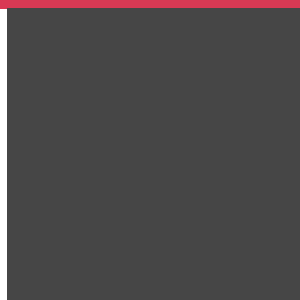


PricewaterhouseCoopers LLP
Registered number: OC303525

UK Transparency Report 2022



www.pwc.co.uk/transparencyreport

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Welcome to our 2022 Transparency Report



**Welcome to our PwC
Transparency Report for 2022.
At PwC we recognise that
our reputation relies not just
on what we do, but in being
transparent about how we do
it. This report is designed to
show the action we've taken
as a leading audit firm.**

Our purpose is to build trust and solve important problems, and that has never been more relevant. Over the year, we've shifted from dealing with post-pandemic economic concerns, to emerging challenges such as the cost of living, energy shortages and geopolitical conflict. Given the scale of the challenges we face, enhancing trust and transparency will become more vital than ever, and I'm proud of the important role our audit teams continue to play.

The UK Government's ongoing reform of the corporate governance, reporting and audit system remains central to enhancing trust. We are continuing to work with BEIS and the FRC to ensure the UK retains its position as a leader in corporate governance, and remains a trusted, attractive and competitive business environment.

The complicated nature of the challenges we're now tackling requires us to work even more closely together, sharing knowledge, expertise and experience in support of the audit process. Our New Equation strategy, launched last year, focuses on using the right technology combined with colleagues from different backgrounds, with diverse experiences and viewpoints.

We believe that this close collaboration is enabled by the success of our multidisciplinary firm model, and is more and more critical to delivering high quality audits.

Quality is central to our firm-wide strategy, and remains the top priority for our audit practice, so we've continued to invest in our Programme to Enhance Audit Quality. We are seeing further benefits through a number of the quality measures we monitor, including improvement in our most recent Audit Quality results, and the FRC's recognition of good practices in our audits.

But this does not mean that we can be complacent. It is essential that we don't let up in our focus on quality and innovation. And this year we have announced a \$1bn global investment to design and implement PwC's Next Generation Audit, an ambitious refresh of the tools and approaches that we use to deliver high quality audits.

We recognise we have an important role to play and we're committed to helping to increase trust in UK business through our ongoing commitment to audit quality.

Kevin Ellis
Chair and Senior Partner





PwC and the audit profession play a critical role in underpinning confidence in capital markets and, for the UK to remain a great place to do business, we need transparent reporting that investors and wider stakeholders can rely on.

This year we've continued to operate in a demanding environment, navigating significant global events and intense scrutiny of the audit profession. I'm proud that throughout it all our people have continued to support each other and perform rigorous and challenging audits.

The global pandemic required a change in our audit approach as we responded to the increased uncertainty inherent within audit risks. Our multidisciplinary firm model has ensured that our audit teams continue to be able to access independent experts and specialists from across the firm, enhancing audit quality and bringing insight to the organisations we audit.

COVID-19 also impacted the way we work and while we've learned that remote working at scale is possible, the return to hybrid working has clearly demonstrated the importance of being together and working face-to-face. We have implemented a new flexible working deal for our people and embraced hybrid working which brings tangible benefits for both our people and the organisations we audit. We were also delighted to return to in person training days for all of our qualified auditors earlier this year.

The New Equation

At a time of geopolitical and economic uncertainty, it has never been more important to build trust, which is why trust is at the heart of our global strategy, the New Equation. The New Equation focuses on building trust and delivering sustained outcomes in an environment where societal expectations have never been greater.

Our approach is human led and tech powered, bringing together the industry knowledge and expertise of our auditors with advanced technology. We utilise technology throughout our audits, from risk assessment analytics in planning to the use of artificial intelligence, data auditing and visualisation techniques in our testing.

For example we use our artificial intelligence prototype for the General Ledger, which can pick up behavioural characteristics of journals and apply these to existing data, exposing anomalies whilst drones can be used in mining valuations or to validate the existence of fixed assets and inventory.

Our Programme to Enhance Audit Quality

We remain committed to delivering consistently high quality audits that meet the needs of investors, stakeholders and the organisations we audit. We have invested significantly in our audit practice over the last three years, through our Programme to Enhance Audit Quality (PEAQ), which has made a real difference. We're pleased by our improved inspection results and other key measures of quality and that the FRC has recognised the positive impact of the programme and the progress made.

At the start of the programme we established an Audit practice with a singular focus on external audit and audit-related services. I'm particularly proud of the work we've undertaken through the programme to embed a culture that best supports our teams to deliver high quality audits. Shaped by independent insight from Professor Karthik Ramanna and our firm's own cultural experts, our Audit Behaviours of Team first, Challenge and be open to challenge and Take pride, set clear expectations for our auditors. They have been embedded into everything we do, including our audit training, delivery and how we evaluate performance. Our culture remains fundamental to delivering high quality and we are now focused on an enhanced culture of psychological safety where our teams can safely challenge each other and learn from mistakes to support continuous improvement.

While PEAQ formally concluded in June 2022, the initiatives, processes and activities we implemented are now embedded into our business as usual processes and will continue to have a positive impact on audit quality. We have developed a detailed Audit Quality Plan (AQP) to ensure performing consistently high quality audits remains our primary focus. The AQP sets out all of our activities which remain fundamental to delivering high quality work.

Audit Quality Measures

Audit Quality Indicators (AQIs) and Audit Quality Measures (AQMs) are a complex subject matter, and something we have been considering for a number of years. AQIs are only indicators in areas important to quality and not measures of quality, and it is our experience that users of audit services are more interested in measures of quality. We believe that using AQIs and AQMs together helps stakeholders to understand, in part, an audit firm's approach to, and progress with, audit quality.

On 22 June 2022, the FRC commenced its formal consultation on a proposal for a consistent and comparable set of firm level (audit specific) AQIs which would be reported publicly by large audit firms. We support the FRC's promotion of the use of AQIs, both at a firm level and an engagement level, as a way to increase the information available to the user of audit services beyond the AQR Inspection results.

We are also supportive of audit firms providing greater information to the users of audit services about what makes a high quality audit, as well as the key elements of a high quality audit practice. As part of our efforts to improve our own reporting, in this Transparency Report we have brought together in one place a list of all of our audit quality measures which you can find on page 94.

Governance

We are well progressed with our operational separation transition plan and to meet the FRC's June 2024 deadline for implementation. As part of our commitment to strengthen the governance of the firm's audit practice, in November 2020 we introduced our Audit Oversight Body (AOB), a sub-committee of our Public Interest Body (PIB), which is now well established. The AOB has a clear audit-specific remit and provides regular updates on audit quality to the PIB.



The Independent Non-Executives who sit on the Body are a key part of our governance structure and we certainly benefit from the constructive challenge and value they bring. This year they've brought their independent expertise to challenge us on key subject matters including the critical importance of climate in audit and assurance and how we can address improving the attractiveness of the profession.

We welcome the revised Audit Firm Governance Code 2022 which has been updated for the FRC's principles of operational separation. This newest version of the Code is applicable for financial years beginning on or after 1 January 2023 and we are carefully working through the Code's principles and provisions in the context of our business.

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

We believe our quality control system for the Audit practice has been suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards.

Climate change

We continue to positively engage with investors who, along with wider society, are demanding that companies provide greater transparency on their emissions, more detail on their environmental strategies, and further insight into how climate change will impact their business now and in the future.

We are leveraging the knowledge of our climate experts from across the firm to support our audit teams, helping them to understand the climate related challenges that specific industries are facing. Providing assurance that material climate risks and

commitments have been appropriately considered in the preparation of the financial statements will build confidence in business and enable investors to meaningfully allocate capital to drive positive change. Change will require all parties in the corporate reporting ecosystem to work together and we are committed to playing our part to improve reporting in this area.

The future of Audit

This year we've announced a \$1bn global investment to design and implement PwC's Next Generation Audit. This is a multi-year programme to deliver a new audit ecosystem – human led, tech powered and data driven. It will enable us to make continuous improvements to audit quality by further standardising, simplifying, centralising and automating our audit work.

We will continue to invest in our people, skills and technologies to deliver consistently high quality audits, as well as address the demand for independent, robust assurance over non-financial information, in areas such as ESG and controls reporting.

We welcome the package of legislative reforms the Government has proposed to improve standards for audit, reporting and corporate governance. We've long maintained that all parts of the corporate governance ecosystem have an important role to play to make positive, lasting change.

The importance of transparent reporting and the purpose of audit has never been more relevant and I hope you find our Transparency Report informative and engaging. Please don't hesitate to send me any feedback.

Hemione Hudson
UK Head of Audit



Trust and transparency – A year in review



Number of
UK people

25,000

Number of UK
Audit people

5,400



19

UK
offices



UK firm revenue

£3,875m



FY22

£3,557m



FY21

Total revenues generated
from statutory audits and
directly related services for
all entities we audit

£818m



FY22

£790m



FY21

In FY22, across the
firm we recruited

5,856



people in total

In FY22, in Audit
we recruited

1,355



people in total

Number of Responsible
Individuals



337

As at July 2022

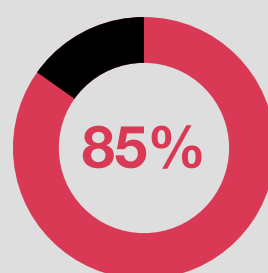
Number of audits in
FRC scope



481

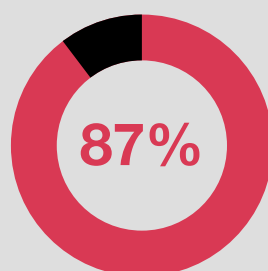
As at December 2021

Audit Quality Measures



Of respondents to our
annual audit culture survey
feel proud of the quality
of our audit work.

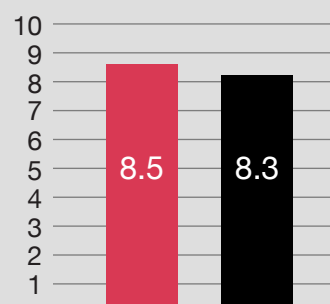
FY21 82%



Of audit files inspected
through internal and external
inspection processes
were rated good or limited
improvements required
(or equivalent rating).

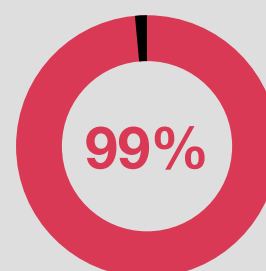
FY21 83%

How the organisations we audit
score us when asked whether
our teams challenged them
during the audit (out of 10).



FY22

FY21



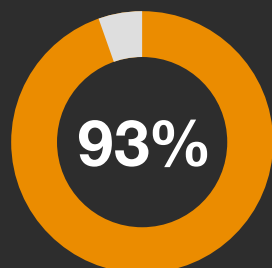
Of the audits inspected did
not require a restatement of
the financial statements.

FY21 99%

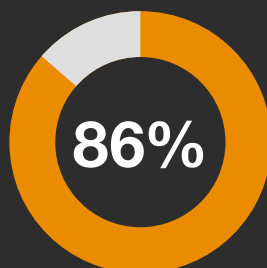
Please see the full report for additional information regarding the metrics shown.
Electronic users may click on the data points above to navigate to additional information.



Audit culture survey

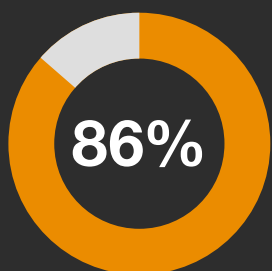


I understand how the work I do on a day to day basis supports the purpose of audit*



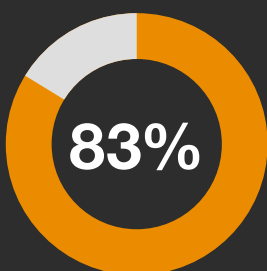
I feel confident to challenge others who demonstrate behaviours that put audit quality at risk.

FY21 85%



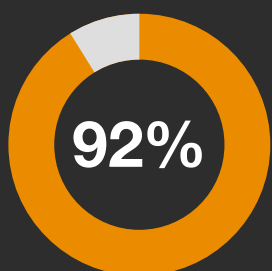
Team first: My team regularly shares problems with each other in order to find effective solutions.

FY21 84%



Challenge and be open to challenge: My team regularly challenges each other around whether the course of action we are taking is realistic and/or will deliver a quality audit outcome.

FY21 82%



Take pride: I'm encouraged to perform a high quality audit.

FY21 92%

*No comparative – new question in 2022 culture survey.



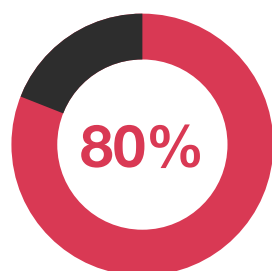
of FTSE 350 December 2021 year ends we audit included a specific reference to climate change within our audit report.

This year we provided our first **reasonable assurance** opinion to a FTSE 100 financial services business on their climate related metrics.

Please see the full report for additional information regarding the metrics shown.
Electronic users may click on the data points above to navigate to additional information.



Audit training



Of respondents to our annual audit culture survey responded favourably to: I receive enough training and development to enable me to deliver quality audits.

FY21 77%

The total number of hours charged to training time codes by all partners and staff in Audit during the calendar year to 31 December 2021, including exam training for staff under training contracts.

Hours



The average time charged to training time codes by qualified (and equivalent grade) partners and staff in Audit during the calendar year to 31 December 2021, including mandatory and elective training.

Per person



The reduction in average training hours is attributable to: the introduction of the Digital Academies in the prior year, more in person coaching in 2021, and reduced minimum mandatory training. For further detail please see page 111.



**Princess Royal Training Awards
Winner 2021 for our Digital
Accelerators Programme**

4,900

Digital Academy completions during the year. 1,300 of these places were from Audit.

100%

Of our qualified auditors completed climate training during the year.

Restoring Trust

We recognise that audit firms have a responsibility to continue to invest in audit quality and this is an ongoing priority for PwC.

To help companies take steps now to adopt a number of the proposals outlined in the BEIS consultation on audit and corporate governance reforms, we have developed our “Restoring Trust series”.

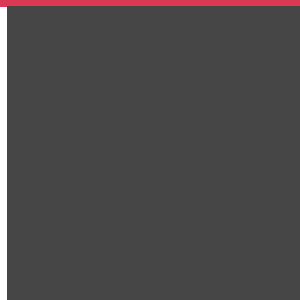
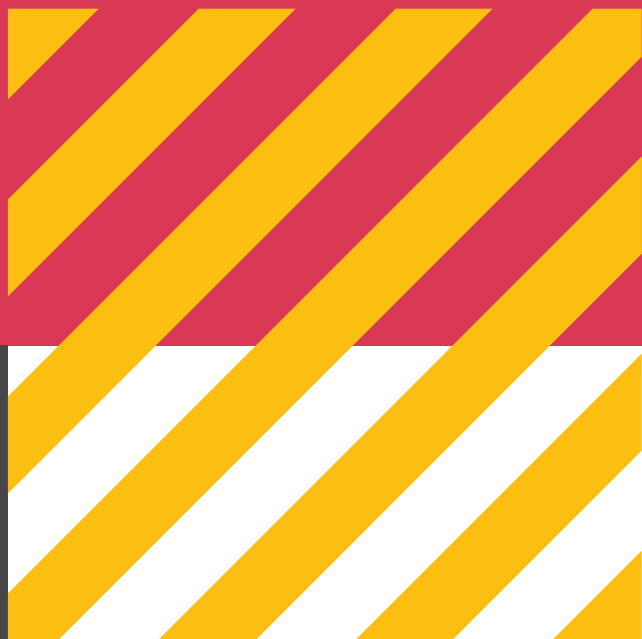
This series contains practical guidance to help organisations identify and implement changes to their corporate governance, reporting and audit processes.



[Click the link to see Restoring trust in corporate governance, reporting and audit](#)



Update from the Public Interest Body (PIB)





It has been another very busy year for the Public Interest Body, with a continuing focus on audit quality and public interest considerations. The PIB has continued to ensure that it provides an appropriate level of oversight and governance regarding the promotion of audit quality, the firm's reputation and its resilience.

The Role of the Public Interest Body (PIB)

The role of the PIB is to enhance stakeholder confidence in the public interest aspects of the firm's activities, through the involvement of Independent Non-Executives (INEs). The PIB considers a wide range of issues, with a particular focus on matters of public interest.

The INEs have oversight of the firm's policies and procedures for promoting audit quality, helping the firm to secure its reputation more broadly including in its non-audit business, and reducing the risk of firm failure.

Biographies of the PIB

Dame Fiona Kendrick DBE

Fiona Kendrick, former Chairman and CEO of Nestlé UK&I, is Chair of the PwC Public Interest Body, Deputy Chair of the Institute for Apprenticeships Board and former Chair of NMITE, a new university of Hereford for Engineers. Fiona also sits on the Government's Food & Drink Sector Council. Fiona was a UK Commissioner for Employment and Skills and played a lead role in supporting the development and delivery of strategies for skills and employment across the four UK nations. Fiona was President of the Food and Drink Federation, the association that represents the UK food and drink manufacturing industry (2015-2017).





Sir Ian Gibson CBE
(stepped down from the
PIB in September 2021)

Sir Ian is a Senior Independent Director at Norbrook Laboratories Ltd. Previously, his executive career was spent mainly in the automotive industry, with 18 years at Nissan Motor Company Ltd where he was Chief Executive in the UK and Europe, and was on the Japanese Main Board. Previously, he was at Ford Motor Company for 15 years. Sir Ian has been a Non-Executive Deputy Chairman at ASDA plc and a non-executive director at several companies, including GKN plc, Northern Rock plc and Greggs plc. He has also been Chairman of Trinity Mirror plc and Wm Morrison Supermarkets plc and BPB plc. Sir Ian has also been a Member of the Court of Directors at the Bank of England and has had several Government advisory roles.



Justin King CBE
(stepped down from the
PIB in March 2022)

Justin King is an operational leader with over 30 years of experience at leading customer-facing businesses, including Sainsbury's, Marks & Spencer, Asda, Häagen-Dazs, PepsiCo and Mars. He was a non-executive director of Staples between 2007-2015, was a board member of LOCOG from 2009-2013, a member of the Prime Minister's Business Advisory Group from 2010-2012 and acted as interim Chairman of Manor Marussia F1 Team from 2014-2015, reflecting a lifelong interest in the sport. Justin was Vice Chairman and Senior Advisor at Terra Firma between 2015-2021 and served as a director on a number of boards within the TF portfolio. He led the sale of Wyevalle Garden Centres and brighterkind, both TF companies. Justin became a non-executive director of Marks and Spencer Group plc in January 2019 and was appointed as a senior adviser by Atrato Capital, the Investment Advisor

to Supermarket Income REIT Plc, in March 2019. He is also a Senior Advisor to Snappy Shopper, Itim Group Plc and Sazka Group. He recently launched, and now chairs, the Made by Sport charity, which champions the power of sport to change young lives. In 2011, Justin was awarded CBE (Commander of the British Empire) for his services to the retail industry.



Philip Rycroft CB
During a 30 year career, Philip held senior leadership positions in departments such as the Cabinet Office, Office for the Deputy Prime Minister, Department for Business, Innovation and Skills and the Scottish Executive. Most recently Philip was Permanent Secretary for the Department for Exiting the EU before retiring from the Civil Service in 2019.



Suzanne Baxter
(appointed as a member
of the PIB in July 2022)

Suzanne Baxter is an experienced chair, director and finance professional with substantial board and committee experience. Suzanne holds a broad portfolio of non-executive positions that includes board appointments as Audit Committee Chair at Ascential plc and Auction Technology Group plc, and at Pinsent Masons LLP. She was formerly a non-executive director and Audit Committee Chair at WHSmith plc and, following her longstanding work in the area of equality, was appointed as a Commissioner for Equality and Human Rights for Great Britain. Suzanne's executive career was spent in the professional and business services sectors with roles at Serco, as CFO at Mitie Group plc and as Chair of the Business Services Association. She also held roles at Deloitte Corporate Finance and at PwC, where she qualified as a chartered accountant. Suzanne is a Fellow of the ICAEW and of the RSA.



**Victoria Raffé**

Victoria Raffé is a former director and Executive

Committee member of the Financial Conduct Authority, where she held a number of leadership roles during a 20 year career with the regulator and its predecessor the Financial Services Authority. Since leaving the FCA in 2015 Victoria has focused on a portfolio of non-executive positions including The Bank of London.

**Kevin Ellis**

Kevin joined the UK firm's Executive Board in 2008

as Head of Advisory, and was made Managing Partner in 2012. Kevin was elected as Chair and Senior Partner of the UK and Middle East alliance in 2016.

**Chris Burns**

Chris is the Chair of the UK Supervisory Board and

became Chair of the Alliance (UK and Middle East) Supervisory Board on 9 May 2019 and is a member of the Talent and Remuneration Committee. Chris was also elected to the Global Board of the international PwC network in 2020 and serves on the Global Markets Committee.

**Hemione Hudson**

(stepped down from the PIB in November 2021)

Hemione is the UK Head of Audit and is a member of the UK Management Board. She is also a member of the Audit Oversight Body, the Clients & Markets Executive, Executive Risk Committee and the Global Assurance Leadership Team.

**Kate Wolstenholme**

(stepped down from the PIB in November 2021)

Kate joined the Supervisory Board on 1 January 2019, was reappointed Chair of the Risk Committee in January 2021 and is also a member of the firm's Audit Oversight Body.



Public Interest Body FY22 meeting attendance

	A	B
Dame Fiona Kendrick DBE*	6	6
Suzanne Baxter*	–	–
Sir Ian Gibson CBE*	2	2
Justin King CBE*	5	5
Victoria Raffé*	6	6
Philip Rycroft CB*	6	5
Kevin Ellis	6	5
Chris Burns	6	6
Hemione Hudson	2	2
Kate Wolstenholme	2	2

*Independent Non-Executive

A – Maximum number of formal meetings which could have been attended.

B – Number of meetings actually attended.

MB and SB members of the PIB are: Kevin Ellis (from July 2016), Hemione Hudson (from August 2017 to November 2021), Chris Burns (from 5 February 2019) and Kate Wolstenholme (from 20 February 2019 to November 2021)

Notes:

Sir Ian Gibson stepped down from the PIB in September 2021. Both Hemione Hudson and Kate Wolstenholme stepped down from the PIB in November 2021. Both Hemione and Kate continued to have a standing invitation to attend PIB meetings and each attended all PIB meetings from November onwards as guests. The meeting not attended by Philip Rycroft CB and Kevin Ellis was an ad hoc meeting. Suzanne Baxter joined the PIB in July 2022, so did not attend any meetings in FY22.

The INE Appointment Process

The Independent Non-Executives are nominated by the Senior Partner and approved by the Supervisory Board. Each INE has a letter of appointment that sets out their rights and duties. The Senior Partner and Supervisory Board respectively decide which members of the Management and Supervisory Boards will sit on the Public Interest Body. Terms of office for the INEs are not coterminous, to facilitate rotation in future years.

Each INE letter of appointment includes obligations and restrictions on the INEs in order to ensure they remain independent of the firm. In developing these conditions, the firm considered the Audit Firm Governance Code, issued by the Financial Reporting Council, and the FRC's Ethical Standard, as well as considering what a reasonable third party would expect of an Independent Non-Executive.



The firm's criteria for assessing the independence of an INE from the firm include whether an INE holds any relationships with the firm and its owners, which may be inconsistent with principle C.2 of the AFGC 2016. The length of the term served by the INE is also taken into consideration, with any term in excess of nine years being subject to rigorous review.

Each INE must go through a thorough independence check and clearance process before they can be appointed. Under the letter of appointment, an INE must comply with certain prohibitions in respect of their financial interests and relationships, including employment relationships, and these form a key aspect of the firm's criteria for assessing the independence of an INE from the firm's audit clients. As part of these prohibitions, an INE or an immediate family member must not control or have significant influence over an audit client of the firm or another PwC firm, or any of its related entities. In the case of an SEC restricted entity, an INE or an immediate family member must not own more than 5% of the outstanding equity securities of that entity. An INE must not be employed by an audit client of the firm or any of its related entities, nor serve as a director (or similar position) of such an entity. An INE must not have an immediate family member who is a director or officer or is employed in a senior executive position with an SEC audit client or any of its related entities. INEs also must not promote, deal in, or underwrite any securities issued by an audit client of the firm or another PwC firm. Each INE must confirm compliance with the letter of appointment in respect of their financial, business and personal relationships before being appointed and, thereafter, annually.

Changes in the Membership of the Public Interest Body

As part of the PIB's succession strategy, we were pleased to welcome Suzanne Baxter as a member of the PIB. Suzanne was appointed

as an INE with effect from 4 July 2022 and brings significant experience and expertise. Suzanne is a Fellow of the ICAEW and of the RSA. Details of Suzanne's experience as a non-executive together with her executive career are set out in the Biographies.

In September 2021, Sir Ian Gibson stepped down after serving as an INE since the inception of the PIB, while Justin King also stepped down as an INE in March 2022. I am grateful to both Sir Ian and Justin for their insights and the contributions that they have both made and the exemplary role that they have each played in the governance of the firm.

Working with the Audit Oversight Body (AOB)

The AOB was established in November 2020 as part of the firm's transitional arrangements for the implementation of the FRC's Principles for Operational Separation of Audit Practices (the Principles of Operational Separation). The financial year ended 30 June 2022 has been the first full annual cycle for the AOB, and the PIB has received regular updates from the AOB and the Audit Partner Remuneration and Admissions Committee (APRAC), a Committee of the AOB. Further information on the key matters considered by the AOB, together with the changes in its membership during the year, are set out in the Update from the Audit Oversight Body.

Areas of PIB focus

This has been a year of growth and development for the firm, with a continuing focus on the return to the office for the firm's people following the COVID-19 lockdowns and an increasing demand for the firm's services across a range of areas. Throughout this period, the PIB has continued to set its own agenda with a focus on matters that it regards as being in the public interest. During the year, the PIB has focused on a number of areas, as set out on the next page.



Key matters considered by the PIB in the year

Audit and corporate governance reform

- This has remained a key area of focus for the PIB. During the year, the PIB discussed the consultation from the Department for Business, Energy and Industrial Strategy on restoring trust in audit and corporate governance, and the Government's response.
- The PIB also continued to focus on the firm's transitional arrangements for its implementation of the Principles of Operational Separation.

Operational development of the PIB

- It has also been a year of development in terms of the operation of the PIB, particularly in terms of how it has provided oversight of the firm's Audit practice through the AOB. The inception of the AOB has also enabled the PIB to increase its focus across the non-audit areas of the firm's business, including the Consulting, Deals, Risk and Tax Lines of Service, helping the firm secure its reputation more broadly.

Audit quality

- The regular updates that the PIB has received from the AOB during the year have been very important in helping the INEs to discharge their responsibility under the Audit Firm Governance Code to promote audit quality. These updates have included detail on how the AOB has provided oversight on the Programme to Enhance Audit Quality (PEAQ). The PIB was involved in the development of the PEAQ, which was introduced by the firm's Audit practice in June 2019.
- In the view of the PIB, the changes to strengthen audit quality as part of the PEAQ came at an important time for the firm and the profession. Ensuring that there is consistently high audit quality remains critically important. The PIB was pleased to see a further improvement in the firm's performance in the FRC's AQR results for the year, with none of the audits inspected requiring significant improvements. The PIB was also pleased to note the recognition from the AQR of the firm having demonstrated continuous improvement to audit quality and culture.

Updates from the Ethics Partner

- The PIB receives biannual updates from the firm's Ethics Partner, who has a reporting line into the PIB.
- The PIB receives regular updates on the firm's "Speak Up" whistleblowing facility and the firm's Code of Conduct from the Ethics Partner. The PIB also receives regular updates from the Head of Internal Audit. I attended the Supervisory Board Audit Committee discussion of the full year report from the Head of Internal Audit, which included details of the various reviews it had conducted to assess the effectiveness of the firm's systems of internal control.



Effectiveness

During the year we conducted an independent externally facilitated effectiveness review of the PIB. The external facilitator for the review was the Perform Partnership, who have appropriate skills and experience in performing such reviews. The external facilitator brought independent challenge to how the PIB performs, including through individual meetings with members of the PIB. In addition to these meetings, a detailed questionnaire was also completed. The external facilitator also attended the PIB meeting on 24 May 2022 and they provided their results and recommendations to me prior to reporting back to the PIB at its 4 July 2022 meeting. I am pleased to report that in the view of the external facilitator, the PIB was found to be an effective independent governance body. Further information on the independent externally facilitated effectiveness review is set out in Committee structures and what they do section of the Firmwide Governance chapter.

Building Wider Relationships

During the year, there has been a continued focus on increasing the level of interaction of the INEs with the wider firm. As a member of the PIB, the chair of the Supervisory Board has a standing agenda item at each meeting in order to provide an update on the activities of the Supervisory Board. I attended a Supervisory Board meeting in November 2021 that was held at the firm's Belfast office and met the partners and staff there. Sir Ian Gibson also attended a Supervisory Board meeting in September 2021, while Victoria Raffé has been invited to attend a Supervisory Board meeting in November 2022 that is due to be held at the firm's Manchester office.

The INEs continue to have embedded roles with certain committees of the Supervisory Board. These embedded roles were put in place following the recommendations from the governance review that the firm undertook in 2018, with the purpose of these roles being to increase the profile of the INEs and the value they bring to the broader partnership. Sir Ian Gibson stepped down as a member of the Supervisory Board Talent and Remuneration Committee during the year and I was appointed as his successor in that role. I also stepped down from my role as a member of the Supervisory Board Risk Committee and Victoria Raffé was appointed to this role.

During the year, a series of biannual meetings between certain members of the PIB, the AOB and the Supervisory Board have been initiated, with meetings having taken place in January and June 2022. At the June meeting, the findings from the Supervisory Board Spring Partner Engagement process were discussed, including the areas of interest among the Firm's Partners. The INEs also held a joint meeting with members of the PwC Global Board in October 2021.

The INEs each attended an element of the External Auditor Training programme within the Audit practice during the year and I am also pleased to report that the INEs have continued their regular engagement meetings with the FRC.

Culture and People

In the view of the PIB, the firm continues to have an appropriate culture. We continue to see this culture reflected in the information presented to us as well as in the processes for decision making and in the INEs interactions with staff and partners.



During the year, the PIB received updates from the AOB in respect of the culture within the Audit practice. The PIB has also continued to receive biannual updates from the firm's Chief People Officer, which include information on wellbeing, inclusion and diversity, attrition and recruitment among the firm's people. These updates also cover how the desired values, culture and behaviours are embedded across the firm, together with the results of feedback surveys conducted among the firm's people, to monitor engagement levels and sentiment across the business.

Audit Firm Governance Code

The PIB continues to use the Audit Firm Governance Code as a guide to good governance as well as a compliance requirement. A key area of focus during the year has been the development of an updated Audit Firm Governance Code by the FRC, which was published in April 2022. This matter was discussed by the PIB at various points during the year and the INEs submitted a response to the FRC's consultation on the development of the updated Audit Firm Governance Code, in addition to the firm's own response. The PIB's terms of reference are available by clicking on the link: <https://www.pwc.co.uk/who-we-are/terms-of-reference-the-public-interest-body.html>

Appropriate indemnity insurance is in place in respect of legal action against an INE and sufficient resources are provided by the firm to enable each INE to perform their duties. This includes access to independent professional advice at the expense of the firm, where considered appropriate and necessary to discharge their duties.

Look Ahead

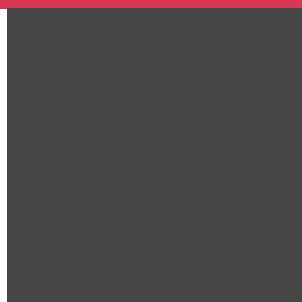
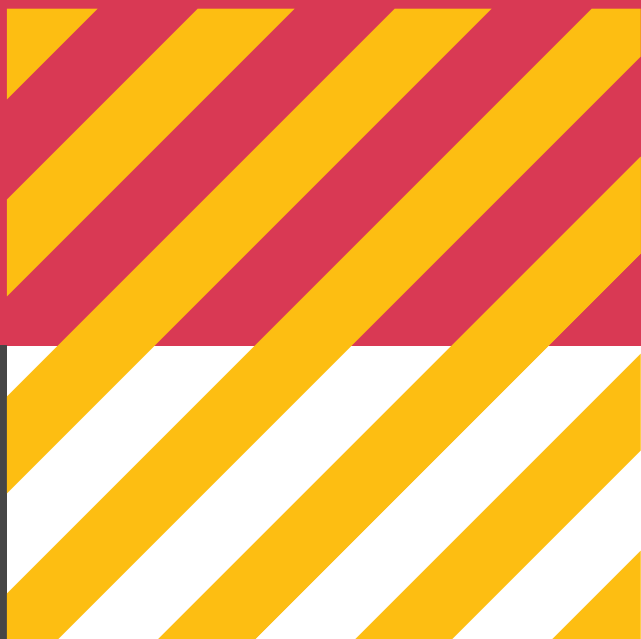
With audit quality and public interest considerations remaining under close scrutiny, it continues to be a very important time for the audit profession. As a key component of the firm's governance, the PIB has a central role to play by working with the AOB and Supervisory Board to provide constructive challenge and effective and robust oversight of the firm's audit practice as well as the non-audit areas of the firm's business. We look forward to continuing to fulfil this important role.

Dame Fiona Kendrick

Chair of the Public Interest Body



Update from the Audit Oversight Body (AOB)



Update from the Audit Oversight Body (AOB)



As I reflect on my second year as Chair of the Audit Oversight Body, I'm pleased that the audit business has continued to perform high quality audits at a time when the need to underpin confidence in capital markets has never been greater.

The AOB was established in November 2020 to strengthen the governance and oversight of the audit business as part of our implementation plans to address the FRC's principles for operational separation.

The responsibilities of the AOB include:

- Overseeing the firm's audit practice to ensure it remains focused on the delivery of consistently high quality audits, including assessing the audit strategy, monitoring the progress of the Programme to Enhance Audit Quality and reviewing the audit practice's culture and control activities.
- Supporting (as appropriate) the firm's senior management in the execution of their responsibilities through robust oversight and constructive challenge;
- Promoting a culture supportive of the public interest; and
- Overseeing the FRC's objective to improve audit quality by ensuring that people in the audit practice are focused above all on delivery of high-quality audits in the public interest.

Biographies of the AOB

Philip Rycroft CB

During a 30 year career, Philip held senior leadership positions in departments such as the Cabinet Office, Office for the Deputy Prime Minister, Department for Business, Innovation and Skills and the Scottish Executive. Most recently Philip was Permanent Secretary for the Department for Exiting the EU before retiring from the Civil Service in 2019.



Sir Ian Gibson CBE (stepped down from the AOB in September 2021)

Sir Ian is a Senior Independent Director at Norbrook Laboratories Ltd. Previously, his executive career was spent mainly in the automotive industry, with 18 years at Nissan Motor Company Ltd where he was Chief Executive in the UK and Europe, and was on the Japanese Main Board. Previously, he was at Ford Motor Company for 15 years. Sir Ian has been a Non-Executive Deputy Chairman at ASDA plc and a non-executive director at several companies, including GKN plc, Northern Rock plc and Greggs plc. He has also been Chairman of Trinity Mirror plc and Wm Morrison Supermarkets plc and BPB plc. Sir Ian has also been a Member of the Court of Directors at the Bank of England and has had several Government advisory roles.





Caroline Gardner CBE
(appointed as a member of
the AOB in August 2021)

Caroline was the Auditor General for Scotland between 2012 and 2020, responsible for auditing the Scottish Government and public bodies spending £40 billion a year during a period of significant growth in Scotland's financial powers. She is a member of the board of the Wheatley Group, the International Federation of Accountants and the House of Lords Audit Committee, and she is a trustee of the International Futures Forum. She was a member of the International Ethics Standards Board for Accountants from 2010 to 2015. Caroline was awarded a CBE in 2020. She is a Fellow of the Royal Society of Edinburgh and a Fellow of the Chartered Institute of Public Finance and Accountancy (CIPFA), serving as CIPFA President during 2006-07.



Victoria Raffé
(appointed as a member of
the AOB in December 2021)

Victoria Raffé is a former director and Executive Committee member of the Financial Conduct Authority, where she held a number of leadership roles during a 20 year career with the regulator and its predecessor the Financial Services Authority. Since leaving the FCA in 2015 Victoria has focused on a portfolio of non-executive positions including The Bank of London.



