

Firmwide governance – Committee structure and what they do

This forms part of our FY21 Transparency Report

Firmwide governance

- **Committee structure and what they do**
- Biographies of members of the MB, SB, PIB and AOB
- Risk council risks and responses
- Network and UK Firm Structure
- Update from the Chair of the Public Interest Body

Independence and ethics

People

Audit quality

Our Audit methodology

Finances and other disclosures



Firmwide Governance

Committee structure and what they do



This Governance section explains the firm's governance arrangements. We explain the roles of the Chairman and Senior Partner, and the Management Board (MB) and its committees, the Supervisory Board (SB) and its committees, and the Public Interest Body (PIB). A personal statement is provided from the Chair of the Management Board and from the Chair of the Public Interest Body.

The firm's governance is guided by our purpose – to build trust in society and solve important problems. Our purpose is central, not only to our decision making processes and our risk appetite, but also to how we manage our business in the interests of our partners and stakeholders.

Further information on the PwC Network and its governance is available within the Network and UK Firm structure document.

Good Governance

We are required to report on how we have applied each of the principles of the Audit Firm Governance Code (AFGC) and make a statement on our compliance with the AFGC's provisions. In doing so, we also have regard to good governance practices under the UK Corporate Governance Code (2018). During the year we consider that we complied with the AFGC in full. Further information on our compliance, including our governance KPIs, is provided below.

We continually seek to enhance our governance arrangements as part of our ongoing commitment to quality. Within our governance arrangements, we acknowledge and support the heightened interest in audit and audit related services and the quality of our delivery of these. We have a common cause with investors, regulators, government and society to ensure the right actions are taken to build world-leading levels of trust in audit and the profession itself.

Our Independent Non-Executives (INEs) are a key part of our governance structure, providing external oversight of the firm. The PIB is comprised of a majority of INEs. By having a separate body, able to determine its own agenda and with high calibre INEs, the firm considered this to be the most appropriate way to ensure the public interest is served, by helping the PIB to oversee audit quality in addition to its consideration of wider public interest issues.

Stakeholders and dialogue

We recognise that with approximately 22,000 people, 73,000 alumni, a turnover of over £3bn and a regulated business, we are a substantial firm with a broad range of stakeholders. We communicate with our stakeholders through various channels, with an increased use of technology for virtual communication through the pandemic. We engage regularly with investors. We held a number of roundtable and educational events for investors, retail investors and analysis throughout the year on topical issues, with insights and feedback shared with PIB members through periodic briefing. In the year, representative internal stakeholder engagement included biannual partner meetings led by the Management Board with partners from across the firm; biannual partner engagement meetings led by the Supervisory Board; the Senior Partner holding town hall meetings with partners and staff, utilising technology for live webcasts; and periodic communication via multiple platforms to all partners and staff.

Governance structure leadership

How is PwC's governance structured?

Our governance structure reflects our partnership model. We have a Senior Partner who, once elected, forms their Management Board and Committees. The Supervisory Board is comprised of members who are elected by partners, certain ex-officio members (the UK Senior Partner ex officio (or Acting UK Senior Partner ex officio), and those partners who have been elected to the board of PricewaterhouseCoopers International Limited (also known as the "Global Board"). The Public Interest Body is made up of Independent Non-Executives, plus representatives from the UK firm's MB and SB, being the Senior Partner, Chair of the SB, Head of Audit, and a member of the SB. The firm's Chief Risk Officer and General Counsel has a standing invitation to attend Public Interest Body meetings.

The Boards' activities are governed by the Terms of Reference which are available on the firm's website and the Members' Agreement. Each member of the MB is subject to formal, rigorous, and ongoing performance evaluation. In addition, consideration is given to PwC's Network standards. Support is given to the Boards by our Board Secretariat team who are responsible for advising on governance matters. A diagram setting out the firm's governance structure is included below.



How often do the Boards meet and what is member attendance?

