US. He joined PwC in 1974 and became a partner in the US firm in 1985.

Mohamed Kande

PwC US and global Advisory leader for technology, infocomm and entertainment & media (TICE)

Mohamed: I'd like to start our discussion today talking about the external market. What's your outlook on the global economy for the year ahead?

Dennis: The big challenge facing many of our clients today is around growing in a slow growth economy. We've come off five years of pretty sluggish growth. But things are starting to turn the corner, particularly in the US, Japan and even in Europe. We're expecting global GDP growth next year of around 3% but for several reasons there's a lot of variability around the world. So, it's looking better, but the economic picture is not without its challenges.

Mohamed: How about looking further out… what are your thoughts on the next few years?

Dennis: Coming out of the financial crisis, it's clear how interconnected the global economy really is. The slow- growth mode impacting the US and parts of Europe is affecting China today, as well as India, Brazil and Russia. All of this is connected.

Over the next three to five years, we anticipate large transitions affecting economies driven by what we call megatrends, revolving around rapid urbanisation, resource scarcity, and perhaps the most influential trend for most businesses today, the gradual steady rise in incomes and new economic opportunities for millions of people.

Mohamed: I know that you have the opportunity to meet with many CEOs. What are they saying today about the economy and the long-term potential of their companies?

Dennis: I think most are optimistic. Cautiously optimistic is probably a better way to describe it. When you're in a slow growth environment, it's very competitive and many clients are talking about the day-to-day impact on pricing, on margins, etc.

The challenge is: how do companies grow in the current sluggish environment while looking for investment opportunities associated with the megatrends I mentioned? We think PwC can help our clients navigate this complicated environment.

Mohamed: There is a lot of concern about the 'slowdown' of emerging markets, particularly China. How important are these developing economies in terms of growth and the future of PwC?

Dennis: Whenever I hear about the 'slowdown' in China, I think that many countries would like to have the 'problem' of 7.5% growth this year – but your point is well taken.

One of the most significant trends that many of our clients are facing is the major shift from the developed economies to the developing world. And, while that may be slowing, it's got to happen as populations continue to grow, and middle classes are created. Today, developing countries account for about 20% of our network revenues. We expect that to double over the next five years or so. So yes, we expect to see the evolution of our network to focus on where our clients are going and where the opportunities are.

Mohamed: Now, thinking about PwC, how was the performance of the firms in the PwC network in FY 2013? Were you satisfied with the results?

Dennis: Well, Mohamed, when it comes to results, I'm never satisfied. We grew around 4% this past year. We saw good growth in all of our lines of service, which is very encouraging. There are some very bright spots in different parts of the world. The US and the Middle East, for example, performed incredibly well. Places like Spain, for example, did well in a very difficult economy. So while it's a strong performance in a very difficult market, I'd say there are a lot of opportunities to improve our performance as we look to FY 2014 and beyond.

Mohamed: When you look at the financial results for FY 2013, much of the growth is coming from advisory and non-audit services. What are your thoughts on the implication for the PwC network?

Dennis: This past year our Advisory growth rate was around 8%, a strong performance. That is consistent with my earlier comment about the opportunities for PwC to help our clients navigate through these challenging times. Our Tax practice enjoyed a successful year – growing globally by around 5%. Another solid performance. And let's not leave out Assurance. In a very tough competitive market, with severe pricing issues, our Assurance practice grew about 1%.

The challenge for all of our lines of service is: how do we continue to make sure we have the right capabilities to help our clients really deal with their issues going forward? That's where the real opportunities are.

Mohamed: What can be done to revitalise the Assurance business and make it more relevant?

Dennis: The first thing we should do is not overlook the fact that in Assurance, we play a critical role as the custodians of trust in the capital markets. We have a tremendously proud legacy here and we should never forget that.

But it's also clear, in talking to many of our stakeholders, that they're looking for new types of assurance services – for example, risk management or our views on non-financial information. So I continue to see a lot of opportunity for the Assurance business to evolve, to respond to what the marketplace is looking for. No different than in Tax or Advisory. It's all about the relevance of what we're doing on behalf of all of our stakeholders.

Mohamed: One more question on the PwC network. There have been a number of combinations of firms within the network to form regional networks. Do you expect that to continue? And will acquisitions by PwC firms continue to be part of the strategy?

Dennis: Absolutely. We have tremendous pride in our network today. We believe without question we're the strongest network of any of our competitors and we'll continue to evolve it to make sure that we retain that position.

The evolution of our network is very much market driven. Whether it's the combination of our firms in Africa or the external acquisitions that you mentioned, it's all based on what's happening in the marketplace.

Mohamed: Let's talk about our stakeholders now. First, our people. To be able to grow, you need to have very good people. 184,235 people is a staggering number. How do you know that they are the right people for PwC?

Dennis: Well first off, we continue to be the number one recruiter on campuses all around the world. We have the best brand. So we have access to the very, very best talent. But just having access to the talent on day one isn't sufficient. This is all about how you continue to develop that talent, how you give them the right experiences, how you give them the opportunities to really grow to reach their potential.

We think we're doing a good job but we're never going to be satisfied in terms of how we think about our human capital strategies. They need to continue to evolve and be responsive to what the needs of our people really are.

Mohamed: Let's talk about the other set of stakeholders that we have which are the regulators. This is a group that is putting extreme pressure on the audit profession today. What's your position on this?

Dennis: At PwC, we believe there were certainly a number of lessons that all stakeholders had to learn coming out of the financial crisis. And we took that exercise very seriously.

So we embrace many of the changes that are being talked about by the regulators. But we think that certain changes would have a negative effect on audit quality.

For example, mandatory firm rotation. Easy to say, but does it drive audit quality in the right direction? We would say "no". We don't think that's a good step. Another suggested change is expanding the auditor's report to be more informative to the broader group of stakeholders. That is certainly a change that we would welcome. So, to me, this is an evolution and we need to make sure that any change meets the overall objectives.

Mohamed: We see more attention being focused on whether companies – and individuals as well – are paying their fair share of tax. As a leading provider of tax advice, what's PwC's view?

Dennis: When I think about our Tax practice, we understand that we have a really important role to play in society. That entails not only advising our clients on what they can and can't do, but also ensuring that they're in compliance with those laws and regulations that have been put in place. And this is a responsibility that we take very, very seriously.

Now if those rules and regulations need to be changed, that's fine. We can be a part of that conversation.

Mohamed: Do you see the Big Four becoming less alike... in size, service offerings, strategy and culture? How do you think PwC is distinctive?

Dennis: When I think about competition, I look at PwC and I think there are two things that really give us a distinct advantage. One we've talked about, which is first and foremost having the very best people to be able to serve our clients. The second is our network and sometimes I think we take this for granted. We clearly have the best network around the world; operating in 157 countries where we have the skills and capabilities to really deliver all of our services to our clients regardless of where they want to operate. And that's what gives us real competitive advantage in the marketplace.

Having said that, the world is changing and you're seeing new competitors come into our space every single day, probably competitors we haven't even thought about. To me it's all about maintaining relevance. That's where we never take our eyes off the ball.

We're here to really solve important problems for our clients, but also using our capabilities to help resolve some of the issues that society is dealing with.

Mohamed: What would you say is the most important thing PwC has to offer its clients and people? In other words, what's the purpose of the organisation; what role does it have to play in the world?

Dennis: It's a great question because while we have a tremendous legacy going back 150 years, I also think it's important that we continue to evolve as an organisation. So when I think about our role in the world, I really think about two things.

First is around the whole issue of trust in society. Trust today is at an all-time low and we have an important role to play in regaining trust in institutions. The second part of our purpose is that we're here to really solve important problems. Addressing client problems, of course, but also using our capabilities to help resolve some of the issues that society is dealing with. To me that's very exciting… what a tremendous way to think about the future of PwC for the long-term.

Trust today is at an all-time low and we have an important role to play in regaining trust in institutions.

Do you have any questions for Dennis? Email dennis.m.nally@us.pwc.com

Mohamed: That does sound exciting. And that ties nicely into my last question – what would you say to someone considering a career with PwC? Why should they join us?

Dennis: I would say that I've been with this organisation now for 39 years and I have never seen as many opportunities that exist today as I've seen throughout my entire career. To me that's energising and I think it would be very exciting for a new person who is considering joining PwC. But, you know, that's just my view – perhaps there's a little bias there. So let me turn the question around and ask you Mohamed – what keeps you at PwC?

Mohamed: It's a very simple answer for me. I'm doing very interesting work with very talented colleagues – with a lot of different opportunities around the global network. You put all this together, it's the perfect job.

Dennis: The perfect job. That's what we all aspire to and that's the way I look at it as well.

Mohamed: Thank you very much for your time, Dennis.

Dennis: Thank you Mohamed. Great to be with you.

Five global megatrends

We asked each member of the PwC Network Leadership team to select a 'megatrend' that they believe will impact our future and the future of our clients over the next decade.

1 *Demographic shifts*

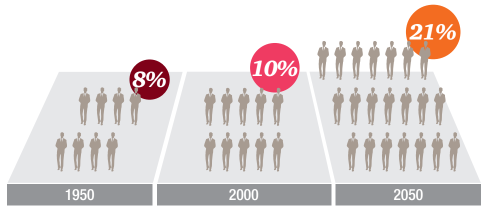
By Norbert Winkeljohann, PwC Germany senior partner

In combination with the migration of global spending power to emerging economies, the coming decade will also see explosive population growth in some countries and declines in others. These diverging trends will have far-reaching impacts, ranging from growing pressure on the supply of critical resources to sweeping changes in people's goals and aspirations at a personal and social level.

At the heart of these effects is the ageing of the global population. Across the world, rising life expectancy is set to drive an ongoing increase in the proportion of over-60s. However, within this overall trend, some societies are ageing rapidly – meaning their supply of working-age people will decline as a proportion of the total population. In contrast, other countries have populations that are young and growing, promising ever-larger labour forces and consumer markets.

The social and economic implications of such differences are profound. With 360 million older workers set to leave the global workforce by 2050, the burden of supporting the ever-expanding ranks

Proportion of the world population aged 60 years or more



Source: UN report World Population Ageing 1950-2050.

of retirees will put the working population under increasing strain in some countries. In others, growing populations will need to be fed, housed, educated and employed to sustain growth and cohesion. In either case, demographic shifts will be a – if not the – major force for social and economic change.

2 *Shift in global economic power*

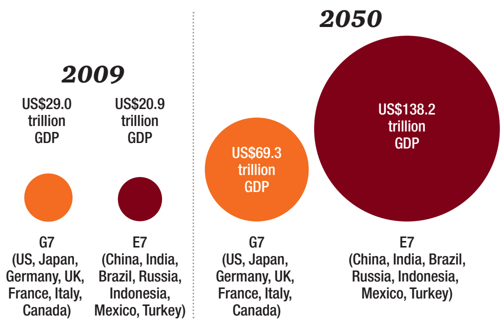
By Silas Yang, PwC China senior partner

In the past few years, the global balance of economic power has been shifting from developed to developing countries. As this trend continues, it will have an increasing impact on where growth opportunities arise for companies – and on where they invest to capitalise on those opportunities.

The next decade will see this long-term economic rebalancing reach a tipping point, as emerging markets expand their global reach and influence still further. In 2009, the total gross domestic product (GDP) of the E7 – the world's seven leading emerging nations – was about two-thirds that of the G7, their developed counterparts. By 2050 these positions will be reversed, with the E7's aggregate GDP rising to almost double that of the G7.

This reshaping of the world economic order is unprecedented in its speed and scale. And it will trigger an equally dramatic realignment of global business activity and spending power, affecting not just GDP but also other measures such as population, water supplies and trade.

GDP of G7 and E7 countries at US$ PPP



Source: PwC analysis.

This realignment will see the world's growth economies make the transition from centres of labour and production to consumption-oriented societies. And as they become exporters of capital, talent and innovation, they'll also shift the prevailing direction of global trade and investment – with the long-standing north-south axis swinging to south-south.

3 *Accelerating urbanisation*
By Ian Powell, PwC UK senior partner

Today, almost half of the world's population lives in cities. But look back just 60 years to the largely rural world of the 1950s, and only 30% of people were urban dwellers. However, the rapid urbanisation seen in recent decades is just the start of a steepening growth curve. By 2030, the proportion of people living in cities will have surged to 60%.

Within this overall growth, the pace of urbanisation will vary widely across the world. Between now and 2030, demographers expect the urban population to grow fastest in those regions where overall population growth is highest and the proportion of city dwellers is currently relatively low. This means sub-Saharan Africa and Asia – two regions at differing stages of the journey to economic development.

Over the coming decade, I believe we'll see many knock-on effects from advancing urbanisation.

World urban population

The world urban population is expected to increase by 72% by 2050

Source: World Urbanization Prospects: 2011 Revision, Produced by the UN Department of Economic and Social Affairs.

Expanding city populations – especially in emerging economies – will demand rising investment in urban infrastructure, putting further strains on vital resources. Urban centres' growing size and economic power will see a resurgence of the 'city state'. And in some cases, there may need to be a re-think about the provision of public funding to deal with issues arising out of rapid urbanisation.

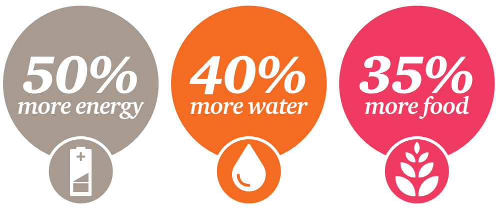
4 *Resource scarcity and climate change*
By Dennis Nally, Chairman of PricewaterhouseCoopers International Limited

Current estimates suggest that world carbon emissions from burning fossil fuels – coal, oil and gas – will rise by 16% between now and 2030. Over the same period, the average global temperature will increase by between 0.5°C and 1.5°C – that's on top of a 0.5°C rise already seen over the past 20 years.

The global population will also continue to expand, reaching an estimated 8.3 billion by 2030, boosting global demand for energy, water and food. This 'pincer movement' of rising temperatures and rapid population growth puts mankind at a defining moment in its history.

Why? Because, in many parts of the world, the impacts of climate change will include increases in extreme weather, rising sea levels and intensifying water shortages. And these effects will make it more difficult to grow crops, raise animals, and catch fish in the same ways and same places as in the past – at a time when there are ever more mouths to feed.

With a population of 8.3 billion people by 2030, we'll need:



Source: National Intelligence Council: Global Trends 2030: Alternative Worlds.

Reconciling these conflicting pressures will demand tough decisions. For example, as fossil fuels become depleted, biofuels offer a way to produce more energy with less carbon impact. But there is only so much land and water available – and these are also urgently needed for food production. Such dilemmas have no easy answers.

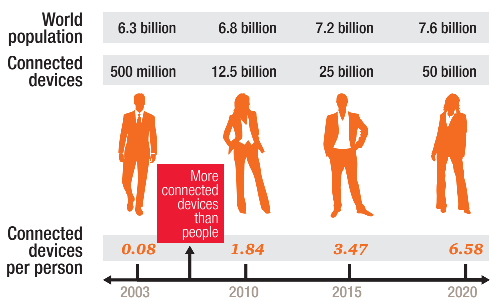
5 *Technological breakthroughs*
By Bob Moritz, PwC US senior partner

Every hour of every day, breakthroughs in frontiers of research and development ranging from nanotechnology to robotics are opening up new opportunities for businesses and individuals. Across these areas and more, a perpetual flow of ideas and innovation is creating ever more powerful enabling technologies, whose potential uses are limited only by the human imagination.

This constant cycle of innovation is enabling entire new industries to rise almost overnight, bringing major implications for the size and shape of the world's manufacturing and high-tech sectors and companies. And capital is moving to follow the innovation, as private equity providers seek out new funding opportunities across the globe.

In many cases, developments in different technologies will be mutually reinforcing. For example, advances in nanotechnology will help to deliver the massive computing power needed for breakthroughs in artificial intelligence. And ever more widespread mobile communications will allow the benefits of innovations in every sphere to be delivered remotely on-demand to people worldwide.

The rise of the 'Internet of Things'



Source: Cisco Internet Business Solutions Group, April 2011.

As technologies progress from research concepts to prototypes to applications in affordable consumer goods and industrial processes, they will generate step-change improvements in efficiency and productivity. In my view, these advances will in turn trigger a strong acceleration in economic growth towards the end of the coming decade.

Building a strong network

Richard Collier-Keywood
PwC Network Vice Chairman

The geographic strength of the PwC network and the depth and breadth of our services are, we believe, unparalleled in the professional services marketplace. We are focused on how we can improve the delivery of this expertise to our clients and maximise the opportunities for developing our people.

We are conscious of the impact all our actions make on the environment, communities and markets in which we live and do business.

We are realistic enough to understand that we don't get it right all the time, but are committed to constantly striving to manage these impacts as positively as possible.