Hemione Hudson

Hemione is the UK Head of Audit and is a member of the UK Management Board. She is also a member of the Public Interest Body, the Clients & Markets Executive, Executive Risk Committee and the Global Assurance Leadership Team.



Kate Wolstenholme

Kate joined the Supervisory Board on 1 January 2019 and was reappointed Chair of the Risk Committee in January 2021.



Audit Oversight Body FY22 meeting attendance

	A	B
Philip Rycroft CB	6	6
Caroline Gardner CBE*	6	6
Sir Ian Gibson CBE*	1	1
Victoria Raffé*	4	4
Hemione Hudson	6	6
Kate Wolstenholme	5	5

*Independent Non-Executive

A – Maximum number of formal meetings which could have been attended.

B – Number of meetings actually attended.

Note: Kate Wolstenholme stepped down from the AOB in September 2021 and was reappointed in December 2021, in order to maintain an AOB INE majority.

Changes in AOB membership

On 31 August 2021, we were pleased to welcome Caroline Gardner onto the AOB. Caroline was appointed as the AOB's only doubly independent non-executive, meaning that she is not also a member of the Public Interest Body (PIB). She brings a wealth of audit knowledge and experience and has been a valuable member of the AOB as we moved through another significant year for the profession.

Alongside Caroline, we are also pleased that from September 2021, Victoria Raffé joined the AOB. Victoria is already a member of the PIB and Supervisory Board risk committee and her experience at the financial services regulator has been welcomed in shaping our perspectives over the regulated audit business.

Key matters considered by the AOB in the year

Overseeing audit strategy, consideration of audit quality controls, measures and reviews and challenging outputs

- We met with the Audit Executive throughout the year and discussed key priorities and the results of the FRC's reviews of the business.
- We have challenged the audit practice on its internal and external quality review results, including its root cause assessment programme and the remedial actions being undertaken.
- We reviewed the internal system of quality management and ISQC (UK) 1 final report to understand the plan to remediate any findings. There were no significant findings identified in the year.



Key matters considered by the AOB in the year

Monitoring the implementation and embedding of PEAQ into business as usual through the Audit Quality Plan (AQP)

- As the three year programme has continued, we have monitored the quarterly reporting of PEAQ and its progress against key milestones and assessed the final PEAQ closure report. It has been pleasing to see that the firm has been able to deliver on this significant investment in quality and we welcome the positive comments made by the regulator in relation to this programme of work.
- The firm has developed a detailed AQP to ensure a continuing focus on performing consistently high quality audits. The AOB has reviewed the AQP and the regular reporting activities that will allow the AOB to monitor the plan.

A deeper dive into areas such as culture, new auditing standards and the people model

- The AOB also reviewed the results of the annual culture survey. The firm this year has reinforced the importance of psychological safety and its criticality to high quality through its training and development programme.
- I, and other members of the AOB, have spent time in person with PwC audit teams and have been struck by their commitment and passion for the work they do. Alongside participating in annual external audit training events, I have enjoyed joining teams during various planning meetings and these interactions have helped me to improve my understanding of the day to day reality of what it is like to be an auditor – including how audit teams are addressing topical matters in practice such as responding to fraud risks, the implementation of the revised ISA 315 and the demonstration of professional judgement and scepticism.
- We spent time understanding the audit practice's approach to climate change, specifically in relation to the way that is impacting both financial audits as well as non-financial assurance.
- The attractiveness, development and retention of key talent has been another area we have focused on this year. We have inputted into the firm's strategy to increase capacity and develop and retain top talent, recognising the needs of the future business, leveraging the value of a multidisciplinary firm and also the expectations of work for the younger generation. We are encouraged by the approach being taken and will continue to oversee this important area.

Engagement with the FRC

- We have met with the FRC on a regular basis and participated in its roundtables to discuss topics such as public interest, capacity, systems of internal controls, operational separation and our annual quality results.
 - We welcomed both Sir Jon Thompson, CEO, and Sarah Rapson, Executive Director of Supervision, at the FRC to join an AOB and to share the FRC's key priorities with us. Our firm's supervisor has also joined and observed an AOB meeting.
-



Key matters considered by the AOB in the year

Consideration of Audit Partner Remuneration and Admissions

It is important that oversight is also given to the ‘levers’ adopted by the audit practice to promote and reward positive audit quality behaviours for our Audit Partners. We do this through a sub-committee of the AOB, the APRAC. The APRAC comprises three INEs and is chaired by Caroline Gardner.

The responsibilities of the APRAC include:

- Overseeing the audit partner remuneration process to ensure individual audit partner remuneration is determined above all by contribution to audit quality; and
- Overseeing the process by which candidates are selected for admission to the partnership to practice as audit partners.

Working with the Public Interest Body

The AOB is a sub-committee of the PIB and has a clear audit-specific remit. The INE appointment process is detailed in the Update from the Public Interest Body on page 15. The AOB’s terms of reference are available by clicking on the link: <https://www.pwc.co.uk/who-we-are/terms-of-reference-audit-oversight-body.html>.

As the Chair of the AOB I report to the PIB after each AOB meeting to provide an update on the challenges made, and where relevant any recommendations or action to be taken. During the year the AOB also provided specific updates to the PIB on key matters including progress against the PEAQ and the results of internal and external quality reviews.

Looking ahead

We will continue to provide governance and challenge to the audit practice and constructively engage with our stakeholders, including the FRC, to share our perspectives on how we believe high quality audit services can be delivered for the benefit of public interest. This includes monitoring the firm’s Audit Quality Plan and progress against its plans for operational separation.

In the next twelve months, the AOB will continue to focus on what needs to be done across the whole ecosystem to promote the attractiveness and purpose of the profession. We will also assess the continuing investments planned to support audit quality in the practice.

At a time when the profession is under significant scrutiny, and against an uncertain economic background, it is important to highlight the role that PwC, and the audit profession, plays in the UK economy. It is vital that we continue to build trust in audit, and subsequently confidence in business – benefiting the wider corporate governance and reporting ecosystem. The AOB acknowledges the part we play in this journey.

Philip Rycroft CB

Chair of AOB



Firmwide governance



Committee structure and what they do

Firmwide governance – Committee structure and what they do

The firm's governance is guided by our purpose – to build trust in society and solve important problems. Our purpose is central to our decision making processes and our risk appetite. It also informs how we manage our business in the interests of our partners and stakeholders.

This governance section explains the firm's governance arrangements. We explain the roles of the Chair and Senior Partner, and the Management Board (MB) and its committees, the Supervisory Board (SB) and its committees. Information related to the Public Interest Body (PIB), and its committee the Audit Oversight Body (AOB), are disclosed in their respective updates.

Good Governance

We are required to report on how we have applied each of the principles of the Audit Firm Governance Code 2016 (AFGC) and make a statement on our compliance with the AFGC's provisions. In doing so, we also consider good governance practices under the UK Corporate Governance Code (2018). During the year we have fully complied with the AFGC as detailed in the Compliance mapping chapter.

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 comprises 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. The Audit Oversight Body, a Committee of the PIB, also comprises a majority of AOB INEs.

Stakeholders and dialogue

We recognise that with approximately 25,000 people, 74,000 alumni, revenue for the financial year ended 30 June 2022 of £5,002m and being a regulated business, we are a substantial firm with a broad range of stakeholders. We communicate with our stakeholders through various channels, including an increased use of technology for virtual communication through the COVID-19 pandemic.

We engage regularly with investors and held a number of roundtable and educational events for them throughout the year on topical issues, with insights and feedback shared with PIB members through periodic briefing. You can find more information on our engagement with investors on page 138.

Throughout the year, internal stakeholder engagement included biannual partner meetings led by the Management Board with partners from across the firm and biannual partner engagement meetings led by the Supervisory Board. The Chair and Senior Partner held town hall meetings with partners and staff, utilising technology for live webcasts; in addition to the periodic communication via multiple platforms to all partners and staff.



Governance structure

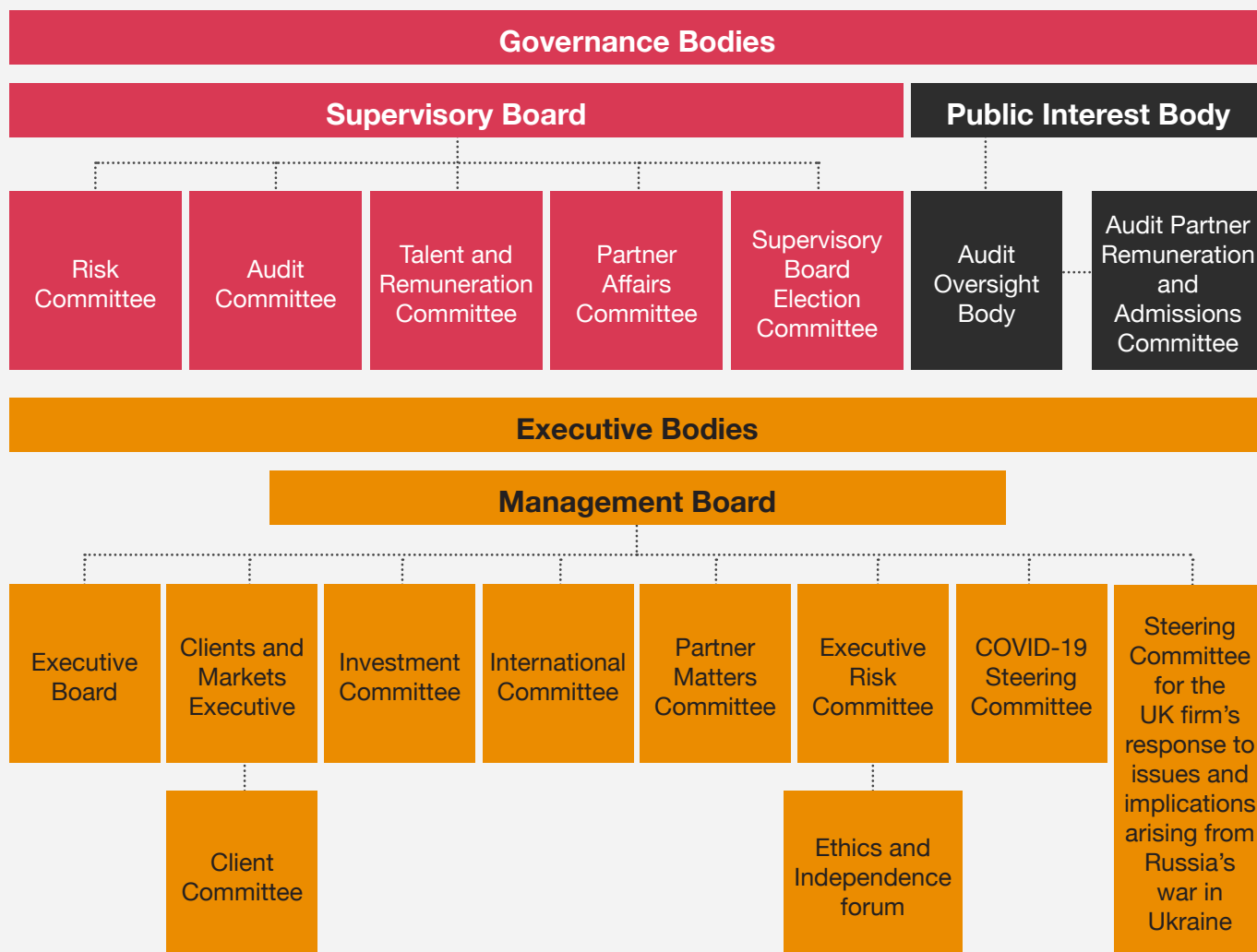
Our governance structure reflects our partnership model. The Senior Partner is elected by the partners of the firm for an initial term of four years, with the option to stand for a second four year term. Once elected, the Senior Partner forms their Management Board and Committees. The role of the Talent and Remuneration Committee of the SB includes providing governance oversight of any succession planning in respect of the MB.

The Supervisory Board comprises members who are elected by partners, certain ex-officio members (the 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 elected members of the SB are elected by the Partners of the firm for a term of four years, with six of the twelve seats being subject to election every two years. There is no limit to the number of terms that an SB member can be elected for, save only that no elected member will serve for a period of more than four years without submitting themselves for re-election.

The Public Interest Body is made up of Independent Non-Executives, plus representatives from the firm’s MB and SB, each of whom are nominated by the Senior Partner and Chair of the Supervisory Board respectively. Details of the appointment process and terms of appointment for the Independent Non-Executives are set out in the Update from the Public Interest Body. The firm’s Head of Audit and Chief Risk Officer and General Counsel each have a standing invitation to attend Public Interest Body meetings.

The Boards’ activities are governed by the Terms of Reference which are available on the Members’ Agreement and the firm’s website, by clicking on the link: <https://www.pwc.co.uk/who-we-are/terms-of-reference-governance-structure.html>. 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. The key governance bodies of the firm are described below.





Activities

The key matters considered in the year by our executive and 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 relevant agendas.

Further information on our risks and how these are managed is available within the risks and responses, on page 52.

Supervisory Board

The Supervisory Board (SB) considers a wide range of issues such as risk, strategy, reputation, people matters including health and wellbeing, technology, return on investments, and culture. It has supported, given guidance to and challenged the Chair and Senior Partner, and the Management Board. The SB has particular insight on the views of partners and reflects these in conversations with management.

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 11 times (excluding ad hoc meetings) throughout the period. The SB visited the Belfast and Birmingham regional offices during the year. 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.

Committees of the Supervisory Board

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

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.

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 on page 39.



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 programmes 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.

Supervisory Board Election Committee

The Supervisory Board Election Committee meets in the year of an SB election period. The primary purpose of the Committee is to consider the SB election process and timetable and make recommendations to the SB. The Committee members would usually act as “guardians”, meaning that they would meet with interested candidates to answer any questions and to talk about their experiences on the SB.

The Management Board

The Management Board oversees the firm’s long term strategy and certain partner matters under the Members’ Agreement (including dealing with involuntary partner retirements).

During the year 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 been held for strategy sessions and certain partner matters. In the year, the MB met eight times. At its formal meetings, the MB considers matters in line with its Terms of Reference, including updates with respect to the audit practice.

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 (EB) is responsible for execution of the policies, strategy and management of the UK firm, and receives regular reports from the committees of the MB. The EB holds monthly meetings and conducts business at additional meetings as necessary. During the year, the EB met 19 times and considered the day-to-day governance and business performance of the firm.

Clients and Markets Executive

The Clients and Markets Executive (CME) is responsible for overseeing the UK firm’s client facing and market activities.

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.

Investment Committee

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



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.

Partner Matters Committee

The Partner Matters Committee is responsible for certain Partner human resource (HR) matters on behalf 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.

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.

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 business as usual decisions.

Steering Committee for the UK firm's response to issues and implications arising from the Russian Government's war in Ukraine

This Steering Committee was established in May 2022 and considers and makes recommendations to the Management Board or Executive Board in respect of any matters relating to or arising from the Russian Government's war in Ukraine, as well as to oversee any related business as usual decisions.

Public Interest Body

The purpose of the Public Interest Body (PIB) is to enhance stakeholder confidence in the public interest aspects of the firm's activities. The PIB is comprised of four independent non-executives and two representatives from the firm (one from the Management Board and one from the Supervisory Board).

Committee of the PIB

In November 2020 the firm established a committee of the PIB, the Audit Oversight Body (AOB), to oversee governance of the firm's audit practice. The AOB is comprised of a majority of Independent Non-Executives, as well as representatives from the MB and SB and the UK Head of Audit ex officio. The purpose of the AOB is to oversee the firm's obligations with respect to the pursuit of the FRCs objectives, outcomes and principles for operational separation 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 Independent 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.



Representatives from the MB and SB on the AOB are nominated by the Senior Partner and Chair of the Supervisory Board respectively. The appointment process and terms of appointment for the AOB INEs are consistent with the appointment process and terms of appointment for the Independent Non-Executives, as set out in the Update from the Public Interest Body.

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

The Management Board meets quarterly with additional meetings being called when required. The Executive Board, which is a committee of the Management Board, and the Supervisory Board, each meet monthly with additional meetings being called when required. Meeting attendance by individual Board members is provided, together with their biographies, on page 43 to 51.

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. Further information on the activities of the PIB, including Meeting attendance by individual members and their biographies is set out on page 12.

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 2022 the firm is in compliance in full with the principles and provisions of the Audit Firm Governance Code (AFGC) 2016.

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 30 June 2022 without any changes being made. The KPIs are set out in the table on pages 34 to 37.

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.

In April 2022, the FRC published an updated version of the Audit Firm Governance Code, which is applicable for financial years beginning on or after 1 January 2023. We are carefully working through the Code's principles and provisions in the context of our business.



Governance KPI	Notes	Performance
Board attendance 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.	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.	The number of meetings was in line with the firm's requirements, attendance was also in line with requirements, except for two members of the MB, each of whom served for only a six month period during the year. Attendance records of individual participants of each Board are stated elsewhere in the report.
Board composition 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 ethnic minority targets. That there is a diverse population of people presenting at Board meetings (e.g. an annual update from each LoS and different mix of presenters at each meeting).	Information on the composition of the MB, SB and PIB is on the firm's website, www.pwc.co.uk/who-we-are.html Board presentations include sponsors and presenters to help achieve a diverse and inclusive population of people presenting at Board meetings.	MB – 5 out of 14 MB members are female, and there are two ethnic minority members. EB – 2 out of 7 EB members are female. SB – 4 out of 14 SB members are female, and there are two ethnic minority members. PIB – 3 out of 6 members of the PIB are female.



<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 2016 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>Following the restrictions associated with the ongoing COVID-19 pandemic in FY21, the firm commenced an externally facilitated board effectiveness review in 2022.</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>The last external review of the PIB was carried out in 2018. In March 2022 an externally facilitated board effectiveness review of the PIB, SB, MB and EB commenced, conducted by the Perform Partnership and this concluded in July 2022. Further information on this review is set out in the Firmwide governance section of this report.</p> <p>A Terms of Reference review began in Spring 2021 and has continued through 2022. The PIB Terms of Reference were last reviewed by the PIB in May 2022. The AOB Terms of Reference were reviewed by the PIB in February 2022.</p> <p>As at 30 June 2022 there were three INEs on the PIB. Suzanne Baxter was appointed to the PIB in July 2022.</p>

Values

Integrity, compliance, whistleblowing, and people surveys are reviewed at least annually (and updates from PAC/PMC at least half yearly).

INEs review reputation, the risk register and audit quality at least annually.

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.

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.

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.

These matters were reviewed during the year and confirmed at the July 2022 PIB meeting.

Systems and Risk

Boards review effectiveness of firm's systems of internal control at least annually.

Audit Committee meets at least four times a year and the Risk Committee meets at least four times a year.

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.

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. In addition, the External Auditors report is submitted to the Audit Committee at least annually.

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 nine times and the Risk Committee met seven times in FY22.



Dialogue

That the firm shall meet with investors at least annually.

INEs attend a Supervisory Board meeting at least annually. The firm should consider the perspective of listed companies and their investors by, for example, inputting into consultations. The Boards should consider the Sustainability KPIs at least annually.

The firm held a number of roundtable and educational events for investors, retail investors and analysts throughout the year.

INEs held biannual meetings with members of the Supervisory Board during the year.

Investor engagement was covered at PIB meetings as part of the Corporate Affairs updates. The Sustainability year-end report is approved by the EB (on behalf of the MB) and reviewed by the Audit Committee.

The firm considers that it complied with this KPI through internal and external dialogue, investor engagement and considering sustainability matters during the year. Whilst compliant, the firm will consider further engagement with investors. The EB (on behalf of the MB) and Audit Committee considered this in August 2022.



Externally Facilitated Board Reviews

In accordance with its Governance KPI for Board Effectiveness, the firm undertook externally facilitated reviews of the Management Board, Executive Board, Supervisory Board and Public Interest Body in 2022.

The Perform Partnership was selected to undertake these reviews and conducted this work over a period of several months. The scope and methodology for the reviews included the Perform Partnership:

- Observing certain Management Board, Executive Board, Supervisory Board and Public Interest Body meetings;
- Reviewing the Management Board, Executive Board, Supervisory Board and Public Interest Body meeting papers;
- Preparing and circulating questionnaires to Management Board, Executive Board, Supervisory Board and Public Interest Body members; and
- Conducting follow up interviews with Management Board, Executive Board, Supervisory Board and Public Interest Body members.

Once the Perform Partnership had concluded their work, the findings of their reviews were presented to the Management Board, Executive Board, Supervisory Board and Public Interest Body respectively.

Management Board – The review of the Management Board found that it was operating effectively and had strong processes in place. The review also found that the Management Board had demonstrated resolve, commitment and success in setting and delivering the firm's strategy and had demonstrated strong leadership of the firm. Although functioning well, the review highlighted areas which could make the Management Board even more effective, including in respect of

ensuring that the Management Board continued to have the range of skills and diversity of perspectives needed for its role.

Executive Board – The review of the Executive Board found that it was both effective and successful. The review also found that the Executive Board was providing effective support to the Management Board in delivering its strategy, through providing operational and executive oversight, and having effective processes in place. The review identified some areas of focus to help support the further development of the Executive Board, including in respect of drawing on a broad range of perspectives.

Supervisory Board – The review of the Supervisory Board found that it was operating effectively and played an important role in the governance of the firm. The review also found that the Supervisory Board had good processes in place and provided effective governance support and challenge to the firm's leadership. While the Supervisory Board was found to be operating with effectiveness, the review noted the importance of maintaining the range of skills and diversity of perspectives among its membership, to help support its role.

Public Interest Body – The review of the Public Interest Body found that it was an effective independent governance body, bringing support and challenge to the firm's leadership while operating through the lens of the public interest. The review also identified that the Public Interest Body was well respected across the firm and that its work had made a positive impact. While functioning effectively, the review noted some areas for consideration for the Public Interest Body, including with regard to the continuing focus on succession planning for Independent Non-Executives.

It is intended that the majority of the recommendations from each of the reviews will be taken forward during FY23.



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 nine times in the year ended 30 June 2022 (FY21: 12 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 Reporting.

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 business on a risk basis. The main areas of focus are Public 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" section within the Audit quality chapter) and in respect of the systems of internal control from an Ethics, Independence and Objectivity perspective (refer to the Ethics chapter), 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 2022 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.

Investment in Clients (including revenue recognition)

The Committee continued to review the firm's approach regarding revenue recognition in acknowledgement 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% (FY21: 18.1%) 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 chapter 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 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.



Biographies of members of the Management Board and Supervisory Board

Firmwide Governance – Biographies of members of the Management Board and Supervisory Board

The Management Board

The following partners are or were members of the Management Board during the year. Those with an (E) next to their names are also members of the Executive Board. Those with (CME) next to their name are members of the Clients and Markets Executive.



Kevin Ellis (E)
Chair and Senior Partner

Kevin joined the UK firm's Executive Board in 2008 as Head of Advisory, and was made Managing Partner in 2012. Kevin was elected as Chair and Senior Partner of the UK and Middle East alliance in 2016. He joined the firm in 1984 on the graduate training programme and qualified as a chartered accountant (ICAEW). Kevin specialised in providing turnaround and crisis management support to businesses in the public and private sectors for over 26 years.



Marco Amitrano (E)(CME)
Head of Clients and Markets
(Appointed as Managing Partner from 1 July 2022)

Marco is responsible for Clients and Markets. He has 30 years of international experience in Advisory and Assurance services, serving major clients in the UK and around the world across a range of industries, including technology, engineering and consumer products. Marco is a Chartered Accountant with the ICAEW and has also served on the board of British American Business. Prior to joining PwC, he qualified with a Masters degree in Electrical and Electronic Engineering at the University of Newcastle-upon-Tyne and is a graduate of Columbia Business School in New York.



Quentin Cole (CME)
Head of Industries from
1 January 2022

Quentin has been a Partner since 2010. He graduated from Cardiff University in 1997 with a degree in History and has a Masters degree in Business Administration from the University of Gloucestershire. Quentin began his career in industry before joining PwC where he was a member of our Business Restructuring Services (BRS) team for circa 20 years. While in BRS, Quentin worked on many high profile and complex assignments in the private sector before specialising in turnaround and crisis management in the public sector and healthcare markets in 2005. Quentin became UK Industry Leader for Health Industries in 2015 and from 2018 to 2021 led the combined UK Government & Health Industries practice.



Ian Elliott (E)
Chief People Officer
from 1 January 2022

Ian is PwC UK's Chief People Officer. He joined the firm in 1988 on the graduate training programme and qualified as a chartered accountant (ICAEW). Prior to moving into his current role, Ian led the UK Forensic Services practice, where he specialised in Forensic Investigations in the public and private sectors. Ian joined the UK firm's Executive Board as Chief People Officer on 1 January 2022.





Ben Higgin (E)
Head of Technology
and Investments

Ben is a Partner and member of PwC's UK Executive Board, responsible for Technology and Investments. He works closely with Technology leaders across the PwC Network to develop technology solutions and to promote our technology to a global client audience especially as part of our New world. New skills initiative.

Ben is based in Manchester, where he is establishing a new PwC Technology Centre and building a collaborative technology ecosystem with other technology recruiters in the North West.

Ben's previous roles have included leading our Client Assets practice, advising financial services clients on regulation and leading work on organisational design, culture and behavioural change.

Ben is a passionate advocate for mental health and wellbeing, and a champion for inclusion and diversity in technology roles. Ben is a trustee of Tech She Can and has been a partner at PwC since 2012.



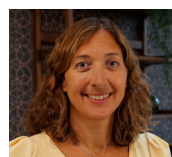
Laura Hinton (CME)
Tax Leader from 1 January
2022 (and previously (E),
Chief People Officer until
31 December 2022)

Laura is a member of PwC's UK Management Board, where she holds the position of UK Tax Leader, which includes leadership of PwC UK's Tax, Legal and People, and Organisation practices. Laura has over 25 years experience as a business consultant, specialising in HR and Workforce transformation, operating model programmes and culture change. As of September 2022, Laura chairs the PwC Network's EMEA Executive team. She has been a partner in PwC since 2006. Prior to taking on this role, Laura

was PwC UK's Chief People Officer, and a member of the Executive Board for over five years, where she was also responsible for the firm's overall Transformation Programme and leading on our External Reputation and Communications agenda.

Laura graduated from King's College, London with a 1st Class Business Management degree, is a qualified Chartered Accountant and is an alumnus of Harvard Business School. Prior to joining PwC, she was a Partner at BDO, where she established and led the HR Consulting team, following a number of years in the Audit practice.

She is currently an Executive Fellow at King's College Business School, in London, and also an active member of the Heart of the City Leadership Council.



Hemione Hudson (CME)
Head of Audit

Hemione is the UK Head of Audit and is a member of the UK Management Board. She is also a member of the Public Interest Body, Audit Oversight Body, the Clients & Markets Executive, Executive Risk Committee and the Global Assurance Leadership Team.

As part of her role on the Management Board Hemione is responsible for setting and delivering the UK firm's Audit strategy, including financial audit, non-financial audit, assurance and ESG assurance. This encompasses oversight of, and responsibility for audit quality, including leading the Programme to Enhance Audit Quality.

Hemione received a BSc (Hons) in Psychology from the University of Durham in 1995, and joined PwC UK later that year. She is a fellow of the ICAEW having qualified as a Chartered Accountant in 1998 and became a Partner of the firm in 2007.





Warwick Hunt (E)
Chief Operating Officer
until 31 December 2021,
Managing Partner until
his retirement from
the firm on 31 August 2022

Warwick graduated from the University of the Witwatersrand in Johannesburg with a Bachelor of Accountancy (with honours), and holds FCA (Australia and New Zealand) and ACA (ICAEW) qualifications.

He chaired the International and Partner Matters Committees, led the PwC Network's EMEA Executive Team and sat on the EMEA Leadership Team before retiring from the firm on 31 August 2022.

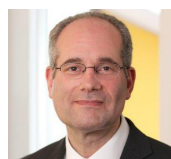
Before joining the Executive Board in October 2013, Warwick completed a four year term as PwC Middle East Senior Partner. Prior to that he was a partner in PwC New Zealand where he led the firm as Territory Senior Partner and Chief Executive Officer from 2003 to 2009.

In addition to his management responsibilities, Warwick led the provision of services to a range of clients.



Sam Samaratunga (CME)
Head of Risk

Sam is PwC UK's Head of Risk. During his career, Sam has primarily been focused on banking, capital markets and financial services market infrastructure, advising clients on the analysis of risk, control and change within complex information systems. He has specialised in financial services and led client engagements with a range of major banks, clearing houses, regulators and stock exchanges. Sam is a Chartered Accountant with the ICAEW.



Dan Schwarzmann (CME)
Head of Market Initiatives
and Industries until 31
December 2021

Dan has been a Partner since 1998 and involved in company restructuring and insolvency work from 1990, focusing on Financial Services and acting on high profile cases such as Lehman. Prior to leading Market Initiatives, he spent eight years on the UK Management Board and also led the Business Recovery Services team for six years. He is a member of the ICAEW and has a Masters degree in Business Administration from City University.



Carl Sizer (CME)
Head of Regions
and Platforms

Carl graduated from Birmingham University and joined the firm in 1999, making Partner in 2009 and going on to join the Management Board as Head of Regions on 1 July 2020. From 1 January 2022 he has also taken responsibility for Platforms; whereby he is responsible for driving our market approach to addressing the most significant challenges and opportunities that our clients face. Carl is focused in the Financial Services sector and previously led the growth in our Midlands Financial Services practice and was responsible for the National Banking & Capital Markets Audit practice. Carl has worked with a number of our global clients and spent two years in the Banking and Capital Markets practice in New York. Externally, Carl is a member of the ICAEW, where he has previously served as deputy chairman of the Learning and Professional Development Board and is also a member of the Institute of Chartered Accountants in Scotland.



Lucy Stapleton (CME)
Deals Leader from
1 January 2022

As UK Deals Leader, Lucy is responsible for our Lead Advisory, Transactions, Value Creation & Realisation and Restructuring & Forensics businesses. Lucy advises large private equity and corporate clients on multinational carve outs and vendor due diligence; bid defence; buy-side due diligence and was the founder of the firm's market leading healthcare transaction services practice. Lucy began her career in audit in London where she qualified as a chartered accountant (ICAEW) before completing a two year secondment to the New York Deals team. Lucy has been a UK partner since 2006 and in addition to her market focus has been the UK Pharmaceutical and Life Sciences Leader; Chief Operating Officer for Deals and People Leader for Transaction Services.



Alison Statham (E)
Chief Risk Officer and
General Counsel

Alison is the UK firm's Chief Risk Officer and General Counsel. Before joining the Management Board, she was the firm's Deputy General Counsel overseeing a wide range of commercial, risk, regulatory, governance and other practice issues. Prior to joining PwC, Alison qualified as a solicitor at Linklaters and worked in private practice specialising in commercial litigation with an emphasis on professional services. She graduated from King's College London with a degree in law and holds a Masters in International Business Law.



Paul Terrington (CME)
Head of Consulting

Paul sits on PwC's UK Management Board as Head of Consulting. He was previously Regional Chairman of PwC in Northern Ireland from 2011 to 2020. Paul has been a PwC Partner since 2003 and has over 30 years experience as a consultant. He has extensive experience in large-scale transformation and change programmes with public sector and large private sector businesses. He is a member of the Council of the Institute of Directors in the UK and past Chair of the Institute of Directors in Northern Ireland. He is the current Chair of Ulster Rugby Management Committee and previous Chair of NI Hospice capital appeal fund. He is a Northern Ireland Hospice Ambassador. Paul holds an LLB (Hons) Degree in Law from the University of Reading and a Postgraduate Diploma in HR Management from the University of Ulster. In January 2021 he was awarded a CBE for services to the economy in Northern Ireland.



Marissa Thomas (E)
Chief Operating Officer
from 1 January 2022
(Appointed as Managing
Partner from 1 July 2022)

Marissa is PwC's UK Managing Partner – Chief Operating Officer and has been with the firm for 28 years. For the last 25 years Marissa has been advising private equity, sovereign investors and large corporate clients on tax related matters on transactions. This includes advice on investment structures, due diligence and various aspects of fund manager set-up and ongoing operation.

Prior to moving into her current role, Marissa has held two other Management Board roles – the Head of Deals and more recently the Head of Tax.





Ken Walsh (CME)
Deals Leader until 31
December 2021

Until 31 December 2021, Ken was PwC's UK Deals Leader. Since then he has been transitioning to PwC Middle East where he assumed the role of Regional Managing Partner on 1 July 2022.

Ken has over 25 years' experience of working with larger private equity and corporate clients in buying and selling businesses in the UK, Continental Europe and North America.

After graduating University in Dublin, Ken joined the firm in 1990 on the graduate training program in Jersey, Channel Islands and qualified as a chartered accountant (ICAEW). He subsequently completed a three year secondment in Toronto, Canada. Ken became a Partner in the UK in our Transaction Services business in 2004. Along with leading the relationship with many of our key private equity clients, Ken has been the Chief Operating Officer for Deals and People Leader for Transaction Services. As UK Deals Leader, Ken led and was responsible for our Transaction Services, Corporate Finance, Forensics and Restructuring businesses.

Management Board FY22 meeting attendance

	A	B
Kevin Ellis	13	13
Marco Amitrano	13	13
Quentin Cole	6	6
Ian Elliott	6	5
Ben Higgin	13	13
Laura Hinton	13	12
Hemione Hudson	13	11
Warwick Hunt	13	11
Sam Samaratunga	13	12
Dan Schwarzmenn	7	7
Carl Sizer	13	12
Lucy Stapleton	6	4
Alison Statham	13	13
Paul Terrington	13	11
Marissa Thomas	13	11
Ken Walsh	7	5



Executive Board FY22 meeting attendance

	A	B
Kevin Ellis	19	18
Marco Amitrano	19	16
Ian Elliott	12	11
Ben Higgin	19	18
Laura Hinton	7	6
Warwick Hunt	19	16
Alison Statham	19	18
Marissa Thomas	12	11

A – Maximum number of formal meetings which could have been attended.

B – Number of meetings actually attended.

The Supervisory Board

The following partners have served as members of the Supervisory Board during FY22.



***Chris Burns**
Chair (initially elected to the SB on 1 January 2017, elected as Chair of the SB on 18 January 2019)

Chris is the Chair of the UK Supervisory Board and became Chair of the Alliance (UK and Middle East) Supervisory Board on 9 May 2019. He is a member of the Talent and Remuneration Committee and the firm's Public Interest Body. Chris was also elected to the Global Board of the international PwC network in 2020 and serves on the Global Markets Committee. He is an Audit partner based in London with lead responsibility for a portfolio of listed clients, having joined the firm in 1992 and becoming a partner in 2005.



Simon Ager
(elected to the SB on 1 January 2021)

Simon is a partner in our Deals Tax team. He has over 23 years experience advising a wide range of corporate and fund clients on tax due diligence, joint ventures, restructuring, M&A and capital markets transactions. Simon founded the PwC UK Tax SPA team advising clients on the negotiation and protection of tax risks/value items in sale and purchase and other agreements. He is also a member of our Africa Business Group. He was elected to the Supervisory Board from 1 January 2021 and is a member of the Audit Committee and Partner Affairs Committee and is also the Supervisory Board engagement, and communication leader.





***Glen Babcock**
(elected to the SB on
1 January 2019)

Glen is a Deals partner in Restructuring with experience in legal entity and operational restructuring, cost reduction and cash generation. Glen works with local and international clients across all sectors and industries. He joined the firm as an auditor in San Francisco in 1993 and became a partner in the UK in 2007. Glen was elected to the Supervisory Board on 1 January 2019 and was Chair of the Country Admissions Committee until 30 June 2021. Glen is now Chair of the Talent and Remuneration Committee and a member of the Audit Committee.



Kevin Ellis
(elected to the SB as Alliance
Senior Partner on 1 July 2016
and re-elected on 1 July 2020)

The Senior Partner also sits on the Supervisory Board (as an ex officio member).



Imran Farooqi
(elected to the SB on
1 January 2021)

Imran is a Deals Partner in Forensics. He is the UK Head of Financial Crime and specialises in delivering global Anti Money Laundering, Know Your Customer compliance programmes in the Corporate and Investment Banking sector. He joined the firm in 2015 after 10 successful years at another Big 4, where he was responsible for delivering a number of critical compliance related regulatory programmes. Imran was elected to the Supervisory Board in January 2021 and is a member of the Partner Affairs Committee and Risk Committee.