The Management Board meets quarterly with additional meetings being called when required. The Executive Board (EB) which is a committee of the Management Board, and the Supervisory Board, each meet monthly with additional meetings being called when required. The Public Interest Body meets at least four times a year, with additional meetings being called when required. The Independent Non-Executives also meet as a separate group to discuss matters relating to their remit. Meeting attendance by individual members is provided with their biographies in the Biographies of Board members and the PIB document.

Activities

The key matters considered in the year by our governance bodies included strategy, culture, people, quality, performance, technology and investment, regulation and reputation. Within these matters, the governance of key risks facing the firm (including cyber, regulatory and litigation risks) were considered and included on the Boards’ agendas. Further information on our risks and how these are managed is available within the risk council risks and responses download, and more detail in relation to each of the Boards is set out below.

Governance Bodies



Areas of focus for the Boards

The Supervisory Board considers a wide range of issues for the firm such as risk, strategy, reputation, people matters including health and wellbeing, technology, return on investments, and culture and has supported, given guidance to and challenged the Senior Partner and the Management Board. The SB has particular insight on the views of the partners of the firm and reflects those in conversations with management. Partners are able to review notes of SB meetings.

Twice a year the SB holds engagement meetings at which partners from around the country can speak

directly to SB members on matters of concern. The partner feedback is discussed with the MB and a report together with the MB’s response is made available to partners.

The SB met 13 times (excluding ad hoc meetings) throughout the period. The SB’s usual visits to the firm’s regional offices were postponed due to Covid-19.

The SB has two members who are also Global Board members. The Global Board members provide PwC Network updates and a Network perspective at SB meetings, while helping to ensure consistency across the PwC Network.



Areas of focus for the PIB

The purpose of the PIB is to enhance stakeholder confidence in the public interest aspects of the firm's activities, through the involvement of INEs. The PIB considers a wide range of issues, as determined by the independent Chair, with a particular focus on matters of public interest. The membership of the PIB includes the Chairman and Senior Partner, the Head of Audit, the Chair of the SB and a further member of the SB. In the year there were six formal meetings.

In November 2020, a committee of the PIB, the Audit Oversight Body (AOB) was established by the firm as part of operational separation and its commitment to strengthening the governance of the Audit practice. The AOB has a clear audit-specific remit and provides regular updates on audit quality to the PIB. This created more capacity for the PIB to delve deeper into other public interest issues arising in different areas of the firm.

During the year, the INEs oversaw the firm's policies and procedures for promoting audit quality; helped the firm to secure its reputation more broadly including for audit and other businesses; considered matters to reduce the risk of firm failure resulting from audit matters and more widely; and considered the firm's response to the COVID-19 pandemic. In accordance with the Audit Firm Governance Code (AFGC), the role of the INEs includes enhancing confidence in the public interest aspects of the firm's decision-making, stakeholder dialogue, and management of reputational risks, including those in the firm's businesses that are not otherwise effectively addressed by regulation.

Additionally, the INEs regularly received updates on compliance with professional standards, and legal and regulatory requirements. As well as those duties that are prescribed by the AFGC, the members of the PIB provide input on other matters, including the public interest aspects of the firm's strategy, external reporting, and policies and procedures relating to operational risk management, internal control, quality and compliance more broadly, including its promotion and people management.

During the year INEs met with certain members of the AOB and of the Supervisory Board to discuss matters of common interest.

There is a video foreword from the Chair of the PIB, Dame Fiona Kendrick DBE and further detail in respect of the work of the PIB (see video within the Introduction section of the website and the Update from the Chair of the Public Interest Body document).

The Management Board

The Management Board provides oversight of the Firm's long term strategy and certain partner matters under the Members' Agreement (including dealing with involuntary partner retirements).

The MB has focused on strategic matters, utilising the knowledge and experience of both Executive Board and Clients and Markets Executive members. The formal meetings are scheduled to be held at least quarterly but further ad-hoc meetings have also been held for strategy sessions and certain partner matters. In the year, the MB met seven times. At its formal meetings, the MB considers matters in line with its Terms of Reference, including updates with respect to the audit practice.

The Executive Board

The Executive Board (EB) is a committee of the MB. The EB holds monthly meetings and conducts business at additional meetings as necessary.

