

UK Transparency Report 2021
PricewaterhouseCoopers LLP
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Independence and ethics – Objectivity, Independence and Ethics

This forms part of our FY21 Transparency Report

- Firmwide governance
- Independence and ethics
 - Objectivity, Independence and Ethics
- People
- Audit quality
- Our Audit methodology
- Finances and other disclosures



Independence and ethics

Objectivity, Independence and Ethics



Objectivity, Independence and Ethics

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

1. Integrity – to be straightforward and honest in all professional and business relationships.
2. Objectivity – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
3. Professional Competence and Due Care – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
4. Confidentiality – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties.
5. Professional Behaviour – to comply with relevant laws and regulations and avoid any action that discredits the profession.

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

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC UK has adopted

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

Upon hiring or admittance, all staff and partners of PwC UK are provided with the PwC Code of Conduct. They are expected to live by the values expressed in the Code of Conduct in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code of Conduct. PwC UK has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct emphasises that Speaking Up is part of our culture, and includes a framework for helping us decide the right thing to do in specific circumstances. The PwC Code of Conduct can be found at www.pwc.co.uk/who-we-are/code-of-conduct.html Further information on how PwC UK takes the global Code of Conduct and other resources and adapts them for local requirements and policies is included below.

Speak up helpline

PwC UK has an anonymous and confidential whistleblowing helpline and online reporting tool called the Speak Up helpline. This is available to any partner or member of staff who observes inappropriate business conduct or unethical behaviour that cannot be resolved locally, or where the normal consultation processes are not appropriate.

The PwC UK Code of Conduct encourages partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right. In addition, third parties may also call the Speak Up helpline or report via the online reporting tool.

The Speak Up helpline number for partners, staff and third parties is 0800 069 8056. Partners and staff have a responsibility to report and express concerns in good faith, fairly, honestly and respectfully. We are committed to dealing responsibly, openly and professionally with any genuine concerns raised about possible malpractice. We also protect against any form of retaliation.



All matters reported are dealt with by trained individuals within our Business Conduct team, and are discussed regularly with the firm's Business Conduct Leader, who is responsible for making sure that the issues raised are appropriately investigated and resolved. The Business Conduct Leader discusses any significant matters with Alison Statham, the Management Board member responsible for Risk and Quality and Compliance, and there are annual updates provided to the firm's Public Interest Body and the Risk Committee of the Supervisory Board.

Anti-bribery

We are opposed to bribery in any form. The PwC Code of Conduct makes it clear that it is unacceptable for our people to solicit, accept, offer, promise or pay bribes whether directly or through a third party. Policies, training and procedures designed to prevent bribery and disciplinary procedures if bribery is detected, are in place.

Preventing facilitation of tax evasion

We are opposed to tax evasion and the facilitation of tax evasion. In accordance with the PwC Code of Conduct, it is unacceptable for anyone providing services for or on behalf of PwC to evade tax or to facilitate tax evasion. Policies, training and procedures designed to prevent the facilitation of tax evasion are in place.

Confidentiality and information security

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

We take the protection of confidential and personal data very seriously. The firm's Head of Technology and Investment, Ben Higgin, is the Management Board member responsible for information security. In this role he is supported by the Cyber Committee, which is responsible for providing oversight, policy and strategic direction on information risk and cyber security matters.

Membership of the Cyber Committee comprises representatives from Risk Management, Office of General Counsel, Network Information Security,

Information Technology and the Lines of Service. These committees' objectives are to:

- a. Provide overall governance and oversight of the Information Management programme;
- b. Act as an approval body for Information Management policies and procedures;
- c. Agree and allocate Information Management accountability and responsibilities;
- d. Identify and initiate Information Management remediation projects; and
- e. Monitor progress of the Information Management programme.

The firm is bound by, and all partners and staff are required to comply with, the ICAEW's fundamental principle of confidentiality. There are also other legal and regulatory obligations on partners and staff about handling confidential information and personal data, and contractual terms govern the use and disclosure of information.

The firm provides information security and data protection training upon recruitment, annual update training for all partners and staff thereafter, and training to various departments on an ad hoc basis throughout the year. We also have in place an accountability framework and the appropriate technical and organisation measures to promote compliance with both the UK and EU General Data Protection Regulations, and other relevant worldwide data protection regulation.