Karen Finlayson
(elected to the SB on
1 January 2021)

Karen is a partner in our Risk Line of Service and she specialises in governance, risk, controls and internal audit across the government and public sector. She is also the Regions Lead for Government and Health Industries and the Lead Client Partner for NHS National Bodies. Karen joined the firm in 1997 and became a partner in 2015. She was elected to the Supervisory Board on 1 January 2021 and is a member of the Risk Committee, Talent and Remuneration Committee and is the Channel Island Protector.



Sandie Grimshaw
(elected to the SB on
1 January 2021)

Sandie is a Consulting partner with breadth and depth of large transformation programme delivery experience primarily in the public sector. She currently runs the Consulting Health practice and is a member of the Public Sector Health Board. Sandie joined the Supervisory Board on 1 January 2021 and is a member of the Partner Affairs Committee and the Talent and Remuneration Committee. She also became chair of the Country Admissions Panel on 1 July 2021 which oversees the admission of direct admit and internal promotions to partner.





***David Kenmir**
(appointed to the SB
on 8 May 2019)

David is a Risk partner specialising in the authorisation and operationalisation of new Bank start-ups. He is a member of PwC's Financial Services Risk and Regulation practice. He joined the firm in 2010 and became a partner in 2011. He joined the Supervisory Board on 8 May 2019 and is Chair of the Partner Affairs Committee.



***Andy Key**
(elected to the SB on
1 January 2019)

Andy is a Consulting partner with experience primarily across aerospace, defence and security clients in the public and private sector. He was part of PwC's management consulting practice from 1995-2000, spent five years growing technology start-up businesses, then rejoined the firm in 2005. Andy was admitted to the partnership in 2009 and now holds a number of leadership roles within our Government & Public Sector business with a range of client and market responsibilities. He was elected to the Supervisory Board from 1 January 2019, and was appointed Deputy Chair of the Supervisory Board in January 2021. Andy is a member of the Audit Committee and the Supervisory Board of PwC Middle East and of the Alliance Supervisory Board.



Duncan Skailes
(initially elected to the
SB on 1 January 2007)

Duncan is a Deals partner in London. He joined the firm in 1987 and became a partner in 1999. Duncan rejoined the Supervisory Board in April 2017 when he became a member of the Global Board, the body

responsible for the governance of the PwC Network, and is a member of the PwC Middle East Board and Alliance Supervisory Board.



Dave Walters
(elected to the SB on
1 January 2021)

Dave is a partner in the Audit practice based in Birmingham within the Risk and Quality function, where he specialises in corporate accounting issues. He joined the firm in Birmingham in 1989 and became a partner in 2013. He joined the Supervisory Board on 1 January 2021. Dave was appointed as a member of the Audit Committee and Partner Affairs Committee in January 2021. Dave was also appointed as Chair of the Audit Committee in February 2022.



***Lorna Ward**
(elected to the SB on
1 January 2019)

Lorna is a Consulting partner specialising in Technology within the Retail and Consumer Products industries based in Bristol. She joined the firm in 2011 and became a partner in 2015. She joined the Supervisory Board on 1 January 2019 and is a member of the Partner Affairs Committee and the Risk Committee.



***Kenny Wilson**
(appointed to the SB
on 4 April 2019)

Kenny is an Audit partner with experience of working with both listed and privately owned companies. He joined the firm in 1993 and became a partner in 2007. Kenny joined the Supervisory Board in January 2021, was reappointed Chair of the Audit Committee, and stood down as Chair of the Audit Committee in February 2022 but remained a member of the Committee.





***Kate Wolstenholme**
(elected to the SB on
1 January 2019)

Kate is an Audit partner based in London. Kate leads our Law Firms Advisory Group and has a particular focus on professional partnerships. She joined the firm in 1991 and became a partner in 2011. Kate joined the Supervisory Board on 1 January 2019, was reappointed Chair of the Risk Committee in

January 2021, and is also a member of the firm's Audit Oversight Body. Kate represented the Supervisory Board as a member of the Public Interest Body until November 2021 and has a standing invite to attend PIB meetings.

*Those marked with an asterisk will serve until 31 December 2022, and the others until 31 December 2024. Ex officio members of the SB are the Senior Partner (Kevin Ellis) and Duncan Skailes, as a member of the Global Board.

Supervisory Board FY22 meeting attendance

	Length of service	A	B
Chris Burns	5 years, 6 months	11	11
Simon Ager	1 year, 6 months	11	10
Glen Babcock	3 years, 6 months	11	10
Imran Farooqi	1 year, 6 months	11	11
Karen Finlayson	1 year, 6 months	11	10
Sandie Grimshaw	1 year, 6 months	11	10
David Kenmir	3 years, 2 months	11	11
Andy Key	3 years, 6 months	11	11
Duncan Skailes	10 years, 2 months	11	11
Dave Walters	1 year, 6 months	11	11
Lorna Ward	3 years, 6 months	11	11
Kenny Wilson	3 years, 3 months	11	11
Kate Wolstenholme	3 year, 6 months	11	10
Kevin Ellis ††	6 years	11	10

A – Maximum number of formal scheduled meetings which could have been attended. In addition to this number, there were a further four meetings held on an ad hoc basis to consider specific matters.

B – Number of meetings actually attended.

†† Kevin Ellis is appointed as an ex officio SB member and does not typically attend SB meetings convened on an ad hoc basis.



Principal risks and responses

Principal risks and responses

The Audit Firm Governance Code 2016 requires the firm to conduct, at least annually, a review of the effectiveness of the firm's internal control systems, covering all material controls such as financial, operational and compliance controls, and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm.

The Management Board takes overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these systems and for the ongoing monitoring of risk and the effectiveness of controls rests with senior management.

In the year ended 30 June 2022, we have carried out a robust assessment of the principal risks facing the firm, and the audit practice. This included considerations of the risks that would threaten the firm's business model, future performance, solvency or liquidity, and the sustainability of the audit practice within the UK and explains how they are being managed or mitigated.

We are operating in an environment of continuous change, leading to uncertainty and unpredictable implications for our business, our clients and our broader stakeholders. Our experience of recent global events, including Brexit, COVID-19 and the war in Ukraine have highlighted the need to continue to adopt agile and adaptable approaches. The firm's principal risks reflect the environment we are currently operating in as well as the persistent risks that the firm faces on an ongoing basis.


This year we have retained all of the risks from last year, with some changes within risk descriptions and ratings to reflect the current environment. We've highlighted major changes in ratings through the trend analysis marked against each risk.

Our previous People Risk has been split this year, to reflect the differing challenges between managing the short-term people market versus building the right people model of the future. Management of both of these risks are important to the firm, but require different responses.



In addition, we have included one new risk this year with respect to Financial Performance. Whilst the firm is in a strong position financially, the current macroeconomic environment is incredibly uncertain and, as with all businesses, this comes with risk for the firm. It is therefore important that the firm recognises this and considers the impacts to both ourselves and our clients.




Externally Influenced

FY22		Risk trend direction
Risk landscape	Mitigations	FY21/FY22
<p>Regulatory developments impacting the business</p> <p>Failure to adapt and respond to the impact of further significant regulatory change on our business and the competitive landscape.</p>	<p>Continued focus on the audit profession and larger multidisciplinary firms, following the recommendations from the CMA, Kingman and Brydon reviews and BEIS consultation which is expected to result in legislation.</p> <ul style="list-style-type: none"> Regular engagement and direct interaction, where possible, with governmental bodies and regulators to understand objectives, provisions of changes and the implications for our businesses. Regular/continuous monitoring of the cumulative impact of changes in the regulatory environment on the firm's ability to provide services to audit clients. Regulatory affairs specialists who lead the firm's efforts track all changes in applicable regulatory regimes, of whatever origin, under which the UK firm operates. Regular updating of firm processes and procedures to ensure compliance by all our people, on all our clients, with all applicable regulations. Business contingency planning. 	







FY22			Risk trend direction
Risk landscape	Mitigations		FY21/FY22
Geopolitical risk Risk that geopolitical changes significantly impact the firm and/or the services we provide.	<ul style="list-style-type: none"> Ukraine war and the related global ramifications, including impacts on the world economy and sanction programmes. Potential for sensitivities in political relations between significant territories such as the US, China, Russia, UK and the EU. Financial Services sector equivalence post-Brexit unclear, which could impact the stability of the firm's large FS client base. Potential for further UK devolution. Certain economists warn of potential stagflation. 		 



FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
Public perception and reputation Failure to: Respond in an impactful and transparent manner to issues raised, in particular to those which contain a public interest or moral dimension, and/or are perpetuated by adverse media coverage which impacts the firm's reputation; or Appropriately manage the firm's reputation by not proactively positioning the firm's communications including publicly stated ESG commitments.	<ul style="list-style-type: none"> Continued, heightened public scrutiny of business, professional services and the Big 4. Societal trust in professional services and wider business landscape eroding. Keeping pace with societal expectations including social inclusion, I&D and ESG. Increasing activism including fast-moving social media campaigns. Risk of damage to the UK firm's reputation through negative media coverage of issues, litigation or regulatory enforcement in PwC Global network firms. 	<ul style="list-style-type: none"> Embedding a culture of 'doing the right thing' from the top to the bottom of the organisation with an emphasis on individual accountability for reputational risk. Engaging in open and serious debate with relevant stakeholder groups on trust-related and public interest issues to inspire change. Sharing of knowledge and insights on trust to sustain, widen and enrich the discussion. More actively promote the firm's positive contributions including those to our clients, our people and to broader society e.g. through our commitments to net zero, I&D and social mobility. 	




Evolving the Firm


FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
Evolving new client services and products Failure to stay relevant, to invest and evolve services/products to meet changing market and client needs which could lead to poor business performance and impact the brand.	<ul style="list-style-type: none"> Changing client needs require us to be agile and adapt at speed. Potential for new services to lead to increased regulatory and independence requirements. 	Well-established procedures for responding to changing client needs, including: <ul style="list-style-type: none"> Monitoring of business dynamics and client trends; Upskilling programme to provide partners and staff with enhanced business and commercial skills; Client and Markets Executive review and consideration of new client service and product offerings; and Client Committee involvement in acceptance of higher risk engagements and new significant offerings. 	 
Evolving delivery models and use of third parties Failure to evolve and manage resilient alternative delivery models, including appropriate use of third parties and alliances, leading to quality issues, delivery disruption, financial and/or brand implications.	<ul style="list-style-type: none"> Focus on improving efficiencies and evolving the way we deliver client services. Reliance on resilience/ business continuity of entities providing services to our clients from entities outside PwC UK. Increased demand for non-core skills and services to be provided by third parties in the delivery to clients. 	<ul style="list-style-type: none"> Firmwide process for reviewing new delivery models to identify and address relevant risks. Internal focus on relevant on-boarding and operating processes and procedures. Developing a third party risk management approach to ensure risks associated with third parties are identified and managed throughout the lifecycle of engagements. 	 




Operational

FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
Audit services delivery quality Significant audit quality failure in the UK firm or the PwC Network due to either: Engaging with an inappropriate client; Inadequate delivery of services; or Leading to a potential service failing, reputational risk, litigation and/or regulatory action.	<ul style="list-style-type: none"> • Pressure on the audit profession potentially leading to fewer people joining the profession, and experienced professionals leaving the profession, which may negatively impact quality. • Efforts through the Programme to Enhance Audit Quality are improving AQR results. • Continued regulatory scrutiny and challenging litigation environment in the audit market. • Risk of increased failure of clients due to the evolving economic environment. 	Internal quality management systems, including: <ul style="list-style-type: none"> • Recruitment standards and staff development procedures; • Client engagement and acceptance processes, including the Audit Tender Acceptance Process and Client Committee; • Client engagement standards supported by methodologies and tools; • Increased communications and consultations to keep quality and professional scepticism front of mind in a hybrid working model; • Real-time support for engagements through hot reviews of active engagement files through the Higher Profile Client (HPC) review programme; • Programme to Enhance Audit Quality (PEAQ) practices embedded into day to day activities; • Continuous Improvement team focused on root cause analysis, dynamic issue identification and action planning; • Quality reviews of PwC network firms, including the UK firm; and • Monitoring and review of key performance indicators by various governance groups including the Executive Board and the Audit Oversight Body. 	




FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
<p>Non-audit services delivery quality</p> <p>Significant quality failure in the UK firm or the PwC Network due to:</p> <p>Engaging with an inappropriate client, or</p> <p>Inadequate delivery of services,</p> <p>Leading to a potential service failing, reputational risk, significant cost to remedy, perceived or actual conflict of interest, litigation and/or regulatory action.</p>	<ul style="list-style-type: none"> Increasing complexity of the work we are performing, the client situations we are supporting and the length of contracts. Increased use of technology to deliver services or licensing of technology to clients. Increasingly competitive people market in key competencies. 	<p>Internal quality management systems, including:</p> <ul style="list-style-type: none"> Recruitment standards and staff development procedures; Client engagement and acceptance processes, including Line of Service Panels and Client Committee; Client engagement standards supported by methodologies and tools; Established quality policies, processes and procedures; Monitoring and reporting of higher risk engagements; Quality reviews of PwC network firms, including the UK firm; and Monitoring and review of key performance indicators by various governance groups including the Executive Board. 	





FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
Cyber Security Inadequate protection of the technology landscape leading to: Leakage of the firm's or our clients' confidential data; or Reduced defences against ransomware attacks.	<ul style="list-style-type: none"> • Evolving cyber threat landscape through a major catastrophic breach or ransomware incident. • Increased reliance on technology to deliver services leading to a greater risk of cyber security threats. • Growth in the 'internet of things' creating a greater attack surface. • Increased possibility of a catastrophic cyber incident through links from trusted critical suppliers. 	<ul style="list-style-type: none"> • Cyber Committee chaired by a member of the Executive Board, which provides overall strategic direction, framework and policies for information security. • The firm operates an ISO/IEC 27001:2013 certified information security management system which includes: <ul style="list-style-type: none"> – Governance – including policies, processes, leadership (Cyber Committee) and assessment for client data and other information; – Physical, technical and human resource control; – Threat intelligence; – Incident response capability; – Regular monitoring and independent review systems; – Continual investment in established cyber security controls; – Security awareness and education programmes; and – Introduction of the monitoring of ISO27701. 	




FY22			Risk trend direction
Risk landscape	Mitigations		FY21/FY22
<p>Data:</p> <p>Risk that inadequate data strategy, governance, protection and/or implementation by the business results in:</p> <p>Loss or misuse of the firm's or clients' data, which may lead to reputational damage and/or commercial implications for the firm and/or our clients; or</p> <p>Impeding the firm's ability to realise the benefits of responsibly using data to enhance services delivered to clients.</p>	<ul style="list-style-type: none"> Increasing demands of clients for additional data insights driving the need to adapt the use of data to provide increased value to clients. Increased focus on the ethical use of data, AI and other technology. Increasing volumes of data being produced as clients accelerate their digitisation efforts. Hybrid working may increase the risk of data loss as engagements are conducted both through on-site and remote working teams. Increased public, client and regulatory scrutiny in respect of data/confidentiality as a result of high profile scandals and GDPR. 		




FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
Regulatory compliance Failure to comply with relevant independence, legal, regulatory (including sanctions) or professional requirements leading to regulatory action, financial penalties, reputational damage and/or a client conflict of interest.	<ul style="list-style-type: none"> Regulatory environment is more assertive leading to increased monitoring and reporting to ensure the firm is compliant. Sanctions environment is ever evolving due to the Ukraine war. Schrems impact on international transfer of data. Independence restrictions globally are continuing to evolve. Ethical standard has been embedded across the business. The business is developing new services which may require additional regulatory checks and monitoring. 	Established compliance and independence management systems, including: <ul style="list-style-type: none"> Clear policies, procedures and guidance; Regular updating of firm processes and procedures to facilitate compliance by all our people, on all our clients, with all applicable regulations; Mandatory annual training for all partners and staff; Client and engagement acceptance procedures; Annual independence and compliance submissions for all partners and staff enforced by penalties for non-compliance; and Regular monitoring and reporting to the Executive Board. 	 




FY22			Risk trend direction
Risk landscape	Mitigations		FY21/FY22
<p>Operating and leveraging the technology environment:</p> <p>Failure to ensure the IT infrastructure and applications across the technology ecosystem, including third parties and the global Network, support the running of the business now and in the future.</p>	<ul style="list-style-type: none"> • Criticality of technology solutions/products to support the delivery of services and the importance of business continuity planning continues to be an area of focus. • Importance of preparing for the IT infrastructure of the future which will affect the ability to serve clients in rapidly changing markets. 		
	<ul style="list-style-type: none"> • Recovery of critical systems is secured by the use of two geographically distant data centres. If required, failed systems are reinstated at the second data centre, in line with business Impact Analysis priorities. • Continuing programme of testing provides assurance of our ability to rebuild systems from backups. • IT Incident management procedures identify key systems to determine the time criticality of impacted systems to ensure appropriate prioritisation of actions. • Ongoing review of business critical systems. • Continued programme of disaster recovery. • Technology Risk Board in place to approve use of new technology. 		




FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
<p>Safety and Physical security:</p> <p>Failure to ensure safety and physical security of all our people working:</p> <p>in our offices, on client sites or overseas.</p>	<ul style="list-style-type: none"> The UK government (and devolved nations) have removed all COVID-19 regulations. We have ongoing obligations to protect our people from infectious disease (including COVID-19) under existing H&S legislation. In the event of a change in government policy (e.g. due to the emergence of new variants), we are ready to reinstate COVID-19 secure measures in our offices. Due to a significant reduction in international business travel (which is expected to continue), the safety and security of our people while on business travel is reducing overall. The current threat level for terrorism in the UK is 'Substantial' which was downgraded from 'Severe' in February 2022. Although PwC is not deemed a direct target for a terrorist attack, our city centre locations raise the likelihood of an attack impacting our people. The safety of our people whilst on business travel: the risk landscape for international travel is diverse and is under constant review to evaluate risks including geopolitical, security, safety and medical risks including COVID-19. 	<ul style="list-style-type: none"> Firmwide travel policy and processes for all our people, incorporating 24/7 tracking and, where appropriate, consultation with a dedicated security team. Comprehensive security infrastructure covering all our premises. Continuous monitoring of threat levels and issues in overseas travel destinations, and potential threats to our premises. Client Committee escalation for travel approval to high and extreme risk locations for international engagements. Our International Travel Security Management system fully meets the requirements of the ISO: 31030 standard and has been independently assured by Global Secure Accreditation. Geopolitical risk team reviews country-level security and issue regular updates on in-country situations for travellers. 	



FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
Client assets Failure to adequately manage the risks associated with handling and processing client assets (monies and physical) leading to regulatory, financial, commercial and reputational implications.	<ul style="list-style-type: none"> • Potential for increase in insolvencies in the future as COVID-19 support programmes are scaled back. • Threat of theft is amplified by increasing cyber security risks. • Increasing number and size of client engagements which include processing of significant client monies. 	Well-established procedures for dealing with client assets and related matters, including: <ul style="list-style-type: none"> • Portfolio diversification policy; • Daily monitoring of credit and related ratings and maturities; • Monitoring and independent review; and • A Treasury Committee which receives regular updates on the above. 	



FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22*
People (current) Issues impacting our people and business in the short term, including: Failure to attract and retain key talented people, including offering a competitive total reward package; Failure to create and maintain a diverse and inclusive culture; Failure to demonstrate the core competencies and capabilities of our people, including their ability to anticipate and adapt quickly to changing client needs; Failure to adequately address employee wellbeing; and Failure to ensure compliance with firm procedures and to police unacceptable behaviour.	<ul style="list-style-type: none"> • Attractiveness of Audit careers due to uncertainty of future regulations, the intensity of the work environment and perception of the audit profession, which may inhibit ability to attract and retain top talent at both partner and staff levels. • Increased competitiveness for talent risking increased attrition. • Increasing need for technologists and the challenge in attracting and retaining them in professional services. • Potential increased attrition as we start to come out of the pandemic. • Importance of a diverse workforce and the risk of not achieving targets set or achieving a narrowing of pay gaps. • Ongoing pressure on our people as we emerge through COVID-19 and geopolitical events impacting health and wellbeing. 	<ul style="list-style-type: none"> • Regular reviews of the market for student and experienced talent to benchmark the firm's relative competitive position and ensure agile management of resources. • Use of various communication and discussion channels to engage with our people. • Continued practical focus on building people engagement and supporting retention. • Monitoring and review of key performance indicators by the Executive Board, including staff surveys, external data and regular client feedback. • Regular review of the Learning and Development curriculum to ensure it supports the development of the skills and behaviours required for our people to deliver their roles and aligns to our culture and strategy. • Diversity targets and action plans in place. • Wellbeing remote working support. 	

*Our previous People Risk has been split this year. See description of the change on page 52.



FY22			Risk trend direction
	Risk landscape	Mitigations	FY21/FY22
People (future) Failure to adapt people strategies today to be ready for changes in employee expectations and business models in the future, including: Failure to offer a sufficiently appealing proposition to future talent which restricts our ability to attract and retain key and diverse talent; Failure to develop the skills and leaders needed for the future business; Failure to maintain the firm culture in a changing business environment; and Failure of not anticipating and adapting quickly enough to changing workforce, people and client needs.	<ul style="list-style-type: none"> • Evolving expectations of employees potentially negatively impacting the attractiveness of the firm and professional services to highly talented individuals. • Changing needs of clients and the importance of our people continually developing skills e.g. technology, data analytics, to provide high quality services to clients. • The future of work post COVID-19 is now being considered across all areas of society leading to the 'great resignation' and 'great retirement'. • Four generations are now in the workforce with potentially different desires and needs. • Societal shift away from traditional career paths is being seen. • Evolving understanding of hybrid working for the future is ongoing. 	<ul style="list-style-type: none"> • People Council, representing a group of diverse backgrounds and roles within the firm, in place to obtain feedback to understand the future needs of our staff. • People strategies are regularly reviewed and updated to ensure they are relevant. • Inclusion and diversity targets and action plans in place. • Ongoing reviews of reward and incentives to ensure that they are relevant to the new world of work. 	n/a Split risk in FY22



FY22			Risk trend direction
Risk landscape	Mitigations		FY21/FY22
Financial performance Failure to adequately plan for and appropriately respond to the broad financial effects of internal or external forces impacting the business, including macroeconomic developments, changing market conditions and evolving resourcing models, resulting in a failure to optimise the business' growth and profitability potential, appropriately manage its working capital needs and/or withstand a crisis.	<ul style="list-style-type: none"> Certain economists warn of potential stagflation. UK GDP expected to slow in the new year and the potential downside risk is being assessed. 		n/a New risk in FY22
	<ul style="list-style-type: none"> Comprehensive budgeting and planning processes that look forward three years across multiple scenarios, covering growth, profitability, resourcing and working capital perspectives. Regular monitoring of the business through EB, CME, Regions and Industries, COO, People Partner and Risk forums. Use of forward looking sales, financial and resource deployment forecasts and assessments. Investment and Client Committees ensuring that only the best opportunities receive funding and that high risk engagements are carefully assessed prior to acceptance. A Treasury Committee sets and regularly monitors the firm's funding position, foreign currency exposures and cash flows. Appropriate levels of banking facilities and below the line reserves are maintained, providing additional resilience. Ongoing focus on working capital management with clear targets and daily monitoring to ensure optimisation. 		



Network and UK Firm Structure



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

In many parts of the world, accounting firms are required by law to be locally owned and independent. The PwC network is not a global partnership, a single firm, or a multinational corporation. The PwC network consists of firms which are separate legal entities.

PricewaterhouseCoopers International Limited

Firms in the PwC network are members in, or have other connections to PwCIL, an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for member firms in the PwC network. Focusing on key areas such as strategy, brand, and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate.

Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control member firm's exercise of professional judgement.

Governance bodies of PwCIL are:

- Global Board, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of network standards. The Board does not have an external role. Board members are elected by partners from all PwC firms around the world every four years.
- Network Leadership Team, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- Strategy Council, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- Global Leadership Team, which is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from member firms to coordinate activities across all areas of our business.

The Chairman and Senior Partner of PwC UK is a member of the Strategy Council, and the Network Leadership Team.



Legal Structure and Ownership

PricewaterhouseCoopers LLP (PwC UK) is a limited liability partnership incorporated in England and Wales.

a) Ownership of PwC UK

PwC UK is wholly owned by its members, who are commonly referred to as partners. During the year, the average monthly number of partners was:

PwC UK Partners

FY22	925
FY21	900

Partners on secondment overseas

FY22	16
FY21	14

Total

FY22	941
FY21	914

b) UK office structure

PwC UK operates out of 19 (FY21: 20) offices throughout the United Kingdom – a full list can be found at www.pwc.co.uk.

c) Related firms, entities and investments

Set out below are details of PwC UK's related firms, interests and investments. Further details can be found in the PricewaterhouseCoopers LLP Members' report and financial statements for the year ended 30 June 2022, within our Annual Report 2022, which is available at www.pwcannualreport.co.uk in 2022.

(i) Subsidiary undertakings

PwC UK's trading subsidiary undertakings located in the United Kingdom are shown in the table within this appendix. A full list of all subsidiary undertakings is included in the PwC UK Financial Statements 2022. All entities listed in the table are 100% owned.

PwC UK has an equity holding in and a strategic alliance with the PwC Middle East and PwC Channel Islands firms. The non-controlling interest in profits and capital attributable to the members of PricewaterhouseCoopers CI LLP and to the Middle East partners of PricewaterhouseCoopers (Middle East Group) Limited are shown as non-controlling interests in the PricewaterhouseCoopers LLP Members' report and financial statements for the year ended 30 June 2022, within our Annual Report 2022, which is available at www.pwcannualreport.co.uk.

(ii) Jointly controlled entities and associates

The Group held interests in three significant jointly controlled entities and associates at 30 June 2022:

- PricewaterhouseCoopers Mobility Technology Services LLC, which offers international mobility services;
- PricewaterhouseCoopers Service Delivery Centre Holdings (Katowice) B.V., which provides shared services for PwC Network firms;
- PwC Service Delivery Centre (Egypt) Holdings No.1 Limited, which also provides shared services for PwC Network firms; and
- PwC Poland Services Limited, which offers specialised cloud-based solutions and transformational services.



(iii) Other investments

PwC UK also holds a number of investments, including repayable interest-bearing preference shares issued by PwC Poland Services Limited and repayable interest-bearing subordinated loan notes from, and minority equity holdings in entities in the PwC Network. Further details are provided in the PwC UK Financial Statements 2022.

UK registered trading subsidiary undertakings	Country of incorporation
Companies	
Beyond Food Community Interest Company	England
Embankment Place Primary Healthcare Limited	England
PricewaterhouseCoopers Advisory Services Limited	England
PricewaterhouseCoopers (UK) Advisory Services (KU) Limited	England
PricewaterhouseCoopers (UK) Advisory Services (IE) Limited	England
PricewaterhouseCoopers Assurance UK Limited	Scotland
PricewaterhouseCoopers Business Services Limited	England
PricewaterhouseCoopers Consulting Services UK Limited	England
PricewaterhouseCoopers Overseas Limited	England
PricewaterhouseCoopers Services Limited	England

PwC Business Consulting Services Limited	England
PwC Customs Intermediary Services Limited	England
PwC Change Management Limited	England
PwC Digital Services (UK) Limited	England
PwC Holdings (UK) Limited	England
PwC Strategy& (UK) Ltd	England
Limited Liability Partnerships	
PricewaterhouseCoopers CI LLP	England
Accounting Advisory (UK) LLP	England

d) Principle lines of business

Throughout the year, PwC UK operated through five principal Lines of Service (LoS), Audit, Consulting, Deals, Risk and Tax. Support services were provided by Business Solutions. Programmes to develop expertise and to share knowledge in all key industries are also in place.

The services delivered by the LoS during the year to 30 June 2022 are as follows:

Audit

The Audit Line of Service is focused on delivering audit and audit related work:

- Statutory and non-statutory audits of financial statements.
- Interim reviews of financial information not required by law but performed in accordance with generally accepted auditing standards.



- Other public interest assurance work (e.g. Client Asset Sourcebook audits (CASS), reporting accountant services performed in accordance with the Standards for Investment Reporting (SIRs), ISRE2410 interim financial information reviews).
- Services which law or national regulations require the auditor to provide.
- Services that are required by law or regulations, which do not have to be provided by the auditor, but which require the provider to be independent.
- Assurance services that are not required by law but which relate to financial information or controls over financial reporting.
- Assurance services related to information or matters included in the front half of the financial statements.
- Assurance services over other operational matters where that work is able to be performed to a clearly defined, external standard and where the provider is required to be independent.

Consulting

Our core Consulting Services combine strategy, technology and management consulting expertise with the power of our Alliance relationships to help our clients address complex issues to transform their businesses and deliver sustained outcomes.

From strategy through to execution to run, our specialists (including Strategy&, our global strategy house) combine industry and functional expertise to help organisations set goals and put the right business strategy in place to deliver them, whether that's cloud transformation, customer-led transformation, operations transformation, finance transformation, risk and compliance transformation, execution managed services or enterprise wide transformation.

We work with clients to unlock the opportunities transformation presents and deliver change that will make a difference to their organisation, communities and society. Over the years we've helped organisations around the world introduce transformational change at pace, including creating new strategies that address the Net Zero agenda; using data and insights to drive change; rolling out new business models, products and services; and delivering responsible growth.

Our Delivering Deals Value – Value Creation and Realisation specialists work closely with our Deals line of service in order to bring specific insight and delivery capabilities in carve out/separation activities (pre deal including vendor assistance, sell-side vendor due diligence and buy-side diligence, and post deal including migration planning and implementation); operational due diligence (buy-side and sell-side vendor due diligence); M&A integration (pre deal synergy assessment and post deal integration execution), and rapid value creation pre deal and associated implementation post deal.

Deals

Transaction services: Deal Strategy: Buy and sell-side financial due diligence, commercial and market due diligence, sale and purchase agreements, business modelling, Financial Decisions and Analysis, Valuations, bid support and defence.

Corporate finance: Mergers and acquisitions advisory, private equity, portfolio advisory, project finance and public private partnerships, infrastructure finance advisory, real estate advisory, public to private transactions, and public company advisory.

Forensic services: Capital projects advisory, Disputes including analysis and development of dispute resolution strategies, Digital and Forensic Investigations, creating response to issues that pose regulatory, financial or reputational risk, Financial Crime identifying



potential vulnerabilities, strengthening monitoring systems and remediation.

Business Restructuring Services:

Rapid Cost Reduction, Working Capital Improvement, Restructuring Leadership including day-to-day programme management, Debt and Capital Advisory services, Distressed Financial Restructuring, Corporate Insolvency services, Pension support to trustees and participating employers, Insurance liability restructuring and operational consulting services, and Corporate Simplification and Exit.

Risk

Technology, Data and Analytics:

Working with other lines of service on transformation implementation, digital transformation risk, managing the risk of digital integration, emerging and disruptive technology risk, data governance, data migration, data visualisation, data strategy, data quality, data protection, data analytics and business insights.

Cyber Security: Cyber transformation, defence and detection, incident response and recovery, cyber risk advisory, and identifying and mitigating cyber risk across the deals lifecycle.

Business Risk and Controls: Internal Audit, governance, risk and compliance (GRC) including new UK SOx regulations and ESG, commercial assurance, performance assurance, IFRS 17, LIBOR, operational resilience.

Risk modelling services: Financial modelling, predictive modelling, insolvencies and run-off solutions, regulatory, risk and capital management, underwriting and catastrophe modelling, claims, reinsurance, insurance reserving and reporting, mergers and acquisitions, pensions and other benefit plans, performance benchmarking and insurance needs for the public sector.

Capital Markets, Accounting Advisory and Structuring Services:

Assurance on capital market transactions and listings, raising debt or equity capital, accounting advisory, GAAP conversions, structuring services, equity advisory and navigating deals and mitigating risk, treasury advisory and commodity management.

Tax

Tax: Corporate tax advisory, tax on transactions, transfer pricing, corporate and international tax, finance and treasury, indirect taxes, property taxes, tax management and accounting services, dispute resolution, corporate tax compliance and outsourcing, private business tax advisory, personal tax advisory and compliance, tax valuations, sustainability and climate change taxes, tax risk and strategy, tax disclosures, tax transparency, value chain transformation, investment advisory, incentives, grants and reliefs, operational tax services (financial services).

People and Organisation: Providing solutions to workforce related challenges across workforce strategy, organisation design, culture and communications, inclusion and diversity, performance and reward, employment, pensions and benefits, HR transaction/deals advice, people analytics and benchmarking, HR technology and HR function transformation.

Legal: Corporate law, international business reorganisations, M&A, banking and finance, employment and pensions law, real estate law, sourcing, technology and intellectual property law, commercial law, tax, commercial and regulatory dispute resolution, financial services regulatory law, cyber security and data protection law, government and public sector law, legal function consulting and legal entity management and company secretarial and entity governance advice, sector law, legal function consulting and legal entity management and governance advice.



Audit quality



Our Programme to Enhance Audit Quality



We are committed to performing consistently high quality audits and in June 2019 launched our three year Programme to Enhance Audit Quality (PEAQ). At the start of PEAQ we created an audit practice with a singular focus on external audit and audit-related services, and over the last three years we've been focused on the four workstreams: structure and governance, culture and recognition, quality control activities, and supply and demand. Taken together these workstreams ensure our commitment to audit quality is reflected in everything we do and the key achievements include;

- Creating a distinct Audit Line of Service with increased governance and oversight provided by the Audit Oversight Body;
- Establishing a culture that supports the public interest, which continues to be promoted through our three Audit Behaviours: Team First, Challenge and be open to challenge, and Take Pride;
- Enhancing our quality control activities by creating a Chief Auditor Network of over 100 people and increasing the size of our Audit Risk and Quality function by more than 50%, which has supported the inflight reviews that we perform each year; and
- Rebalancing our supply and demand by recruiting over 1,500 experienced auditors in the last three years and exiting audit engagements that do not generate a return that allows us to continue to invest in audit quality.

While PEAQ formally concluded in June 2022, the initiatives, processes and activities we implemented are now embedded into our business as usual processes and will continue to have a positive impact on audit quality.

We have developed a detailed Audit Quality Plan (AQP) to ensure performing consistently high quality audits remains our primary focus. The AQP sets out all of our activities

which remain fundamental to delivering high quality work, including our root cause analysis and action planning processes.

Root cause analysis

We hold our reputation for quality in the highest regard and are committed to working constructively with, and take seriously all the findings identified by, the firm's regulators in relation to the quality of the firm's audit work.

Our Continuous Improvement (CI) Team, a separate team which is independent from engagement teams, is responsible for undertaking all root cause activity on a continual basis. The team proactively gathers intelligence from a range of sources including findings from external inspections, internal reviews and other live data sources to identify risks and issues as they emerge.

The team performs root cause analysis (RCA) on quality findings, assessing relevant data, interview and focus group discussions against a taxonomy of risk factors that incorporates key behavioural factors. This approach drives consistency in the identification and analysis of the risk and causal factors impacting audit quality and provides a clear audit trail from the underlying data to the risk factor conclusions.

We use PwC global methodology to undertake RCA to establish the underlying reasons why findings have arisen, which helps inform the development of our action plans so that we continuously improve.

One of our primary objectives when conducting RCA is to identify how our firm can provide the best possible environment for our audit teams to deliver consistently high quality audits. We look at audits across the quality spectrum, including those with identified 'good practice', to help identify possible distinctions and learning



opportunities. Our analyses cover matters arising from both individual engagement file reviews as well as those relating to the firm's systems of quality control.

Potential causal factors are identified by evaluating engagement information, performing interviews with engagement team members and specialists, holding focus groups on specific areas, reviewing training and guidance, and, where appropriate, reviewing audit working papers, to understand the factors that may have contributed to audit quality.

In addition, for audits both with and without deficiencies, a number of data points and indicators are compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, the number of years that key engagement team members have been on the engagement, the timing of when the audit work was performed, the timeliness of receipt of deliverables from the audit entity management and other audit milestones.

We evaluate the results of our analysis to identify enhancements to implement either at an engagement level or across the practice and, where appropriate, build these into the audit quality action plan. The learnings from RCA are shared with the practice in a number of different ways, including, at learning & development events, in all Audit communications, and through the Chief Auditor Network (CAN).