During the year, the EB met 18 times and considered the day-to-day governance and business performance of the firm. Accordingly, the EB consists of senior executives, including the chair of the Clients and Markets Executive (but not the Line of Service Leaders who sit on the CME). The Executive Board received updates from its members, with topics including: people, technology and investments, litigation and investigations, clients and markets, finance, international matters, and regular business updates from Lines of Service leaders and subject matter experts.



Committees of the Management Board



The executive structure of the UK firm primarily comprises a Management Board consisting of members of the Executive Board and Clients and Markets Executive, responsible for the policies, strategy, direction and management of the UK firm.

Executive Board

The Executive Board (a Committee of the MB) is responsible for execution of the policies, strategy and management of the UK firm, and receives regular reports from the committees of the MB.

Executive Risk Committee

The Executive Risk Committee is responsible for establishing a risk framework, overseeing and challenging the management of risk across PwC UK.

Clients and Markets Executive

The Clients and Markets Executive is responsible for overseeing the UK firm's client facing and market activities.

International Committee

The International Committee is responsible for decision making in relation to, and oversight of, the UK firm's strategic alliances (currently Africa, Central and Eastern Europe and Middle East), matters relating to regionalisation and/or EMEA, and approval of any matters on behalf of the MB relating to Network issues. The International Committee also has oversight of matters relating to Alternative Delivery Models where such delivery occurs outside of the United Kingdom.

Investment Committee

The Investment Committee provides governance for acquisitions, joint ventures, disposals and investments to support the growth of the UK firm.

Partner Matters Committee

The Partner Matters Committee is responsible for certain Partner HR matters on behalf of the MB.

Client Committee

The Client Committee, which is a committee of the CME, considers engagement or client acceptance decisions that carry significant risks to the firm or that relate to particularly sensitive or confidential circumstances, including commercial and other conflicts.

Covid-19 Steering Committee

The COVID-19 Steering Committee was established in March 2020 to consider and make recommendations to the MB or Executive Board in respect of any matters relating to or impacted by the COVID-19 pandemic as well as to oversee any related BAU decisions.

Ethics and Independence Forum

The Ethics and Independence Forum, which is a committee of the Executive Risk Committee, considers policy matters related to professional ethics and independence.



Committees of the Supervisory Board



There are four committees of the Supervisory Board: the Audit Committee, the Risk Committee, the Partner Affairs Committee and the Talent & Remuneration Committee.

Audit Committee

The Audit Committee assists the SB in fulfilling its legal and fiduciary obligations with respect to matters involving the external audit, internal controls, internal audit and financial reporting functions of the firm. This includes monitoring the effectiveness and independence of the firm's statutory auditor as well as the statutory auditor's reappointment, remuneration and engagement terms, and the policy in relation to, and provision of, non-audit services. In addition, the Audit Committee reviews the effectiveness of the firm's internal control framework; the scope, results and effectiveness of the firm's internal audit function; the integrity of the Group's Financial Statements and digital annual report and the significant reporting judgements contained in them; and the firm's Transparency and Sustainability reports.

Further information can be found in the Audit Committee report later in this section.

Risk Committee

The Risk Committee reviews the firm's risk framework on behalf of the SB. It also receives reports and recommendations from management and from the firm's Executive Risk Committee, which enables it to review and challenge the firm's enterprise-wide risk framework, including financial, operational and reputational risks and policies and procedures that fall within the context of the firm's strategy. The Committee also reviews the firm's approach to Audit Quality and Non-Audit Services Quality, and oversees the effectiveness of the firm's whistleblowing procedures.

Partner Affairs Committee

The Partner Affairs Committee ensures that all partners are treated fairly, which includes monitoring and overseeing the annual partner income moderation process, reviewing partner medical provision, development, changes to benefits, flexible working and diversity. It also ensures that appropriate processes and procedures are in place to provide robust governance, including for direct partner admissions, retired partner programme and involuntary retirements.

Talent & Remuneration Committee

The Talent & Remuneration Committee reviews the remuneration, talent development and, where appropriate, succession plans for the Talent & Remuneration population (T&RC population). The T&RC population comprises the UK Senior Partner, members of the Management Board, and any UK partners on the Global Leadership Team or EMEA Leadership Team.