In the following pages we highlight key facts about PwC and many of the areas where we have an impact. And we give examples of the actions we and our people are taking to achieve lasting and beneficial outcomes.

We recognise the responsibility and trust invested in us to do the right thing and for all of us to show the qualities of leadership necessary to help create a sustainable future.

In the spirit of 'Don't just tell me, show me', I encourage you to take a look at what we are doing. Give us your feedback on anything you see, by contacting us at:

www.pwc.com/annualreview/contact

Revenues

Revenues

For the year ending 30 June 2013, PwC's gross revenues were US$32.1 billion, up 4%, a strong performance in the face of some challenging circumstances. This lower rate of growth than in recent years reflects difficult economic conditions in some parts of the world, the mix of our business and our focus on the pursuit of profitable work.

For the third consecutive year, PwC firms in the Americas grew strongly with revenues from North America increasing by 7% and South America by 9%, buoyed by PwC's increasing shares of the market for advisory and consulting services in the region.

PwC firms in the Middle East and Africa also continued to grow well with revenues in that region up by 7%, following further investment in the region and the benefits of a consolidation of PwC firms across Africa.

PwC firms also continued to grow across Europe with revenues in Central and Eastern Europe increasing by 3% and in Western Europe by 2%. The continuing very tough economic climate in many European countries has had a dampening effect on growth. However, we anticipate that the conditions in the Eurozone, which are showing signs of stabilising, will mean a return to better economic growth across much of the region in 2014.

Revenues from Asia were up by 2%, a good result considering the increasingly competitive market for assurance services in China and the slowdown in economic growth, particularly in China and India.

Tougher economic conditions also impacted on PwC firms in Australasia and the Pacific where revenues declined by 1%. We expect economic conditions to remain challenging in this region in 2014, but we also anticipate a return to revenue growth following an increased emphasis on the growing consulting market by PwC Australia.

At a country level, PwC's largest firms around the world all continued to grow. In the Americas, revenues continued to grow strongly, with revenues in the US up by 8% and Brazil and Mexico both enjoying revenue growth of 10%. In Europe and Asia, conditions were more difficult and growth was more modest, with revenues in the UK up by 2%, Russia by 3% and China by 3%.

In FY 2013, 20% of PwC's global revenues came from emerging markets.

Figure 1: Aggregated revenues of PwC firms by geographic region (US$ millions)

	FY13 at FY13 ex. rates	**FY12** at FY12 ex. rates	**% change**	**% change** at constant ex. rate
Asia	3,706	3,728	-0.6%	2.1%
Australasia and Pacific Islands	1,642	1,681	-2.3%	-0.9%
Central and Eastern Europe	809	816	-0.7%	2.6%
Western Europe	11,828	11,984	-1.3%	1.5%
Middle East and Africa	1,074	1,077	-0.2%	6.8%
North America and the Caribbean	12,000	11,187	7.3%	7.3%
South and Central America	1,028	1,037	-0.9%	9.4%
Gross revenues	**32,088**	**31,510**	**1.8%**	**4.0%**

FY13 revenues are the aggregated revenues of all PwC firms and are expressed in US dollars at average FY13 exchange rates. FY12 aggregated revenues are shown at average FY12 exchange rates. Gross revenues are inclusive of expenses billed to clients. Fiscal year ends 30 June.

Assurance

In FY 2013, revenues from PwC's Assurance operations – the largest in the world – grew by 1% to US$14.8 billion. This rate of growth was achieved despite very tough competition and a mature market for traditional audit services.

We anticipate that the market for audit services around the world will remain very competitive in 2014. However, the increasing focus on additional forms of assurance such as risk reporting and total impact measurement will provide a future foundation for the continued growth of PwC's assurance revenues around the world. PwC will continue to invest in improving the quality of our services.

Advisory

PwC's Advisory operations continued to grow strongly around the world, increasing by 8% to US$9.2 billion, surpassing US$9 billion for the first time. Advisory revenues now account for 29% of PwC's total global sales.

This continued growth in advisory revenues is driven by the increasing strength of the PwC brand in the area of strategy consulting and implementation, and a strong performance by PwC's deals practice, despite the relatively low levels of merger and acquisition activity around the world.

The vast majority of the increase in PwC's Advisory revenues is the result of the successful implementation of an organic growth strategy. While PwC does make selective acquisitions in the Advisory market, these are only pursued where they will make a significant impact on our capabilities at a sensible price.

Tax

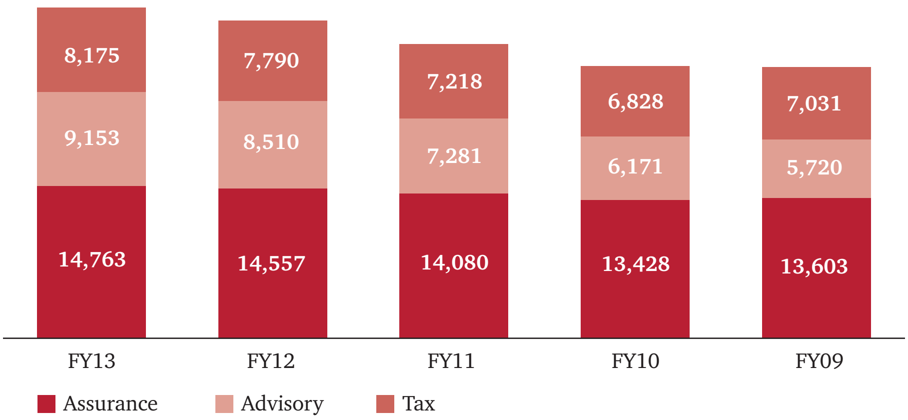
Revenues from PwC's Tax operations continued to grow well for the third consecutive year, increasing by 5% to US$8.2 billion and exceeding US$8 billion for the first time. Demand for tax services is expected to remain strong in the year ahead, driven by increasing needs for both tax compliance and tax advisory services around the world.

Figure 2: Aggregated revenues of PwC firms by service line (US$ millions)

	FY13 at FY13 ex. rates	**FY12** at FY12 ex. rates	**% change**	**% change** at constant ex. rate
Assurance	14,761	14,864	-0.7%	1.4%
Advisory	9,153	8,702	5.2%	7.6%
Tax	8,175	7,944	2.9%	4.9%
Gross revenues	**32,088**	**31,510**	**1.8%**	**4.0%**
Expenses and disbursements on client assignments	(1,863)	(1,854)	0.5%	2.7%
Net revenues	**30,226**	**29,657**	**1.9%**	**4.1%**

FY13 revenues are the aggregated revenues of all PwC firms and are expressed in US dollars at average FY13 exchange rates. FY12 aggregated revenues are shown at average FY12 exchange rates. Gross revenues are inclusive of expenses billed to clients. Fiscal year ends 30 June.

Figure 3: PwC's service line mix (2009-2013) at constant exchange rates (US$ millions)



PwC's Advisory operations continued to grow well around the world, increasing by 8% to US$9.2 billion, surpassing US$9 billion for the first time.

Figure 4: Aggregated revenues by industry sector (percentage of revenue)

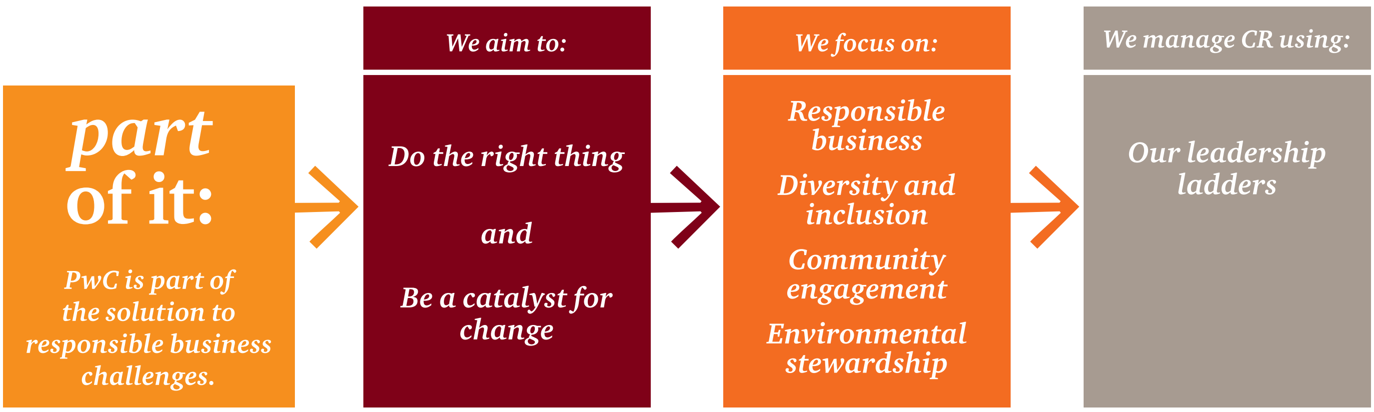
Corporate responsibility

At PwC we believe in being *part* of it: part of the global conversation and movement towards responsible business practices that create positive change in the world. We set out our strategic intent as follows:

- **Doing the right thing**, which means playing our part on responsible business issues that are central to our business – from the quality of our services and the diversity of our people, to our engagement with communities and our environmental footprint.
- **Being a catalyst for change**, which is about using our skills, voice and relationships to work with others and influence activities that make a difference, create change and have a lasting impact on the world around us.

To help us achieve these goals, last year we introduced a new global corporate responsibility (CR) strategy, which has now been rolled out to all PwC firms. This strategy is tailored to our specific strengths and opportunities as a network of professional services firms, and aims to leverage our skills to deliver measurable outcomes that create both business and social value.

The following case studies highlight some of the initiatives we have undertaken in both these areas over the past year.



Follow this link to learn more:
pwc.com/crstrategy

Working with governments and society to achieve 'green growth'

Definitions of 'green growth' vary, but it is commonly understood as an approach to achieving economic growth goals in a way that is environmentally sustainable and socially inclusive.

In a number of countries, PwC firms are helping governments and institutions achieve their own 'green growth' ambitions. For example, we're working with the Global Green Growth Institute (GGGI), an international organisation that started out of Korea in 2010, to promote green growth based on its own local experience.

Two recent examples are our work with the leadership of the United Arab Emirates (UAE) on their National Strategy for Green Growth, and with the Indonesian government on finding greener ways to accelerate economic development and attract Reducing Emissions from Deforestation and Forest Degradation (REDD+) finance.

United Arab Emirates

The UAE has seen remarkable growth and development in the past decade. Its population has doubled since 2005 and new skyscrapers now adorn cities where there was recently only desert. The country's leadership has sought to maintain this progress by outlining their vision for an innovative economy, a cohesive society and a sustainable environment.

To help turn this vision into reality, a combined PwC UK, PwC UAE and GGGI team in Abu Dhabi has spent the past year working with the UAE's government to develop a National Strategy for Green Growth.

The strategy articulates the costs and benefits of going green and how this will catalyse further growth in the UAE. It also examines further benefits such as the creation of new economic clusters, conservation of natural resources, improvements in skills and social advancement.

The PwC people on the project include engineers, economists and other green growth experts from the UK and UAE who, in conjunction with the GGGI team, are delivering world-class analytical methods, effective project management and valuable policy advice to respond to the needs of the UAE government in delivering this high-profile strategy.

Indonesia

Another country where we're working with GGGI is Indonesia. This is a nation at a turning point in its development: it needs to grow its economy and reduce inequality, but at the same time detach itself from its traditional economic engines of mining and forestry.

Indonesia's President Susilo Bambang Yudhoyono is aiming to put the country among the world's top ten advanced economies by 2025 and top six by 2050. To achieve this, he's laid out a masterplan to remove barriers to business by linking the country's islands through vast infrastructure projects. However, the risk is that this plan will open up the country's beautiful natural environment to exploitation.

A combined PwC UK, PwC Indonesia and GGGI team is helping the Indonesian government examine green alternatives to the projects in the masterplan, applying principles based on preserving natural capital, improving resilience, building local economies, and being inclusive and equitable.

For example, the PwC team has forestry experts supporting the implementation of REDD+ and is working across provinces to truly understand the variety of activities and opportunities that exist. The aim is to enable Indonesia to achieve its economic growth and equality goals in a way that will last from generation to generation, by harnessing the country's entrepreneurial spirit while preserving its natural resources.

Over the past year, more than 47,000 PwC people around the world took part in community activities – up from 40,000 in FY 2012.

Putting our global CR strategy into practice

With so many PwC firms operating in diverse parts of the world, each firm must set its local priorities.

However, we know that only by aligning behind a unified CR vision and approach will we be able to make the most of the impacts of our efforts.

With this in mind, the implementation tools on the following page have been designed to support PwC firms in their local interpretation and implementation of the strategy.

Our strategy implementation timeline

To support the implementation of our CR strategy, we have developed a timeline of milestones and key activities at the network level, taking us to the end of FY 2016.

Key stages on the path to full implementation include:

- the publication and achievement of our CR commitments
- extending the scope of our CR reporting
- setting performance targets
- firms measuring their progress against the 'leadership ladders'.

Of course, firms across our network are at different stages of implementing their CR strategies, so some have already reached various milestones at a local level.

Follow this link to learn more: pwc.com/cr/timeline

Making commitments

To support our CR strategy and communicate our intentions clearly to all of our stakeholders, we have put in place a number of commitments. These commitments are based on activities PwC firms will undertake to implement our CR strategy and will prepare our firms for future performance measurement, target setting and reporting (see page 15).

Our leadership ladders

Our global strategy provides a common vision for leadership but allows for flexibility in the pace, prioritisation and localisation of activities. To provide practical yet flexible guidance on CR strategy implementation for firms, we have developed a 'leadership ladder' for each of our four focus areas. This provides a management framework which will help us to meet our commitments.

The ladders provide practical guidance, as well as inspiration, to help firms progress from foundation-level CR activities to CR leadership in their market. All PwC firms are expected to fulfil foundation-level requirements by the end of FY 2014 and all are encouraged to progress further, particularly in areas they feel are more locally important.

Follow this link to learn more: pwc.com/cr/ladders

74m US$
donated by PwC and our people

566,000
hours of our people's professional skills contributed

PwC CR commitments FY 2014–FY 2016

These commitments reflect our strategy implementation timeline (FY 2014–FY 2016) for our 21 largest firms and relate to the implementation of our network CR strategy and enhancements to our CR reporting at the network level. Many of these commitments have already been achieved by our larger firms; however, we know that only by aligning behind a unified vision and approach across the network and collaborating to measure and manage what we do, will we maximise the impacts of our efforts.

To have a positive impact on the world around us, we will:

1. Harness the power of our network to scale responsible business behaviours

By the end of FY 2014, our 21 largest firms will align to the global CR strategy and use their skills, voice and relationships to be a catalyst for change through their CR activities. They will assess themselves against our CR leadership ladders and develop clear progression plans. Our largest firms will also set targets for improved performance in the questions relating to CR in PwC's Global People Survey.

2. Build an even more inclusive culture that values difference

By the end of FY 2014, the leadership teams of our largest 21 firms will have conducted blind-spot awareness training in their businesses and a thorough demographic analysis to identify key local populations and understand barriers and enablers to diverse leadership. They will also undertake efforts to raise their people's awareness of the importance of diversity and engage them in efforts to increase cultural dexterity.

By the end of FY 2016, our largest 21 firms will put programmes in place to drive increased leadership diversity and the development of diverse staff.

3. Increase the positive social impact of our community activities

By the end of FY 2014, our largest 21 firms will provide opportunities for their people to take part in volunteering activities that involve the contribution of their professional skills.

By the end of FY 2015, our largest 21 firms will pilot output and outcome-based performance measurement for their community activities.

4. Manage our impact on the environment

In line with our new global environmental statement, by the end of FY 2014, our largest 21 firms will each implement a local environmental policy and environmental management approach to minimise negative impacts.

5. Enhance the transparency and relevance of our CR reporting

By the end of FY 2014, our reporting at the network level will be enhanced to include stakeholder engagement efforts undertaken by our largest 21 firms. These firms will also put in place enhanced internal reporting structures to improve the efficiency and accuracy of reporting on their CR performance.

By the end of FY 2015, we will introduce performance-based targets for the network as a whole and during FY 2017, we will gain assurance on FY 2016 priority network key performance indicators (KPIs).

“We need a new ‘dimension’ that balances classic profit or loss with the impact on sustainability and society.”

CEO (Western Europe).
Source: PwC Global CEO Pulse Poll Survey June 2013

Contributing to the UN’s post-2015 development agenda

Over the past three years, PwC firms have been working with clients who are grappling with the challenge of meeting the demands of a dramatically different world with increasingly scarce resources and how to achieve their business growth ambitions, but not at any price. ‘Good’ growth is in everyone’s interest so how can a business identify what ‘good’ growth looks like? And, more to the point, how to create it?