Action plans

Action plans are developed in response to causal factors identified from external inspections and investigations, internal reviews and other sources. The agreed action plans include for example, specific technical training, the introduction of project

management milestones, behavioural expectation messaging, and revisions to the firm's guidance where appropriate. During the year the team has started to measure the effectiveness of actions taken, understanding if an action has had the desired impact. Where the action has not delivered the benefit expected, the CI team looks to understand why and, if required, a new action would be put in place.

Individual actions are agreed with a sponsor together with a timeline for completion. Each action plan is then approved by the relevant individuals in the Audit Line of Service governance structure, and in a number of cases, agreed with third parties such as the firm's Supervisor and the AQR in respect of the action plan responding to AQR findings, or PwC's Global Audit Quality team in respect of the action plan responding to the Engagement Compliance Reviews (ECR) and QMSE findings. Regular status meetings take place to monitor outstanding actions and individuals are held to account where actions are not completed without an acceptable justification.

The Head of Audit, the Head of Audit Risk & Quality and other partners responsible for the regulatory process within the firm also monitor progress against agreed action plans on a regular basis. The firm's Public Interest Body is kept apprised of progress against the action plan periodically. Once actions are considered to be completed, evidence is provided to the action planning team to demonstrate completion of the action. This evidence is also reviewed, in some cases, by regulators in subsequent years as part of their inspections into the firm to evaluate timely completion of agreed actions.



Our system of quality management

Our system of quality management and monitoring processes

PwC UK's Audit internal quality control systems are based on International Standard on Quality Control (UK) 1 – 'Quality Control for firms that perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements' (ISQC (UK) 1). ISQC (UK) 1 applies to firms that perform audits of financial statements, report in connection with investment circulars, and provide other assurance services where they relate to activities that are reported in the public domain and are therefore in the public interest.

The objective of ISQC (UK) 1 is for the firm to establish and maintain a system of quality control to provide it with reasonable assurance that:

- The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- Reports issued by the firm, or by engagement leaders, are appropriate in the circumstances.

In addition to compliance with ISQC (UK) 1, the UK firm is also impacted by the following requirements:

- **ICAEW Audit Regulations:** as a Registered Auditor regulated by the Institute of Chartered Accountants in England and Wales (ICAEW), we are required to comply with the Audit Regulations and Guidance (Audit Regulations) issued by the ICAEW. Compliance with the Audit Regulations is required to enable the firm to retain its audit licence in the UK;

- **Other regulatory bodies:** We are required to comply with the policies and regulations of a number of other regulatory bodies which PwC UK is either registered with, as a condition of ongoing registration to perform audits of certain entities, or regulated by. These regulatory bodies include the Financial Reporting Council, Public Sector Audit Appointments Limited, NHS Improvement, the Financial Conduct Authority and the Prudential Regulation Authority in the UK; and
- **Other registrations requirements:** The UK firm is also required to comply with other requirements in relation to our registrations to conduct audits of entities that are either listed in other territories, or to claim exemptions. In addition, we are also required to comply with the ICAEW Local Audit Regulations and Guidance (to enable us to do certain public sector audits) and the ICAEW Licensed Practice Handbook (currently covering our reporting to the Civil Aviation Authority re ATOL returns).

Each PwC Network firm is required to have in place a rigorous System of Quality Management (SoQM), to annually complete a SoQM performance assessment and to communicate the results of these assessments to global leadership. These results are discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed, with local leadership taking responsibility for its successful implementation.

As our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our SoQM and investing in programmes to enhance the quality of the services that we provide.



ISQM (UK) 1 and ISQM (UK) 2

During 2022, ISQC (UK) 1 is being replaced by two new quality management standards: International Standard on Quality Management (UK) 1 (ISQM (UK) 1) and ISQM (UK) 2. These require that the SoQM is designed and implemented in line with the new standards by 15 December 2022, and evaluated within one year of that date.

Changes to the firm's Quality Management for Service Excellence (QMSE) framework, designed to comply with ISQC (UK) 1 were introduced in 2021 to incorporate new requirements imposed by the new quality management standards, ISQM (UK) 1 and 2. The existing QMSE framework already captured the essence of ISQM (UK) 1 and was largely consistent with the new standard. In preparation for the new standard, a comprehensive gap analysis was performed to identify aspects of the new standards which required additional consideration ahead of the implementation date.

Quality Management for Service Excellence (QMSE)

The quality agenda to drive continuous improvement relies on establishing a culture that prioritises quality in everything we do. This culture is supported by appropriate tone at the top through regular communication from leadership to all partners and staff about the firm's commitment to quality.

The QMSE framework provides a basis for firms to develop a dynamic risk based SoQM to achieve the overall quality objective for the Audit practice which is to have the capabilities to consistently meet the expectations of our clients and other stakeholders. This overall quality objective is supported by 15 quality management objectives.

The UK firm maintains a SoQM by designing, implementing and operating an ongoing process to achieve the QMSE quality objectives and the overall quality objective. This ongoing process includes monitoring, evaluating, assessing, reporting and being responsive to changes in quality risks, driven by PwC UK's internal and external environment. This is the quality management process (QMP).





Root Cause Analysis (RCA)

Recognition and Accountability Framework (RAF)



Quality Management for Service Excellence

- QMSE requires the implementation and use of a QMP that encompasses four key quality initiatives (RCA, RTA, AQIs and RAF) in an integrated and iterative way.
- Designed to enable measurements of whether firms are achieving against those objectives, in term of design effectiveness and operating effectiveness.
- Performance measures including AQIs/KPIs are embedded to support monitoring and measurements of success in achieving the objectives.



Audit Quality Indicators (AQIs)

Real Time Assurance (RTA)



Firm and Audit leadership, business process owners (BPOs), partners and staff are responsible for the operation of the QMP including maintaining their risk assessment which includes the design and operation of appropriate risk responses, monitoring the design and operating effectiveness of the risk responses, and for continually improving the SoQM when areas for improvement are identified or when circumstances change that may impact identified quality risks or introduce new quality risks.

The objective of the annual QMSE review, covering the calendar year 1 January to 31 December 2021, is to provide reasonable assurance that the SoQM is appropriately designed and operating effectively to enable the 15 quality objectives established in the framework to be met.



The diagram below illustrates the various components of the QMSE framework and how they fit together.



One important component of the SoQM is that of monitoring. Below we have summarised the principles of our internal monitoring processes.

Quality Management Review (QMR)

The UK SoQM and the Quality Management for Service Excellence (QMSE) self-assessment are subject to an independent annual review by partners/staff from other PwC Member firms through the Quality Management Review (QMR) programme. The QMR team assessed the firm's own assessment of its SoQM in the two weeks from 21 March 2022 and performed independent testing, where appropriate.

The QMR scope is determined and agreed between the International Team Leader (ITL) and the Member firm and approved by the Global Assurance Quality – Inspections Leader. The ITL provides oversight for all phases including scoping, execution and the overall classification and assessment of findings in the QMR. Reviews take place each year, ensuring that each of the 15 quality objectives are covered at least once every three years.

The QMR monitors progress on remediation of any findings raised in the last review and assesses the impact of any new developments on the internal quality control systems. No severe and/or pervasive deficiencies have been self-identified by PwC UK, or identified by the 2022 QMR review which covered the calendar year to 31 December 2021.

The Member Firm Report

A Member Firm Report is prepared annually by the ITL assigned to PwC UK. The report includes the results of both the QMR and ECR for that year and an overall conclusion on the firm's quality control systems. We have not identified any significant matters that suggest the firm's SoQM is insufficient to provide it with reasonable assurance that it complies with ISQC (UK) 1, relevant Network Standards and Audit Regulations (UK and overseas).

The report also summarises the main points arising from the QMR and ECR that merited attention. PwC UK responded to the points raised within the 2021 Member Firm Report as well as from the root cause analysis performed on the ECR and external regulator reviews and developed an action plan to address the matters noted. These actions were assigned to specific individuals and significant progress has been made in addressing these matters.

The 2022 Member Firm Report was issued in Autumn 2022 to the Head of Audit, the Audit Risk & Quality leader, the governance bodies of the firm, and PwCIL. The Financial Reporting Council (FRC) read the prior year Member Firm Report as part of their annual inspection and the 2022 report will be shared with the FRC in due course.

Engagement Compliance Reviews (ECR)

The key features of the annual ECR programme are:




- A cold review of completed audit engagements of individuals in the firm who are authorised to sign audit reports (known as Responsible Individuals);
- An audit engagement of each Responsible Individual is reviewed at least once every three years as required by the ICAEW Audit Regulations;



- Completed audit engagements of market-traded companies incorporated in the Crown Dependencies (i.e. Jersey, Guernsey and the Isle of Man) are reviewed once every three years as required by the Crown Dependencies' Audit Rules and Guidance;
- In addition, the firm maintains a list of clients with a high public profile (HPCs) and the audits of these clients are reviewed twice in a six year period;
- A review of a sample of completed non-audit assurance engagements under the international and UK assurance standards and regulatory frameworks. The sample aims to reflect the range of different non-audit assurance work and its significance to the firm;
- Engagement compliance reviews are led by experienced partners, supported by teams of partners, directors and senior managers who are all independent of the office, business unit and engagement leader being reviewed;
- Follow-up reviews take place if significant deficiencies are identified;
- Adverse findings and examples of high quality, where relevant, are taken into consideration in determining the reward and promotion of engagement leaders; and
- The results are reported to the Audit Executive, the Audit Oversight Body, and to PwCIL. The Financial Reporting Council and ICAEW also obtain these results as part of their annual inspections.

Each engagement reviewed is assessed using the following categories:

- 'Best in class' – All relevant auditing, assurance, accounting and professional standards have been complied with in all material respects and key aspects of the work made the engagement stand out from others as an example of best practice. This is designed to celebrate the achievements of engagement teams that embody the Audit Behaviours: Team first, Challenge and be open to challenge, and Take pride; bringing them to life on their engagement to drive exceptional audit quality;

	Team first
	Challenge and be open to challenge
	Take pride

- 'Compliant' – relevant auditing, assurance, accounting and professional standards have been complied with in all material respects;
- 'Compliant with improvement required' – the following circumstances would generally lead to this conclusion:
 - Required assurance procedures relating to a significant account, or area not performed, or not documented substantially in accordance with standards, but it is determined that due to the audit evidence in other sections of the archived work papers no additional procedures are required to be performed;

- Assurance procedures that failed to detect a departure from applicable accounting standards that was considered both quantitatively and qualitatively insignificant; or
- Evaluation of control weaknesses was not performed substantially in accordance with professional standards, but the impact was not considered to be sufficiently significant to require modification to the audit report on internal control over financial reporting if applicable and/or adequate consideration was not given to any necessary modifications to the substantive approach applied due to the control weaknesses; and

However, in all cases, sufficient audit work has been performed in all other respects.

- ‘Non-compliant’ – relevant auditing, assurance, accounting and professional standards or documentation requirements were not complied with in respect of a material matter.

In the case of a ‘best in class’ engagement, there is a mechanism to ensure that the high quality work is recognised as part of key personnel’s annual performance assessment.

In the case of a non-compliant engagement, follow up reviews are undertaken in the same cycle, the engagement leader will be reviewed again in the subsequent year’s ECR and there are financial implications for the individual engagement leader. Following root cause analysis, consideration is also given as to whether additional support, training and/or monitoring of the engagement leader is required.

The circumstances giving rise to non-compliant findings are also considered in order to assess whether additional work is needed to support the report, if the auditor’s report needs to be withdrawn, or if the entity’s financial statements for the current period of the following period need to be restated.

For engagements which were found compliant with improvement required, the engagement leader is included in the following year’s ECR, and this may also lead to financial implications depending on that engagement leader’s previous quality track record.

The firm undertakes root cause analysis (RCA) for all inspections with non-compliant outcomes and a number of compliant with improvement required and compliant engagements, including engagements identified as ‘best in class’. The ‘best in class’ analysis helps identify success factors that inform potential actions. Following RCA, a Quality Improvement Plan (QiP) is developed to respond to the drivers of systemic issues and specific matters arising from the ECR. Responsive actions may be identified at either the engagement delivery and/or line of service levels. All quality action plans are monitored by the Audit Risk and Quality leadership, the Audit Executive and the firm’s Public Interest Body.



Navigating the impact of external factors on our system of quality management

The past several years have seen unprecedented challenges. From the global COVID-19 pandemic to the Russian government's invasion of Ukraine, these events are first and foremost human tragedies.

Our SoQM reflects our response to these events and changing risks based on impacts to our client, our people and the way we operate, including new or revised policies and procedures in our firm that have been implemented or are under consideration at any given point in time.

Under the QMSE framework, our SoQM is designed and operated to consider changes in facts and circumstances resulting in:

- New or changing quality risks to achieving one or more of the quality objectives;
- Changes to the risk assessment of existing quality risks; and
- Changes to the design of the firm's SoQM, including the risk responses.

The QMSE framework has helped us navigate the changes in our firm's environment, by assessing the completeness and effectiveness of our responses including any additional monitoring to be put in place, and identifying any gaps to address new or emerging quality risks.

Our network's response to COVID-19

From the early stages of the pandemic, the PwC network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we did not compromise on audit quality. We have leveraged the guidance developed by our network to provide sustained, consistent leadership and guidance on audit quality and equip our teams to consider their client's unique circumstances and respond accordingly.

The COVID-19 pandemic resulted in us facing a number of new challenges in our audits. This ranged from how we operate as a team to plan and complete the audit, to how we interact with our clients to obtain the necessary audit evidence and execute specific audit procedures such as completing physical inventory counts.



Our network's response to the war in Ukraine including separation of PwC Russia and Belarus and our approach to sanctions

Following the Russian government's invasion of Ukraine, the PwC network's main focus continues to be doing all we can to help our colleagues and support the humanitarian efforts to aid the people of Ukraine.

The PwC network's response to the war in Ukraine resulted in several actions including the decision that, under the circumstances, PwC should not have member firms in Russia and Belarus, and consequently PwC Russia and PwC Belarus have exited the network.

In addition, the PwC network is exiting work for Russian entities and individuals subject to sanctions. Any sanction on Russian entities or individuals that is passed anywhere in the world will be applied everywhere in the PwC Network. The PwC network will also not undertake any work for the Russian Federal Government or State-owned Enterprises and is also conducting reviews to identify engagements with non-sanctioned Russian clients and considering the appropriateness of any ongoing relationship.

Our network's response to the conflict including the separation of PwC Russia and PwC Belarus and approach to sanctions, as well as consideration of the broader risks that impact our clients are being factored into our firm's SoQM through the identification of potential quality risks that have or may arise. Our firm is monitoring the actions we have and will take to address the identified risks to assess whether further changes are needed to our firm's SoQM or how we perform our engagements and interact with our clients.



Inspections and Investigations on our audits

Inspections and Investigations

We operate in a highly regulated field and PwC UK is subject to monitoring by a number of regulatory authorities.

External inspections – UK regulators

Each year, the Financial Reporting Council's (FRC) Audit Supervision team undertakes inspections of the quality of the firm's work as statutory auditors of public interest entities, and on a cyclical basis perform a review of aspects of the firm's policies and procedures supporting audit quality. The Quality Assurance Department (QAD) of the Institute of Chartered Accountants of England and Wales (ICAEW) undertakes an annual inspection of audits of entities that do not fall within the FRC's scope. The results of the inspections undertaken by the FRC and QAD are reported to the ICAEW's Audit Registration Committee (ARC). In addition, the work in respect of a number of ATOL returns have been inspected under the Licensed Practice Scheme (both inspections are undertaken by the QAD).

The ARC is due to consider the findings arising from the most recent FRC and QAD inspection reports during the Autumn as part of their consideration of the firm's UK audit

registration. The ARC will also consider the firm's registrations as a recognised auditor in Jersey, Guernsey and the Isle of Man.

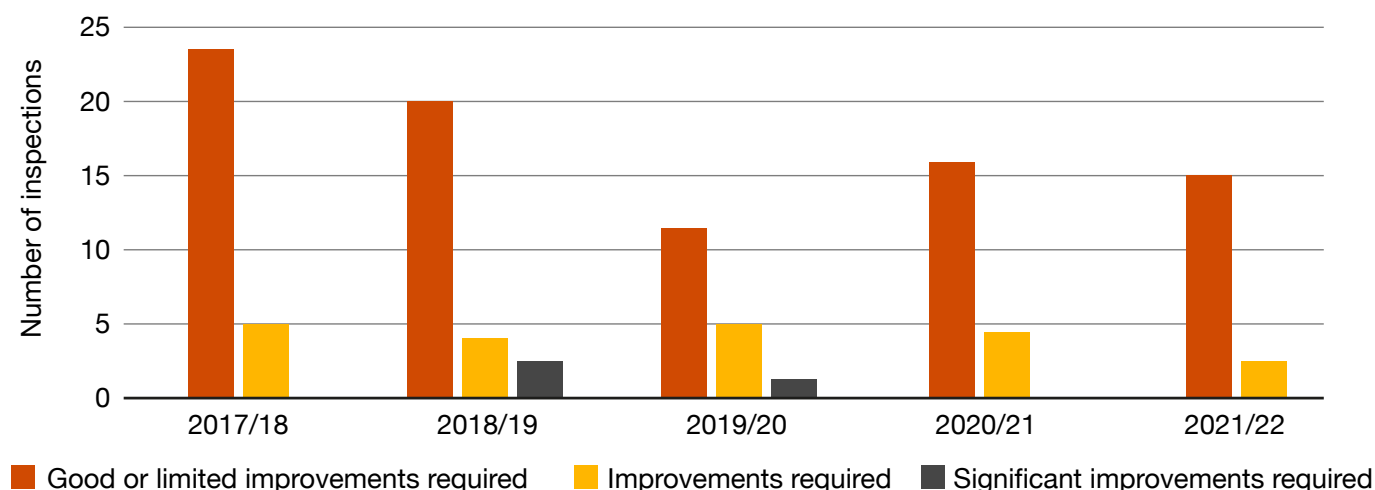
FRC – Audit Quality Inspection and Supervision Report

The FRC issued its [2021/22 Audit Quality Inspection and Supervision Report on PwC UK](#) on 20 July 2022. Alongside the results of the FRC inspection, the report also included the firm's own 2021 internal quality monitoring results and those of the annual QAD inspection.

The 2021/22 inspection comprised reviews of 18 (2020/21: 20) individual audit engagements relating to FTSE 100, FTSE 250 and other listed and public interest entities. Of the 18 audits reviewed in the 2021/22 cycle, the AQR assessed that:

- 83% or 15 audits (80% or 16 audits in 2020/21) were graded 'good or limited improvements required';
- 17% or 3 audits (20% or 4 audit in 2020/21) were graded as 'improvements required'; and
- No audits (no audits in 2020/21) had 'significant improvements required'.

PwC UK Audit Quality Review (AQR) inspection outcomes – five year track



The positive progress indicated by the overall outcome of the 2021/22 AQR inspection is pleasing, and we are proud of our people and their contribution to achieving this result, particularly given the challenging circumstances in which many of the audits were undertaken.

The FRC's report highlighted the following key findings in respect of their individual file reviews, and concluded that PwC should:

- Improve the consistency of the testing of revenue;
- Continue to improve aspects of the audit of impairment; and
- Further improve aspects of journal testing in response to the risk of management override of controls.

Whilst none of our audits required significant improvement, we recognise that aspects of three of our audits did not meet the expected quality standard. We have reflected on the engagement specific findings, and are taking responsive action as appropriate.

We also welcome the increased focus on identifying good practice by the AQR team. Where these are reported on certain inspections in the same areas as individual findings on other inspections, it demonstrates to our teams that high quality audit is achievable. We are now focused on the importance of consistency of execution across all our audits.

The FRC also reported on their review of four areas of the firm's quality control procedures. The following areas were reviewed with key findings and areas of good practice reported:

- **Implementation of the FRC's Revised Ethical Standard** – The FRC evaluated the firm's actions to implement the Revised Standard, including changes to policies and procedures and the support provided to audit teams to aid the transition. The FRC raised two key findings; the first requesting improvements to the firm's Objective Reasonably Informed Third Party consideration guidance, and the second relating to an enhancement of existing controls to prevent network firms commencing inappropriate non-audit services for UK audited entities.
- **Engagement performance** – EQCR, consultation and audit documentation – The FRC evaluated the firm's policies and procedures in relation to the appointment of Engagement Quality Control Reviewers (EQCR), EQCR training and EQCR activities. The review also covered consultation policies and procedures with central quality teams, including the requirement for mandatory consultation, and guidance and procedures relating to audit documentation. There were no key findings. Two areas of good practice were included within the FRC report, relating to workpaper review requirements, and consideration of mandatory consultations in our internal quality monitoring processes.
- **Fair value methodology** – The FRC evaluated the quality and extent of the firm's methodology and guidance relating to auditing the fair value of financial instruments, with a focus on the audit of banks and similar entities. There were no key findings from this review. Three areas of good practice were identified, being our risk assessment guidance, model risk guidance and illustrative examples guidance provided to engagement teams.



- **Engagement performance – Internal quality monitoring** – The FRC evaluated key aspects of the firm’s annual process to inspect the quality of completed audits. This included the criteria for selecting audit partners and completed audits for review, the composition and allocation of quality review teams, the scoping of areas to review, the evidencing of review, the identification of findings and the overall assessment. The FRC identified a key finding relating to the granularity of recording of professional judgements made by the review team, including in relation to the scope of review and conclusions drawn. Two areas of good practice were identified, being the use of a moderation panel to determine final gradings, and the policy of re-review for adverse review outcomes.

The firm has considered the findings and examples of best practice identified as part of each of these reviews, and developed responsive actions as appropriate.

The FRC report also sets out FRC observations relating to their forward looking supervision activities, including in respect of audit quality initiatives, root cause analysis and action planning and other areas such as tone at the top and constructive engagement. The firm was not subject to increased supervisory activities during the year.

The report outlines that the FRC are introducing a Single Quality Plan (SQP) to be maintained by each firm, as a mechanism to facilitate their holding firms to account and monitoring the progress and effectiveness of actions to improve quality.

The report also highlights that the firm was the first among the tier 1 firms to have published a digital transparency report and highlighted the increased accessibility that this facilitates.

We recognise we need to continue to invest, address recurring findings and implement our AQP to deliver consistently high quality audits. We will continue our focus on Audit Behaviours and psychological safety, to ensure that we embed a culture that best supports our teams to deliver high quality audits.

Other FRC review activity

The Audit Market Supervision team of the FRC have undertaken a number of inspections, including a review of the audit approach in respect of fraud and on the firm’s preparation for the implementation of International Standard for Quality Management 1 (ISQM 1) during the year. Other areas of thematic-based work include Tone at the Top and Overseas Delivery Centres.

In November 2021, the FRC issued their ‘What Makes a Good Audit?’ publication. The report was analysed, appropriate actions determined, and the report shared with the practice as a key resource document. In June 2022, the AQR team also published separate publications outlining examples of good practice and key findings from their 2020/21 inspections.

We expect that the AMS team will publish their thematic review into the culture of scepticism and challenge at the audit firms in Autumn 2022.

Copies of the published reports can be found by clicking on the link www.frc.org.uk.

FRC PIE auditor registration

During the year, the FRC has been preparing to assume responsibility for PIE Auditor Registration. As part of those preparations, the FRC has developed the PIE Auditor Registration proposals that were subject to consultation during April/May 2022.



ICAEW – QAD inspection

The standard-scope QAD audit engagement 2021 inspection results were published within the AQR's monitoring and supervision report on the firm in July 2022. They will also be included within the ICAEW's 2021 Audit Monitoring report, to be released in Autumn 2022.

The 2021 QAD inspection comprised standard scope reviews of 10 (2020: 10) individual audit engagements, of which:

- Ten audits (Nine in 2020) were assessed as 'good or generally acceptable',
- No audits (One in 2020) were graded as 'improvement required', and
- None of the audits in 2021 or 2022 were graded as 'significant improvement required'.

The QAD concluded that overall, the audit work reviewed was of a good standard, with all ten standard reviews graded either good or generally acceptable, a favourable comparison to the prior year.

The report did not include any key findings. The report also included a number of broader good practice themes, including in relation to the extent of documentation of audit work, the demonstration of professional scepticism in audit team discussions and challenge of assumptions in impairment models, and high quality reporting to management and those charged with governance.

As with the AQR 2021/22 inspection, we are pleased with the improved outcome of the 2021 QAD inspection. The QAD's findings have been incorporated into our RCA processes and responsive actions identified.

Local Audit monitoring

The AQR did not undertake any Local Audits inspections at PwC as part of the 2021/22 cycle.

ATOL inspections

As an ATOL reporting accountant, the firm is subject to inspection as part of the Licensed Practice Scheme. The procedures performed in respect of five ATOL returns were selected for review. The review concluded that the firm had appropriate policies and procedures in place in relation to ATOL work, and that no significant issues identified on the files reviewed.

Other UK regulatory bodies with which we have interactions

As statutory auditors we engage in ongoing dialogue with regulators of our clients. For example, many audit engagement teams meet with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) on a regular basis. We also have a duty, for example, to report to the PRA and FCA in respect of matters set out in the Financial Services and Markets Act 2000 (Communications by Auditors) Regulations 2001, and to report to the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator (OSCR) and the Charity Commission for Northern Ireland matters required by applicable charities legislation.

We also engage with the PRA and FCA through other roles including reporting as a skilled person under s166 of the Financial Services and Markets Act 2000 and Client Asset/Client Money reporting, as set out in the FCA's Supervision Manual. Additionally, PwC LLP is authorised and regulated by the FCA for, inter alia, designated investment business and consumer credit related activity; details of our status can be viewed on the FCA website under firm reference number 221411. We also work with audited entity management to enable them to assist the Corporate Reporting Review team of the FRC in their work monitoring public company reporting.



Canadian Public Accountability Board

The Canadian Public Accountability Board (CPAB) is the regulator for the audits of reporting issuers in Canada. No reviews were performed on UK audits in the current year.

The Crown Dependencies

Under arrangements with the relevant regulatory authorities in the Crown Dependencies, the FRC undertakes the review of relevant audits performed by PwC UK of the financial statements of certain entities registered in the Crown Dependencies. In their 2021/22 inspection of PwC UK, no such audits were reviewed by the FRC.

Public Company Accounting Oversight Board

The Public Company Accounting Oversight Board (PCAOB) is the regulator for the audits of public companies with securities listed in the US. Engagements in scope for inspection by the PCAOB are US registrants including Domestic Filers and Foreign Private Issuers (FPIs), and UK components of groups listed in the US.

The PCAOB commenced its most recent triennial inspection of PwC UK in September 2020. The inspection covered the 2019 audits of two FPI engagements and one UK component of a US listed company. The PCAOB inspection report dated 10 March 2022, describes the PCAOB's 2020 inspection.

The PCAOB inspection report contains an overview of the inspection procedures, observations on the engagements inspected and instances of non-compliance with PCAOB standards or rules. There were no identified audit deficiencies on the three engagements inspected nor other instances of non-compliance with PCAOB standards or rules.

Internal monitoring

Quality monitoring is an integral part of the firm's continuous improvement programme. We constantly seek to improve policies, procedures and the consistency of the quality of our work. Instances of failure to meet defined performance standards are treated seriously and the engagement leader responsible will be counselled to improve performance. In addition, under our accountability framework, financial penalties can be imposed on engagement leaders in case of adverse quality findings. Similarly, engagement leaders for any files that are considered 'exceptional/best in class' can have their reward positively impacted.

Engagement Compliance Review (ECR)

Within the 'Our system of quality management' section of the report on page 80, the key features of the annual ECR programme were outlined. The programme is an integral part of the firm's internal monitoring. The experienced reviewers have the opportunity to select areas of key audit matter that enable a focused review to take place.

PwC UK's monitoring programme is also designed to meet the requirements of ISQC (UK) 1, the ICAEW Audit Regulations and requirements of our other registrations including the Crown Dependencies' Audit Rules and PCAOB regulations and include the requirement to undertake an annual Audit Compliance Review (ACR).

This monitoring programme comprises of two parts:

1. The ECR programme is used to assess whether engagements are performed in accordance with relevant standards. Partners and staff are informed on a timely basis about the review results to enable them to apply any relevant learnings and for appropriate action to be taken; and



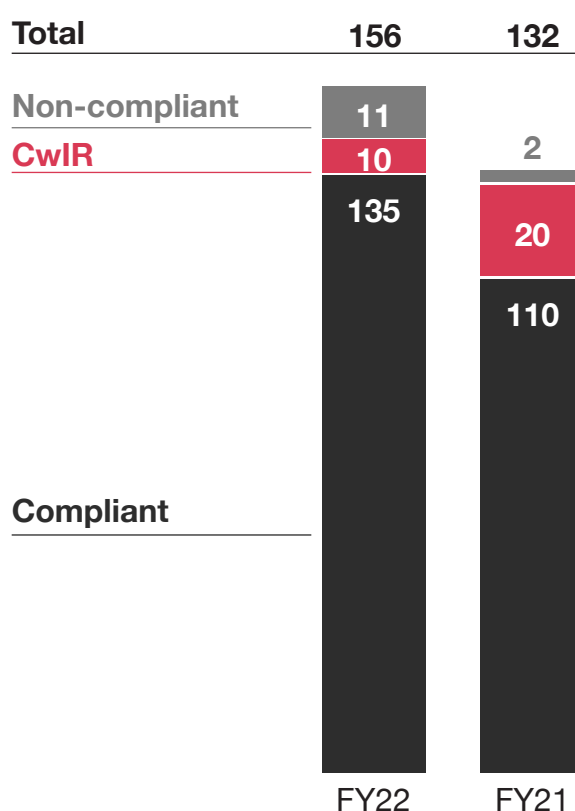
2. Whole firm review of policies and procedures adopted by PwC UK in respect of audit quality and ISQC (UK) 1 compliance. The firm conducts its own review of its compliance with policies and procedures each year as part of its Quality Management for Service Excellence (QMSE) review programme. This process is reviewed annually by the firm's regulators, and also by a PwC Network team independent of PwC UK as part of the Quality Management Review (QMR) programme. The Global Assurance Quality – Risk Leader informs engagement leaders of our firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC firms which enables our partners to consider these findings in planning and performing their audit work and take action if needed to mitigate any quality issues identified by either the firm or individual engagement leader.

- 35 non-audit assurance engagements (FY21: 19), representing 90% (FY21: 90%) of the 39 non-audit assurance engagements reviewed were classified as 'compliant'. 3 non-audit assurance engagement (FY21: 1) representing 8% (FY21: 5%) of those reviewed was classified as 'compliant with improvement required'. 1 non-audit assurance engagement (FY21: 1) was classified as 'non-compliant'.
- In addition, a further 8 audit engagements (FY21: 19) were subject to limited scope, targeted reviews of a specific aspect of the overall audit engagement. 8 engagements were classified as 'compliant' (FY21: 18) and no engagements were classified 'compliant with improvement required' (FY21: 1). No non-audit assurance engagements were subject to limited scope, targeted reviews in FY22 (FY21: 4).

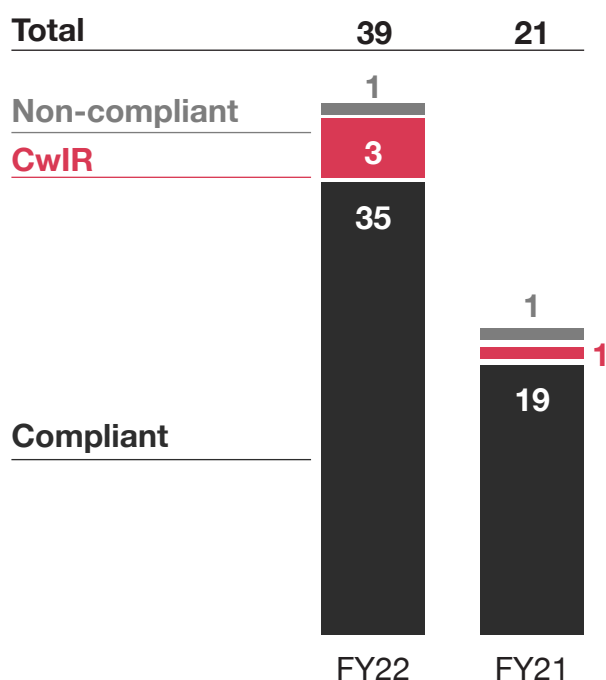
Details of the coverage and results of the 2022 ECR are as follows:

- 156 audit engagements (FY21: 132) were reviewed in FY22, covering 44% (FY21: 39%) of the firm's Responsible Individuals. 39 non-audit assurance engagements (FY21: 21) were also reviewed.
- 135 audit engagements (FY21: 110), representing 87% (FY21: 83%) of the audit engagements reviewed were classified as 'compliant'. 10 audit engagements (FY21: 20), representing 6% (FY21: 15%) of the audit engagements reviewed were classified as 'compliant with improvement required', and 11 (FY21: 2) were classified as 'non-compliant'.

Audit ECR Results



Non-Audit ECR Results



ECR results are in the process of a RCA in order to assess findings, identify potential causal factors and implement remedial actions.

Audit Compliance Measures (ACMs)

The Audit Compliance Measures (ACMs), which assess compliance against quality measures at an engagement level, are set each year to take account of matters arising from regulatory reviews and the previous year's ECR findings, in order to ensure that they focus on those aspects of our work where behavioural change and improvements in quality are considered necessary. They also consider areas where our audit methodology has changed, which merit examination to determine how methodology is being implemented.

In the year to 30 June 2022, 13 ACMs were assessed, covering various aspects of the audit from planning to execution and completion. These metrics are assessed quarterly through the review of files by partners and staff who are independent of the engagement under

review. The results are moderated at both a business unit and a national level.

The overall metrics for the Audit Line of Service are reported to the Executive Board. The overall ACM compliance score for the year ended 30 June 2022 was 94.3% (FY21: 92.5%).

These results are analysed by specific questions as well as by business units, and form the basis of amendments to policies, procedures and training materials.

Responding to matters raised by our Regulators

The Audit Risk & Quality Investigations Team works alongside PwC's Office of General Counsel (OGC) to resolve Troublesome Practice Matters (TPMs) which arise on completed audits. TPMs include FRC regulatory enquiries and enforcement actions, ICAEW enquiries and, in some cases, matters raised by clients and litigation. The team sits within Audit Risk & Quality and acts as internal experts who review and assess the quality of audit work under enquiry/investigation under the instruction of OGC. The OGC litigation team provides legal advice relating to TPMs.

Having an established Investigations Team within the Audit Line of Service is part of our recognition that we do not always get things right. We actively work with stakeholders, learn lessons, put in place remedial actions and, where necessary, defend our work by being clear about what we do, why we do things and how we comply with our obligations under international auditing standards.

We recognise and accept any identified shortcomings in our audit work, and acknowledge whenever our work falls below the professional standards expected of us and that we demand of ourselves.



FRC Investigations

The FRC is the ‘competent authority’ for audit under the UK Audit Regulation and Audit Directive. The FRC deals with cases that appear to raise important issues affecting the public interest in the UK, and investigates whether there is evidence of misconduct (under the Accountancy Scheme) or breach of a relevant requirement (under the Audit Enforcement Procedure) by an accountant or accountancy firm. The FRC conducts enforcement investigations some of which are made public. We have the following ongoing FRC investigations which are in the public domain:

- London Capital & Finance plc for the year ended 30 April 2016;
- Babcock International Group plc for the years ended 31 March 2017 to 31 March 2020;
- Eddie Stobart Logistics plc for the year ended 30 November 2018; and
- Wyelands Bank plc for the year ended 30 April 2019.

In the year to 30 June 2022, there have been two (2021: nil) FRC Final Decision Notices issued against the firm following investigations by the Enforcement division of the FRC. In respect of the audit of the Kier Group Plc consolidated financial statements for the year ended 30 June 2017 the firm was fined £3.35 million, adjusted for aggravating/mitigating factors and admissions/early disposal to £1,959,750. In addition, the FRC imposed a non-financial sanction, comprising: a requirement for the firm to evaluate and report to the FRC on certain audits conducted in 2022-2023 which feature long-term contacts and the impact of remedial actions put in place. In respect of the audit of the Galliford Try Plc consolidated financial statements for the years ended 30 June 2018 and 2019 the firm was fined £5.5 million, adjusted for aggravating/mitigating

factors (in particular reflecting an exceptional level of cooperation) by a reduction of 15% and further discounted for admissions/early disposal by 35% to £3,038,750. In both cases the FRC issued severe reprimands to the firm and a declaration that the Audit Reports did not satisfy the Relevant Requirements. The Final Decision Notices applicable to these cases are available on the FRC website at <https://www.frc.org.uk>.