Committees of the Public Interest Body



The PIB has one committee, which is the Audit Oversight Body.

Audit Oversight Body

The purpose of the AOB is to oversee the firm's obligations with respect to the pursuit of the FRC's objectives, outcomes and principles for operational separation of audit practices insofar as they are within the control of the audit practice. The Audit Partner Remuneration and Admissions Committee (APRAC) is a committee of the AOB. The APRAC, which is comprised of Audit Non-Executives, oversees the audit partner remuneration process to ensure individual audit partner remuneration is determined above all by contribution to audit quality, and the process by which candidates are selected for admission as audit partners.



Compliance with the Audit Firm Governance Code



The EB and PIB have reviewed the principles and provisions of the Audit Firm Governance Code together with details of how the firm is complying with those. Following this review, the EB, on behalf of the MB, has concluded that, as at 30 June 2021 the firm is in compliance in full with the principles and provisions of the Audit Firm Governance Code (AFGC).

The AFGC includes a requirement for firms to determine governance KPIs and to report against them. The EB and PIB considered the KPIs that the firm had reported against in the prior year and confirmed that they remained supportive of them being applied for the year ended 30th June 2021 without any changes being made. The KPIs are set out in the table below.

During the year, the firm carefully considered the provisions of the 2018 UK Corporate Governance Code. It was decided that, while the firm did not intend to implement any of the provisions of the 2018 UK Corporate Governance Code not already included in the AFGC, it would keep this under review pending any future updates to the AFGC.

Governance KPI	Notes	Performance
<p>Board attendance</p> <p>Management Board, Executive Board, Supervisory Board, Public Interest Body members should attend a sufficient number of meetings as set out in the Terms of Reference.</p>	<p>Sufficient meetings should be held for the Boards to achieve their objectives and in line with their Terms of Reference. Attendance should be achieved by all members for 80% of meetings.</p>	<p>The number of meetings and attendance was in line with the firm's requirements, except for one member of the PIB. Attendance records of individual participants of each Board are stated within the Biographies of the MB, SB, PIB and AOB members download</p>
<p>Board composition</p> <p>That there is a diverse mix on each Board, taking into account, for example, the 30% Club (a club which seeks a minimum of 30% of Boards to be women) and BAME targets.</p> <p>That there is a diverse population of people presenting at Board meetings (eg an annual update from each LoS and different mix of presenters at each meeting).</p>	<p>Information on the composition of the MB, SB and PIB is on the firm's website, www.pwc.co.uk/who-we-are.html</p> <p>Board presentations include sponsors and presenters to help achieve a diverse population of people presenting at Board meetings.</p>	<p>MB – 4 out of 13 MB members are female, and there are 2 BAME members.</p> <p>EB - 2 out of 6 EB members are female.</p> <p>SB – 4 out of 14 SB members are female, and there are 2 BAME members.</p> <p>PIB – 4 out of 8 members of the PIB are female. (Sir Ian Gibson stepped down from the PIB on 30 September 2021, prior to that there were 9 members of the PIB)</p>
<p>Board activities</p> <p>That meetings are formally scheduled for the following year and sufficient balance is given in the forward agendas for: strategy; governance; internal controls and risk management; financial performance; and people.</p>	<p>The Chair and the Secretary regularly meet to consider the matters appropriate for future meetings to ensure that sufficient time is spent on the most relevant matters for the firm. This is also considered during the Board effectiveness reviews.</p>	<p>The firm considers that this was complied with in the year.</p>
<p>Board effectiveness</p> <p>That formal effectiveness reviews are carried out annually and externally every three years as set out in the AFGC and summaries of outputs published.</p> <p>That Terms of Reference of Boards and Committees are reviewed annually.</p> <p>That the minimum number of INEs, and the appropriate balance of management and INEs on the PIB, is achieved in accordance with the Terms of Reference.</p>	<p>With the restrictions associated with the Covid-19 pandemic during the year, the firm agreed that the next externally-facilitated board effectiveness review would take place in FY22, by which time the firm would be operating on a more normalised basis.</p> <p>The firm reviewed the Boards' and Committees' Terms of Reference as part of the implementation of the recommendations from the Governance Review.</p> <p>PIB Terms of Reference are available on the firm's website and its composition is determined by the Members' Agreement.</p>	<p>An externally facilitated effectiveness review of the PIB was carried out in 2018 and the PIB have reviewed the progress made on the recommendations from this review during the year.</p> <p>A Terms of Reference review began in Spring 2021 and continues.</p> <p>As at 30 June 2021 there were five INEs on the PIB. In FY20 Sir Ian Gibson agreed to extend his term as an INE and as a member of the PIB for a further period, which ended on 30 September 2021.</p>