Through insights gained from this work, PwC has developed Total Impact Measurement & Management (TIMM), a new framework for strategic decision-making which enables businesses to develop a better understanding of the social, tax, environmental and economic impacts of their activities while making a profit.

In recognition of PwC’s position as leaders in total impact measurement, we were the only professional services network to publically share our expertise with the United Nations (UN) High Level Panel on the post-2015 Millennium Development Goals. PwC’s contributions will help develop the thinking around the use of impact measurement, and, in particular, understanding the private sector’s role in achieving the post-2015 goals.

Contributing our skills and knowledge as part of the solution to critical issues like total impact measurement is an important part of our network corporate responsibility strategy. Through our work with clients and our thought leadership, we aim to be a catalyst for change by leading the debate on how total impact measurement can help identify ‘good growth’ opportunities that benefit all stakeholders.

What is total impact measurement and management?

TIMM enables management to compare strategies and make business decisions (e.g. investment choices) based on a better understanding of the impacts of their activities on all stakeholders.

TIMM puts a value (positive or negative) on 20 impacts across society, tax, economics and the environment, and gives business the ability to compare and evaluate the total impact. Being able to measure, understand and compare the trade-offs between different options means decisions can be made with more complete knowledge of the overall impact they will have and a better understanding of which stakeholders will be affected.

For example, consider the hypothetical example of a brewery in Africa faced with the choice between importing raw materials or growing them locally. Which is better?

The diagram below illustrates the trade-offs if the brewery took the decision to grow raw materials locally resulting in significant community benefits such as employment and improved health, but also increased water use in an area suffering from water scarcity (to consider just a few of the possible impact areas). The size of the bars signifies the relative impact, green being positive and red negative.

Follow this link to learn more:
pwc.com/impact

A focus on skills-based volunteering

We're shifting our focus away from general volunteering activities towards volunteering that uses our people's skills and experience to help non-profit organisations (NPOs) achieve their goals. This change reflects our view that skills-based volunteering enables us to support more sustainable solutions in our wider communities while helping to develop our people.

Our skills-based volunteering encompasses a broad spectrum of activities such as pro bono engagements, staff secondments to NPOs, and helping to educate young people. Here is a flavour of the types of activities undertaken in the PwC network.

As all the case studies in this chapter demonstrate, we have made huge progress in implementing the new global CR strategy. In doing so, we are harnessing the power of the PwC network to maximise the impact of our efforts.

Building a more inclusive culture for our people is another key part of our strategy. Further information on our approach to diversity and inclusion is provided on pages 32-33.

Using our skills to support non-profit organisations (NPOs)

Brazil

In FY 2013, 714 staff and partners from PwC Brazil dedicated almost 8,000 hours of volunteering to social causes, the majority of which were related to mentoring low-income youngsters. The firm also provided pro bono and discounted projects to several non-profit organisations, adding up to more than 8,700 hours of service.

Canada

In Canada, PwC's skills-based initiative, the 'Not-For-Profit Apprentice', continued to bring together employees from all levels to help NPOs understand their organisational challenges and develop new ways to enhance their social impact.

Indonesia

In Indonesia, 40 volunteers from PwC conducted a financial literacy workshop with around 80 women owners of fried-rice stalls. An NGO partner was responsible for identifying the women who would benefit most from the exercise. The financial training provided by PwC Indonesia was based on the process of making fried rice, looking at inputs, assets, pricing strategy and budgeting. At the same time, the women taught volunteers how to fry rice – a satisfying exchange of skills!

Kuwait

PwC Kuwait developed an enterprising approach to fostering entrepreneurship in high schools through a cross-sector partnership that engaged students in a business plan competition throughout the academic year. The primary emphasis was on helping students develop the thought processes and skills needed to be successful entrepreneurs, as well as focusing on new ideas in areas with particular relevance to the region's future, such as technology and sustainability. More than a quarter of PwC Kuwait's partners and staff participated in the pilot programme, contributing their skills for a total of 2,500 hours to support 21 teams of students.

Mexico

In Mexico, PwC people provided technical coaching and advice on accounting, finance, audit and tax to students of Villa de las Niñas, an organisation that provides education opportunities to girls from impoverished backgrounds.

United States

And PwC people in the US helped the country's largest food bank organisation identify efficiency opportunities in its distribution channels. If realised, these would contribute to the delivery of over 400 million more meals to those in need.

"The great thing about it was that it wasn't just a document… PwC went to the next level by saying 'here is how you go about implementing it', not just the technical aspects but also the change management needed in order to be successful," said Janet Gibbs, CFO of Feeding America. "This is real hands-on work that we know for every dollar contributed, we can provide eight meals to our network. That is huge!"

Follow this link to learn more: pwc.com/corporate-responsibility/making-difference

Corporate responsibility in numbers

In order to coordinate our CR activities it is essential that we are able to measure and report on the KPIs that are most relevant to the global CR strategy. In this section you will find detailed data and performance commentary related to our community engagement activities, and for the first time, our greenhouse gas (GHG) emissions.

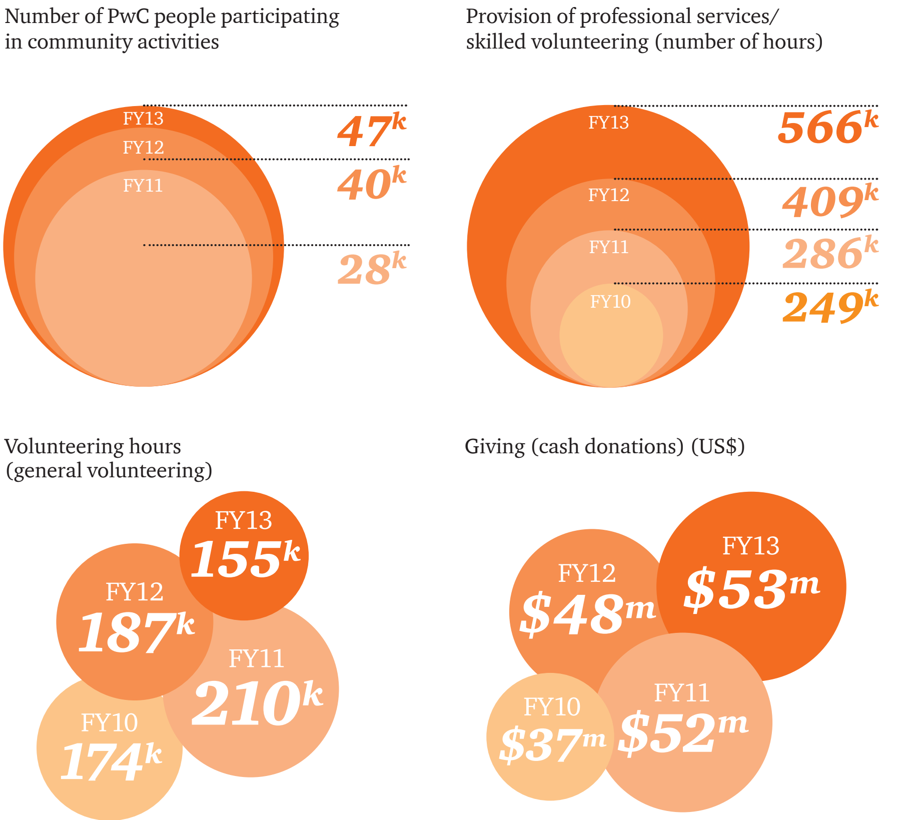
Community engagement

Over the past year, more than 47,000 PwC people around the world took part in community activities – up from 40,000 in FY 2012, an increase of 19% (figure 5). In particular, the US, France and Southern Africa saw increasing numbers of PwC people involved in community activities.

The number of hours of skilled volunteering and free or heavily discounted professional services that we provided to community organisations also increased significantly, to over 566,000 from 409,000 the previous year – a 39% rise. At the same time, there was a decrease in general volunteering hours from 187,000 to 155,000. This shift towards donating our professional skills is a key component of our CR strategy and will allow us to support more sustainable solutions for our communities while helping to develop our people.

The 21 largest firms in the network also donated over US$53 million in FY 2013. This represents a healthy 11% increase on the previous year. A significant proportion of this increase was due to a growth in the PwC US firm's ambitious 'Earn Your Future' programme, which is featured on the following page.

Figure 5: CR in numbers



These figures relate only to the 21 largest firms in the PwC network.

Giving: the comparative FY11 and FY10 figures have been re-stated to reflect a correction in a prior year classification of contributions from our people and PwC Foundations.

Number of PwC people participating in community activities includes general volunteering, skilled volunteering, pro bono and discounted services. The comparative for FY12 has been restated to reflect an understatement error.

Provision of professional services/skilled volunteering includes the number of hours of skilled volunteering, pro bono and discounted services contributed to community activities. The comparative for FY12 has been restated to reflect an understatement error.

Figure 6: Financial contributions (in US$)

	FY13	FY12
Cash donations from PwC	53,086,536	48,000,000
Cash donations from PwC people and other third parties	20,440,265	16,747,950
Total	**73,526,801**	**64,747,950**

Cash donations from PwC people and other third parties: financial value (in US$) of donations raised from other parties as a result of the PwC network's community activities or facilitated by the network (e.g. via payroll deductions).

'Earn Your Future': Skilled volunteering in the US

PwC US is now one year into its 'Earn Your Future' programme, a five-year US$160 million commitment to improving financial literacy under the Clinton Global Initiative.

Follow this link to learn more: pwc.com/us/cr/youth-education

Targets over five years	Progress in FY13
2.5 million students and teachers impacted	500,000 students impacted and 18,000 teachers received educational, financial and/or developmental resources
1 million skilled volunteering hours	150,000 skilled hours volunteered
US$60 million cash donations	US$16 million cash donated

New commitment On track Completed

Environmental stewardship

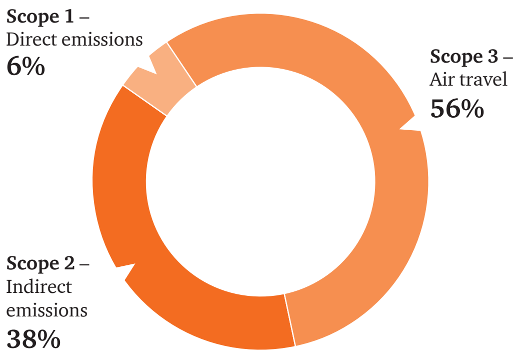
Our global people survey revealed that 68% of our people are satisfied that we are responding appropriately to address the impact of our business on the environment. This is up on FY 2012, but there is still room for improvement. At the network level, our focus is on measuring and managing our GHG emissions.

Many of the firms in the network have been measuring their GHG emissions for a number of years and have mature GHG reduction strategies in place. Still others remain at earlier stages in their management of GHG emissions.

This year we have collected GHG emissions covering 20 of the 21 largest firms using a consistent approach (representing 74% of our people). However, we believe that there is the potential to improve the accuracy and completeness of the reported data. This, together with extending and deepening the scope of GHG reporting, is a continuing priority.

Figure 7: Greenhouse gas (GHG) emissions (tonnes)

	FY13
Scope 1 – Direct emissions	24,716
Scope 2 – Indirect emissions	151,076
Scope 3 – Air travel	218,410
Total (gross)	**394,203**
Electricity purchased from green electricity tariffs	166,194
Total (net)	**228,009**



Scope 1 – Direct emissions: emissions from sources that are owned or controlled by the PwC network, for example, emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc.

Scope 2 – Indirect emissions: emissions from the generation of purchased electricity and heat consumed.

Scope 3 – Air travel: emissions from work-related air travel.

Clients

Robert Swaak

PwC Vice Chairman, Clients and Markets

Clients

PwC's clients range from some of the world's largest multinationals to many small and medium-sized enterprises. And they are based in almost every country in the world, each with its own business environment and trends.

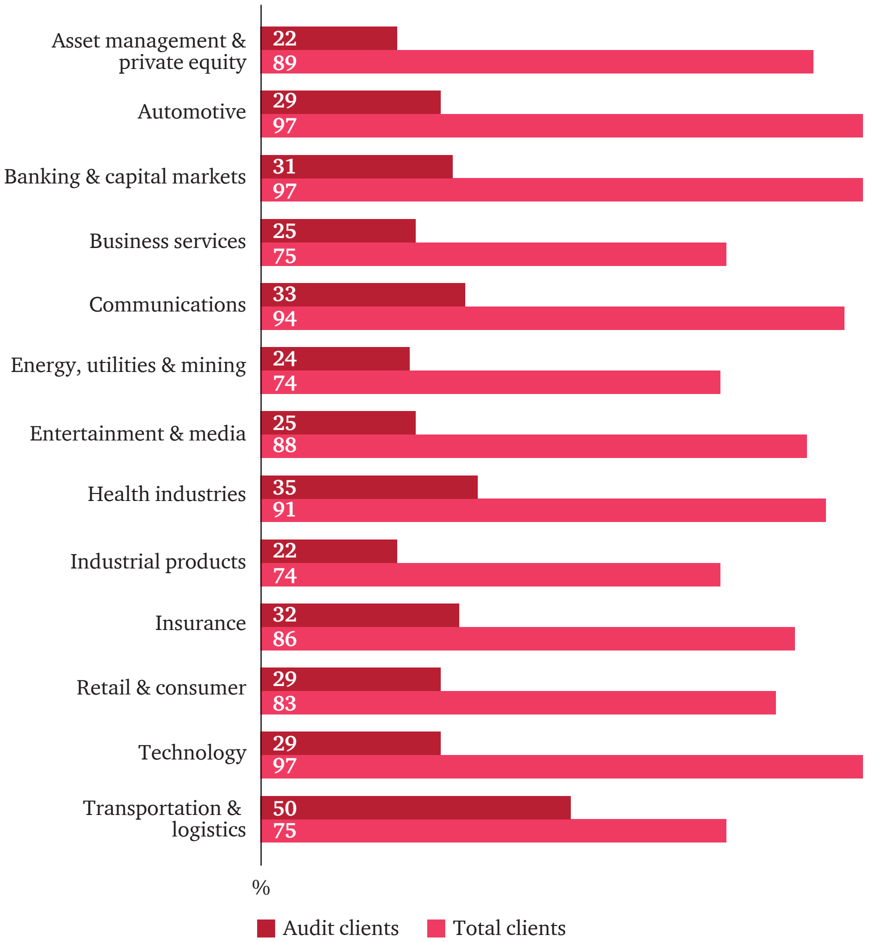
Despite this huge diversity, our clients across the globe often face very similar challenges in achieving sustainable growth and delivering value.

When we surveyed business leaders in our 16th Annual Global CEO Survey, we found they were continuing to refine their operations, looking to cut costs without reducing value as they managed through sluggish times. They were seeking growth opportunities organically, avoiding large outlays that could strap resources for the future. Most important, they had a clear focus on customers, working with them more closely than ever on programmes to stimulate demand, loyalty and joint innovation.

Helping our clients rise to these challenges and find the growth they are seeking is what PwC does best.

And we are very proud and encouraged that, as the charts on these pages demonstrate, companies around the world continue to turn to us for help and advice in meeting their challenges. For example, in FY 2013, PwC firms provided services to 421 of the Fortune Global 500 companies and 452 companies in the FT Global 500.

Figure 8: Clients of PwC firms as a percentage of the Fortune Global 500

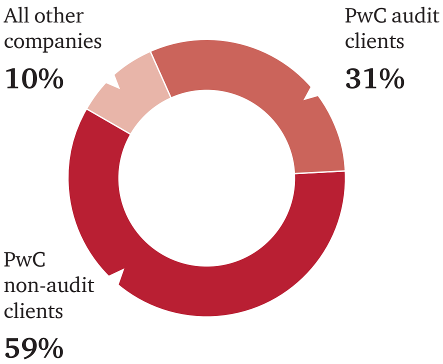


In 2013, more than two-thirds of our Tax and Advisory revenues came from clients that are not audited by PwC.

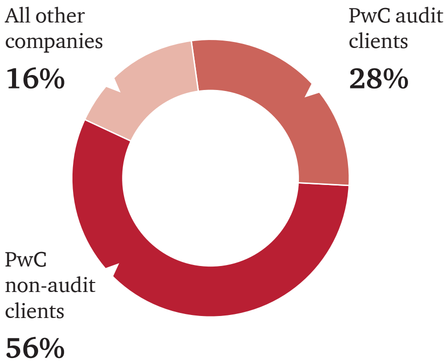
Less than one-third of fees from audit clients in 2013 were for non-audit services.