Subsequent to the period covered by this report, in August 2022, the FRC published the outcome of its investigation into our audit of BT Group plc for the financial year ended 31 March 2017. The firm received a financial sanction of £2,500,000 adjusted for admissions/early disposal to £1,750,000 and non-financial sanctions, comprising a Severe Reprimand and a declaration that the Audit Report did not satisfy the Relevant Requirements.

FRC Case Examination and Enquiries (CEE)

The CEE process, handled by the FRC CEE team, seeks to deal with cases where the audit quality concerns can be appropriately and satisfactorily addressed, and the risk of repetition mitigated through engagement with the firm without the time and expense of full enforcement action. A key part of resolving an enquiry through ‘Constructive Engagement’ enquiries is for the CEE team to agree appropriate remedial actions with the audit firm. Throughout the year, we have successfully resolved enquiries from the CEE team by promptly responding to enquiries and putting in place the necessary remedial actions to prevent similar matters from reoccurring. These actions have included, for example, updating Aura file work papers, issuing additional guidance in the form of the firm’s “InBrief” technical updates to the audit practice and updates to the PwC Audit Guide. As part of resolving enquiries, we often provide evidence to the CEE team that the actions have been completed.



We also have open enquiries and are committed to working with the CEE team to constructively resolve these, and to proactively take the steps we need to, to improve audit quality.

Further details of the CEE process, Accountancy Scheme and Audit Enforcement Procedures can be found on the FRC's website at www.frc.org.uk

ICAEW

In the year to 30 June 2022 there were no audit cases (2021: one) found against the firm by the Investigation Committee of the ICAEW. We have ongoing enquiries with the ICAEW which we are committed to continuing to work with the ICAEW in resolving. Further details of the ICAEW's disciplinary process can be found at www.icaew.co.uk.

Complaints and allegations

If clients are not satisfied with the services we have delivered, or have suggestions for how we can improve, they may contact either the engagement leader or Alison Statham, the firm's General Counsel and Chief Risk Officer, who is located at our registered office. We look carefully and promptly at any complaints or allegations we receive. The Institute of Chartered Accountants in England and Wales (ICAEW) or the institute of which the individual PwC UK partner or member of staff is a member, may also be contacted directly.



Audit Quality Measures & Audit Quality Indicators



Measuring and assessing audit quality is fundamentally important. Using measures and indicators effectively can help the users of audit services and wider stakeholders to engage in a richer discussion about what constitutes a high quality audit, and how it might be achieved.

Audit Quality Indicators are complex and the term 'AQI' can often mean different things to different stakeholders. We are actively engaged with the FRC and other stakeholders including Audit Committee Chairs to support their consideration of AQIs and how best they can be used at both a firmwide and engagement level.

We participated in the FRC's engagement level AQI pilot and implemented our own extended engagement level AQI pilot through 2021/2022. From these pilots we have learnt a great deal about the information Audit Committee Chairs are interested in.

The non-prescriptive approach to the pilot promoted innovation and allowed for continuous improvement in this area. We continue to support the promotion of innovation and improvements in the use of AQIs, and exploring what good practice looks like.

We also support the use of AQIs that are reflective of the way an audit practice operates, increasing the information available to the users of audit services and wider stakeholders beyond just external inspection results.

To improve our own reporting, set out below in one place are our external audit quality measures, as well as supporting data.

We also comment on the evolution of the use of Audit Quality Indicators, and present additional metrics to provide insight on our system of audit quality management.

Audit Quality Measures (AQMs)

We have four key measures of audit quality to provide a comprehensive view of the quality of our audits. These measures are included in the firmwide balanced scorecard that is reported to our Executive Board each quarter.

Audit Quality Measure	FY22	FY21	Page
Percentage of audit files inspected through internal and external inspection processes were rated good or limited improvements required (or equivalent rating)	87%	83%	8
Percentage of the audits inspected that did not require a restatement of the financial statements	99%	99%	8
How the organisations we audit score us when asked whether our teams challenged them during the audit (out of 10)	8.5	8.3	8
Percentage of respondents to our annual audit culture survey who feel proud of the quality of our audit work	85%	82%	8



Supporting Data

We present below the supporting data referenced elsewhere in this report which provides further context in relation to the two inspection-related Audit Quality Measures.

	FY22	FY21	Page
Internal Inspections			
ECR audit file inspections performed*	156	132	90
Percentage of the firm's Responsible Individuals covered by ECR audit file inspections*	44%	39%	90
ECR audit file inspections graded 'compliant'*	87%/135	83%/110	90
ECR audit file inspections graded 'compliant with improvement required'*	6%/10	15%/20	90
No. of ECR audit file inspections graded 'non-compliant'*	11	2	90
No. of ECR non-audit file inspections graded 'compliant'	35	19	90
No. of ECR non-audit file inspections graded 'compliant with improvement required'	3	1	90
No. of ECR non-audit file inspections graded 'non-compliant'	1	1	90
The overall ACM compliance score for the year	94.3%	92.5%	91
External Inspections			
AQR file inspections graded 'good' or 'limited improvements required'*	83%/15	80%/16	85
AQR file inspections graded 'improvements required'	17%/3	20%/4	85
AQR file inspections graded 'significant improvements required'*	0	0	85
No. of QAD file inspections graded 'good' or 'generally acceptable'	100%/10	90%/9	88
No. of QAD file inspections graded 'improvement required'	0	10%/1	88
No. of QAD file inspections graded 'significant improvement required'	0	0	88

*These metrics are those which have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports.



Audit Quality Indicators (AQIs)

AQIs are a tool to provide greater information to the users of audit services and wider stakeholders to enable a richer discussion about what constitutes both a high quality audit and a high quality audit practice. Importantly, AQIs can be considered at both a firmwide and engagement level.

AQIs can't cover all aspects important to audit quality, they require context and there are practical challenges to using them. In our experience, AQIs provide the most value and insight for users of audit services at an engagement level and AQIs at this level lead to a richer discussion about audit quality. However a 'one size fits all' approach is not necessarily the best way to engage and there continue to be differing perspectives on what makes a high quality audit.

Where AQIs are used, we encourage the number of indicators to be limited and for them to be agreed between those charged with governance and the auditor. Commonly

used AQIs, which we believe are key to a high quality audit, include those relating to the resources allocated to the engagement, the project management of the audit, and the quality and timeliness of management deliverables. These AQIs are most useful when measured at an engagement level.

At a firmwide level we continue to develop our approach to quality indicators. We recognise that for an audit practice as wide and varied as ours, the collation of data sets across such a diversified engagement portfolio can provide limited insight to wider stakeholders.

In addition to AQIs, there are many other metrics and management information that can provide insight on our system of audit quality management at a firmwide level. Presented below are the additional metrics included within this Transparency Report. They include metrics that have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports.



	FY22	FY21	Page
Metrics from partner and staff surveys			
I am encouraged to perform a high quality audit*	92%	92%	103
I have sufficient time and resource to deliver quality audits* ¹	63%	60%	–
I receive enough training and development to enable me to deliver quality audits*	80%	77%	10
The leaders I work with encourage me to deliver quality services	94%	91%	101
My team regularly shares problems with each other in order to find effective solutions	86%	84%	103
My team regularly challenges each other around whether the course of action we are taking is realistic and/or will deliver a quality audit outcome	83%	82%	103
I feel confident to challenge others who demonstrate behaviours that put audit quality at risk	86%	85%	102
I understand how the work I do on a day to day basis supports the purpose of audit	93%	N/A	9
External surveys			
Audit Committee chairs and those charged with governance rated our overall audit quality (out of 10)	8.4	8.5	–

*These metrics are those which have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports.

1. Responses in relation to the question 'I have sufficient time and resource to deliver quality audits' include both favourable and neutral responses.

N/A: Survey question introduced in FY22.



	FY22	FY21	Page
External Investigations			
Decision notices issued against the firm by the Enforcement division of the FRC	2	0	92
Audit cases found against the firm by the Investigation Committee of the ICAEW	0	1	93
Resource			
Number of UK Audit people	5,400	5,300	8
People recruited into Audit	1,355	1,302	8
Number of Responsible Individuals	337	327	8
Responsible Individual to staff ratio	6.2%	6.2%	–
Training			
The average time charged to training time codes by qualified (and equivalent grade) partners and staff in Audit during the calendar year, including mandatory and elective training	95 hours per person	116 hours per person	111
The total number of hours charged to training time codes by all partners and staff in Audit during the year, including exam training for staff under training contracts	1.4m hours	1.3m hours	111
The minimum structured training hours provided to qualified audit partners and staff within the annual mandatory audit, accounting and compliance update programme*	30 hours per person	33 hours per person	110
The range of possible structured mandatory training hours required by qualified audit partners and staff based on their grade, experience and role (defined by their learner profile responses)	30-270 hours per person	33-216 hours per person	110
Percentage of qualified auditors who completed climate training during the year	100%	N/A	10

*These metrics are those which have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports.



	FY22	FY21	Page
Training (continued)			

Digital Academy completions during the year	4,900 (Audit: 1,300)	15,000 (Audit: 4,000)	10
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Percentage of our people who have already completed our Open Mind training, with all of our people required to complete our race awareness training over the coming year.	97%	N/A	104
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Inclusion and Diversity

We believe that a diverse and inclusive audit practice enables better quality outcomes. Our commitment to building a diverse and inclusive workforce is further detailed on page 103, with specific reference to our recruitment initiatives on page 114.

We also report diversity metrics for both gender and ethnic minority, at a firmwide level, on our [integrated reporting hub](#).

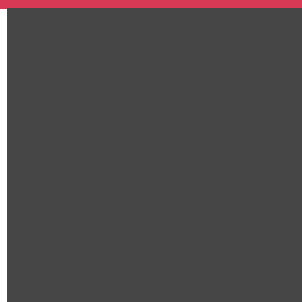
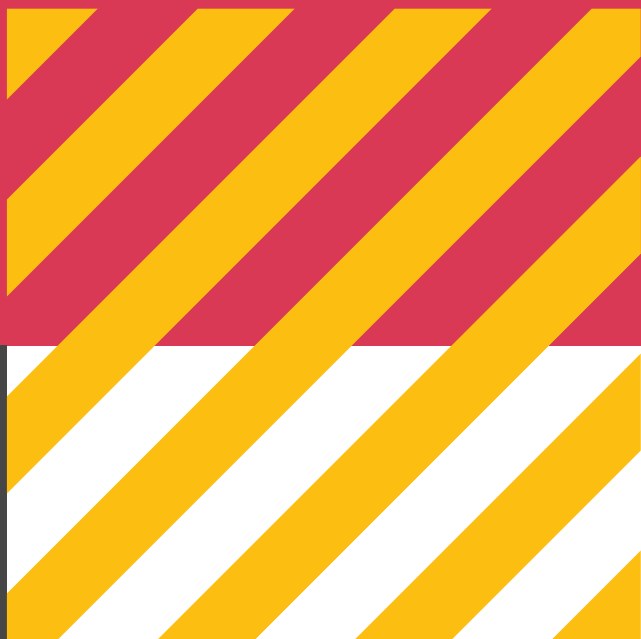
Consultation, Technical panels and Hot reviews

Consultations completed	9,588	12,009	125
Technical panels completed	54	112	126
Hot reviews of financial statements and reports completed	247	295	125

*These metrics are those which have been mutually agreed with the Policy and Reputation Group (PRG) to be disclosed in Transparency Reports.



People



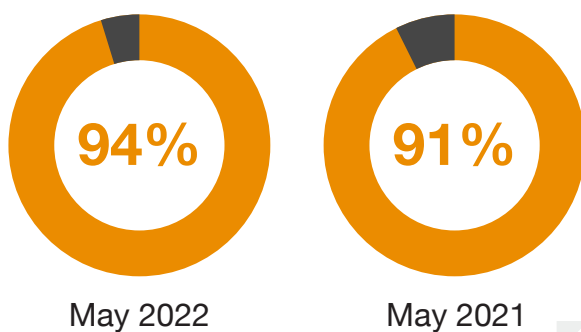
Having the right people with the right skills is fundamental to audit quality and, we aim to attract, develop, reward and retain top talent by creating an inclusive culture where the best people want to stay and build their careers.

Our purpose, culture and values are inextricably linked and together they define who we are as a firm. Our culture, which is supported by our values, guides 'how' we deliver our purpose and our strategy. It sets the tone for how we behave and how we work together to deliver high quality outcomes that have a positive impact on the organisations we work with and our communities.

Our culture means our people are empowered to be the best they can be, embracing change and opportunities in a technology driven world. This is underpinned by a strong team-working ethos creating an inclusive environment where everyone feels valued, and that they can bring their whole self to work.

At a firm level through our You Matter Survey we measure whether our people feel that our leaders' encourage high quality work.

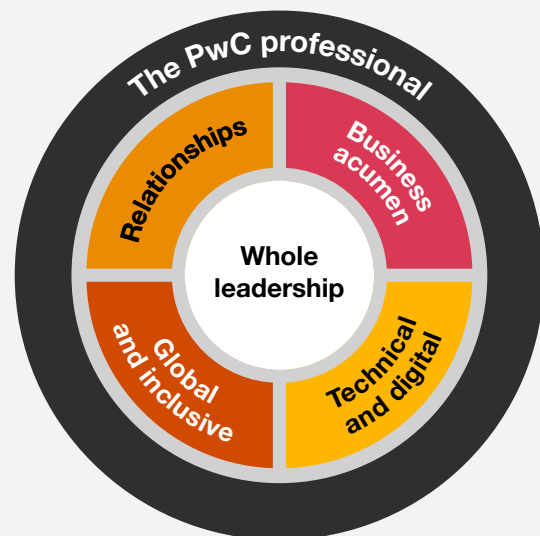
The leaders I work with encourage me to deliver quality services:



The PwC Professional

The PwC Professional is our global leadership development framework. It supports the development and career progression of our people by providing a single set of expectations across all Lines of Service, geographies, and roles; outlining the skills and capabilities we need as individuals to thrive as purpose-led and values-driven leaders at every level. The PwC Professional comprises five core attributes;

- Whole leadership
- Business acumen
- Technical and digital
- Global and inclusive
- Relationships






When working with our clients and our colleagues to build trust in society and solve important problems, we:

- Act with integrity
- Make a difference
- Care
- Work together
- Reimagine the possible

Audit culture and behaviours

Over the last three years, our Programme to Enhance Audit Quality (PEAQ) has driven an evolution in the culture of our Audit practice. At the start of the programme, we commissioned an independent paper from Professor Karthik Ramanna, which, alongside the work of our firm's cultural experts, helped develop our Audit Behaviours. These Behaviours are designed to create a culture that best supports high quality audit. Our behaviours are:

	Team first
	Challenge and be open to challenge
	Take pride

Team first

Our teams are inclusive and work together, encouraging a 'problem shared' ethos. We invest in our teams' personal and professional development, coaching with purpose, openly communicating expectations and being present.

Challenge and be open to challenge

Being comfortable to challenge the organisations we audit – and each other – is fundamental to audit quality. It's vital our teams make a safe space for challenge, role model constructive challenge and empower challenge.

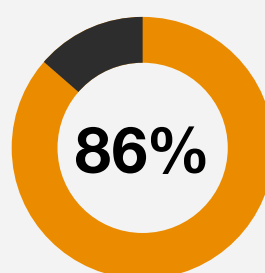
Take pride

Audit is fundamental to capital markets and the trust it creates delivers great value to society. Our people are deep specialists and we encourage them to take pride in the work they do. Taking pride in their day to day work is also critical to achieving high quality.

These behaviours set clear expectations for our auditors and have been embedded into everything we do, from audit training to delivery and the evaluation of our people's performance.

We undertake an annual Audit Culture and Behaviours survey to measure how well the behaviours are embedded and identify any barriers to demonstrating them. In addition, our Audit Culture team has observed audit teams, held focus groups and collected feedback to assess how our Audit Behaviours are embedded in the day to day interactions of our audit teams. We use these findings to inform our activities to ensure our culture continues to drive high quality.

Our 2022 Audit Culture and Behaviours survey showed:

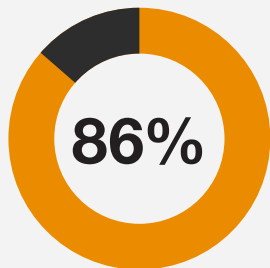


I feel confident to challenge others who demonstrate behaviours that put audit quality at risk.

FY21 85%

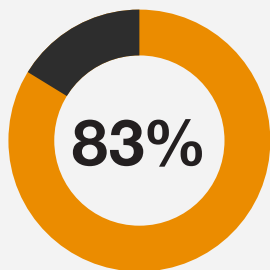


Our 2022 Audit Culture and Behaviours survey showed:



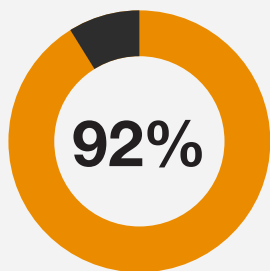
Team first: My team regularly shares problems with each other in order to find effective solutions.

FY21 84%



Challenge and be open to challenge: My team regularly challenges each other around whether the course of action we are taking is realistic and/or will deliver a quality audit outcome.

FY21 82%



Take pride: I am encouraged to perform a high quality audit.

FY21 92%

By understanding how our people feel and tracking our progress in embedding the behaviours, we can continue to develop and tailor our cultural programme.

Culture is a fundamental element of our FY23 Audit Quality Plan (AQP), with a key focus on:

- An enhanced culture of psychological safety where our teams can safely learn from mistakes to support continuous improvement;

- Team contracting as our people continue to navigate the practical ways of working effectively in a hybrid environment; and
- Client contracting, with a renewed focus on reinforcing the critical importance of timely and quality information and supporting evidence.

We believe that these will help further empower our auditors and support quality in everything that we do.

Inclusion and Diversity

We are committed to building an inclusive culture where everyone at PwC can thrive and fulfil their potential.

We continue to design interventions and actions to drive inclusion so that we are able to recruit and retain different types of people with diverse skills, experiences and perspectives to bring value to our firm and the organisations we work with.

Interventions fall under three priorities:

- Leadership sets the tone from the top;
- Visibility of diverse role models in leadership positions; and
- Minorities have equal opportunities to progress their careers.

These priorities are enabled by action plans focused on five different areas:

- **Creating an inclusive culture** developing strong inclusive leadership skills and leadership role modelling underpinned by a sustained engagement and communications strategy;
- **Senior level accountability** delivering on our publicly disclosed diversity targets for both gender and ethnicity, aligning our accountability framework to both performance management and reward;



- **Fair work access** ensuring people from diverse backgrounds are in key roles throughout our firm and have access to roles that support their development and progression;
- **Targeted recruitment activity** to attract diverse talent for our student and experienced hire opportunities; and
- Access to **career sponsorship** and development.

We monitor the impact of these interventions and measure progress against grade pool targets for gender and ethnicity for all grades. This includes Executive Board review on a quarterly basis as part of our Balanced Scorecard report. We first set targets in 2015 to be achieved by 2020, and have now set further stretch targets out to 2025. These targets and our progress against them, are published in our [integrated reporting hub](#) and [Annual Report](#) in accordance with our obligations under both HM Treasury's Women in Finance Charter and also Business in the Community's Race at Work Charter.

Performance against these targets and actions taken to support our firm's work to increase inclusion and diversity are recognised financially as part of partner performance and remuneration.

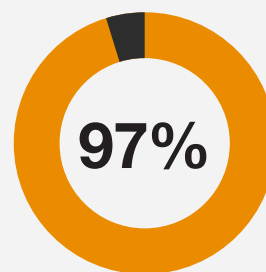
We first voluntarily published our gender pay gap in 2014, prior to the regulations being introduced in 2015. Since then we have held ourselves accountable to disclose more than we are required to, including our partners in our data. We have published our ethnicity pay gap since 2018 and now publish this to show the breakdown of our ethnicity pay and bonus gaps to show our Black, Asian, Mixed Ethnicity pay gaps and Chinese pay and bonus gap.

Our gaps continue to be driven by the fact there are fewer ethnic minorities and females in senior roles within our business. However, this is different from equal pay. We are confident that our people are paid equally for doing equivalent jobs across our business, and we continue to take action to address any gaps and to make sure our policies and practices are fair.

Last year we took our pay gap reporting a step further and additionally reported our Socio-Economic Background (SEB) and disability pay and bonus gaps. We continue to retain our focus on ensuring that all of our people have equal opportunity to work and that all of our talent processes are fair and inclusive.

Alongside our Partner Diversity Council, we have a Staff Diversity Council representing different communities in our firm. The Staff Diversity Council provides challenge and insight, helping us to shape our inclusion and diversity activities, and providing leadership with feedback on experiences of our firm.

In support of our commitment to an inclusive culture, we have invested significantly in firmwide training for all of our people on bias and race awareness in addition to our inclusive leadership training for partners.



of our people have already completed our Open Mind training*, with all of our people required to complete our race awareness training over the coming year.

*Our "Open Mind: Think Again" unconscious bias awareness training, which is designed to get our people thinking about their behaviours & choices.



Wellbeing

We continue to invest in both the mental and physical wellbeing of our people. Our people's wellbeing is a top priority and this is reinforced in communications from all levels of leadership. As part of our people's annual goal setting process we have introduced a Firmwide mandatory Wellbeing Performance Goal, requiring all our people to find ways to prioritise their own wellbeing and support those around them.

This year we introduced two key new wellbeing benefits, Peppy and Money Talks Hub. Peppy gives our people access to first class expert advice and support on the menopause, fertility and becoming a parent. Money Talks Hub is a new financial wellbeing platform that provides education and awareness on financial health, covering both planned and unplanned events for all stages of a user's life and career.

It is important that all of our people feel confident in supporting each other, as well as looking out for their own wellbeing. We have continued our rolling mental health literacy programme which spans basic mental health awareness through to MHFA accreditation. Our goal is that all of our people will have at least a foundational level of mental health literacy, achieving this through completion of the Samaritans' wellbeing conversations and listening training.

Over the year, our communications and engagement activities have included raising awareness and encouraging our people to take action on health matters overshadowed by COVID-19, and breaking taboos around aspects of health still not often discussed in the workplace. For example:

- A series of 'Conversations about Cancer';
- The launch of a new baby loss policy; and
- A spotlight on the menopause and fertility.

We understand that people continue to be impacted in a variety of ways by the pandemic. We have sought to understand more about the impact on different teams and groups so our interventions can be appropriately tailored and targeted. The populations we have focused on include new joiners; younger, more junior employees; and parents. In addition we held listening sessions for those affected by the war in Ukraine.

In response to feedback from our people, we refreshed our existing Everyday Flexibility policy and launched a new Deal with our people which more accurately reflects the changed world of working and incorporates the principle of 'Empowered Flexibility'. The Deal reflects our new blended way of working, with a mix of home, office and client site location. Our people are strongly encouraged to use this opportunity to build positive wellbeing routines into their day, including physical movement and rest and recovery, along with protected time for commitments and interests outside work.



To further support adoption of effective new ways of working, we partnered with an external expert in occupational psychology and behaviour change to produce bitesize resources focused on the mindset for successful hybrid working. A series of podcasts, together with resources teams and individuals can use to help embed change, is helping people break unhelpful habits and develop new, wellbeing-enhancing routines.

Recognising our blended way of working, we wanted to make sure our people could access the wellbeing support they may need in a flexible and fully accessible way. Our virtual pathway to access support (via our Employee Assistance Programme (EAP)) has therefore been supplemented with an in-person option, allowing for an on-site pre-assessment with a clinician in the office. We also provide access to a platform that signposts external support close to where people live on a wide range of wellbeing issues, along with a Virtual GP service, giving all our people 24/7 access to this support.



Training

The Year* in Numbers

140,000+

individual pieces of mandatory training were issued and tracked to completion in the year.

1,600+

new joiners successfully onboarded into Audit during 2021 (both graduates and experienced hires) with a further **500** joiners welcomed in the first 3 months of 2022.

13

institute prizes were awarded to PwC staff in 2021.

Feedback scores on all Audit mandatory training programmes exceeded local stretch targets with a weighted average of

4.5

across all programmes.

Further expansion of our FS industry curricula with the implementation of both the **B&CM Academy** and the **enhanced Insurance programmes**. Additional investment in upskilling our teams in key technical areas is planned, with revised IFRS 17 training in development.

Nearly

27,000

individual assessments taken to support learners' ongoing development through reinforcement of key technical topics (both across Year 1 to 4 assessments and EAT topic-based assessments).

Year 1 to 4 programmes delivered to over

2,500

students virtually and External Auditor Training programme was delivered virtually to around **3,500** qualified staff and partners.

Redesigned US curriculum released to support those working on US engagements.

A total of

3,257

individuals are currently studying toward a Professional Qualification, **822** of who started their studies in 2021.

Continued investment in technology upskilling with a further

4,900

Academy completions and an additional **264** Accelerators trained across the firm. **1,300** of these places and **42** of the Accelerators were from the Audit LoS.

Continued promotion of our "Open Mind" training designed to raise awareness and spark important debate on the topic of unconscious bias with over

5,000

staff and partners having completed at least one element of the programme since its introduction in October 2020.

Nearly

900

individuals were upskilled across the latest Environmental, Social and Governance (ESG) discussion topics through our "ESG & Me" foundation programme, with a further **170** completing detailed training on climate risk through our "Climate Essentials" curriculum.

*Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2021 in this report.



The learning landscape

Throughout our people's careers, they are presented with a variety of development opportunities, classroom, virtual classroom and on-demand learning (both formal and informal), as well as on-the-job real time coaching. Our extensive training portfolio allows individuals to personalise their development journey with access to a variety of education materials, including webcasts, podcasts, articles, videos and in person and virtual courses, to supplement their formal training and, where applicable, professional qualifications.

Achieving a professional credential supports our firm's commitment to quality through consistent examination and certification standards. Our goal is to provide our people with a more individualised path to promotion and support them in prioritising and managing their time more effectively when preparing professional exams. Providing our people with the ability to meet their professional and personal commitments is a critical component of our people experience.

For new joiners, a firmwide induction is provided to all staff followed by a Line of Service event. In addition, the Audit Line of Service has specific mandatory training for new hires before they can work on engagements, as well as certain other specific training requirements necessary to perform work on a job (for example, PCAOB training for SEC registered clients).

Our PwC Professional career progression framework underpins a training curriculum which provides a wealth of opportunities for our people to learn and develop. Training is generally a combination of remote access training and classroom training, although the global pandemic resulted in a period of fully virtual delivery. Towards the end of 2021, in accordance with Government restrictions, we began to return to classroom training as appropriate.

We now adopt a hybrid approach to training our people, taking relevant learnings from virtual delivery and focusing the physical classroom elements on the programmes areas that most benefit from coming together in person.

Audit mandatory training

The firm's core mandatory audit training is categorised into pre-qualified pathways and a post-qualified curriculum, covering both technical and broader skills content. Experienced hires follow a defined series of onboarding activities prior to joining the post-qualified curriculum. Core audit training is supplemented by US, Financial Services and other industry curricula for those individuals deployed on such engagements. Certain roles, such as Quality Review Partners, also require specific additional training.

Completion of mandatory training is tracked and compliance of all staff and partners is closely monitored. Our training complies with the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006. Sanctions apply for non-completion of mandatory training up to and including dismissal.

Within the Audit Line of Service annual training needs are analysed to identify new areas of technical and non-technical training or areas needing reinforcement and focus. Our Training Needs Analysis is prepared in consultation with Audit Risk & Quality* and considers the current regulatory findings and root cause analysis.

*Team consisting of central technical audit and accounting subject matter experts.



Emerging training needs are considered on an ongoing basis and we release new guidance and training materials as appropriate throughout the year. This allows us to respond promptly when areas for improvement are identified.

We continue to invest in our training curriculum so that our people are informed, prepared and empowered to deliver high quality work whilst navigating an increasingly complex political, economic, technological and regulatory landscape.

Mandatory training attendance



Of partners and staff have completed all mandatory training in FY22*.

FY21 100%

The total number of hours charged to training time codes by all partners and staff in Audit during the calendar year to 31 December 2021, including exam training for staff under training contracts.

2021 **1.4m hours**

2020 **1.3m hours**

The average time charged to training time codes by qualified (and equivalent grade) partners and staff in Audit during the calendar year to 31 December 2021, including mandatory and elective training.

2021 **95 hours**

2020 **116 hours**

*Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2021 in this report.



Metric	2021 (Calendar year)*	2020 (Calendar year)	Explanation
The minimum structured training hours provided to qualified audit partners and staff within the annual mandatory audit, accounting and compliance update programme.	30 hours per person	33 hours per person	Feedback received in 2020 indicated that learners experienced digital fatigue on all day training programmes. To address this the length of the days were shortened on all day programmes, such as External Auditor Training (EAT), and additional breaks added. These adjustments, coupled with a marginal reduction in compliance training requirements year-on-year, has led to the reduction on minimum structured hours noted.
The range of possible structured mandatory training hours required by qualified audit partners and staff based on their grade, experience and role (defined by their learner profile responses).	30 - 270 hours per person	33 - 216 hours per person	The redesign of the Financial Services curriculum continued during 2021 with additions to the Banking & Capital Markets Academy and advanced level insurance training. Live workshops were added to the existing suite of specialist banking training, providing our staff with the opportunity to apply their theoretical learning through a series of case studies. Further, the scope of training for experienced joiners was also expanded in 2021.

*Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2021 in the report.



Metric	2021 (Calendar year)*	2020 (Calendar year)	Explanation
The average time charged to training time codes by qualified (and equivalent grade) partners and staff in Audit during the calendar year, including mandatory and elective training.	95 hours per person	116 hours per person	This movement is attributable to a decrease in elective training selected by partners and staff, combined with a reduction in the minimum mandatory training hours required. Elective training hours have decreased for a number of reasons including a focus in 2020 on technology upskilling through our Digital Academies programme and more in person coaching in 2021.
The total number of hours charged to training time codes by all partners and staff in Audit during the year, including exam training for staff under training contracts.	1.4 million hours	1.3 million hours	Around 50,000 of the additional hours noted relate solely to the impact of the increased headcount in year. The remaining movement mainly reflects changes within the pre-qualified curriculum, including additional content for the Year 2 and 3 programmes. The continued expansion of our foundation specialist pathways e.g. banking, insurance etc. and exam catch up (due to deferrals in 2020) has also contributed to the increase in total training hours.

We are proud of the quality of our training programmes, with high feedback scores, generally in line with or exceeding levels achieved in 2020.

Our people tell us that professional development is the number one reason that they choose to stay at PwC (2022 You Matter Pulse Survey).



*Our training cycles follow the calendar and not the financial year, hence we have presented training metrics for the calendar year to 31 December 2021 in the report.



Case study:

External Auditor Training



A total of three days of classroom training is supplemented with regular webcasts throughout the year, covering key risk and quality matters, latest regulator findings and hints and tips, all on a 'just in time' basis, and topic-based assessments. The programme brings teams together with subject matter experts to explore topics impacting external audits.

We are delighted that 2022 marked the return to the physical classroom, bringing our people together face-to-face for the first time since Autumn 2019 for two of the three classroom days planned.

This calendar year we moved to one training day in the Spring, one in the Summer and one in the Autumn. The acceleration of one of these days to the Spring, allowed teams to explore the implications of ISA (UK) 315 (R) 'Identifying and Assessing the Risk of Material Misstatement' on the upcoming planning phase of their audits. Before the Spring day attendees were required to complete the pre-course work, consisting of two compulsory e-learns, a new approach for this programme. This set our teams up well for the day and received positive feedback.

The External Auditor Training (EAT) programme remains a critical element of our annual training for all of our qualified auditors and over 3,500 individuals attend the programme each year.

Summer and Autumn events are designed to cover relevant, timely updates on key matters such as the revised Fraud standard, ISA (UK) 240 (R), climate risk and the latest regulatory findings, as well as content to support our teams in effectively delivering quality audits, such as coaching skills. Topics planned vary, from the audit of cash and cash equivalents to appropriate phasing of audit procedures to the role of a quality review partner.

The implications of ISA (UK) 315 (R) 'Identifying and Assessing the Risk of Material Misstatement' effective for periods commencing on or after 15 December 2021 were introduced during the EAT 2021 Autumn programme and additional dedicated time for this significant update was provided for all qualified staff and partners at the EAT 2022 Spring events. Further ongoing support as this standard is implemented will be provided (including localised training where appropriate) by the Chief Auditor Network. Relevant content from the EAT programme will be incorporated into the pre-qualified curriculum as appropriate.

The Financial Reporting Council (FRC) highlighted in its November 2021 publication 'What Makes a Good Audit?' that the risk of fraud needs to be considered carefully and separately to normal business transactions / risks. There are also upcoming changes to the main fraud standard, ISA (UK) 240 (R), and we have therefore considered this topic further for content in 2022. Content was planned for EAT 2022 Summer and this training built upon previous content, including the EAT 2020 'A forensic mindset' session.

High quality coaching plays a vital role in supporting on-the-job learning, collaboration and successful delivery of audits. Coaching skills continue to be an area of focus for our training (at all levels). A dedicated coaching session was delivered at EAT 2022 Summer, as well as being integrated into all other topics, and programmes as appropriate.



Case study:

Spotlight on ESG training

At PwC, our ambition is to build trust in the climate transition and help organisations meet their Environmental, Social and Governance (ESG) goals. We aim to do this through helping our clients transform sustainably, build the credibility of their reporting, invest for the future, and support their people through the process.

Our commitment to the ESG agenda is demonstrated in our £3 million Year 1 investment towards building out our capability in this area. All staff and partners are expected to complete foundation level awareness training to enable them to talk confidently with clients on such matters.

Our dedicated ESG Leaders will receive more focused training on specific areas to help support the wider business on all things ESG and those individuals delivering ESG specific engagements will be supported through deep technical training as relevant to their work.

With around 1,000 people through basic ESG training to date, 2022 will focus on the remaining population as well as our detailed “Climate in Action” curriculum for drivers in the business and the development of our other development of our X-LOS programmes focused on Supply Chain, Sustainable Finance and Reputation Management.

Our qualified audit population will also benefit from additional dedicated time on climate-related matters at the EAT 2022 Autumn sessions, building on the sessions held during EAT 2021.



Recruitment and Resourcing

PwC UK aims to recruit, train, develop and retain the best people who share the firm's commitment for delivering high-quality services. We encourage talented students to join us at any stage of their academic life. In FY22 this included:

5,856

Total recruited

740

Flying Start programme

1,418

Graduates including flying starts and school leavers

432

Tech degree

110

One year placements

105

School leavers

269

Shorter placements

528

Summer Interns

In 2019 at the beginning of our Programme to Enhance Audit Quality, we set ourselves a target of recruiting 500 additional experienced auditors, alongside our existing graduate recruitment and training contract pathways. Over the last three years we have recruited over 1,500 experienced auditors from across the UK and overseas. This meant that at the end of 30 June 2022 we had 690 more auditors in the firm than when we first launched the PEAQ.

All recruits for our full-time programmes are required to submit an application form and are subject to at least two interviews. Certain information such as qualifications and any previous employment is verified. Graduate and student recruits also pass through an

internal assessment centre before joining the firm. Our recruitment process is closely aligned to the PwC Professional framework, enabling us to select the best talent, based not only on their technical skills but also on their behaviours and ways of working.

We believe that investing in diverse skills, experiences and backgrounds puts us in a stronger position to understand and meet the needs of our clients.

203

Women in business

222

New World New Skills

66

Black talent in business

1,596

Virtual Insight Week (unpaid)

We continued our investment in Inclusion and Diversity by expanding our Diversity in Business programmes with the launch of our new three-day paid Black Talent in Business programme, for which we welcomed 66 joiners. This programme is designed to reach black undergraduate students who are currently under-represented in our industry. This programme sits alongside our existing Women in Business programme, for which we welcomed 203 joiners.

As part of our continued investment in inclusion and diversity, we are pleased to partner with the 10,000 Black Interns programme, pledging our support for its aim to provide paid work experience to black students. Further to this, we are exploring the possibility of introducing a programme aimed at supporting and encouraging students from lower socioeconomic backgrounds. We hope to have launched a programme for this demographic group by Autumn 2023.



Our diversity programmes have been extremely successful year on year and we're proud to see a 27% increase in student hires for our Women in Business and our Black Talent in Business programme. We have reached 1,596 students through our virtual insight week, and 222 students through our New World New Skills programme, where students gain insight into our firm, the clients we support, as well as being provided with key employability skills.

