

Analysis and Critics of a Professional Service Company's Corporate Social Responsibility Report

**Bachelor Project submitted for the Bachelor of Science HES in Business
Administration with a major in International Management**

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Geneva, 15.08.2014
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Declaration

This Bachelor Project is submitted as part of the final examination requirements of the Geneva School of Business Administration, for obtaining the Bachelor of Science HES-SO in Business Administration, with major in International Management.

The student accepts the terms of the confidentiality agreement if one has been signed. The use of any conclusions or recommendations made in the Bachelor Project, with no prejudice to their value, engages neither the responsibility of the author, nor the adviser to the Bachelor Project, nor the jury members nor the HEG.

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Geneva, 15.08.2014



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Acknowledgements

First of all I would like to thank Mrs. Fanny SULMONI and Mrs. Elaine COHEN for their collaboration and interesting inputs on the subject of my Bachelor Thesis.

Furthermore, I wish to express my sincere thanks to Mr. Eric MAEDER for his advising work, comments and feedbacks on my Thesis, as well as providing me with books and articles related to the subject.

I also would like to thank one of my classmates and friend for constantly sending me emails and providing me with articles in relation with the subject of my Thesis, as well as his listening and feedbacks skills.

Last but not least, I place on record, my sense of gratitude to those who took on their free time to read and review my work, and all who, directly or indirectly, helped me throughout the writing process of my Bachelor Thesis.

Executive Summary

The thesis explores a topic that has been insignificantly addressed in Corporate Social Reporting (CSR) literature: CSR within professional service companies, more specifically the quality of CSR reporting within a professional service company.

Considering that Sustainability and CSR have become hot topics in the recent years, it is with no surprise that CSR reporting, which measures and reports sustainable impacts, has become a worldwide mainstream business practice.

Companies engage in CSR for several reasons, such as for competitive advantage, to be an attractive place to work in or to reduce cost. However, considering that CSR is not mandatory in many countries and for all companies, many still drag their feet in implementing CSR.

PwC UK is one of the rare PwC firms within the PwC Network to publish a CR report. Using a Grid Analysis specifically created for the purpose of this thesis, the analysis performed on the report shows that the company produces a qualitative CR report in terms of content and quality.

However, to be able to provide its stakeholders with the best CR report, the company should add certain factors, which have not been found in its CR report, include more details and update certain information disclosed.

Improvements, such as updating its vision statement to include the company's environmental concern, revising its objectives to be measurable, implementing an economic, social and environmental risk assessment and reporting on the results, are part of the thesis' recommendations.

Moreover, the thesis suggests switching to an Integrated Reporting method, in order to provide the company's stakeholders with a broader view of the value creation, and encourages the company to take advantage of its leading position to be a "*catalyst for change*" (Appendix 1: 3) and engage its customers and employees to embrace sustainability.

Finally, to raise the overall quality of its CR report, the thesis proposes to the company to be critical in its CR report and to offer a balanced CR report to its stakeholders.

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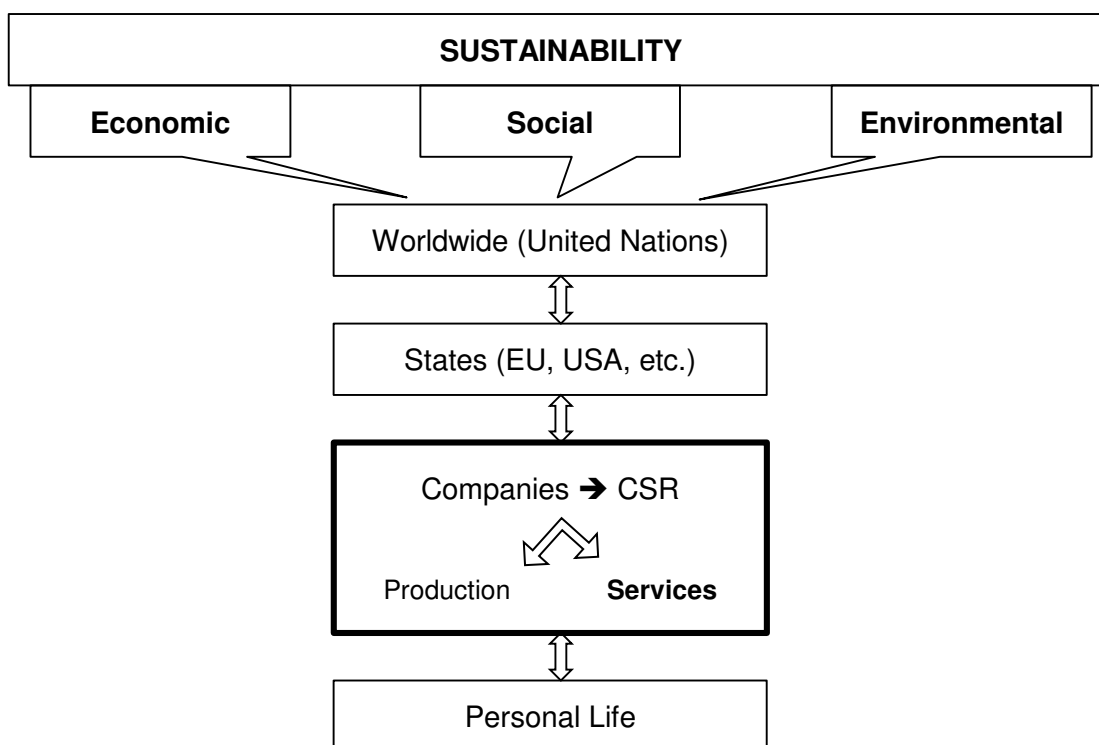
1. Introduction

1.1 Presentation of the subject

The Corporate Social Responsibility (hereafter referred to as “CSR”) concept is for companies what the Sustainable Development concept is for the planet¹. Both take root in Sustainability, whose objective is to continue operating without harming mankind or the environment (Maeder, Lesson 10). While Sustainable Development is the process that drives everyone toward sustainability (Macroeconomic concept), CSR defines the role taken by corporations in this process (Microeconomic concept).

As shown below in Figure 1, sustainability is a voluntary concept (Maeder, Lesson 7) based on three main pillars: economic, social and environmental (Maeder, Lesson 10). These pillars are the areas everyone should focus on, from Worldwide actors such as the United Nations, to each State such as the European Union or the United States of America, to every company no matter what products or services they offer and deep down to every individual in their personal life. These three pillars should therefore be embedded within and voiced by each of these four actors.

Figure 1 – Sustainability Scheme



¹ <http://www.seco.admin.ch/themen/00645/04008/?lang=en>

This thesis will focus on one important actor: Companies, more specifically into the implementation of Corporate Social Responsibility within a company that provides professional services to its clients.

While Worldwide and State actors play a key political role, companies are the ones who get the economy moving and can make tremendous impact around them and beyond.

1.2 Brief Presentation of the Professional Service Company

PricewaterhouseCoopers (PwC) is a ramification of separate legal firms, which operate under the “PwC Network”, and are coordinated by PricewaterhouseCoopers International Limited (PwCIL), an English private company. As of 2014, The PwC Network expands in 157 countries and counts more than 184’000 employees, who generated global revenue of more than \$32billion².

The company is organized in three main professional service lines. Assurance Services include the review of financial documents of any kind and represent 47% of the global revenue. Tax Advisory Services account for 25% of the global revenue and are specialized in tax and legal consulting. The remaining 28% is derived from Advisory Services, which are related to consulting of any kind, such as Strategic Planning, Business Valuation or Sustainability².

Assurance Services employ 84’000 people, which represent 50% of the total number of employees. Tax Advisory Services employ 37’000 people (20%), and Advisory Services count 41’000 employees. The remaining 22’000 people represent the support staff (HR, Marketing, etc.)².

With more than \$11.5billion, Western Europe Region is the second revenue generator of the “PwC Network” in 2013, right after North America and Caribbean Region².

PwC (hereafter referred to as “the company”) has been created in 1998 by the merger of two London companies, Price Waterhouse and Coopers & Lybrand, which have been operating since the mid-nineteenth century².

The company is part of the “Big Four”, the four biggest audit firms in the world, which are specialized in audit, tax, financial planning and advisory services. History of the “Big Four” shows several mergers and PwC is no exception. Its growth over the years involved mergers and acquisitions, the latest to date being the management-consulting firm Booz & Co in 2013, “*leading [PwC] to become one of the biggest firms in the world*”³.

² <http://www.pwc.com>

³ <http://www.big4accountingfirms.org/big-four-accounting-firms/>

One reason for the success of the company is that each member within the PwC Network is independently and locally owned⁴. They certainly have to comply with common policies and maintain the standards put in place by PwCIL. However, they take advantage of the possibility to use the PwC name, as well as the resources and methodologies within the network.

According to The Global 500 Index from Brand Finance, PwC is today the fourth most powerful brand in the world. This index ranks the most powerful brand in the world based on the “*Brand Strength Index*”, which measures, among other financial metrics, desirability, loyalty and consumer sentiment to visual identity, online presence and employee satisfaction⁵.

The company is as well one of the most attractive employers in the world. A survey conducted by Universum among 200'000 students ranked PwC as the fourth most attractive business employer in the world. Its 2014 annual talent attraction index shows that PwC is ranked second most attractive European employer among business students⁶.

⁴ <http://www.pwc.com/gx/en/corporate-governance/network-structure.jhtml>

⁵ <http://www.brandfinance.com>

⁶ <http://universumglobal.com>

1.3 Literature review

1.3.1 Context

The purpose of this thesis is to evaluate Corporate Social Responsibility (CSR) among a professional service company. In order to better understand the CSR challenge, it is important to understand the origin in which CSR was shaped and the context it took place in.

Recently, Corporate Social Responsibility and Sustainable Development have taken more importance in the literature and the media. The idea of responsibilities to be taken by companies first took place in the literature in 1916. J.M. Clark wrote in the Journal of Political Economy *“if men are responsible for the known results of their actions, business responsibilities must include the known results of business dealings, whether these have been recognized by law or not”*.⁷ In early 1930’s, the term *“social audit”*⁷ was first introduced for companies reporting their social responsibilities (T. Kreps, 1931).

In the 1950s, criticism against the globalization of the economy and the issues accompanying it, shaped the context in which the first definition of Corporate Social Responsibility was written. Howard Bowen considered the global economy to be made out of only some important companies, which are the power that determines the well being of the society. With that in mind, he defined CSR as *“the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society”*⁸

In the 70s and 80s, the CSR concept evolved on the international scene, helped by several events such as the first and second global oil crisis⁹, the boycotts of major international companies such as Nestlé¹⁰ or the Bholá hurricane, one of the most deadly hurricanes in history¹¹. Such events led several studies, starting with the 1972 report from the Club of Rome, which pointed out the environmental issues due to economic and demographic growth (The Limits of Growth, 1972). These events, among others, also pushed the OECD and the UNCTC to create some codes of conduct to define ethical business practices (CSRQuest Sustainability Framework, 2004).

⁷ <http://www.sustainabilitysa.org/sustainabilityreporting/Thehistory.aspx>

⁸ <http://sriportfolio.com/2013/01/14/csr-is-about-focusing-on-the-little-things/>

⁹ http://en.wikipedia.org/wiki/1970s_energy_crisis

¹⁰ http://en.wikipedia.org/wiki/Nestlé_boycott

¹¹ http://en.wikipedia.org/wiki/1970_Bholá_cyclone

In the 90s, under the idea of a Sustainable Development, CSR took an even deeper meaning with the “*Rio Declaration on Environment and Development*” agreement¹². At the 1992 “*Earth Summit*” in Rio de Janeiro, the participating countries agreed to protect the economic, social and environmental development and set up non-binding and voluntary principles supporting sustainable development¹³.

From then on and more than ever, companies have been confronted with economic, social and environmental challenges, such as the Subprime crisis, the Walmart bribery scandal or one of the major issues that has been mentioned in the media and is presented as one of the Megatrends: resource scarcity and climate change¹⁴.

It is in this context that Corporate Social Responsibility is becoming an important component of the strategic planning and operations of companies, especially for production companies, considering that they use natural or chemical components for their products. This commitment from the companies for doing business in a more sustainable way is as well in line with what their clients and consumers are expecting. “*How stakeholders evaluate the firm depends not only on what the firm does but also on how it does it [...] Consumer and employee expectations, reputational risks from poor performance, the need to recruit and retain the best talent in a global marketplace and competitive world, are all driving the commercial reality of the need for responsible business practice.*” (Werther, Chandler, 2011).

Moreover, the increase in policies, code of conducts and other strategic concepts towards Corporate Social Responsibilities, as well as the mobilization of businesses in the implementations of norms within and/or across industries, show the interests and the importance of sustainable growth in the economic sector. (Schneider, 2012)

However, “*Companies have often ticked the [Corporate Social Responsibility] box by doing great projects and having group employees who were actively engaged. But they have failed to consistently hardwire CR, not only into their strategy and execution, but into the mind and culture of each and every one of their staff, partners and supply chains.*” (Rake, Grayson, 2009)

¹² <http://www.unep.org/Documents.Multilingual/Default.asp?DocumentID=78&ArticleID=1163>

¹³ http://en.wikipedia.org/wiki/Earth_Summit

¹⁴ <http://www.pwc.com/gx/en/issues/megatrends/index.jhtml>

1.3.2 Definitions

While there is no strict definition, the intention of this section is to set a common language for the readers of the thesis in defining what are Sustainability and Corporate Social Responsibility and why companies get engaged.

1.3.2.1 Sustainability

The etymology of the word comes from the Latin word *sustinere*, to hold¹⁵ and the suffix *abilitas*, expressing the ability¹⁶. There are many definitions of Sustainability but all of them mention the concept of need and time, as with the definition from the United Nations (UN) “*Sustainability calls for a decent standard of living for everyone today without compromising the needs of future generations*”.

Another example is Procter&Gamble, which defines sustainability as “ensuring a better quality of life, now and for generations to come” (White, 2009)

Moreover, the UN definition uses another important key word: everyone. The idea behind the term is that we are all concerned, from the World’s largest organisation (the United Nations), to the last individual (see Figure 1). As Pohl and Tolhurst say “*no matter how well intentioned any individual [company] may be in addressing sustainability, to work in isolation [...] will not achieve complete success*” (2010, 12)

Strictly related to this term, Sustainable Development can be explained as the “*process that drives us toward sustainability*” (Pohl, Tolhurst, 2010, 4). In 1987, the Brundtband Report defined Sustainable Development as the “*Development that meets the needs of the present without compromising the ability of future generations to meet their own needs*”. Following the report as well as several discussions and use of this concept (Holmberg, 1992, Reed, 1997, Harris and al, 2002), economic, social and environmental aspects have been recognized to be primary components of sustainable development (Harris, 2003). As each aspect depends on the two others, none is considered to be more important than the other, for the unaddressed aspects will suffer (Watts, 2011).

This approach on the development is much more complex than the regular and simple economic development (Harris, 2003). These three dimensional approaches, or aspects, are strictly tied to each other as a “*Sustainable Development Triangle*” (Munasinghe, 2007) and can be explained as followed:

¹⁵ <https://sites.google.com/site/mcisonprofitagm2012/what-is-sustainability>

¹⁶ <http://www.wordsense.eu/abilitas/>

Economic: a sustainable economy implies that goods and services continue to be produced and consumed, economic debt is controlled and extreme sectorial imbalance is avoided (Harris, 2003, Munasinghe, 2004);

Social: Social sustainability means that basic social needs are fulfilled; fair distribution of welfare and opportunities is made toward everyone (Harris, 2003, Munasinghe, 2004);

Environmental: a sustainable environment implies the maintenance of the ecological system, stopping over-exploitation of renewable resources and using substitutes to non-renewable resources (Harris, 2003, Munasinghe, 2004).

1.3.2.2 Corporate Social Responsibility

As previously defined, Sustainability can be seen as the state we are aiming for. Corporate Social Responsibility (CSR), Corporate Sustainability (CS) or Corporate Responsibility (CR) can be defined as *“a view of the corporation and its role in society that assumes a responsibility among firms to pursue goals in addition to profit maximization and a responsibility among a firm’s stakeholders to hold the firm accountable for its actions.”* (Werther, Chandler, 2011, xii)

This concept uses the same approach as previously explained above, which has been adapted to business use in 1994 by John Elkington as *“The Triple Bottom Line”*¹⁷. This adaptation results in putting concrete numbers (costs) to the two non-financial dimensions, social and environmental, in order for businessmen to understand and use the same language. The three dimensional approaches are restated as the three P’s: The first P for Profit is related to the economic value of the company. The second P for People is associated with the social responsibility of a company in regards to its employees. The third P for Planet is connected with the environmental responsibility of the company. John Elkington’s approach played an important role in creating initiatives such as the Global Reporting Initiative or the Dow Jones Sustainability Indexes (Berkovics, 2010).

While the aim of this business approach is to create long-term shareholder value by embracing the opportunities and managing the risks associated with economic, environmental and social developments (Rake, Grayson, 2009, 396), there are detractors of this approach, such as Milton Friedman, who said that the primary goal of

¹⁷ <http://www.economist.com/node/14301663>

business is profit maximization and not spending shareholder money for the general social interest (1970).

As previously mentioned, the current environment (understood as its general term) pushes Corporate Social Responsibility into the spotlight and is still at its early but evolving stage. Considering pressures given by stakeholders, and taking into account social and environmental aspects of business, companies all around the world start shifting from a classical profit driven goal to a more sustainable one. The next chapter will explain the reasons and benefits of incorporating Corporate Social Responsibility within a company.

1.3.2.3 Why Corporate Social Responsibility?

Every company is concerned about its future, which is depending on its various stakeholders, such as its employees, customers, suppliers, etc., i.e. the society at large. For that reason CSR specifically addresses the time and stakeholders' constraints (Werther, Chandler, 2011, xxii).

Competitive advantage / Brand differentiation

Nowadays, consumers are more and more concerned about the products/services they buy. They "*want to buy products from companies they trust*" (Werther, Chandler, 2011, 19). In 2013, a study conducted in the United States found out that, 88% of consumers would buy a product with social and/or environmental benefit and the same percentage would stop buying a company's products if they learned irresponsible or deceptive business practices (Cone Communication, 2013). Moreover, 84% are more likely to tell their friends and relatives about a company involved in CSR efforts. As a matter of fact, "*CSR is a competitive differentiator for a firm, as well as a form of brand insurance, in which the brand represents the perception of the company by each of its key stakeholder groups*" (Werther, Chandler, 2011, 112). Companies involved in CSR are therefore able to attract new customers, new markets and thus increase their revenue and market share.

Attractive Working Environment

The most important component of a company is its employees, for without it, the company cannot create value. Companies have understood the importance to take care of their employees through the creation of sound workplace environment and implementation of initiatives that improve employees' well being, which in turn increase productivity and as "*employees want to work for companies they respect*" (Werther, Chandler, 2011, 19), they become more loyal to the company they work for.

Cost reduction

“CSR is important because it influences all aspects of a company’s operations” (Werther, Chandler, 2011, 19). It helps minimizing operational and financial costs (Kotler & Lee, 2005), such as promoting recycling, utilization of reused materials and/or saving water and energy and reflecting the needs and concerns of the stakeholders, while maximizing companies’ financial viability over the medium to long term (Werther, Chandler, 2011, 17-18).

Innovation

By getting involved in CSR, companies not only reduce their costs of productions, but they innovate and find different ways and practices for doing business (Godelnik, 2013). The innovations and new practices enable to create or increase sound competition and give a competitive advantage.

Financing

Following their customers’ demand, *“large investment funds want to support firms that they perceive to be socially responsible”* (Werther, Chandler, 2011, 19). Nowadays, almost every bank proposes a Socially Responsible Investment (SRI) portfolio to their concerned individual and/or business customers. Mr. Gamboni from UBS even said, *“clients’ demand for SRI instrument is growing and is not a hype but a lasting trend”* (Brechtbühler Pešková, BFH Course, 2014). Some banks, such as GlobalanceBank, propose and invest only or mainly into sustainable companies.

Partnerships

Other stakeholders, such as *“nonprofit and NGOs want to work together with companies seeing practical solutions to common goals”* (Werther, Chandler, 2011, 19). NGOs such as Greenpeace are not only pointing out wrong business behaviors, but they also partner with companies to help them improve their supply/value chain, perform in a sustainable manner and find solutions to global issues or “Megatrends”.

Long-term thinking

Adopting CSR is a way to push companies’ thinking toward a long-term and sustainable existence, not only financially but also socially and environmentally. Considering that social and environmental objectives are not easy to achieve on a

short-term financial year basis, companies have to adopt a long-term view, generally ten years¹⁸.

1.3.3 Corporate Social Responsibility report

Corporate Social Responsibility (CSR) Reporting, Corporate Responsibility (CR) Reporting or Sustainability Reporting all cover non-financial information. The Global Reporting Initiative defines it as a “*report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities [...] and demonstrates the link between its strategy and its commitment to a sustainable global economy*”¹⁹.

It “*is the process by which a company can gather and analyze the data it needs to create long term value and resilience to environmental and social change*” (KPMG, 2013, 10). Moreover, the Global Reporting Initiative adds, “*Systematic sustainability reporting helps organizations to measure the impacts they cause or experience, set goals, and manage change. A sustainability report is the key platform for communicating sustainability performance and impacts – whether positive or negative*”⁸.

CR reporting appeared only around the 80’s²⁰ and, unlike financial reporting, CR reporting is mostly done on a voluntary basis. There is however a growing trend toward mandatory CR reporting imposed by governments and stock exchanges (KPMG, 2013, 24). A recent example is the law passed in the European Union imposing large listed companies within its member countries to report on their social and environmental impacts²¹.

And CR reporting is becoming “*mainstream business practice worldwide*” (KPMG, 2013, 11). In fact, according to a study conducted by KPMG in 2013, more than 50% of companies in all sectors publish a CR report worldwide. More than 70% of companies in the Americas (76%), Europe (73%) and Asia Pacific (71%) report on CR (based on 4,100 companies surveyed).

¹⁸ <http://www.forbes.com/sites/csr/2012/02/21/six-reasons-companies-should-embrace-csr/>

¹⁹ <https://www.globalreporting.org/information/sustainability-reporting/Pages/default.aspx>

²⁰ <http://www.socialfunds.com/news/print.cgi?sfArticleId=1459>

²¹ <http://www.theguardian.com/sustainable-business/eu-reform-listed-companies-report-environmental-social-impact>

80% of the companies surveyed use the Global Reporting Initiative (GRI) Guideline for preparing the CR report (KPMG, 2013, 12). This guideline “*offers Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports*”²², which enables to compare more easily one CR report to another.

Even though Integrated Report (IR) is expected to become the next step for Corporate Reporting (KPMG, 2013, 12), the report shows that only 10% of companies publish an Integrated Report. Integrated Reporting is the “*integration and reduction of various dimensions of reports such as financial, corporate governance or CSR report into a single report. It should not be just a summary of the existing content of the reports, but the links between the largely isolated parts of the reports should be displayed*” (Audit Committee News, 2012, 38).

The KPMG report found out that, although “*many of the world’s largest companies are using the process of CR reporting to bring CR and sustainability right to the heart of their business strategy on average*”, the quality of the Global 250 companies’ CR report only reached 59% (KPMG, 2013, 10). “*This [finding] indicates significant room for improvement*” (KPMG, 2013, 13). Companies in Europe, lead by Italy, Spain and the UK, provide a quality in CR reporting of more than 70% and can mainly be explained by a relative maturity of reporting in the “old continent”. Quality report of companies in the UK scores 76% (KPMG, 2013, 16).

Improving reporting and information to make all stakeholders aware of companies’ activities is a must for every company to get involved in CSR, since a transparent and clear CSR communication will enable positive media coverage, increase the reputation and brand image (Weber, 2008)

By working with and for its stakeholders, companies fulfill and are compliant with their shareholders needs (Werther, Chandler, 2011, 19) for short-term revenue (dividends) and long-term continuity of the activity.

²² <https://www.globalreporting.org/reporting/g4/Pages/default.aspx>

1.4 Statement of the Business Administration Challenges and Context

The literature review performed suggests that most of the literature available on Sustainability and Corporate Social Responsibility refers to or is linked with companies offering products. Professional service companies seem to play a second role in the race for sustainability. As the KPMG report mentions, even though 25% of the Global 250 companies offer professional services as their products (finance, insurance & securities), companies in the production sector (Electronics & computers, Mining, Pharmaceuticals) provide a better CR report quality (KPMG, 2013, 15).

The purpose of this thesis is to make an in-depth CR Report analysis of one of the companies within the professional service sector, which is not listed on any Stock Exchange but still has a tremendous impact on the market: PricewaterhouseCoopers (PwC), and to propose some solutions for improving the quality and relevance of its CR report.

2. Analysis

2.1 Methodology

2.1.1 Objective and limit of the analysis

The thesis is interested in the methodology used by PwC to communicate its non-financial information and the quality of the information provided related to Economic, Social and Environmental aspects of its business.

Considering that the thesis is limited to the analysis of one company, the size of the sample is not representative of the entire professional service sector. Therefore, and even though some extrapolations could be made, the thesis has no aim at determining whether the specific audit and tax sector, mainly composed by “The Big Four”, as explained in section 1 of the thesis, correctly communicates non-financial information.

2.1.2 Documents used for the analysis

To conduct the analysis, it was chosen not to perform interviews with or send out questionnaires to CSR professionals within the company. The approach is to understand what a company has actually achieved, using the information available to all stakeholders, such as and mainly from CSR Reports, Annual Reports and company’s websites. Therefore, the 2013 CSR Report of PricewaterhouseCoopers United Kingdom (PwC UK), “*Our total impact, Corporate sustainability annual update 2013*”, was chosen (Appendix 1 - *Our total impact, Corporate sustainability annual update 2013*).

PwC UK is one of the rare firms within the “PwC Network” to publish a CSR Report. One reason for PwC UK to publish such information seems to be in compliance with national laws.

Even though the Corporate Governance Code in the United Kingdom is not specifically concerned about CSR, chapter 2, section 172.1.(d) of “The Companies Act 2006” mentions that “*a director of a company [...] [should] have regard to the impact of the company’s operations on the community and the environment*”²³. It encourages companies to publish a report, which enables their management (“*director*”¹²) to have a view on non-financial performance.

²³ http://www.legislation.gov.uk/ukpga/2006/46/pdfs/ukpga_20060046_en.pdf

Considering that Appendix 1 is only one part of the documents published on Corporate Social Responsibility by PwC UK, the “Annual Report 2013” (Appendix 2 – Annual Report 2013) referred to in this report is to be taken into consideration.

2.1.3 Definition of the Grid Analysis

The analysis is based on a grid of 80 specific characteristics, which should be found in the CR Report. The characteristics were selected based on literature review of best practices in CR Reporting, the “*Industries with linked indicators*” from Inrate, a selection of CR Reports, such as the “*Impahla Integrated Annual Report 2013*” or the “*Vodafone India Sustainability Report*”, academic courses from Mr. Eric Maeder at the HEG Geneva and from Mrs. Marie Brechbühler Pešková at the BFH Bern, as well as discussions with experts in CR Reporting Analysis, such as Mrs. Fanny Sulmoni from the company Inrate and Mrs. Elaine Cohen from BeyondBusiness.

The skeleton of the Grid Analysis (Figure 2) is inspired from the G4 reporting principles, which is based on two sets of principles: reporting content and reporting quality (Appendix 3 – G4 reporting principles), as well as the “*Impahla Integrated Annual Report 2013*” or the “*Vodafone India Sustainability Report*”, which are based on the G4 reporting principles.

Several characteristics, such as ‘Remuneration based on CR performance’, ‘Policies in place explained’ or ‘Standards followed’ - among others -, have been inspired from the “*Industries with linked indicators*” from Inrate (Document subject to confidentiality).

Other characteristics are based on academic courses from Mr. Eric Maeder at the HEG Geneva and from Mrs. Marie Brechbühler Pešková at the BFH Bern (Appendix 4 – Academic courses). Examples of such characteristics are ‘Company’s key CR areas in the company’s vision’, ‘Code of conduct in place’, ‘Opportunities and Threats identified’, ‘Strengths and Weaknesses identified’ or ‘Stakeholders dialogue approach (inform, consult, involve)’.

In a discussion with Mrs. Elaine Cohen, she said “*one of the challenges of evaluating CSR Reports is the line between evaluating the quality of the report itself or the quality of the CSR activities that the company has advanced*”. The approach taken in the thesis is to evaluate, through the Grid Analysis, both the quality of the report and the quality of the CSR activities.

The Grid Analysis has been built on two core pillars, **Content Factors** and **Quality Factors**:

The **Content Factors** include the characteristics a CSR report should have. Content in a CSR report is important, for it enables to give a quantitative value to the CSR strategy followed and activities performed by the company. This pillar is divided into five areas:

- Strategy & Governance: a CSR report should contain information on the CSR plan of action designed, as well as the set of rules in place within the company under review. Indicators such as the management's involvement or whether a code of conduct is in place are spotted and should be part of the CSR report;
- Analysis: a CSR report should explain how the investigations have been performed and state the reasons for analysis. Identification of opportunities and threats or if work from an external assurance company has been performed are examples of such indicators;
- Economic: impacts of the company on the local and overall economy have to be analyzed and explained. Indicators such as key financial information or tax footprint should be found in the CSR report;
- Social: impacts of the company on its stakeholders have to be analyzed and explained. Training and development or customer satisfaction are examples of indicators to be found in the CSR report;
- Environmental: impacts of the company on the environment have to be analyzed and explained. Indicators such as the travel impact or recycling measurement should be found in the CSR report.

The second core pillar, **Quality Factors**, evaluates the quality of the CR report, which enables stakeholders to have a fair picture of the CSR strategy and activities performed.

Figure 2 on the next page illustrates the Grid Analysis defined for the purpose of the thesis.

Figure 2 – Grid Analysis

Strategy & Governance	Y/N	Analysis	Y/N	Economic	Y/N	Social	Y/N	Environmental	Y/N
Content Factors									
Involvement of the management		Opportunities & Threats identified		Key financial information disclosed		KPI defined		KPI defined	
Company's key CR areas in the company's vision		Strengths and weaknesses identified		Profit allocation		List of material issues		CO2 / GHG emitted	
State mission and objectives		Main achievements expressed		Economic impact		Risk identification		Water consumed	
Code of conduct in place		Input identified and output stated		Tax footprint		Actions taken in response to incidents		Waste created	
Policies in place explained		Risks assessed and possibilities identified		Cost analysis		Stakeholders engaged		Travel impact	
Main areas to focus on stated		List of material issues		KPI defined		Labor practice in place:		Energy consumed	
When to achieve the objectives (timeframe)		Numerical targets defined		Risks identified		Training and development		Energy source use	
Map of Key CR activities within the value chain		CR communicated internally and externally		List of material issues		Ethnic diversity		Recycling / reuse measured	
Remuneration based on CR performance		Stakeholders mapping		Important investments made		Sex diversity		List of material issues	
Report CR information in the annual report		Stakeholders dialogue approach (inform, consult, involve)		Economic evolution (long-term view)		Jobs created		Risk identification	
Publish separate CR report		External audit performed				Employee turnover		Improvements made and to be made	
		Standards followed				Performance and development reviews		Significant impacts of the activities stated	
						Engagement in CSR activities		Programs to fight environmental issues	
						Customer relationship: Customer satisfaction			
						Customer privacy			
						Customer diversity			
						Encouragement to CR practices			
						Corporate citizenship: Social actions			
						Statement of impact on local communities			
						Philanthropic activities			
						Communities involvement			
						Society communication			
						Society satisfaction			
						Suppliers & partners			
						Involvement in CR			
						Training provided			
						Suppliers & partners' selection			
Quality Factors									
Does the report state positive and negative impacts?									
Does the company report consistently?									
Does the company report regularly and close to events that occurred?									
Is the information in the report accurate?									
Does the report state external voices?									
Does the report state with whom the company works to reach its CSR objectives?									
Is the report critical toward the current state of the objectives?									
Is the report clear and accessible to anyone?									
Is the information relevant enough to be part of the report?									
Has the report been prepared in a reliable way?									

Source: Various sources as mentioned above

2.2 Corporate Social Responsibility within the company

PwCIL, who has the coordinator's role within the "PwC Network", gives the Corporate Social Responsibility impulse. PwC claims to "believe in being part of the solution to responsible business challenges"²⁴. On the CR agenda, its global CR Strategy intent is to be "a catalyst for change"¹³ and "doing the right thing"¹³. The figure below shows PwC's global CR Strategy.

Figure 3 – PwC Global CR Strategy



Source: www.pwc.com (Corporate responsibility)

Each PwC firm around the world has to comply, to some extent, with this strategy. All firms have to provide certain information, such as Greenhouse Gas Emission or energy reduction, for the "Global PwC Report", which includes a CSR section. However, each firm can decide whether it produces a CR Report.

PwC UK literally follows the global strategy. It claims to create "a culture underpinned by [PwC's] commitment to doing the right thing for [its] clients, [its] people, [the] communities and the environment"²⁵. Moreover, PwC UK is part of the "central cluster sustainability group (Eurofirm, Central and Eastern European countries, Middle East, India, Pakistan and Africa)"²⁶, which provides themes as context for the CR strategy.

²⁴ <http://www.pwc.com/gx/en/corporate-responsibility/strategy.jhtml>

²⁵ <http://www.pwc.co.uk/corporate-sustainability/strategy.jhtml>

²⁶ <http://www.pwc.co.uk/corporate-sustainability/global.jhtml>

2.3 Corporate Social Responsibility Report

The CSR report starts with an introduction from Mr. Ian Powell, Chairman and Senior Partner, who talks about the overall success of the firm within the year 2013 and explains the importance of sustainability at PwC.

Mrs. Bridget Jackson, Head of Corporate Sustainability, continues with further explanations on the two main elements of the sustainability strategy within PwC, “*Doing the right thing*” and “*Catalyst for change*” (Appendix 1: 3), the focus areas, the time objective to achieve these objectives and the tool on which the CSR report has been created on. This part exposes as well the “*Sustainability materiality matrix*” (Appendix 1: 3), which shows the important issues for the stakeholders and the impact of such issues on the business.