Figure 9: Global and regional client bases – company indices / lists

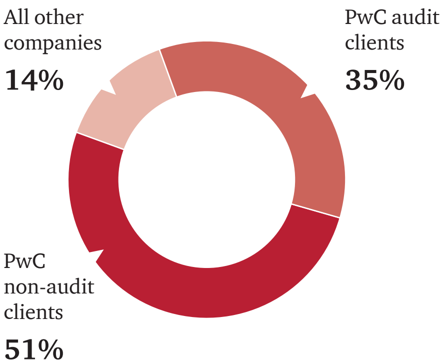
FT Global 500



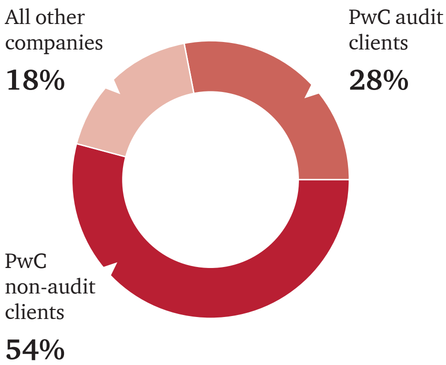
Fortune Global 500



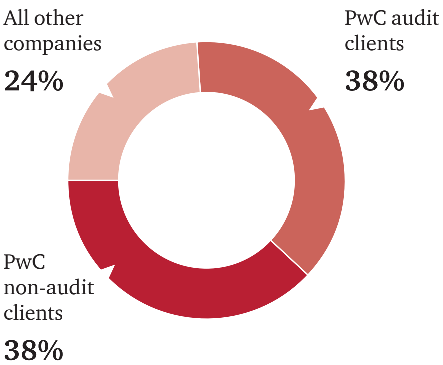
FT Europe 500



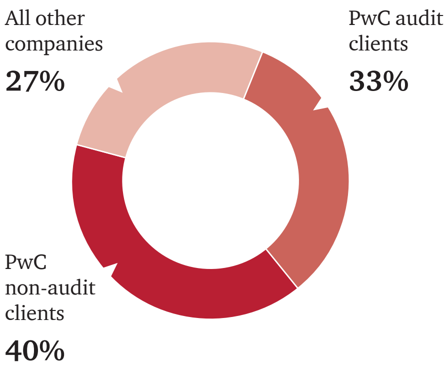
Fortune 500 (US)



S&P Asia 50



S&P Latin America 40



Audit clients include both sole and joint audits.

Non-audit clients are those companies where PwC did not provide statutory audit services and where revenues exceeded US$500,000 in FY13.

Our People:
Leadership at all levels

By Dennis Finn

Dennis Finn

PwC Vice Chairman, Global Human Capital

We are extremely proud of our people and their accomplishments. On the next few pages, we highlight just a few of the many examples that showcase the real strength of PwC… our people. Whilst the last few years have been full of challenge, we could not be more pleased with our people's growing engagement and passion for serving clients.

Meet the 'PwC Professional'

At PwC, we continue to define what it means to be part of our network. In the past year, we have embraced a new leadership model called PwC Professional – a fresh and distinctive way of defining and encouraging leadership at all levels.

The heart of the PwC Professional is that everyone at PwC shows leadership every day by guiding, influencing and inspiring colleagues, clients and communities to be the best they can be. Our people achieve this by leading in a responsible, inclusive and passionate way – and taking personal responsibility for how their actions impact others. As 'whole leaders', our people constructively influence others within and beyond PwC, by demonstrating different forms of leadership at different stages of their careers.

As well as **whole leadership** mindset, there are four additional attributes of the PwC Professional: the ability to build trust-based **relationships**; **business acumen** and **technical capabilities**, which create value for clients and PwC; and **global acumen**, transcending geographic boundaries, politics, race, and culture. Key to the model is the concept of a leader bringing their best self to work, applying their own unique blend of the five key attributes.

With the advent of the PwC Professional, we now have one consistent roadmap to develop future leaders across the world. We are confident that, in the coming years, the impacts and benefits of the PwC Professional will become clear through our people's ever-increasing engagement and the value they create for our clients and communities.

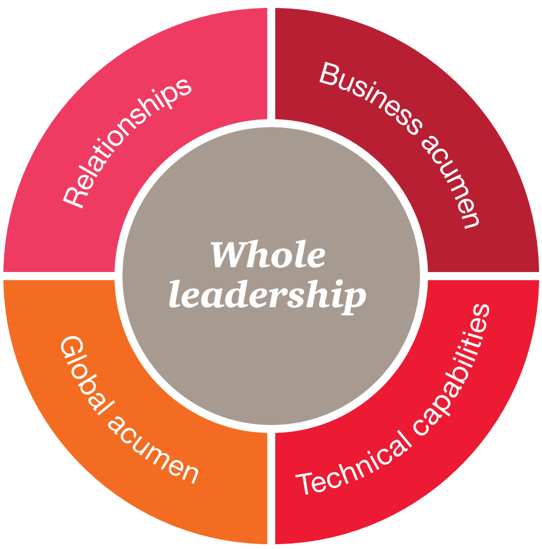
NextGen: paving the way to greater flexibility across our network

A key aspect of empowering leadership at all levels is valuing the insights of our younger employees. This is all the more vital now that that the Millennial generation or 'Gen Y', born between 1980 and 1995, make up two-thirds of our global workforce.

To enable Millennials to make their fullest contribution, we need to provide an employment offer that meets their distinct needs. Compared with previous generations, Gen Y seeks greater workplace flexibility, a better work/life balance, and more opportunities for overseas assignments. Put simply, Millennials want their work to fit round them as individuals, more than the other way round.

How do we know all this? Because in April 2013 we completed the world's largest and most comprehensive study into Millennials' attitudes and behaviours – a two-year project initiated by PwC and conducted in partnership with the University of Southern California and London Business School.

The PwC Professional
Leadership at all levels



Some 44,000 online surveys were completed anonymously by PwC employees from all generations and across all parts of our business in over 20 PwC firms.

So, what did they tell us? The survey – entitled 'PwC's NextGen: A global generational study' – both confirmed and dispelled stereotypes about Millennials. While they're more tech savvy, globally focused and willing to share information than older counterparts, the study found they don't feel more entitled or less committed, and are willing to work just as hard.

Indeed, many Gen Y attitudes are shared by their more senior colleagues – with the difference being that Gen Y are more vocal about them. And here at PwC, we're listening. The NextGen findings have already guided us towards cultural and structural changes in how we manage, promote and compensate our people, to help provide the flexibility and fulfilment they want.

Learning at all levels

NextGen also resonates with an innovation this year in our approach to workplace mentoring. Mentoring of our younger people by their more experienced counterparts has long been a key part of our people development. But now we're making growing use of a new variant where our more experienced employees learn from their younger colleagues: 'reverse mentoring'.

Why? The fact is, in today's fast-changing and increasingly technological world, a younger worker can make a huge contribution to helping colleagues learn new things and advance their careers. Today, people in their 20s or 30s are superbly qualified to pass on many valuable skills – like how to master workplace technology, leverage social media and understand the mindset of the people they're managing.

Liam Conlon (UK)

A winning act of decency

In August 2012, when ING Direct launched a competition in partnership with the Metro newspaper to find Britain's most decent people, Liam Conlon from PwC UK's Consulting team found himself on the list of nominees. In December he was announced as one of the ten winners.

The competition asked Metro readers to nominate people they knew whose selfless acts of decency profoundly impacted the lives of others. Liam certainly fitted the bill.

Having previously worked helping disability NGOs in Burkina Faso, West Africa, Liam found out in early August that the country's Paralympic team had arrived in London three weeks before the Games with nowhere to stay. So he cancelled his holiday and put them up in his own house, as well as sourcing them a new handbike and other equipment after the original kit didn't meet the specifications required for the Paralympic Games.

The competition judges described Liam's selfless actions as "one of those little-known stories… that demonstrated how the whole country embraced the Olympic spirit."

In January 2013, Liam, 25, was appointed as the youngest trustee of the United Nations Association International Service in its 60-year history. With them, he has developed a high-profile 'Inclusion in Sport' project with the Burkina Faso Paralympic Association, which is now fully operational.

The association aims to enable greater integration of disabled people, especially women, into society through sport. It also has the overarching ambition of getting more Paralympic athletes to the Rio 2016 Games where Liam will be the Paralympic Attache for the country.

"The only way I am able to continue with work outside PwC, is with the fantastic support I've received from the firm," says Liam.

PwC UK's Liam Conlon (right)

With Lord Sebastian Coe (Chairman of London 2012 Organising Committee of the Olympic and Paralympic Games) in the Aquatics centre during the London 2012 Paralympic Games

Harnessing this potential goes to the heart of what differentiates PwC. We're successful if we recruit, retain and develop the very best people. And reverse mentoring helps us do this, by engaging our very best people in a conversation around the things that PwC sees as most important.

Globally, we're running the Digital Reverse Mentoring Programme where our younger people help their colleagues learn how to use social media safely, efficiently and effectively to deepen and strengthen their engagement with clients, staff and peers. Currently being rolled out in several firms around the world, the programme uses one-on-one tailored sessions to enable partners to tap into the skills and enthusiasm of the Millennial generation.

Leading by example: our people in action

The real proof of all our people-focused initiatives lies in the great things that we empower and equip our people to achieve. Just a few of countless examples we could quote across the world are showcased throughout this section of the report.

As these case studies underline, leadership at PwC happens at all levels, from experienced partners to first-year associates. Put simply, we believe that leaders are defined not by their position in any hierarchy, but more importantly, by what they do.

Alex Gordon (New Zealand)

PwC analyst is the world's best

After overcoming the challenge from 2,000 competitors in three rounds, PwC New Zealand's Alex Gordon was named the 2012 Financial Modelling World Champion in December 2012.

Financial modelling is the task of building an abstract representation (a model) of a real world financial situation.

Up against the world's top 15 financial modelling minds at the live finals in New York, Alex pulled out all the stops to impress the three global judges and clinch the US$25,000 prize.

Competing with rivals from countries including Australia, Russia, Hungary, the US and UK, he had his innovation, speed, best practice modelling theory, and data and risk understanding put to the ultimate test.

Delighted by his win, Alex said: "Financial modelling is something I do every day and am passionate about. I am very happy to have won - it's a wonderful recognition."

Before heading to the finals, Alex told a national newspaper that he thought a trip to New York was a pretty good prize on its own, but he'd give the title his best shot. He's glad he did.

Huili Wang (Germany)

Providing a bridge between Germany and China

Chinese Premier Li Keqiang recently highlighted the importance of the economic relationship between China and Germany. Against this backdrop of a special bilateral partnership, Dr Huili Wang is in the right place at the right time.

An international tax partner in PwC's Munich office, Huili is also responsible for leading the firm's China/German relations and business. It's a role she's uniquely equipped to handle. Born and educated in China, Huili moved to Munich in 1996 where she qualified as a German tax adviser and obtained a doctorate in Business Economics at Munich University. Having been a lecturer in international and German tax law at Munich University, she joined PwC in 2008 where she immediately got involved in large-scale international client projects.

She now specialises in advising multinational clients on their German, Chinese and international tax affairs, including group restructuring and financing strategies, and structuring for cross-border transactions. Fluent in English, Mandarin and German, Huili provides a bridge between PwC's German and Chinese firms. She does the same for clients, helping them to understand and navigate the complex technical tax and cultural nuances that can so often undermine deals in this space.

As she sums up: "Sometimes when German companies are acquired by Chinese entities, they struggle to establish relationships with their new shareholders. It's great to be able to make a difference there." And with Chinese investment into Germany set to soar beyond current levels, she is likely to be kept very busy.

Tricia Antonini (Canada)

Making a difference

Leadership can be demonstrated in many ways. For Tricia Antonini, in PwC Canada's Calgary office, it's been about courage, taking a challenging situation and creating something positive from it – for her colleagues and clients, and for the wider community.

Two years after being diagnosed with leukemia (and shortly after joining PwC Canada in 1997), Tricia started volunteering with the Leukemia & Lymphoma Society of Canada (LLSC). She has continued to support them for over 16 years, through two relapses and three bone marrow transplants. As a founding member of the Alberta Chapter of LLSC, she's been a past co-chair of its board of trustees, and currently counsels newly diagnosed or relapsed patients.

Tricia also volunteers with Alberta Health Services, sitting on its Provincial Advisory Council for Cancer, as well as being one of just two non-clinician members of its Strategic Clinical Network, a core committee focused on improving the quality of care throughout the entire patient journey. "By drawing on my experience with cancer, as well as my professional training, this is where I feel I can help to make a real long-term impact," she says.

At work, Tricia co-leads the PwC Corporate Responsibility (CR) Champion team for the Calgary office, with responsibility for raising awareness for the firm's Canada-wide CR programmes. And as a senior manager in the Assurance practice, she's found a role specialising in not-for-profit

accounts, where, as she says: "After everything I've gone through, it's great to be able to help these clients help other people."

Bernice Kimacia (Rwanda)
Blazing a trail for PwC – and for women – in Africa

Three years ago, Bernice Kimacia was offered the chance to move to Rwanda to set up PwC Rwanda's new office in Kigali. After 20 years with PwC, including five on secondment in London and six as a partner in Kenya, she jumped at the opportunity.

"It was a tremendously exciting challenge," she recalls. "Working at PwC, you often take for granted what it takes to run an office. But starting from scratch, resourcing the staff, setting up the systems – these were all things I'd never done before."

Events since then suggest she did a pretty good job. Starting with 13 people in 2010, the office is now approaching 70-strong and has become the leading professional services firm in Rwanda.

Alongside running PwC's presence, Bernice also focuses on two other priorities. One is supporting the development of Rwanda's professional services market, and thereby its wider economy. The other is helping women working for PwC in the region realise their full potential, by mentoring them and sharing her own experiences.

"Like many firms, we recruit an equal balance of men and women, but by partnership level the proportion of women is very low," she comments. "It's sad to see women dropping out when there's often no need – and my career story can encourage them to stay."

Looking forward, Bernice aims to grow the Rwandan office into a stable, mid-sized PwC presence, before moving on to another role in the PwC network. "What I enjoy most is developing the potential of my team," she says. "And I'll enjoy doing that anywhere in the world."

We continue to invest in attracting talented people and offering them stimulating and rewarding careers once they join.

Talented people and rewarding careers

Globally, almost 37,500 people joined PwC firms around the world – including more than 19,600 graduates and close to 14,700 experienced professionals.

The rise in global headcount demonstrates our growing attractiveness as an employer of choice. We continue to invest in attracting talented people and offering them stimulating and rewarding careers once they join.

PwC also has an impressive global footprint. With a presence in 776 locations across 157 countries, we provide services to clients based on our local expertise and we offer exciting career opportunities all around the world.

We have seen the biggest increase in employee numbers in Australasia and the Pacific Islands – followed by the Middle East and Africa and North America and the Caribbean. In Europe, employee numbers fell, due largely to the continuing difficult economic environment in many parts of the region.

Figure 10: PwC firms' people

PwC people	FY13	FY12	FY11
Partners	9,597	9,359	8,697
Client service staff	143,111	139,723	129,720
Practice support staff	31,527	31,447	30,293
Total	**184,235**	**180,529**	**168,710**

This year our global workforce reached its largest ever total of **184,235**

The rise in global headcount demonstrates our growing attractiveness as a great place to work and build your career.

Figure 11: Headcount by region

PwC people	FY13	FY12	Growth
Asia	38,863	37,805	3%
Australasia and Pacific Islands	6,760	5,885	15%
Central and Eastern Europe	7,490	7,857	-5%
Western Europe	60,441	60,853	-1%
Middle East and Africa	11,578	11,008	5%
North America and the Caribbean	46,608	44,885	4%
South and Central America	12,495	12,236	2%
Total	**184,235**	**180,529**	**2%**

Figure 12: PwC people by region

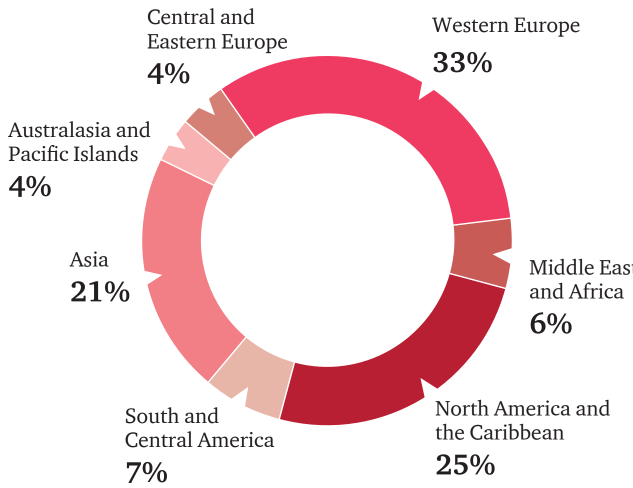
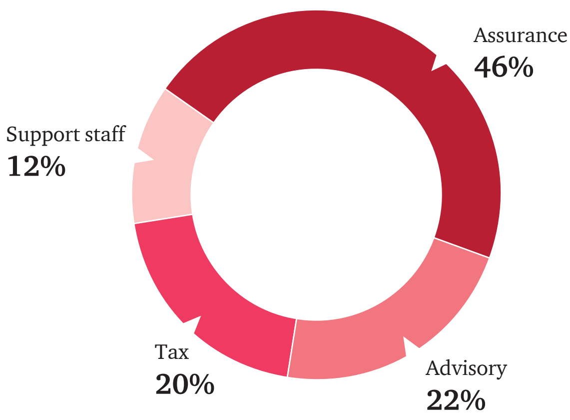


Figure 13: PwC people by line of service



In FY 2013, more than 19,600 graduates chose to begin their careers with PwC .