We expanded our Flying Start programmes this year by launching a partnership with Queen Mary University of London with our first intake joining in September 2022.

We've also expanded our Technology Degree Apprenticeship programmes this year to enable us to continue building a pipeline of diverse technology candidates. We have launched a degree apprenticeship programme with Queen Mary University of London, and with Ada College for Digital Skills in Manchester. We expect 100 apprentices to join across these two institutions in Autumn 2022.

Assignment of engagement teams

Partners and staff are assigned to engagement teams, based on their experience, competencies and grade. Our internal resourcing function (split by teams that support each Line of Service) oversees the placement of staff into client assignments to maximise the best match of skills and experience required for the role, and to fairly allocate work whilst balancing the capacity and demand requirements at that time. The assignment of staff is managed within each of the Business Units (BU), allowing the management of skills to be considered more accurately.

The nature of competence and skill required will differ between industry, size and/or nature of the clients, and for certain types of work, specified levels of experience and specific additional training may be

required to ensure that the individuals are competent to undertake the work (for example only certain individuals can lead or undertake certain types of work such as capital market transactions and due diligence work). Other factors such as independence, or security clearance requirements will also be considered.

In addition, some teams, such as Financial Services BUs in the Audit Line of Service (that service a specialised industry) will require a Financial Services specialism and accordingly, this will be considered when staffing teams.

Each Line of Service has an established process for an engagement team to escalate/report resource shortfalls. If demand is greater than the capacity available in a Line of Service we consider whether there is sufficient capacity with the appropriate capability elsewhere in the firm that can support the engagement. If such capacity and capability is not available then we will review if we are to accept the engagement or not.

The firm uses Smart Budget which is a transformational tool that provides an effective, clear and consistent way for us to build quality plans. These plans are recorded in TalentLink which is the system of recording individuals' job allocations and capacity. The Audit Line of Service uses 'Juggler', an automated optimisation tool to schedule resources to engagements in accordance with predefined business rules and priorities for deployment. The Juggler rules have been designed to produce quality resource allocations that meet capacity, continuity, employee preference and audit quality requirements for the junior grades of staff (with the senior grades of staff being directly assigned by the resourcing team, in conjunction with the business).





Performance evaluation

Performance is defined for our people as ‘what you do (your contribution and the impact this has) and how you do it (the behaviours you demonstrate)’. Managing contribution, impact and behaviours is a year round activity, and all of our people have regular meetings with their Career Coach* to discuss their ongoing performance.

All our people set goals annually which are linked to wider goals and values. This includes: firmwide and LoS goals, which are cascaded to all partners and staff to set the strategic context; BU/function goals include measurable targets and expectations; and individual goals which define how an individual’s contribution and impact for the performance year ahead will support achievement of the firmwide vision and strategy.

Our people are encouraged to review their individual goals on a regular basis and ensure they are updated as they see fit, in order to ensure their relevance.

For the Audit LoS, our people continue to set goals focusing on quality, change and simplification in the way that we deliver our audits, through demonstration of the Audit Behaviours.

Alongside regular informal feedback conversations with colleagues we expect written feedback to be provided regularly throughout the year by all staff and partners using our core people management tool, Workday.

Last year we introduced quarterly Career Coach check-ins. These are regular opportunities for our people to discuss progress with their Career Coach, review feedback and goals and discuss any concerns.

We formally evaluate the performance of our people on an annual basis to recognise the contribution and impact in delivering upon their goals and contributing to the firm’s strategy. The performance year runs from 1 April to the end of March.

Individuals self-evaluate their performance against their agreed goals and with reference to the PwC values, the Audit Behaviours, and the grade-related skills and capabilities of the PwC Professional. Individuals self-assessments are then passed to Career Coaches for review and comment.

The contribution and impact of each of our people is initially assessed by their Career Coach. A robust moderation takes place, led by Relationship Leaders, to ensure fair outcomes for our people.

A ratings scale is used for performance outcomes, truly exceptional performance (impact tier 1) being the highest and below the high performing norm (impact tier 4) being the lowest, with a simplified scale introduced in FY21 and continued in FY22 for more junior grades of staff. Individuals with lower performance will progress more slowly, and where performance is unsatisfactory, corrective action is taken. Our bonus plan is aligned to an individual’s impact and contribution with higher performers receiving more. Individuals with sustained higher performance also have the opportunity to progress more quickly.

*Each member of staff has a Career Coach assigned to them, who supports them with career planning and development.



Everyone in Audit is required to complete an audit quality assessment form within their annual self-evaluation. The purpose of this supplementary form is to give additional focus on how Audit staff had delivered their Audit quality goals with examples of where they had shown the Audit Behaviours of Team first, Challenge and be open to challenge and Take pride.



Remuneration

In determining remuneration for our staff, we carefully balance several elements including: the quality of the work our people deliver, the economic climate, the external market; engagement and recognition of people's hard work; the performance of the firm; and investment for the future. We have common firmwide reward principles, but in rewarding our people we reflect different markets and skills. We have a firmwide bonus plan, but individual bonuses are determined by each Line of Service.

We review proposed pay and bonus by gender, ethnicity and different working patterns (full time to part time).

We are delighted to report that we have seen a reduction in nearly all our pay gaps compared to 2021. Once again this reflects our commitment to delivering against our five-point action plan¹. These actions serve to strengthen our talent pipeline and this year, all Audit staff are also required to complete an audit quality assessment form within their self-evaluation. The purpose of this supplementary form is to give additional focus on how Audit staff had delivered their Audit quality goals with examples of where they had shown the Audit LoS behaviours of Team first, Challenge and be open to challenge, and Take pride. Of our internal admissions to partnership, 41% were female and 13% from an ethnic minority background. In 2022 our median gender pay gap² was 5.9% (2021: 6%) and our single figure ethnicity pay gap was below zero at -7.4% (2021: -2.9%). Our single figure gender and ethnicity pay gaps do not take into account objective reasons for pay difference such as grade, location or performance level.

1. [Click this link for further information on the five-point action plan](#)

2. [Click this link for further information on the PwC Annual Report](#)

We voluntarily publish our earnings gap including partners. This data, unlike the regulatory pay gap data is based on actual pay and bonus for employees and financial year distributable income for partners. Our median gender pay gap was 10.3% (2021: 10.1%). The median ethnicity pay gap is in favour of ethnic minority groups at -3% (2021: -0.3%). Pay gaps continue to be primarily driven by under-representation in senior roles within our business which is why we set new targets last year to accelerate our progress over the next five years. Very simply, delivering our targets is essential to closing our pay gaps. But in this second year of working towards our 2025 targets, we have laid a strong foundation for our future and we will continue to focus on all drivers of our pay gaps.

Promotion

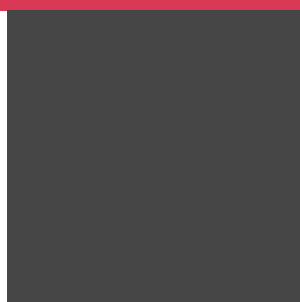
Any promotion in the firm is based on an individual's performance, their skills and the business case. In the case of promotion to director or admission to partnership, the process is particularly thorough and involves the Line of Service leadership teams and the firms' Executive Board. Pathway 2 Partner (P2P) is our development pathway for potential partner candidates and is designed to enhance professional skills and readiness for partnership. Each Line of Service nominates partner candidates for the Internal Partner Admissions (IPA) process. The Partner Affairs Committee, a subcommittee of the Supervisory Board, conducts and manages the overall assessment validation process for all partner candidates. All potential admissions to partnership are considered by the Executive Board and the Partner Affairs Committee and are put to the full partnership for consideration.

Within Audit, the process for promotion to director and admission to partnership involves a formal assessment of the quality of the individual's work and their adherence to ethical requirements and professional standards.

The process includes a written assessment against the PwC Professional framework and the proposed business case for promotion, and an interview with a panel of partners who seek to corroborate that assessment and business case.



Our audit methodology



Engagement acceptance and continuance



Acceptance and continuance considerations

Our principles for determining whether to accept or continue an audit appointment are fundamental to delivering quality, which we believe goes hand-in-hand with our purpose to build trust in society.

We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we; are competent to perform the engagement and have the necessary capabilities and resources; can comply with relevant ethical requirements, including independence; and have appropriately considered the integrity of the entity and its management.

We reassess these considerations in determining whether we should continue in an audit appointment and have in place policies and procedures related to withdrawing from an engagement or client relationship where necessary.

Risk based acceptance considerations

Within the Audit Line of Service, two IT systems are used to assist in determining acceptability of a given engagement:

- Acceptance and Continuance (A&C) is used for all audit work; and
- Clientwise is used for non-audit assurance work.

Both systems:

- Enable engagement teams to:
 - Document their consideration of matters required by professional standards related to acceptance and continuance;

- Identify and document issues or risk factors and their resolution, for example through consultation, by adjusting the resource plan or approach to the engagement, or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
- Facilitate the evaluation of the risks associated with accepting or continuing with an engagement, including whether or not PwC UK should be associated with a particular entity, its management and/or the proposed services in question.

- Enable the firm to:
 - Facilitate the evaluation of the risks associated with accepting or continuing with engagements;
 - Provide an overview of the risks associated with accepting or continuing with entities and engagements across the client portfolio;
 - Understand the basis on which other member firms in the PwC Network involved in the engagement have assessed audit acceptance and continuance; and
 - Use automated criteria to trigger required consultations with appropriate individuals or committees within business units and/or at the firm level; this allows the right people to make the right decisions at the right time and enables the firm to put in place safeguards to mitigate identified risks.

These systems serve as automated tools to support engagement teams in complying with policies and responding to risks identified as they make acceptance and continuance decisions.



In addition:

- All opportunities are subject to a Business Unit Bid Review process, with input from a defined combination of the business unit leader, risk management partner, commercial partner and market leader of the relevant business unit, and considers the commercial, operational and engagement risk aspects of audit and non-audit tenders;
- The Audit Tender Approval Panel (ATAP) process further considers the acceptance of audit and stakeholder assurance tenders, or potential new audit appointments where any of the pre-defined commercial, resourcing or risk criteria apply, or where the Bid Review panel has requested it. The ATAP is a subcommittee of the Audit Executive chaired by a member of the Audit Executive and includes an eligible risk management representative, the proposed engagement leader and, typically, the respective business unit leader and market leader. The ATAP considers a range of matters including whether the potential audit client meets our quality objectives; whether we have sufficient appropriate resources to support both the bid process and the subsequent audit; and whether the commercial outcomes of the tender meet our goals; and
- The Client Committee, a sub-committee of the Clients and Markets Executive (CME), will convene to consider engagement or client acceptance decisions, and in some cases continuance decisions, that carry significant risks to the firm or that relate to particularly sensitive or confidential circumstances.

Withdrawal from an engagement

Policies and procedures are in place for circumstances in which we determine that we should, or are required to, withdraw from an engagement. We have previously resigned from audit appointments for a variety of reasons, which include:

- UK, US, EU or other sanctions being imposed on the entity, its parent company, its ultimate beneficial owner or its beneficiary;
- Threats to our independence being, in our judgement, too great to apply effective safeguards;
- Where we have been provided evidence in the course of our audit that our testing has revealed to have been falsified;
- Where management has, without reasonable cause, failed to provide us with information that we have requested or has otherwise obstructed our audit; or
- Because we are required to under the UK's mandatory firm rotation rules.

Our policies in this area include the need for appropriate consultations, both within the firm and with those charged with governance at the entity, together with ensuring compliance with legal and professional obligations. This may include informing our and/or the entity's regulators of the reasons for our resignation.

We have processes in place to make sure that we notify those charged with governance in good time, when mandatory firm rotation rules require the entity to rotate their auditor, or put the audit out to competitive tender. Our policies and procedures also deal with circumstances where we become aware of information after accepting an engagement which, had we been aware of it earlier, would have led us to decline the engagement.



Engagement acceptance and continuance

The firm's Independence, Conflicts and Ethics team, which includes our central Relationship Checking team, provide engagement leaders with regulatory compliance subject matter expertise, not only during the acceptance of prospective engagements, but throughout every step of an engagement's life cycle.

Relationship checks and independence assessments during Acceptance

Before accepting any new engagement, the firm's specialist Relationship Checking team performs a variety of specific checks designed to identify pre-existing or prospective relationships that might be considered to impact on our objectivity in relation to audit clients.

Conflicts of interest and sensitive situations

Where potential conflicts of interest or sensitive situations are identified, we either decline the prospective engagement or we put in place appropriate arrangements to make sure that the potential conflicts of interest are appropriately managed.

Where we believe that such issues can be appropriately managed, we will apply a variety of differing procedures to ensure that our objectivity is maintained (both in fact and appearance), and that confidential information is appropriately protected.

With this in mind, we have clear policies, guidance and training which are provided to engagement leaders and staff to recognise that potential conflicts of interest need to be dealt with carefully and sensitively to protect the best interests of the firm and its stakeholders. These standard policies and procedures are then reinforced with engagement-specific measures such as the use of appropriate consents and/or the establishment of ethical walls or other forms of physical or digital separation barriers.

The need for the use of specific consents and/or information barriers, including ethical walls, is normally identified as a result of performing a relationship check (whether at the start or during an engagement if matters change) and the Relationship Checking team will coordinate and lead the process of establishing and monitoring these throughout the life of the relevant engagement.

Ultimately, engagement leaders are responsible for implementing the relevant information barrier or ethical wall instructions that relate to their team; ensuring they are followed, and for promptly providing the Independence Conflicts and Ethics team, and their Line of Service risk management teams, with details of the engagement, as well as for keeping them apprised of updates to the scope of the engagement or composition of the team.

Independence Assessments for new audit clients

In the case of new audit clients, an Independence Assessment is performed covering all relevant independence considerations before an appointment is accepted. The nature and complexity of either the relationship or the structure of the prospective audit client determines whether the assessment is performed by a dedicated team within Independence or by the prospective audit engagement team with advice from Independence, Conflicts and Ethics Team.



The assessment enables the firm to identify existing relationships, including business relationships, non-audit services and firm and personal arrangements, whether in the UK or elsewhere in the PwC network and determine whether:

- Any relationships prohibited by the FRC Ethical Standard can be terminated before we are appointed as auditor. Where this is possible, and the prospective audit client is in agreement, the relevant partners and staff are instructed to terminate the service prior to our appointment and confirm to the prospective audit engagement leader that they have done so. If we are unable to terminate the non-audit service before our potential audit appointment, we decline the audit appointment; and
- For those relationships which are permissible, or where the service can be amended to be made permissible (and can therefore continue after our appointment as auditor), there may still be a threat to our independence and objectivity. Where such threats are identified and appropriate safeguards can be put in place, these are discussed and agreed with those charged with governance prior to appointment. Where safeguards are not acceptable, or the nature of the service could be considered by third parties to be inappropriate given our role as prospective auditors, the services would again be terminated in advance of our appointment or we would decline the audit appointment.





Audit methodology

PwC UK operates Audit as a separate, standalone Line of Service that delivers audit and other reasonable assurance engagements.

Within other Network firms, it is more common for these services to be offered within a wider Assurance line of service that also delivers other services alongside these. Global Assurance Quality operates at the PwC Network level, and develops and maintains the Network's risk and quality standards and methodologies in relation to Assurance services.

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

PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC member firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.

PwC Audit is developed by the Global Assurance Quality – Methodology Group (GAQ – Methodology). GAQ – Methodology has responsibility for the maintenance and update of global audit policies and guidance, included within: the PwC Audit Guide; libraries of audit steps for our global Enterprise Resource Planning (ERP) system (Aura); and template letters and other documents for use by engagement teams.

The UK firm, along with other member firms, supports GAQ – Methodology by periodically seconding staff to work alongside the group's permanent staff. There are also a number of review and consultation groups, comprising representatives from member firms including PwC UK, which provide input to GAQ – Methodology via regular conference calls and review of materials prior to release to the PwC Network.

The Global Assurance Quality – Methodology Leaders Group, which includes senior representation from PwC UK, exists for the purpose of ensuring global alignment of methodology priorities, sharing of territory emerging matters, providing input on PwC's implementation of new or revised auditing and assurance standards, and acting as a forum for discussion.

Global Assurance Quality – Standards is responsible for developing the PwC Network response to consultations on new or revised international auditing and assurance standards, overseen by the Network Global Audit Reporting Panel.

The governance of Global Assurance Technology and Tools is covered by two complementary committees. The Global Assurance Implementation Team is responsible for oversight and implementation of assurance technology solutions. The future technology strategy and investment is overseen by the Global Assurance Project Approval Committee. Both groups include the Global Assurance Chief Operating Officer and Chief Digital Officer, along with partner representation from major territories, including the UK.



Our UK Audit Risk and Quality group (ARQ) is responsible for developing policy and guidance to supplement the global methodology where required to address additional requirements included in UK professional standards and laws and regulations. The additions to policy are subject to oversight by the UK firm's Audit Risk and Quality Committee, a group of senior Risk & Quality and Practice partners.

Comprehensive policies and procedures

PwC UK has policies and procedures governing accounting, corporate reporting, regulatory and auditing practice. These are regularly updated to reflect new professional developments, changes in our operating environment and emerging external issues, as well as the needs and concerns of the practice and regulators. These policies and procedures are supported by guidance that PwC UK provides to its professionals on how best to implement them.

The policies, procedures and guidance are available in electronic files, databases and on web based applications. These are readily accessible to our people remotely at any time.

Consultation and differences of opinion

Consultation is a key element of quality control. The firm has policies setting out the circumstances under which consultation on accounting, auditing and risk management matters is mandatory. The firm's technical experts track new developments in relevant areas and provide updates to the appropriate professional staff. Our strong consultative culture also means that our engagement teams regularly consult with each other on an informal basis, as well as with experts and others, often in situations where consultation is not formally required.

Within Audit, we use a consultation database that has been specifically designed to aid the consultation process. It also makes sure documentation of consultations within the Audit Risk & Quality group (ARQ) is

in accordance with relevant professional standards. ARQ, whose remit is to establish the UK Audit Practice's technical risk and quality framework, supports engagement teams in a number of areas, including accounting and corporate reporting, risk management and audit methodology. ARQ also helps teams to meet professional standards, regulatory and legal requirements and in some instances, provides support to clients when the need arises.

For example, ARQ's accounting specialists perform quality "hot reviews" on interim review reports, preliminary announcements and annual financial statements of certain entities prior to issuance. These reviews consider the financial statements' and reports' compliance with law, regulation, and the relevant accounting framework. For a selection of audits, ARQ reviews certain aspects of the audit work on a real-time basis, as the audit progresses.

These reviews aim to be primarily a coaching exercise focusing on risk assessment, the resolution of judgemental matters and our reporting to those charged with governance. They are flexible and will, on occasion, involve a more in-depth review of detailed audit working papers.

Consultations completed during the year ended 30 June

9,588	12,009
FY22	FY21

Hot reviews of financial statements and reports

247	295
FY22	FY21



During the year ended 30 June 2022, a total of 9,588 consultations were completed (FY21: 12,009). FY21 saw an increase in consultations largely due to the impact of the global pandemic. In addition, as part of continuously improving our CAN there has been a larger focus on engagement teams consulting with the CAN on an informal basis, reducing informal consultations logged with ARQ. These consultations cover a range of topics, including audit, accounting and risk management issues. 247 hot reviews of financial statements and reports were completed during the year (FY21: 295).

Where an engagement has particular complexities, risk characteristics or auditing or accounting areas requiring significant judgement (e.g. in some situations where uncertainty exists around a client's going concern or impairment assessment), engagement leaders may consult a panel of experienced client-facing partners, technical experts and, in some cases, specialists in particular audit or industry areas (technical panel). During the year ended 30 June 2022, 54 (FY21: 112) technical panels took place on audit clients, the majority of which related to the consideration of a client's going concern status. FY21 saw an increase in technical panels largely due to the impact of the global pandemic.

Technical panels completed

54 **112**

FY22 FY21

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the Quality Review Partner (QRP), another Audit partner or central functions such as ARQ or Compliance. These include the use of technical panels consisting of partners independent of the engagement.

Supervision and review

The engagement leader and senior engagement team members supervise the audit, review the work done, coach the team and maintain audit quality. Our audit software, Aura Platinum, is designed to help audit team members track the progress of the engagement and therefore make sure that all work has been completed, that work is reviewed by the relevant individuals including the engagement leader and, where relevant, the Engagement Quality Control Reviewer (known in PwC Audit as the QRP), and that all matters arising have been appropriately addressed.

The engagement leader is expected to:

- Lead the performance of the audit and its documentation by being proactively and sufficiently involved throughout the audit, including being satisfied that risks have been assessed and responded to appropriately;
- Drive a cultural mindset that strives for continuous quality improvement, challenges engagement team members to think, analyse, question and be rigorous in their approach, and embody the experiences of our clients and people in how the team delivers the audit and applies professional scepticism;
- Foster an integrated coaching culture and demonstrate a willingness to learn and to coach others;
- Be responsible for the engagement team undertaking appropriate consultation on difficult or contentious matters, initiating those consultations where necessary;
- Have an ongoing involvement in assessing the progress of the audit, and in making key judgements;



- Be satisfied that the review, supervision and quality control procedures in place are adequate and effective; and
- Have an overall responsibility for reviewing and assessing the quality of the work done, that documentation is proper and timely, and the conclusions reached.

Senior engagement team members support the engagement leader by:

- Setting an example in the performance of the audit and its documentation by being involved throughout the audit, including identifying the risks and being satisfied that they are responded to appropriately;
- Striving for continuous quality improvement, challenging engagement team members and applying rigour to the audit process;
- Fostering an integrated coaching culture and demonstrating a willingness to learn and coach others;
- Together with the engagement leader, putting in place arrangements for timely reviews of audit work and documentation, and, taking into account the nature, extent and level of reviews already performed by other members of the team, satisfying himself or herself that the work performed and documentation are consistent with the understanding of the engagement; and
- Reviewing work done and the record of the audit, including considering the quality of the audit process and the results of the work and the documentation of conclusions.

In addition to reviews by the engagement leader and senior engagement team members, all staff are expected to critically self-review their own work to make sure that it meets the relevant requirements.

Engagement Quality Control Reviews

We appoint a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, other public interest entities and clients identified as higher risk or higher profile. Higher Profile Clients (HPCs) include those private companies which employ 10,000 or more individuals in the UK (excluding subsidiaries of a UK listed company which is audited by PwC UK) or:

- Any entity with a significant risk over going concern and either:
 - More than 5,000 UK employees, or
 - A pension deficit agreement exceeding 15 years; and
- Any entity with more than 5,000 UK employees and a pension deficit funding agreement exceeding 15 years.

QRPs are experienced individuals, usually partners, who are independent of the core engagement team; they receive training when appointed as a QRP and on an annual basis thereafter.

QRPs are appointed to an engagement based on their experience and expertise. The QRP is responsible for reviewing key aspects of the audit including independence, significant risks and responses to these risks, judgements, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued. QRPs are involved throughout the audit process so that their input is timely.

The QRP discusses the results of their review with the Key Audit Partners (which include those engagement leaders of material components in group engagements which are involved in the group audit) on Public Interest Entity engagements defined by the FRC Ethical Standard.



The QRP will challenge the audit team in the judgements they have made and work done. Their review is completed and any matters raised are resolved to the QRP's satisfaction in advance of the audit report date.

Second partners are required to be appointed to certain types of non-audit work and, depending on the nature of the engagement, may fulfil a role similar to that of a QRP on an audit. In other situations, their role is defined and agreed with the engagement leader and evidenced on the file.

New Standards

During the year we invested significant time in implementing ISA (UK) 315 (Revised 2020), "Identifying and Assessing the Risks of Material Misstatement" into PwC Audit. This effort included revising the Aura Platinum work programmes that engagement teams will follow during the course of their audits, a rewrite of the PwC Audit Guide in order to implement the new risk identification and assessment process into our methodology, and extensive training of all auditors in this new methodology. This is further detailed in the Training section of this report, where we include quantification of hours spent in order to ensure our people have been appropriately trained.

The next stage of our implementation of ISA (UK) 315 (Revised 2020), after completion of initial training, is to provide engagement level support including more desk-side support being provided to engagement teams throughout the audit, through our Chief Auditor Network (CAN), through responding to technical consultations, and through various hot reviews.

In the coming year, we will evaluate our initial implementation of ISA (UK) 315 (Revised 2020) through both our ECR and ACM processes. Based on this feedback loop, we will take any findings to help refine our methodology, tools and technologies. We are also working towards the implementation of ISA (UK) 220, Quality Management for an Audit of Financial Statements, and International Standards on Quality Management (UK) 1 and 2 which are effective in 2023.

Engagement Documentation

At the end of an engagement, audit teams are required to assemble the hard copy paper file and then archive both this and the electronic file in accordance with a timeline that is more stringent than that required by professional standards. In the case of the electronic audit file, the act of archiving prevents any further amendments being made to the file.

The hard copy paper file is similarly archived and retained in a secure access controlled filing system either within the office or off-site, with an electronic logging system used to manage the archive.

Unless required for legal, regulatory or internal review purposes, electronic and hard copy paper files are only accessible by members of the engagement team or by specific individuals for risk management, quality review and compliance purposes until they are destroyed.

All engagement files are destroyed after periods specified by law or professional standards. In the case of audit files, this is generally seven years after the audit report date, but can be as long as 12 years after the balance sheet date where required by applicable law/standards.



Independent senior partner review

PwC UK operates a programme of obtaining direct feedback from our clients via interviews, undertaken by senior partners independent of the engagement team, as well as client satisfaction surveys. We use this feedback to make sure that we continue to provide high-quality services and address any service issues promptly.

Our Technology

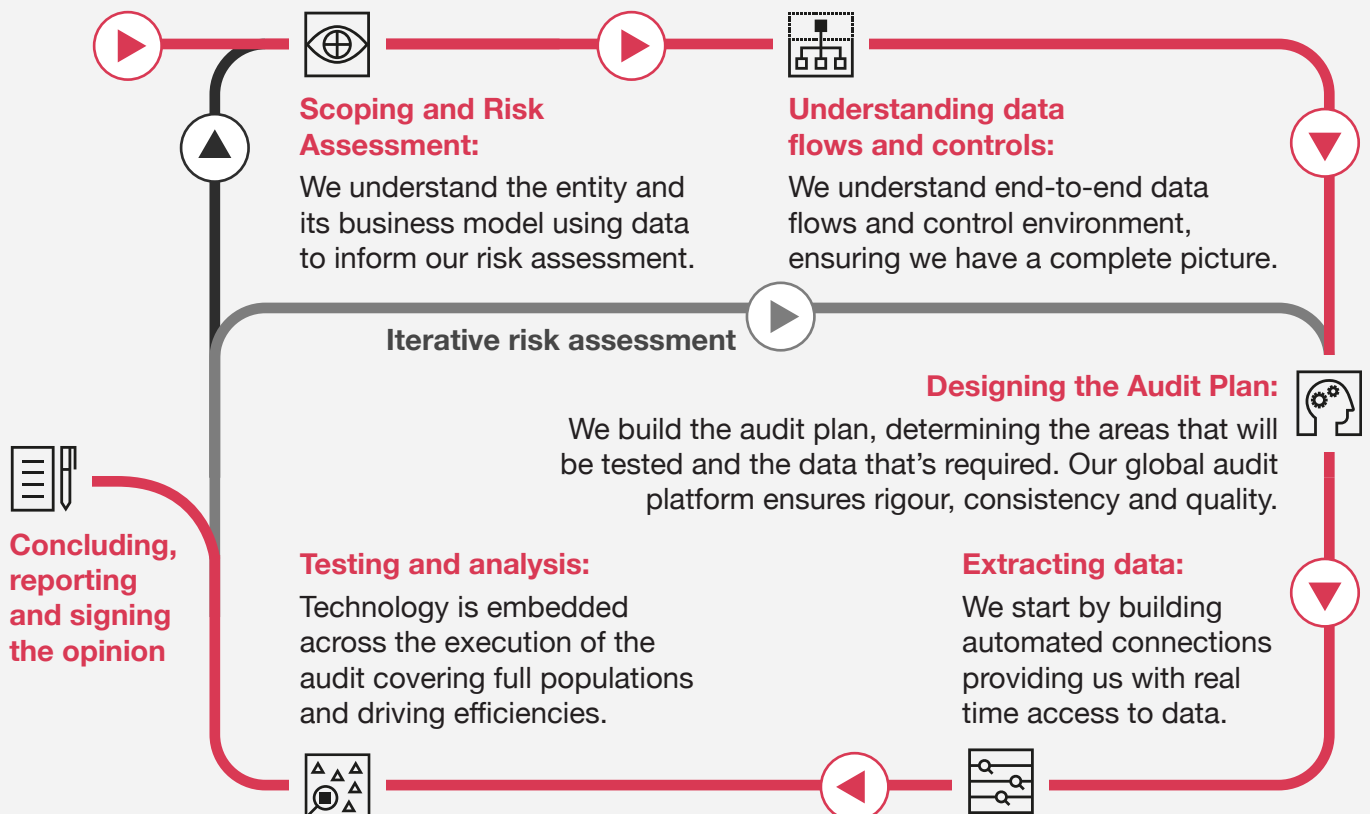
Our approach is human led and tech powered, bringing together the industry knowledge and expertise of our auditors with advanced technology.

Technology is key to how we operate, and the use of technology is embedded in our end-to-end audit lifecycle, from risk assessment analytics in planning to the use of artificial intelligence, data auditing and visualisation techniques in our testing. This targeted use of technology creates capacity and insights for our auditors to focus on the risks and judgments that really matter.

Our advanced technology drives:

- High quality audit, with the increasing use of data auditing providing increased coverage and higher levels of assurance;
- Effective communication and project management;
- Greater efficiency in testing; and
- Unique insights – around data, process, controls, systems and people.

A technology powered audit



Our core technology

Aura Platinum, our global audit documentation platform, is used across the PwC network. Aura helps drive how we build and execute our audit plans by supporting teams in applying our methodology effectively, by creating transparent linkage between risks, required procedures, controls and the work performed to address those risks, as well as providing comprehensive guidance and project management capabilities. Targeted audit plans specify risk levels, controls reliance and substantive testing. Real time dashboards show teams audit progress and the impact of scoping decisions more quickly.

Data Acquisition is the process of connecting to our clients' systems, allowing us to access and collect the data in a standardised format with little or no manual intervention through a common PwC Platform. It ensures that the data is extracted correctly the first time, increasing audit quality through eliminating the risk of incorrect or incomplete data being extracted.

Connect is our collaborative platform that allows clients to quickly and securely share audit documents and deliverables. Connect also eases the burden of tracking the status of deliverables and resolving issues by automatically flagging and tracking outstanding items and issues identified through the audit for more immediate attention and resolution. Clients are also able to see audit adjustments, control deficiencies, and statutory audit progress for all locations in real time.

Connect Audit Manager streamlines, standardises and automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process which facilitates greater transparency, compliance and quality for complex multi-location audits.

Halo, our series of data auditing tools, test large volumes of data, analysing whole populations to improve risk assessment, analysis and testing. For example, Halo for Journals enables the identification of relevant journals based on defined criteria making it easier for engagement teams to explore and visualise the data to identify client journal entries to analyse and start the testing process.

Count, which facilitates the end-to-end process for inventory counts, allows our engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura.

PwC's Confirmation System, which facilitates an automated and standardised end-to-end process for all types of external confirmations, allows our engagement teams to create requests and receive external confirmation in a secure environment that helps mitigate the risks associated with receiving confirmation responses electronically.

Reliability and auditability of audit technologies

Our firm has designed and implemented processes and controls to underpin the reliability of all of these audit technologies. This includes clarification of the roles and responsibilities of audit technology owners and users. In addition, we have guidance focused on the sufficiency of audit documentation included in the workpapers related to the use of these audit technologies, including consideration of the reliability of the solution, and the documentation needed to assist the reviewer in meeting their supervision and review responsibilities as part of the normal course of the audit.



Data at the heart – Automated Revenue Testing

A digital mindset and data-driven approach is at the heart of our audit proposition. A key area in which we are making significant progress is using data to automate our approach to revenue testing.

Our data acquisition technology allows us to extract and analyse large volumes of data, transforming the way we can audit revenue with analytics and transactional population testing that can test through to cash receipt and deliver up to 100% coverage.



“With automated revenue testing we are able to test 100% of the revenue transactions across 20 entities to accounts receivable and settlement transactions... this is a real game changer in terms of audit quality.”

Audit engagement team

Key Benefits

- Increased testing coverage, driving a high quality approach to revenue testing.
- Analytics and intuitive outputs through data visualisation that provide insight into the revenue cycle by highlighting anomalies and allows target based risk testing to be conducted.
- Deeper understanding of client processes and controls.

Driving innovation through our People

Innovation is about more than just technology and using our data specialists. It is rooted in our people – right across the whole audit practice – who are skilled and empowered to drive change and re-imagine the way we deliver the audit.

Our upskilling programme focuses on the following three drivers:



Digital Academies

Hands-on training in automation and data visualisation technologies such as Alteryx, PowerBI and UiPath. Our people are trained to be citizen innovators, continually seeking opportunities to automate audit tasks for improved accuracy.

4,900+

of our auditors have been trained through a Digital Academy.





Digital Accelerators

Auditors with specialised technology training play a crucial role in our audit teams. As well as technical training, they receive leadership and upskilling training so they can act as change agents on the ground. They spot audit areas suitable for digital improvement and build the automations to make it happen. They create, and encourage others to create, customised audit innovations.



Digital Lab

Our collaboration platform for developing and sharing automations across teams. Since its inception, hundreds of new tools have been created which have been applied to audits over 11,000 times.



PRINCESS ROYAL TRAINING AWARDS

PwC was one of the recipients of the Princess Royal Training Awards in 2021 in the “Positively disrupting the business to drive change” category for our Digital Accelerators Programme.

“PwC develops tailored solutions to meet business challenges for its clients. It created the Digital Accelerators Programme to positively disrupt the business to lead and drive change. The innovative programme which includes the use of facial recognition software, gamification and use of holograms has led to widespread impact across the business including changes in mindsets and the propensity to drive change.”



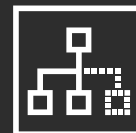
Example audit assets designed and developed by our auditors that are available for every engagement team to use...



Related Party Director Search – an automation which performs an Application Programming Interface (API) call for a company number to the UK Companies House and returns a list of directors and their other appointments.



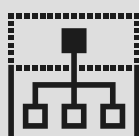
IFRS 16 Lease liability calculator – a tool for auditing leases under IFRS 16 which automates the calculation of the opening and closing lease liability, total repayments and total interest charge, total depreciation charge, and accumulated depreciation.



Insurance Claim Triangle Tie Out – this tool is to automate the process of confirming whether the prior year actuarial data is the same in the current year triangle as the audited prior year triangle, enabling 100% comparison so increasing the extent of our audit testing and enhancing audit quality while removing the need to do this manually in Excel.



Management Fees Reperformance – an Alteryx workflow which automates the recalculation of Management Fees through reperformance and then matches the amounts per the invoice and bank statement.



Accounts Payable Invoice Testing – a tool to automate a range of Accounts Payable tests, including the detection of:

- Duplicate lines, amounts and invoice details;
- Invalid Purchase Orders (PO), such as invoices without a PO and invoices not in the PO report;
- Inconsistencies between the invoice and PO amounts;
- Nil PO amounts; and
- Invoices paid to suppliers with shared bank accounts.





Insights from above

We stay alert to how emerging technologies can help us reimagine the audit process and improve quality. Combining audit experience and drone tech knowledge, we have developed a robust and standardised procedure to audit stockpile inventory using drones. Converting drone-captured data into accurate 3D digital models, we're able to produce highly accurate calculations of inventory volumes as audit evidence. We're seeing increased drone use in industries such as energy, utilities, construction and renewables so this approach also ensures we're keeping pace with our clients and we're in the best position to audit their technology.

Next Generation Audit

As part of The New Equation investment, the PwC network will be rolling out a continuous stream of new capabilities through our existing platforms to increasingly simplify, standardise, centralise and automate our audit work.

Climate change

Climate change in audit

Investors and wider society are demanding that companies provide greater transparency on their emissions, more detail on their environmental strategies, and further insight into how climate change will impact their business in the future.

Our [2021 CEO Survey](#) found that over half of UK CEOs believe they should still be doing more to measure and report the environmental impact of their business.

Our published research* shows that 78% of FTSE 350 companies now specifically mention 'climate change' in their financial statements – a significant increase on the 22% that we saw last year.