The next chapter explains more in detail why and what is the “*Total Impact Measurement & Management (TIMM)*” (Appendix 1: 4) framework, the tool on which this report is based. This framework has already been used by PwC “*for years*” to help its clients “*measure and value their [CSR] impacts*” (Appendix 1: 4). TIMM is “*aligned with the International Integrated Reporting Council’s new framework for reporting on different forms of capital*” (Appendix 1: 4). It is the first year PwC UK uses this tool for measuring its own impact. This chapter goes on with exposing PwC UK’s impacts measured in 2013 and shows the four areas (economic, tax, social, environmental) of the framework in the “*TIMM framework at a glance*” (Appendix 1: 5). This framework enables to quantify every impact of a company on its surroundings.

Mr. Kevin Ellis, Managing Partner, explains in the next chapter what it means to “*being a responsible business*” (Appendix 1: 6) and the importance in recent years to behave responsibly and with integrity. He goes further on exposing three focuses: “*Exploring trust*”, “*Better audits and reporting*” and “*Low carbon economy*” (Appendix 1: 6), for which he explains the company’s involvement within the last years.

The next part, “*Measuring our impact*” (Appendix 1: 7) shows the positive impacts created by the company, which occurred in the economic, tax and social areas on the TIMM framework.

The following chapter, titled “*Our focus on quality and ethics*” (Appendix 1: 8), elaborates on the importance of maintaining and even raising quality and ethics within PwC. Margaret Cole, from PwC UK General Council, emphasizes on the various surveys and reports conducted during the year to ensure that quality and ethics are positively experienced by the employees and the clients. The last part of this chapter

shows the future objectives, the “*next steps*” for enhancing quality and ethics: ISO 27001 recertification on “*Information Security Management*”²⁷, launching a new quality process compliance tool and developing an internal online sustainability training course.

Gaenor Bagley, Head of people, explains in the chapter “*Investing in talent*” the importance of the “*people*” at PwC, for without them, the company would not serve its clients. The chapter ends with the “*next steps*”: offering a more open-minded, inclusive and diverse place to work, “*integrating resilience materials into core training*” (Corporate Sustainability Report, 2013: 9) and developing a toolkit to provide a more flexible workplace.

“*Making a difference in our communities*” is related to the TIMM framework area “*Social impact*”. It emphasizes on the actions and involvement of PwC UK in its surroundings. It explains the importance for the company to contribute to the communities, as well as the demand from its own employees to “*give something back to the society*” (Appendix 1: 10). The chapter ends with the four future social objectives: creation of a new approach to schools programs, better understand the impact on the beneficiaries to report more accurately, extending the “*social value surveys to all [...] volunteering activities*” and enable “*quantifying the social and business impact or [...] community work*” (Appendix 1: 11).

The last area of the TIMM framework, Environmental Impact, is explained in the chapter titled “*Minimising our environmental impacts*” (Appendix 1: 12,13). The first part gives an overview of the total negative environmental impact of the firm and identified areas to work on. Part of the chapter is dedicated to the energy consumed by the company’s offices in the UK. A specific section of the chapter is dedicated to the “*most significant consumables*” (Appendix 1: 13): paper. The last part of the chapter mentions the objectives for reducing environmental impact: more use of online meetings, applying the London office model to other offices around the country, analyzing suppliers performance in reducing GHG emissions and “*identify opportunities to address indirect impact*” (Appendix 1: 13) and finding opportunities with suppliers to reduce waste and recycling.

The “*Sustainability scorecard*” chapter, which could be assimilated to the Financial Statements part of a Financial Report, shows the numbers behind the report, which are

²⁷ <http://www.iso.org/iso/home/standards/management-standards/iso27001.htm>

related to the four TIMM framework areas, with a comparison to the previous year and the base year.

In the next chapter, Warwick Hunt, Chief Financial Officer, explains the company's "*approach to assurance*" (Appendix 1: 16,17). The final part of the chapter states the "*next steps*".

The two last parts of the report are related to the "*Assurance statement*" from Crowe Clark Whitehill and the "*External recognition*" received by PwC UK and "External standards" followed by the company (Appendix 1: 18,19).

In order to better understand the method used by PwC UK to communicate its non-financial information and the quality of the information provided, the Grid Analysis (Figure 2) was applied to the report (Appendix 5 - Grid Analysis Applied to PwC UK's 2013 CR Report) in the following sections of the thesis.

2.3.1 Content Factors

The purpose of this chapter is to analyze the five areas of the Content Factors pillar, using eleven different characteristics.

2.3.1.1 Strategy & Governance

2.3.1.1.1 Is the Management involved in CSR?

CSR begins with the *commitment* from the Top Management. A 2012 survey from GreenBiz Group and EY suggested "*the 'tone from the top' is key to heightened awareness and preparedness for sustainability risks*"²⁸. The report voices five of the Executive Board members of the company, showing the involvement and the importance for the leadership to be a sustainable company. In doing so, it seems as the reporting process is owned by the Top Management. Each member exposed in the report gets a full page to talk about his/her domain of expertise.

Five out of twelve Executive Board members voice their opinion in the report²⁹. The Chairman and Senior Partner, the head of the pyramid, not only introduces the CSR report but also exposes the mission of the company towards sustainability, showing the importance of sustainability on the overall strategy of the company. The Managing Partner explains what it takes to "*being a responsible business*" (Appendix 1: 6). The "*focus on quality and ethics*" (Appendix 1: 8) is given to the top Legal Advisor, whereas

²⁸ <http://www.theguardian.com/sustainable-business/sustainability-trends-corporate-six>

²⁹ <http://www.pwc.co.uk/who-we-are/executive-board.jhtml>

talking about talent is given to the Head of People. Finally, the Chief Financial Officer talks about the “*approach to assurance*” (Appendix 1: 16).

Outside of the Executive Board, a full page is given to the Head of Corporate Sustainability to give more details about the strategy, in line with the global strategy at PwC, as well as a summary of the CR report.

This characteristic enables as well to understand the structure and organization of the company. There are companies that have no CSR programs³⁰; others include CSR into their Marketing or HR department. There are companies, such as PwC, which have their own CSR department among other departments, such as an accounting department, or IT department. In the later organizational structure, CSR is not just another program, which is part of a department; it shows that the company embodies CSR in its overall strategy; it touches every aspect of the business.

2.3.1.1.2 Are key CR areas stated in the company's vision?

A vision statement shares the company's dream, what it is inspired to achieve³¹.

PwC's vision statement is not mentioned in the report. The stakeholders can therefore not clearly see from the report where the company would like to go.

However, this statement can be found on the company's website:

“One firm - a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities.”³²

The vision expresses an economic dream “*a powerhouse of a commercial enterprise*”²¹ and a social inspiration “*does the right thing for our clients, our people and our communities*”²¹. There is however no statement about an environmental focus in the current vision. The company focuses on the two CSR dimensions it has a strong impact on.

2.3.1.1.3 Are the CSR mission and objectives clearly stated?

A Corporate Social Responsibility mission has to be adopted to communicate the corporate commitment throughout the entire company. It describes what the company is going to do and why it is going to do it³³. Mr. Ian Powell, Chairman and Senior

³⁰ <http://www.triplepundit.com/2011/12/time-ditch-csr-department/>

³¹ <http://ctb.ku.edu/en/table-of-contents/structure/strategic-planning/vmosa/main>

³² <http://www.pwc.co.uk/who-we-are/index-more.jhtml>

³³ <http://ctb.ku.edu/en/table-of-contents/structure/strategic-planning/vmosa/main>

Partner, states the CSR mission in the first page of the report: “*we challenge ourselves to create new, better practices in our operations and contribute to public policy development*” (Appendix 1: 1).

Stating clear CSR objectives is important for the company and can be considered as steps to reach its mission. The objectives answer the question “*How much of what will be accomplished by when*”³⁴. They are exposed by the Head of Corporate Sustainability (Appendix 1: 3):

- Focus on the issues which are most important to stakeholders;
- Give something back to the society, through sharing talent in the communities near the offices;
- Minimize environmental impacts;
- Encourage a positive change in the world around the company;
- Provide greater transparency for the stakeholders.

When applying the SMART objectives criteria (Specific, Measurable, Attainable, Realistic, Timely)³⁵ to these objectives, only three of these criteria are fulfilled. None of these objectives states a quantitative measure such as a percentage. Moreover, none of them clearly mentions a time boundary. It is only when going through the report and looking at the targets that the stakeholders could imply the allotted time for the CSR goals to be achieved.

2.3.1.1.4 Is there a Code of conduct in place?

A Code of Conduct is “*intended to be a central guide and reference for users in support of day-to-day decision making*”³⁶. It clarifies the mission and values of the company. The report specifically mentions or relates to the company’s Code of Conduct per se only in the footnotes related to the “*Sustainability scorecard*” (Appendix 1: 14). However, this document can be found on the website of the company³⁷.

³⁴ <http://ctb.ku.edu/en/table-of-contents/structure/strategic-planning/vmosa/main>

³⁵ <http://topachievement.com/smart.html>

³⁶ <http://www.ethics.org/resource/why-have-code-conduct>

³⁷ <http://www.pwc.co.uk/corporate-sustainability/downloads.jhtml>

2.3.1.1.5 Are Policies in place explained?

CSR policies define “*areas of concern and initiatives to improve relations with the people and environments affected by business operations*”³⁸. The policies in place within PwC UK are not clearly stated and explained in the report. However, Energy, Environmental, Health and Safety, Human Rights and Procurement policies can be found on the website¹⁹.

2.3.1.1.6 Are the main focus areas stated?

The focus areas have been refreshed in the previous years and are stated on the third page of the report. They comprise “*responsible business, workplace and diversity, community involvement and environmental stewardship*” (Appendix 1: 3). Moreover, the report seems to emphasize on “*quality and ethic*” (Appendix 1: 8).

2.3.1.1.7 When to achieve the objectives/targets?

The “*Next Steps*” paragraphs (Appendix 1: 8,9,11,13) state the specific objectives to be reached for the quality and ethics, investment in talent, community work and environmental impacts. Examples of such objectives are “*continuing to change behaviors to become a more open-minded, inclusive and diverse organization*” (Appendix 1: 9) or “*look for opportunities with suppliers to further improve waste, recycling rates and recycled content of materials we purchase*” (Appendix 1: 13).

When applying the SMART objectives criteria (Specific, Measurable, Attainable, Realistic, Timely)³⁹, the objectives mentioned under the “*Next Steps*” do not comply with all these criteria. The time criterion is clearly stated only for the objectives related to “*Minimising [...] environmental impacts*” (Appendix 1: 13). Same as for the CSR objectives (section 2.3.1.1.3 of the thesis), these more specific objectives are not precisely time bounded. Interestingly, no economic objectives have been stated in the report.

Social and environmental targets are stated in the “*Sustainability scorecard*” section (Appendix 1: 13,14) of the report. Most of them have a target to be reached by 2017 with some results being achieved in the year 2013. However, the “*Quality & ethics*” metrics have “*ongoing targets*” (Appendix 1: 14) without reference to a specific year.

The base year for the target to be compared with differs from one metric to another. All the metrics related to the environment have a 2007 base year, as stated in the

³⁸ <http://www.simplycsr.co.uk/definition-of-csr.html>

³⁹ <http://topachievement.com/smart.html>

beginning of the report (Appendix 1: 3) and illustrated in the “*Sustainability scorecard*” (Appendix 1: 15). The metrics related to the financial and social impacts have a base year, which varies between 2007 and 2012.

It is important to note that no target has been established for the Financial and Community involvement metrics. In the Annual Report, Mr. Ian Powel, Chairman and Senior Partner says that financial targets have been set (Appendix 2: 5). However, no specific numbers have been mentioned in this report either. Even though the company seems to offer transparency in many areas of the business, it is not really clear on this matter.

2.3.1.1.8 Are Key CSR activities within the value chain mapped?

Identifying key CSR activities in place or to be put in place enables not only to increase business opportunities and ultimately business profit, but also to create social and environmental benefits through operational improvements (Ragan, Chase, Karim, 2012:7).

There is no map of CSR activities within the report. However, some key activities of the business have been further explained. For instance, one key social activity can be found in the chapter “*Investing in talent*” (Appendix 1: 9). The company seems to be very committed to offering a healthy place to work in, which is not surprising considering that its employees are its main and best asset.

Another example of a CSR key activity is related to the environment: the use of energy and paper (Appendix 1: 12,13). The company seems to put specific effort in reducing energy consumption and paper use within the value chain.

2.3.1.1.9 Is the remuneration of the management based on CSR performance?

Implementing a pay scheme for the management, which includes social and environmental metrics, expresses the importance of CSR in the strategic sustainable growth of a company. Such metrics would motivate the management to always think and act sustainably in every part of its business actions. Moreover, “*when employees see their leaders walking the talk and aligning their behavior with the company's sustainability strategy, it enables them to feel part of something bigger than their daily work*” (Prakash, Eco-Business, 2014: 46)

The report never mentions that any employee within the firm is paid according to CSR results of the company. PwC is organized for creating profits, “*which are distributed to [the] partners as part of their income*” (Appendix 1: 7).

2.3.1.1.9.1 Is CR information reported in the annual report?

By reporting CR information in its annual report, companies express their commitments to focusing not only on economic sustainability, but also to ensuring that social and environmental sustainability are part of the business strategy. A KPMG survey shows that in 2013, more than half of the companies “include CR information in their annual financial report”; this becoming “standard global practice” (The KPMG Survey of Corporate Responsibility Reporting, 2013: 11).

The Annual Report 2013 from PwC UK dedicates a specific section to “*Environmental and community responsibilities*” (Appendix 2: 22, 23). This section explains what the company achieved throughout the year and is slightly more specific when exposing its reduction of environmental impacts. According to the CR report, the environmental area is the only negative impact the company has created during the year.

2.3.1.1.10 Does the company publish a separate CR report?

A separate CR report enables to be more specific and more transparent on the social and environmental challenges faced by the company. According to the KPMG survey, publishing a CR report has now become “standard business practice worldwide” (The KPMG Survey of Corporate Responsibility Reporting, 2013: 11).

This analysis is based on the separate CR report produced by PwC UK. However, as previously mentioned, PwC UK is part of the exception within the PwC Network when it comes to publishing a separate CR report.

The table below summarizes the strategy and governance content of the CR report.

Table 1 - Content Factors, Strategy & Governance

CONTENT FACTORS	
Strategy & Governance	Y/N
Involvement of the management	yes
Company's key CR areas in the company's vision	no
State mission and objectives	yes
Code of conduct in place	yes
Policies in place explained	no
Main areas to focus on stated	yes
When to achieve the objectives (timeframe)	yes
Map of key CR activities within the value chain	no
Remuneration based on CR performance	no
Report CR information in the annual report	yes
Publish separate CR report	yes

Source: Appendix 4: Grid Analysis

2.3.1.2 Analysis

2.3.1.2.1 Are opportunities and threats identified?

Identifying opportunities and threats enables to plan and react upon external factors, which affect the business.

The report starts with a “*Sustainability materiality matrix*”, which shows the important issues for the stakeholders and the impact of such issues on the business.

Moreover, this report mentions some of the external factors in the beginning of almost every chapter. The “*Total Impact Measurement & Management (TIMM)*” part starts by stating the global context in which the business is operating, the threats, and continues with expectations from stakeholders, the opportunities (Appendix 1: 4). The same approach is taken for the “*Being a responsible business*” (Appendix 1: 6), “*Our focus on quality and ethics*” (Appendix 1: 8) and “*Making a difference in our communities*” (Appendix 1: 10) chapters.

2.3.1.2.2 Are strengths and weaknesses identified?

Strengths and weaknesses are internal factors, which affect a business. Unlike the external factors, the company can influence these factors.

The aim of this CR report is to spot where the company did good, its strengths, and where it should still make some improvements, its weaknesses. The circular graph of the TIMM framework used by the company in this report clearly illustrates where the company did good and where it still needs some improvements (Appendix 1: 5). Some further explanations are found in the following chapters of the report.

2.3.1.2.3 Does the report express the main CR achievements?

The main CR achievements are summarized in the last paragraph of the “*Total Impact Measurement & Management (TIMM)*” chapter (Appendix 1: 4):

- Total CR impact of £3.7 billion;
- Economic impact contributes the most (72%);
- Taxes paid/collected represent an important positive impact;
- Negative environmental impact;
- Other contribution through community involvement.

2.3.1.2.4 Are inputs identified and outputs stated?

For any strategy to be implemented and activities to be planned, it is crucial to identify what inputs are needed. Further on, it is important to know what are the outcomes of the resources allocated in order to adapt, when needed.

The report measures the inputs, outputs and outcomes of its investments in the community. This approach is said to be “*pioneering*” (Appendix 1: 10) and measures the outcomes for two groups of beneficiaries: secondary school students and social enterprise. These main beneficiaries are related to the two main social activities done by the company: working “*with schools near [the] offices for supporting literacy, numeracy and mentoring programmes*” (Appendix 1: 11) and “*the kitchen apprentice programme at [its] social enterprise restaurant, Brigade*” (Appendix 1: 11).

However, it is the only chapter of the report in which inputs and outputs are clearly stated.

2.3.1.2.5 Did the company assess risks and identify possibilities?

Same as identifying opportunities and threats, assessing risks to avoid or eliminate, and possibilities to take, is important for any business to sustain.

According to the content of the report, no risk assessment seems to have been performed by the company. One reason could be that it was chosen not to mention any assessment in the report, considering the low probability that such risks would occur. However, the company should have mentioned, if such approach was taken.

2.3.1.2.6 Is there a list of material issues?

In financial auditing, the concept of materiality refers to a threshold, which determines whether an issue has to be mentioned in the financial report. In sustainability reporting, such material issues refer to those having a potential to “*significantly affect sustainability performance*”⁴⁰.

The “*Sustainability materiality matrix*” (Appendix 1: 3) shows the materiality of issues to the business (the X axis) and the importance of issues for the stakeholders (the Y axis). Twenty-one issues are sorted on the matrix from low to high materiality and importance. The three most important material issues to the business and the stakeholders are “*Quality & ethics*”, “*Brand reputation*” and “*Talent attraction & retention*”.

⁴⁰ <http://www.ipieca.org/topic-issue/step-3-determine-material-issues-reporting>

2.3.1.2.7 Does the report state numerical targets?

As previously mentioned, social and environmental targets are stated in the “*Sustainability scorecard*” section (Appendix 1: 13,14) of the report and no financial target has been mentioned. Most of the targets are expressed either in percentage, calculated on a base year, or as a “*score out of 5*”. For the latter, the score is based on a survey conducted by the company, in which “*a response of ‘agree’ or ‘strongly agree’*” corresponds to a “*score of 4 or above*” (Appendix 1: 13)

2.3.1.2.8 Is CR communicated inside and outside the company?

This report is the evidence that the company communicates to its external stakeholders, such as clients, suppliers, communities, governments, etc.

Such report is as well available to its internal stakeholders, employees and shareholders. Moreover, the report seems to suggest that the company further communicates internally, through surveys performed, notably on the “*firm’s ethics*” (Appendix 1: 8). It is however not sure, whether CR is communicated in the course of every day business.

2.3.1.2.9 Is there a Stakeholders’ Map?

Creating a stakeholders’ map enables a company to find its main stakeholders and to identify some that are not necessarily obvious. For the reader of the report, looking at a stakeholders’ map can help to understand where the reader is situated by the company and see what other stakeholders have interests in the company.

The company does mention several stakeholders throughout the report but no stakeholders’ map has been clearly defined.

2.3.1.2.10 What is the stakeholders’ dialogue approach?

Identifying how the company interacts with its stakeholders helps to understand the company’s degree of involvement with each of them. One approach is to simply inform; the next step is to consult its stakeholders to understand, for instance, their reactions to a CR activity; the last and most participative approach is to involve its stakeholders in the CR processes.

PwC seems to approach its stakeholders in various ways. It informs its stakeholders through presentations, such as the one held at “*the UN MDG Innovation Forum*” to introduce its TIMM Framework (Appendix 1: 4).

It consults its stakeholders via surveys, for instance to understand its employees and its clients' thoughts on quality and ethics (Appendix 1: 8) or "*social value surveys*" among the community to understand the "*benefits of [its] programme*" (Appendix 1: 11). It also "*consults the views of [its] people [on trust]*" (Appendix 1: 6).

The company involves its stakeholders by holding "*debates with clients on the [trust] issue through [...] events*" (Appendix 1: 6). Or, it engages its suppliers "*to report their [GHG] emissions*" and even offers workshops to help them "*understand what it is required of them*" (Appendix 1: 11).

2.3.1.2.11 Has there been an external audit performed?

Having an external point of view is always beneficial and performing an external audit ensures that transparency and relevancy is guaranteed.

The report has only been partially audited by an external assurance company. The chapter "*Our approach to assurance*" (Appendix 1: 11) explains how the report was audited. An "*internal audit team*" and an "*independent expert from within [the] firm*" have audited the "*narrative and scorecard data*" and the "*new TIMM-related content*" (Appendix 1: 11). Crowe Clarke Whitehill, the company's financial auditor, has performed a "*limited assurance [...] for the data in [the] scorecard relating to [the] workplace and diversity, community and environmental performance*" (Appendix 1: 11).

Even though the company mentions that it "*ultimately aim[s] to externally assure all [the] sustainability data*", there is no explanation on the reasons for which the report is not entirely audited by an external assurance company (Appendix 1: 11).

2.3.1.2.12 Does the company follow external standards?

External standards are provided by external companies, which perform audits to ensure the companies applying for a standard certification are compliant with the actual requirements of the standard. The criteria of evaluation are the same for all companies applying the standards and enable consistency and comparisons among the applicants.

The last part of the report lists the seven external standards in which the company is certified. Only one standard, ISO 27001 Standard on "*information security management system*" (Appendix 1: 8) has been further expressed in the report.

However, further details about each standard can be found on the website of the company⁴¹.

The table below summarizes the analysis content of the CR report.

Table 2 - Content Factors, Analysis

CONTENT FACTORS	
Analysis	Y/N
Opportunities & Threats identified	yes
Strengths and weaknesses identified	yes
Main achievements expressed	yes
Input identified and output stated	yes
Risks assessed and possibilities identified	no
List of material issues	yes
Numerical targets defined	yes
CR communicated internally and externally	yes
Stakeholders mapping	no
Stakeholders dialogue approach (inform, consult, involve)	yes
External audit performed	yes
Standards followed	yes

Source: Appendix 4: Grid Analysis

2.3.1.3 Economic

2.3.1.3.1 Are key financial information disclosed?

The TIMM framework is well designed in that it gives an overview of the most important information disclosed in four quadrants. The key financial information chosen by the company are the economic quadrant, its impacts related to payroll, profits, investments, intangibles and exports and the tax impact quadrant, which can be considered as part of the overall economic impact of the company.

2.3.1.3.2 Is there an explanation of the profit allocation?

The report does not mention the business profit of £740m earned by the company at the end of the year; this information is found in the Annual Report (Appendix 2: 34). However, the profits metric of £843m within the economic quadrant includes the business profit mentioned above, the “*profits created through spend with suppliers as well as profits from partners’ and employees’ spend in the economy*” (Appendix 1: 7). The business profit is said to be “*distributed to partners as part of their income*”.

⁴¹ <http://www.pwc.co.uk/corporate-sustainability/external-standards.jhtml>

The “*Sustainability scorecard*” (Appendix 1: 14) provides information on the “*Partner profits*” (£810,000) and the “*Distributable partner profits*” (£705,000). However, the difference between the two metrics is only explained in the Annual Report (Appendix 2: 34).

There is no further explanation on the use of the profit’s part not distributed to the partners.

2.3.1.3.3 Are economic impacts explained?

The TIMM framework clearly presents the economic contribution to the UK economy. The economic impact represents £2,649m. Including the tax impact, the overall economic impact represents £3,609m. Both economic and tax quadrants are explained using five metrics per quadrant.

2.3.1.3.4 Is there a tax footprint?

The tax quadrant of the TIMM framework provides information on the tax footprint of the company. The tax impact represents £960m and includes metrics such as taxes on People, Profit, Property and Environment and taxes collected on services rendered.

2.3.1.3.5 Is there a cost analysis?

Performing a cost analysis enables to identify improvements, which could be made. Measuring cost is not only in terms of money, but it could also be expressed in terms of time, or energy used, etc.

Considering the size of the company, it is more likely that it performs a cost analysis. However, the report does not refer to such analysis.

2.3.1.3.6 Are Key Performance Indicators (KPI) defined?

The economic KPIs are found in the first part of the “*Sustainability scorecard*” (Appendix 1: 14). KPIs are the UK revenue, Partner profits, Distributable partner profits, Taxes paid/payable and Taxes collected.

There is however, no further explanation on each KPI chosen.

2.3.1.3.7 Are risks identified?

Economic risks are not mentioned in the CR report. Some risks, such as currency fluctuation, are mentioned in the Annual Report (Annual Report, 2013: 35).

2.3.1.3.8 Is there a list of material issues?

As explained in point 2.3.1.2.6, the report shows a “Sustainability materiality matrix” (Appendix 1: 3). Even though there is not one material issue specifically related to economic, most if not all of these issues could have an economic impact. For instance, if the company has a poor brand reputation due to its unsustainable social and environmental impacts, it would ultimately have a negative economic impact.

The report does not mention any material issues that would affect an economic sustainability.

2.3.1.3.9 Is there information about the important investments made?

One metric in the TIMM framework is the impact of “investment, intangibles and exports” (Appendix 1: 7). There is no clarification on the important investments made throughout the year; only broad examples of investments are made, such as “real estate and IT equipment” and “intellectual property”, are given.

2.3.1.3.10 What is the economic evolution (long-term view)?

A CR report should show the economic evolution of the company in order for the stakeholders to understand how economically sustainable is the business.

Considering that it is the first year that PwC UK uses its TIMM-framework, an evolution cannot be drawn from previous year. The company should therefore be consistent with its reporting and continues building its future CR report on this framework. Only then can it give a sound economic evolution analysis.

The table below summarizes the analysis content of the CR report.

Table 3 - Content Factors, Economic

CONTENT FACTORS	
Economic	Y/N
Key financial information disclosed	yes
Profit allocation	yes
Economic impact	yes
Tax footprint	yes
Cost analysis	no
KPI defined	yes
Risks identified	no
List of material issues	no
Important investments made	no
Economic evolution (long-term view)	no

Source: Appendix 4: Grid Analysis

2.3.1.4 Social

2.3.1.4.1 Are Key Performance Indicators (KPI) defined?

The social KPIs are found in the second part of the “*Sustainability scorecard*” (Appendix 1: 14). These KPIs are related to “*Quality & ethics*”, “*Workplace & diversity*” and “*Community involvement*”. An external assurance company has audited the last two.

These KPIs are compared to the previous year, as well as the base year, which differ from one KPI to another.

Quality & Ethics

The quality is evaluated based on client feedback, compliance with audit and non-audit processes, external auditor independence and conformity with external standard ISO 27001. Ethics is measured based on a survey conducted on the company’s employees. Some of these indicators have “ongoing target”, without further explanation on the meaning. The Quality and ethics metrics have not been reviewed by an external auditor.

Workplace & Diversity

These have targets to be reached by 2014 and 2017, which are measured in terms of “*Talent attraction and retention*”, “*Inclusion and diversity*”, “*Employee wellbeing*” and “*Learning and development*” (Appendix 1: 14).

Community Involvement

These metrics are based on “*Financial contribution*” and “*Employee involvement*” (Appendix 1: 14). The company has not defined any target for them, without further explanation on the reasons.

2.3.1.4.2 Is there a list of material issues?

As previously mentioned, the report shows a “*Sustainability materiality matrix*” (Appendix 1: 3). Considering that the company provides professional services, it is not surprising that most of the material issues identified in the matrix are related to the social impact. All of the highest material issues, on the top right of the matrix, concern social impact. Two of the top three issues have a specific chapter in the report and related KPIs: “*Quality and ethics*” and “*Talent attraction & retention*” (Appendix 1: 8,9, 14).

2.3.1.4.3 Are risks identified?

The company has most probably identified quality, ethical and diversity risks. Considering the business, the social impact is the one, which would have the highest probability to occur. However, these risks are not expressed in the report.

2.3.1.4.4 Are there any actions taken in response to incidents?

Considering that the report does not state any major incidents, which occurred during the year, there is no example of response actions.

2.3.1.4.5 Are stakeholders engaged?

Section 2.3.1.2.10 of the thesis explains the stakeholders' approach taken by the company. Social stakeholders, such as employees, clients, suppliers or communities have been engaged to some extent through surveys, discussions or workshops.

2.3.1.4.6 Labor practice

A CR report should integrate labor practice's details based on six main selected criteria:

- Training and development
- Ethnic diversity
- Sex diversity
- Jobs creation
- Performance and development reviews
- Employee turnover
- Engagement in CSR activities

Four out of the ten most important material issues identified on the "*Sustainability materiality matrix*" (Appendix 1: 3) are related to labor practice (Talent attraction & retention, Employee wellbeing, Training & development, inclusion and diversity). Considering that the company's business is dependent on, and judging by the importance given to, its employees' quality and performance, all these criteria have been identified, measured and explained by the company in the report (Appendix 1: 9, 14).

2.3.1.4.7 Customer relationship

A CR report should evaluate customer relationship based on four main selected criteria:

- Customer satisfaction
- Customer privacy
- Customer diversity
- Encouragement to CR practices

The first two criteria have been identified, measured and explained in the chapter related to “*Quality & ethics*” (Appendix 1: 8, 14). Both criteria have been analyzed through surveys conducted on the clients.

The diversity of PwC’s client base is mentioned in the career section of the company’s website: “[PwC] audits the greatest number of FTSE 100 companies, as well as thousands of smaller organisations”⁴².

Even though one of the company’s main objective is “*to encourage a positive change in the world*” (Appendix 1: 3), it does not give specific examples of encouragement to CR practice. However, it can be implied that the company provides its clients with tools, such as the TIMM-framework, to measure their CR impacts (Appendix 1: 4).

There is however no specific data or information related to these two last criteria in the report.

2.3.1.4.8 Corporate citizenship

A CR report should be attentive to corporate citizenship, which can be evaluated based on the following six main criteria selected:

- Statement of impact on local communities
- Social actions
- Philanthropic activities
- Communities involvement
- Society communication
- Society satisfaction

All these criteria selected have been applied by the company and expressed in the report. When it comes to corporate citizenship, the company’s aim is to “*focus on understanding whether [it has] a positive impact, rather than just driving up the volume of activity*” (Appendix 1: 3).

The company monetized its social impact through education, mainly to schools near offices and social enterprise. The education impacted the community for £174m. The TIMM framework mentions other characteristics - Community cohesion, Empowerment, Health, Livelihoods -, however they have not been assessed as the company was “*not yet able to measure the monetary value*” (Appendix 1: 11).

This year was the first time the company surveyed the two core groups of beneficiaries - secondary school students and social enterprises - to understand their satisfaction on its social program.

⁴² <http://www.pwc.co.uk/en/careers/experienced/assurance.jhtml>

2.3.1.4.9 Suppliers and Partners

A CR report should express how the company interacts with its suppliers and partners.

Three criteria have been selected, as follows:

- Involvement in CR
- Training provided
- Suppliers and partners' selection

PwC UK involves its suppliers in reporting “*their emissions [GHG] emissions [...] as a way of encouraging them to measure, manage and reduce the [GHG] footprints*” (Appendix 1: 12).

It even offered “*the opportunity to attend a workshop [...] and helped them understand what was required of them*” (Appendix 1: 12).

However, there is no detail about how and why a supplier is chosen.

The table below summarizes the social content of the CR report.

Table 4 - Content Factors, Social

CONTENT FACTORS			
Social (1)	Y/N	Social (2)	Y/N
KPI defined	yes	Corporate citizenship:	
List of material issues	yes	<i>Social actions</i>	yes
Risk identification	no	<i>Statement of impact on local communities</i>	yes
Actions taken in response to incidents	no	<i>Philanthropic activities</i>	yes
Stakeholders engaged	yes	<i>Communities involvement</i>	yes
Labor practice in place:		<i>Society communication</i>	yes
<i>Training and development</i>	yes	<i>Society satisfaction</i>	yes
<i>Ethnic diversity</i>	yes	Suppliers & partners	
<i>Sex diversity</i>	yes	<i>Involvement in CR</i>	yes
<i>Jobs created</i>	yes	<i>Training provided</i>	yes
<i>Employee turnover</i>	yes	<i>Suppliers & partners' selection</i>	no
<i>Performance and development reviews</i>	Yes		
<i>Engagement in CSR activities</i>	Yes		
Customer relationship:			
<i>Customer satisfaction</i>	yes		
<i>Customer privacy</i>	yes		
<i>Customer diversity</i>	no		
<i>Encouragement to CR practices</i>	no		

Source: Appendix 4: Grid Analysis

2.3.1.5 Environmental

2.3.1.5.1 Are Key Performance Indicators (KPI) defined?

The environmental KPIs are found in the last part of the “*Sustainability scorecard*” (Appendix 1: 3). KPIs are separated into five categories: “*Carbon Emissions*”, “*Business travel*”, “*Energy*”, “*Resource consumption*” and “*Waste*”, which have been reviewed by an external auditor.

For the purpose of the analysis, seven KPIs have been selected:

- CO2 / GHG emitted
- Water consumed
- Waste created
- Travel impact
- Energy consumed
- Energy source use
- Recycling / reuse measured

All of these KPI's are found within the categories defined in the scorecard.

It is interesting to note that the environmental KPIs are the only one with a similar base year (2007). Only one metric is based on year 2010 (on-line meetings), and the reason is given in the footnotes. This consistency enables a fairer comparison of each metrics.

2.3.1.5.2 Is there a list of material issues?

The environmental material issues are found on the bottom left of the “Sustainability materiality matrix” (Appendix 1: 3). These issues seem to be less material to the business and less important to the stakeholders. It can be explained by the fact that the company does not “*use a great deal of natural resources*” (Appendix 1: 3). However, the company still aims “*to minimize [its] environmental impacts*” and set “*ambitious*” targets to be reached by 2017 (Appendix 1: 3).