Figure 14: PwC people since 2003

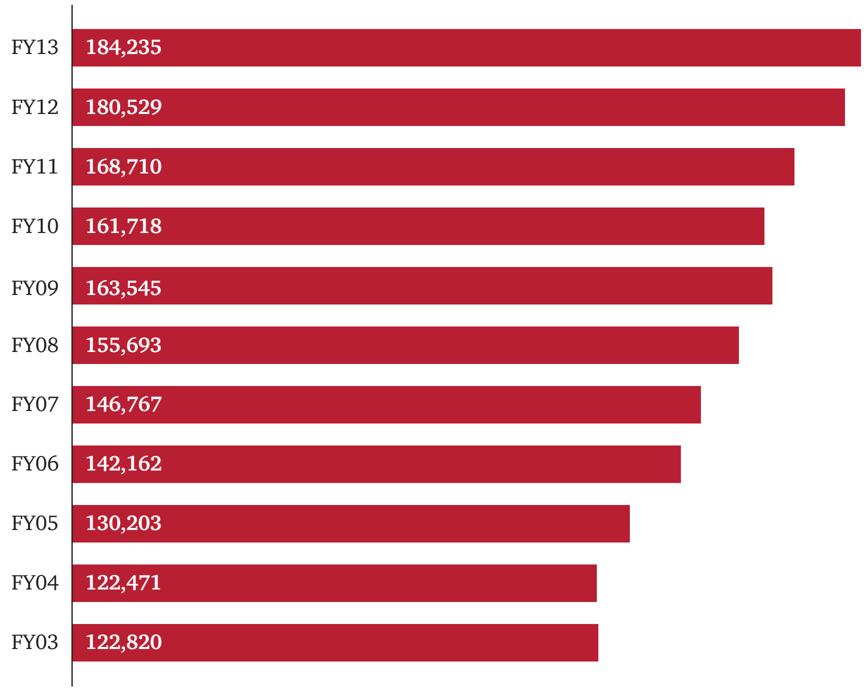
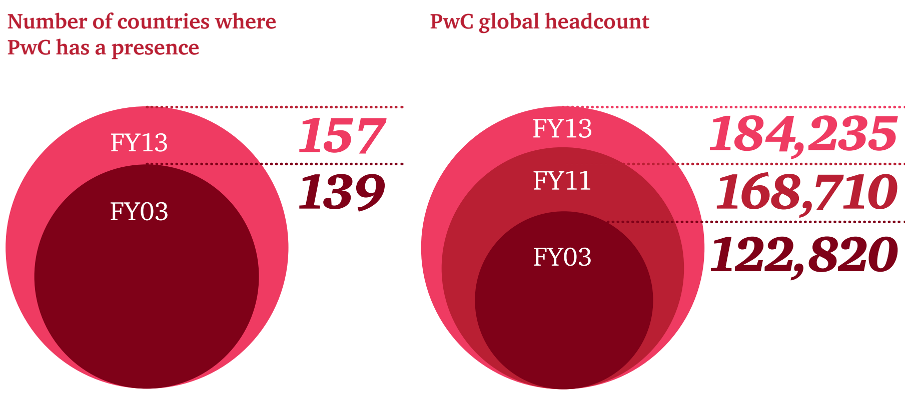


Figure 15: New joiners in FY13 and FY12

	FY13	FY12
Graduates/campus hires	19,622	20,559
Experienced professionals	14,640	17,983
Support staff	3,190	3,930
Total	**37,452**	**42,472**

Figure 16: PwC's global footprint



Graduate recruits

PwC recruited over 19,600 graduates in FY 2013, which makes us among the largest recruiters of graduates in the world. Attracting the best people to PwC and offering them first-class training and the best opportunity to develop their career is a key to the future of PwC and something that we are committed to doing.

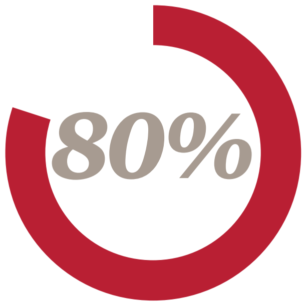
PwC is one of the most attractive organisations for graduates, as is borne out in student surveys around the world. We hold the top position in a number of key countries as the most attractive employer and, as expected, our rankings in many student surveys has increased following a slight decline in the surveys last year, which was largely due to our name change.

Figure 17: PwC ranking in student surveys

	Rank in Big Four		Rank among all employers	
	FY13	FY12	FY13	FY12
Asia	2	3	10	10
Brazil	2	2	22	33
China	1	1	9	17
Germany	2	1	13	12
Global	2	4	4	7
Nordic	2	2	2	2
Pan-European	2	2	4	6
Russia	1	3	9	18
Spain	3	4	15	31
Sweden	2	2	5	5
Switzerland	2	2	7	12
UK	1	1	1	1
US	3	3	8	8

Sources: Asia (Universum Graduate Survey), Brazil (Universum Graduate Survey), China (Universum Graduate Survey), Germany (Trendence Survey), Global (Universum), Nordic (Universum Graduate Survey), Pan-European (Trendence Survey), Russia (Universum Graduate Survey), Spain (Universum Graduate Survey), Sweden (Universum Graduate Survey), Switzerland (Universum Graduate Survey), United Kingdom (High Fliers), United States (Universum Graduate Survey).

In 2013, we were named the ***fourth most attractive employer in the world*** for business students by Universum.



Percentage of PwC people worldwide who are proud to work at PwC

Global People Survey

Every year, we ask our people around the world how they feel about working at PwC. This year, a record 73% of our people took part in our global survey.

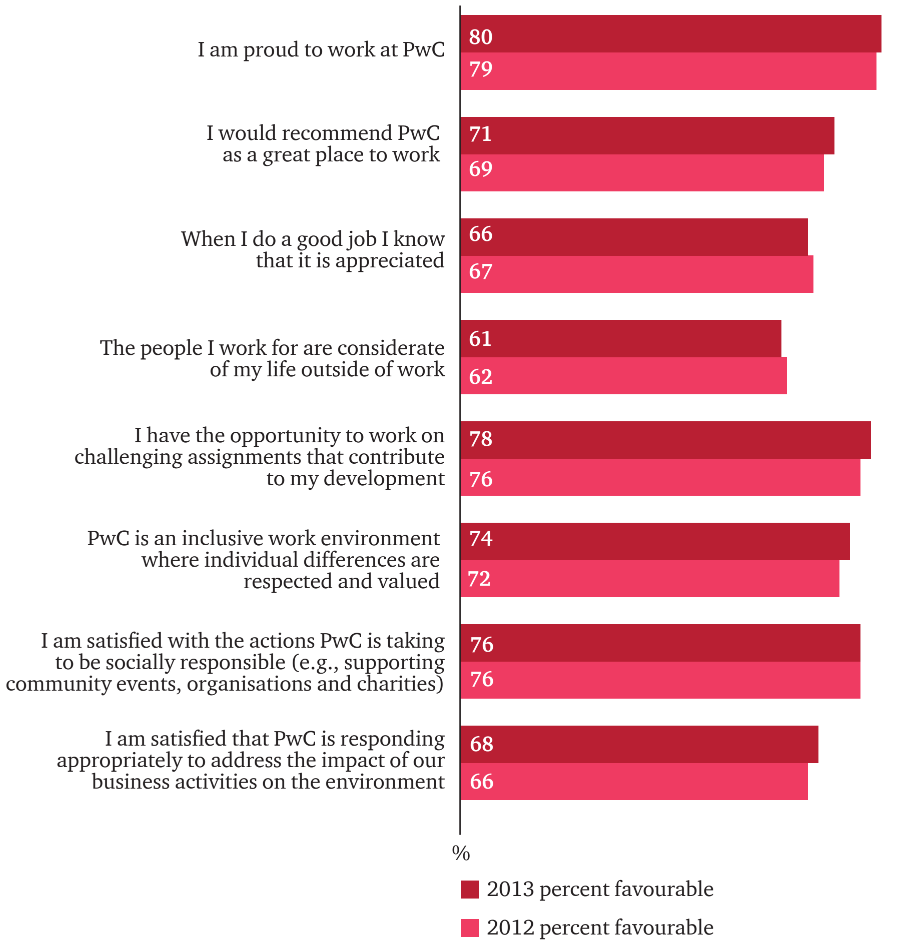
The vast majority of the 139,000 people who completed the survey told us that they are proud to work at PwC (80%) and would recommend PwC as a great place to work (71%).

And 78% said they have the opportunity to work on challenging assignments that contribute to their development, up from 76% last year.

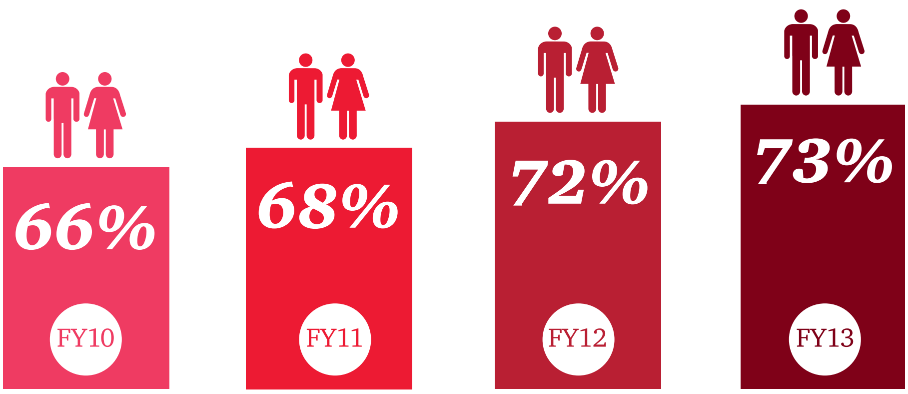
We also saw a positive response in the area of corporate responsibility, with 74% of our people saying PwC is an inclusive work environment where individual differences are respected and 68% that PwC is responding appropriately to address the impact of our business activities on the environment.

But we know there is always more we can do. We will continue to use the results of the survey to look at some areas, such as respecting life outside work, in more detail and take steps to make PwC an even better place to work.

Figure 18: Global People Survey results (% agreeing)



Employee engagement (FY 2010-FY 2013)



At 30 June 2013, a total of 2,511 PwC people were on long-term international assignments.

International mobility

With offices in 157 countries around the world and a strong international mobility programme, we are able to pull together teams to solve important problems for clients – developing our people through these experiences.

At 30 June 2013, a total of 2,511 PwC people were on long-term international assignments with participation from 104 countries around the network.

For our overall programme, the total number of new long-term and short-term international assignments that started in the year was lower than last year (see figure 19), mainly due to the downturn in mobility activity resulting from the continuing difficult economic environment in some parts of the world. Despite this, we have improved in placing our more senior talent in emerging markets. As the business environment improves and we continue to invest in our mobility programme, we expect the level of international work experience opportunities for our people to rise.

Through both our traditional assignment programme and other international client projects, we can offer our people exciting career opportunities and meet the needs of our clients all across the world.

Figure 19: International mobility programme – number of new assignment starts

	FY13	FY12	FY11
Long-term assignments	1,086	1,213	1,294
Short-term assignments	1,074	1,282	1,189
Total	**2,160**	**2,495**	**2,483**

Opportunity of a lifetime

We are proud of the progress we have made. Our people strategy of finding, developing, motivating, mobilising and retaining quality talent and transforming our culture is designed to build our network for the future.

As reflected in this Review, we have achieved strong results across the network. However, this would not have been possible without our people. We have shared just a few examples of how our people, across all generations, lead, inspire and develop both themselves and each other.

We will continue to work hard to provide all our people with the opportunities to grow as individuals, to work flexibly, to build lasting relationships and to make an impact. Our goal at PwC is to simply give our people an opportunity of a lifetime.

We look forward to building on this progress, and learning and gaining insights from our leaders at all levels, in FY 2014 and beyond.

Diversity and inclusion

At PwC, we're committed to helping our people – with all of their varied backgrounds and experiences – to build a rewarding career and achieve their full potential. While we continue to make progress, we constantly strive to increase the pace of change to maximise the diverse talents of our whole workforce.

To this end, we conducted a detailed diagnosis in FY 2013, which comprised data analysis, interviews with our people, a review of human capital processes and training programmes. This work led to a refreshed view and to the definition of new priorities and milestones.

While leadership diversity remains the strategic priority, we have broadened our focus to every stage of the career ladder. To drive momentum, we must develop diverse junior talent for future leadership roles. A good example is that 44% of our long-term international assignees below manager grade are now female. But we must do more.

We are focused on developing leadership accountability for diversity, an inclusive culture and awareness of issues that often get overlooked. To foster awareness of this commitment, Bob Moritz, senior partner of PwC US, held a conversation on these issues (livestreamed worldwide) with Sheryl Sandberg, COO Facebook and author of 'Lean In: Women, Work, and the Will to Lead' (see www.pwc.com/Leanin).

And we marked International Women's Day this year with the theme 'Gender, generation, and leadership: supporting the millennial woman craft her career', launching a number of events and resources in collaboration with external thought leader Dr. Elisabeth Kelan (see www.pwc.com/IWD).

We have also identified, and shared with all our member firms, successful initiatives and actions that have resulted in more diverse leadership at PwC.

Progress is being made:

- Good news for diversity at the top: 23%, 28%, 27% and 33% of leadership teams are women in PwC Australia, PwC Canada, PwC UK and PwC US, respectively
- 51% of global graduate hires this year were female
- 74% (up 2% from last year) of our people believe PwC is an inclusive work environment
- During FY 2013, 34% of participants in our global leadership development programme – Genesis Park – were women
- Female leaders consistently cite a mobility experience as one of their top-three developmental milestones. Globally, 36% of our talent deployed on long-term international assignments were women (Tax led the way, with women making up 41% of all long-term and 52% of short-term international assignments)
- In PwC UK, 14,000 partners and staff have completed 'Open Minds', a diversity e-learning programme. Launched in March, this helps participants recognise issues that can arise in their relationships and acknowledge situations where they could be more tolerant of differences.

Agnès Hussherr: piloting new approaches to diversity and inclusion

Since her appointment as PwC's Global Diversity Leader in July 2013, Agnès Hussher has focused on strengthening PwC's diversity network. By empowering and having the strong support of country Diversity Leaders in the larger PwC firms, she's driving greater commitment to making change happen at a local level – something she hopes will result in diversity being reflected organisation-wide and a more inclusive culture.

It's a big job, but one she appears to balance effortlessly with the other two 'hats' she wears – as a partner in the Assurance practice and Transformation Leader for PwC France. And she's also the mother of three.

Achieving equilibrium is something Agnès knows all about. Having qualified as a pilot three years ago, she relishes the opportunity to unwind high above the French countryside: "It's been a childhood dream ever since I came across a book on famous female pilots when I was 14," Agnès says.

Her attitude embraces work and personal commitments: "I don't think we should see it as 'work/life balance' – this gives it a negative connotation, as if work and private life are in conflict" she says. "We need to look at it as 'work/life integration'…a bit like the yin and yang symbol, where work and private life are in harmony and function well together."

Agnès has already helped to increase the proportion of female partners at PwC France. Now she's been given the opportunity to raise her sights to PwC firms around the world.

Role models

PwC Australia's **John Walsh** played a pivotal role in the development of the National Disability Insurance Scheme with the Australian government, which went live on 1 July 2013.

PwC Canada's **Susan Allen** was named 2013 Business Leader Champion by Catalyst.

PwC UK's **Celine Herweijer** was named a 2013 World Economic Forum Young Global Leader and **Claire Blackburn** made the 2013 Sunday Times 35 women under-35 list.

In the 2013 World Pride Power List, PwC UK's **Andy Woodfield** was named one of the Top 100 influential LGBT (Lesbian, Gay, Bisexual and Transgender) people in the world.

Maria Moats, PwC US's Chief Diversity Officer, received the Association of Latino Professionals in Finance and Accounting (ALPFA) Woman of the Year award. ALPFA is dedicated to enhancing opportunities for Latinos in the global workforce.

PwC US's **Patricia Etzold** received Consulting magazine's 'Women Leaders in Consulting' award for her outstanding achievements in client service.

PwC Mexico's **Patricia Gonzalez** and PwC China's **Nora Wu** were elected to the PwC Global Board.

This year, two PwC firms appointed women to their local leadership teams for the first time: **Petra Justenhoven** (PwC Germany) and **Julie Fitzgerald** (PwC Switzerland).