Climate risk has thus been a critical area of audit focus over the last year and we've made significant strides in responding to the growing expectations of us in this area, including:

- Providing all of our qualified auditors with training on climate related risks and their impact on the statutory audit; and
- Encouraging the sharing of knowledge through our Audit climate change industry network and we have also set up a climate audit technical team to provide practical support to our people.

From a policy perspective, below are some of the actions we have taken in the year:

- Every one of our audits had mandatory consideration of climate-related risks; and
- For statutory audits with year ends on or after 31 December 2021 we introduced a new policy requiring specific reference of our work on climate in our FTSE 350 audit opinions.

For premium listed companies there are mandated climate-related disclosures, and other businesses are now also choosing to include climate-related statements in their reporting. With more regulation on the horizon, businesses must navigate their way through layers of complexity in order to ensure clarity and transparency.

*Click on the link to see our analysis published in September 2022 <https://www.pwc.co.uk/audit/assets/pdf/ftse-350-reporting-trends-2022.pdf>



Non-financial assurance

Organisations are now being judged on more than just their financial performance. We are increasingly seeing non-financial reporting as a differentiator for businesses with greater demand from investors and other stakeholders for reporting that they can trust.

Our research shows that ESG information – including climate change disclosures – now makes up 30% of the average strategic report, up from 20% last year.

For non-financial information on areas such as ESG, which are not subject to the scope of statutory audit, we have an established Stakeholder Assurance team, made up of subject matter experts within our audit practice. This specialist team allows us to focus on key risks and deliver rigorous assurance in response to rising expectations to improve the quality and consistency of non-financial reporting.

There are currently different types and levels of assurance available to companies. Organisations are increasingly seeking independent assurance over key non-financial reporting, whilst stakeholders are looking for more than just limited assurance opinions to give them confidence in the reliability and comparability of the information. This year we provided our first reasonable assurance opinion to a FTSE 100 financial services business on their climate-related metrics.



Case study:

Building greater trust in climate reporting



Investors are demanding greater accuracy and transparency in companies' environmental, social, and governance (ESG) reporting. To help build greater confidence among their stakeholders and to continue to increase the bar for all companies, Aviva asked PwC to provide a much higher level of assurance over selected ESG metrics, with a special focus on their climate change related disclosures.

PwC has been Aviva's financial statements auditor since 2012, and in addition we have provided public "limited" assurance over several of their ESG metrics as well. However, it is not currently mandatory for companies to have their non-financial reporting independently assured, and organisations are struggling to build confidence in the transparency and accuracy of their reporting.

To go a step further than most, and in line with their commitment to be net zero by 2040, Aviva wanted to significantly enhance the level of public, reasonable ESG assurance we provided so as to demonstrate to their investors, and wider stakeholders, the quality of their reporting and help build market confidence in their metrics and strategy.

PwC's ESG assurance team set out to increase the level of assurance we provided from the "limited" market standard to

"reasonable assurance", which is much higher. This meant that we undertook to assure a set of Aviva's ESG metrics to the same level we audit the financial statements, ensuring it met the same robust standards of quality, rigour and challenge. We considered Aviva's internal control environment with respect to ESG data in greater detail, performed a more granular risk assessment of where the information could be materially misstated, and significantly increased the nature, timing and extent of our assurance procedures. We scrutinised a number of important data sets and statements, and worked closely with Aviva to ensure we could be confident their ESG reporting was an accurate reflection of their work.

Importantly, this higher level of assurance also included a number of metrics included in Aviva's first disclosure of their climate-related risks and opportunities within the Taskforce on Climate-related Financial Disclosures (TCFD) reporting framework. This is a new requirement for the largest UK-registered companies and financial institutions. While independent assurance is not yet required, this reporting will become increasingly important for investors and other stakeholders.

Providing a level of assurance comparable to the scrutiny of the financial audit has helped Aviva to demonstrate the confidence they have in their ESG reporting. It also helped PwC's audit team to carry out their work in ensuring consistency between these ESG metrics and Aviva's financial statements.

As scrutiny over companies' ESG disclosures continues to grow, especially in regards to climate change, this higher level of assurance will become more common, and the separation between financial and non-financial disclosure will narrow. Moving forward, PwC's audit and ESG assurance teams at Aviva will become more integrated throughout the year, to reflect this changing direction.

"Aviva has a clear ambition of being Net Zero by 2040 and is a leader in UK financial services' efforts to tackle climate change. An important component for all companies is accurate and transparent ESG reporting. Seeking a high-level of independent assurance over these metrics is a really effective way of building greater confidence."

Andrew Dinwiddie

Chief Financial Controller, Aviva



Our Distributed Delivery Model (DDM)

We continue to evolve the way we deliver our audits so that we enhance audit quality, the experience for both our people, and the organisations we audit, and create the economic capacity to invest in the future. We recognise that the way we operate needs to continually evolve, as the technological world around us changes.

Our Distributed Delivery Model (DDM) supporting our front line delivery teams is formed of four key elements, namely:

1. Service Delivery Centres: Delivering tasks that do not require audit judgement, from offshore locations;
2. Competency Centre: Delivering lower complexity areas, where some judgement is required, from Bradford;
3. Operate – Controls: Working alongside our front line delivery teams to support with testing primarily on Business and IT controls, from Belfast; and
4. Centres of Excellence: Delivering highly complex technical and judgemental areas, from primary locations in Manchester, Glasgow, Newcastle and Birmingham.

The DDM enables us to deliver on our ambitions by:

- Enhancing the quality of the work we do, by creating centres to deliver our work in specialist areas and in turn drive increasing levels of standardisation;
- Automating as much of what we currently do manually, through standardisation;
- Adding further value to our clients; and
- Improving the working experience of our partners and staff.

Governance of the Audit Line of Service

Hemione Hudson is the Head of Audit and the member of the firm's Management Board responsible for the Audit Line of Service (Audit LoS).

From an operational perspective, and consistent with all other Lines of Service, Hemione Hudson leads an executive team, the Audit Executive, which includes a Chief Operating Officer, Head of Audit Risk and Quality, Head of People and Resourcing, Head of Public Policy, a Market and Services Leader, and three Market Leaders.

The firm's Executive Board is responsible for the policies, strategy, direction and management of the firm as a whole, on behalf of the Management Board. The Audit Executive takes responsibility for day-to-day policies, strategy and direction of the Audit LoS, including translating the firm's overall vision and strategy into practical actions and decisions specific to the LoS, in particular in relation to audit quality. The Audit Executive approves the application of the firm's Accountability Framework.

The Audit Executive meets monthly and more regularly as needed. The Audit Executive escalates significant matters to the Management Board, the Executive Board or the Clients and Markets Executive, as appropriate.



Interaction with investors and stakeholders



Investor engagement

We have a dedicated team that works with shareholders and other members of the investment community, including asset owners, asset managers, analysts, corporate governance and stewardship professionals, proxy advisers and credit ratings agencies.

Through this engagement we are able to listen to the views of stakeholders on a range of reporting, regulatory and governance issues facing UK companies, as well as their thoughts on assurance matters and the role of the audit profession in their work. This dialogue ensures that we understand the needs and expectations of this important stakeholder group. This enables us to help our client engagement teams, as well as our clients' executive and non-executive directors, to better respond to shareholder needs.

Some highlights of our stakeholder engagement team's work this year include the following;

Corporate Reporting Users' Forum (CRUF)

PwC continues to provide secretariat support to the CRUF in the UK and across their global network. As secretariat we provide administrative support for meetings, liaise with standard setters and regulators to facilitate the submission of comment letters and provide assistance on technical points when requested. This year we have continued to help the CRUF raise awareness of the group and their views on reporting.

Investor-focused events and publications

We hold round-table and educational events for institutional investors, retail investors and analysts throughout the year on topical issues. These events cover a variety of subjects including implementing major new accounting standards, tax reporting, audit reform, political developments and climate reporting. After some investor events we produce a summary publication of what we heard (our Investor view series) to give preparers of corporate reports insights gained from our ongoing dialogue with the investment community.

As part of our ongoing work to understand the views of the investment community, PwC conducted a global investor survey. Eighty investment professionals focused on the UK market responded to the online survey and we held in-depth conversations with five more. The survey, conducted in September 2021, explored their views on how well they think companies are addressing ESG issues facing their businesses, the effectiveness of incentive structures in place, how well they think reporting captures corporate action and their views on the reliability of that reporting.

Further details about previous events and our Investor view publications can be found by [clicking this link](#).



Spotlight on addressing climate risk in the financial statements and audit

Over the past few years we have heard requests from the investment community to provide additional transparency in our audit reports about whether, and how, material climate risk exposure has been assessed and factored into our audit process. The FRC has also focused attention on this topic. Companies have been asked to ensure that material climate risks are reflected in assumptions that underpin asset and liability valuations, and auditors must perform sufficient and appropriate procedures over them. Both parties should then provide greater transparency on this in their reporting.

This year, given the number of public commitments made by companies leading up to and following COP26, investors have particularly asked for information on how companies and auditors have ensured consistency between public commitments and assumptions used in preparing the financial statements. While

our audit procedures are not fundamentally different when assessing climate risk as compared with other risks, we did make some changes to ensure that climate risk is front of mind for our audit teams. These included clarifying our procedures on this area through focused training, providing easy access to our internal ESG experts, and making updates to our policies for the 2021 year-end reporting season.

In July 2021, we held an online educational event focusing on climate change and what investors need to know about how climate risk can affect the financial statements. This was followed by a number of one-to-one meetings with investors to highlight the transparency they could expect to see in our 2021 year-end audit opinions. We then held a group session in May 2022 to seek feedback on what they had seen. We also held an educational session on this topic with members of the Investor Forum in May 2022. We continue to engage with the investment community on this topic.



Ongoing dialogue between the investment community and Senior Partners

We met with shareholders, analysts and proxy advisers across a number of sector specialisms through one-on-one meetings to discuss various topics, including audit reform, sustainability-related matters, including climate reporting, and accounting standards. The strong relationships and open dialogue we have with the investment community enable high quality engagement on a range of topics of mutual interest.

Communicating with our Public Interest Body (PIB)

The feedback and insight received from our investor engagement activities informs the regular updates provided to our governing bodies, including our PIB. Over the last year, key topics discussed with the investment community have been included in the briefings provided to the PIB so that these topics can be discussed amongst the executives and Independent Non-Executives (INEs) at their regular meetings.

Audit reporting

We are acutely aware that the effectiveness of our work as auditors is directly linked to the effectiveness of our reporting to audit committees and boards of directors, and in the role we play in external reporting to the owners of the entity being audited.

Reporting to audit committees

When reporting to audit committees and those charged with governance in organisations where no audit committee exists, we place particular emphasis on communicating our audit scope and approach, together with our assessment of audit risk. During the course of the audit we communicate threats to auditor objectivity, including independence, the significant risks and judgements that impact the reported financial performance and position, and the manner in which the information is presented in the annual report.

This includes highlighting judgements made by management, in preparing the financial statements, that we believe are important to an understanding of the performance and position being presented. The nature of accounting and the need to make judgements and estimates means that there is often not a precise answer, and this is reflected in our reporting. It is also our role to inform the audit committee whether we can conclude that what is reported externally is true and fair within established norms of materiality, including considering both qualitative and quantitative aspects of accounting and reporting.

External reporting

The form and content of our audit reports for UK entities are laid down by UK legislation and the Financial Reporting Council (FRC). We are committed to making our reports clear and unambiguous. Enhanced audit reports provided to a range of organisations, including all listed entities, include descriptions of: how our audit was scoped; how we addressed the risks of material misstatement that we identified; and our application of materiality in determining the nature, timing and extent of our audit procedures and evaluating the effect of misstatements. These enhanced audit reports provide us with the ability within our audit report to 'tell the story of our audit' in a meaningful and informative way to enhance users' understanding of the financial statements. For UK Public Interest Entities as defined by the FRC Ethical Standard the enhanced audit reports also include increased transparency on our independence including:

- A declaration that the non-audit services prohibited by the FRC's Ethical Standard were not provided and that the firm remained independent of the entity in conducting the audit;

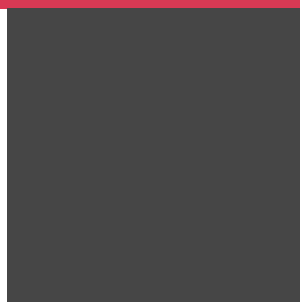
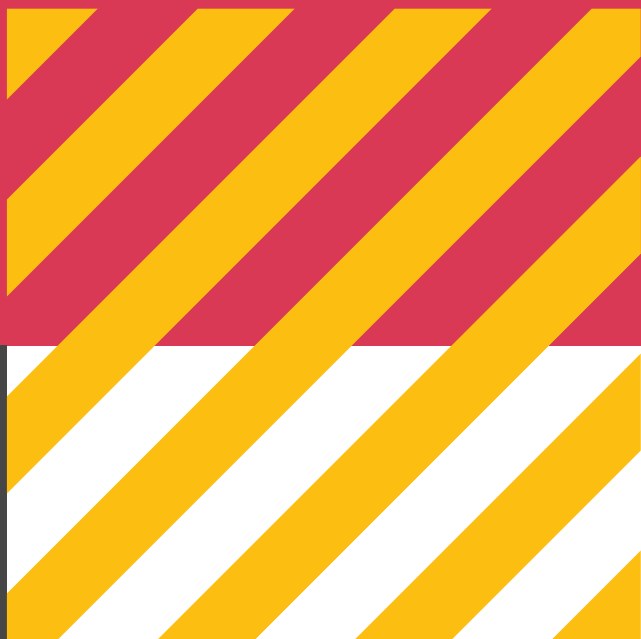


- An indication of any services, in addition to the audit, which were provided by the firm to the entity and its controlled undertaking(s) and which have not been disclosed in the annual report or financial statements; and
- Disclosure of our period of tenure.

We welcome, fully support and embrace the moves towards greater transparency over the audit process that results from these enhanced audit reports. Sometimes it is necessary for us to modify our audit opinion, or to include details of a material uncertainty in respect of going concern. In such cases, engagement teams consult with others, including technical specialists, to help ensure that the modification/emphasis is warranted and that the audit report wording is clear. In addition to our audit report, in certain situations we also have reporting obligations to regulators and to other organisations specified by auditing standards, UK law and regulation such as the Financial Conduct Authority and the Prudential Regulation Authority.



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 to these regulatory requirements, the PwC Network Standards (applicable to all PwC Network firms) also 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 internal and external ethical requirements seriously and strive to embrace the spirit and not just the letter of the requirements.

As part of this, all partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations. This is part of the system to support appropriate understanding of the ethical requirements under which we operate and to monitor 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's Code of Conduct and related policies that clearly describe the behaviours expected of our people – 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 ensure that we live our purpose of building trust and delivering sustained outcomes.

As part of recruitment or admission to the partnership, 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 which 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.

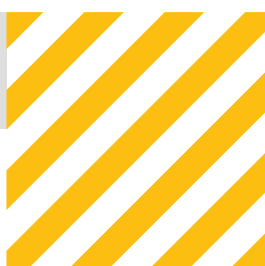
PwC UK has an Ethics Partner, who has responsibility for the adequacy of the firm's policies and procedures relating to our Code of Conduct and the FRC's Ethical Standard, compliance with these, the effectiveness of their communication to partners and staff within the firm and providing related guidance to individual partners. The Ethics Partner reports directly to the Chief Risk Officer and General Counsel, Alison Statham, a member of the firm's Executive Board.

Speak Up helpline

PwC UK has an anonymous and confidential whistle-blowing 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 Ethics Partner, who is responsible for making sure that the issues raised are appropriately investigated and resolved. The Ethics Partner 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 Executive Board; the 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.

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 Code of Ethics for Professional Accountants contains minimum standards with which PwC network has agreed to comply, including processes that are to be followed to maintain independence from audited entities and their affiliates, where necessary.

PwC UK has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI'), who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes.

In addition to these general matters, there is also a specific Network Risk Management Policy and associated guidance governing the independence requirements related to the rotation of key audit partners and staff. These policies and procedures are designed to help PwC comply with relevant professional and regulatory standards 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 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
- 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 network wide 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 which we audit including public interest and SEC restricted entities as well as their related entities and issued securities. CES assists partners and staff in determining the independence restriction status of entities audited by a member firm and those audited by other PwC member firms before entering into new non-audit engagements or business relationships. 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 system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, regarding prospective non-audit services, documenting the analysis of any potential independence threats created by the service and proposed safeguards and acts as a record of the audit partner's conclusion on the overall permissibility of the service;



- **Global Breaches Reporting System (GBR)** which is 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); and
- **Joint Business Relationship Application** is a 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, once approved, are reviewed bi-annually to ensure that they remain permissible.

PwC UK also has a number of UK specific systems and processes designed to support compliance with independence requirements 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;
- **Automated Investments Recording (AIR)**, automated data feeds from certain financial institutions and brokers which automatically updates PwC individual's Checkpoint portfolio for new acquisitions and disposals of investments held with that provider;
- **Walled Gardens**, collections of centrally monitored and pre-approved investments arranged with certain providers to help simplify independence compliance;

- **SaFE (Suitable for Everyone)** lists for financial arrangements and fund groups, showing at a glance which organisations are suitable for everyone to use, subject to conditions; and
- **Checkpoint Partner Support**, a "concierge" service designed to provide active support and assistance to our partners (and certain senior directors) in accurately maintaining their Checkpoint portfolios.

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. Additionally, ad hoc 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, where 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 are required to confirm that all non-audit services and business relationships for which they are responsible comply with the firm's policies and procedures. 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:

- Specific independence confirmations from engagement team members prior to working on the firm's larger financial services clients which provide financial products to the general public;



- Standalone bi-annual Checkpoint confirmations where individuals are asked to confirm that their Checkpoint portfolio has been reconciled and is up to date. These are sent to a sample of staff across the business; to all staff promoted to grade from manager and above as well as all new joiners to the firm where they will start work as a manager or above within a month of them starting; and
- A Checkpoint Health Check call, made with every individual receiving a Checkpoint portfolio for the first time, to talk through the logging requirements and help ensure their portfolio is accurate from the outset.

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 a tenure set at five years, with a five year cooling off period.

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, neither the IESBA code or the ethical standard set out a required period of tenure or cooling off, therefore we have determined our own policy, which sets tenure for engagement leader, QRP and key audit partner at a maximum of ten years with a two year cooling off period.

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 five 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

*Key Audit Partners are engagement leaders on any material component of a PIE group which is involved in the group audit.



- 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.

Information security

Information security is a high priority for the PwC network. PwC UK is accountable to its people, clients, suppliers, and other stakeholders to protect information that is entrusted to it.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards, and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of member firms. The PwC ISP directly supports the firm's strategic direction of cyber readiness to proactively safeguard its assets and client information. The PwC ISP is reviewed, at a minimum, on an annual basis.

PwC UK is required to adhere to the ISP requirements and complete a quarterly, data-driven assessment to demonstrate compliance. PwC UK is assessed against the required controls through analysis of available data. In coordination with PwC UK stakeholders, the data is reviewed for quality to ensure an accurate assessment of the firm's security posture. Deviations that result from the ISP Compliance Programme assessment process are prioritised for remediation utilising a risk based approach and per timelines agreed with leadership.



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.

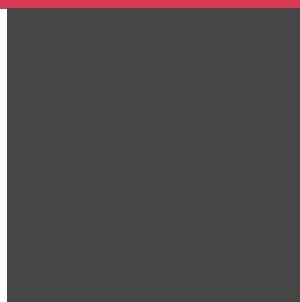
The firm is bound by, and all partners and staff are required to comply with, the ICAEW's fundamental principle of confidentiality. There are also other legal and regulatory obligations on partners and staff about handling confidential information and personal data, and contractual terms govern the use 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 publicly available by clicking on the link <https://www.pwc.co.uk/who-we-are/privacy-statement.html>.



Finances and other disclosures



Finances and other disclosures

Relative importance of statutory audit work

An analysis of revenue of PwC UK for the financial year ended 30 June 2022, which shows the relative importance of UK-related statutory audit work, is shown below:

	FY22 £m	FY21 £m
Statutory audits and directly related services for entities we audit (UK PIE and subsidiaries of UK PIE) ¹	291	303
Statutory audits and directly related services for entities we audit (other entities)	527	487
Statutory audits and directly related services for all entities we audit	818	790
Non-audit services to entities we audit ²	195	201
Total revenues from entities we audit	1,013	991
Non-audit services to clients we do not audit	2,862	2,566
UK firm revenue	3,875	3,557
Revenues from statutory audits and directly related services for entities we audit as a percentage of UK firm revenue	21%	22%

1. If an entity met the FRC's definition of a UK PIE (or a subsidiary of) as at 30 June 2022 we have included related revenues in this category. This is a consistent basis of preparation with last year's Transparency Report.
2. Non-audit services provided to entities we audit are only provided where permitted by the FRC Ethical Standard and PwC Network and PwC UK policies.

During the year ended 30 June 2022, we did not perform any Major Local Audits (2021: 0 audits). Therefore, the table above does not include related revenues in this category.



Audit profitability

The Consultative Committee of Accountancy Bodies (CCAB) issued a Voluntary Code of Practice on Disclosures of Audit Profitability (the Audit Profitability Code) in March 2009. The Audit Profitability Code sets out recommended disclosures in respect of the profitability of statutory audits and directly related services (the 'reportable segment').

Under the Audit Profitability Code, revenue, direct costs and overheads for the reportable segment are recognised and measured on a basis consistent with the firm's consolidated financial statements:

- Revenue represents amounts recoverable from clients for statutory audits and directly related services provided during the year, excluding Value Added Tax. It reflects the fair value of the services provided on each client assignment including expenses

and disbursements, based on the stage of completion of each assignment as at the balance sheet date; and

- Operating profit for the reportable segment is calculated based on directly assigned and allocated costs, including staff costs associated with engagements falling within the segment and training, together with an allocation of firmwide overheads, such as property and IT costs, based on appropriate cost drivers.

No cost is included for the remuneration of members of PwC UK, consistent with the treatment of partners' remuneration in the firm's consolidated financial statements. The revenue and operating profit of the reportable segment, calculated in accordance with the requirements of the Audit Profitability Code, are:

	FY22 £m	FY21 £m
Revenue	818	790
Operating profit	176	176



PwC UK Registrations

PwC UK and/or certain of its responsible individuals are registered with regulators in the following territories in order to meet local requirements in relation to the audits of certain entities:

Crown Dependencies	Guernsey (Guernsey Registry); Isle of Man (Isle of Man Financial Services Authority); and Jersey (Jersey Financial Services Commission).
EU and EEA	Belgium (Instituut van de Bedrijfsrevisoren / Institut des Réviseurs d'Entreprises); France (Haut conseil du commissariat aux comptes 'H3C'); Germany (Wirtschaftsprüferkammer); Ireland (Irish Auditing and Accounting Supervisory Authority 'IAASA'); Italy (Commissione Nazionale per le Società e la Borsa 'CONSOB'); Luxembourg (Commission de Surveillance du Secteur Financier 'CSSF'); Netherlands (Autoriteit Financiële Markten); Norway (Finanstilsynet); Poland (Polska Agencja Nadzoru Audytowego); and Sweden (Revisorsinspektionen).
Rest of the World	Canada (Canadian Public Accountability Board); Hong Kong (Hong Kong Financial Reporting Council); Japan (Japanese Financial Services Agency); Kazakhstan (Kazakhstan Stock Exchange's JSC 'KASE'); New Zealand (New Zealand Companies Office); South Africa (Johannesburg Stock Exchange); and United States of America (Public Company Accounting Oversight Board).

During the year ended 30 June 2022, the UK firm performed the following audits that necessitate these registrations, either because of the entity's country of incorporation, their filings made in a given territory, or a listing of debt or equity within a given territory:

- ABCAM PLC
- ACCSYS TECHNOLOGIES PLC
- ASTRAZENECA PLC
- BICYCLE THERAPEUTICS PLC
- BORR DRILLING LIMITED
- CENTAMIN PLC
- COMPASS PATHWAYS PLC
- CREDIT SUISSE INTERNATIONAL
- DELAMARE FINANCE PLC
- DIAGEO PLC
- DIGITAL 9 INFRASTRUCTURE PLC
- EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
- EXSCIENTIA PLC
- FARFETCH LIMITED
- GOLDMAN SACHS FINANCE CORP INTERNATIONAL LIMITED
- GOLDMAN SACHS INTERNATIONAL
- GRIT REAL ESTATE INCOME GROUP LIMITED
- HAMMERSON PLC
- HSBC BANK PLC



- HSBC BANK CAPITAL FUNDING (STERLING 1) L.P.
- HSBC CAPITAL FUNDING (DOLLAR 1) L.P.
- HSBC HOLDINGS PLC
- HYBRID CAPITAL FUNDING I LIMITED PARTNERSHIP
- HYBRID CAPITAL FUNDING II LIMITED PARTNERSHIP
- IHS HOLDING LIMITED
- INNOSPEC, INC
- INTEGRATED DIAGNOSTICS HOLDINGS PLC
- INTERCONTINENTAL HOTELS GROUP PLC
- J.P. MORGAN MANSART MANAGEMENT LIMITED
- JOHNSON MATTHEY PLC
- LUXFER HOLDINGS PLC
- MANCHESTER UNITED PLC
- MERRILL LYNCH INTERNATIONAL & CO C.V.
- MOLTEN VENTURES PLC
- NAVIGATOR HOLDINGS LTD.
- NOMAD FOODS LTD
- PAN AFRICAN RESOURCES PLC
- PEARSON PLC
- RENTOKIL INITIAL PLC
- SANNE GROUP PLC
- SANTANDER UK GROUP HOLDINGS PLC
- SANTANDER UK PLC
- SDX ENERGY PLC
- SEADRILL LIMITED
- SEGRO PUBLIC LIMITED COMPANY
- SILENCE THERAPEUTICS PLC
- STOLT-NIELSEN LIMITED
- TECHNIPFMC PLC

- TELEREAL SECURITISATION PLC
- THE UNIVERSITY OF GREENWICH
- VERONA PHARMA PLC
- VERTICAL AEROSPACE LTD.
- WESTERN ASSET MANAGEMENT COMPANY LIMITED
- WIZZ AIR HOLDINGS PLC

As a requirement of these registrations, PwC UK is subject to monitoring by the respective regulatory authorities. Details of these monitoring activities are included in the Audit Quality section of this report.

As a result of these registrations, our policies and procedures have been designed and implemented to ensure that we comply, and that we can demonstrate compliance, with not only the Audit Regulations of the ICAEW, but also with the policies and regulations of other regulators with which PwC UK is registered.

The policies and procedures that form our internal quality controls systems have been documented, and are embedded as part of the firm's day-to-day activities. There is a monitoring regime in place to enable the Management Board to review the extent to which these policies and procedures are operating effectively and to respond to issues that arise. For further information on this monitoring regime, please refer to the Audit Quality section of this report.

In addition, during the year ending 30 June 2023 we are required to register separately with the Financial Reporting Council in the United Kingdom as a result of the new Public Interest Entity (PIE) Auditor Registration Regulations issued in August 2022. A transitional application under these regulations is in progress to take effect from 5 December 2022.



List of major local audit and Public Interest Entity audits performed by PwC UK

List of major Local Audits

PwC UK did not perform any Major Local Audits in the year to 30 June 2022 (2021: 0).

List of UK Public Interest Entities

Below is a list of UK public interest entities (PIEs) (as defined by the FRC Ethical Standard) for which we carried out statutory audits (i.e. issued an audit report) between 1 July 2021 and 30 June 2022, and therefore does not include all UK PIEs for which PwC UK is the statutory auditor.

ABERDEEN DIVERSIFIED INCOME
AND GROWTH TRUST PLC

ABRDN ASIA FOCUS PLC

AIG LIFE LIMITED

AIR PARTNER LIMITED

ALLIANZ INSURANCE PLC

ANGLO AMERICAN CAPITAL PLC

ANGLO AMERICAN PLC

ANTOFAGASTA PLC

AQUILA ENERGY EFFICIENCY TRUST PLC

AQUILA EUROPEAN RENEWABLES
INCOME FUND PLC

ARCH INSURANCE (UK) LIMITED

ARQIVA FINANCING PLC

ASIA DRAGON TRUST PLC

ASTRAZENECA PLC

ATLAS FUNDING 2021-1 PLC

AVIVA INSURANCE LIMITED

AVIVA INTERNATIONAL
INSURANCE LIMITED

AVIVA INVESTORS PENSIONS LIMITED

AVIVA LIFE & PENSIONS UK LIMITED

AVIVA PLC

AXA XL INSURANCE COMPANY UK LIMITED

BABCOCK INTERNATIONAL GROUP PLC

BAGLAN MOOR HEALTHCARE PLC

BAKKAVOR GROUP PLC

BATH INVESTMENT & BUILDING SOCIETY

BEVERLEY BUILDING SOCIETY

BIOPHARMA CREDIT PLC

BLACKROCK SMALLER
COMPANIES TRUST PLC

BLACKROCK SUSTAINABLE
AMERICAN INCOME TRUST PLC

BLACKROCK THROGMORTON TRUST PLC

BLACKROCK WORLD MINING TRUST PLC

BODYCOTE PLC

BRISTOL WATER PLC

BRIT LIMITED

BRITISH LAND COMPANY PUBLIC
LIMITED COMPANY(THE)

BRITISH UNITED PROVIDENT
ASSOCIATION LIMITED (THE)

BROADGATE FINANCING PLC

BRUNNER INVESTMENT TRUST PLC(THE)

BUNZL FINANCE PUBLIC
LIMITED COMPANY

BUNZL PUBLIC LIMITED COMPANY

BUPA FINANCE PLC

BUPA INSURANCE LIMITED

C. HOARE & CO.

CAPITAL & COUNTIES PROPERTIES PLC

CAPRICORN ENERGY PLC



CARDIFF UNIVERSITY	DAILY MAIL AND GENERAL TRUST P L C
CARNIVAL PLC	DARAG INSURANCE UK LIMITED
CATALYST HEALTHCARE (ROMFORD) FINANCING PLC.	DARAG LEGACY UK LIMITED
CATALYST HIGHER EDUCATION (SHEFFIELD) PLC	DARLINGTON BUILDING SOCIETY
CATER ALLEN LIMITED	DECHRA PHARMACEUTICALS PLC
CENTREWRITE LIMITED	DERWENT LONDON PLC
CHANCELLOR, MASTERS, AND SCHOLARS OF THE UNIVERSITY OF CAMBRIDGE	DIAGEO CAPITAL PLC
CINEWORLD GROUP PLC	DIAGEO FINANCE PLC
INVESTMENT TRUST PLC	DIAGEO PLC
CIVITAS SOCIAL HOUSING PLC	DIPLOMA PLC
CLARKSON PLC	DISCOVERIE GROUP PLC
CLAVIS SECURITIES PLC	DIVERSIFIED ENERGY COMPANY PLC
CLOSE BROTHERS FINANCE PLC	DOMINO'S PIZZA GROUP PLC
CLOSE BROTHERS GROUP PLC	DUDLEY BUILDING SOCIETY
CLOSE BROTHERS LIMITED	DUNELM GROUP PLC
CMC MARKETS PLC	EASYJET PLC
CONTOURGLOBAL PLC	ECCLESIASTICAL INSURANCE OFFICE PUBLIC LIMITED COMPANY
CONVEX INSURANCE UK LIMITED	ECCLESIASTICAL LIFE LIMITED
COSTAIN GROUP PLC	ECONOMIC MASTER ISSUER PLC
COUNTRYSIDE PROPERTIES PLC	EQUITABLE LIFE ASSURANCE SOCIETY,(THE)
COVEA INSURANCE PLC	EQUITY RELEASE FUNDING (NO.1) PLC
COVENTRY BUILDING SOCIETY	EQUITY RELEASE FUNDING (NO.2) PLC
CRANSWICK PLC	EQUITY RELEASE FUNDING (NO.3) PLC
CREDIT SUISSE (UK) LIMITED	EQUITY RELEASE FUNDING (NO.4) PLC
CREDIT SUISSE INTERNATIONAL	EQUITY RELEASE FUNDING (NO.5) PLC
CREST NICHOLSON HOLDINGS PLC	ESSENTRA PLC
CRITERION HEALTHCARE PLC	EUROCELL PLC
CYNERGY BANK LIMITED	EUROMONEY INSTITUTIONAL INVESTOR PLC



EUROPEAN ASSETS TRUST PLC	HERALD INVESTMENT TRUST PLC
EUROPEAN OPPORTUNITIES TRUST PLC	HIGHWAY INSURANCE COMPANY LIMITED
EXCHEQUER PARTNERSHIP (NO.2) PLC	HIKMA PHARMACEUTICALS PUBLIC LIMITED COMPANY
EXCHEQUER PARTNERSHIP PLC	HILTON FOOD GROUP PLC
FDM GROUP (HOLDINGS) PLC	HISCOX INSURANCE COMPANY LIMITED
FIL LIFE INSURANCE LIMITED	HOLMES MASTER ISSUER PLC
FINSBURY GROWTH & INCOME TRUST PLC	HONEYCOMB INVESTMENT TRUST PLC
FIRST TITLE INSURANCE PLC	HONOURS PLC
FIRSTGROUP PLC	HOSTMORE PLC
FISHGUARD AND ROSSLARE RAILWAYS AND HARBOURS COMPANY	HSBC BANK PLC
FOSSE MASTER ISSUER PLC	HSBC HOLDINGS PLC
FRIENDS LIFE HOLDINGS PLC	HSBC LIFE (UK) LIMITED
FUNDING CIRCLE HOLDINGS PLC	HSBC PRIVATE BANK (UK) LIMITED
GABELLI MERGER PLUS+ TRUST PLC	HSBC TRUST COMPANY (UK) LIMITED
GAMES WORKSHOP GROUP PLC	HSBC UK BANK PLC
GATWICK AIRPORT FINANCE PLC	IG GROUP HOLDINGS PLC
GENERAL ACCIDENT PLC	INDIVIOR PLC
GREAT HALL MORTGAGES NO.1 PLC	INTEGRATED ACCOMMODATION SERVICES PLC
GRESHAM INSURANCE COMPANY LIMITED	INTERCONTINENTAL HOTELS GROUP PLC
HALMA PUBLIC LIMITED COMPANY	INTERNATIONAL BIOTECHNOLOGY TRUST PLC
HAMMERSON PLC	INTERTEK GROUP PLC
HARGREAVES LANSDOWN PLC	INVESCO PENSIONS LIMITED
HAYS PLC	ITAU BBA INTERNATIONAL PLC
HCC INTERNATIONAL INSURANCE COMPANY PLC	ITV PLC
HEADLAM GROUP PLC	J.P. MORGAN SECURITIES PLC
HEATHROW FINANCE PLC	JOHNSON MATTHEY PLC
HEDDINGTON INSURANCE (U.K.) LIMITED	JPMORGAN CLAVERHOUSE INVESTMENT TRUST PLC
HENDERSON HIGH INCOME TRUST PLC	



JPMORGAN EUROPEAN
GROWTH & INCOME PLC

JPMORGAN INDIAN
INVESTMENT TRUST PLC

JPMORGAN JAPANESE
INVESTMENT TRUST PLC

JPMORGAN LIFE LIMITED

JPMORGAN MID CAP
INVESTMENT TRUST PLC

JPMORGAN MULTI-ASSET
GROWTH & INCOME PLC

JUPITER FUND MANAGEMENT PLC

JUST GROUP PLC

JUST RETIREMENT LIMITED

KENRICK NO. 3 PLC

KEYSTONE POSITIVE CHANGE
INVESTMENT TRUST PLC

KIER GROUP PLC

KIN AND CARTA PLC

LIVERPOOL VICTORIA INSURANCE
COMPANY LIMITED

MACQUARIE BANK
INTERNATIONAL LIMITED

MANCHESTER BUILDING SOCIETY

MARKS AND SPENCER
FINANCIAL SERVICES PLC

MCBRIDE PLC

MEADOWHALL FINANCE PLC

MEDICLINIC INTERNATIONAL PLC

MEGGITT PLC

METRO BANK PLC

MIGO OPPORTUNITIES TRUST PLC

MJ GLEESON PLC

MOBIUS INVESTMENT TRUST PLC

MOLTEN VENTURES PLC

MONDI FINANCE PLC

MONDI PLC

MONTANARO EUROPEAN SMALLER
COMPANIES TRUST PLC

MOONPIG GROUP PLC

MOTORPOINT GROUP PLC

MURRAY INCOME TRUST PLC

NANOCO GROUP PLC

NEWLINE INSURANCE COMPANY LIMITED

NEWRIVER REIT PLC

NEXT GROUP PLC

NEXT PLC

NIE FINANCE PLC

NORTH AMERICAN INCOME
TRUST PLC (THE)

NPA INSURANCE LIMITED

OAKNORTH BANK PLC

OCTOPUS RENEWABLES
INFRASTRUCTURE TRUST PLC

PARTNERSHIP LIFE ASSURANCE
COMPANY LIMITED

PCGH ZDP PLC

PEARSON FUNDING PLC

PEARSON PLC

PERSONAL ASSETS TRUST
PUBLIC LIMITED COMPANY

PETERSHILL PARTNERS PLC

POLAR CAPITAL GLOBAL
FINANCIALS TRUST PLC



POLAR CAPITAL GLOBAL
HEALTHCARE TRUST PLC

QAH FINANCE PLC

QINETIQ GROUP PLC

QUILTER LIFE & PENSIONS LIMITED

QUILTER PLC

RBC EUROPE LIMITED

REACH PLC

REDDE NORTHGATE PLC

RENTOKIL INITIAL PLC

RENTOKIL INSURANCE LIMITED

RL FINANCE BONDS NO. 2 PLC

RL FINANCE BONDS NO. 3 PLC

RL FINANCE BONDS NO. 4 PLC

ROAD MANAGEMENT
SERVICES (FINANCE) PLC

ROLLS-ROYCE HOLDINGS PLC

ROLLS-ROYCE PLC

ROTHESAY LIFE PLC

ROTHESAY LIMITED

ROYAL LONDON MUTUAL INSURANCE
SOCIETY, LIMITED(THE)

RS GROUP PLC

S4 CAPITAL PLC

SANDWELL COMMERCIAL
FINANCE NO. 1 PLC

SANDWELL COMMERCIAL
FINANCE NO. 2 PLC

SANTANDER FINANCIAL SERVICES PLC

SANTANDER UK GROUP HOLDINGS PLC

SANTANDER UK PLC

SCHRODER EUROPEAN REAL
ESTATE INVESTMENT TRUST PLC

SCOTTISH BUILDING SOCIETY

SCOTTISH EQUITABLE PLC

SCOTTISH MORTGAGE
INVESTMENT TRUST PLC

SCS GROUP P.L.C.