Governance KPI	Notes	Performance
<p>Values</p> <p>Integrity, compliance, whistleblowing, and people surveys are reviewed at least annually (and updates from PAC/PMC at least half yearly).</p> <p>INEs review reputation, the risk register and audit quality at least annually.</p>	<p>Integrity is covered at all Board meetings. Compliance is covered at the Audit & Risk Committees, PAC (sanctions) and EB meetings. Whistleblowing is discussed at EB, PIB and RC meetings. People surveys are discussed at EB and PIB meetings. The MB and EB receive PMC reports and minutes. The SB receives PAC reports.</p> <p>Reputation and audit quality is covered at every PIB meeting. With the creation of the Audit Oversight Body in November 2020, the PIB receives regular reporting on audit quality from this committee to ensure appropriate oversight. The top risks are discussed and agreed with the PIB, SB and EB (on behalf of the MB). The PIB receives quarterly Risk and Quality updates.</p>	<p>The firm considers that it complied with this KPI ensuring certain matters relating to the firm's values and reputation are considered during the year, including by the INEs.</p> <p>These matters were reviewed during the year and confirmed at the July 2021 PIB meeting.</p>
<p>Systems and Risk</p> <p>Boards review effectiveness of firm's systems of internal control at least annually.</p> <p>Audit Committee meets at least four times a year and the Risk Committee meets at least four times a year.</p>	<p>The SB receives regular updates from both the Audit and the Risk Committee. Additionally, the PIB also receives updates from the Risk Committee in order to assess both the key risks and the adequacy of related controls.</p> <p>Annually the Audit Committee confirms an Internal Audit plan which is compiled using a risk based approach. Internal Audit reports are received by the Audit Committee and EB periodically.</p> <p>In addition, the External Auditors report is submitted to the Audit Committee at least annually.</p>	<p>The firm considers that it complied with this KPI ensuring certain matters relating to the firm's operations and oversight by the Audit Committee and the Risk Committee are considered during the year. The Audit Committee met 11 times and the Risk Committee met 8 times in FY21.</p>
<p>Dialogue</p> <p>Firm shall meet with investors at least annually.</p> <p>INEs attend a Supervisory Board meeting at least annually.</p> <p>Firm should consider the perspective of listed companies and their investors by, for example, inputting into consultations.</p> <p>The Boards should consider the Sustainability KPIs at least annually.</p>	<p>The firm held a number of roundtable and educational events for investors, retail investors and analysts throughout the year.</p> <p>INEs held biannual meetings with members of the Supervisory Board during the year.</p> <p>Investor engagement was covered at PIB meetings as part of the Corporate Affairs updates.</p> <p>The Sustainability year-end report is approved by the EB (on behalf of the MB) and reviewed by the Audit Committee.</p>	<p>The firm considers that it complied with this KPI through internal and external dialogue, investor engagement and considering sustainability matters during the year.</p> <p>Whilst compliant, the firm will consider further engagement with investors.</p> <p>The EB (on behalf of the MB) and Audit Committee considered this in August 2021.</p>



The Audit Committee Report



The Audit Committee of the Supervisory Board comprises five members of the Supervisory Board, having both audit and non-audit backgrounds. The Audit Committee met 11 times in the year ended 30 June 2021 (FY20: 10 times). The Managing Partner and Chief Operating Officer, the Finance Partner, the Head of Internal Audit, and the external auditors from Crowe U.K. LLP (Crowe) have a standing invitation to attend Committee meetings. Both the internal and external auditors also meet privately with the Committee members without management present.