2.3.1.5.3 Are risks identified?

No environmental risk analysis has been exposed in the report.

2.3.1.5.4 What are the improvements made and to be made?

The company reported on its improvements, which occurred throughout the year. For instance, it asked its “*top suppliers to report their [GHG] emissions via the Carbon Disclosure Project*” and offered a workshop to “*help them understand what was required of them. As a result, the response rate has been strong, even in [the] first year*” (Appendix 1: 12).

A new metric has been introduced in the scorecard *“to monitor the uptake of online meetings. It increased 110% in [the] first year of the behavior change campaign”* (Appendix 1: 12).

The company *“further reduced the waste from [its] direct operations and it is now [...] below the 2007 baseline”*. Its recycling rate has significantly increased since the 2007 base year (Appendix 1: 12).

Looking at the scorecard enables to spot the major improvements to be made. For instance, to reduce the use of biodiesel or business traveling by plane.

2.3.1.5.5 Are significant impacts of the activities stated?

The TIMM framework enables to clearly see the company’s environmental impacts, which occurred throughout the year. For instance, the framework enabled the company to understand that GHG emissions and other air emissions *“account for the majority of [its] environmental impact”*. Even more important, it realized that *“indirect impact through the various tiers of [the] supply chain and the spending by both employees and suppliers [...] are much greater than those in [its] operations”* (Appendix 1: 12).

The report also states *“travel remains [the company’s] single biggest generator of emissions”, “the energy [it] consume[s] in [its] offices also accounts for a large proportion of the carbon emission from [...] direct operations” and “paper is one of [its] most significant consumables”* (Appendix 1: 12, 13).

2.3.1.5.6 Are there programs in place to fight environmental issues?

The report mentions several programs for each of the characteristics on the TIMM framework.

GHG’s and other Air Emissions

As previously mentioned, the company engages with its suppliers to help them *“measure, manage and reduce”* GHG emissions (Appendix 1: 12).

It expended its campaign *“to promote online meetings as an alternative to avoidable business travel”* encourages *“rail travel over flights where possible and offset carbon emissions associated with travel, waste and water”* (Appendix 1: 12).

The company also has driven *“office consolidation and space optimization programme”* and use of *“LED lightning, voltage optimization and sub-metering”* to reduce energy use (Appendix 1: 12).

Land Use

PwC UK has been “*working with an ecologist to optimize the natural spaces*” at one of its London offices. It also “*created a new living wall, herb garden and insect-friendly borders*” at another of its London locations (Appendix 1: 13).

Waste

Concerning waste, the company will work “*more closely with particular suppliers on reducing packaging and increasing the recycled content of materials [...] purchased*”. It also donated metal, floor tiles and furniture “*to charities*” (Appendix 1: 13).

It implemented a program to “*replace printers with multi-functional devices*” and use of “*default settings to print double-sided*” (Appendix 1: 13).

Water use and Pollution

The company invests in technologies “*such as water-saving taps, new cooling towers*” and “*waterless urinals*” at one of its London locations (Appendix 1: 13).

Finally, it also defined four objectives to reach its 2017 target.

The table below summarizes the social content of the CR report.

Table 5 - Content Factors, Environmental

CONTENT FACTORS	
Environmental	Y/N
KPI defined	yes
<i>CO2 / GHG emitted</i>	yes
<i>Water consumed</i>	yes
<i>Waste created</i>	yes
<i>Travel impact</i>	yes
<i>Energy consumed</i>	yes
<i>Energy source use</i>	yes
<i>Recycling / reuse measured</i>	yes
List of material issues	yes
Risk identification	no
Improvements made and to be made	yes
Signification impacts of the activities stated	yes
Programs to fight environmental issues in place	yes

Source: Appendix 4: Grid Analysis

2.3.2 Quality Factors

In order to evaluate the fairness and the transparency of the report, ten criteria have been selected to assess the overall quality of the CR report. These criteria are based on the key qualitative characteristics of financial information found in a Financial Report (Relevance, Materiality, Faithfull representation, Comparability, Verifiability, Timeliness and Understandability⁴³).

2.3.2.1 Does the report state positive and negative impacts?

To be relevant, a report should not only state the positive impacts of its CR activities and overall strategy, but it also has to mention the areas in which the company should improve.

The TIMM framework used by the company to report its Economic, Social and Environmental impacts, clearly illustrates the positive and negative points. The report states many positive impacts and some negative impacts as follows:

The company is conscious that it has a negative environmental impact on society, which is the case “*for most companies*” (Appendix 1: 5).

The chapter of the report related to quality and ethics states that the quality of the non-audit engagements “*dipped*” and explains the reasons behind (Appendix 1: 8).

When talking about the “*inclusive place to work*”, the report states, “*there’s more to do to increase the ethnic diversity of [the leadership] group*” (Appendix 1: 9).

In the social quadrant of the framework, some characteristics were not measured. It is stated in the report that the company is “*not currently able to put an exact value on [its] impact on society*” (Appendix 1: 11).

At least one negative impact has been mentioned per chapter of the report. The only impact, which seems to have no improvement to be made, is the economic area.

Overall, the report seems to balance more on the positive impacts. Two reasons could be drawn from this criteria analysis: either the company is really good at implementing and embedding CR among the company, or it is not as transparent as it pretends to be.

⁴³<http://www.ifrs.org/Current-Projects/IASB-Projects/Conceptual-Framework/EDMay08/Pages/Frequently-Asked-Questions.aspx>

2.3.2.2 Does the company report consistently?

The company decided for the first time this year to change its CR reporting by using the TIMM framework. The report is therefore different in its presentation from the previous reports.

However, the “*Sustainability scorecard*” attests that previous metrics have been kept, some have been readapted for more accuracy and some new metrics have been added (Appendix 1: 14, 15).

Overall, the report is consistent with the numbers it declares. Only the presentation changed from the previous years.

2.3.2.3 Does the company report regularly and close to events that occurred?

The report compares several times the result of the year with the prior year. The “*Sustainability scorecard*” shows that CR has been measured since at least 2007. Moreover, anyone can find previous CR reports from the company on its website.

2.3.2.4 Is the information accurate?

In an article about “*The reliability and the accuracy of financial statements*”, Michael Sack Elmaleh, a certified accountant, explains that it is difficult to assess the accuracy of the content and the information provided in a financial statement, simply by reading its content.⁴⁴ The article proposes two assessment’s methods:

- An external assurance company should audit the report;
- To adopt internal controls

The reasoning above, as well as the two methods proposed can also be applied for a CR report.

As mentioned in section 2.3.1.2.11 of the thesis, the report has only been partially audited by an external audit firm. However, the company chose to be transparent on the assurance method used in the chapter “*Our approach to assurance*” (Appendix 1: 11). The company has notably put in place internal controls, such as performing internal audits of the report.

2.3.2.5 Does the report state external voices?

Section 2.3.1.2.10 of the thesis explains the stakeholders’ approach taken by the company. From a quality point of view, these voices are an interpretation of the various

⁴⁴ <http://www.understand-accounting.net/TheReliabilityandAccuracyoffinancialstatements.html>

surveys and discussions with the stakeholders. However, no quotations from one of the stakeholders have been specifically stated in the report.

Opinions given by the external auditors are considered as well as an external voice. This opinion is stated and signed by the external assurance company in the “Assurance statement” section of the report (Appendix 1: 17).

2.3.2.6 Does the report state who are the partners for reaching its CSR objectives?

To reach the CSR objectives, which are stated in section 2.3.1.1.3 of the thesis, the company not only states the partners, but also involves them in the CSR processes.

The management team is a key element for the CSR objectives to be reached, as it implements CSR strategy and gives the CSR impulse throughout the company.

The employees are the CSR actors of the company. They maintain the CSR processes alive. They influence the economic, social and environmental impacts of the company. The Corporate Sustainability team of the company creates CR activities and analyses CR performance.

The suppliers provide product and/or services, which influence the indirect environmental impact of the company.

2.3.2.7 Is the report critical towards the current state of the objectives?

The general objectives of the CR strategy are analyzed in section 2.3.1.1.3 of the thesis. As a reminder, these objectives are as follows:

- Focus on the issues which are most important to stakeholders;
- Give something back to the society, through sharing talent in the communities near the offices;
- Minimize environmental impacts;
- Encourage a positive change in the world around the company;
- Provide greater transparency for the stakeholders.

As stated, these objectives do not seem to be time-bounded. Moreover, the report does not explain at which stage the company is toward achieving these objectives.

The specific objectives, which are stated as the “*Next Steps*” in each chapter of the report, have been assessed in section 2.3.1.1.7 of the thesis. These objectives are not time-bounded either and the progress stated objectives are as well not explained in the report.

Even though a target year has been defined in the “Sustainability scorecard” for some of the metrics, there is no clear critical explanation on the journey that still needs to be accomplished.

2.3.2.8 Is the report clear and accessible to anyone?

The report is well structured, written in a language most likely to be understood by every stakeholder and is short enough to give a broad picture of the Corporate Social Responsibility within the company.

Moreover, the TIMM framework used by the company enables to provide a clear and quantitative view of the impact created by the company throughout the year.

2.3.2.9 Is the information relevant enough to be part of the report?

The company “*focus[es] on the issues which are most important to [its] stakeholders*” (Appendix 1: 3). Its report has been written and organized based on the “*Sustainability materiality matrix*”.

On the other hand, the Content Factors analysis performed in section 2.3.1 of the thesis pointed out some shortcomings in the information provided in the report. Table 6 shows that $\frac{1}{4}$ of the information, which should be in the report, has not been stated or analyzed by the company.

Information, such as a remuneration schemes based on CR performance, a list of material issues, a cost analysis, or customer diversity, should be part of the CR report.

Table 6 - Percentage Content Factors

	YES	NO	TOTAL	Percentage
CONTENT FACTORS				
<i>Total Content factors</i>	54	17	71	74%

Source: Appendix 4: Grid Analysis

The table 7 summarizes the Quality Factors of the CR report.

Table 7 – Quality Factors

Quality Factors	Y/N
Does the report state positive and negative impacts?	yes
Does the company report consistently?	yes
Does the company report regularly and close to events that occurred?	yes
Is the information in the report accurate?	yes
Does the report state external voices?	yes
Does the report state with whom the company works to reach its CSR objectives?	yes
Is the report critical toward the current state of the objectives?	no
Is the report clear and accessible to anyone?	yes
Is the information relevant enough to be part of the report?	yes

Source: Appendix 4: Grid Analysis

2.3.2.10 Has the report been prepared in a reliable way?

A reliable report is measured in terms of overall quality, using the Grid Analysis defined and analyzed in the previous sections of the thesis.

After reading a CR report, a stakeholder should be able to trust the content provided. For the purpose of the thesis, it was considered that the report is reliable and of 'average quality' when at least 70% of the Grid Analysis has been filled; from 80% to 89%, the report is considered of 'good quality'; from 90%, the report is considered of 'very good quality'. This scale has been determined based on researcher's personal judgment.

On the next page, Table 8 shows that 74% of the Content Factors defined for the Grid Analysis are found in the report. 89% of the Quality Factors have been achieved in the report; the only qualitative factor, which cannot be found in section 2.3.2.7 "*Is the report critical towards the current state of the objectives?*".

Table 8 - Detailed Percentage Content & Quality Factors

	YES	NO	TOTAL	Percentage
CONTENT FACTORS				
Strategy & Governance	7	4	11	64%
Analysis	10	2	12	83%
Economic	5	5	10	50%
Social	20	5	25	79%
Environmental	13	1	14	93%
<i>Total Content Factors</i>	<i>54</i>	<i>17</i>	<i>71</i>	<i>74%</i>
QUALITY FACTORS				
<i>Total Quality Factors</i>	<i>8</i>	<i>1</i>	<i>9</i>	<i>89%</i>
TOTAL overall Quality	62	18	80	78%

Source: Appendix 1: Grid Analysis

Considering that the Grid Analysis has been 78% filled, it can be considered that the report as being prepared in a reliable way, with an average quality. However, the result shows as well that the company can and should improve the overall quality of its CR reporting for its stakeholders to be able to clearly read and understand the CR report.

The following sections of the thesis propose to identify the potential improvements and some suggestions for improving the company's CR reporting.

3. Discussion

Based on the analysis of the company's CR report performed in section 2 of the thesis, this section will discuss the potential for the company to improve its Corporate Responsibility reporting. Additionally, the last part of this section will propose some recommendations of the principal areas the company should focus on, in order to provide its stakeholders with a more accurate and relevant CR reporting.

3.1 Identification of potential improvements

3.1.1 Content Factors

The analysis showed that $\frac{1}{4}$ of the information defined in the Grid Analysis has not been found in the report (Table 8). The following content factors should be added to or further developed in the report.

3.1.1.1 Strategy & Governance

Vision: The current vision should include the company's environmental focus and should be clearly stated at the beginning of the CR report. It will enable the stakeholders to understand where the company would like to go.

Objectives: The five CSR objectives defined in section 2.3.1.1.3 of the thesis, as well as the objectives specific to each chapter of the report (section 2.3.1.1.7) should be quantifiable and timely bounded. The stakeholders will then know how long the journey toward sustainability will take.

Policies: Section 2.3.1.1.5 showed that the company put policies in place. These policies should be mentioned in the report with a short explanation. It will enable the stakeholders to be aware of the areas of concern and initiatives in place within the company.

Targets: The company should be clearer, and more transparent in the definition and explanation of the targets set in the "*Sustainability scorecard*". The term "*ongoing target*" appointed to the "*Quality & ethics*" metrics (Appendix 1: 14) and the different base years used should be clarified.

More importantly, the company should define challenging but reachable targets for the "*Financial*" metrics and the "*Community involvement*" metrics.

Value Chain: Identifying key CSR activities in the value chain of the company and providing a simple map to illustrate these activities will give an added value to the report and enable the company and its stakeholders to locate the focused areas.

Payment Scheme: The company should precisely and explicitly define payment schemes, which include Social and Environmental parameter, such as customer satisfaction, involvement in philanthropic activities or recycling rate.

Total Integrated Reporting: Considering that more stakeholders are conscious about the social and environmental health of the business sector, and as a way to provide clear and concise information, the next step to reporting financial and non-financial information would be to move toward an integrated reporting.

3.1.1.2 Analysis

Inputs/Outputs: The company conducted and reported an input/output analysis on the investments in the community (Appendix 1: 10). This approach should be taken for all the other activities impacting its stakeholders.

Risks: The analysis conducted shows that the company should distinctively state not only the risks incurred by the company, but also the ones undergone by its stakeholders. This will enable to find possibilities to limit or even remove these risks.

CR Communication: Based on the analysis performed, it is not clear whether CSR strategy and activities are embedded with clarity in the day-to-day activities of the company. The company should therefore conduct an annual survey to understand if the CR communication is accurate enough. The results should be expressed in the report.

Mapping: Providing a stakeholder's map enables to propose a more transparent report to the company's stakeholders and will enable to company to locate and rank potential new stakeholders.

External Audit: The company should not only state that the report was only partially audited, but to be totally transparent, it should also explain the reason behind that decision.

Moreover, the report should be entirely audited by an external assurance company. It brings more value to the report and provides the company with an external point of view on ways to improve the reporting.

3.1.1.3 Economic Aspect

Profit: The report should disclose the company's profit of the year (£740m in 2013) and explain the difference between this profit and the profit distributed to its partners (£705k in 2013).

Moreover, there should be a clarification between the "distributable partner profits" (£705k in 2013) and the "partner profits" (£810k) metrics.

Cost: The report should state the most important costs affecting the economic sustainability of the company.

KPIs: There are currently six economic KPIs in the report. To be more accurate, additional KPIs should be added, such as the "*Net cash outflow from investing activities*" (Appendix 2: 41), which gives the, total investments made, or the "Debt ratio", which provides the stakeholders with the information on the company's "*long-term ability to repay [its] debt*" (Chargueraud, Financing & Valuation course, HEG).

Risks: The main economic risks should be identified and distinctively stated in the report.

Material Issues: Currently, the report seems to have no economic material issues. Even though most of these issues, discussed with the stakeholders implicitly, have an economic issue behind, it is more likely that at least one economic material issue can be found and declared in the report.

Investments: As previously mentioned, adding a KPI on the investments, as well as further explanations in the report, will increase the level of transparency.

Evolution: The following report will have to keep the same framework as the 2013 report; this will enable to create an economic evolution graph.

3.1.1.4 Social Aspect

Risks: Same as for the economic aspect, the social risks have not been mentioned in the report. Ethical and diversity risks are most probably examples of social risks, which could be explained in the report.

Actions: The company should give examples of social actions undergone during the year, even though no major incidents seemed to have happened. The more examples there are, the better.

Employees' Engagement in CSR: According to the report, 1,800 people from within the company volunteered for social work in 2013 (Appendix 1: 10), which represents roughly 10% of the people employed by the company (Appendix 2: 8). The company should embed CSR at every layer of the business to increase the number of volunteering employees.

Customers: The company should provide examples of customer encouragement in CSR. If no such program has been put in place, the company should implement a campaign to encourage its customers in CSR practices. One simple way would be to show them by being an example. The results of the program should be stated in the report.

Moreover, the company should be more precise on the panel of customers it provides services to and measure the customer diversity. It will enable the stakeholders to know, for instance, if the company provides as well services to the Middle-Market.

Citizenship: The report should be more transparent and explain more precisely why some social metrics, such as "*Empowerment*" or "*Livelihoods*" (Appendix 1: 11) have not been measured and used.

Moreover, the company should assess each social action taken and use the input/output approach mentioned above. The result should be expressed and explained in the report.

Suppliers & Partners: The company should provide more details on how suppliers and partners are selected, as well as the policies and other practices they have to comply with, for being able to work together.

3.1.1.5 Environmental Aspect

Risks: Same as for the economic and social aspects, the environmental risks have not been mentioned in the report. The company should therefore identify and explain the main environmental risks affecting the company's sustainability, as well as its stakeholders.

3.1.2 Quality Factors

The analysis performed has found one shortcoming in the Quality Factors (Table 7): the report is not critical towards the current state of the objectives. Moreover, to increase the quality, the following factors should be added to or further developed in the report.

Balanced Reporting: The report should be more balanced and state not only positive but also negative impacts. As previously mentioned, when reading the report, the reader may be under the impression that the company has no economic issues. For transparency reasons, the report should provide examples of negative impacts for each area, even when they are offset by the positive impacts.

Accuracy: To raise the quality level of the report, it should be audited entirely by an external insurance company.

Moreover, the report should include quotes of external voices positively or negatively affected during the year.

Critical Objectives: The company should be more critical toward the objectives set (section 2.3.2.7). These objectives should as well follow the SMART criteria.

Moreover, the report should clearly state what still needs to be done in order to achieve the objectives. For the objectives that have been reached throughout the year, the company should explain what would be the next steps.

Reliability: A CR report should reach a total average rate of at least 90% in the Grid Analysis in order to be considered as extremely reliable (currently 76%). In order to provide the stakeholders with the best information available, the company should include all the improvements mentioned above.

Knowing that a report can always be improved, the following chapter will recommend the most important improvement to be made and propose some practical examples of implementations.

3.2 Recommendations

3.2.1 Content Factors

Vision

As mentioned in section 2.3.1.1.2 of the thesis, a vision statement shares what the company is inspired to achieve.

The current vision statement is “*One firm – a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities*”.

A sustainability vision statement should express the economic, social and environmental long-term view sought out by a company.

In order to adapt its current vision statement, the company should adopt the following steps, which were based on and adapted from an article by Green Plus⁴⁵:

- The statement should describe the company’s interpretation of sustainability and mention its environmental focus;

The revised vision statement could be “One firm – a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities, **while minimizing our footprint**”;

- If possible, evaluate the revised vision statement among a group of selected stakeholders to benefit from other points of view and avoid misunderstandings;
- After evaluation, the new vision statement should not only be posted on the company’s website, but also in the CR report and the Annual Report.

Objectives

To answer the question ‘How much of what will be accomplished by when’, the five global CSR objectives defined in the report (see section 2.3.1.1.3) should be adapted to reflect the quantity and time components.

The examples of five adapted objectives below take into account some quantities and time notions found in the current CR report of the company:

⁴⁵ <http://gogreenplus.org/sustainability-vision-statements/>

- Focus, **at any time**, on **all** the issues which are most important to stakeholders;
- Give something back to the society, through sharing **every year, at least one week per year** of our talent in the communities near the offices;
- Minimize environmental impacts **by 50% within the next four years**;
- Encourage a positive change to **20'000 beneficiaries** around the company **for the next fiscal year**;
- Provide **at least a 90% rate** of transparency for the stakeholders **by 2017**.

Including sustainable vision and objectives into the CR report enables to provide stakeholders with a clearer view of the journey, which still needs to be done, towards sustainability.

Integrated Reporting

The literature review conducted in the thesis suggested that Integrated Reporting is expected to become the next step for Corporate Reporting.

Currently, the company publishes an Annual Report (Appendix 2), which states some CSR aspects, and an extra CR report (Appendix 1).

However, an Integrated Report “*should be a single report which is the organization’s primary report – in most jurisdictions the Annual Report or equivalent*”⁴⁶.

PwC US published in 2013 a short document on “*Integrated reporting: Going beyond the financial results*”⁴⁷, which highlights “*how companies may benefit from Integrated Reporting*”⁴⁴. Moreover, the document suggested various benefits, such as responding to stakeholders’ demand, “*strengthen[ing] financial reporting across business activities, enhanc[ing] internal collaboration, increas[ing] internal and external communications and produc[ing] more transparent reporting*”⁴⁴.

Considering that the company already publishes both a financial and non-financial report, the next step towards Integrated Reporting would be to ‘merge’ the two reports. The company could follow “*The Guiding Principles*” proposed by the International Integrated Reporting Council (IIRC) in its “*The International <IR> Framework*” document.

⁴⁶ <http://www.accountingforsustainability.org/connected-reporting>

⁴⁷ <http://www.pwc.com/us/en/cfodirect/publications/point-of-view/integrated-reporting-pov.jhtml>

Moreover, the company's "TIMM framework" adopted for this year's CR report is in line with the Integrated Reporting's aim to "help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organization is really performing"⁴³. It would therefore ease the 'merging' process.

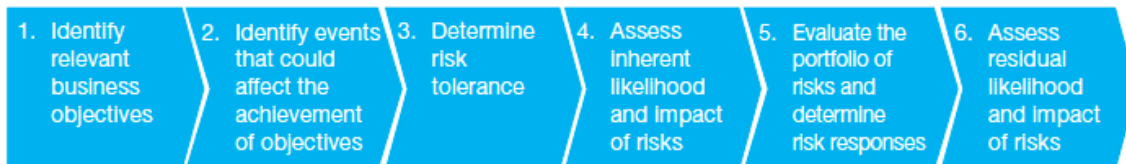
Furthermore, moving toward an Integrated Report would improve the Economic Content Factors, which is the lagging factor of the Grid Analysis. An Integrated Report will ultimately increase the overall quality of the information provided to the stakeholders.

Risks

The risks encountered by the company and its stakeholders is one information that has not been disclosed in the report, neither in the Analysis Factors, nor within the Economic, Social and Environmental Factors.

While it is more likely that a firm such as PwC performs risk assessments, the steps illustrated in Figure 4 should be applied after the company has defined the risk assessment's scope and plan.

Figure 4 – Risk Assessment Process



Source: PwC, A practical guide to risk assessment

External factors (threats on the company), such as financial crisis, aging population or climate change, and internal factors (the company's weaknesses), for example compliance failure, scandals or new environmental regulations, could impact the company's value chain:

- Legal appeals increase;
- Sickness rate increase;
- Infrastructure damage and maintenance;
- Fraud;
- Turnover increase;
- Security and system failure.

The impact and likelihood of these risks will have to be evaluated and the highest risks, which are more likely to occur, should be listed and explained in the CR report.

Social aspect

Considering that the company is providing professional services to its clients, it does not produce much environmental impact, compared to a production company; its impact is much higher on the society at large.

Therefore, it is important that it applies what it pledges in the Global CSR Strategy: being a catalyst for change. The company should “*encourage a positive change in the world around*” (Appendix 1: 3).

As mentioned in section 1.2, PwC is the fourth most powerful brand and one of the most attractive employers in the world. Its weight on the global economy - the term has to be taken in a large sense - makes it a powerful leader, an example for other companies.

In this context, the company has to “*be accountable for the entire [value] chain*” and “*be a model*” (Maeder, Session 11, 2014: 20). Consequently, it should not only be an example to its customers and its suppliers, but it should also engage and encourage those, who are not into a sustainable thinking, and champion those, which are starting to embrace sustainability.

Two recommendations are proposed:

- The company’s audit clients could be invited to a workshop explaining the benefits of managing a business sustainably and the advantages of measuring the impacts on economic, social and environmental aspects. As a leader, the company could present its own CR report and the TIMM framework used for measuring its impact;
- Modify its client’s audit process and automatically perform an audit of non-financial information on its entire audit clients’ base, additionally to the regular financial audit. The results of the ‘new’ audit would then be included in the ‘Assurance statement’ of each report and presented to the client’s Management Board at the Annual General Assembly.

As for being a model for its employees, the CSR strategy within the PwC Network seems to be important for and well established within each PwC firm, especially for PwC UK. However, the volunteering engagement rate is currently 10%. There seems

to be a disconnection between what the management claims and the employees' engagement.

To increase the rate of volunteering engagement, the company could apply the following steps proposed by Mrs. Bhavani Prakash in her article about "*How to engage your employees on sustainability*" (Prakash, Eco-Business, 2014: 46, 47):

- Awareness: keeping CSR activities "*on employees' radars through regular talks, workshops and hands-on activities*";
- Facilitate: enable sustainability projects to "*come from employees themselves*" and adopt the "*RISE*" criteria "*repeatable, inspirational, sustainable and enjoyable*";
- Champion: find the "*natural enthusiasts who are keen to take the lead in sustainability initiatives, and give them [...] training and other assistance*";
- Measure: "*enable employees to define metrics*" and "*help the team to create simple tools to measure and share collective savings*", such as Gamification;
- Communicate: "*Talk to staff regularly about sustainability*" and "*share stories from within the company*".

3.2.2 Quality Factors

Balanced and Critical

Even though the 'balanced' and 'critical' concepts are different, they are linked to each other. A report, be it financial or non-financial, cannot be balanced if it is not critical towards the information it discloses.

Therefore, a balanced and critical report has to be honest; it has to report not only the successes the company encountered throughout the reporting period, but also the challenges and difficulties faced and the failures it has been confronted with.

In this context, two recommendations can be made:

- Be critical towards the objectives and targets set;
- Include difficulties and failures experienced, as well as stakeholders' evidence.

In its report, the company set targets and objectives and commented mainly those achieved or on the way to be achieved. The report should state the current stage of the

objectives, examples of actions taken throughout the year to reach them, and what still needs to be done to achieve these objectives on time.

For instance, the adapted objective 'Encourage a positive change to **20'000 beneficiaries** around the company **for the next fiscal year**' could be accompanied in the report with the following paragraph:

'At the end of the fiscal year 2013, our work with schools to support literacy and numeracy, our mentoring program for students at the Charter School in London and our kitchen apprentice program and several other volunteering actions, have benefited more than 15'000 people.

To continue encouraging a positive change around the company and reach our objective of positively changing 20'000 people's life by the end of the fiscal year 2014, we will offer one more day per year to our people for engaging in volunteering actions.'

As previously mentioned, the current volunteering engagement rate is roughly 10%. Considering the high importance the company seems to put on CSR, 10% engagement from within the company is - in a way – a failure.

The difficulty to engage employees in volunteering work should therefore be explained in the report, with for instance, a testimony from an employee on the reasons he/she does not engage and what the company should do to increase.

3.3 Limits of the Thesis

The thesis was conducted on one firm within the PwC Network, exclusively based on information disclosed by the company through various documents and articles found on the company's website. Therefore, the results of the analysis are not representative of all the CR reporting within the PwC firms.

To be able to bring a total picture on the quality of the report and the quality of the CSR activities of PwC UK, a further study should be conducted to include interviews from the Board of Directors, the Head of Sustainability and the employees within the company, as well as interviews from the main stakeholders of the company.

The thesis concerns only one professional service company. However, to ensure the accuracy of the Grid Analysis used, it should be tested in other professional service companies, within and outside the PwC Network, and the grid should be adapted accordingly to fit the professional service sector.

Furthermore, the size of the sample is not representative of the entire professional service sector. It is therefore suggested to conduct the analysis on other companies within this sector to be able to give a fair picture of the current CSR reporting situation in the service sector.

Additionally, the scale for determining the overall reliability and quality of the report is based on the researcher's personal judgment. Further statistical studies should be performed to determine whether this threshold should be adjusted.

Finally, the recommendations mentioned in the survey are propositions, based on the analysis performed and the author's judgments, to improve PwC UK's CR reporting; they shall not be considered as binding and shall be adapted according to the company's willingness and ability. Further analyses will have to be performed in order to validate the feasibility of these recommendations

Conclusion

The purpose of the thesis was to make a thorough analysis of an unlisted professional service company's CR report, using a Grid Analysis (Appendix 3) specifically created for this purpose, and to advise on possible ways to refine the company's CR reporting.

The thesis demonstrates that 78% of the 80 characteristics defined in the Grid Analysis are found in PwC UK's 2013 CR report. Considering that a CR report is of 'good quality' when the Grid Analysis reaches 80%, the CR report of the company, tested on its content and quality, is deemed to be of 'average quality' overall.

The Content Factors reached a result of 74% and is considered to be of 'average quality', whereas the Quality Factors is deemed to be of 'good quality' with 89%.

The lowest score obtained by the CR report is related to Economic Content Factors (50%). Conversely, with a rate of 93%, the Environmental Content Factors is the only factor considered to be of 'very good quality'.

Therefore, to increase the overall quality of its CR report, the company should mainly improve the Content Factors, as defined by the Grid Analysis.

One suggestion, which would increase the Economic Content Factors, and the overall Content Factors' score, is to switch to an Integrated Reporting.

Other improvements, such as updating the company's Vision Statement to include the company's environmental concern, revising its objectives to be measurable, implementing an economic, social and environmental risk assessment and reporting on the results, have been proposed to PwC UK.

Two characteristics of the Content Factors suggested that the company could engage more with its stakeholders. Therefore, it could take advantage of its leading position to be a "*catalyst for change*" (Appendix 1: 3) and engage its customers and employees to embrace sustainability.

To reach a 100% score on its Quality Factors, the company should be critical in its CR report and offer a balanced CR report to its stakeholders.

The thesis demonstrated that offering a transparent, accurate and reliable CR report is not an easy task. Improvements can and should always be made in order not to 'just sound good' but to be a catalyst for long-term change, in the company's day-to-day business and for the society at large.

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Appendices

Appendix 1

PwC UK - Our total impact, Corporate sustainability annual update 2013

Our total impact

Corporate sustainability annual update 2013

This year, our report takes a look at our total impact on the economy, treasury, society and the environment

Our contribution

The business models of the past need to adapt if they are to be sustainable in the future.

Our 'Total Impact' method pioneers a better way to understand the value businesses generate, and to inform decisions to ensure long term success.

In this report

2013 in review

Total Impact Measurement and Management (TIMM)

Being a responsible business

Our focus on quality and ethics

Investing in talent

Making a difference in our communities

Minimising our environmental impacts

Our sustainability scorecard

Our approach to assurance

External recognition and standards



Ian Powell

Chairman and Senior Partner

Introduction from our chairman

2013 has been a good year for PwC, in a challenging market. Despite continuing economic uncertainty, we've achieved responsible, profitable growth. Our Annual Report (www.pwc.co.uk/annualreport) outlines our performance for the year. This Corporate Sustainability report provides further detailed information about our progress on the sustainability agenda and sets out how we're continuing to drive improvements.

Sustainability is at the heart of PwC and we challenge ourselves to create new, better practices in our operations and contribute to public policy development. In our view, it's time to rethink how businesses operate and for corporate reporting to adapt. This year we've piloted our own total impact approach, 'Total Impact Measurement & Management', as a framework to quantify and monetise our contribution to the UK economy, and the benefits to society, whilst measuring the cost to the environment. This heralds a new era where companies will take accountability for their full impact on wider society.

A handwritten signature in dark ink that reads "Ian Powell". The signature is fluid and cursive, written in a professional style.

Ian Powell

Chairman and Senior Partner

2013 in review



Bridget Jackson
Head of Corporate Sustainability

Doing the right thing

Doing the right thing for our clients, people and communities is at the heart of our sustainability strategy, which we refreshed last year. It comprises four focus areas: responsible business, workplace and diversity, community involvement, and environmental stewardship.

We focus on the issues which are most important to our stakeholders, as set out in our materiality matrix to the right. In particular, this means attracting, developing and retaining the best talent, and ensuring that our people act responsibly in delivering high quality work for our clients. We outline how on pages 8-9 of this report.

But part of being responsible is also giving something back to society, which we do by sharing our talent in the communities near our offices. It engages our people and is a key part of the career experience we offer them. For the past few years, we've also made a conscious effort to focus on understanding whether we're having a positive impact, rather than just driving up the volume of activity. We share our journey on pages 10-11.

We also aim to minimise our environmental impacts, even though we don't use a great deal of natural resources. It's important to our clients, and our people also expect it of us. So we're working to ambitious 2017 targets, in particular to reduce our carbon emissions. This year, we've reduced them by another 8%, bringing the total absolute reduction to 28% since 2007. We share our progress on pages 12-13.

For us, sustainability is not only about doing the right thing, but about how we can be a catalyst for change and help to create a more sustainable economy and society.

Catalyst for change

The second element of our strategy is being a catalyst for change. We're using our skills, voice, and relationships to encourage a positive change in the world around us – such as better trust in business, better reporting, and the transition to a low carbon economy. We share highlights on page 6.

Where possible, we pioneer better business practices. Take our new, Total Impact Measurement and Management (TIMM) framework, for example. It's a unique and innovative way for businesses to develop a holistic understanding of the economic, fiscal, environmental and social impacts of their activities. And, it's aligned with the International Integrated Reporting Council's new framework for reporting on different forms of capital. We hope it'll help businesses make decisions that will be sustainable for the long and short term.