SDCL ENERGY EFFICIENCY
INCOME TRUST PLC

SEGRO PUBLIC LIMITED COMPANY

SOUTHERN HOUSING GROUP LIMITED

ST. JAMES'S PLACE PLC

ST. JAMES'S PLACE UK PLC

STAFFORD RAILWAY BUILDING SOCIETY

STELRAD GROUP PLC

STHREE PLC

STV GROUP PLC

SUFFOLK LIFE ANNUITIES LIMITED

SUTTON AND EAST SURREY WATER PLC

SYNTHOMER PLC

TAYLOR WIMPEY PLC

TBC BANK GROUP PLC

TCLARKE PLC

TEN ENTERTAINMENT GROUP PLC

THAMES WATER UTILITIES FINANCE PLC

THE ACCESS BANK UK LIMITED

THE CHARITY BANK LIMITED

THE CITY OF LONDON
INVESTMENT TRUST PLC

THE EDINBURGH INVESTMENT TRUST
PUBLIC LIMITED COMPANY



THE EQUITABLE LIFE ASSURANCE SOCIETY

THE HOSPITAL COMPANY
(DARTFORD) ISSUER PLC

THE LINDSELL TRAIN
INVESTMENT TRUST PLC

THE OCEAN MARINE INSURANCE
COMPANY LIMITED

THE SCOTTISH INVESTMENT TRUST PLC

THE SOCIETY OF LLOYDS

THE VETERINARY DEFENCE
SOCIETY LIMITED

THREADNEEDLE PENSIONS LIMITED

TI FLUID SYSTEMS PLC

TOKIO MARINE KILN INSURANCE LIMITED

TOPPS TILES PLC

TRAFALGAR INSURANCE LIMITED

TRAINLINE PLC

TRIODOS BANK UK LIMITED

TROY INCOME & GROWTH TRUST PLC

TRUSTPILOT GROUP PLC

TT CLUB MUTUAL INSURANCE LIMITED

TYMAN PLC

UNITED BANK FOR AFRICA (UK) LIMITED

UTMOST LIFE AND PENSIONS LIMITED

UZBEKINVEST INTERNATIONAL
INSURANCE COMPANY LIMITED

VESUVIUS PLC

VICTREX PLC

VISTRY GROUP PLC

VITALITY HEALTH LIMITED

VITALITY LIFE LIMITED

VIVO ENERGY PLC

VP PLC

VPC SPECIALTY LENDING
INVESTMENTS PLC

W.A.G PAYMENT SOLUTIONS PLC

WEIR GROUP PLC(THE)

WEST BROMWICH BUILDING SOCIETY

WESTPAC EUROPE LIMITED

WH SMITH PLC

WISE PLC

WM MORRISON SUPERMARKETS LIMITED

WORLDWIDE HEALTHCARE TRUST PLC

YORKSHIRE BUILDING SOCIETY

ZENITH BANK (UK) LIMITED

ZOPA BANK LIMITED



List of other London Stock Exchange listed entities

Additionally, during the year we also performed the audit of the following entities that are listed on the London Stock Exchange, but are not incorporated in the UK.

DAIRY FARM INTERNATIONAL
HOLDINGS LIMITED

HANSA INVESTMENT COMPANY LTD

HISCOX LTD

HONGKONG LAND HOLDINGS LIMITED

JARDINE MATHESON HOLDINGS LIMITED

MANDARIN ORIENTAL
INTERNATIONAL LIMITED

CENTAMIN PLC

DIGITAL 9 INFRASTRUCTURE PLC

GOLDMAN SACHS FINANCE
CORP INTERNATIONAL LTD

GRIT REAL ESTATE INCOME GROUP LTD

INTEGRATED DIAGNOSTICS HOLDINGS PLC

SANNE GROUP PLC

WIZZ AIR HOLDINGS PLC



List of EEA member state audit firms in the PwC Network

EEA Audit firms in the PwC Network

Member State	Name of firm		
Austria	PwC Wirtschaftsprüfung GmbH, Wien PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg PwC Österreich GmbH, Wien	France	PricewaterhouseCoopers Audit PricewaterhouseCoopers Entreprises PricewaterhouseCoopers France M. Philippe Aerts M. Jean-Laurent Bracieux M. Antoine Priollaud
Belgium	PwC Bedrijfsrevisoren bv/ Reviseurs d'entreprises srl	Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft Wibera WPG AG
Bulgaria	PricewaterhouseCoopers Audit OOD	Greece	PricewaterhouseCoopers Auditing Company SA
Croatia	PricewaterhouseCoopers d.o.o PricewaterhouseCoopers Savjetovanje d.o.o	Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Cyprus	PricewaterhouseCoopers Limited	Iceland	PricewaterhouseCoopers ehf
Czech Republic	PricewaterhouseCoopers Audit s.r.o.	Ireland	PricewaterhouseCoopers
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionsspartnerselskab	Italy	PricewaterhouseCoopers Spa
Estonia	AS PricewaterhouseCoopers	Latvia	PricewaterhouseCoopers SIA
Finland	PricewaterhouseCoopers Oy	Liechtenstein	PricewaterhouseCoopers GmbH, Ruggell
		Lithuania	PricewaterhouseCoopers UAB
		Luxembourg	PricewaterhouseCoopers, Société coopérative
		Malta	PricewaterhouseCoopers
		Netherlands	PricewaterhouseCoopers Accountants N.V. Coöperatie PricewaterhouseCoopers Nederland U.A.

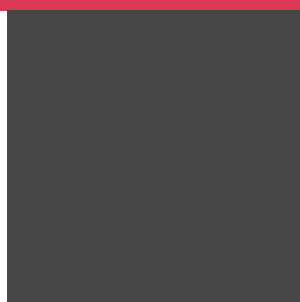


Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z o.o. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.
Portugal	PricewaterhouseCoopers & Associados – Sociedade de Revisores Oficiais de Contas, Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB Öhrlings PricewaterhouseCoopers AB

Total turnover achieved by statutory auditors and audit firms from EEA Member States that are members of the PwC network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements is approximately 2.5 billion Euros. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing as of 30 June 2022.



Glossary of terms



A&C	Acceptance & Continuance
ACM	Audit Compliance Measures
ACR	Audit Compliance Review
AFGC	Audit Firm Governance Code
AFS	Authorisation for Services
AIR	Automated Investments Recording
AMS	Audit Market Supervision
AOB	Audit Oversight Body
API	Application Programming Interface
APRAC	Audit Partner Remuneration and Admissions Committee
AQI	Audit Quality Indicators
AQM	Audit Quality Measure
AQR	Audit Quality Review team of the FRC
Assurance Services	Assurance services include statutory audits, non-statutory audits, local audits under the Local Audit and Accountability Act 2014, ISAE 3000 (Revised), ISAE 3402, and certain Capital Markets transaction work.
AQP	Audit Quality Plan
ATAP	Audit Tender Approval Panel
ARC	Audit Registration Committee
ARQ	Audit Risk & Quality
ATOL	Air Travel Organiser's Licence
B&CM	Banking & Capital Markets
BEIS	Department for Business, Energy and Industrial Strategy
BPO	Business Process Owners
BRS	Business Restructuring Services
BU	Business Unit

CAN	Chief Auditor Network
CASS	Client Asset Sourcebook audits
CCAB	The Consultative Committee of Accountancy Bodies
CEE	Case Examination and Enquiries
CEO	Chief Executive Officer
CES	Central Entity Services
CFO	Chief Financial Officer
CI	Continuous Improvement
CIPFA	Chartered Institute of Public Finance and Accountancy
CMA	Competition & Markets Authority
CME	Clients and Markets Executive
COBIT	Control Objectives for Information and Related Technologies
COO	Chief Operating Officer
CPAB	Canadian Public Accountability Board
Crowe	Crowe UK LLP, PricewaterhouseCoopers LLP's statutory auditor
CRUF	Corporate Reporting Users' Forum
DDM	Distributed Delivery Model
EAP	Employee Assistance Programme
EAT	External Auditor Training
EB	Executive Board
ECR	Engagement Compliance Review
EEA	European Economic Area
EMEA	Europe, Middle East and Africa



EQCR	Engagement Quality Control Reviewers
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
Ethical Standard	The Ethical Standard issued by the FRC in June 2016
European Union Statutory Audit Regulation	Regulation (EU) No 537/2014 of the European Parliament
The firm	PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales
FCA	Financial Conduct Authority
FPI	Foreign Private Issuer
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GAQ	Global Assurance Quality – Methodology Group
GBR	Global Breaches Reporting System
GDPR	General Data Protection Regulation
Governance Code	The Audit Firm Governance Code
GRC	Governance, risk and compliance
Group	PwC UK and its subsidiary undertakings in the UK, Channel Islands and Middle East
HPC	High Profile Client
HR	Human Resources
H&S	Health & Safety

I&D	Inclusion and Diversity
ICAEW	Institute of Chartered Accountants in England and Wales
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
INE	Independent Non-Executive (as described in the AFGC)
IPA	Internal Partner Admissions process
ISAs	International Standards on Auditing
ISP	Information Security Policy
ISQC (UK) 1	International Standards on Quality Control (UK) 1: ‘Quality control for firms that perform audits and reviews of historical financial information, and other assurance and related services engagements’
ISQM (UK) 1 and 2	International Standards on Quality Management
ISRE2410	International Standard on Review Engagements
ITL	International Team Leader
KPI	Key Performance Indicator
LoS	Line of Service
M&A	Mergers and Acquisitions
MB	Management Board
MHFA	Mental Health First Aider
NIST	National Institute of Standards and Technology
OGC	Office of General Council
OSCR	Office of the Scottish Charity Regulator



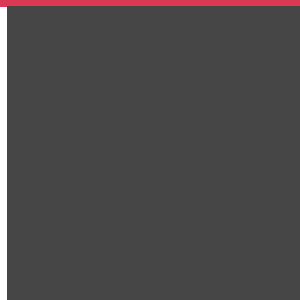
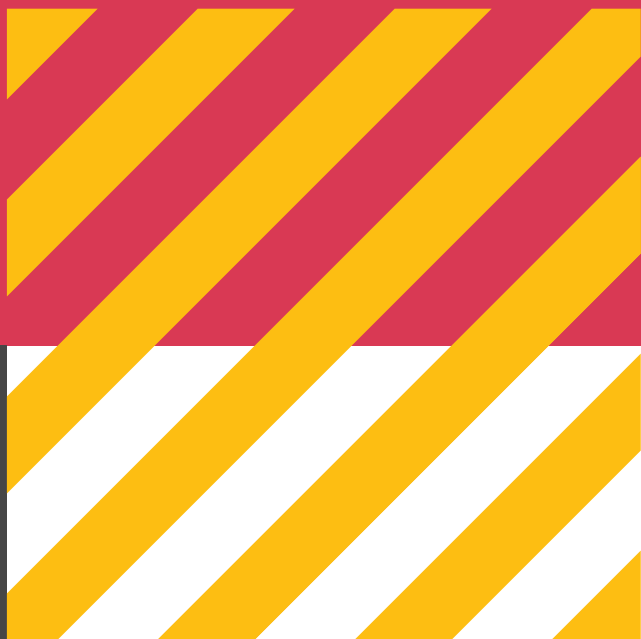
P2P	Pathway 2 Partner	QiP	Quality improvement Plan
PAC	Partner Affairs Committee	QMP	Quality Management Process
PCAOB	Public Company Accounting Oversight Board of the United States of America	QMR	Quality Management Review
PEAQ	Programme to Enhance Audit Quality	QMSE	Quality Management for Service Excellence
PIB	Public Interest Body	QRP	Quality Review Partner
PIE	Public Interest Entity	RAF	Recognition and Accountability Framework
PMC	Partner Matters Committee	RCA	Root Cause Analysis
PO	Purchase Order	RIs	'Responsible Individuals' are the individuals in the firm allowed to sign audit reports
PRA	Prudential Regulation Authority	RSA	Royal Society of Arts
PRG	Policy Reputation Group	RTA	Real Time Assurance
PRI	Partner Responsible for Independence	SB	Supervisory Board
Price water-house Coopers	the Network of member firms of PwCIL	SEB	Socio-Economic Background
PricewaterhouseCoopers LLP (or PwC LLP)	a limited liability partnership incorporated in England and Wales	SEC	Securities and Exchange Commission of the United States of America
PwC	PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales	SIR	Standards for Investment Reporting
PwCIL	PricewaterhouseCoopers International Limited	SOPS	Statements Of Permitted Services
PwC Network	The Network of member firms of PwCIL	SoQM	System of Quality Management
PwC UK	PricewaterhouseCoopers LLP, A limited liability partnership incorporated in England and Wales	SOx	Sarbanes–Oxley Act
QAD	Quality Assurance Department of the ICAEW	SPA	Sale & Purchase Agreement
		SQP	Single Quality Plan
		TCFD	Task Force on Climate-Related Financial Disclosures
		TPM	Troublesome Practice Matters
		T&RC	Talent and Remuneration Committee



'us'	PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England and Wales
'we'	PricewaterhouseCoopers LLP, a limited liability partnership incorporated in England



Compliance mapping



Audit Firm Governance Code



This Transparency Report's compliance with the Audit Firm Governance Code (2016) has been set out below with details of the relevant disclosures made that comply with each individual principle and provision of the Code.

Principles and Provisions of the Audit Firm Governance Code (2016)	Where the principles and provisions have been addressed in this Report
<p>A.1 Ownership accountability principle</p> <p>The management of a firm should be accountable to the firm's owners and no individual should have unfettered powers of decision.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p>
<p>A.1.1 The firm should establish a board or equivalent governance structure, with matters specifically reserved for its decision, to oversee the activities of the management team.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p>
<p>A.1.2 The firm should state in its transparency report how its governance structures and management operate, their duties and the types of decisions they take. In doing so the firm should explain how its governance structure provides oversight of both the audit practice and the firm as a whole with a focus on ensuring the Code's purpose is achieved. If the management and/or governance of the firm rests at an international level it should specifically set out how management and oversight of audit is undertaken and the Code's purpose achieved in the UK.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p> <p>Update from the Audit Oversight Body chapter.</p> <p>Update from the Public Interest Body chapter.</p>
<p>A.1.3 The firm should state in its transparency report the names and job titles of all members of the firm's governance structures and its management, how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details.</p>	<p>Firmwide governance chapter – Biographies of members of the Management Board and Supervisory Board section.</p> <p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p>



A.1.4	The members of a firm's governance structures and management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.	Firmwide governance chapter – Committee structures and what they do section.
A.2	Management Principle A firm should have effective management which has responsibility and clear authority for running the firm.	Firmwide governance chapter – Committee structures and what they do section.
A.2.1	Management should have terms of reference that include clear authority over the whole firm including its non-audit businesses and these should be disclosed on the firm's website.	Firmwide governance chapter – Committee structures and what they do. Update from the Audit Oversight Body chapter.
B.1	Professionalism Principle A firm should perform quality work by exercising judgement and upholding values of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour in a way that properly takes the public interest into consideration and meets auditing and ethical standards.	Ethics chapter – Ethics section. Finances and other disclosures chapter – PwC UK Audit Registrations section. Audit quality chapter – Our system of quality management section. Our audit methodology chapter – Engagement performance section. People chapter – Culture section.
B.1.1	The firm's governance structures and management should establish and promote throughout the firm an appropriate culture, supportive of the firm's public interest role and long term sustainability. This should be achieved in particular through the right tone from the top, through the firm's policies and practices and by management publicly committing themselves and the whole firm to quality work, the public interest and professional judgement and values.	Firmwide governance chapter – Committee structures and what they do section. Update from the Public Interest Body chapter. Update from the Audit Oversight Body chapter. People chapter – Culture, Talent section, performance and reward sections.
B.1.2	Firms should introduce KPIs on the performance of their governance system, and report on performance against these in their transparency reports.	Firmwide governance chapter – Committee structures and what they do section.



B.1.3	The firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and independent non-executives should oversee compliance with it.	Ethics chapter – Ethics section.
B.2	Governance Principle A firm should publicly commit itself to this Audit Firm Governance Code	Firmwide governance chapter – Committee structures and what they do section.
B.2.1	The firm should incorporate the principles of this Audit Firm Governance Code into an internal code of conduct.	Ethics chapter – Ethics section.
B.3	Openness principle A firm should maintain a culture of openness which encourages people to consult and share problems, knowledge and experience in order to achieve quality work in a way that properly takes the public interest into consideration.	Audit quality chapter – Inspections and Investigations, Our Programme to Enhance Audit Quality, and Our system of quality management sections. Our audit methodology chapter – Engagement acceptance and continuance and Engagement performance sections.
C.1	Involvement of independent non-executive principle A firm should appoint independent non-executives to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of the Code.	Firmwide governance chapter – Committee structures and what they do section. Update from the Public Interest Body chapter.



C.1.1 Independent non-executives should number at least three and be in the majority on a body that oversees public interest matters; and/or be members of other relevant governance structures within the firm. They should also meet as a separate group to discuss matters relating to their remit. They should have full visibility of the entirety of the business but should pay particular attention to and report on risks to audit quality and how they are addressed. If a firm considers that having three INEs is inappropriate given its size or number of public company clients, it should explain this in its transparency report and ensure a minimum of two at all times. Where the firm adopts an international approach to its management it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this market; or explain why it regards a smaller number to be more appropriate, in which event there should be a minimum of two.

Firmwide governance chapter – Committee structures and what they do.

Update from the Public Interest Body chapter.

Update from the Audit Oversight Body chapter.

C.1.2 The firm should disclose on its website and in its transparency report information about the appointment, retirement and resignation of independent non-executives; their remuneration; their duties and the arrangements by which they discharge those duties; and the obligations of the firm to support them. The firm should report on why it has chosen to position its independent non-executives in the way it has (for example, as members of the main Board or on a public interest committee). The firm should also disclose on its website the terms of reference and composition of any governance structures whose membership includes independent non-executives.

Update from the Public Interest Body chapter.

Update from the Audit Oversight Body chapter.

Firmwide governance chapter – Committee structures and what they do.

And on our [website](#).



<p>C.1.3 The independent non-executives should report in the firm's transparency report on how they have worked to meet the purpose of the Code defined as:</p> <ul style="list-style-type: none"> • Promoting audit quality. • Helping the firm secure its reputation more broadly, including in its non-audit businesses. • Reducing the risk of firm failure. 	<p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p>
<p>C.1.4 Independent non-executives should have regular contact with the Ethics Partner, who should under the ethical standards have a reporting line to them.</p>	<p>Update from the Public Interest Body chapter.</p>
<p>C.2 Characteristics of independent non-executives' principle</p> <p>The independent non-executives' duty of care is to the firm. They should command the respect of the firm's owners and collectively enhance shareholder confidence by virtue of their independence, number, stature, experience and expertise. They should have a balance of relevant skills and experience including audit and a regulated sector. At least one independent non-executive should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function, as an investor or at an audit firm.</p>	<p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p>
<p>C.2.1 The firm should state in its transparency report its criteria for assessing the impact of independent non-executives on the firm's independence as auditors and their independence from the firm and its owners.</p>	<p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p>



C.3	<p>Rights and responsibilities of independent non-executives principle</p> <p>Independent non-executives of a firm should have rights consistent with their role including a right of access to relevant information and people to the extent permitted by law or regulation, and a right to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly.</p>	<p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p>
C.3.1	<p>Each independent non-executive should have a contract for services setting out their rights and duties.</p>	<p>Update from the Public Interest Body chapter.</p>
C.3.2	<p>Independent non-executives should be appointed for specific terms and any term beyond nine years should be subject to particularly rigorous review and explanation.</p>	<p>Update from the Public Interest Body chapter.</p>
C.3.3	<p>The responsibilities of an independent non-executive should include, but not be limited to, oversight of the firm's policies and processes for:</p> <ul style="list-style-type: none"> • Promoting audit quality. • Helping the firm secure its reputation more broadly, including in its non-audit businesses. • Reducing the risk of firm failure. 	<p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p>
C.3.4	<p>The firm should ensure that appropriate indemnity insurance is in place in respect of legal action against any independent non-executive in respect of their work in that role.</p>	<p>Update from the Public Interest Body chapter.</p>
C.3.5	<p>The firm should provide each independent non-executive with sufficient resources to undertake their duties including having access to independent professional advice at the firm's expense where an independent non-executive judges such advice necessary to discharge their duties.</p>	<p>Update from the Public Interest Body chapter.</p>



<p>C.3.6 The firm should establish, and disclose on its website, procedures for dealing with any fundamental disagreement that cannot otherwise be resolved between the independent non-executives and members of the firm's management team and/or governance structures.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p> <p>For the PIB, Annex 2 on the PIB Terms of Reference on our website.</p> <p>For the AOB, Annex 3 on the AOB Terms of Reference on our website.</p>
<p>D.1 Compliance Principle</p> <p>A firm should comply with professional standards and applicable legal and regulatory requirements. Operations should be conducted in a way that promotes audit quality and the reputation of the firm. The independent non-executives should be involved in the oversight of operations.</p>	<p>Firmwide governance chapter – Committee structure and what they do section.</p> <p>Ethics chapter – Objectivity, Independence and Ethics section.</p> <p>Audit quality chapter – Inspections and Investigations, Our Programme to Enhance Audit Quality, and Our system of quality management sections.</p> <p>Our audit methodology chapter – Engagement acceptance and continuance and Engagement performance sections.</p> <p>Finance and other disclosures chapter – PwC UK Registrations section.</p>
<p>D.1.1 The firm should establish policies and procedures for complying with applicable legal and regulatory requirements and international and national standards on auditing, quality control and ethics, including auditor independence.</p>	<p>Ethics chapter – Ethics section.</p> <p>Audit quality chapter – Inspections and Investigations, Our Programme to Enhance Audit Quality, and Our system of quality management sections.</p> <p>Our audit methodology chapter – Engagement acceptance and continuance and Engagement performance sections.</p>
<p>D.1.2 The firm should establish policies and procedures for individuals signing group audit reports to comply with applicable standards on auditing dealing with group audits including reliance on other auditors whether from the same network or otherwise.</p>	<p>Our audit methodology chapter – Engagement acceptance and continuance section.</p>



D.1.3	The firm should state in its transparency report how it applies policies and procedures for managing potential and actual conflicts of interest.	Our audit methodology chapter – Conflicts of interest and sensitive situations section.
D.1.4	The firm should take action to address areas of concern identified by audit regulators in relation to the firm’s audit work.	Audit quality chapter – Inspections and Investigations, Our Programme to Enhance Audit Quality, and Our system of quality management sections.
D.2	Risk management principle A firm should maintain a sound system of internal control and risk management over the operations of the firm as a whole to safeguard the firm and reassure stakeholders.	Firmwide governance chapter – Committee structures and what they do section. Update from the Public Interest Body chapter. Ethics chapter – Objectivity, Independence and Ethics section. Audit quality chapter – Inspections and Investigations, Our Programme to Enhance Audit Quality, and Our system of quality management sections.
D.2.1	The firm should, at least annually, conduct a review of the effectiveness of the firm’s system of internal control. Independent non-executives should be involved in the review which should cover all material controls, including financial, operational and compliance controls and risk management systems as well as the promotion of an appropriate culture underpinned by sound values and behaviour within the firm.	Firmwide governance chapter – Committee structures and what they do section. Update from the Public Interest Body chapter. People chapter – Culture section. Audit quality chapter – Our system of quality management and Our Programme to Enhance Audit Quality sections.



<p>D.2.2 The firm should state in its transparency report that it has performed a review of the effectiveness of the system of internal control, summarise the process it has applied and confirm that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. It should also disclose the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p> <p>Update from the Public Interest Body chapter</p> <p>Audit quality chapter – Our system of quality management section and Our Programme to Enhance Audit Quality sections.</p>
<p>D.2.3 The firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice within the UK.</p>	<p>Firmwide governance chapter – Principal risks and responses section.</p>
<p>D.3 People management principle</p> <p>A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code.</p>	<p>People chapter – Training, Culture, Talent, performance and reward sections.</p> <p>Audit quality chapter – Our system of quality management and Our Programme to Enhance Audit Quality sections.</p> <p>Our audit methodology chapter – Engagement performance section.</p>
<p>D.3.1 The firm should disclose on its website how it supports its commitment to the professionalism, openness and risk management principles of this Audit Firm Governance Code through recruitment, development activities, objective setting, performance evaluation, remuneration, progression, other forms of recognition, representation and involvement.</p>	<p>Ethics chapter – Ethics section.</p> <p>People chapter – Training, Culture and Talent, performance and reward sections.</p> <p>Audit quality chapter – Our system of quality management and Our Programme to Enhance Audit Quality sections.</p>



<p>D.3.2 Independent non-executives should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, to ensure that the public interest is protected.</p>	<p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p> <p>Firmwide governance chapter – Committee structure and what they do section.</p>
<p>D.4 Whistleblowing principle</p> <p>A firm should establish and apply confidential whistleblowing policies and procedures across the firm which enable people to report, without fear, concerns about the firm's commitment to quality work and professional judgement and values in a way that properly takes the public interest into consideration. The independent non-executives should be satisfied that there is an effective whistleblowing process in place.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p> <p>Update from the Public Interest Body chapter.</p>
<p>D.4.1 The firm should report to independent non-executives on issues raised under its whistleblowing policies and procedures and disclose those policies and procedures on its website.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p> <p>Update from the Public Interest Body chapter.</p> <p>Whistleblowing procedures on our website.</p>
<p>E.1 Internal reporting principle</p> <p>The management of a firm should ensure that members of its governance structures, including owners and independent non-executives, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.</p>	<p>Update from the Public Interest Body chapter.</p> <p>Update from the Audit Oversight Body chapter.</p> <p>Firmwide governance chapter – Committee structure and what they do section.</p>
<p>E.2 Governance reporting principle</p> <p>A firm should publicly report how it has applied in practice each of the principles of the Audit Firm Governance Code and make a statement on its compliance with the Code's provisions or give a considered explanation for any noncompliance.</p>	<p>Whole Transparency Report.</p> <p>Statement of compliance within the Firmwide governance chapter – Committee structures and what they do section.</p>



E.2.1	The firm should publish on its website an annual transparency report containing the disclosures required by Code Provisions A.1.2, A.1.3, B1.2, C.2.1, D.1.3, D.2.2, E.2.2 and E.3.1.	See the mapped chapters and relevant content to each of these Code Provisions throughout this document.
E.2.2	In its transparency report the firm should give details of any additional provisions from the UK Corporate Governance Code which it has adopted within its own governance structure.	Firmwide governance chapter – Committee structures and what they do section.
E.3	Transparency principle A firm should publish on an annual basis in its transparency report a commentary on the firm's performance, position and prospects.	Whole Transparency Report. The PwC 2022 Financial Statements are included in the PwC Annual Report , and the full financial statements are available in the link and from Companies House. Finances and other disclosures chapter – Finance information section.
E.3.1	The firm should confirm that it has carried out a robust assessment of the principal risks facing the audit firm, including those that would threaten its business model, future performance, solvency or liquidity. The firm should describe those risks and explain how they are being managed or mitigated.	Firmwide governance chapter – Principal risks and responses section. Audit Quality chapter – Our system of quality management, Our programme to enhance audit quality.
E.3.2	The transparency report should be fair, balanced and understandable in its entirety.	Achieved throughout report as a whole.
E.4	Reporting quality principle A firm should establish formal and transparent arrangements for monitoring the quality of external reporting and for maintaining an appropriate relationship with the firm's auditors.	Firmwide governance chapter – Committee structures and what they do section.



<p>E.4.1 The firm should establish an audit committee and disclose on its website information on the committee's membership and terms of reference which should deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. On an annual basis, the audit committee should publish a description of its work and how it has discharged its duties.</p>	<p>Firmwide governance chapter – Committee structures and what they do section.</p> <p>And on our website.</p>
<p>E.5 Financial statements principle</p> <p>A firm should publish audited financial statements prepared in accordance with a recognised financial reporting framework such as International Financial Reporting Standards or UK GAAP, and should be clear and concise.</p>	<p>The PwC 2022 Financial Statements are included in the PwC Annual Report, and the full financial statements are available in the link and from Companies House.</p>
<p>E.5.1 The firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities, preferably in accordance with the extended audit report standards.</p>	<p>The PwC 2022 Financial Statements are included in the PwC Annual Report, and the full financial statements are available in the link and from Companies House.</p>
<p>E.5.2 The firm should state whether it considers it appropriate to adopt the going concern basis of accounting and identify any material uncertainties to its ability to continue to do so, with supporting assumptions or qualifications as necessary.</p>	<p>The PwC 2022 Financial Statements are included in the PwC Annual Report, and the full financial statements are available in the link and from Companies House.</p>
<p>F.1 Firm dialogue principle</p> <p>A firm should have dialogue with listed company shareholders, as well as listed companies and their audit committees, about matters covered by this Audit Firm Governance Code to enhance mutual communications and understanding and ensure that it keeps in touch with shareholder opinion, issues and concerns.</p>	<p>Our Audit methodology chapter – Interaction with stakeholders section.</p> <p>Firmwide governance chapter – Committee structures and what they do section.</p>



F.1.1	The firm should disclose on its website its policies and procedures, including contact details, for dialogue about matters covered by this Audit Firm Governance Code with listed company shareholders and listed companies. It should also report on the dialogue it has had during the year. These disclosures should cover the nature and extent of the involvement of independent non-executives in such dialogue.	Our Audit methodology chapter – Interaction with stakeholders section.
F.2	Shareholder dialogue principle Shareholders should have dialogue with audit firms to enhance mutual communication and understanding.	Our Audit methodology chapter – Interaction with stakeholders section.
F.3	Informed voting principle Shareholders should have dialogue with listed companies on the process of recommending the appointment and reappointment of auditors and should make considered use of votes in relation to such recommendations.	Our Audit methodology chapter– Interaction with stakeholders section.



The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019

This Transparency Report's compliance with Article 13 of EU Regulation 537/2014 as amended by The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 has been set out below with details of relevant disclosures are made that comply with each individual requirement of the Regulation.

Requirement	Location within this Transparency Report
<p>1. A statutory auditor that carries out the statutory audit of a public-interest entities shall make public an annual transparency report at the latest four months after the end of each financial year.</p> <p>That transparency report shall be published on the website of the statutory auditor and shall remain available on that website for at least five years from the day of its publication on the website.</p> <p>A statutory auditor shall be allowed to update its published annual transparency report. In such a case, the statutory auditor shall indicate that it is an updated version of the report and the original version of the report shall continue to remain available on the website.</p> <p>Statutory auditors shall communicate to the competent authorities that the transparency report has been published on the website of the statutory auditor or, as appropriate, that it has been updated.</p>	<p>Complied through the Transparency Report as a whole.</p>
<p>2. The annual transparency report shall include at least the following:</p> <p>(a) a description of the legal structure and ownership of the statutory auditor, if it is a firm;</p>	<p>Firmwide governance chapter – Network and UK Firm Structure section.</p>
<p>(b) where the statutory auditor is a member of a network:</p> <p>(i) a description of the network and the legal and structural arrangements in the network;</p>	<p>Firmwide governance chapter – Network and UK Firm Structure section.</p>
<p>(ii) the name of each member of the network that is eligible for appointment as a statutory auditor, or is eligible for appointment as an auditor in an EEA State or in Gibraltar;</p>	<p>Financial and other disclosures chapter – List of EEA member state audit firms in the PwC Network section.</p>



(iii) for each of the members of the network identified under paragraph (ii), the countries in which they are eligible for appointment as auditors or in which they have a registered office, central administration or a principal place of business;	Financial and other disclosures chapter – List of EEA member state audit firms in the PwC Network section.
(iv) the total turnover of the members of the network identified under paragraph (ii) resulting from statutory audit work or equivalent work in the EEA States or Gibraltar;	Financial and other disclosures chapter – List of EEA member state audit firms in the PwC Network section.
(c) a description of the governance structure of the statutory auditor, if it is a firm;	Firmwide governance chapter – Committee structures and what they do section.
(d) a description of the internal quality control system of the statutory auditor and a statement by the management body on the effectiveness of its functioning;	Audit quality chapter – Our system of quality management, Our programme to enhance audit quality and our root cause analysis sections.
(e) an indication of when the last quality assurance review referred to in Article 26 was carried out;	Audit quality chapter – Inspections and investigations on our audits section.
(f) a list of public-interest entities for which the statutory auditor carried out statutory audits during the preceding financial year;	Financial and other disclosures chapter – List of public interest entity audits performed by PwC UK.
(g) a statement concerning the statutory auditor's independence practices which also confirms that an internal review of independence compliance has been conducted;	Ethics chapter – Objectivity, independence and ethics section.
(h) a statement on the policy followed by the statutory auditor concerning the continuing education of statutory auditors referred to in paragraph 11 of Schedule 10 to the Companies Act 2006;	People chapter – Training section.
(i) information concerning the basis for the remuneration of members of the management body of the statutory auditor, where that statutory auditor is a firm;	Firmwide governance chapter – Committee structures and what they do section.



<p>(j) a description of the statutory auditor's policy concerning the rotation of key audit partners and staff in accordance with Article 17(7);</p>	<p>Ethics chapter – Ethics section – Objectivity, Independence and Ethics subsection.</p>
<p>(k) where not disclosed in its accounts, information about the total turnover of the statutory auditor, divided into the following categories:</p> <ul style="list-style-type: none"> (i) revenues from the statutory audit of accounts of public-interest entities and entities members of groups of undertakings whose parent undertaking is a public-interest entity; (ii) revenues from the statutory audit of accounts of other entities; (iii) revenues from permitted non-audit services to entities that are audited by the statutory auditor; and (iv) revenues from non-audit services to other entities. 	<p>Financial and other disclosures chapter – Finance information section.</p>
<p>The statutory auditor may, in exceptional circumstances, decide not to disclose the information required in point (f) of the first subparagraph to the extent necessary to mitigate an imminent and significant threat to the personal security of any person. The statutory auditor shall be able to demonstrate to the competent authority the existence of such threat.</p>	<p>Not applicable.</p>
<p>3. The transparency report shall be signed by the statutory auditor.</p>	<p>Hemione Hudson, UK Head of Audit</p>





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Registered office: 1 Embankment Place, London, WC2N 6RH.

Registered number: OC303525.

RITM9080706