Inspiring a movement of trust: Reporting and assurance for the 21st century

By Richard Sexton

Richard Sexton

PwC Vice Chairman, Global Assurance

Comparing different eras is always difficult, but I can't think of a time in my working life when being in business has been more challenging – or more exciting. Companies of all sizes in all industries are facing up to fast-changing global issues, sustained economic uncertainty, unrelenting scrutiny, disruptive new technologies, and increasingly interdependent stakeholder relationships encompassing their owners and investors, customers, suppliers, business partners and governments.

As a result, new risks and opportunities are emerging daily – and organisations need to adapt and evolve their business models equally quickly to keep pace. As they do this, they also need to explain clearly their reasons for adopting strategies, following actions and behaving in particular ways. This transparency typically needs to be in greater detail than ever before, to meet multiple stakeholders' seemingly constant escalating demands for information.

Facing up to the erosion of trust

At the same time, organisations around the world – whether in the public or private sectors – are having to cope with another seismic shift in the business landscape: a decline in trust in institutions of all kinds, including governments and corporations. In particular, businesses – and the capital markets that sustain them – face a constant threat that unexpected issues will suddenly emerge, driving public trust to even lower levels.

Across the world, this has happened recently in sectors ranging from financial services to food to resources. The public, and in particular the media, are focusing on many issues. These range from allegedly unethical – albeit apparently perfectly legal – tax planning to 'rewards for failure' to reported market manipulation. These have combined to push trust to historic lows.

Together, this trust deficit and the intensifying pressure for transparency have created a 'perfect storm' for businesses.

There is a danger that transparency drives a blizzard of data, information and comment – to quote TS Elliot: "Where is the wisdom we have lost in knowledge? Where is the knowledge we have lost in information?" And we might add: "Where is the information that we have lost in data!"

Today, possibly more than ever, there's a heightened risk that confusion, ignorance and misunderstanding can take over and that strategically important information may be lost or get buried. As one client commented at a PwC roundtable held recently in Europe for CEOs of major companies: "A big part of lack of trust is ignorance." In other words, people can't trust what they can't see.

Why does trust matter?

Is trust really that crucial? In my view, the answer is a resounding yes. And the reason trust is so pivotal is that it's the foundation of every human relationship, every transaction, every market. It speaks to integrity, reliability, confidence and honesty. To put it another way, where there's no trust, there's no truth – because nobody will believe anything. This is why building trust is at the heart of everything PwC Assurance stands for – a cause to champion, and a movement to inspire for the good of business and society as a whole.

As one client commented at a PwC roundtable held recently in Europe for CEOs of major companies: "A big part of lack of trust is ignorance." In other words, people can't trust what they can't see.

Engaging as a profession to boost bank transparency

The global financial crisis and related bank failures triggered widespread debate over the role of banks' external auditors. Questions were raised such as:

- How could banks require bail-outs only months after receiving clean audit opinions?
- Could auditors do more to contribute to systemic risk identification?
- Can bank accounting and disclosure be improved?

PwC has been at the forefront of the audit profession's response to these questions, acting as joint leader of an initiative launched by the Global Public Policy Committee (GPPC). The GPPC is a forum where the big six global audit networks work together to address global public interest issues. The banking initiative seeks to identify ways in which auditors can help improve the stability of the financial system. It's a great example of how we can engage constructively as a profession to build – and implement – better communications that enhance transparency and help guard against another crisis.

Three key focus areas

In fulfilling this role, the GPPC has focused on three priorities. First, **improving communications between auditors and bank supervisors** – creating a closer dialogue that leads to better-informed audits and supervisory decisions. We've helped develop protocols to achieve this in several countries, and are now engaged in discussions with supervisors at a global level to promote the concept more widely.

Second, **auditor input to macro-prudential supervision**. Audit networks acquire a lot of information on potential emerging risks, and can help supervisory bodies address possible risks earlier by sharing this knowledge with them. So the networks have set up a group of senior banking partners to discuss emerging risks and share the outputs with regulators.

Third, **accounting and disclosure issues**. The audit networks are participating actively in a multi-stakeholder working group set up by the Financial Stability Board to improve banks' risk disclosures. This group – the Enhanced Disclosure Task Force (EDTF) – produced a comprehensive set of recommendations in October 2012, marking a major step forward in establishing best practice risk disclosures for the industry. In particular, the EDTF recommendations should give investors much better information around the liquidity and solvency of banks, two of the critical areas exposed in the financial crisis.

We are often asked what has changed as a result of the financial crisis and what have we learnt given our important public interest role in the reporting system? By working together, we believe the global audit profession is making a valuable contribution towards much earlier identification of future systemic problems.

Intangible assets accounted for 17% of corporate value in 1975, compared to 81% today. Such shifts demand new types of insight.

It's a cause that's always been important – but which, because of today's trust deficit, is now more vital than ever. Business does much good and contributes to societies all over the world. It creates jobs, growth and wealth. It pays wages and creates the profits from which tax revenues are generated and investment funded. It innovates to improve people's lives. It builds infrastructure and communities. And it fuels and facilitates global trade, enabling countries to sell their own products and services and exchange them for different ones from across the world.

However, it takes a lot of effort to ensure that people don't lose sight of these hugely positive impacts. Business today is often depicted not as benefiting society, but as selfishly pursuing its own interests, regardless of the costs to others. In some cases these perceptions may reflect genuine and well-founded concerns about specific instances of poor business behaviour. But we believe that, in many ways, today's widely-held negative view of business is profoundly at odds with the genuine values and behaviours of the vast majority of people working in commercial – and indeed public sector – organisations.

The vital role of reporting...

Against this background, what lessons can organisations learn from recent trust crises? Perhaps the clearest of these is the need to focus their actions and behaviours on embedding the building and sustaining of trust at the very core of their corporate and business culture. And we believe that one of the imperatives to achieve this, and make it explicit externally, is to ensure stakeholders have a clear and accurate understanding of the purpose of a business, its behaviour and its impacts by providing relevant, insightful and reliable reporting.

This requirement puts the role of reporting and underpinning its reliability through audit and assurance – and therefore of organisations like PwC – centre stage. Through the services we provide, we help clients respond to the reporting needs of their investors and other stakeholders, who want transparent, reliable information about how companies create and sustain value. As a result, we believe we not only have an important role to play in building public trust, but also a responsibility to do so.

...demands a new model

Clearly, one of the tools at our disposal to help fulfil this responsibility is the current statutory reporting model, including the audit. However, we believe that this alone is no longer enough. In our view, the long-established regulatory reporting model now in place is no longer fit for purpose. This is why we've long challenged the current reporting environment, while advocating an evolutionary approach to improving its focus and widening its scope.

Why do we think the model is outdated? Essentially, it has failed to move with the times, remaining largely unchanged through a period when the way companies operate, and the factors that drive their success and the public's perception of them, have changed dramatically. For example, intangible assets accounted for 17% of corporate value in 1975, compared to 81% today.

Such shifts demand new types of insight that are not addressed by the traditional intense focus on historical financial information and basic compliance data. Instead, investors and other interested parties now want more and different information – including wider, non-financial data on culture, values and behaviours – to help them decide whether an organisation is worthy of their trust. They want it to be comprehensive as well as focused, connected and coherent.

We aren't suggesting throwing out the current reporting model wholesale. It continues to play a useful role, but it must change to meet these legitimate demands.

We are convinced, and independent research confirms, there is an important role for assurance and in particular the independent audit as part of this 'fit for the 21st century' reporting model. However, it is clear that the way in which auditors report also needs to evolve, maintaining a binary conclusion (clean/modified audit opinion) that we are told is so valued, but adding insight to help improve the users' understanding of the information. The audit cannot and should not be looked at in isolation from the wider environment. Rather, it needs to operate as just one part of a complex financial and information system that bears collective responsibility for sustaining public trust.

Helping EDF Energy build customer trust in its range of 'Blue' products

The UK is committed to using more low-carbon fuels to support global efforts to tackle climate change. It's a commitment shared by EDF Energy, one of the largest energy suppliers to UK homes and businesses. EDF Energy has acted on its determination to reduce carbon emissions by creating a range of 'Blue' energy products, based on low-carbon generation from its nuclear power stations.

EDF Energy sees the benefits of nuclear power and wants its customers to do likewise. It believes a diversified energy mix will offer society an energy supply that's secure, affordable and low carbon. It recently launched a range of 'Blue' products with tariffs based on low-carbon generation sourced from nuclear power stations. The idea was to help customers engage with the source of their electricity and be aware of the impact of their choices on carbon contribution and the future energy mix.

At a time when the public's faith in the UK energy industry has been strained by concerns around pricing and service levels, EDF Energy turned to PwC UK because of our extensive industry experience and strong track record in environmental reporting.

Our role was to evaluate EDF Energy's procedures and controls to make sure it met its commitment to customers to match their energy supply to nuclear-sourced generation. We tailored our traditional financial audit methodology to fit this entirely new area and applied the framework provided by the International Standard on Assurance Engagements (ISAE 3000) and the Institute of Chartered Accountants in England & Wales's (ICAEW) Code of Ethics, to design an assurance approach that considered how the concept of materiality could apply to a promise that was either kept or broken.

Sid Cox, EDF Energy Business 2 Business Director, sees the value in the project: "The processes underpinning these products are extremely innovative and complex. So the role of the external assurance provided by PwC, in simply conveying the rigour with which the products are delivered, was a critical component of the work and has played an important role in its success."

The PwC UK performance assurance leader, Richard Porter, and his team spent 12 months working with marketing, operational and legal teams at EDF Energy to create the vision of how the assurance would work and how it would be shared with customers on the EDF Energy website.

Richard says: "This is a stand-out example of a major energy supplier – or any business for that matter – recognising the potential that building trust with their customers has."

The EDF Energy team

(L-R) Matt Cleveland (PwC), Ceri Scott (PwC), Paul Bennett (EDF Energy) holding the 'Blue' mascot Zingy, Richard Porter (PwC), Jules Davenport (EDF Energy), Rachel Nevens (EDF Energy)

"This is a stand-out example of a major energy supplier – or any business for that matter – recognising the potential that building trust with their customers has."

We don't pretend to have all the answers. But we're helping people ask the right questions to develop collective insights and create a context for progress.

Moving the debate forward

To help speed the evolution of the audit and its integration into a broader and richer information flow that sustains and builds trust, we've thrown our weight behind a wide range of initiatives.

In relation to the audit report, we are doing all we can to move forward regulatory initiatives by the International Auditing and Assurance Standards Board (IAASB), the Public Company Accounting Oversight Board (PCAOB) and others. You can expect to see that experimentation come to the fore over the next annual reporting season.

We're helping to lead the debate within the global accounting profession on the future of the audit, through our engagement with regulators and standard-setters across the world, and communications such as our 'World Watch' newsletter and PwC US's 10Minutes series on essential business issues.

But the real key is to encourage and facilitate debate on issues of trust and reporting among multiple stakeholder groups, and understand what more is needed in order for trust to flourish.

By understanding more fully the dynamic of trust, we can lay down the foundations for successful efforts to reshape and improve reporting and rebuilding trust – providing a more robust basis for guiding our clients through its complexities. To read our research on the topic of trust, visit pwc.com/adapting-to-build-trust.

Across the world, we're investigating the link between reporting and trust for more and more clients. This enables us to provide them with research-led insights that help them understand and manage the levers that foster trust with different stakeholders, and to equip them with models that enhance the way they deal with and communicate on trust issues.

And, we've expanded our Building Public Trust Awards, which celebrate and reward the best corporate reporting, from their initial focus on UK businesses to include an award for international companies worldwide.

We don't pretend to have all the answers. But we're helping people ask the right questions to develop collective insights and create a context for progress. Our network does not operate in a vacuum and it is critical that we have open and honest discussions with all of our stakeholders. The challenges that we face are similar to those of all market participants. We have never been more ready or willing to respond.

Across the world, we're investigating the link between reporting and trust for more and more clients.

Constellium – Creating value through connectivity, relationships and the right team of experts

Constellium is a global manufacturer of aluminium products with a vast portfolio of metal-based solutions for the packaging, automotive and aerospace industries.

In January 2011, Rio Tinto sold part of its engineered products division to private equity house Apollo, leading to the creation of the Constellium Group. Constellium is based in the Netherlands, has operational headquarters in Paris and Zurich, and a further 26 manufacturing sites across Europe, the US and China.

In May 2013, Constellium floated on the New York Stock Exchange and the professional segment of NYSE Euronext Paris, raising US$367 million.

Given the complex structure and financial history of the company, five PwC firms were involved and four business units were engaged to work with Apollo and Constellium. Our services to Constellium started early, from before its acquisition by Apollo through to the IPO process; and they continue now as we support it in its life as a public company.

Our strong internal networks, external connections and collaborative approach mean that we have been able to contribute expert knowledge on a local and global scale, helping both Apollo and Constellium successfully achieve their goals.

Vivienne Maclachlan, Director in the PwC UK Capital Markets team, said: “It has been exciting and exhilarating to see this company grow, develop and now report as a public company, especially in the timescale of only 28 months after inception.”

Didier Fontaine, Constellium CFO, said: “Constellium is a new company with the aim of being both a global player and the leader in our field. The objective of a dual listing less than two-and-a-half years after its creation has been a real challenge. In PwC we have chosen to work with the right organisation to make it happen. The global network and high quality standards of PwC have been key in the accomplishment of this goal.”

New York Stock Exchange listing ceremony

CEO of Constellium N.V. Pierre Vareille rings the closing bell on May 23, 2013

PwC Canada

Auditors – carve out financial statements of the purchased business throughout the acquisition process and prior to the IPO.

PwC US

SEC regulatory review.

PwC UK

Adviser to Apollo and Constellium on IPO.

Executed vendor due diligence for acquisition in 2011.

Advised on management equity plans prior to listing.

PwC Netherlands

Statutory auditor.

PwC France

Auditors – since 2011 of Constellium’s French operations.

Cost savings and synergy review.

Empowering the enterprise:

Advisory in turbulent times

By Juan Pujadas

Juan Pujadas

PwC Vice Chairman, Global Advisory

Recent years have seen rapid evolution in the needs and strategies of organisations across both the private and public sectors, as their CEOs strive to deal with profound shifts in the operating environment. This, in turn, has led to rapid and sweeping changes in the global market for advisory services.

Arguably the most fundamental of these changes is that clients are now looking for a number of advisory services to be provided together, united in a coherent and integrated suite of solutions. We're also seeing less and less desire for narrow assignments. As a result, business advisors more than ever before need to combine agility with the ability to provide services that unite two distinct skill sets – strategic planning and delivery.

Shifting market forces...

What are the changes in the operating environment that have driven these shifts? In many ways, it would be quicker and easier to describe what hasn't changed for our clients rather than what has. At no other time in recent memory have so many macroeconomic forces converged to create rising complexity and uncertainty for organisations worldwide.

Everywhere you look, the ground is shifting. The rebalancing of global economic power from developed to developing countries is creating new opportunities for revenue growth, as businesses shift their growth strategies to emerging markets and the competitive environment continues to evolve. Meanwhile, governments across the globe are wrestling with the need to do more with less in public services. Add to this the ongoing advances in technology and innovation – and we have a perfect balance between exciting opportunities and widespread risks of disruption.

At the same time, public policymakers and regulators are intensifying their oversight of markets and participants in an effort to avoid a repeat of the financial crisis. Systemic risks continue to grow as global businesses become ever more interconnected. And, in a world that's seemingly ever more reliant on technology, people talent is an increasingly key competitive differentiator; yet, business leaders around the globe express concern that a scarcity of skilled talent could limit future growth.

These forces are presenting challenges for all companies. Even mid-market companies are no longer shielded from global trends, since they now operate in the same complex environment as the global megacorporations. And with market instability and uncertainty expected to continue, nobody has any guarantees that today's competitive advantage will be sustained into tomorrow.

Helping HP reshape for the future with global business process transformation

HP Enterprise Services (HPES) is the global business and technology services division of HP, a renowned world leader in delivering technological products and innovations that benefit people, businesses, governments and society. After acquiring the outsourcing firm EDS (Electronic Data Systems) in 2008, HPES set out in 2009 to replace its own global 'Opportunity-to-Cash' (O2C) environment – based on SAP – and the underlying business processes against a tight deadline. For help in achieving this, it turned to the PwC network.

Four years on, this complex global business process transformation – led by PwC US and supported by PwC firms across the world, including Australia, Brazil, China, India, Italy and the UK – has been completed on time and on budget with zero business disruption. The figures speak for themselves: in less than 48 months the HPES transformation programme has completed more than 3,964 separate SAP migrations for teams operating in 70 countries and driving more than US$23 billion in HP revenues.