You'll see more about TIMM on the next page and throughout this report, as we use it to talk about the estimated impacts of our own business. It's one of the ways we've amplified our reporting again this year to provide greater transparency for our stakeholders. Moving forward, we'll look at what it means for our business.

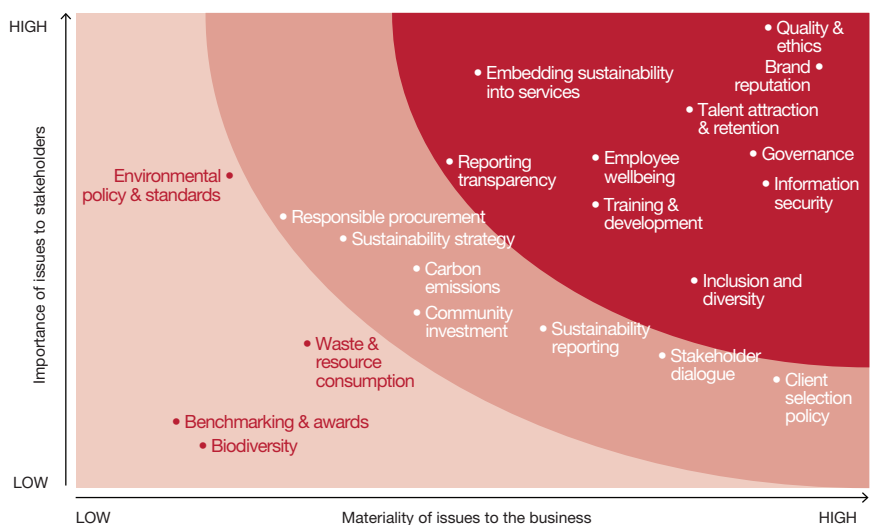
This year, we've also made other improvements: we've published short and long-term targets for our workplace and diversity metrics; we've reported new metrics across all four areas of our sustainability strategy; and we've extended our external assurance to include our workplace and diversity data. Look out for the (A) symbol in this report for data covered by the 2013 independent assurance statement by our auditors.

You can find more on our sustainability strategy, our governance, policies and performance on our website: www.pwc.co.uk/corporatesustainability

We'd love to hear your thoughts – contact me at bridget.h.jackson@uk.pwc.com

Bridget Jackson
Head of Corporate Sustainability

Sustainability materiality matrix



Total Impact Measurement & Management (TIMM)

Why do we need TIMM?

We live in a world of significant change. A growing, global population is seeking a better lifestyle, placing ever-greater demands on finite resources and causing unsustainable levels of environmental pollution. At the same time, the expectations placed on business and the role it should play in society have shifted amongst stakeholders including customers, suppliers, employees, governments and society in general. The business models and practices of today are not equipped to deal with these new requirements, and many sectors recognise that they need to transform if they are to thrive in the future.

These changes are also affecting corporate decision-making and reporting. The new reporting framework recently proposed by the International Integrated Reporting Council (IIRC) assesses how a company derives value by using and affecting different types of capital, including social and natural capital. But until now, it's been hard to quantify and monetise social and environmental considerations, leaving them stranded outside traditional accounting and return on investment decisions.

Using TIMM with our clients

TIMM is still an emerging framework and is in the early stages of adoption. But for years we've helped our clients measure and value their impacts along individual quadrants – such as their total tax contribution, or the value of their environmental or social impacts – using recognised methodologies. We're currently using TIMM with clients such as Scottish Hydro Electric (SHE) Transmission to measure the total impact of a large capital investment project. It will allow them to communicate more effectively with stakeholders, and influence the way that future projects will be planned and implemented. (You can read more at www.pwc.co.uk/annualreport/case-studies).

We've also surveyed CEOs to gauge their appetite for this type of approach to judging business strategy and performance. Their feedback is striking. More than 90% believe that measuring total impact would help their businesses to identify and manage their risks more effectively. More than 80% believe it would provide supplementary insight to conventional financial reporting and help identify new business opportunities. And, more than 80% also believe that communicating total impact would enhance the reputation of their business with employees, customers and the local communities in which they operate. Together these indicate that there is a real need for this new evaluation approach, for businesses and nations, to support decision-making and communication.

We presented the TIMM framework at the UN MDG Innovation Forum, hosted by Ban Ki-Moon.

To find out more, please visit our website: www.pwc.com/totalimpact.

We're developing ways of measuring impacts more holistically, in our unique 'Total Impact Measurement and Management' (TIMM) framework. For the first time, it offers businesses a structured framework for decision-making suitable for today's world. It's already helped us to understand the relative importance of different aspects of our business and where to focus our future efforts. And, over time, it'll show how our impacts change in line with our growth and the implementation of our strategy.

What is TIMM?

The TIMM framework can help business leaders and stakeholders understand how a business' activities contribute to the economy, public finances, the environment and wider society. It starts to provide a more complete assessment of how value is generated – and potentially destroyed – for different stakeholders of a business in both the short and long term. In doing so, it helps businesses consider the net impact of their actions and avoid a natural tendency to focus only on the positive, short term financial impacts.

In addition, the framework examines the impacts both directly through business operations, and indirectly through their effects on customers in the market place, other organisations in the supply chain and other stakeholders (for example, through the impact on local communities).

The TIMM model as applied to PwC UK's impacts this year can be seen on the opposite page. The graphic shows our business activities at the centre surrounded by the stakeholders who are affected by our operations. Each of our impacts are then represented in the categories around the outside of the model, where the value is indicated by the size of their bar. These impacts are grouped into four broad areas:

1. Economic impact
2. Tax impact
3. Social impact
4. Environmental impact

What's our impact?

The impacts we've been able to measure this year total £3.7 billion. Our economic impact forms the majority of this (72%) – in particular through the jobs that we create and profits we make.

We also make a sizeable contribution to the UK public purse via the taxes we pay and collect on behalf of HMRC. Our fiscal contribution totals £960m, 36% of the economic benefits deriving from our business.

Like most companies, our environmental impact is negative (£84m). When compared to other industries, however, it's relatively small and mostly arising from our carbon emissions.

We make other contributions to society, over and above the jobs created, through developing skills that benefit the wider economy and through our community involvement. Currently, we can only measure the first of these, which totals £174m. We're working to quantify the other elements in future.

You can find more about how each impact is defined on the opposite page. We also explain PwC UK's specific 2013 impacts in the relevant chapters of this sustainability report.

The TIMM framework at a glance⁽¹⁾

Total impact 2013: £3.7 billion⁽²⁾



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Key

- Bar size represents the magnitude of our impact
- Green represents a positive contribution
- Red represents a negative contribution
- Grey represents impacts where we don't yet have robust enough data to report

Economic impact: £2,649m

The contribution to the economy, in particular through economic output and employment in a given area. For example, we've estimated the value created through our core business operations (i.e. the provision of services to our clients), our payments to suppliers and the spending by both our employees and those of our suppliers in the wider economy.

Social impact: £174m

The consequences of business activities on societal outcomes such as health, community cohesion and empowerment. In our case this currently refers to accountants we train but who leave us, adding value to the marketplace.

Tax impact: £960m

The overall contribution to the public finances. We've measured our taxes from direct operations using a well-established process, which draws on PwC's Total Tax Contribution (TTC)³ methodology. It covers all the taxes we pay in the UK and Channel Islands.

Environmental impact: £84m

The impact on society through emissions to air, land use change, water pollution and use, and waste generation. For most companies environmental impacts are negative. We've estimated the impact from our direct operations, our payments to suppliers and the spending by both our employees and those of our suppliers in the wider economy.

1 Some of the indicators in the TIMM framework require data that we don't collect at the moment. Ultimately we want to have a holistic view of our impact, so we've identified the gaps and are sourcing the data needed. In our 2013 results (seen above), the economic and environmental figures capture all direct, indirect and induced impacts, whilst the tax figures cover all direct and some indirect and induced impacts. Our social impact calculation currently estimates part of our direct impacts, only. We've chosen only to include impacts where we're confident in the robustness of our data and assumptions. We'll continue to improve our data to allow more comprehensive reporting in future years.

2 All figures refer to impacts before any estimates of the 'counterfactual' (i.e. what the impact might have been if PwC didn't exist).

3 www.pwc.co.uk/tax/issues/total-tax-contribution.jhtml.

Being a responsible business

Kevin Ellis

Managing Partner



Trust in business has been in short supply in recent years. The widening disconnect between the reality of business and how it's perceived is creating an increasing need for a renewed focus on the relationship between business and society. Behaving responsibly is critical to rebuilding trust and as a leading professional services firm we're in a great position to engage in the debate about what 'being a responsible business' means.

Responsible, profitable growth is at the heart of our strategy. Our reputation and long term sustainability rely upon us acting with the utmost integrity and with high standards of professional conduct and competence, all of which serve the public interest. A common understanding with our stakeholders and an embedded culture of 'doing the right thing' is the foundation of how we play our part in helping to map out the route to a new type of responsible commerce.

We remain focussed on maintaining and enhancing PwC's position as a trusted leader in its field. We contribute perspectives on a wide range of business issues and public policies; pioneer new initiatives that can help our clients make better responsible business decisions; and we support our people with training, tools and processes which enable them to deliver consistently high quality work, in a responsible way.

Exploring trust

The financial crisis and perceived decline in the standing of business in society has highlighted the importance of trust for many organisations.

Over the past three years, we've held numerous round table discussions with CEOs exploring the characteristics of trust and what it means for business. We've also held debates with clients on the issue through 'Battle of Ideas' events and have consulted the views of our people. Understanding such a wide range of perspectives makes us better placed to determine our own strategy and advise our clients.

This year was the eleventh time we've celebrated best practice and transparency in corporate reporting through our annual Building Public Trust Awards.

You can read more at:
www.pwc.co.uk/trust

Better audits and reporting

Today's online world of 24/7 access to information, split second investment decisions and higher stakeholder expectations means we need to be able to help clients as they rethink how they measure and report on their businesses. Audits need to evolve too and we've set out our vision of 'creating the audit of the future' in our Transparency Report.

We're the leading assurer of sustainability data among the FTSE 100 and have worked with clients including Unilever, for whom we've assured the key KPIs in their 'Sustainable Living Plan'. We're proactive contributors to the International Integrated Reporting Council and we are pioneering a new reporting and decision making tool, TIMM, as set out on pages 4-5.

Low carbon economy

We play an active role in helping to decarbonise the economy.

We've served as global adviser to the CDP for many years, producing its three flagship reports and providing insight on the evolution of carbon reporting in companies.

This year we charted global progress towards agreed international green-house gas emissions in our own report, 'Too late for two degrees?'¹.

We were also a joint founder of the Green Deal Finance Company, an industry-led consortium set up to finance the UK Government's Green Deal energy efficiency policy.

For more details of our contribution to sustainable development please visit:
www.pwc.co.uk/sustainability

Measuring our impact



Payroll

Impact: £1,578m

As a business of over 18,000 people², our biggest contribution is through paying our employees, including the ‘multiplier effect’ of any of their salary that they spend in the economy. Similarly, by procuring goods and services from our suppliers we enable them to spend in the economy, amplifying our positive contribution.



Profits

Impact: £843m

Our business success creates value in the economy through our profits – which are distributed to our partners as part of their income. The TIMM figure also includes profits created through our spend with suppliers as well as profits derived from our partners’ and employees’ spend in the economy.



Investment, intangibles and exports

Impact: £228m

A smaller part of our economic contribution comes from the investments we make in physical assets such as real estate and IT equipment, and in intangible assets such as intellectual property. The ‘multiplier effect’ from our spend with suppliers and our people’s spend in the economy is also captured.

The final area shown in the framework refers to any additional macro-economic impact from our net exports, which is negligible for our business in the UK.



Social impact: Education³

Impact: £174m

As the leading professional services firm, large numbers of people join us for the excellent education opportunities: over 800 of our people gained professional qualifications with us this year. It’s key to our business model and the quality of our services. But some of them leave the firm, and go on to use their skills elsewhere. Their qualifications help increase their earnings and this incremental element is valued as part of our social impact⁴. Of course, our people benefit from a wide range of other development opportunities too, but we haven’t valued them yet.

We make an important and positive contribution to this debate. It’s one of the ways we’re a responsible business.

For example, our publications, such as Paying Taxes, and our Tax Transparency and Country-by-Country Reporting publication shed an important light on the taxes due and paid around the world, and articulate the challenges in transitioning to a new system. We engage in dialogue with interested parties and encourage our people to have a point of view, holding ‘tax and morality debates’ across the UK this year.

We’ve also run the Building Public Trust Awards for good tax reporting for seven years and we pioneered a new, Total Tax Contribution (TTC) methodology in 2005 to help companies with more complete and transparent tax reporting.



Total tax impact

Impact: £960m

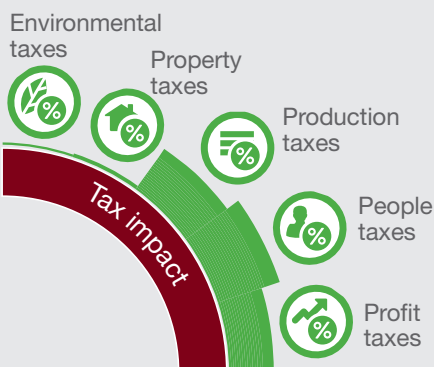
As a business, we also make a positive contribution to the UK through our taxes paid. We report this in our Annual Report each year using the TTC approach. The TIMM framework incorporates these same taxes.

The majority of this positive, fiscal impact comes from the taxes we pay and collect on behalf of our people, including PAYE, national insurance and the taxes our partners pay on their profits. We also contribute through the VAT collected as a result of the services we sell (production taxes); and, to a lesser extent, the property and environmental taxes we pay.

Our total tax contribution is significant, at £960m.

Total tax contribution

The international tax system hasn’t kept pace with today’s global, digital economy, and companies’ tax affairs are in the spotlight. The OECD are calling for an overhaul.



² Source: PwC Annual Report 2013.

³ Education sits within the social impact quadrant of the TIMM framework. Included on this page to provide a complete picture of our positive contribution. For more on our social impact see page 11.

⁴ The TIMM framework only includes those staff who are expected to qualify as accountants.

Our focus on quality and ethics

The pace of post-crisis regulatory reform continues unabated. This year, the industry has seen both the Competition Commission's investigation into competition in the audit market as well as unprecedented interest in corporate tax strategies. It's more important than ever that we challenge ourselves to keep raising the bar on quality and ethics and hold ourselves to account for our actions. We've provided a full report on our approach to quality, our view on audit reform and the views of our Public Interest Body in our Annual Report and our Transparency Report.

Last year we reported a set of metrics around quality and ethics in our sustainability report. We've continued to monitor our results and report on the highlights below. Our full scorecard is on page 14.

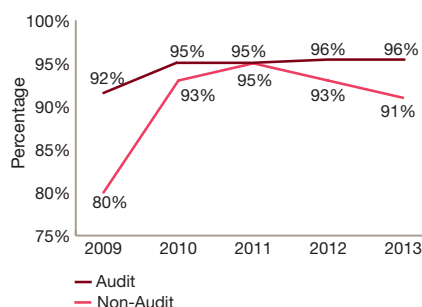
Maintaining quality

We're delighted that in 2012-2013, we achieved our best ever quality results in our external Audit Quality Review Team inspections. Full results are in the Financial Reporting Council's report on PwC¹ and are summarised in our Transparency Report².

We also monitor our quality internally using a metric that measures the compliance of a sample of our engagements to our own quality checks. We aim for at least 95% compliance over the year for both audit and non-audit assurance work. This year, our performance for audit engagements is above target but our performance for assurance-led non-audit engagements dipped as we made the requirements more stringent mid-year, and we haven't restated the performance for prior years. We're working to standardise the measurement of process compliance across the business.

We prioritise the independence of all our staff and partners and confidentiality of all data we hold. Breaches of external auditor personal independence rules were committed by less than 1% of our people this year, and we successfully completed 14 external assessments of our ISO 27001 information security management system in 2013.

Assurance: Process compliance



Margaret Cole
UK General Counsel

What our people think

We have a responsibility to act in accordance with the highest professional principles. The way our people behave is a reflection on our culture of 'doing the right thing'.

Each year we ask our people to provide feedback on the firm's ethics in our firm-wide 'youmatter' survey. This year, we modified our question to specifically measure whether our people felt able to report ethical issues. We recorded a score of 3.87 on this new question.

We take a hard line on misconduct of our people. This year, dismissals for misconduct remain reassuringly low with only 9 staff being affected.

"At PwC I feel comfortable discussing or reporting ethical issues and concerns without fear of negative consequences"

Staff survey question

What our clients think

Our firm's reputation is our licence to do business. The way we're perceived by our clients is critical to this and the trust they place in us can be measured through our client satisfaction survey scores for 'client advocacy' which measures whether they would recommend us to others. We also measure the degree to which we 'bring fresh insights' to our clients as it's a key dimension of the value we deliver. Both metric results remained robust this year.

Client advocacy and fresh insights



Next steps

Quality and ethics underpin our public interest responsibilities, and our ability to build and maintain trust, so we're continually reviewing what can improve. Over the next year we plan to:

- undergo the triennial ISO 27001 recertification for our information security management system
- launch a new tool to help reinforce quality process compliance from the early stages of engagements in a much more consistent way
- develop and roll-out an online, firm-wide sustainability training course, to further enhance the quality of our client work by highlighting longer term social and environmental considerations

1 www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-PricewaterhouseCoo.pdf
2 www.pwc.co.uk/en_UK/uk/assets/pdf/transparency-report-2013.pdf

Investing in talent

Our people and their skills are our biggest asset. They're fundamental to the value we create for our clients, for our own business, and for the wider economy. This means that tapping into the most diverse talent pools, creating an inclusive culture, and investing in skills and programmes to allow them to perform at the top of their game is central to our strategy.

Hiring the best talent

We recruit thousands of people in the UK. We want to attract the brightest and the best, so we're accessing wider pools of talent. We now offer higher apprenticeships for people who want to join direct from school rather than via the traditional graduate entry route. More than 60 joined the scheme this year. To encourage more young women considering a role in professional services, our female leaders offer week-long shadowing opportunities. And we've also worked with LEAP, a social enterprise that connects employers with people from disadvantaged backgrounds to further enhance accessibility and social mobility.

This year we've succeeded in increasing the proportion of female hires, whilst maintaining the ethnicity ratio.

A great people experience

To give our clients a great experience we also need to make sure our people are motivated to give their best. So each person has a people manager to support their career choices. We aim to help each individual find a role which matches their development goals and aspirations.

For peak performance, we also need our people to be well. So we help them to take care of themselves by providing guidance on staying physically and mentally healthy, and managing their energy as much as their time. Accordingly, we measure work-life balance and have introduced a new metric to track absence through sickness, both of which dipped slightly this year.



Gaenor Bagley

Head of people

We've set ourselves long term and short term targets (see page 14) and we've included our workplace and diversity metrics in our external assurance this year.

Building skills

A key reason people want to work with us is to broaden their experiences and learn new skills. Over 900 students joined our professional qualification training routes this year. And, we're also seeing a greater uptake of our extensive self-directed and on-line learning resources. This partly explains why, in spite of delivering more programmes, our per head spend on learning and development has dipped from £1,445 to £1,361 this year.

We also hold events jointly with clients to provide networking, leadership and self-awareness opportunities such as our two-year 'Leaders of Tomorrow' programme, which brought together emerging talent in the North West to collaborate on driving growth in the region as well as providing a forum for personal development.

Retaining our talent

Once we've hired and trained them, we hope to keep our people for as long as possible. We have a broad business that can offer people long term careers with us, providing we can match our roles to their aspirations. A key part of this is our 'deal' framework which helps us clarify what each individual values from working with us in return for delivering what we expect from them.

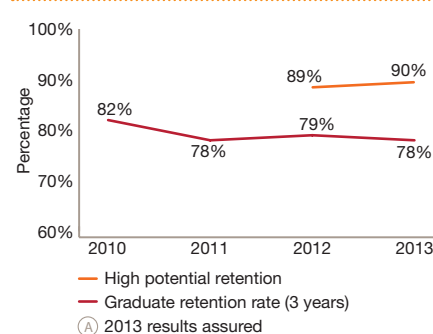
This year we've also upgraded our careers service and resilience training to keep our people fresh and motivated throughout their careers. Retention is a key metric, and we have a particular focus on key groups, such as our graduates and 'high potential' individuals. Retention of both is roughly flat in 2013 versus last year (see below).

An inclusive place to work

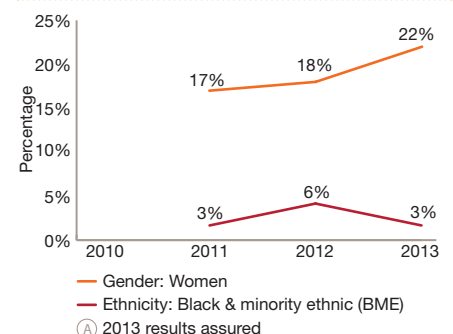
In a diverse and competitive world, we need to make sure that we can bring the best talent to our clients, regardless of characteristics such as race, gender or social background. So, we established a Diversity Council last year, comprising leaders from across the business, to oversee diversity at all levels of the business. We set up programmes to help us recruit from diverse pools and measure diversity in our leadership. And, we launched our second 'Open Minds' training to raise awareness of unconscious bias and help people become more open-minded.

We've created a range of programmes to increase the diversity of our 'talent pipeline'. We've set up a female board sponsorship programme to prepare women for the highest levels of management. Our women's leadership programme helps women at director grade prepare for partnership. And we're also matching high potential female and ethnic minority employees at lower grades with sponsors that can support their progression. This year there are more women in the top leadership roles in our business (see below). But, there's more to do to increase the ethnic diversity of this group.

Retention: Graduate and high potential



Senior management diversity: gender and ethnicity



Next steps

While we've seen encouraging progress, we know that we have more to do. Over the next year we'll be focusing in particular on:

- continuing to change behaviours to become a more open-minded, inclusive and diverse organisation
- integrating resilience materials into core training
- developing an Agile Ways of Working toolkit to support our people in building more flexibility into their ways of working

Making a difference in our communities

Part of our culture

Working with the communities around our offices has been part of our culture for over 20 years. It's an integral part of being a responsible business and creates value for both our communities and for us.

We know that many of our people want to give something back to society, so we offer a significant amount of time per year for any of our staff or partners to volunteer during working hours. It's an attractive part of their overall career experience with us.

But volunteering also helps our people to gain skills. Last year we reported on our pioneering approach to measuring the business impacts of volunteering. This year, we've continued to integrate it into our people management processes to maximise the benefits. We've encouraged people to include it in their objectives and promoted its use for their personal development.

Pioneering new approaches

We're also innovating to create new methods to measure our contribution to society through our charitable programmes. We've been doing this by adapting social return on investment techniques. Now, we can measure not only our 'inputs', but also the number of beneficiaries (our 'outputs') and the 'outcomes' resulting from our volunteering.

Scaling our impact

This work has highlighted the positive effects of using our skills in our communities and we've sought to scale our impact, opening five new 'centres for social impact' in offices across the country, and growing our Social Entrepreneurs' Club to a total of 190 members. Originally launched in 2011, we're now well on our way towards providing meaningful support to 250 social entrepreneurs by 2017.

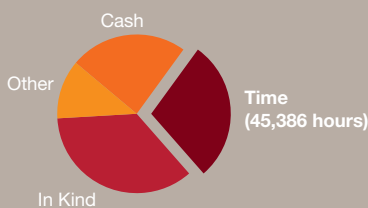


More than 1,800 of our people volunteered to support over 160 social enterprises during our national One Firm One May volunteering initiative, in May 2013¹.

Our reporting journey

Inputs ^(A)

Value of our contribution: £7.1m

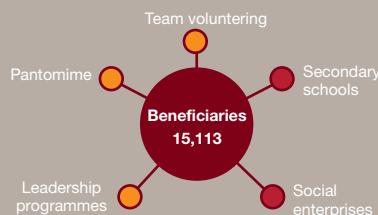


Community reporting has traditionally been focused on measuring 'inputs' such as those reported above. There's an established methodology for calculating them² and we've been reporting our inputs in this way, for many years.

This year, our overall community contribution remained high, at £7.1 million (2012: £7.2m)³. More than a quarter of our people volunteered a total of over 45,000 hours. It's lower than in 2012 due to some one-off events last year. But we've continued to drive programmes that make the most use of our professional skills – to maximise our impact. Around 80% of the time we give is now skills-based – up from 67% last year.

Outputs ^(A)

Number of beneficiaries: 15,113



But inputs are only the start of the story. We're also interested in the 'outputs' of our investment. This means understanding more about the different programmes we run and the different groups of people who benefit from each of our programmes. It's an emerging area in community reporting. We've been measuring beneficiaries for a couple of years and have chosen to publish the results this year, because we now have more robust data.

We've identified over 15,000⁴ beneficiaries of our volunteering activities. School children constitute the largest group, and we're increasingly working with social enterprises.

Outcomes

Benefits



Measuring the actual benefits of our community activities – the 'outcomes' – is the next step towards understanding our social impact, and it also helps us to assess the effectiveness of our programmes.

This year we've measured the outcomes shown above for our two core groups of beneficiaries: secondary school students and social enterprises.

See the next page for more detail about the impacts beneficiaries have told us our community work has had on them.

¹ See our video at: www.pwc.co.uk/annualreport/case-studies/one-firm-one-may-2013.jhtml

² London Benchmarking Group.

³ We've refined our calculations of in-kind work this year and so have restated our prior year community contribution figures.

⁴ Compared to 19,559 in 2012, a year that saw some one-time events which we do not plan to repeat. Our strategic focus is on moving to skills-based volunteering.



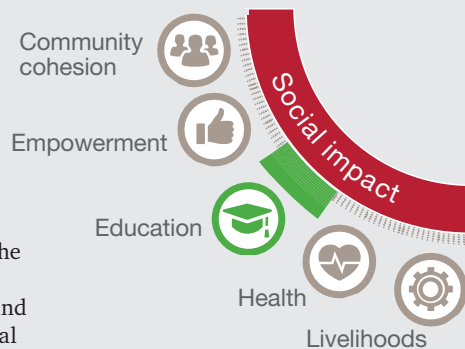
Towards measuring value

Social impact

Our volunteering aims to help improve the life chances of children in under-performing schools, and to solve social and environmental issues by supporting social enterprises.

Within the TIMM framework, the impact of our community involvement would fall predominantly within the 'Livelihoods' section, although it may also indirectly impact the other areas of the social impact quadrant.

We're not currently able to put an exact value on our impact on society, but we're developing ways to measure it. For example, the annual cost to the public purse of a homeless person has been estimated. This provides a basis for us to value our support for the homeless via Brigade, our social enterprise restaurant, in the future.



Business impact

We ask our volunteers about the effect our programmes have on them. This year, we've extended these business impact surveys to cover all our programmes.

The results highlight how volunteering makes a positive difference to our people's engagement, skills and networks – which in turn contribute to our success in the market place – although we're not yet able to measure the monetary value.

We reference the value of our education impact on page 7.

Using surveys to understand our social impact

We've worked for many years with schools near our offices, supporting literacy, numeracy and mentoring programmes, as well as raising employability skills and business awareness. Our programmes aim to raise the employability prospects of those pupils closest to the job market.

We also work with social enterprises to support some of the most vulnerable members of society. We provide mentoring and business skills training to these individuals, and assist the organisations who work to support them.

This year, we've surveyed both groups to assess the impact of our activities. The results (see below) suggest that our programmes have a really positive effect, raising aspirations; and helping these people to get ready for the world of work and to be more effective within it.

For example, we run a mentoring programme for students at the Charter School in London. One pupil who would never have considered herself suitable for PwC has since joined the firm, and feels so strongly about the support she has had that she is now a mentor herself at her old school.

We also support the Beyond Food Foundation in providing opportunities for the homeless through the kitchen apprentice programme at our social enterprise restaurant, Brigade. Helping these 'hard to reach' groups is challenging, but since the launch of Brigade we've provided over 45 apprenticeships, and helped 12 go on to full time employment – with eight more due to move into work placements in March 2014.

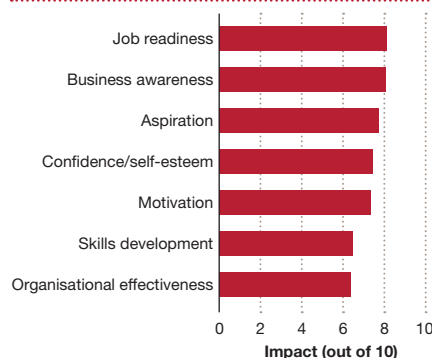
We're also providing a range of support to social entrepreneurs in our club.

Next steps

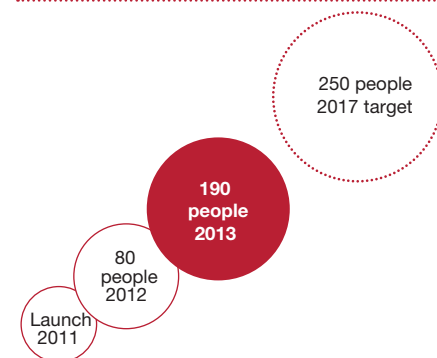
Our community work will continue to focus on engaging and developing skills for our people, and making a lasting positive difference in society. In particular, we plan to:

- maximise the benefits of our schools programmes through a new, 'whole school' approach for 25 schools
- further develop our understanding of beneficiaries, to enable us to report not just on the numbers but also the extent of our impact on them
- roll out our social value surveys to all of our volunteering activities
- continue our journey towards quantifying the social and business impact of our community work

Benefits of our programme⁵

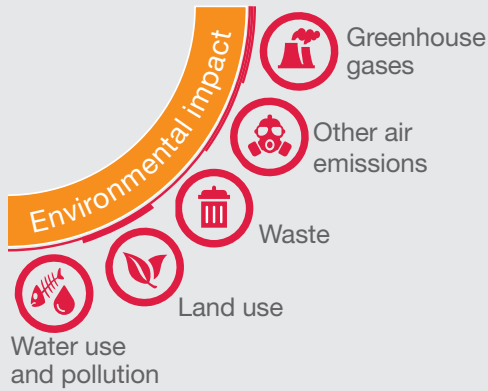


Expanding our social entrepreneurs' club



⁵ 2013 social value surveys, 229 surveyed.

Minimising our environmental impacts



Measuring our total environmental impact

As a professional services firm our environmental impact is small compared with many other industries. But our clients, our people and other stakeholders still expect us to minimise our impact, and as a responsible business whose operations ultimately rely on natural resources, we want to do everything we can.

Using the TIMM framework, we've been able to value our negative environmental impact this year. At £84m it's small relative to our overall economic contribution. The results draw upon a wealth of academic research to present our best estimates of impact, although there's inevitably some uncertainty associated with this new area of environmental valuation.

But the model helps us to prioritise our actions: comparing like-for-like data shows our main impact is through the emissions of GHGs and other air emissions typically associated with burning fossil fuels, rather than our impact on water, waste or land.

And a key feature of the model is that it doesn't just value the 'direct' impact of running our operations, but also includes our 'indirect' impacts through the various tiers of our supply chain and the spending by both our employees and those of our suppliers in the wider economy.

In fact these are much greater than those in our own operations, and this deeper understanding has caused us to reinvigorate our supply chain sustainability programme this year.



GHGs and other air emissions

Impact: £51m

As a people-based, service business, it's little surprise that greenhouse gases (£37m) and other air emissions (£14m) account for the majority of our environmental impact.

But most of this impact is generated in our suppliers' operations and through spending in the wider economy. This year we've refreshed our long-standing approach to responsible procurement. In particular, we've asked our top hundred or so key suppliers to report their emissions via the Carbon Disclosure Project (CDP) supply chain module, as a way of encouraging them to measure, manage and reduce the footprints associated with services we procure.

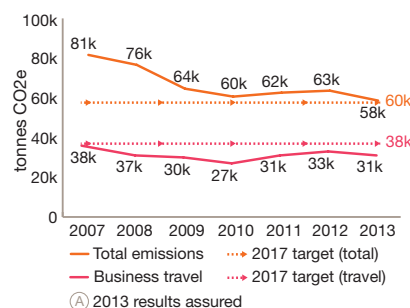
And, given that we're report writers for the main CDP benchmarking reports, we offered suppliers the opportunity to attend a workshop on the CDP and helped them understand what was required of them. As a result, the response rate has been strong, even in our first year.

GHG emissions from our direct operations amounted to 58,116 tonnes of CO₂e this year – nearly 8% down on 2012, and a drop of 28% in absolute terms from our 2007 baseline. Our 2017 target is to maintain it at under 25% of 2007 levels, whilst growing our business.

Most of the reduction this year was from business travel, aided by reduced travel through the Olympic period. Travel remains our single biggest generator of emissions and so we expanded our campaign to promote online meetings as an alternative to avoidable business travel. We introduced a metric to our scorecard this year to monitor the uptake of online meetings. It increased 110% in our first year of the behaviour change campaign¹.

We also continue to encourage rail travel over flights where possible, and to offset the carbon emissions associated with the travel, waste and water in our core operations.

Carbon emissions: total and travel



¹ See scorecard on page 15

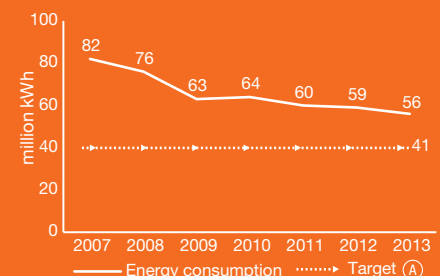
Energy

The energy we consume in our offices also accounts for a large proportion of the carbon emissions from our direct operations, and we've continued to reduce our usage. It's fallen by 5% this year and by 32% since our 2007 baseline, on track for our targeted reduction of 50% by 2017.

Some of this reduction has been driven by our office consolidation and space optimisation programme. But we've also continued to invest in improvements. We've extended our use of LED lighting, voltage optimisation and sub-metering to regional offices.

And we've applied the lessons we learnt from our BREEAM Outstanding office at 7 More London office – which runs on a biodiesel-fuelled trigenerator – during the refurbishment of our other large London office, Embankment Place.