We are registered with the UK Data Protection authority. Our registration can be seen on The Information Commissioner's Office website under reference Z7486412. Our standard privacy notice is available to the public at <https://www.pwc.co.uk/who-we-are/privacy-statement.html>. PwC UK operates an information security management system, which is certified as compliant with the requirements of ISO/IEC 27001:2013 for all client data that comes under its control or ownership by virtue of a contract for services between PwC UK and a client. In addition, PwC UK operates a privacy information management system, which is certified as compliant with the requirements of ISO/IEC 27701:2019 for all personal data that comes under its control or ownership by virtue of a contract for services between PwC UK and a client.



PwC UK's information security policies and procedures aim to make sure that:

- information is protected from internal and external threats;
- confidentiality, availability and integrity of information is maintained;
- statutory regulatory and contractual obligations are met; and
- appropriate classification of data confidentiality to ensure it is appropriately handled.

Our policies and procedures include:

- encryption of all the firm's laptops, PCs and removable media;
- secure and PwC managed apps for data accessed by mobile devices;
- software restricting the use of removable media;
- data is appropriately classified to ensure correct handling of data;
- access to engagement files – both electronic and hard copy paper files – is restricted to those with a 'need to know' and is regularly reviewed to ensure that such access remains appropriate;
- data is regularly backed up on individual laptops and PCs;
- secure workspace policy – including clear-desk, in our offices, if working from home, and at client sites;
- securing hard copy files when they are not in use;
- remote access to our network via a secure virtual private network, or equivalent technology;
- policies on the transmission of data by email outside of the organisation; and
- restricted access to operational areas of PwC UK and our buildings.

The firm's policies and standards are supported by ongoing compliance monitoring. Monitoring is carried out by PwC UK's internal audit and compliance teams and is supplemented by checks by the PwC Network's global security organisation. Our ISO/IEC 27001:2013 and ISO/IEC 27701:2019 certifications are subject to annual external independent assessment.

The firm has incident reporting and response procedures that seek to minimise the impact of any data loss which arises.

These procedures include notifying clients when it is known that their data is at risk and, where appropriate and feasible, taking corrective action.

Objectivity and Independence

As auditors of financial statements and providers of other types of professional services, PwC member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance engagements, including audits, independence underpins these requirements. Compliance with these principles is fundamental to serving the capital markets and our stakeholders.

The PwC Global Independence Policy, which is based on the IESBA International Code of Ethics for Professional Accountants, including International Independence Standards, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from entities, where necessary.

PwC UK has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing within the firm, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by the firm's Ethics Partner and a team of independence specialists. The PRI reports directly to the Chief Risk Officer and General Counsel, Alison Statham, a member of the firm's Executive Board.

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

These policies and processes are designed to help PwC comply with relevant professional and regulatory standards of independence that apply to the provision of assurance services. Policies and supporting guidance are reviewed and revised when changes arise such as updates to laws and regulations or in response to operational matters.



PwC UK supplements the PwC Network Independence Policy as required to ensure compliance with additional requirements issued by UK professional bodies such as the Revised Ethical Standard 2019 issued by the Financial Reporting Council (FRC) in relation to audits of UK incorporated entities and their related entities. PwC UK also supplements Network Independence Policy to include the independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States.

Independence policies and practices

Our Independence Policy covers, among others, the following areas:

- Personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- Non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services ('SOPS'), which provide practical guidance on the application of the policy in respect of non-audit services to entities PwC audits and their related entities;
- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business;
- Acceptance of new audit and assurance engagements, and the subsequent acceptance of non-assurance services for audited entities; and
- The rotation of audit engagement personnel

Independence related systems and tools

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

- The Central Entity Service (CES), which contains information about corporate entities including public interest entities and SEC restricted entities and their related securities. CES assists in determining the independence restriction status of entities audited by a member firm and those audited by other PwC member firms before entering into a new non-audit engagement or business relationship. This system also feeds Independence Checkpoint and Authorisation for Services (AFS) systems;
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC member firm wins a new audit, this system automatically informs those holding securities in that entity of the requirement to sell the security where required;
- Authorisation for Services (AFS) is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding a proposed non-audit service, documenting the analysis of any potential independence threats created by the service and proposed safeguards, where deemed necessary, and acts as a record of the audit partner's conclusion on the overall permissibility of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory)
- A Global system for recording the approval of significant business relationships with 3rd party entities entered into by the firm (other than the purchase of goods and services in the normal course of business). These relationships are reviewed at least twice per year to ensure that they remain permissible.