PwC US Management Consulting Director Matthew Duffey, PwC's lead on the O2C transformation, comments: "Today's high-value services market demands speed and agility – and the new anytime-anywhere style of IT must be built on a solid foundation. In the past 40 years, HPES had gathered together a fragmented set of processes and tools to manage the business. So standardisation of the business management environment was a fundamental pre-requisite."

The successful delivery of the project underlines the value of collaborative working. From the start of the programme, PwC and HP SAP specialists worked together in teams committed to common goals, sharing expertise and insights to achieve optimal results.

Following the transformation, HPES now has one global platform and one unified business process, giving it a single worldwide view all the way from the initial identification of a sales lead to the final invoice and payment. In creating this single platform, PwC and HPES have significantly reduced the 128 technology tools that enabled the prior environment.

HPES's new SAP-based O2C ecosystem provides unprecedented control and visibility while supporting approximately 120,000 users in 81 countries. Jason Ferguson, HPES VP for Opportunity-to-Cash, comments: "A major component of our ES turnaround strategy is implementing operational controls that provide visibility to our business to enable faster, more accurate decision-making. PwC has been instrumental in enabling us to achieve this at an extremely rapid pace."

HP Data Centre

Building the gateway to the future of air travel

Now in its 42nd year of operation, Dallas-based Southwest Airlines carries more domestically-originated passengers than any other airline in the US. From its first flights in June 1971, the company has made air travel more affordable than ever before, driving fares downwards and passenger traffic upwards on every route it serves. In late 2010, Southwest announced its commitment to "spreading low fares farther", and said it would start building its gateway to the future by acquiring and integrating AirTran Airways.

This deal was a huge undertaking for Southwest. At a stroke it would increase its reach from 72 to 97 destinations and its fleet size by 25%, while also seeing it officially enter international markets – an absolute game changer for a carrier that historically provided domestic-only services. Executing the deal would be complex, time consuming, and require unwavering focus from all areas of Southwest's business. The effort would also face headwinds ranging from widely differing business processes to ageing technologies.

Overall, the proposed merger highlighted the need for the help and support of a strategic partner Southwest had come to trust: someone that understood Southwest's culture, a proven champion of Southwest's strategic initiatives, and a seasoned advisor with deep understanding of the airline's business. Southwest turned to PwC US.

The US firm hit the ground running, pulling together several high-performing teams committed to helping Southwest achieve its goals.

First, the team built an IT integration planning team to draw up a technology roadmap spanning corporate, commercial, operations, and infrastructure.

Next, it formed an integration programme management team to support technical integration across applications including reservation systems, agent applications, loyalty and web, supported by dedicated project management and solution development teams for high-risk applications.

Finally, it established a technology deployment management function to ensure all the necessary technical changes were executed as planned.

On 28 January 2013, through the combined efforts of the Southwest and PwC teams, the integration efforts were completed with the successful sale of flights spanning the combined Southwest and AirTran flight network.

"PwC adds real value. They genuinely care about the success of your business and will see you through to success."

Kathleen Wayton, Vice President Technology, Business Transformation Solutions — Commercial, Southwest Airlines

...compounded by changing industry dynamics

This shifting landscape has seen the emergence of four business-critical areas – transformation, technology, transactions and crisis – where organisations have an especially pressing need for help. So, to stay relevant and keep delivering the value companies require, PwC needs to be ready and able to step in and provide them with immediate assistance in all of these key areas.

To do this, we need to remain agile. But, even more importantly, we must fully understand the changes businesses are facing. More than ever before, companies are looking for advisors who can get to grips with their issues and deliver a full end-to-end solution, consistently and at scale.

'Strategy through execution'

This means that the route to true client centricity for today's advisory firms lies in offering an integrated, coherent and comprehensive range of services, reaching from strategy formulation to execution – and in doing this responsively and consistently, anywhere in the world.

To achieve all this, we've implemented a new approach we call 'strategy through execution' – a multi-specialist model where we bring together deep competency and sector expertise from across and beyond our Advisory practice to address companies' needs along their full value chain. This approach reflects the fact that business value and deals are now less about the 'big idea' and more about superior implementation, with advisors being increasingly required to take accountability for whole outcomes.

Deals + Consulting = Value

As these shifts underline, companies now regard creating strategy and executing deals as two equally important sides of the same coin. Rather than merely looking to realise synergies by consolidating operations and reducing costs, more and more businesses now see a major M&A deal as a great opportunity to transform their front-office or back-office operations, and in many cases both.

Implementing this type of transformation at high pace and quality demands a blend of deep industry expertise, strategic foresight and relentless planning and execution. This is a combination that delivers benefits end-to-end: companies we work with tell us that when we offer Deals and Consulting capabilities simultaneously, they get more value and consistently better results.

Put simply, when we work together, the whole is indisputably greater than the sum of the parts.

© The Global Fund / John Rae

Improving healthcare in the world's poorest countries

The Global Fund is a US$23 billion financing institution based in Geneva, which funds programmes to prevent, treat and care for people with HIV/AIDS, tuberculosis (TB) and malaria in the world's poorest countries. PwC has been working with the Fund since its creation in 2002.

The Global Fund is the main multilateral funder in global health, with 750 programmes currently in 151 countries. The success of the Global Fund's activity can be gauged not only by its funding levels but more importantly by the results it has achieved. Over the past 10 years, more than 300 million insecticide-treated bed nets were distributed to prevent malaria, 9.7 million cases of TB were detected and treated, and 4.2 million people received life-saving treatment for HIV/AIDS.

As a provider of finance, the Global Fund does not directly implement any programmes. Instead, it funds mostly national institutions, like ministries of health or NGOs, to deliver programmes that will have the greatest impact on the three diseases. In order for the financing to be used as effectively as possible, the Global Fund uses a number of Local Fund Agents (LFA) on the ground. Their role is to help to assess the capacities of key implementers in-country and provide ongoing monitoring of the use of funds and the progress of programme implementation.

PwC firms currently act as LFAs in 72 countries, with more than 350 people working to assist the Global Fund in making effective programme funding decisions. According to Gill Sivyer, the PwC Switzerland partner who leads the work with the Global Fund, two of PwC's major strengths in particular make us the ideal fit for this work: "The global strength and reach of our network means that we have the right people, with the right skills and capabilities on the ground. Thanks to this network, we're truly local both to the programmes and to the Global Fund's base in Geneva. In addition, one of PwC's core strengths – our independence – enables us to offer the Global Fund completely impartial assessment and recommendations. This gives the Global Fund the transparency and confidence they need for effective decision-making."

PwC's work with the Global Fund has grown considerably over the past decade. Our team in Geneva works closely with the Global Fund to deliver high-quality LFA services that meet the Global Fund's information and risk management requirements. We also host an annual training conference for PwC staff to make sure they're up to speed on the latest developments.

Monitoring the quality of broadband services in Brazil

PwC Brazil has been awarded a five-year contract to establish and run a new organisation (the EAQ – Entidade Aferidora de Qualidade) that will monitor the quality of broadband services in Brazil. PwC Brazil was the only major consulting firm that was asked to compete for the contract by the Brazilian telecoms regulator Anatel.

Ensuring the quality of both fixed and mobile broadband across the whole of Brazil is a priority for Anatel. Accordingly, it has created a unique regulatory framework that includes the power to fine service providers who fail to meet required standards and quality benchmarks. The importance of high-quality monitoring, assessment and reporting of that performance is therefore critical.

PwC Brazil and PwC UK worked together with a UK-based broadband technology provider to win this five-year project, awarded in 2012. The combination of PwC's telecommunications' expertise and its partner´s credentials on similar projects in Europe, the US, the UK and Singapore, created a powerful proposition.

Additionally, PwC's leading reputation in the telecoms industry in Brazil was a key success factor, as the body awarding the contract included representatives from more than 20 Brazilian broadband service operators as well as Anatel's management. "PwC's track-record for independence and integrity helped us win the contract and run this very challenging and exciting project," says Luiz Viotti, PwC Brazil TICE Advisory and Engagement Leader.

From winning the contract, PwC Brazil has built a new organisation from scratch, and now has 30 full-time people working in the EAQ office in Brasilia. Ensuring that testing is as rigorous and representative as possible has required recruiting more than 200,000 broadband customers as volunteers across Brazil to agree to have a monitoring device connected to their computer. In addition, 5,000 public schools across the country were selected to receive and install equipment that will measure the quality of the mobile broadband connections. At any one time, up to 10,000 of those households and schools, on a rolling basis every 24 months, are subject to constant field-testing and their data is already being used to create reports for both the regulator and the Brazilian public.

Building and running the new organisation required PwC Brazil to enter into contracts with a wide variety of suppliers, including logistics, manufacturing and network infrastructure so that the EAQ fulfils its brief to help all Brazil's broadband customers to get the best possible service from their service providers.

José Alexandre Bicalho, Anatel´s Planning and Regulation Superintendent, describes the introduction of the new quality indicators for internet broadband as "a milestone in the evolution of telecommunications in Brazil." He adds: "Continued growth in the availability and quality of broadband services is essential to meet the needs and expectations of Brazilian society. Creating the EAQ with PwC is a major innovation – one that both enhances transparency for users and also reinforces Anatel's regulatory model."

Helping to rebuild post-quake Christchurch

In February 2011, a devastating earthquake struck New Zealand's second-largest city of Christchurch, located in the country's Canterbury region. Tragically, the earthquake killed 181 people, while also causing severe damage to buildings and infrastructure already weakened by a previous quake in 2010. The cost of the damage from the earthquake and aftershocks has been estimated at around NZ$40 billion, making it New Zealand's costliest natural disaster ever.

In the immediate aftermath, PwC New Zealand was engaged by the newly-formed Canterbury Earthquake Recovery Authority (CERA) to lead and coordinate the recovery efforts. This role has seen us undertake a wide variety of work for many organisations across Canterbury, with our Christchurch office receiving active and enthusiastic support from most of our other offices throughout New Zealand.

We began by seconding two directors to CERA itself to help set the organisation up – a move that helped us gain insights into the challenges ahead. This work included advising on a financial blueprint, investor engagement and the business cases for anchor projects, one of which is a new Convention Centre in Christchurch.

We also acted as financial advisors on land acquisitions, developed joint risk management frameworks, and helped with a proposal to the Commerce Commission for an increase in electricity line charges to cover repairs to the power network.

Restoring public transport was a key priority after the earthquake, and this was another area in which we were involved, providing a due diligence report on the landscape of Christchurch including public transport planning. We developed a dedicated Christchurch Rebuild page on the PwC website, focusing on the risks for companies associated with the reconstruction efforts. We also engaged with construction firms involved in the work, as well as providing ongoing support to businesses dealing with business interruption claims. Insurance assessments were a further focus, and we developed proposals to reduce the risks of fraud.

"The rebuild is clearly an emotional and sensitive time for the people of Christchurch – and we've done our best to make the project run as smoothly as possible, by providing resources from across our offices and sharing our expertise with a wide array of businesses," says Wayne Munn, PwC New Zealand partner responsible for the Christchurch office.

"We've also helped with the governance of the anchor projects. Most of these are currently underway, but we've recently been awarded roles as advisors to the Transport Interchange design-build contract (DBC) and Stage 2 of the Convention Centre DBC."

Christchurch, New Zealand

Removing the last of an earthquake damaged and demolished building in Victoria Street

Photo by Ross Becker

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Global taxation reform: Why a new world economy needs a new tax system

By Rick Stamm

Rick Stamm

PwC Vice Chairman, Global Tax

In the current economic environment, the priority for governments worldwide – and Western governments in particular – is for their tax systems to generate the level of revenues they expect. This focus is reflected in a strong public sentiment that everyone should 'pay their fair share'.

Inevitably, 'everyone' is often defined in popular parlance as large corporations. And asked whether corporations are paying their fair share of tax, growing numbers of people appear to believe – rightly or wrongly – that the answer is "no".

Five imperatives for companies

Against this background, the media, politicians and NGOs worldwide have engaged in a sometimes heated debate about the ethics and legality of various multinationals' tax policies, often with significant impacts on the reputations of the companies concerned. And the knock-on effects go much further. Our client conversations and 16th Annual Global CEO Survey both confirm that tax has moved up the agenda of business leaders around the world.

There are several reasons for this. Companies are not only concerned about an increasing tax burden, but are also aware of changing public attitudes that are threatening to evolve into even more stringent tax regimes. They also know that their tax policies – even if perfectly legal – can now present significant risks to their corporate reputation. So tax issues need to be considered, discussed and communicated more carefully than ever before.

This broad requirement can be divided into five key imperatives that we're encouraging our clients worldwide to meet. The first is to understand the differing perspectives and priorities of their various stakeholders – from investors to customers, and from media to governments.

The second is to set a clear, comprehensive and explicit policy on all aspects of tax planning, discussed and agreed by the board.

Third, companies need to decide whether greater transparency around their tax affairs is appropriate – and, if so, how best to communicate the key messages.

Fourth, they should decide the extent to which they want to get involved in the public debate over domestic and international tax: this is not an area where the maxim 'any publicity is good publicity' always applies.

Fifth – and most important – they need to avoid surprises. Across the world, legislation and social attitudes around tax are in flux, and companies need to monitor these carefully and to constantly stay ahead of events.

What's 'fair'? What's 'compliant'? What's neither?

These actions can help companies manage the symptoms of the global controversy over corporate taxation. However, they do little to address the wider problem that the global corporate tax system itself is now outdated, overly complex and increasingly unworkable.

These fundamental shortcomings have been reflected in the muddled thinking exhibited all too often during the ongoing public debate. People demand more 'fairness' without defining what this would mean. They condemn as 'unethical' some tax treatments that comply fully with legislation. And they blur the division between tax avoidance and tax evasion.

What's clear is that concern over taxation will not simply blow over – and that a way forward must be found to fix the system. To make progress, the discussion needs to focus more clearly on what a fairer tax system would look like, how it could be enshrined in laws and regulations, and how people committing abuse under those laws and regulations might be identified and penalised. The first step is to establish the parameters for the debate.

Helping Summa Group drive its expansion into ports and logistics

Following private holding company Summa Group's previous investments in the logistics business, including sea ports and oil and gas terminals, its 2012 acquisition of Fesco Group would prove to be a landmark deal.

As Russia's largest private transportation group, Fesco was a key target. The acquisition would position Summa to consolidate its status as a leader in the global ports and logistics market. Needing to complete the 70% acquisition of Fesco against a challenging deadline, Summa turned to PwC Russia, its preferred tax adviser, for assistance.

The deal would turn out to be one of the largest and most complex acquisitions in the Russian market that year. Galina Naumenko, Tax partner, and Julia Igolkina, director in PwC Russia's Tax & Legal Services practice, pick up the story: "Having been appointed as Summa's tax advisers for this deal in May 2012, we needed to move very fast to complete the due diligence and all other tax services required in this transaction." Galina, Julia and their team were confronted with a number of challenges, all of which had to be overcome for a successful outcome.

To meet Summa's requirements, PwC Russia needed to model tax implications in relation to debt and dividends' distribution across various scenarios in three different jurisdictions. Pre-completion, the Moscow team also worked with Summa and Fesco to pave the way for a successful integration of the two businesses.

Since the deal completed in December 2012, Julia and her team have been closely involved in advising Summa on refinancing of the acquisition debt, successfully completing a Eurobond issue and a Rouble bond issue that have raised in total over US$1 billion. Ongoing projects are focused on further consolidating the integration with Fesco.

Commenting on the closing of this acquisition, Summa's President, Alexander Vinokurov, sums up: "We're confident that the acquisition will enable [Summa] to extend its geographical reach. Fesco is one of the largest integrated players in Russia's container and rail market, having its own fleet, rolling stock and container fleet, as well as a network of 70 sales offices in 15 countries and its own port facilities in the Far East. Fesco's business will soon be fully integrated with Summa Group's transportation and logistics business."

Novorossiysk Commercial Sea Port, Russia

The largest Russian port operator, partly owned by Summa Group

Governance and economic policy development in Tonga

Following the recent democratic settlement under its 2010 constitution, the Kingdom of Tonga has taken significant steps towards political and economic development. The Kingdom is made up of over 170 Pacific islands and is a member of the Commonwealth of Nations, a voluntary association of 54 countries that support each other and work together towards shared goals in democracy and development.

At the beginning of 2013, the Commonwealth's main agency – the Commonwealth Secretariat – at the request of the Tongan Prime Minister's Office, turned to PwC UK to help consolidate the Kingdom's achievements to date and accelerate future progress.

Commissioned to provide policy advice on governance and accountability in the development and implementation of tax and economic policy, a PwC team supported by Dr. Wilson Prichard of the University of Toronto, arrived in Tonga in February 2013 to conduct an assessment. The team conducted 38 interviews over eight days with key government representatives, including the Prime Minister, senior tax policy and economic policy representatives, business and community leaders, the CEOs of the Ports Authority and Airport Authority, and the Governor of the Reserve Bank.