Energy





Land use

Impact: £21m

Most of our land use impact occurs outside our direct operations, but we still want to do the right thing. We've been working with an ecologist to optimise the natural spaces at our More London office, to minimise our land use impact. These occupy 20% of the site area and support threatened and protected species of birds and invertebrates, in line with the UK Biodiversity Action Plan. We've also created a new living wall, herb garden and insect-friendly borders on the new terraces at our Embankment Place office.



Waste

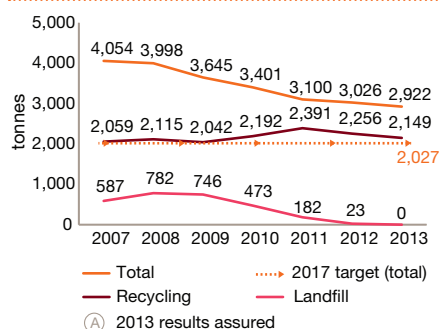
Impact: £5m

Having achieved zero-waste-to-landfill in 2012, we further reduced the waste from our direct operations this year by 3.5%. It's now 28% below our 2007 baseline, on track to achieve our 2017 target of a 50% reduction.

Our recycling rate of 74% has increased significantly from 51% in 2007. But in 2013 it remained roughly flat compared to last year. This suggests that we may have now benefitted from the 'low-hanging fruit' opportunities and that we'll need to work more closely with particular suppliers on reducing packaging and increasing the recycled content of materials we purchase, especially if we're to achieve our aspirational target of 100% recycling by 2017.

Over and above our regular operations, we've focused on recycling as much as possible throughout the refurbishment of our Embankment Place office. This included recycling all of the metal and all the floor tiles as well as the furniture, much of which was donated to charities such as the Prince's Trust².

Total waste, recycling and landfill



Water use and pollution

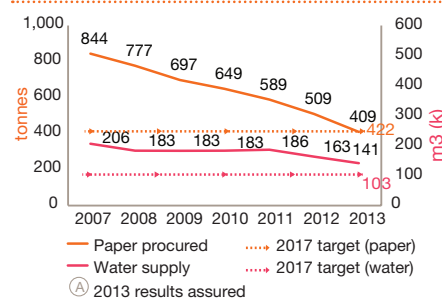
Impact: £7m

Our business doesn't require large amounts of water, but we still aim to reduce its consumption in our offices.

We've continued to invest in technologies such as water-saving taps and new cooling towers. This year, we've also successfully introduced waterless urinals at our Embankment Place office.

Together, these are making a difference, with our water consumption dropping by 13% this year, and 32% since the baseline of 2007, on track for a 50% reduction by 2017.

Paper and water



Paper

Paper is one of our most significant consumables, so we try to reduce its usage. Our programme to replace printers with multi-functional devices has continued this year, and our use of default settings to print double-sided, and only if a pass code is entered, has helped our consumption to fall by 20% year-on-year, and by 52% since 2007. This means that this year we're ahead of our 50% reduction target for 2017.

Next steps

Our 2017 targets continue to help us prioritise the areas for innovation and investment in our operations. In particular we plan to:

- ➔ refine and extend our online meetings campaign
- ➔ apply the technologies and lessons learned so far from energy and water reduction to other, regional offices in our estate
- ➔ analyse our suppliers' responses to the CDP as well as our own supplier questionnaire, and identify opportunities to address our indirect impacts
- ➔ look for opportunities with suppliers to further improve waste, recycling rates and recycled content of materials we purchase

2 See our video at www.pwc.co.uk/annualreport/case-studies/princes-trust-2013.html

Sustainability scorecard⁽¹⁾

	Units		2013	2012	Base	Base year	
Financial							
Revenue							
UK revenue ⁽²⁾	£ million		2,436	2,411	2,079	(2007)	
Profit							
Partner profits	£ thousand per partner		810	798	778	(2007)	
Distributable partner profits	£ thousand per partner		705	679			
UK tax contribution							
Taxes paid/payable	£ million		390	404	387	(2011)	
<i>Includes partner tax and NIC payable on current year distributable profits</i>	£ million		257	266	265	(2011)	
Taxes collected	£ million		570	571	463	(2007)	
Quality & ethics		Ongoing Target					
Quality							
Client advocacy ⁽³⁾	score out of 10	–	8.63	8.64	8.42	(2009)	
Bring fresh insights to our clients ⁽³⁾	score out of 10		7.63	7.60	7.68	(2007)	
Assurance: Audit process compliance KPI ⁽⁴⁾	percentage	95%	96%	96%	92%	(2009)	
Assurance: Non-audit process compliance KPI ⁽⁴⁾	percentage	95%	91%	93%	80%	(2009)	
Ethics							
Ethical behaviour ⁽⁵⁾	score out of 5	4.00	–	4.13	4.03	(2008)	
Ethical culture ⁽⁵⁾	score out of 5	4.00	3.87	–	–	–	
Dismissals for misconduct ⁽⁶⁾	number	–	9	16	14	(2011)	
Independence							
Breaches of external auditor independence regulations ⁽⁷⁾	percentage	0.00%	0.21%	0.24%	0.04%	(2011)	
Information security⁽⁸⁾							
ISO 27001: major non-conformities	number	0	0	0	0	(2011)	
ISO 27001: minor non-conformities	number	–	1	3	10	(2011)	
(A)⁽⁹⁾ Workplace & diversity		2017 Target	2014 Target				
Talent attraction and retention							
Graduate retention (3 years)	percentage	85%	83%	78%	79%	82%	(2010)
High potential retention	percentage	95%	90%	90%	89%	89%	(2012)
Voluntary turnover	percentage	12%-15%	12%-15%	12%	12%	14%	(2008)
People engagement score ⁽⁵⁾	score out of 5	4.20	4.03	3.98	4.03	3.97	(2007)
Inclusion and diversity							
New hire diversity: gender – women	percentage	50%	43%	42%	41%	41%	(2009)
New hire diversity: ethnicity – BME ⁽¹⁰⁾	percentage	30%	25%	23%	23%	21%	(2009)
Partner admissions: women	percentage	30%	20%	16%	18%	14%	(2007)
Senior management diversity: gender – women ⁽¹¹⁾	percentage	30%	20%	22%	18%	17%	(2011)
Senior management diversity: ethnicity – BME ^(10,11)	percentage	–	–	3%	6%	3%	(2011)
Employee wellbeing							
Absence through sickness	percentage	<3.5%	–	3.2%	3.1%	3.3%	(2009)
Work-life balance ⁽⁵⁾	score out of 5	3.80	3.65	3.53	3.60	3.67	(2008)
Learning and development							
Spend on learning and development	£ per FTE	–	–	1,361	1,445	916	(2010)
(A)⁽⁹⁾ Community involvement							
Financial contribution							
Community contribution (cash, time and in-kind) ⁽¹²⁾	£ million		7.1	7.2	4.3	(2007)	
Employee involvement							
Volunteering during working hours	no. of occasions		5,320	6,500	2,900	(2007)	
Volunteering during working hours	no. of people		4,069	4,933	4,226	(2011)	
Time spent volunteering	working hours		45,386	54,267	37,400	(2007)	
Skills-based volunteering	percentage of hours		80%	67%	58%	(2011)	
Payroll giving participation	percentage of staff		3.2%	3.1%	3.5%	(2011)	
Beneficiaries: direct	no. of people		15,113	19,559	19,559	(2012)	

- All data excludes Middle East.
- Excludes Channel Islands.
- Based on direct client feedback.
- Key performance indicators. See Transparency Report for more details.
- Results are derived from the firm wide youmatter survey. Ethical behaviour: "The people I work with actively promote and demonstrate ethical behaviour consistent with the firm's code of conduct". Ethical culture: "At PwC, I feel comfortable discussing or reporting ethical issues and concerns without fear of negative consequences". Worklife balance: "The people I work for are considerate of my life outside of work". A score of 4 or above corresponds to a response of 'agree' or 'strongly agree'.
- Data covers all permanent UK staff. Excludes dismissals for failed exams and missed performance standards.
- Breaches of the auditor personal independence regulations reported to the regulator, as a percentage of FTE. We've restated to align to our financial year, and made 2012 the base year due to a change in the scope of data measured and reported to the regulator.
- A major nonconformity is a situation that raises significant doubt about the ability of the firm's information security management system to achieve its intended policy and objectives. A minor nonconformity is a single identified lapse which would not in itself raise significant doubt as to the capability of the firm's information security management system to achieve its intended policy and objectives.
- For full details of the scope of our assurance please see our assurance statement on page 17.
- Black and minority ethnic.
- Senior management refers to the top leadership roles in the business.
- Measured according to London Benchmarking Group (LBG) principles. Restated to reflect more detailed data and updated measure of cost for discounted and pro bono work.

A ⁽⁹⁾ Environment		2017 Target	Progress	2013	2012	2007 base	
Carbon emissions⁽¹³⁾							
Scope 1	<i>Gas</i>	tonnes CO2e	-29%	3,483	3,080	4,873	
	<i>Oil</i>	tonnes CO2e	-100%	0	90	478	
	<i>Biodiesel</i>	tonnes CO2e	200%	3	1	-	
	<i>Fugitive emissions⁽¹⁴⁾</i>	tonnes CO2e	76%	388	166	221	
	Scope 1 subtotal	tonnes CO2e	-30%	3,874	3,337	5,572	
Scope 2	<i>Renewable sources⁽¹⁵⁾</i>	tonnes CO2e	-46%	14,018	16,541	26,142	
	<i>Non-renewable sources</i>	tonnes CO2e	46%	4,288	4,580	2,927	
	Scope 2 subtotal	tonnes CO2e	-37%	18,306	21,121	29,069	
Scope 3	<i>Air – client facing</i>	tonnes CO2e	54%	21,585	22,303	14,039	
	<i>Air – non client facing</i>	tonnes CO2e	-83%	2,348	3,444	13,866	
	<i>Road</i>	tonnes CO2e	-38%	4,636	5,298	7,453	
	<i>Rail</i>	tonnes CO2e	-26%	2,181	2,161	2,948	
	Business travel subtotal	tonnes CO2e	0%	-20%	30,750	33,206	38,306
	<i>Material consumption⁽¹⁶⁾</i>	tonnes CO2e	-28%	5,080	5,165	7,077	
	<i>Waste</i>	tonnes CO2e	-80%	106	132	529	
	Scope 3 subtotal	tonnes CO2e	-22%	35,936	38,503	45,912	
TOTAL EMISSIONS (Scope 1, 2 & 3)		tonnes CO2e	-25%	-28%	58,116	62,961	80,553
TOTAL EMISSIONS INTENSITY (Scope 1, 2 & 3)		tonnes CO2e/£m revenue	-38%	24	26	39	
Business travel							
	<i>Air</i>	million km	1%	143	147	141	
	<i>Road⁽¹⁷⁾</i>	million km	-34%	23	26	35	
	<i>Rail⁽¹⁸⁾</i>	million km	-27%	38	38	52	
	<i>On-line meetings</i>	meetings hosted per FTE	636%	1.03	0.49	0.14 ⁽¹⁹⁾	
Energy							
	<i>Electricity</i>	million kWh	-35%	35	41	54	
	<i>Gas/Oil/Biodiesel</i>	million kWh	-25%	21	18	28	
	TOTAL	million kWh	-50%	-32%	56	59	82
Resource consumption							
	<i>Paper procured</i>	tonnes	-50%	-52%	409	509	844
	<i>Water supply⁽²⁰⁾</i>	m3 (k)	-50%	-32%	141	163	206
Waste							
	<i>Landfill</i>	tonnes	-100%	-100%	0	23	587
	<i>Incineration to energy</i>	tonnes	-45%	773	747	1,408	
	<i>Recycling⁽²¹⁾</i>	tonnes	4%	2,149	2,256	2,059	
	TOTAL	tonnes	-50%	-28%	2,922	3,026	4,054

13. Calculated using DEFRA conversion factors (May 2012).

14. Fugitive emissions added this year. Landlord operated offices and 2007–2011 estimated on the basis of office area.

15. Grid electricity supplied under a Climate Change Levy exempt 'green tariff'.

16. Split out from waste this year in line with the Defra guidelines. Estimated using data for waste disposed by the business.

17. Mileage data for company cars, private cars and electric pool vehicles. Excludes hire car, taxi and bus data.

18. 2009 and prior years include estimates, based on spend for those years. Restated in 2013 to reflect more accurate data.

19. 2010 data shown as earliest year available.

20. 2012 data restated to reflect more accurate data.

21. New waste streams added for 2012 and 2013 and estimated for prior years.

Our approach to assurance

We've had our whole report assured. As in previous years, our internal audit team have reviewed and assured all of the narrative and scorecard data. This year they've also overseen a review of the new TIMM-related content by an independent expert from within our firm.

And, we've received external limited assurance from our financial auditor, Crowe Clarke Whitehill (CCW) for the data in our scorecard relating to our workplace and diversity, community and environmental performance.



Warwick Hunt
Chief Financial Officer

Why seek assurance?

Having confidence in the accuracy and robustness of our non-financial information is important to us. Our stakeholders naturally expect reliable information from our business, and so assurance helps us to build trust.

Additionally, as the leading provider of sustainability assurance to FTSE 100 companies, we feel we should be putting our advice into practice in our own reporting.

Working with Internal Audit

Our internal audit team have been assuring the accuracy of the sustainability information we publish in both our Annual Report and our Corporate Sustainability report, for several years.

They assess the assumptions that underpin our data, and make sure there's adequate evidence on how it's been prepared. And, they make sure that the data can be verified, through sample testing and checking estimations and calculations.

Their approach makes sure that we're operating within PwC guidelines and that we're being rigorous and conservative with the information we present.

An external opinion

Our financial auditors, CCW, assured our community and environmental data in our scorecard for the first time last year. This year they also assured the workplace and diversity data in our scorecard.

They provide independent limited assurance against the ISAE 3000 standard – the recognised standard for non-financial information – which gives us an extra level of confidence in the data we use for managing our operations, and as an input to our TIMM model.

CCW use our publicly available Reporting Criteria – which provides details about the data we report – as the basis for forming their opinion (see opposite page).

Continually improving our data

Unlike financial data and systems, many elements of sustainability data are in their infancy, and standards for dealing with this information are still evolving.

So, we aim to make sure our approach is transparent and that our data is as complete and accurate as possible.

We use the recommendations we receive from auditors to refine our assumptions and data collection processes over time.

Expanding the scope – where next?

We're on a journey and ultimately aim to externally assure all our sustainability data, adopting the most recent standards available, as appropriate.


For example, we're aware of the new ISAE 3410 standard for a greenhouse gas statement and are preparing to conduct our future assurance according to this new standard, in line with our philosophy of early adoption.

Over time we'll include the outstanding section of our scorecard and any new metrics. Whenever we extend our assurance, we verify the baseline data as well as the most recent year – giving confidence to our stakeholders in the trends in our sustainability performance.

Assurance statement

Independent Assurance Report to the members of PricewaterhouseCoopers LLP on Selected Sustainability Data

We have been engaged by PricewaterhouseCoopers LLP (hereafter 'PwC') to provide independent limited assurance on Selected Sustainability Data.

The Selected Sustainability Data included within the scope of our report is that which appears on the 'Non-financial information' pages of the Annual Report for the financial year ended 30 June 2013 and that marked with  in PwC UK's sustainability scorecard, as set out in the Corporate Sustainability Annual Update and on PwC UK's corporate sustainability website¹.

It includes:

- All 2013 environment and community performance data.
- All baseline data for newly introduced KPIs within the environment and community sections (i.e. beneficiaries, fugitive emissions, online meetings).
- All 2012 and 2013 workplace and diversity performance data.
- All baseline workplace and diversity data.
- Data relating to let area and full time equivalent employees for 2013 used in performance related ratios (website only).
- UK and Channel Islands (i.e. excluding the Middle East).

The scope of our work does not extend to any other information, although assurance has been gained in 2012 for all 2007 and 2012 environment and community data presented in that year. Details can be found in the assurance statement in the 2012 PwC Corporate Sustainability Annual Performance Update².

This report has been prepared to assist PwC in reporting its corporate sustainability performance. We permit this report to be disclosed in the 2013 Corporate Sustainability Annual Update to enable the members to show they have addressed their governance responsibilities by obtaining a sustainability assurance report. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than PwC and PwC's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of members and independent assurance provider

The Executive Board – on behalf of the members – are responsible for establishing objective assessment and Reporting Criteria³ for preparing the Selected Sustainability Data, as well as the Corporate Sustainability Reporting and for the information and statements contained within it. They are responsible for establishing and maintaining appropriate systems of internal control from which the Selected Sustainability Data is derived, based on the Reporting Criteria.

Our responsibility, based on our procedures, is to express an independent conclusion on the Selected Sustainability Data as to whether anything has come to our attention which causes us to conclude that the Selected Sustainability Data is materially misstated.

Scope of our work

We conducted our review in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('ISAE 3000') and we have complied with the ICAEW Code of Ethics. To comply with those standards, our work was conducted by an independent specialist assurance team.

Our procedures consisted primarily of:

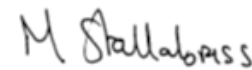
- Making enquires of relevant members of management at PwC.
- Evaluating the design of the systems of internal control for capturing and reporting the source data.
- Performing sample tests on a selection of the data prepared by PwC: this included 27 sites, selected on the basis of their inherent risk and materiality to PwC.
- Analytically reviewing the data included within the scope of our report: this included limited substantive testing of the Selected Sustainability Data at corporate head office.
- Assessing the disclosure and presentation of the Selected Sustainability Data.

In addition we read all the information relating to sustainability in the 2013 Annual Report and the 2013 Corporate Sustainability reporting to assess whether there are any material inconsistencies with the data we have reviewed. If we become aware of any apparent material misstatements or inconsistency we consider the implications for this report.

Assurance gives the user confidence about the subject matter assessed against the reporting criteria. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000. It does not include detailing testing of source data nor the operating effectiveness of processes and internal controls. In addition, there is not yet generally established practice for evaluating and measuring sustainability data so it is important to read the assurance report in the context of the Reporting Criteria.

Conclusion

On the basis of our procedures nothing has come to our attention that causes us to conclude that the Selected Sustainability Data in the 2013 Annual Report and 2013 Corporate Sustainability Reporting has not been prepared in all material respects with the Reporting Criteria.



Matthew Stallabrass
For and on behalf of
Crowe Clark Whitehill LLP
Chartered Accountants, London
29 October 2013

¹ www.pwc.co.uk/corporatesustainability

² www.pwc.co.uk/corporate-sustainability/downloads.jhtml

³ For PwC's reporting criteria, see: <http://www.pwc.co.uk/corporate-sustainability/assurance.jhtml>

External recognition

We take part in awards and schemes as a way of benchmarking our performance and gaining valuable feedback from established external bodies, so that we can continue to challenge ourselves. External recognition also helps our stakeholders to gauge how we're doing against our ambitions.

Excellence in sustainability services

Our Sustainability & Climate Change practice were 'highly commended' in the consultancy of the year award at the 2013 BusinessGreen Leaders Awards, having won the award outright in both 2011 and 2012. This award recognises our commitment to sustainability through the services we offer to our clients.

The team were also highly commended twice in the social and environmental category at the Management Consultancies Association (MCA) awards this year, for our work with Puma SE and with the Department of Education.

And, they also won the Sustainability and Climate Change team of the Year award at the 2013 Finance Monthly Global Awards.



Excellence in workplace & diversity

For the last eight years, we've been ranked amongst the leaders in The Sunday Times 25 Best Big Companies to Work For.

This year we won an Opportunity Now Diversity award for 'Advancing Women in the Workplace' which recognises recruitment, retention and/or development of women in the workplace. It's for the female partner sponsorship programme we launched in 2010 to increase the number of female partners in leadership positions.

This year we were ranked in the top ten private sector organisations for both ethnicity and gender in the Race for Opportunity Benchmarking survey, for demonstrating a clear strategic commitment to achieving racial and gender equality, diversity and inclusion.

We strive to be a progressive employer, and for the seventh year we've been one of the top 50 organisations where women want to work recognising our commitment to increasing the diversity of our business.

We're again listed as one of the UK's top 100 employers in Stonewall's Workplace Equality Index 2013 – the definitive list of Britain's most gay-friendly workplaces.

We've been an accredited UK Living Wage Employer since the scheme's introduction in 2011. This applies to all of our staff and those of our suppliers who work permanently at our sites across the UK. We've been a London living Wage employer since 2006.



Excellence in sustainability

We've been recognised as one of the UK's most responsible businesses in Business in the Community's annual benchmark index, earning the highest rating – a Platinum Big Tick – for ensuring that our long term vision and strategy builds a more sustainable future.



Excellence in environmental performance

We achieved the Carbon Trust Standard certificate for the second time in 2011.

Our offices at More London have achieved the BREEAM Outstanding rating for sustainable building design, construction and operation – the first building in the capital with such high green standards and currently the highest rated building in the UK.



Excellence in community engagement

In 2011, we renewed and retained our Business in the Community CommunityMark status for a further three years. This is the UK's only national standard for community engagement.



External standards

We use recognised standards to help us review and continually improve processes for important aspects of our business. We're currently certified to the standards listed below.



EMS532263



BCMS545975



IS569854



FS579606



OHS565375



EIMS581339



ENMS563396

Sustainability at PwC

For more information on our corporate sustainability agenda, visit:

www.pwc.co.uk/corporatesustainability

To find out more about how we work with business to tackle sustainability issues, visit:

www.pwc.co.uk/sustainability

This report is part of a suite of complementary reports including our Annual Report and Transparency Report. You can access these and read about the role of each on our website.



www.pwc.co.uk/corporatesustainability

For more on our social enterprise hub, the PwC Social Entrepreneurs Club and our UK network of Centres for Social Impact visit www.firestation.pwc.co.uk

PwC UK helps organisations and individuals create the value they're looking for. We're a member of the PwC network of firms in 158 countries with more than 180,000 people committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com/uk.

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Appendix 2

PwC UK - Annual Report 2013

Annual Report **2013**

Our Annual Report takes a look at what has happened both within our firm and in our profession over the past year.



Our strategy

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The Group

The PricewaterhouseCoopers LLP Group consolidated within these accounts includes PricewaterhouseCoopers' member firms in the UK, Channel Islands and Middle East. See pages 51-52 for further details of the Group's principal subsidiary undertakings.

'We are one firm – a powerhouse of a commercial enterprise that does the right thing for our clients, our people and our communities.'

2. Powerhouse

Our clients and people feel and benefit from the energy and power of the firm. We have talented, enterprising and intellectually curious people who will strive with our clients to achieve success. It is this purpose that enables us to attract, develop and excite the best people and inspire confidence in our clients. We will:

- be positive and energise others
- invest in personal relationships
- listen with interest and curiosity, encouraging diverse views
- have a thirst for learning and developing others.

3. Do the right thing

We will deliver exceptional value with integrity, confidence and humility. We support one another and our communities. We have the courage to express our views, even when they may not be popular. We will:

- put ourselves in our clients' shoes
- never be satisfied with second best
- treat people in a way we would like to be treated
- always be brave enough to challenge the unacceptable
- act with integrity and enhance our reputation.

Everyone in our firm must accept personal responsibility to play their part in driving our firm, demonstrating these values and behaviours – opting out is not acceptable. Put simply – this is how we define success.

Who we are



Our goal is to build the iconic professional services firm, always at the front of people's minds, because we aim to be the best. We set the standard and we drive the agenda for our profession. We value our past but look to invest in our future to leave the firm even stronger than when we inherited it. We will achieve the three pillars of our vision by living and breathing a common set of behaviours.

1. One firm

We are one firm, an extensively networked organisation that aims to bring the best of PwC to our clients at all times. We combine rigour with fun and relish the most complex challenges. We create a flow of people and ideas. We will:

- aim to deliver more value than our client expects
- be agile and flexible
- share knowledge and bring fresh insights
- always act in the interest of the whole firm.

Our strategic objectives

1. Leading firm: Our ambition is to be recognised as the leading professional services firm. We want to remain number one in size and reputation in the UK in each of our core businesses and markets; we want to be recognised as leading our profession in the important public policy debates currently taking place.

2. Growth: We want to remain the leading firm by revenue and continue to grow, investing in our future so that we leave the firm even stronger than when we inherited it.

3. Profit: We want to grow our profits, invest in our future and competitively reward our people.

4. Quality: We aim to deliver exceptional service and quality to our clients and focus on building a culture that delivers continuous improvement.

5. PwC Experience: To achieve our goals and remain ahead of our competitors we need to offer our clients and our people a distinctive experience. This is why the PwC Experience, which defines the behaviours that support our culture, underpins all of our performance goals. And so we work to embed the PwC Experience behaviours in everything we do – to make them integral to our culture, or 'Who we are'.

Our key performance indicators

PwC client experience

To help us understand how we're performing and how our clients feel about us we talk with them regularly at face-to-face meetings and in-depth interviews with senior management.

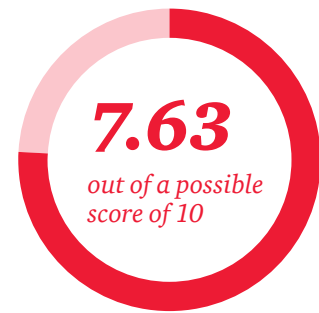
We set ourselves high standards and aim to achieve them. Obtaining direct feedback from our clients helps us to improve and tailor our service and to add more value.

Advocacy¹



FY12 8.64 out of 10

Bring fresh insights to our clients¹



FY12 7.60 out of 10

Read about our performance and how we've been delivering the PwC Experience for our clients on pages 10-17.

PwC people experience

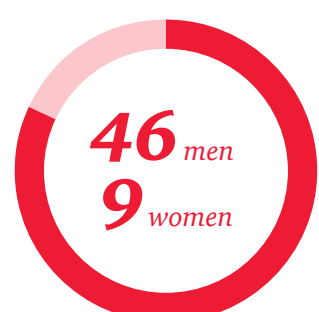
Understanding what our people value about working for PwC and where we could do better is important to us and drives our strategy. We pay particular attention to the people engagement score which measures the motivation and satisfaction of our people.

People engagement²



FY12 4.03 out of 5

New partners³



FY12 50 men 11 women

Read about our performance and how we've been delivering our people priorities on pages 18-21.

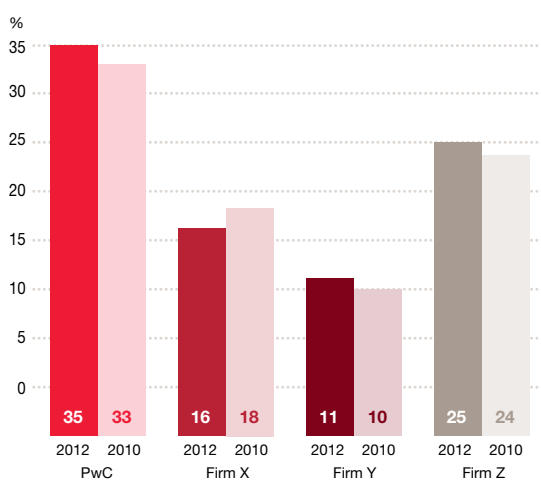
We measure our performance against a number of key performance indicators (KPIs). Our strategic objectives are focused on achieving responsible and profitable growth. We believe that having a balanced range of KPIs is important to drive the right behaviours and to align strategy and performance. To this end, clarity and transparency are critical, which is why we are pleased to publish both our internal and external indicators.

Leading firm – reputation and quality

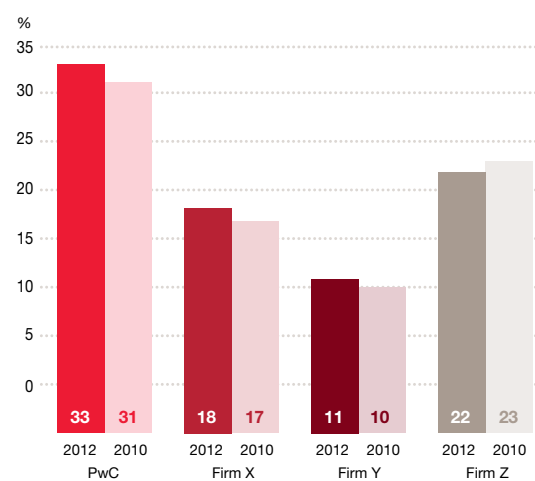
Brand Health Index⁴

One of the key measures of our reputation is our Brand Health Index score. This independent survey measures us against the other Big Four firms every two years. Respondents are asked ‘Which of these firms comes to mind first as one that...?’. The review below was completed in 2012. Results from a new survey will be available in May 2014.

Has consistent high quality



Provides leading-edge advice



Read more about our focus on reputation and quality on pages 24-27.

Sustainability and community

We've been focusing on finding ways to minimise our carbon footprint and looking at how to make a meaningful difference to our communities; we also measure the social impact of these initiatives.

CO₂e emissions⁵

58,116

tonnes

FY12 62,961 tonnes

Time volunteered in the working day⁶

45,386

hours

FY12 54,267 hours

Growth and profit

We have a strong and growing business, despite the challenging economic conditions. We continue to win new work, add value to our clients and invest for the future.

Group revenue⁷

2,689

£m

Up 3% this year
FY12 £2,621m, up 7%

Distributable profit per partner

705

£'000

Up 4% this year
FY12 £679,000, down 4%

Read about our performance against our sustainability and community objectives on pages 22-23.

Statutory accounts-based profit per partner rose 2% from £798,000 to £810,000. For a view of our financial performance, see pages 34-67.

1 Figures based on direct client feedback.

2 Figures based on internal staff 'youmatter' survey.

3 Figures for the year 2 July 2012 up to and including 1 July 2013.

4 The Brand Health Survey benchmarks PwC on a range of criteria and provides data in relation to our immediate competitors. It is commissioned by PwC and conducted every two years by a third-party research agency (Perspective Research Services).

5 Based on Defra guidelines May 2012. Prior year figures have been restated.

See www.pwc.co.uk/corporatesustainability for details.

6 Measured in line with the London Benchmarking Group (LBG) principles.

7 Includes UK and overseas group entities. All other KPIs refer to the UK only.

In conversation with Ian Powell



Ian Powell
Chairman and Senior Partner

We're delighted to welcome you to our Annual Report for 2013. In this question-and-answer section, Ian Powell provides you with an overview of how our firm has performed against our strategy in the past year, and outlines our position on a number of important business issues.

What do you see as the highlights of our business performance over the year?

Overall, it's been a good year and we've stayed on course in challenging market conditions. Despite continuing economic uncertainty across Europe, we've achieved responsible, profitable growth.

We've also made improvements to help us deliver a better service to our clients through ongoing investment in our people, technology and office environments. This has helped us to win business across a range of different sectors including work with iconic brands such as HSBC, Royal Mail, Direct Line and Wrigley.

Our total revenues grew by 3% to £2.7bn – a solid performance that reflects our strong and balanced portfolio of businesses, the high quality of our work and the depth of our people's expertise.

Our strategic alliance with the Middle East firm is also paying off, with the Middle East territory now one of the fastest-growing PwC member firms worldwide and very close to achieving our objective of becoming the leading professional services firm in the Middle East. We're committed to investing in the relationship and making sure that we continue to support our clients that operate in the region.

In this report we provide more detail on how we're improving our performance against a range of key measures including our community involvement and environmental impacts. A highlight is our work to encourage and support the debate on trust in business and fulfil our responsibility to help restore confidence to the capital markets.

There's no doubt in my mind that the strong year we've had is largely down to the hard work and commitment of our people. We continue to focus on our very clear and proven strategy, founded on staying close to our clients and potential clients to gain a better understanding of what they need from us. This strategy also involves setting ourselves several challenging targets – both financial and non-financial – and continually measuring our performance against them.

What does it mean to you to be the market-leading firm in your industry?

For me, being the market-leading firm is not just about scale. It's about how an organisation behaves, and how this behaviour translates into the way our firm is perceived across a range of audiences, now and into the future. In other words, it's about our reputation and our legacy.

Our firm's reputation is nothing less than our licence to do business – and we don't take our standing in the marketplace for granted. Reputations take decades to build but can be destroyed in a fraction of that time, so we take the management of our reputation extremely seriously. At Executive Board level, Margaret Cole, our recently appointed general counsel, is responsible not only for our quality and risk teams, but also our reputation strategy.

It's also important to remember that being market leader brings its own responsibilities. In my view, these include an obligation to build a lasting legacy that is founded not on short-term revenue growth, but on wider long-term objectives – including continually improving the quality of our work, achieving greater diversity in our talent base, building ever-deeper client relationships and making a positive economic and social impact. Growth is clearly important to maintaining a market-leading position: after all, if any organisation is to lead then it must first be sustainable and profitable. But if it takes actions with only a short-term agenda and objectives in mind, then these can often be at odds with its enduring values. How we train and develop our people is one example of how we focus on long-term results. We operate like a leading business school which instils a sense of independence and professionalism that helps shape the leaders of tomorrow.

Do you think that there has been enough progress in making PwC a more diverse organisation?

The simple answer is no. Despite having implemented a number of mentoring, sponsorship and development programmes, I don't believe it's good enough that only 16% of recent partner promotions were women. While we have three women on our Executive Board, I'm still disappointed that we aren't seeing the pull-through in terms of more women moving into leadership positions in the firm. We're working hard to address this issue. We have set diversity targets for

each of our business units but we also know that targets alone won't drive the necessary change: what's needed is action. The diversity debate is wider than gender and that's why we're holding open discussions across the firm about why the rate of progress is slower than we'd like. This includes discussing new ways to tackle the unconscious assumptions which may prevent some of our people from fulfilling their potential.

What contribution does PwC make to the UK economy and to society as a whole?

There are both tangible and quantifiable financial measures, but we also mustn't forget the wide range of less tangible benefits that we help to generate.

Starting with the financial contribution, of our UK firm's total revenues during the past year, 16% was for work performed and billed to clients outside the UK, bringing revenues into the country. And as well as making a significant tax contribution to the UK, we also believe in being fully transparent about it. For example, last year was the first time we published the effective rate of personal tax for our partners on their distributable profit share. This year it's 43%, down from last year's 47% as a result of the recent reduction in the top rate of tax. Our total tax contribution to the UK Exchequer amounted to £960m. Our commitment to transparency is also underlined by the fact that we publish a code of conduct in respect of tax work, which we have done for many years.