The Committee monitors and reviews:

- The effectiveness of the firm's internal control systems;
- The scope, results and effectiveness of the firm's internal audit function;
- The effectiveness and independence of the firm's statutory auditor;
- The reappointment, remuneration and engagement terms of the firm's statutory auditor including the policy in relation to, and provision of, non-audit services;
- The planning, conduct and conclusions of the external audit;
- The integrity of the Group's Financial Statements and digital annual report and the significant reporting judgements contained in them; and
- The firm's Transparency Report and Sustainability Report

Internal control and risk management systems

The Committee's review of internal controls includes considering reports from the firm's internal and external auditors.

Internal audit

During the year, the Committee considered and approved the Internal Audit work programme, the appropriateness of resources and the adequacy of management's response to matters raised.

Internal Audit plan

The Internal Audit plan is compiled using a risk based approach to ensure that the appropriate focus is given to the top risks faced by the firm. A risk assessment is undertaken to ensure that appropriate assurance is provided across the audit universe on a risk basis. The main areas of focus are Financial Reporting, Technology, Firmwide operations (including regulatory compliance) and Line of Service specific reviews. The Internal Audit team complete both assurance and consulting reviews with the objective of both reporting on the effectiveness of the existing controls and helping support continual improvement in control. The Committee reviews the annual plan to ensure that it is satisfied with the level and type of work being performed.

The Committee approves the plan annually, including the required resources. There is a dedicated Internal Audit team that performs the required work, supplemented by specialist resources from the business as appropriate.

The Committee reviews progress against the plan, proposed changes to the plan and the adequacy of resources on a quarterly basis, with monthly updates provided to the Chair of the Committee.

Internal audit findings

Each internal audit review provides assurance in relation to control effectiveness for the relevant scope area alongside any matters arising. There is a robust process in place to assign findings to an action owner and to monitor the status of open findings. On a monthly basis an open findings report is shared with management and the summary position is shared with the Executive Board and the Committee quarterly. The Committee ensures that it is satisfied with the adequacy of management's response to the findings raised as well as the implementation of recommendations to support continued improvement.

Internal Control – other reporting

The Committee also considered reports from other parts of the UK firm charged with governance and the maintenance of internal control, including in respect of the management of the firm's own tax affairs. The Committee reviewed and considered the statements in respect of the effectiveness of the firm's internal quality control system (see "Our system of quality management" document within the Audit quality module) and in respect of the systems of internal control from an Ethics, Independence and Objectivity perspective (also refer to the Independence and ethics module on the website), and concurred with the disclosures made.



Financial reporting

The Committee carried out its responsibility for monitoring and reviewing the integrity of the Group's Financial Statements by reviewing formal updates provided by management on key accounting developments and by reviewing the Group's Financial Statements with both management and the external auditors. The significant issues the Committee considered in relation to the Group's Financial Statements for the year ended 30 June 2021 are set out below.

The Committee has discussed these with Crowe, together with Crowe's Key Audit Matters described in the independent auditor's report on our Financial Statements. The impact of the COVID-19 pandemic on the firm's internal control systems and its significant reporting judgements, and in particular as regards to going concern, was carefully considered by the Committee.

Investment in Clients (including revenue recognition)

The Committee continued to review the firm's approach regarding revenue recognition in recognition of the complexity of some of the underlying contracts, the range of potential estimates involved and the accounting judgements required. These reviews included discussions with management and the internal and external auditors. The Committee was satisfied that the firm's approach to revenue recognition and to the valuation of unbilled amounts for client work were appropriate.

Provisions for claims and regulatory proceedings

The Committee considered that this continued to be a complex and higher risk area given the political, regulatory and economic environment and the inherent judgement involved in determining provisions. The Committee considered the controls that were in place to ensure the appropriateness of judgements and estimates made in determining the level of provisioning. The Committee was briefed by the firm's Head of Litigation and Regulatory Investigations on the status of claims and regulatory matters involving the firm. While the assessment of provisions is a judgemental matter, the Committee was satisfied that the level of provisions held was reasonable based on the information available.