Prior to this in-country mission, the team had also carried out an extensive review of the literature in the area of tax and economic policy, and participated in information-sharing with several of the international organisations currently operating in Tonga.

Chris Wales, director for PwC UK's Tax group, sums up the results: "Real progress has been made towards the Kingdom's objectives for political and economic development. However, more needs to be done. Our research identified certain features of the Kingdom's historical economic legacy, such as reliance on remittances from Tongan ex-patriots and the unique land tenure system, which still need to be addressed."

A written report of the team's findings and recommendations will be presented to the Prime Minister's Office and the Commonwealth Secretariat towards the end of 2013. The report aims to holistically examine the Kingdom's governance and policy environment to highlight important challenges and provide a number of possible policy options to address them.

It is anticipated that the report's pairing of holistic policy analysis and an examination of the governance implications of policy recommendations will deliver lasting benefits to Tonga. The policy options discussed in the report will offer pragmatic, 'Tonga-specific' policy advice, avoiding a 'one-size-fits-all' approach that has characterised much of the external assistance offered to Tonga in recent years.

The report will also allow the Prime Minister's Office to conduct effective and robust dialogue with other areas of government regarding the economic and political issues facing the Kingdom. Above all, the team is confident that this will provide valuable insight and opportunities for supporting the Kingdom of Tonga's onward political and economic development.

It is clear that a significant contributing factor to the tax avoidance problem is caused by governments that try to compete by creating favourable tax regimes.

Two forms of 'tax abuse'

To do this, it's important to recognise that the discussion on tax abuse falls into two categories. First, there is 'pure' tax evasion – the illegal acts of citizens or businesses that simply ignore a country's laws or hide their income, so depriving governments of their rightful tax receipts. Interestingly, when the US measures its 'tax gap', it finds that it mainly comprises unreported individual income or employment taxes.

The issue of taxes lost due to unreported income is a major issue in virtually every economy – and a seemingly intractable one. Yet, there are ways to capture some of this tax. Transparent sharing of information between countries can help. Governments also need to do their part by clarifying the penalties for non-compliance and directing their tax audit resources towards the most likely points of evasion, while using electronic information more actively to verify individuals' reported income against other data.

The second area of discussion is tax avoidance, or 'aggressive' avoidance as it's often termed. This sort of planning, frequently depicted as 'legal but not ethical', has been the primary focus of public debate. Given the complexity of tax laws, some of the deep misunderstandings exposed during this debate may be understandable. However, the biggest problem with the current debate is that it threatens to obscure the real issue at hand: that the international tax system is in urgent need of overhaul.

It is clear that a significant contributing factor to the tax avoidance problem is caused by governments that try to compete by creating favourable tax regimes.

Adjusting to the new economy...

Why is an overhaul needed? For most of human history, the world has run on a goods economy – with the result that the tax systems still in use today evolved to administer the exchange of physical products. Value creation was tied to geographic location: a company's products were designed, manufactured in, and shipped from one place. Differences in tax regimes were relatively few and easy to understand, and managing them generally involved making choices about the legal structure and location of a business.

Today, the global economy is driven by intangibles like brand, intellectual property and the exchange of information – and even the smallest businesses can operate globally. But tax codes force decisions to be made about where to record something inherently global and largely intangible: we can download an app in London that was developed in a bedroom in New Delhi and distributed by a corporation in Silicon Valley. Where is the value created? How should it be recorded? And if the tax laws are changed unilaterally by one country, how does that affect the overall tax position?

...and a competitive global tax market

This rising global complexity has been compounded by competitive moves at national levels. As tax codes have evolved, governments – often with the best intentions – have designed laws to support national priorities such as foreign investment and job creation. And because corporate taxes are a cost of doing business in their country, governments try to attract investment by minimising this cost.

Quite rightly, corporations then plan their activities so they can claim the reliefs to which they are entitled. However, to encourage the behaviour they want, governments should also provide certainty both about the protection they extend to companies that comply, and also the penalties they apply to those that don't. As our latest Global CEO Survey shows, lack of certainty – on taxes or any other issue – undermines business confidence and impedes economic activity.

In this complex and shifting global tax environment, PwC's experience shows that the vast majority of companies have been genuine in their efforts to comply with existing laws. Professional networks like ours play a role in helping them do this.

Progress is being made, with recent meetings of the G20 and G8 highlighting the need to clarify taxation of international commerce.

PwC's Global Tax Code of Conduct, originally written in 2005 and revised this year, mandates that we provide tax services grounded in national and international law, properly disclosed and supported by actual facts and circumstances. We clearly say that there are certain types of planning arrangements which, although legal, PwC firms should not propose or recommend implementing to clients.

As a result, we advise against certain kinds of tax planning, which we believe do not fit the applicable laws or which could damage a company's reputation. We also play what we believe is an important and positive role in the tax systems of the countries where we operate. In essence, we help these systems work.

Towards a new system

Nevertheless, the best of intentions may not mix well with national and global tax systems that are increasingly outdated. An overhaul is needed. The place to start is with a robust and frank assessment of whether current tax systems are still fit for purpose. And the simple answer is that they aren't, because they were created for a world very different from today's.

The basis on which the US taxes international transactions was laid down in 1962. In the UK, key elements date from 1965. The core of the OECD's model for international taxation originates from the 1970s. If tax codes are to adequately serve national priorities and values, they must also reflect the realities of today's global economy.

However, efforts to update today's tax systems raise further questions. No single country can deal with the problem alone. For example, in some circumstances under current law, the cross-border aspects of existing rules can result in legal tax avoidance that no country actually intended. Likewise, one-off actions to correct these issues risk making single streams of income subject to multiple taxation claims, and impeding global investment and trade flows. So governmental cooperation and coordination is essential.

Progress is being made, with recent meetings of the G20 and G8 highlighting the need to clarify taxation of international commerce. There is a growing global consensus that comprehensive reform of tax laws and treaties is needed to create a balanced, modern and effective tax system. This will take time, and governments will need proactive input from business. But given this input, and a concerted collaborative focus by governments, a lasting outcome is achievable.

Updating the global tax systems is not a simple undertaking. But we do not live in simple times – and doing nothing is no longer an option. We need to move on from debating the merits or shortcomings of individual corporate tax policies, to consider how tax systems worldwide can be updated to meet modern needs and priorities. The world has moved on. Tax systems need to do the same – and soon.

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Fortis: Helping Fortis Healthcare to reap benefits from going 'asset light'

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Complex tax advice for a landmark forestry project in Uruguay

Montes del Plata (MDP) is a forestry company founded in Uruguay in 2009 to produce and export eucalyptus cellulose pulp to major markets worldwide. The business was created through a merger between the local operations of two major forestry companies – Arauco, a leading producer of woodpulp, sawn timber and panels; and Stora Enso, a leading manufacturer of paper, board and wood products.

MDP made significant investments in technology, research and plantation improvements, to develop a sustainable forestry base that will supply the new pulp mill that is currently being built in the Colonia Department of Uruguay. The industrial complex under construction includes a state-of-the-art mill powered by a biomass-based generation unit, and a port terminal to handle exports and incoming supplies.

MDP´s pulp mill is the biggest private industrial project ever undertaken in Uruguay. The company estimates that the investment will total around US$2 billion, boosting Uruguay's gross national product by 2%. When setting up the project, MDP chose PwC Uruguay as its tax consultants, because of our depth of experience in similar forestry and industrial projects, and our strong background in cross-border investment initiatives.

The PwC team worked closely with MDP's management to provide tax advice for the construction process and future operational phase. Our support included introducing the project to the Uruguayan government, and providing high-level professional services from the start of the project. In particular, we played a decisive supporting role in the negotiations with the Uruguayan government that led to the signing of an investment agreement authorising the creation of a privately-owned Free Zone for the industrial project.

Further tax matters handled by the PwC team included assisting MDP in its negotiations with its contractors and the multinational institutions that ultimately financed the project.

Daniel Garcia, PwC Uruguay tax partner and Forest, Paper & Packaging leader, comments: "Through the combination of our multidisciplinary team specialising in the Forest, Paper & Packaging sector, our extensive knowledge and expertise in these types of projects, and our continuing investment in long-term relationships, we have been able to deliver high-quality services within the challenging deadlines that the project required."

MDP Chief Financial Officer Diego Wollheim adds: "A project of this magnitude requires a careful analysis of the tax issues and to work together with the government to secure sustainable conditions for the development of the project. At PwC, we found a professional team with the knowledge and experience to cope with these challenges that can be considered unique in the history of the country."

Committed to sharing information

In recognition of the impact our business has on our stakeholders, the capital markets and the communities in which we live and work, we are constantly looking at ways to provide greater clarity about who we are and what we do. It matters to us that we put the principle of transparency into practice.

In our view, the key factors that differentiate PwC among the world's leading professional services organisations are the talent of our people, the breadth of the PwC network and the standards with which PwC firms comply. These standards cover important areas such as service quality, governance arrangements, independence, risk management, people and culture, and brand and communications. PwC firms agree to follow network standards and their compliance with these standards is monitored regularly.

Legal structure, ownership and network arrangements

Network arrangements and member firms

In most 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 member 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 enables PwC firms to work together to provide high-quality services on a global scale to international and local clients, while retaining the advantages of being local businesses – knowledgeable about local laws, regulations, standards and practices.

PricewaterhouseCoopers International Limited

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

PwC firms can use the PwC name and draw on the resources and methodologies of the PwC network. In return, member firms are required to comply with certain common policies and the standards of the PwC network.

Standards and internal quality control systems

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-bribery and 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; such action plans are reviewed and execution of the plan is 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 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. The foundation of PwC's culture is objectivity, professional scepticism, cooperation between PwC firms and consultation.

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 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 firms' compliance. This includes monitoring not only whether each PwC firm conducts objective quality control reviews of all of its services, but also includes consideration of a member firm's processes to identify and respond to significant risks.

In accordance with applicable regulatory requirements, each firm may also be reviewed periodically, in some cases annually, by national and international regulators and/or professional bodies.

For Assurance work, there is a specific quality review programme 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') and where applicable, the PCAOB Quality Control Standards.

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

- quality management systems are appropriately designed, are 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.

Safeguarding our independence

Policy and resourcing

Objectivity is the hallmark of our profession, at the heart of our culture and fundamental to everything we do. Independence underpins objectivity and has two elements: independence of mind and independence in appearance.

PwC firms reinforce both of these elements through a combination of setting the right tone from the top; independent consultation on judgemental issues; detailed policy requirements including prescribed processes to safeguard independence; regular training; and careful observance of independence requirements.

PwC's Global Independence Policy – based on the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants – contains minimum standards with which PwC firms have agreed to comply. The policy is supported by detailed guidance on the rules and principles to be applied in evaluating the provision of non-audit services to audit clients.

PwC firms impose supplementary independence restrictions and processes by reference to local regulatory and ethical requirements, when necessary.

Each PwC firm is required to have a partner responsible for independence matters, supported by adequate and trained resources.

Training

Each PwC firm is responsible for developing and implementing an appropriate annual independence training for its partners and practice staff, including the requirements around personal behaviour, services that may and may not be provided to audit clients, and business relationships. The network provides illustrative materials for use by PwC firms.

The Assurance, Tax and Advisory lines of service also provide training and other materials dealing with independence considerations related to the provision of non-assurance services.

Compliance processes

Our compliance processes rely on a combination of business activities and monitoring systems.

Our network has detailed policies and processes to evaluate the potential impact of a proposed non-audit service on the reporting PwC firm's independence.

PwC firms are required to obtain authorisation from the group audit engagement partner regarding the provision of non-audit services to entities on the 'Independence List'. Authorisation is only given after careful analysis of whether the service could impair the reporting firm's independence by reference to policy requirements and external regulatory requirements, including an evaluation of threats to independence and available safeguards.

Partners and client-facing managers in all PwC firms are also required to record the details of their investment portfolios on a confidential database that provides real-time monitoring of the permissibility of investments held against an 'Independence List' of prohibited securities.

Joint business relationships are evaluated for any threats to independence, and are required to be approved, recorded and regularly monitored for changes that may impact the independence assessment.

As well as these and other compliance-monitoring systems, PwC firms operate a number of confirmation and verification processes, such as:

- annual compliance confirmations by partners and practice staff, and
- inspection and compliance-testing programmes at firm and engagement levels. Such inspections look at, among other things, compliance with the requirements relating to partner rotation and partner evaluation and compensation.

PwC firms are required to have disciplinary policies and mechanisms that promote compliance with independence policies and processes, and to report and address any breaches of independence requirements which, even with the control processes outlined above, may occasionally occur.

This would include, where appropriate, discussion with the client's audit committee regarding an evaluation of the impact of the breach on the independence of the firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, breaches are taken seriously and investigated as appropriate.

With some 184,000 people across the member firms in the PwC network, the task of providing continuing education throughout each professional's career is a major challenge. Mechanisms are in place at the network level to help achieve this goal.

Those charged with governance

PwC firms recognise the importance that those charged with governance – including audit committees – play in overseeing the auditor's independence, including overseeing the nature of other services that they provide and the fees payable. PwC audit teams work closely with those charged with governance on public company audits and have regular dialogue on matters that may be seen to influence independence, including the provision of other services.

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, based on their contribution to their respective firms. Quality is the most important measure in assessing a partner's contribution.

Continuing education

With some 184,000 people across the member firms in the PwC network, the task of providing continuing education throughout each professional's career is a major challenge. Mechanisms are in place at the network level to help achieve this goal.

The PwC approach to learning and education (L&E) is to provide access to a curriculum of courses developed in accordance with global standards, while also providing support for PwC firms' L&E leadership and fostering personal accountability for continuing education.

PwC firms are committed to delivering quality audits around the world. To help them do this, a consistent curriculum gives their Assurance practitioners access to courses covering:

- the PwC audit approach and tools
- updates on audit as well as independence and accounting standards and their implications
- areas of audit risk and engagement quality.

PwC firms provide guidance, tools and forums for staff to share their experiences in order to support them on the job. We also believe that we learn from others, whether by receiving and discussing feedback, or by observing and working with others.

The remainder comes from formal learning, including webcasts presented by specialists, computer-based e-learning using videos and avatars, and classroom courses. All of these programmes support the network's focus on audit quality and provide practitioners with the opportunity to sharpen their professional judgement, scepticism, and technical and professional skills.

Network leadership

PwCIL governance bodies

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 Board, currently the senior partner of PwC Germany. The Chairman of the PwC network and the fifth member may serve on the NLT for a maximum of two terms of 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 monthly and on further occasions as required.

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

Network Executive Team
The Network Executive Team is appointed by, and reports to, the Network Leadership Team. Its members are responsible for strategy and the coordination of key aspects of PwC's Assurance, Advisory and Tax offerings, and functional areas such as Risk & Legal, Human Capital, Operations and Clients & Markets across the PwC network.

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. Board members are elected every four years by partners from all PwC firms. The current board, with members from 13 countries, took up office in April 2013.

Board members may serve a maximum of two terms of four years each. The Board meets four times a year and on further occasions as required.

Network Leadership Team

Dennis Nally	Chairman
Bob Moritz	United States
Ian Powell	United Kingdom
Norbert Winkeljohann	Germany
Silas Yang	China

Strategy Council Members

Dennis Nally	Chairman
Kyung-Tae Ahn	Korea
Fernando Alves	Brazil
Hani Ashkar	Middle East
Ezio Bassi	Italy
Bernard Gainnier	France
Urs Honegger	Switzerland
Yeoh Oon Jin	Singapore
Suresh Kana	Africa Central and Southern Africa
Deepak Kapoor	India
Mike Kubena	Central and Eastern Europe
Carlos Mas	Spain
Bill McFarland	Canada
Carlos Mendez	Mexico
Bob Moritz	United States
Peter Nyllinge	Sweden
Ian Powell	United Kingdom
Luke Sayers	Australia
Hiroyuki Suzuki	Japan
Peter van Mierlo	Netherlands
Norbert Winkeljohann	Germany
Silas Yang	China

Network Executive Team

Richard Collier-Keywood	Vice Chairman
Mike Burwell	Transformation
Dennis Finn	People
Colm Kelly	Operations
Juan Pujadas	Advisory
Javier Rubinstein	General Counsel
Richard Sexton	Assurance
Rick Stamm	Tax
Robert Swaak	Clients and Markets

PwCIL Board (Global Board)

John Maxwell	Chairman
Håvard Abrahamsen	Norway
Noel Albertus	France
Tom Archer	United States
Clive Bellingham	Switzerland
Hein Boegman	Africa
Brian Cullinan	United States
Ruud Dekkers	Netherlands
John Farina	United States
Simon Friend	United Kingdom
Patricia Gonzalez	Mexico
Michael Happell	Australia
Paul Kepple	United States
Gerry Lagerberg	United Kingdom
Gino Scapillati	Canada
Christoph Schreiber	Germany
Nora Wu	China
Matt Wyborn	Japan

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PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

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