PwC UK also has a number of UK specific systems including:

- A rotation-tracking system that monitors compliance with the firm's audit rotation policies for engagement leaders, other key audit partners and senior staff involved in an audit. It also tracks entities subject to the mandatory firm rotation rules and calculates when we are required to rotate off an audit engagement;

Independence training and confirmations

Annually, all partners and practice staff receive mandatory training on the firm's independence policies and related topics. Completion is monitored and non-completion leads to disciplinary action being taken.

Additionally, face-to-face training is delivered by the firm's independence specialists and Risk Management teams, as required.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm's independence policy, including their own personal independence. In addition, all partners and directors confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify potential breaches of independence that may have arisen and as an important reminder of the firm's independence policies and procedures. These annual confirmations are supplemented by confirmations from engagement team members on the firm's larger financial services clients which provide financial products to the general public.

Independence monitoring and disciplinary policy

PwC UK is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, we perform:

- Engagement reviews to confirm compliance with the firm's risk management procedures, including independence;
- Compliance testing of independence controls and processes;
- Procedures to review partners at least once every 5 years (and more regularly for certain other partners, including annually for those on the Management Board and Supervisory Board), as well as procedures to review a selection of staff and all partner candidates, as a means of monitoring compliance with independence policies;
- Central monitoring of independence KPIs; and
- An annual assessment of the member firm's adherence with the PwC Network's Standard relating to independence

The results of the firm's monitoring and testing are reported to the Executive Board at the end of each quarter, and any partner independence breaches are reported to the Partner Affairs Committee.

Our firmwide procedures are also subject to an annual review by the FRC and a triennial review by the PCAOB, and any potential issues or recommendations arising from these reviews are carefully considered and action taken in order to address them.

Potential breaches of the firm's independence policies that are identified from self disclosures, independence confirmations, personal independence audits, engagement reviews and other monitoring activities are investigated by the firm's Independence, Conflicts & Ethics team to determine if a reportable breach has occurred. PwC UK has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.



Where a violation of independence policies by a partner or staff member is identified it has consequences that may include a fine or other disciplinary action up to and including dismissal

In addition, it would include discussions with the entity's audit committee, or those charged with governance where there is no audit committee, regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the member firm and the need for safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in systems and processes and for additional guidance and training.

Based on the reviews outlined above, we confirm that we have conducted an internal review of independence practices during the year ended 30 June 2021. Actions are developed to respond to issues identified by our internal review processes or external regulatory inspections.

Engagement leader, Quality Review Partner (QRP) and Key Audit Partner rotation policy

We comply with the rotation requirements of the independence rules published by IESBA, the FRC and the SEC as applicable to a particular audited entity.

For entities designated as Public Interest Entities ("PIE") under the FRC's Ethical Standard, the engagement leader and key audit partners have tenure set at five years, with a five year cooling off period. Key Audit Partners are engagement leaders on any material component of an PIE group that are involved in the group audit.

For entities that are subject to SEC independence rules, or listed entities that are subject to FRC independence rules, but are not Public Interest Entities as defined by the FRC, engagement leader tenure is set at five years, with a five year cooling off period and key partners involved in the audit engagement tenure is seven years with a two year cooling off period.

The QRP on SEC engagements has a five year tenure with a five year cooling off period. For public interest and listed entities that are subject to FRC independence rules the tenure of the QRP is set at seven years with a five year cooling off period.

For entities which meet the IESBA or our internal definition of Public Interest Entity, the tenure for engagement leader, QRP and key partners involved in the audit is set at seven years. Engagement leaders have a five year cooling off period, the QRP has three years and key partners involved in the audit have two years cooling off period.

For all other entities our policy sets tenure for engagement leader, QRP and key audit partner at a maximum of ten years with a two year cooling off period.