Turning to our impact on UK society, this year we've taken on more than 1,200 students. Over 60 were school leavers who joined our firm as part of our Higher Apprenticeship programme.

Through programmes like this, we can support social mobility in the UK. We feel there will be an increasing number of school leavers who are unable to, or simply do not wish to attend university. We are keen to employ talented individuals, whatever their background or ethnicity. That's why I'm committed to our firm taking a lead on widening access to the highly skilled professions such as those that we have within PwC.

As an organisation, we look to undertake initiatives that have a positive economic and social impact. We are excited to be working with UK government as part of the GREAT campaign, particularly in our role as the Proud Technology Partner for the 2014 GREAT Festivals of Creativity.

“In my view, we need a common understanding, founded on trust, shared honesty and integrity, and an embedded culture of doing the right thing.”

This government initiative showcases on the international stage the very best of what the UK has to offer, encouraging the world to visit, study in, and do business with, the UK. In 2014, we will be working with UK Trade & Investment to deliver a series of private-sector-led, government-backed Festivals of British creativity, which will create commercial opportunities for a wide range of UK companies and institutions.

As headline sponsors of The Old Vic Theatre’s Under 25s Club, we’re helping bring the arts to a new generation who might not otherwise be able to afford the average West End ticket price of £50.



One year on at The Old Vic Theatre

Since we became headline sponsors of The Old Vic Theatre’s Under 25s Club in April 2012, we’ve helped 22,000 young people access the arts.

Another example that I am particularly proud of is our support for Wellbeing of Women, a charity dedicated to improving the lives of women and babies. As well as providing information to raise awareness of health issues, Wellbeing of Women also funds medical research and training grants, which have developed and will continue to develop better treatments and outcomes for tomorrow. We’re supporting new research projects of two exceptional clinicians: Dr Leo Gurney in Newcastle who is looking into developing new treatments for premature birth and Dr Vanitha Sivalingam in Manchester who is looking into developing new non-surgical treatments for womb cancer. Our partnership with Wellbeing of Women also means that our people can get access to a wealth of health information.

There has been considerable scrutiny of the role of business in society over the year. What are your observations about business and how trust can be restored?

UK business does many fantastic things. It creates jobs, growth and wealth. It pays wages and generates the profits from which tax revenues are drawn. It innovates to improve people’s lives. Yet rather than being seen as benefiting society, business today is all too often depicted as selfishly pursuing its own interest, regardless of the costs to others. I believe this sentiment is at odds with the actual values and behaviours of the vast majority of people working in commercial organisations across and beyond the UK.

This widening gap between the reality of business and how it’s perceived is creating an increasingly pressing need for a new settlement between business and society. In my view, we need a common understanding, founded on trust, shared honesty and integrity, and an embedded culture of doing the right thing. I see PwC as having an important role to play in restoring that trust. This is why, through our Building Public Trust Awards and broader activities around what we describe as the ‘trust agenda’, we’re seeking to support an informed debate on the role of business across society. We want to map out the route to a new type of ‘responsible capitalism’, an environment where business fulfils its obligations to society – and society in turn recognises the positive contribution made by business.

You mention how business fulfils its obligations to society. With that in mind, what’s your view on the public debate about tax?

In the current economic environment, it’s hardly surprising that the subject of tax is under the spotlight. Governments need to continue to attract international businesses to their shores while at the same time making sure companies pay their fair share of tax. It is a delicate balance and one that rightly exercises governments and policymakers around the world.

Because governments are competing in an international market for business investment, many have implemented tax policies aimed at attracting such investment. At the same time, businesses are becoming increasingly international and mobile. This is a fact of life in a complex global economy. Companies have looked to our profession to help them navigate their way through this complexity, so I understand why the debate over tax avoidance has included close scrutiny of the role of the large accountancy firms. We believe we have an important and positive contribution to make to this debate. But there is clearly scope for modernisation of an international tax system that is now outdated for today’s business world, and we support reforms that will help to rebuild trust in the system.

In the UK, for example, a simpler tax regime and more resources for HMRC would help the tax system to run more smoothly and efficiently, which can only be a good thing in helping businesses grow and create jobs. Our firm operates under a clear code of conduct and professional guidelines, and we work closely and constructively with HMRC. We also provide technical insight to government – but only when asked to do so. And we are never involved in deciding tax policy, which is clearly a matter solely for government.



BPTA Awards

Our Building Public Trust awards, now in their 11th year, recognise trust and transparency in corporate reporting.

At the G8 Summit in June 2013, the participating countries reached an accord that should see a higher level of international agreement on the shape of an international tax system fit for the 21st century. As an economy, the UK needs inward investment to keep our country competitive on the world stage, but we also need a tax system that's fair to everyone. The UK government is working hard to get this right, but it's a delicate balance to strike, and transparency is vital.

The Competition Commission has published its provisional remedies in respect of the audit market. What is our reaction to the findings and remedies?

We think that the moves to increase transparency between regulators, auditors, audit committees and shareholders are positive. We are also very supportive of those remedies that aid competition, increase transparency between auditors and shareholders and, most vitally, improve audit quality.

Yet despite recognising the effectiveness of tenders as thorough, fair and transparent, we were surprised that after only nine months of the Financial Reporting Council's (FRC's) game-changing ten-year tendering regime being in place, the Commission concluded that there was a need to increase the frequency of tendering even further.

We believe there will be significant cost burdens and disruption for companies, regulators and firms. However, we believe we have the right people with the right skills to rise to the challenge that any change brings.

How does PwC manage governance internally?

We have strong governance arrangements in place which include a Supervisory Board and an external Public Interest Body chaired by Matthew Thorogood and Sir Richard Lapthorne, respectively. Both boards provide oversight through formal and informal mechanisms such as regular meetings and ongoing dialogue and discussion. The relationships between the Executive Board and the Supervisory Board and Public Interest body are constructive and valuable, particularly in respect of strategic decision-making.



Diyun Huang and Haichang Tao
On secondment from PwC China

In the last year 491 of our people went on assignment or transferred to other countries in our international network and 475 came here from other territories in the PwC global network.

What changes have there been on our Executive Board?

Our Executive Board continues to focus on achieving our vision to become the iconic firm – one that does the right thing for our clients, our people and our communities.

After fifteen years on the Executive Board, Keith Tilson will retire on 30 September 2013, and Warwick Hunt, currently Senior Partner of the Middle East firm, will be taking over from Keith as Chief Financial Officer. Richard Sexton took on the role of Global Assurance Leader in April and stepped down from the UK Executive Board on 30 June 2013. Owen Jonathan retired at the end of December 2012 after 10 years on the Board as General Counsel, with Margaret Cole taking over from 1 January 2013.

Keith, Owen and Richard have made very significant contributions to our firm over many years and I am grateful to them for their support as my colleagues on the Executive Board.

How important is PwC's global network to the UK firm?

Our network is vitally important, consisting of 180,000 people across 158 countries around the world, working with many thousands of clients across industries and regions. Throughout the network we aim to deliver consistently high-quality work and contribute to the stability of global capital markets.

We're also continually seeking out opportunities across our network to enhance our client offerings and improve our impact on the societies and communities we work with. At the same time our global network opens up myriad opportunities for our people, including offering them the chance to go on secondments around the world.

And finally, what do you see as the key priorities for the firm in the coming year?

Our firm is in great shape. Our strategy is robust and is working, both in the UK and internationally. Our continued investment, the hard work of our people and the support of our clients have enabled us to strengthen our business. But the business environment and the competition are tough – and we can't afford to be complacent.

As one of the leading territories in the PwC global network we'll continue to play a leading role over the coming year. This includes using our capabilities to support the network's growth in other territories, and providing exciting development opportunities for our people.

I'm confident that we'll continue to add value through our rock-solid commitment to quality and doing the right thing for our clients, our people and our communities.

Our business

What we do

Our market strategy takes into account the clients we work with and the industries and regions we operate in. We manage our firm through four lines of service: assurance, tax, deals and consulting. We work with our clients to help them create the value they're looking for.

Where we do it

We have 57 offices across the UK, the Channel Islands and the Middle East. All of our people across our extensive network are working to create the value our clients are looking for.

34

UK and Channel Islands offices

Over

1,200

graduates and school leavers joined us this year

We have over

17,400

people

and

874

partners

Middle East

23

offices in 12 countries

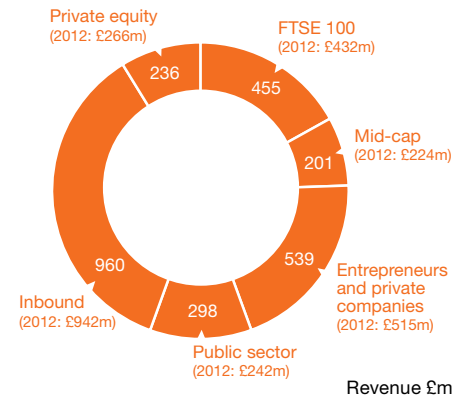
Some of our 2013 achievements



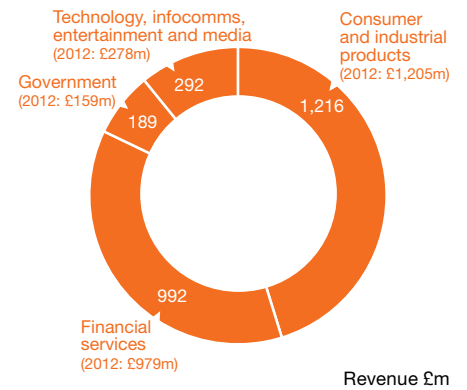
Our position in the market

- **'Times Top 100 Graduate Employer of the Year'** for a record-breaking tenth consecutive year.
- One of the **'Times Top 50 Employers for Women'**.
- **'Advancing Women in the Workplace'** award at the Opportunity Now Diversity Awards.
- Recognised as one of the **UK's most responsible businesses** by Business in the Community.
- **'Best Brand'** at the Managing Partners' Forum, for the second year running.
- Real Deals Private Equity Awards **'Professional Services Adviser of the Year'**.
- **Leading reputation** according to the UK Global Tax Monitor survey.
- **41% FTSE 100** and **29% FTSE 350** audit market share.
- **Four wins** at the Management Consultancies Association (MCA) Awards.
- Middle East firm awarded **'Firm of the Year'** and **'Deal of the Year'** at the Middle East Accountancy and Finance Excellence Awards 2012.

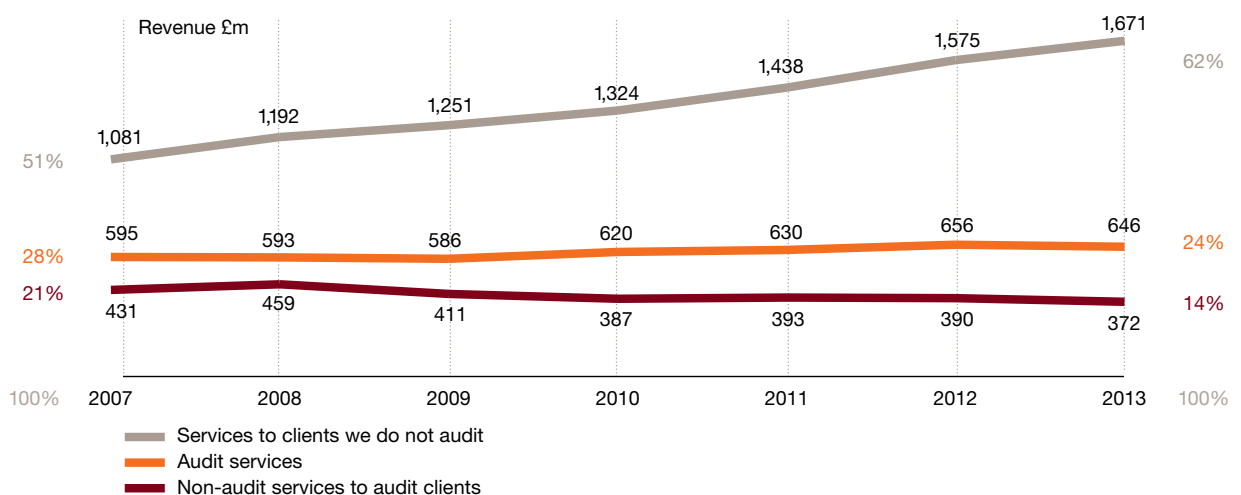
Segment analysis



Industry analysis



Service analysis



Our performance

We have continued to grow our business profitably against a backdrop of challenging economic conditions. In tough times, we have remained close to our clients and worked hard to deliver outstanding service to them.



Kevin Ellis
Managing Partner

Five years ago we set out our strategy to build a sustainable business that invests for long-term success. We've remained on course and taken decisions that add value to our clients, our people and the communities in which they work.

The Eurozone crisis and a slowdown in growth from the BRIC developing countries (Brazil, Russia, India and China) had an impact across our firm and the wider market – making growth much harder than in previous years. And this is a clear reflection of the challenges facing our clients. That said, there have been some strong performances in our business and we are pleased with our progress.

You can read our detailed financial report on pages 34-67.

We have also identified key growth opportunities for the future, which we believe are in the interests not just of our own business, but of the economy as well.

How we'll grow

As we look to the coming year, we believe that innovation is absolutely critical in helping our clients grow and perform better. And in turn, if we want to grow our revenues and continue to be differentiated from our competitors, we need to be innovative and agile in bringing insights to our clients and to the wider market. We are a richly talented firm with great strength and depth across multiple specialisms, which we are able to use to the advantage of our clients.

A great example of this is the work we've done with clients such as Puffa, Wrigley and the BBC. We worked with each of these clients to formulate questions which were then posed to all of our people. We call it *One* because it brings the creativity of all our people together for the benefit of our clients.

One goes from strength to strength

Over 10,000 of our people participated across three *One* challenges. Mark Grabiner of MGM Agencies Ltd, who hold the licence for the Puffa brand, said "I have never seen anything like *One*. PwC created some very special ideas for a sector which is known for its creativity."

Read the full story at www.pwc.co.uk/annualreport



Where potential lies in the marketplace

We believe that the commercial cyber security market represents a significant opportunity for us to work with our clients as they face far more advanced threats. The business world has changed and companies of all sizes, in all countries and across industries, are now routinely sharing information across business borders, whether it's with business partners or on employees' personal devices.

Another new service we offer recognises the importance of developing our capabilities across assurance in non-financial areas. Our Total Impact Measurement and Management (TIMM) methodology – which goes beyond a financial analysis to look at an organisation's total impact on society, the environment, the economy and fiscal position helps businesses make more informed decisions by presenting the bigger picture. This helps to understand and optimise choices to create value and deliver 'good' growth. Using TIMM, we've been sharing our thinking with the UN's High Level Panel in developing a strategy on the Post-2015 Development Agenda.

Scottish Hydro Electric (SHE) Transmission

We're using our Total Impact Measurement and Management (TIMM) framework to help SHE Transmission.

Find out how at www.pwc.co.uk/annualreport

Data analytics is another area that presents a great market opportunity for us and we are working with leading technology suppliers to embed analytics capabilities across our businesses and help our clients master the data challenge. Our clients are energised by the opportunities to extract insight and competitive advantage from the large quantities of information they inevitably generate, but they are also grappling with the challenge of governing such data and keeping it accurate, relevant and secure.

International growth

While we're continuing to invest in the UK market, we have also been investing in other territories. Four years ago, we entered into a strategic alliance with the Middle East firm. The Middle East is one of the fastest-growing regions in our network, and both firms have had a huge benefit from the alliance. The Middle East firm has been able to invest in infrastructure and its people. Our clients have benefited from stronger ties and our people have had greater opportunity to experience working in these territories.

Replicating this success elsewhere is an important priority. We see growth opportunities in using our reservoir of talent in overseas developing economies like the Middle East and also in Central and Eastern Europe. Not only does this benefit our firm and the PwC global network, it will also be good for the UK economy.

As one of the largest firms in the PwC network, we participate actively in driving the firm's international strategy and our partners are actively involved in building our networks, brand and reputation. Creating a balanced and sustainable business is a priority not just for the UK, but also for our international network. Our brand and reputation is as vital to us as our financial success and we will continue to build a strong network in the interests of our clients, our people and the communities in which we all work.

A secondment to Qatar

David Yates is a senior manager in our International Tax team and he's on secondment in Qatar helping to build our tax practice in the Middle East.



Go to www.pwc.co.uk/annualreport to read the full story

Looking forward

We are well placed to deal with a changing regulatory environment, particularly in respect of our audit business and the requirement for more frequent audit tendering. We are well prepared to retain our existing audit clients, but this is also a great opportunity for our firm, as the market leader with unrivalled expertise and capacity, to win new audit clients. We also see significant audit opportunities at private and medium-sized listed companies.

The great strength of our business, though, is the balanced nature of our portfolio and our ability to be responsive to changing market opportunities. As well as providing services to our audit clients, this year 62% (2012: 60%) of our business came from clients we do not audit and we are in a strong position to provide an extensive range of services to them. We have invested in all areas of our portfolio for the medium and long term and all our businesses have good growth prospects.

The balance of our inbound and outbound business is also strong and we see considerable growth opportunities both in the UK and internationally. We believe this growth will come from organisations of all sizes, but we also see a particular opportunity as medium-sized companies respond to improving economic conditions. As we've already mentioned, we expect continued high demand for those services that help our clients to remain competitive and secure in a fast-changing environment: specifically, our cyber security, consulting and data analytics capabilities.

We remain focused on maintaining and enhancing PwC's position as a trusted leader in its field, both in terms of business performance and wider social contribution. Our core values of integrity, independence, professional ethics and professional competence continue to inform all that we do.

Clients and markets



Stephanie Hyde
Regions

Helping private businesses achieve their objectives

The Rigby Group is one of the largest family-owned businesses in the Midlands and was founded nearly 40 years ago by Sir Peter Rigby. Originally a pure IT group, with its technology solutions businesses, SCC and SDG, it has more recently diversified and created a chain of boutique hotels – The Eden Hotel Collection – and a substantial aviation business including Coventry Airport.

Read the full story at www.pwc.co.uk/annualreport

Standing in our clients' shoes

Fundamental to our brand and client service philosophy is the idea of putting ourselves in our clients' shoes. We work closely with them to understand their industry and market challenges and how we can support them to achieve their objectives. These vary from the Audit Committee that expects robust assurance to the CEO looking to refresh their growth strategy.

It is vital that we listen to our clients. We try to do this as we work with them day-to-day and we also regularly measure how we're performing against their expectations. We are keen to understand whether and how we are delivering value for them and whether they'd recommend us to others. They tell us that they value the committed and collaborative nature of their relationship with us and the pragmatic, tailored advice we give them. They value our teams for proactively sharing insights and bringing ideas and specialists to the table.

John Wood Group PLC

Allister Langlands, Chairman of John Wood Group PLC talks about how a relationship with PwC has been of value to his firm.

Read the full story at www.pwc.co.uk/annualreport

The CEOs and business owners we talk to face an unprecedented level of challenge and complexity, wherever they operate and whatever their sector. There are numerous issues on their minds: regulation, public scrutiny, accountability, ageing infrastructure, increasing globalisation, cyber security, and the shift to digital. We work alongside them as they deal with how these challenges affect their business.

We have been working with a number of financial institutions over the last few years, to help them work through the changing regulatory environment and review their structures and processes, particularly in light of the significant level of public interest in the sector.

We also analyse industry trends and concerns across numerous sectors. We published studies, surveys and research to share insights with our clients. Recent examples include *Northern Lights: Where are we now?*, which is a study into the importance of the changing environment that UK-based oil and gas businesses face; our *Global Entertainment and Media Outlook*, which highlights current trends in the complicated, changing world of media and describes their impact; and *NHS@75*, published in July 2013, which explores the concept of a future 'healthy state' and the steps needed to deliver this ambition.

Delivering sustainable success

We try to give our clients confidence in their decisions for the long and short term, which helps them compete, innovate and achieve sustainable growth.

We helped the UK's leading student accommodation provider, UNITE, to develop a new digital business model that will provide it with the growth prospects needed to meet its strategic aspirations. Our ability to draw on the knowledge and expertise of our firm, including specialists from our valuations, corporate finance, higher education and digital practices, played a big part in achieving this success. Our work with UNITE has opened up a number of hugely exciting opportunities that have the potential to grow the business, significantly expand its customer base and further enhance the brand. The diverse range of expertise that exists within our firm, when combined, is very powerful.

In the UK our Health team supported Sir Bruce Keogh in his review of quality of care and treatment provided by 14 hospital trusts in England. The approach we took in the review has been recognised as one that could shape the assessment of care quality in hospital trusts in England in the future.

In the Middle East we have been engaged to assist the Ministry of Health in Libya to quantify and finalise payments due to healthcare and other providers in a number of countries in Europe and the Middle East for the treatment of the thousands of people injured in the Libyan conflict. PwC was required to oversee a robust and transparent process to review the claims and make sure settlements and payments were made to the providers as quickly as possible.

Supporting UK growth

We are proud to audit many iconic UK-listed companies; Shell, Tesco and Barclays to name but a few. Our work offers a level of confidence to shareholders and the market, and creates a foundation for growth.

It's important to us that we play a part in increasing the nation's prosperity not only domestically, but also through inward investment. The more we support a transparent and trusted economic environment and help companies succeed, the more we can help drive growth, job creation and a sustainable UK economy. UK Coal was facing serious financial challenges and brought us in to help restructure the group, keeping nine mines open and preserving 2,000 jobs.

While our brand is strongly associated with our work for listed companies, we are incredibly proud of our work with thousands of private and family businesses. We work with home-grown organisations as they look to expand both in the UK and globally.



EDF Energy and low-carbon energy

EDF Energy believes that a diversified energy mix will offer society an energy supply that's secure, affordable and carbon friendly. Central to this is its new range of 'Blue' products with tariffs based on nuclear-sourced generation.

Blue is all about making nuclear power simpler and easier to engage with. The company's promise to customers is that it will buy enough electricity generated from a low-carbon nuclear source to match every unit of electricity its Blue customers use.

Our job was to help make sure EDF Energy was keeping to its promise. We did this by tailoring our traditional financial audit methodology to evaluate EDF Energy's procedures and controls. The result was an easy-to-access assurance report that was designed to show whether the promise had been kept or broken.

Find out more at www.pwc.co.uk/annualreport

The EDF Energy team

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



These businesses have a critical role to play in building a sustainable UK economy and we help many of them plan for the long term and develop into future global brands. It's great for us to be able to support the Private Business Awards and help showcase the businesses that are the foundation of the British economy.

As we keep pace with the changing UK market, we want to acknowledge leading practice and champion innovation. We support the UK Tech Awards which recognise the contribution companies are making to the technology industry.

Operating globally

With the support of our global network we help overseas companies come to the UK and thrive. By working effectively cross-border, identifying the best people locally, and using our local knowledge and insight, the UK firm can bring a wealth of experience to support clients. For example, we have worked with

businesses of the Tata group in the UK, a major inward investor and employer in the country, in practices ranging from managing risk to technology optimisation.

To help us have a better understanding of the international environment and how we can help organisations invest overseas and support inward investment we launched the Africa Business Group (ABG). This helps connect UK businesses with Africa and keep them abreast of current trends. The ABG complements our existing network of teams working with developing markets, including China and India.

Successful relationships

We want to deliver an exceptional experience for our clients every time so that they're proud of their relationship with us and confident in the value we bring. When our clients are assured and confident, so are we – it's about shared success and that's what will make our business performance sustainable.

Assurance

£969m

revenue (+1%; 2012: £963m)

Business performance highlights

Assurance

We deliver assurance services that include statutory audit, internal audit, risk assurance, actuarial services and advice in connection with capital markets transactions. Our practice has almost 7,000 people who are part of a network of over 84,000 PwC assurance professionals around the world.

Our profession has made it on to the front pages in recent months, with audit regulation and market reform high up the public policy agenda. We welcome this increased scrutiny. It offers a unique opportunity to demonstrate the relevance of and need for trust and assurance in the marketplace. We'll continue to play our part in restoring this trust in the quality, independence and objectivity of an audit. Quality is at the very heart of what we do: it is essential to our reputation, important to the work that we undertake for our clients and a fundamental strategic objective for the firm. We are pleased that the Financial

Reporting Council's (FRC) Annual Quality Inspection Report showed continued year-on-year improvement. The observations and recommendations in the report help us focus on and deliver continuous quality improvements. We remain proud of our FTSE 100 (41%) and FTSE 350 (29%) audit market shares.

Investment and innovation remain key to the future of the PwC audit. Our Audit Transformation Programme was set up four years ago with the aim of delivering higher quality audits, more efficiently, while delivering greater insight to our clients. We are making significant investments in our audit methodology and new technologies necessary to deliver an insightful, efficient and high quality audit.

As well as audit, our other assurance services have gone from strength to strength and now account for almost one third of our assurance business. Our risk assurance business is the largest of these other assurance services, growing by 15% in the past year. It continues to

innovate in helping clients deal with or prevent governance, risk and control issues – from technology to talent, processes to compliance, regulation to reputation, we are providing independent insight and assurance to our clients over a broad spectrum of risk areas.

We were delighted to be asked by EDF Energy to deliver an innovative assurance project designed to help build customer trust. We tailored our traditional financial audit methodology to evaluate its procedures and controls to make sure it met its commitment to customers to match their energy supply to nuclear-sourced generation. Read the story in full at www.pwc.co.uk/annualreport.

Over 1,300 people joined our assurance teams during the year. This was a mix of experienced hires and graduates, and we also had a number of people from other PwC territories join us on secondment.

We think the time is right to enhance the value of audit. We'll work with companies, investors and other stakeholders to give them the assurance they need to invest in corporate UK with confidence. We'll continue to invest in improving audit quality and how we deliver our assurance services.

James Chalmers

Assurance



The Business Media Total Audience Certificate

The Business Media Total Audience Certificate. Developed in conjunction with the Audit Bureau of Circulation (ABC), as well as publishers and advertising agencies, the certificate allows publishers to measure and report audience size and profile across multiple media platforms including print, website, tablet and smartphone.

Read about how we helped create a groundbreaking new industry standard for measuring audience reach and quality at www.pwc.co.uk.

Tax

£680m

revenue (+3%; 2012: £659m)

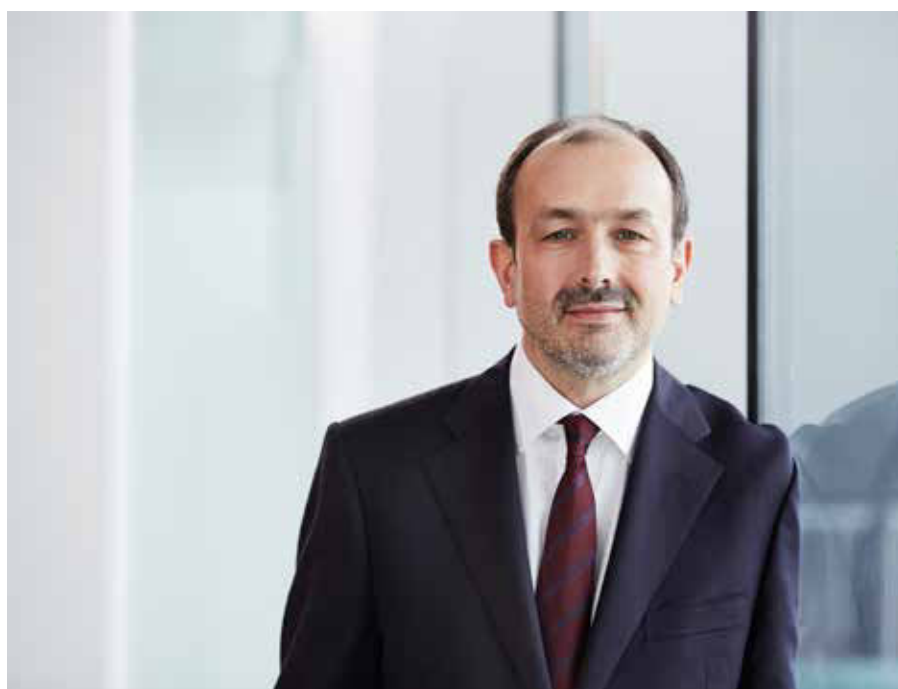
Tax

With over 3,300 talented people, we have the largest UK tax practice and the leading reputation, according to the UK Global Tax Monitor. We work with business, entrepreneurs, private clients and public sector bodies on services including direct tax, personal tax, VAT, pensions, wealth management, advice on HR matters, mobility and reward.

Over the last year, the tax environment has changed significantly and we expect more changes ahead. We have adapted by investing in new areas, including transforming HR functions through technology and our joint venture with PensionsFirst Analytics to develop a new pension analytics platform called Skyval.

Tax is a significant cost for businesses and individuals. Our role is to help companies and individuals understand complex tax rules, taking into account their commercial circumstances while managing multiple stakeholders' needs. We have a global code of conduct, which considers clients' technical requirements alongside their reputational interests. We have helped clients ensure their tax policy and strategy is reflected in their operations through our Tax Risk Assurance business.

Our international knowledge and the power of our global network are critical to advising clients on managing or expanding their international operations. We have continued driving the 'Britain open for business' agenda and advised a number of companies on relocation to the UK.



Kevin Nicholson

Tax

Tax is in the spotlight like never before and we have been at the heart of this debate. Our Total Tax Contribution framework, which measures businesses' tax contribution, are in their ninth year and our Building Public Trust Awards, which recognise trust and transparency in Corporate Reporting, are in their eleventh.

In the coming year, we will continue contributing to the debate on tax to the benefit of the economy and business. Above all, our focus remains on bringing our clients the very best of our practice and firm.

Direct Line Group

In 2009, RBS began preparing Direct Line Group for sale. This called for the creation within Direct Line Group of a fully operational, standalone HR function to cater for the company's more than 14,500 employees.

The stakes were high. Failure to achieve a successful HR separation by June 2012 would have potentially catastrophic effects – including risking the derailment of Direct Line Group's initial public offering scheduled for October 2012.

With this in mind, RBS embarked on the HR separation, but by December of 2011, the programme was behind schedule and many stakeholders and external advisers thought that the June deadline was an impossible task.

To read about how we took on the challenge and used a disciplined and highly innovative approach to condense what should have been an 18-month transformation into only six months visit www.pwc.co.uk/annualreport

Deals

£562m

revenue (0%; 2012: £561m)

Deals

Our Deals practice has over 2,200 people. It includes business recovery, forensic and transaction services and corporate finance.

Our business recovery practice had a record year, delivering significant national and international assignments in existing and new areas, such as working capital advice. We're proud to have been involved in saving thousands of jobs through our work on UK administrations in the past year. One example was the administration of Manganese Bronze, the manufacturer of the iconic London black cab. We helped the company overcome its production difficulties, secure new investment and ultimately sell the business.

Major progress was also made on all the aspects of the Lehman administration. Multi-billion-dollar claims made by four separate overseas Lehman affiliate companies were resolved. It now looks

likely that our efforts will eventually provide a full return to ordinary unsecured creditors and trust creditors alike, which is a remarkable outcome.

Our forensic services team were asked by Phoenix IT to help investigate a large and complex accounting misstatement spanning a number of years following the circumvention of its control processes. Bringing together specialists from our investigations, corporate intelligence and forensic technology teams we were quickly able to help Phoenix understand what had happened and remediate its control environment in order to help provide comfort to the market.

We provided the lead advisory and due diligence transaction advice for Mizkan, a privately owned Japanese food company, on its acquisition of both Sarson's Vinegar and Branston from Premier Foods. We are now working with teams from Consulting to help Mizkan establish these as stand-alone businesses.

We won a number of awards including Professional Services Adviser of the Year at the Real Deals Private Equity Awards and Corporate Recovery Firm of the Year (Large Firms) at the annual Insolvency and Rescue awards. Lucy Cannell from our Southampton office was named Insolvency Manager of the Year. We also won the ICAEW Middle East Deal of the Year award.

Our Deals practice has a talented and commercially astute team of people who are able to focus on complicated business challenges and deliver insight and value to our clients. While the mergers and acquisition market has been flat in recent years, we are extremely well positioned to continue adding value and help our clients achieve success.

Countrywide IPO

In March this year, we advised Countrywide on its FTSE 250 listing. We've been working with Countrywide since 2007, initially as its auditor and then across a number of disciplines. Teams from Transaction Services, Tax, Capital Markets and HR advisory have all played a role in getting to know the client and building a strong relationship, so when we were told the IPO needed to complete in just ten weeks, we were ready to go.

Find out how we delivered within this very tight deadline at www.pwc.co.uk/annualreport

John Dwyer

Deals



Consulting

£478m

revenue (+9%; 2012: £438m)

Consulting

We have over 2,100 people in our Consulting practice, which is made up of consulting and sustainability and climate change services. We help our clients make lasting improvements to their businesses. Our clear ambition is that, globally, we can innovate our thinking faster, use the PwC global network and take our best ideas to our clients across all markets. You can read more about this at www.pwc.co.uk/consulting.

Throughout this year, we have continued to develop our seven consulting propositions. They incorporate the best of our thinking into compelling frameworks that are specifically relevant to clients' strategic and transformational agendas. Our propositions help clients grow revenue creatively, digitally and globally; integrate successfully following a deal; create insight to improve business performance; remove complexity within operating models; operate globally with the right business model; improve efficiency and value from support services; and reduce cost for the longer term.

Vodafone, Telefónica and Everything Everywhere

With smartphones and other portable devices now in the hands of most UK consumers, companies are understandably keen to find new ways to deliver tailored offers and advertising to them. Telecoms giants Vodafone, Telefónica O2 and Everything Everywhere (now rebranded as EE) each wanted to be the first to turn this aspiration into reality. They realised that their proposition would be more powerful as a joint venture (JV).

Aware of the dauntingly high failure rate of this kind of JV, the three companies drew upon our expertise.