External audit

The Committee undertakes an annual review of the qualification, expertise, resources and independence of the external auditors and the effectiveness of the external audit process by:

- Reviewing Crowe's plans for the audit of the Group's Financial Statements, the terms of engagement for the audit and the proposed audit fee;
- Considering the views of management and the Crowe engagement partner on Crowe's independence, objectivity, integrity, audit strategy and its relationship with the Group; and
- Taking into account information provided by Crowe on its independence and quality control.

The external auditors are engaged to provide non-audit services where there are business benefits in doing so, their objectivity and independence would not be compromised and no conflict of interests would be created. Suitable approval processes are in place to ensure that these criteria are met before Crowe is engaged to provide non-audit services. Fees paid to Crowe for audit and non-audit services are set out in our Financial Statements. The non-audit assurance services provided during the year related to sustainability reporting, grant claims, regulatory compliance and controls assurance. Non-audit services constituted 18.1% (FY20: 18.4%) of Crowe's total fee for the Financial Year.

Having considered a number of factors including audit effectiveness, business insight, tenure and approach to audit partner rotation, the Committee concluded that it was appropriate for Crowe to be reappointed as external auditor.



Management Board and Independent Non-Executive remuneration



Partners, including members of the Management Board

All partners, including members of the Management Board, are remunerated solely out of the profits of PwC UK and partners are personally responsible for funding their pensions and other benefits.

Audit partners and audit staff, which includes staff from other Lines of Service contributing to the audit, are not permitted to be, nor are they incentivised to be, evaluated, promoted or remunerated for the selling of non-audit services to their audit clients.

The expectations of audit partners are set out in the Our Audit Methodology module of this Report, and audit quality forms a key part of the partner performance appraisal process. In addition, Audit Risk & Quality partners input into the assessment of performance in respect of risk and quality matters for the audit partners in their teams, and are involved in the remuneration discussions for audit partners to make sure that the process complies with the firm's policies.

The final allocation and distribution of profit to individual partners is made by the Partner Matters Committee, with oversight from the Partners Affairs Committee and, as applicable, the Talent and Remuneration Committee, once performance has been assessed and the annual financial statements have been approved. The Supervisory Board approves the process and oversees its application.

Each partner's profit share comprises two interrelated profit-dependent components:

- Performance income – reflecting how a partner and their team(s) have performed; and
- Responsibility and equity unit income – reflecting the partner's sustained contribution and responsibilities ('responsibility income') and the partner's capital contribution ('equity unit income')

Each partner's performance income is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the partner's role.

These objectives take account of our public interest responsibilities by ensuring we deliver quality services and maintain our independence and integrity.

Quality failings identified either through regulatory reviews or internal quality reviews impact the remuneration of audit partners, and other audit and non audit engagement leaders in Assurance, through an accountability framework. The Accountability Framework also seeks to reward good quality audit work delivered by engagement leaders. There is transparency among the partners over the total income allocated to each individual.

Drawings

The overall policy for partners' monthly drawings is to distribute a proportion of the profit during the financial year, taking into account the need to maintain sufficient funds to settle partners' income tax liabilities and to finance the working capital and other needs of the business. The Executive Board, on behalf of the Management Board, with the approval of the Supervisory Board, sets the level of partners' monthly drawings, based on a percentage of their individual responsibility income.

Tax

Our distributable profit per partner is calculated on a pre-tax basis and the taxes borne individually by our partners include both income tax as well as corporation tax on subsidiary profits.

Independent Non-Executives

Our INEs are paid an annual fee of £100,000 for their services. The chair of the PIB receives an additional £40,000. The chair of the Audit Oversight Body (AOB) also receives an additional £20,000. Where an INE is also a member of the AOB they receive a further £30,000 for this role. Where a member of the AOB is also a member of the Audit Partner Remuneration and Admissions Committee (APRAC), they also receive a further £10,000 for this role. Where an INE is also a member of a Supervisory Board Committee, they receive a further £20,000 for this role.