Find out more at www.pwc.co.uk/annualreport



Ashley Unwin
Consulting

This year we've received a lot of external recognition. We had great success at the 2013 Management Consultancies Association (MCA) Awards, with four wins. We won the 'People' award for our work on the National Apprenticeship Service project; the 'Performance Improvement in the Private Sector' award for our work with Bombardier Transportation; the 'Strategy' award for our work with telecoms giants Vodafone, Telefónica and Everything Everywhere; and the 'Young Consultant of the Year' award, which was won by Rebecca Lloyd.

Our Sustainability and Climate Change (S&CC) team won three awards for its work on 'responsible investment' with private equity clients. We were Corporate LiveWire's Sustainability Private Equity

Advisor of the Year and UK Sustainability and Climate Change Team of the Year at the Finance Monthly Global Awards. Phil Case was named Global Sustainability Private Equity Advisor of the Year at Finance Monthly's M&A Awards. And Celine Herweijer was announced as a 2013 Young Global Leader by the World Economic Forum (WEF).

We've continued to work with colleagues from other parts of our business to help our clients create the value they're looking for and contribute to the overall success of the firm. In the year ahead, we'll continue to focus on our growth strategy, in particular helping clients support their technology transformation agendas, and keeping our people engaged and motivated.

Our people

Our people are our biggest asset. We do all we can to create an environment where we attract talented people who are motivated to give their best and reach their full potential.



Gaenor Bagley
People

The best place to build your career

We believe it is vital to continue to invest for the long term in recruiting and developing highly talented people. This year we again recruited over 1,200 students, including over 100 school leavers.

We recognise that some talented school leavers want to start work straight away, whereas some would like to study for a degree first. We're always looking to open up different routes into our firm, so this year we have higher apprentices training in all of our businesses.

More and more students are starting their search for a graduate job before their final year. And because finding talented students and school leavers is an important part of our strategy we're continuing to adapt our approach so it meets the needs of students. We offer

Our people strategy has three areas of focus:

A great people experience

We want to recruit talented individuals and make sure our people have meaningful work, that they are motivated to give their best, and also that our clients' experience of working with us is a great one. We realise it's vital to keep up the momentum and so we offer our people lots of opportunities to tell us how we can make PwC an even better place to work.

Valuing difference

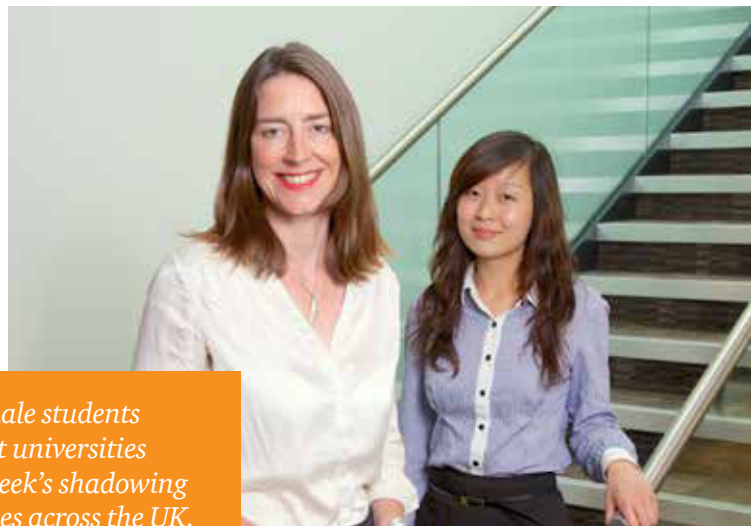
Having a diverse workforce with a broad range of strengths helps us do better work for our clients. We want all our people to flourish whatever their background, race or gender.

We believe in creating an environment where every PwC employee can be themselves at work and where different skills are valued and used to bring creative solutions to our clients.

Agility

Market volatility and the constant demand for new services mean that we need to be agile to develop, move, adapt and recruit people quickly to meet client needs.

We encourage our people to move around the firm and the PwC international network. As well as giving them interesting opportunities, this exchange of ideas and experiences is good for the firm and for our clients.



This year 22 female students from 15 different universities joined us for a week's shadowing in 12 of our offices across the UK. The programme is one of the many ways in which we try and encourage more female students to consider a career with us.

Assurance partner Kate Wolstenholme, who was shadowed by Chiwei So

a number of different work experience programmes so students can boost their employability and make informed career decisions. These range from insight days and work shadowing to six- to eight-week paid internships. This year, over 500 students joined us on our paid internship programmes.

In addition, we now support three partnership accounting and finance degree programmes. The one at Newcastle University has been running for 10 years and we recently started new programmes in conjunction with the Henley Business School at the University of Reading and with Nottingham University.

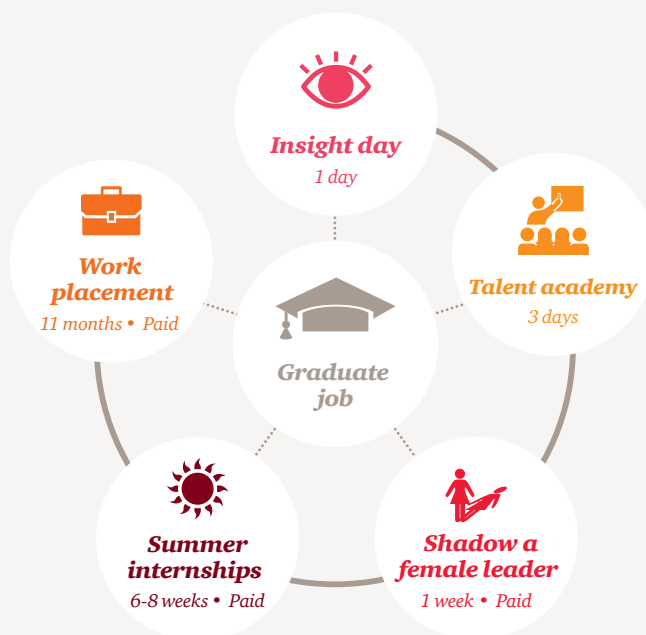
We've also continued to recruit experienced people. This year, 773 experienced hires joined our business across the UK. This is slightly down on last year, reflecting a more volatile economic environment, and explains the small reduction in overall staff numbers. For the tenth consecutive year, we were voted The Times UK Top 100 Graduate Employer of the Year and, for the 15th consecutive year, voted Employer of Choice for Accounting. Our investment in recruitment has paid off.

A place to learn and grow

We know our people particularly value the opportunities we provide for them to develop and learn new skills. This year we spent around £20m on developing and delivering formal training programmes and over 900 students joined our professional qualification training routes. As well as building technical skills, we expect all our people to build relationship, leadership and commercial skills. Most of this training comes through on-the-job coaching and challenging client assignments. We support them in this through a range of flexible learning programmes, many of which can be delivered as and when required, in and around day-to-day work.

Investing in graduate skills

We offer many different work experience programmes so students can learn more about us and boost their employability. They help people make an informed decision about which career opportunities are best for them.



To find out more, visit www.pwc.com/uk/careers



Ryan Bright
One of our consulting apprentices

This year we're recruiting over 100 school leavers all of whom will be joining our Higher Apprenticeship Programme. This two-year programme is designed to give them knowledge of the industry and market, technical and business skills, while studying towards a professional qualification and a Level 4 Higher Apprenticeship Award, equivalent to the first rung of a university degree-level qualification.

A diversity of experience

Not many people realise the wide variety of backgrounds from which our people come. For example, we have a former senior official from MI6 in our Corporate Intelligence team and a former prison governor in our Consulting team. We have a doctor and a nurse working as consultants in our Healthcare team. Having people with a broad and diverse range of skills and experiences means we're in a better position to understand the industry sectors we work in. As well as this, if we bring different views and different experiences to our clients and to the workplace, we'll add more value to our clients and that's good for business and good for our people.

Diversity in senior roles

Earlier this year, we won an Opportunity Now Diversity award for 'Advancing Women in the Workplace'. We were also listed as one of The Times Top 50 Employers for Women.

The 'Advancing Women in the Workplace' award recognises recruitment, retention and/or development of women in the workplace. We won the award for the female partner sponsorship programme we launched in 2010 to increase the number of female partners in leadership roles.

While we have a lot to celebrate, we're not complacent and still have a way to go. We were disappointed this year that only 16% of new partners were women, which the Executive Board is determined to address. To help our best people to develop and progress their careers as quickly as they are able, we launched a support programme for our high-potential female and black and ethnic minority directors and senior managers.

We launched the campaign 'Opening Minds – diversity is good for growth' in March 2013. The aim was to raise awareness of the benefits diversity has for our business and how our firm needs to value the difference of its diverse talent to support its business growth targets.

It isn't about positive discrimination; it's about creating a level playing field for all, regardless of gender or race – and doing this as quickly as we can. This isn't just the right thing to do ethically; it's the right thing to do commercially. Attracting the brightest and best from the widest pool of talent helps us service our diverse, global clients better.

A great people experience

We ask our people for their views on what it is like to work at PwC in a number of ways. We have a biannual people survey and we run a number of focus groups with small groups of our people at all levels. There are also numerous opportunities for our people to interact with senior leaders, including town hall meetings, debates and webcasts.

Employment engagement is at the centre of our strategy. We are disappointed that our score has dropped slightly from the high levels in April 2012 and we are continuing to focus on this.

Almost two years ago, we introduced a new framework called 'the deal'. This is helping us to engage with our people and understand what they want from the firm and what our firm expects from them. You can read more about this on page 21.

Staying focused

In the year ahead, we'll continue to stay focused on engaging with our people so their work is meaningful and motivating. We'll continually look for opportunities for our people to develop new skills. And we'll continue to work at finding ways to make sure our client and leadership teams are sufficiently diverse. We want everyone to have the chance to reach their full potential and enjoy being part of an exciting and successful firm. We plan to keep making this happen.

The deal

The deal is a framework designed to understand better what our people value from working with us and what we expect in return.

We have redesigned our employee survey so that our staff can share their views on the deal we offer and we can take action. The deal framework is integral to our development conversations with our people so that they can play to their strengths and focus on what matters to them.

We recognise that one size doesn't fit all and each person will value something different. For some it'll be the chance to work with highly motivated, highly skilled people or the chance to mentor or coach junior staff and help them develop their career. For others it may be a healthy work-life balance and flexible working hours. And some may want the chance to travel, be able to shape their own future and feel like they're making a difference.



Our people

Left to right top:
Antoinette Kyuchukova
and Bethan Grillo

Left to right bottom:
Kulsum Seth, Moonir
Kazi and Brian O'Neill



 Go to www.pwc.co.uk/annualreport to hear from some of our people about their deal.

Recognition

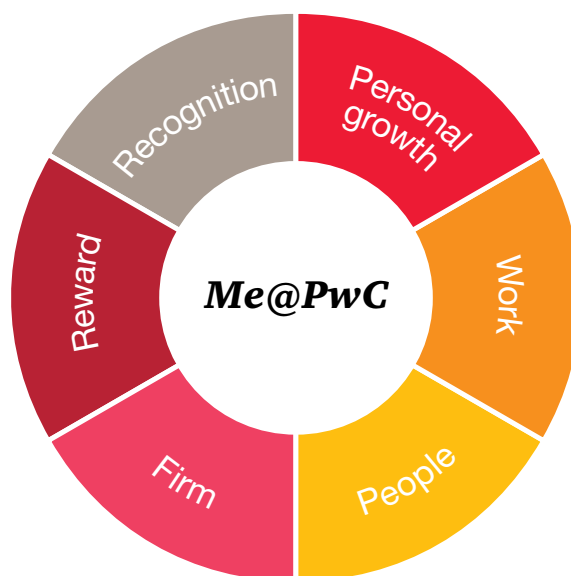
We want all our people to feel valued for who they are, their personal contribution and their potential.

Reward

We'll reward our people fairly and competitively.

Firm

There's a chance to be part of something special and enjoy experiences that will stay with them.



Personal growth

We give our people opportunities to help shape their career and fulfil potential.

Work

We offer our people the chance to work with many of the world's leading companies and organisations where the work will be both challenging and stimulating.

People

They'll be able to build long-lasting relationships, both within and outside the firm, which will stay with them throughout their career.

Our environmental and community responsibilities

Throughout this report we talk about how we try to do the right thing across a diverse spectrum of activity, from our Building Public Trust initiative to our talent and people strategy. This objective also extends to the environment and the communities in which we operate.



Fire Station

The Fire Station is a social enterprise hub near our More London office. It also houses the Brigade restaurant.

We develop new services to support a more sustainable economy, and we create new ways of working for ourselves to lessen our impact on the environment. This year, we continued with this approach and tried to make sure that our earlier investments are having a greater impact across our whole business.

Innovating towards a new view of business

Businesses, investors, governments and other stakeholders are increasingly looking beyond pure financial return on investments, and our award-winning Sustainability and Climate Change practice continues its pioneering work in addressing this need. For example, we've been using our Total Impact Measurement and Management framework to help clients measure the social and environmental impacts of their activities. You can read more about this at www.pwc.co.uk/TIMM.

We've been working with the Department for International Development (DFID) to coordinate its IMPACT programme in Africa and South Asia. DFID's new IMPACT Fund is investing up to £75m of public money to fund innovative solutions for development and help create sustainable investment markets that work for disadvantaged communities. We've helped leading multinational insurance group RSA, formerly known as Royal Sun & Alliance, develop a new sustainability strategy. Chief Executive Simon Lee had this to say about our work: "PwC brought both an external perspective and challenge to our thinking, both invaluable as we developed our revised Corporate Responsibility strategy."

We've continued to publish insights to support the sustainability agenda. Our *Low Carbon Economy Index: Too late for two degrees?* report has been used widely by NGOs and governments around the world. We also produced a report for Defra on the international threats and opportunities of climate change to the UK.

Reducing our own environmental impacts

We're committed to reducing or eliminating the adverse effects our business has on the environment, wherever possible. Our clients and our people expect it, and it also helps us reduce costs in a number of areas.

Over the past 12 months we've continued to make improvements. Our carbon footprint is down by nearly 8% compared to last year; this now totals 58,116 tonnes. This means we're currently ahead of our goal to reduce our total greenhouse gas emissions by 25% from 2007.

Sustainable living at Unilever

During 2012, we worked closely with Unilever to assure a range of sustainability indicators within its game-changing Unilever Sustainable Living Plan. Our work, which marks a fundamental departure from standard financial reporting information, was to assure selected performance information across Unilever's value chain from the sourcing of raw materials right through to the use of its products by consumers.

Read more at www.pwc.co.uk/annualreport

Our business travel carbon footprint has dropped year-on-year by 7.4%. Travel is still one of the most challenging environmental impacts for our business. This is why we've launched a firmwide programme to encourage online meetings. We'll report back on its performance next year.

Other environmental impacts – energy, water and paper usage – are on track to meet our targets for 2017. We've disposed of 3.4% less waste this year.



Watch the video online at www.pwc.co.uk/annualreport

One Firm One May

Over 1,800 of our people took part in a concentrated burst of volunteering in our latest large-scale community initiative which took place in May this year.

Find out more at www.pwc.co.uk/annualreport

Electricity consumption in particular has fallen by more than 13% compared with last year, largely through good energy management and running the trigenerator in our More London office on biodiesel for a full year. The trigenerator is both energy-efficient and less carbon-intensive.

Helping entrepreneurship flourish in our communities

Last year, we started to focus our community engagement on areas where we could use our business and measurement skills to support social enterprise in the UK. One example of this, which we featured in this report last year, is the Fire Station, our social enterprise hub, and Brigade, our social enterprise restaurant.

We also continue to support the School for Social Entrepreneurs which is also based in the Fire Station. We fund six bursaries throughout the UK as well as mentoring support to over 40 social entrepreneurs. As a follow-on to this, we've launched the PwC Social Entrepreneurs Club across the UK which is helping over 190 social entrepreneurs and we've opened five new Centres for Social Impact in Scotland, the North and the Midlands.

These centres are places where our people can share their business skills with social entrepreneurs to help them attract investors, or provide other support.

To give all these initiatives a boost, we ran a month of employee volunteering as part of our 'One Firm One May' programme. This saw over 1,800 of our people dedicate almost 16,000 hours to help social enterprises up and down the country.

We've continued to improve how we measure our volunteering initiatives to give us a better idea of the number of people we've been able to help, which is 15,113 this year. And we've increased our focus on the impact of our volunteering. While the total number of hours is down from last year, at 45,386 hours, the impact is greater. We've developed a way of assessing the social value of our efforts. It shows that there are increased levels of business awareness, job readiness and confidence as a result of the support from our people.

In the year ahead, we'll continue to look for ways to improve what we do and we'll also continue to help our clients adopt practices that are sustainable for the long-term. For more information visit www.pwc.co.uk/corporatesustainability.



*Our focus on reputation,
quality and risk management*



Margaret Cole
General Counsel

We work with a wide range of stakeholders and believe it is vital to be as transparent as possible in helping them understand what we do and how we do it. Acting with integrity and demonstrating the values that we uphold as a firm is critical to our reputation and sustained success.

The financial crisis and a perceived decline in the standing of business in society has resulted in increasing focus on how organisations conduct themselves, whether they can be trusted and whether they are demonstrably living and breathing the right values.

We are alert to this and we work hard to foster a working environment that creates a positive culture underpinned by strong professional ethics and behaviours.

We believe that if we can achieve the right culture supported by an appropriate tone at the top then ‘doing the right’ thing becomes the norm amongst our people.

This commitment to ‘doing the right thing’ is central to PwC’s strong brand and trusted reputation. We always need to be aware of the threats to our reputation and have put significant focus on this issue at the senior level. We recently appointed two UK partners to lead our reputation and regulatory strategies respectively, which is a clear demonstration of the importance we give to this area.

Most recently, we have been the subject of unprecedented public scrutiny as a result of the Competition Commission’s investigation into the large audit market and the ongoing debate on tax issues.

As a responsible business organisation, we believe that engaging in a transparent manner with key stakeholders is vital to ensure that there is strong mutual understanding and that matters affecting our profession are properly debated and examined, with all the relevant facts on the table.

Culture – who we are and why it matters

We regard the tone from the top of our organisation as critical to upholding our core values of integrity, independence, professional ethics and professional competence. Our leaders communicate both internally and outside the firm about our core values and we ensure that these values are reflected in personal objectives set annually.

We expect our people to take personal responsibility for bringing these values to life, so that we can rightly claim to be the high quality trusted advisers that we all aspire to be.

Quality embedded in all we do

We are committed to delivering high quality work for our clients and take our public interest responsibilities extremely seriously. Our focus on quality is a priority for our Executive Board and we work hard to ensure that we have quality embedded in all our work through tools and processes, training and experience and by having the right culture and values.

In addition, our Public Interest Body, which includes a majority of independent non-executive members, takes a keen interest in quality and discusses at its meetings regular reports from the Executive Board member responsible for Risk and Quality.

People and training

We aim to recruit, train, develop and retain the best people. We have structured programmes to deliver high quality service. This training encompasses the ethical values and behaviours that are needed to meet our public interest responsibilities.

In addition, for certain types of work we specify levels of experience and specific additional training to ensure that the individuals are equipped to undertake that type of work.

Tools and processes

We invest in the right tools and processes to ensure that our people are able to deliver consistently high quality work. Updating our tools and processes is important as it allows us to develop and build on our thinking in ways that are innovative, effective and efficient for all of our clients and other stakeholders.

Review and continuous improvement

Our assessment of quality is ongoing. We have review programmes throughout the year and we have independent teams that evaluate our partners and staff both when client engagements are ongoing or when they are completed. We do this to ensure that we assess compliance with quality standards as well as regulatory requirements. Findings and feedback are discussed with line management and client engagement teams so that changes and improvements can be reflected quickly and appropriately. We are also subject to external review and we work constructively with the audit inspection functions of the Financial Reporting Council and the Institute of Chartered Accountants of England and Wales (ICAEW), each of which carries out annual assessments of our audit work with a range of clients.

Building on and learning from our experiences

We believe that our reputation for quality is high. However, given the size and nature of our business we, like others, do sometimes fall short of the high standards we set ourselves. When this happens, we are honest with our clients and ourselves about what has gone wrong and we seek to discuss and resolve the issues with the client. We seek to learn lessons from these experiences and share them to avoid them being repeated.

Stakeholder engagement

We engage with a range of stakeholders across government, business, the regulatory world and media. We see this as critical to making sure that we make a relevant contribution to public policy debates and market issue discussions.

Managing risk and maintaining quality



Managing risk is a strategic priority for the Executive Board and senior management of the firm.

We have a clear business strategy. In implementing this strategy it is vital that we also manage the risks associated with it. As a result we have a defined process for assessing, monitoring and controlling risk.

The Executive 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 ongoing monitoring of risk and the effectiveness of controls rests with senior management.

The systems, which have been in place throughout the financial year and up to the date of approval of these financial statements, include the following:

- The Risk Council, an Executive Board subcommittee, is responsible for making sure that the controls are in place to identify, evaluate and manage risk.
- Our lines of service and our internal firm services, which document risks and the responses to them, carry out risk assessments annually and report to the Risk Council on how effectively they have managed risk during the year.
- Periodic reviews of performance and quality are carried out independently by the PwC network.

- Our internal audit team reviews the effectiveness of the financial and operational systems and controls throughout the Group and reports to the Executive Board and the Audit and Risk Committee.
- Our risk and quality functions oversee our professional services risk management systems and report to the Executive Board.

We take client acceptance procedures extremely seriously and we do not automatically take on new client engagements. Understanding properly both who we are working with and the nature of the work requested is central to protecting our reputation for quality.

We have procedures to assess the risks associated with new clients. We seek to serve only those clients whom we are competent to serve, who value our service and who meet appropriate standards of legitimacy and integrity. We also establish up front whether we are able to comply with independence requirements and to address any potential conflicts of interest. In addition, we conduct annual risk reviews of all audit clients.

Internal control assessment

Our internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives or, in the case of financial controls, the risk of material misstatement in our financial statements. Accordingly, they provide only reasonable and not absolute assurance against such failure or material misstatement. The Executive Board has reviewed the systems of internal control in operation during the year and is satisfied with their effectiveness.

Our principal risks

The key risks faced by our business, and the management response, are summarised below.

Risk	Response
<p>Quality: Significant quality failure in the UK firm or the PwC network, due to either engaging with an inappropriate client or inadequate delivery of services leading to a potential service failing, litigation and/or regulatory action.</p>	<p>Our internal quality management systems, which are designed to maintain and enhance quality, include:</p> <ul style="list-style-type: none"> • Recruitment standards and staff development procedures. • Client engagement and acceptance processes. • Client engagement standards supported by methodologies and tools. • Quality reviews of PwC network firms including the UK firm. • Monitoring and review of key performance indicators by the Executive Board.
<p>Regulatory reviews of the audit market: The outcome of the current regulatory scrutiny of the audit market adversely impacts on our ability to provide high-quality audit and relevant non-audit services.</p>	<ul style="list-style-type: none"> • The firm is actively engaged with regulators and wider stakeholders, with an Executive Board member responsible for Reputation and Policy. • Active review, evaluation and critique of all proposals to make sure discussions are evidence-based and potential consequences are appropriately evaluated.
<p>People and talent: Failure to engage fully with our people, impacting our ability to attract, develop and retain the best talent and provide quality services.</p>	<ul style="list-style-type: none"> • Regular reviews of the market for student and experienced talent to understand the firm's relative competitive position. • Embedding the PwC Experience for our people. • The deal to support staff engagement. For more information about the deal go to pages 20-21. • Use of various communication and discussion channels to engage with our people. • Monitoring and review of KPIs by the Executive Board, including staff surveys, external Brand Health Index and regular client feedback.
<p>Public perception and reputation: Failure to respond in a transparent manner to issues raised by the 'public interest' debates</p>	<ul style="list-style-type: none"> • Embedding a culture of 'doing the right thing' for our people, our clients and our communities, as a matter of strategic intent. • Open and active engagement in serious debate with relevant stakeholders on trust-related and public interest issues to inspire change, for example to update the international tax system. • Actively participating in, leading on and collaborating on initiatives to restore trust such as the PwC Building Public Trust programme and the World Economic Forum's 'Leadership, Trust and Economic Performance' project.
<p>Independence and regulatory requirements: Failure to comply with relevant independence, legal, ethical, regulatory or professional requirements.</p>	<p>Established compliance and independence management systems including:</p> <ul style="list-style-type: none"> • Clear policies, procedures and guidance. • Mandatory 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. • Regular monitoring and reporting to the Executive Board.
<p>Information security: Failure to safeguard confidential information.</p>	<ul style="list-style-type: none"> • Information Risk and Security 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 27001:2005 certified information security management system, which includes: <ul style="list-style-type: none"> – Governance and policies for client data and other information. – Physical, technical and human resource controls. – Incident-response capability. – Regular monitoring and independent review systems.
<p>Client assets: Failure to manage client assets appropriately including major client administrations.</p>	<p>Well-established procedures for dealing with client assets and related matters including:</p> <ul style="list-style-type: none"> • Portfolio diversification policy. • Daily monitoring of credit and related ratings and maturities. • Client asset management. • Internal controls and procedures. • Monitoring and independent review. • A Treasury Committee to receive regular updates on the above.
<p>Business continuity and IT systems resilience: Failure to ensure business critical systems are available to the business.</p>	<ul style="list-style-type: none"> • Strategic and Operational Business Continuity Steering groups in place ensuring visibility and review of the firm's business continuity management processes. • BS:25999 certified business continuity management system which provides ongoing assurance that the key business priorities are known and the essential resources required to support them are available. • IT systems, technical resilience and recovery capabilities are assessed and tested to ensure they meet business requirements.

The Executive Board



Ian Powell – Chairman and Senior Partner

Ian joined the UK firm's Executive Board in 2006 and he was elected chairman and senior partner in 2008. He joined the UK firm as a graduate trainee in 1977 with a degree in economics from Wolverhampton Polytechnic. He became a partner in 1991. Before becoming chairman, he was Head of Advisory. He has an honorary doctorate in business administration awarded by the University of Wolverhampton Business School.



Kevin Ellis – Managing Partner

Kevin graduated in industrial economics from Nottingham University, joined the firm in 1984 and became a partner in 1996. Before he joined the Executive Board in 2008, he headed up our Business Recovery Services and between 2008 and 2012 he was Head of Advisory. During his time with the firm Kevin has been on two secondments, one with an overseas bank and the other with a major UK financial institution.



Gaenor Bagley – People

Gaenor graduated from Cambridge University with a mathematics and management degree. She trained in audit and spent three years in an investment bank corporate finance team. In 1992, she joined the Tax practice and became a partner in 2000; continuing to work in M&A, specialising in Private Equity. She joined the Executive Board in 2011.



James Chalmers – Assurance

James graduated from Oxford University with an engineering degree and he joined the firm in 1985. He became a partner in 1997. Before joining the Executive Board in 2008 as Head of Strategy and Talent, he was a member of the Assurance leadership team. During his time in Assurance he has worked with multinational clients and has been on long-term secondments to clients in the banking and healthcare sectors.

The Executive Board is responsible for developing and implementing the policies and strategy of our firm, and for its direction and management. It sets and communicates our firm's strategic priorities, which feed into our business planning process. The contribution of each part of the firm is monitored through balanced scorecard reporting.



Margaret Cole – General Counsel

Margaret graduated from Cambridge with a degree in law. She joined the Executive Board on 1 January 2013 and was previously Managing Director of Enforcement and Financial Crime and a board member of the FSA. She has over 20 years' experience in private practice, specialising in commercial litigation with an emphasis on financial services. She has held positions with Stephenson Harwood and White & Case.



Richard Oldfield – Markets and Industries

Richard graduated from the University of York with an economics degree. He joined the firm in 1992 and became a partner in 2003. Before joining the Executive Board in 2011, he led our Banking and Capital Markets business within Assurance. He has worked in London, Zurich, Paris, New York and most recently Sydney, on both audit and non-audit clients.



John Dwyer – Deals

John graduated from University College Dublin with a commerce degree. He has worked in most of the businesses under the Deals umbrella including Business Recovery and Corporate Finance. He became a partner in 1997 and ran the Transaction Services business between 2007 and 2011. He joined the Executive Board in 2012.



Keith Tilson – Chief Financial Officer

Keith is in charge of Finance and Operations. He read economics at Cambridge University. After joining the firm in 1976, he spent four years in Sydney and became a partner in 1988. Before taking up his current role, he was Managing Partner Operations and Finance and before that, Head of Advisory. He joined the Executive Board in 1998.



Stephanie Hyde – Regions

Stephanie graduated from Brunel University with a mathematics and management degree. She joined the firm in 1995 and became a partner in 2006. Before joining the Executive Board in 2011, she led our Assurance practice in Reading and our mid-cap market in the South East. Stephanie has worked in a number of our offices in the UK on clients ranging from private businesses through to FTSE100 companies.



Ashley Unwin – Consulting

Ashley graduated from Sheffield University in 1991 with a degree in business; he also gained an MSc in organisational development. He joined the firm in 2009 to lead our Consulting practice. Ashley's early career was spent with Arthur Andersen where he made partner in 1998. Before joining the firm, he worked in private equity and held senior positions in EMI. He joined the Executive Board in 2012.



Kevin Nicholson – Tax

Kevin joined the Executive Board in 2008 as Head of Regions after spending four years leading the Entrepreneurs and Private Clients practice on the Tax Leadership Team. He graduated from Newcastle upon Tyne Polytechnic, joined the firm in 1991 and became a partner in 2000. Over this period he worked in the North East, the Midlands, London and Hong Kong, and also spent two years working with Global Tax Leadership in New York.

Our Board is chaired by Ian Powell, whose term of office runs for four years from July 2012 to June 2016. The chairman appoints the other Executive Board members, all of whom are partners in the firm. Each board member has responsibility and accountability for a specific aspect of our business. Our Executive Board meets at least monthly, and conducts formal business at additional meetings as necessary.

A look at our governance

Supervisory Board



Matthew Thorogood
Chairman of the Supervisory Board

I was delighted to be elected chairman of the Supervisory Board in January this year. Sound governance of our firm is a priority for the partnership and I am committed to looking constantly for ways of improving how our firm is governed. Regular, constructive conversations between the Executive Board and the Supervisory Board and effective reporting to the wider partner group are two things that I regard as critical.

I am pleased to report that through both formal and informal channels, the Supervisory Board and Executive Board keep in constant touch and work closely on matters of concern to both the partnership and individual partners.

A key role of the Supervisory Board is to give guidance to the Executive Board, when appropriate. To help make this

happen more effectively, this year we've been teaming up Supervisory Board members with Executive Board members for informal input on strategic developments. This is working well and it is clear to me that both Boards take the responsibilities of representing our partners very seriously.

Further details of our governance arrangements and responsibilities are set out on page 31.

Matthew Thorogood
Supervisory Board Chairman

The current members of the Supervisory Board are:

Matthew Thorogood, Chair
Pauline Campbell^{††}, Deputy Chair
Christine Adshead^{~†}
Dave Allen[~]
Colin Brereton^{*~}
Paul Clarke^{~†}
Duncan Cox^{~*}
Katharine Finn^{**}
Mark Hudson^{~~}
Rob Hunt^{*†}
Sue Rissbrook^{*}
Caroline Roxburgh[†]

Ex officio members:

Simon Friend^{^†}
Gerry Lagerberg[^]
Ian Powell

* Partner Affairs Committee member
** Partner Affairs Committee Chairman
† Audit and Risk Committee member
†† Audit and Risk Committee Chairman
~ Strategy and Governance Committee member
~~ Strategy and Governance Committee Chairman
^ Member of the Board of PricewaterhouseCoopers International

What does the Supervisory Board do?

The principal roles of the Supervisory Board are to hold the firm's Executive Board to account and to represent the interests of partners, and as such it is a vital part of the firm's governance structure.

The Supervisory Board is made up of 12 partner members, who are elected for a term of four years by our partners. In addition to the 12 elected members, UK Chairman Ian Powell serves as an ex-officio member, along with two partners who have been elected to the Board of PricewaterhouseCoopers International Limited, the global Board of the PwC Network. The Supervisory Board elects its own Chairman.

Partners use the Supervisory Board as a formal communication channel with the Executive Board. This is achieved by holding regular meetings with partners to get their views on the firm's overall strategy and any other issues that may be of concern.

The Supervisory Board is also responsible for approving the Annual Report and the choice of auditor, for approving the admission of new partners and for approving transactions and arrangements outside the ordinary course of business. It also has the ability to consult partners on any proposed significant change in the form or direction of the LLP. It has responsibility for managing the process leading to the election of the firm's Chairman.

There are three sub committees of the Supervisory Board: Partner Affairs, Strategy and Governance and Audit and Risk. The Partner Affairs Committee makes recommendations to the Supervisory Board, which sets the Chairman's profit share and approves the Chairman's recommendations for the profit shares of other members of the Executive Board. It is also responsible for making sure that the firm's policies on partners' remuneration are being properly and fairly applied.

The Strategy and Governance Committee provides oversight of both the development of the UK firm's strategy and any material acquisitions or disposals. Its role is also to provide the Supervisory Board with a forward agenda to assist it to effectively commit time to strategic issues facing the firm as well as to routine operational issues.

The Supervisory Board works closely with the firm's Public Interest Body (PIB). Matthew Thorogood and Pauline Campbell sit, in their capacity as members of the Supervisory Board, on the PIB to make sure that there is effective communication between the two bodies.

Audit and Risk Committee Role

The Audit and Risk Committee is a committee of the Supervisory Board which has responsibility for reviewing the policies and processes for identifying, assessing and managing risks within the firm.

The Committee monitors and reviews:

- the effectiveness of the Group's internal control and risk management systems
- the firm's policies and practices concerning compliance, independence, business conduct and ethics including whistle-blowing and the risk of fraud
- the scope, results and effectiveness of the firm's internal audit function
- the effectiveness and independence of the firm's statutory auditor, Crowe Clark Whitehill LLP (CCW)
- the reappointment, remuneration and engagement terms of CCW 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 the significant reporting judgements contained in them.

Activities

The Committee met 10 times in the year ended 30 June 2013 (2012: 10 times). The Chief Financial Officer and General Counsel, together with the internal and external auditors, attend the Committee's meetings by invitation.

Both the internal and external auditors meet privately with the Committee without management presence.

Internal control

The Committee's review of internal control includes considering reports from the firm's Risk Council and from the firm's internal and external auditors. During the year the Committee considered and approved internal audit's work programme including its risk assessment, proposed audit approach

and coverage, and the allocation of resources. The Committee reviewed the results of audits undertaken and considered the adequacy of management's response to matters raised including the implementation of recommendations. The effectiveness of the firm's internal audit function was also assessed.

The Committee also considered reports from other parts of the firm charged with governance and the maintenance of internal control including in respect of independence, compliance, ethics, whistle-blowing, fraud, data security, business continuity management and the management of the firm's own tax affairs.

The Committee also reviewed and considered the statements on pages 26 and 27 in respect of the systems of internal control and concurred with the disclosures made.

External audit effectiveness and reappointment

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 CCW'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 CCW engagement partner on CCW's independence, objectivity, integrity, audit strategy and its relationship with the Group, obtained by way of interview
- taking into account information provided by CCW on its independence and quality control.

Having considered a number of factors, including audit effectiveness, business insight, tenure and approach to audit partner rotation, the Committee concluded it was appropriate to reappoint CCW as auditor.

Financial reporting

CCW's external audit plan identified a number of potential risks and areas of judgement in the consolidated financial statements. CCW explained to the Committee the programme of work it planned to undertake to address these risks and other risks to detect a material misstatement in the financial statements.

Where it thought it would be effective to do so, CCW's work plan included the evaluation and testing of the Group's own internal controls and assessment of the work of the firm's internal audit function. It also explained where it planned to obtain direct external evidence.

The Committee discussed the above matters with CCW on conclusion of its external audit of the financial statements for the year. CCW explained the work it had undertaken and conclusions it had drawn, including in relation to revenue recognition and amounts that were unbilled at the year-end; the carrying value of goodwill and intangibles arising from business combinations; the adequacy

and appropriateness of provisions for client claims and property matters; the consistency and appropriateness of assumptions adopted in the valuations of the firm's defined benefit pension schemes for the purposes of financial reporting; and management's assessment of the appropriateness of the going concern basis.

Following consideration of the matters presented to it and discussion with both management and CCW, the Committee is satisfied with the judgements and financial reporting disclosures included within the financial statements.

Public Interest Body

Our Public Interest Body

The firm established the Public Interest Body following the introduction of the Audit Firm Governance Code, which applied to PwC UK for the first time for the year ended 30 June 2011. The Public Interest Body's purpose is to enhance stakeholder confidence in the public interest aspects of the firm's activities, through the involvement of independent non-executives.

Independent non-executives

Sir Richard Laphorne (Chairman)
Sir Graeme Davies
Dame Karen Dunnell
Sir Ian Gibson
Paul Skinner

PwC members

Ian Powell[^]
Pauline Campbell[†]
James Chalmers[^] (from 30 June 2013)
Richard Sexton[^] (to 30 June 2013)
Duncan Skales[†] (to 31 December 2012)
Matthew Thorogood[†]
(from 1 January 2013)

[^] Member of the Executive Board
[†] Member of the Supervisory Board

This is my third annual report on the operation of the Public Interest Body (PIB) since the body was established in late 2010. For the independent non-executives, this means we are approaching the end of our current initial three-year term of appointment. Hence, this is an appropriate point at which to reflect on how the PIB has evolved and performed against its initial objectives, and, just as important, how we will develop in the years to come.

Before doing this, it is worth reiterating that the PIB's membership and activities reflect the objectives of the Audit Firm Governance Code, which states that the independent non-executives should improve confidence in the public interest aspects of the firm's decision-making, dealings with stakeholders and management of reputational risks. The PIB is also designed to complement the firm's internal governance structure (more details of our membership can be found in the box to the left).

Reflections on our first three-year term

We have reached a point where we have obtained – through engagement with the firm's leaders and with those responsible for managing the risks in each of the four principal service lines of Assurance, Tax, Deals and Consulting – a good understanding of those businesses and the public interest and reputational issues relevant to each area. We hear first-hand from those responsible for decision-making in the firm. More importantly, we ask questions, request

more information where appropriate and make suggestions.

Speaking for the non-executives, our view is that the firm is well-managed and that it conducts its business to a high standard of professionalism. That is not to say that there is no scope for improvement. The independent non-executives bring a different perspective, which can help the firm to consider where processes could be improved or examined through a different lens.

Inevitably, since the Code is focused on 'audit', that is where we have spent the most time, both in relation to how the day-to-day risks are managed and the busy regulatory agenda affecting statutory audit. We have discussed each year the firm's annual inspection reports from the Audit Quality Review Team (AQRT) of the Financial Reporting Council (FRC). This year, for the first time, I attended a 'clearance meeting' with the firm's Assurance Leader and senior FRC staff, so that we could hear about the AQRT's findings, prior to publication. This interaction was very helpful and positive, and will enable us to better understand how the regulator's priorities compare with our own.

We are also briefed at each meeting on the Risk and Quality processes and any contentious matters (for example any disciplinary inquiries) across the firm. The non-executives also suggest for discussion some specific areas of the business which could impact on the



Sir Richard Laphorne

Chairman of the Public Interest Body

firm's reputation. In the past year, we have heard from the firm's Public Sector leader on how the reputational risks in that area are managed. Also, given the recent spotlight on corporate taxes, we have discussed with the firm's Leader for Tax how the firm manages the reputational risks around providing tax advice and how it has contributed ideas and evidence to the debate on how much tax companies pay.

Trust and the regulatory agenda

The subject of 'trust' in the business community is being debated by stakeholders and in the press as never before. Professional services firms are key players in this debate. Restoring the trust of society in business and in our institutions is essential if the UK is to recover from recession and contribute to economic growth. PwC has staged a number of debates involving senior business leaders, regulators and commentators, and a number of us have contributed to these. This is an important initiative. We need a thoughtful, balanced and properly informed view of how business, and the professional services sector in particular, moves forward in the interests of consumers of goods and services.

It is important in the regulatory and public policy activity around audit and, increasingly, tax, that we keep in mind these broader considerations. We have discussed in each of our meetings how the firm is addressing the Competition Commission's inquiry into the audit market for FTSE350 companies in the UK, the legislative proposals on Audit published by the European Commission and the recent series of consultations on important topics issued by the FRC. The firm has welcomed input from us and the firm's leaders agree that we have influenced their thinking – for example by challenging them to see alternative arguments.

The accounting profession has a reputation for being conservative. We have consistently urged the firm's leaders, as they engage with the regulatory agenda, to be receptive to change and, where they disagree with proposals, to explain the reasonable grounds for doing so and to suggest alternative approaches. The PIB members continue to be satisfied that the firm has followed an appropriate and comprehensive process in order to arrive at the public policy positions it is taking.

In the last year, the firm has also refined its policies on how it contributes to parliamentary and similar inquiries, and we were consulted on those measures before they were implemented.

Assessing our contribution

I reported last year that an effectiveness review of the PIB had been undertaken by PwC's specialist on corporate governance matters, to which all members of the PIB including the firm members and secretariat contributed. We will continue to build on that work by considering actively our remit and what we can deliver to a firm such as PwC.

Last year's review demonstrated that, while the members unanimously believe that the PIB should not be a decision-making forum, it provides an appropriate setting – with the right constituencies involved – where the firm's positions on public interest matters can be debated and challenged.

The Code is an audit firm governance code and audit is where the main focus should remain. However, the public tends to see PwC as a whole rather than its constituent parts and, as noted above, other parts of the firm's business such as tax, deals and consulting could also raise issues of reputation. In recent meetings,

the non-executives have increasingly provided insights to the firm on a broader range of issues facing the business, while at the same time being cognisant of our 'public interest' responsibilities. For example, in the last year we have looked at any risk and reputation issues associated with the firm's acquisition strategy, such as its alliance with the Middle East practice. As we go forward, we will do more of this type of activity.

Stakeholder engagement

Internally, it is important that the PIB has links to the wider body of the partnership, who are the owners of the business. In addition to hearing at each meeting from our two Supervisory Board representatives, we meet with all the members of the Supervisory Board at least once a year. During our first three years the non-executive members have also been keen to meet more of those who are working in the business, by making office visits and attending the annual partner meetings and other events.

Externally, the Code identifies investors and the corporate community as primary constituencies. Recent contact with some representatives from those groups has demonstrated a measure of surprise that we are approaching them to discuss matters covered by the Code. The FRC has committed to review the Code after its initial few years of operation, and it will be a useful by-product of such a review to gauge the expectations of stakeholder engagement of the different groups. In the meantime, we are taking steps to refocus our engagement with institutional investor organisations. Additionally, if any of PwC's stakeholders would like to raise issues related to the Code, do please get in touch.

Finally, I would like to take the opportunity here to thank Richard Sexton and Duncan Skales from the firm for their significant contributions to our PIB discussions and we look forward to working with their respective successors, James Chalmers and Matthew Thorogood.

Sir Richard Laphorne,
Chairman of the Public Interest Body



Understanding our financial performance

Keith Tilson
Chief Financial Officer



Members' report

The Executive Board submits its report and the audited consolidated financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2013.

This report should be read in conjunction with the other sections of this annual report.

Financial performance

Our revenue grew 3% to £2,689m in a challenging market. This follows the 7% growth recorded last year. Risk assurance, HR advisory, business recovery and our Middle East business all grew strongly. But the relatively flat mergers and acquisitions market provided a challenge to our transactions-based businesses including corporate finance, transactions services and capital markets and structuring. The core assurance business continued to see intense competition, pricing challenge and increasing levels of audit tendering.

Profit for the financial year

Total profit for the financial year of £740m (2012: £727m), comprises profit available for division among members of £680m (2012: £672m) and profit attributable to non-controlling interests of £60m (2012: £55m).

The profit distributed to partners is calculated after deducting their personal obligations to make annuity payments to certain former partners and after certain equity adjustments. Actual distributable profit per partner increased 4% from £679,000 to £705,000 for the year ended 30 June 2013.

Average profit per partner based on the profits shown in these statutory accounts, which is stated after excluding the impact of members on overseas secondment, increased from £798,000 to £810,000.

Operating costs

Our total staff costs were flat across the year, reflecting a 1% decline in overall staff headcount and the impact of 1 July 2012 pay awards. Staff bonuses across the Group increased 4% to £87m, including National Insurance (2012: £84m).

Other operating charges increased by 8%, mainly as a result of continued investment in new technology, in particular new data centres, property and the growing Middle East firm. We maintained tight control over other discretionary operating costs.

Staff pensions

Just over 13,000 of our staff are active members of the firm's defined contribution pension arrangements.

Following the 31 March 2011 triennial actuarial funding reviews of the defined benefit schemes, the firm agreed to contribute £115m in deficit reduction payments, of which £74m had been paid by the year-end, with a further £41m due over the next three years. The defined benefit schemes are all closed to future service accrual and new members.

The accounting valuations undertaken for the purpose of these financial statements at 30 June 2013 indicate a combined defined benefit pension deficit of £33m, compared with £79m in the prior year. The decrease in the deficit primarily reflects an increase in the discount rate used to value liabilities, together with asset returns in the period.

The next full actuarial review for funding purposes is at 31 March 2014. Due to the different actuarial assumptions used, the funding deficit arising from this review is likely to be larger than the £33m accounting deficit referred to above.

Net assets and financing

Our balance sheet remains healthy, with net assets of £612m (2012: £573m).

The Group is financed through a combination of members' capital, undistributed profits and borrowing facilities. Members' capital contributions totalling £189m (2012: £165m) are determined by the Executive Board with the approval of the Supervisory Board, having regard to the working capital needs of the business. They are set by reference to an individual member's equity unit profit share and are repayable, following the member's retirement.

The Group's working capital loan facilities totalled £322m at the year-end (2012: £311m). The Group's principal facility was renewed in June 2011 under a £225m four-year arrangement that expires in June 2015. The Group's facilities are spread across a number of banks and are maintained at a level sufficient to cover the expected peak cash requirements of the business. For independence reasons, following our proposed appointment as auditors of HSBC, we will need to withdraw from £81m of our total facilities before 31 October 2014.

Our treasury focus is on making sure that there are sufficient funds available to finance the business and on managing foreign currency exposure.

Surplus cash is invested in short-term money market deposits. Hedging is undertaken to reduce risk. No speculative activity is permitted.

Members' profit shares

Members are remunerated solely out of the profits of the firm after adjusting for annuity payments to certain former partners and other equity adjustments. The final allocation and distribution of profit to individual members is made by the Executive Board, once their individual performance has been assessed and the annual financial statements have been approved. The Supervisory Board approves the process and oversees its application.

Each member's profit share comprises three interrelated profit-dependent components:

- Responsibility income – reflecting the member's sustained contribution and responsibilities.
- Performance income – reflecting how a member and their team(s) have performed.
- Equity unit income – reflecting the overall profitability of the firm.

Each member's performance income, which in the current year represents on average approximately 38% of their profit share (2012: 36%), is determined by assessing achievements against an individually tailored balanced scorecard of objectives, based on the member's role. These objectives include ensuring that we deliver quality services and maintain our independence and integrity. There is transparency among the members over the total income allocated to each individual.

Drawings

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

Tax policy

The firm is committed to being a responsible and compliant taxpayer in the countries where it operates. We conduct our own tax affairs in accordance with our Code of Conduct. We maintain appropriate processes and controls which are intended to avoid the risk of non-compliance with tax laws, filing and disclosure requirements. We engage openly with HM Revenue & Customs.

Responsibility for the conduct of the firm's tax affairs lies with the firm's Chief Financial Officer and is subject to scrutiny by the Executive and Supervisory Boards.

Understanding our financial performance

Total UK tax contribution

Our firm makes a significant contribution to the UK public purse through the taxes paid by our members, the business and employees. In total, this is estimated to be £960m in respect of the past year (2012: £975m).

The Group and its members contribute to UK government finances through taxes borne and taxes collected. We pay a range of taxes including income tax, capital gains tax, employment taxes, corporation tax, property taxes, indirect taxes and environmental taxes.

The largest tax borne by the members of the LLP is on the profits distributed to them. Partner income tax and National Insurance contributions payable by partners on current year distributable profits is estimated at £257m (2012: £266m).

In respect of the current year, members of the LLP each bear income tax at close to 40% on their first £150,000 of distributable profit share and at 45% for amounts thereafter (down from 50% in the prior year) together with a further 2% National Insurance contribution. This results in a 2013 average effective tax rate for partners in the LLP of approximately 43% (2012: 47%). The LLP administers the payment of partner taxes and makes periodic allocations of profit to cover payment of these tax liabilities.

In addition to partner taxes, a further £133m (2012: £138m) of business taxes was borne by the UK Group, with the largest element being National Insurance contributions, reflecting the fact that people are essential to our business.

As well as taxes borne, the Group collected taxes on behalf of the UK government of £570m (2012: £571m), comprising employment taxes and indirect taxes. These taxes are an indication of the value we add in society through our business activities. They demonstrate our wider economic impact and overall contribution to the economy.

Creditor payment policy

We seek to agree commercial payment terms with our suppliers and, provided performance is in accordance with these terms, to make payments accordingly. The number of days outstanding between receipt of invoice and date of payment, calculated by reference to the amount owed in respect of the Group's trade payables at the year-end as a proportion of the total amounts invoiced by suppliers and overseas PwC member firms during the year, was 30 days (2012: 28 days).

Total UK tax contribution to 30 June 2013

	30 June 2013 £m	30 June 2012 £m
Taxes paid/payable		
Partner tax and NIC payable on current year distributable profits	257	266
Employers' NIC	97	100
Business rates	22	22
Corporation tax	4	7
PAYE/NIC on benefits	6	5
Other	4	4
	390	404
Taxes collected		
Net VAT	297	285
PAYE	218	229
Employees' NIC	55	57
	570	571
Total	960	975

Political donations

PwC has no political affiliation. The firm does not make any cash donations to any political party or other groups with a political agenda. However, in the interests of the firm and its clients, we seek to develop and maintain constructive relationships with the main political parties. In pursuit of this objective, we may, subject to the agreement of the Executive Board, provide limited non-cash assistance to those parties in areas where we have appropriate expertise.

Our people provide limited and fully disclosed technical support to the main political parties in areas where our expertise and knowledge of the business environment can help them better understand technical matters and the consequences of their policy proposals. We do not develop policy on their behalf. Areas of assistance may include observations on the improvement of legislation or proposed legislation and the exchange of information relevant to effective policy development. In considering any assistance, the Executive Board has regard to the possible impact on clients of the firm and the firm's overall reputation.

All of the support we provide to the political parties is recorded and reported to the Electoral Commission (www.electoralcommission.org.uk), which publishes a detailed breakdown of the work undertaken and the amount that would otherwise have been charged to the political party (as reported to the Electoral Commission).

In the period covered by this report, we provided a total of some 4,827 hours of free technical support to political parties during the year (2012: 3,454 hours). The value of this work, as reported to the Electoral Commission, was £0.5m (2012: £0.4m) and comprised 2,520 hours to the Labour Party and 2,307 to the Liberal Democrat Party. Over the years we have supported requests from each of the main political parties. Throughout this period the trend has been that we have provided more hours to the opposition parties as they have less support infrastructure.

Designated members

The designated members (as defined in the Limited Liability Partnerships Act 2000) of PricewaterhouseCoopers LLP during the whole of the year were Ian Powell, Kevin Ellis and Keith Tilson. Owen Jonathan was a designated member until he resigned on his retirement on 31 December 2012.

Auditors

The independent auditor, Crowe Clark Whitehill LLP, has indicated its willingness to be reappointed.

Going concern

The Executive Board has a reasonable expectation that the Group has adequate financial resources to meet its operational needs for the foreseeable future and therefore the going concern basis has been adopted in preparing the financial statements.

Statement of members' responsibilities in respect of the financial statements

The Companies Act 2006, as applied to limited liability partnerships, requires members to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of both PricewaterhouseCoopers LLP and the Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently, subject to any changes disclosed and explained in the financial statements
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the LLP or Group will continue in business.

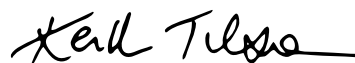
The members are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006, as applied to limited liability partnerships.

They are also responsible for safeguarding the assets of the LLP and Group, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are fulfilled by the Executive Board on behalf of the members.

The Executive Board confirms that it has complied with the above requirements in preparing the financial statements.

On behalf of the Executive Board



Keith Tilson
Chief Financial Officer



Ian Powell
Chairman and Senior Partner

9 August 2013

Independent auditor's report to the members of PricewaterhouseCoopers LLP

We have audited the financial statements of PricewaterhouseCoopers LLP for the year ended 30 June 2013 which comprise the consolidated income statement, consolidated statement of comprehensive income, Group and LLP statements of financial position, Group and LLP statements of cash flows, Group and LLP statements of changes in members' equity and the related notes numbered 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent LLP financial statements, as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships.

This report is made solely to the LLP's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the statement of members' responsibilities in respect of the financial statements, included in the members' report, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent LLP's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the designated members; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Group and the parent LLP as at 30 June 2013 and of the profit of the Group for the year then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the parent LLP financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, as applied to limited liability partnerships, and
- the financial statements have been prepared in accordance with the Companies Act 2006, as applied to limited liability partnerships.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006, as applied to limited liability partnerships, requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent LLP, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent LLP financial statements are not in agreement with the accounting records and returns, or
- we have not received all the information and explanations we require for our audit.



Steve Gale FCA
Senior Statutory Auditor

For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

9 August 2013

Consolidated income statement for the year ended 30 June 2013

	Note	2013 £m	2012 £m	Increase
Revenue	2	2,689	2,621	3%
Expenses and disbursements on client assignments		(320)	(317)	1%
Net revenue		2,369	2,304	3%
Staff costs	3	(1,142)	(1,144)	–
Depreciation, amortisation and impairment	4	(35)	(32)	
Other operating charges	4	(427)	(396)	8%
Operating profit		765	732	
Finance income	5	81	98	
Finance expense	5	(98)	(94)	
Profit on ordinary activities before taxation		748	736	2%
Tax expense in corporate subsidiaries	6	(8)	(9)	
Profit for the financial year before members' profit shares		740	727	2%
Profit available for division among members	19	680	672	1%
Profit attributable to non-controlling interests	19	60	55	9%
Profit for the financial year		740	727	2%

Consolidated statement of comprehensive income for the year ended 30 June 2013

	Note	2013 £m	2012 £m
Profit for the financial year		740	727
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges	21	(1)	1
Other comprehensive (expense) income for the year		(1)	1
Total comprehensive income for the year		739	728
Total comprehensive income for the year attributable to:			
Members		679	673
Non-controlling interests		60	55
Total comprehensive income for the year		739	728

There is no tax on the cash flow hedges component of other comprehensive (expense) income.

Statements of financial position at 30 June 2013

	Note	2013 £m	Group 2012 £m	2013 £m	LLP 2012 £m
Non-current assets					
Property, plant and equipment	8	172	153	1	1
Intangible assets	9	30	19	5	7
Goodwill	9	43	41	6	6
Investments	10	8	5	58	54
Interests in joint ventures	10	1	–	–	–
Retirement benefit assets	17	249	262	249	262
		503	480	319	330
Current assets					
Trade and other receivables	11	824	788	610	595
Cash and cash equivalents	12	236	159	204	130
		1,060	947	814	725
Total assets		1,563	1,427	1,133	1,055
Current liabilities					
Trade and other payables	13	(600)	(547)	(311)	(290)
Corporation tax		(13)	(13)	–	–
Borrowings	14	(41)	(23)	–	–
Provisions	15	(4)	(5)	(3)	(4)
Members' capital	16	(18)	(13)	(18)	(13)
		(676)	(601)	(332)	(307)
Non-current liabilities					
Borrowings	14	(10)	(13)	–	–
Provisions	15	(52)	(54)	(22)	(25)
Deferred tax liabilities	18	(1)	–	–	–
Members' capital	16	(171)	(152)	(171)	(152)
Other non-current liabilities	13	(41)	(34)	–	–
		(275)	(253)	(193)	(177)
Total liabilities		(951)	(854)	(525)	(484)
Net assets		612	573	608	571
Equity					
Members' reserves	19	628	590	608	571
Non-controlling interests	19	(16)	(17)	–	–
Total equity		612	573	608	571
Total members' interests					
Members' capital	16	189	165	189	165
Members' reserves	19	628	590	608	571
Amounts due from members (included in trade and other receivables)	19	(19)	(21)	–	–
Total members' interests	19	798	734	797	736

The financial statements on pages 39 to 67 were authorised for issue and signed on 9 August 2013 on behalf of the members of PricewaterhouseCoopers LLP, registered number OC303525, by:



Ian Powell



Keith Tilson

Statements of cash flows for the year ended 30 June 2013

	Group		LLP	
	2013 £m	2012 £m	2013 £m	2012 £m
Cash flows from operating activities				
Cash generated from operations (note 22)	821	645	695	526
Tax paid by corporate subsidiaries	(25)	(29)	–	–
Net cash inflow from operating activities	796	616	695	526
Cash flows from investing activities				
Purchase of property, plant and equipment	(52)	(48)	–	–
Purchase of intangible assets	(18)	(5)	(1)	(1)
Purchase of other businesses (net of cash acquired)	(4)	(5)	–	(2)
Proceeds from sale of property, plant and equipment	3	2	–	–
Purchase of investments	(3)	(2)	(4)	(2)
Purchase of interest in joint venture	(1)	–	–	–
Interest received	–	1	1	–
Net cash outflow from investing activities	(75)	(57)	(4)	(5)
Cash flows from financing activities				
Payments to members	(641)	(655)	(641)	(655)
Payments to non-controlling interests	(59)	(50)	–	–
Interest paid	(3)	(2)	–	–
Movement in borrowings	15	11	–	–
Compensating payment by members	20	18	–	–
Capital contributions by members	34	25	34	25
Capital repayments to members	(10)	(18)	(10)	(18)
Net cash outflow from financing activities	(644)	(671)	(617)	(648)
Net increase (decrease) in cash and cash equivalents	77	(112)	74	(127)
Cash and cash equivalents at beginning of year	159	271	130	257
Cash and cash equivalents at end of year (note 12)	236	159	204	130

Statements of changes in members' equity for the year ended 30 June 2013

	Available for division among members £m	Attributable to non-controlling interests £m	Group	LLP
			Total £m	Total £m
Balance at beginning of prior year	572	(22)	550	564
Profit for the financial year	672	55	727	664
Other comprehensive income (expense) for the year	1	–	1	(2)
Total comprehensive income	673	55	728	662
Allocated profit in financial year	(655)	(50)	(705)	(655)
Transactions with owners	(655)	(50)	(705)	(655)
Balance at end of prior year (note 19)	590	(17)	573	571
Profit for the financial year	680	60	740	678
Other comprehensive expense for the year	(1)	–	(1)	–
Total comprehensive income	679	60	739	678
Allocated profit in financial year	(641)	(59)	(700)	(641)
Transactions with owners	(641)	(59)	(700)	(641)
Balance at end of year (note 19)	628	(16)	612	608

1 Basis of preparation

These financial statements consolidate the results and financial position of PricewaterhouseCoopers LLP ('the LLP') and all its subsidiary undertakings (together 'the Group').

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the note to which the policy relates. All accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to limited liability partnerships (LLPs) reporting under IFRS.

The financial statements have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the accounting policies.

As permitted by section 408 of the Companies Act 2006, as applied to LLPs, no separate income statement is presented for the LLP.

The Group adopted IAS 1 (revised) 'Presentation of financial statements' during the year. The standard requires items presented in other comprehensive income to be grouped on the basis of whether or not they will be reclassified subsequently to profit or loss.

Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and constitute management's best judgement at the date of the financial statements. In the future, actual experience could differ from those estimates.

The principal estimates and judgements that could have a significant effect upon the Group's financial results relate to the fair value of unbilled revenue on client assignments, receivables valuation, provisions in respect of client claims, onerous property costs and goodwill impairment. In addition, the net deficit or surplus disclosed for each defined benefit pension scheme and subsidiary undertaking annuity provisions are sensitive to movements in the related actuarial assumptions, in particular those relating to discount rate, inflation and mortality. Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued. Further details of estimates and judgements are set out in the detailed notes to the financial statements.

Consolidation

Subsidiary undertakings are all entities over which the Group has the power to govern the financial and operating policies. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary undertaking is the fair values of the assets transferred and the liabilities incurred by the Group, including those from any contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiary undertakings have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the rates of exchange at the reporting date and the gains and losses on translation are included in the income statement.

The individual financial statements of the Group's subsidiary undertakings are presented in their functional currency. For the purpose of these consolidated financial statements, the results and financial position of each subsidiary undertaking are expressed in pounds sterling, which is the functional currency of the LLP, and the presentation currency for these consolidated financial statements.

The assets and liabilities of the Group's foreign undertakings are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on consolidation on the retranslation of foreign undertakings, if any, are recognised in other comprehensive income.

1 Basis of preparation continued

New standards and interpretations not yet adopted

The Group will adopt the revised version of IAS 19 'Employee benefits' for the accounting period to 30 June 2014.

The standard makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The most significant changes are that actuarial gains and losses will be recognised immediately in other comprehensive income, the net pension deficit or surplus will be recognised in the statement of financial position and interest cost and expected return on assets will be replaced by a single net interest amount calculated using a single discount rate. The impact of these changes in the year to 30 June 2013 would have been to decrease opening net assets and reserves by £341m, decrease net finance expense in the income statement by £10m and recognise £49m of actuarial gains in the statement of other comprehensive income.

The following IFRS standards and amendments and IFRIC interpretations have been issued by the IASB, have not been early adopted and are not expected to have a material impact on the Group's results:

- IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', IFRS 12 'Disclosure of interests in other entities', IAS 27 'Separate financial statements' and IAS 28 (revised) 'Investments in associates and joint ventures' become effective for the accounting period to June 2015.
- Amendment to IAS 32 'Financial instruments: Presentation' clarifies some of the requirements for offsetting financial assets and liabilities. The amendment is expected to be effective for the accounting period to June 2015.
- Amendment to IFRS 7 'Financial instruments: Disclosures' includes new disclosure to facilitate comparison between financial statements prepared in accordance with IFRS and those prepared in accordance with US GAAP. The amendment is expected to be effective for the accounting period to June 2014.
- IFRS 9 'Financial instruments' addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. The standard is the first step in the project to replace IAS 39, and the IASB also intends to add new requirements on hedge accounting and impairment. IFRS 9 is expected to be effective for the accounting period to June 2016.
- IFRS 13 'Fair value measurement' is effective for the accounting period to June 2014. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

2 Revenue

Revenue represents amounts recoverable from clients for professional services provided during the year. It is measured at the fair value of consideration received or receivable on each client assignment, including expenses and disbursements and excluding Value Added Tax. Revenue is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow.

Revenue recognition occurs in the period in which services are rendered by reference to the stage of completion, which is assessed on actual services provided as a proportion of total services to be provided.

Revenue in respect of contingent fee assignments (over and above any agreed minimum fee) is only recognised when the contingent event occurs.

Unbilled revenue on individual client assignments is included as unbilled amounts for client work within trade and other receivables. Where individual on-account billings exceed revenue on client assignments, the excess is classified as progress billings for client work within trade and other payables.

3 Staff costs

Group

	2013 £m	2012 £m
Salaries, including termination benefits of £9m (2012: £11m)	971	977
Social security costs	102	103
Pension costs in respect of defined contribution scheme (note 17)	69	64
	1,142	1,144

Salaries include wages and salaries, bonuses, employee benefits and termination benefits.

The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees before their retirement or providing termination benefits as a result of an offer made to encourage voluntary severance.

The average monthly number of employees during the year was 17,420, including practice support staff of 3,333 (2012: 17,617, including practice support staff of 3,534).

LLP

There were no employees in the LLP during the year (2012: nil).

4 Other operating costs

Depreciation, amortisation and impairment

	2013 £m	2012 £m
Depreciation of property, plant and equipment (note 8)	28	24
Amortisation of intangible assets (note 9)	7	7
Impairment of goodwill (note 9)	–	1
	35	32

Other operating charges

Other operating charges include:

	2013 £m	2012 £m
Operating lease rentals:		
– land and buildings	68	76
– plant and machinery	8	9
	76	85

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease. Lease incentives are also recognised on a straight-line basis as a reduction of rental expense over the lease term or to the first break clause where applicable.

There were no profits on disposal of business included within other operating charges in the year to 30 June 2013 (2012: £3m).

Total fees and expenses payable to the auditors, Crowe Clark Whitehill LLP, for the year ended 30 June 2013 were £0.4m (2012: £0.5m). Of these, audit fees relating to the LLP and Group consolidation were £0.3m (2012: £0.4m) and other services in respect of the audit of subsidiary companies and audit related assurance were £0.1m (2012: £0.1m).

5 Finance income and expense

	2013 £m	2012 £m
Finance income		
Interest receivable	–	1
Expected return on pension scheme assets (note 17)	81	97
	81	98
Finance expense		
Interest payable	(3)	(2)
Unwinding of discount on provisions (note 15)	(1)	(2)
Amortisation of actuarial losses on retirement benefits (note 17)	(16)	(2)
Interest cost on pension scheme obligations (note 17)	(78)	(88)
	(98)	(94)
Net finance (expense) income	(17)	4

6 Tax expense in corporate subsidiaries

Certain companies in these consolidated financial statements are subject to corporate taxes based on their profits for the financial year. Income tax payable on the profits of the LLP and other LLPs consolidated within the Group is solely the personal liability of the individual members of those LLPs and consequently is not dealt with in these financial statements.

The charge to tax, which arises in the corporate subsidiaries included within these financial statements, is:

	2013 £m	2012 £m
Current tax on income of corporate subsidiaries for the year	25	25
Compensating payment due from LLP members	(18)	(19)
Deferred tax movements (note 18)	1	3
Tax expense in corporate subsidiaries	8	9

In accordance with UK transfer pricing legislation, the UK corporation tax expense in subsidiary undertakings includes an additional amount in respect of the taxable profits of those subsidiaries. The cost of this will be fully met by compensating payments made by LLP members direct to the relevant subsidiaries.

The following table reconciles the tax expense at the standard rate to the actual tax expense:

	2013 £m	2012 £m
Profit on ordinary activities of corporate entities before tax	27	23
Tax expense at UK standard rate of 23.75% (2012: 25.5%)	6	6
Impact of items not deductible for tax purposes	7	6
Adjustment to tax charge in respect of prior years	(4)	(2)
Effect of different tax rates in which the Group operates	(1)	(1)
	8	9

7 Members' profit shares

Excluding members on secondment overseas, the average profit per member based on these financial statements was £810,000 (2012: £798,000), calculated by dividing the total profit available for division among members by the average number of members in the UK.

The Chairman is the member with the largest entitlement to profit. The Executive Board represents key management personnel for the purposes of these financial statements.

7 Members' profit shares continued

The final allocation and distribution of profit to members is made after the financial statements have been approved. Based on these financial statements the estimated profit attributable to the Chairman is £4.2m (2012: actual profit £4.0m, estimated profit £4.0m). The estimated profit attributable to the thirteen (2012: eleven) members of the Executive Board amounts to £25.0m (2012: actual profit attributable of £22.2m, estimated profit attributable of £22.4m).

The actual profits finally distributed to members are calculated after deducting their personal obligations to make annuity payments to certain former members and after equity adjustments. The distributable profit shares for the year to 30 June are:

	2013 Estimate	2012 Actual	2012 Estimate
Average per member (excluding members on secondment overseas)	£705,000	£679,000	£679,000
Chairman	£3.6m	£3.3m	£3.4m
Executive Board (2013: thirteen members; 2012: eleven members)	£21.5m	£18.5m	£18.7m

The average monthly number of LLP members during the year was:

	2013 Number	2012 Number
UK members	840	842
Members on secondment overseas	34	30
	874	872

The amount invested by all members in the business, represented by total members' interests divided by the number of members at 30 June 2013, amounts to an average investment per member of £925,000 (2012: £848,000). The investment in the business at 30 June 2013 of the Chairman, represented by his estimated share of total members' interests, was £3.7m (2012: actual investment £3.5m, estimated investment £3.5m).

8 Property, plant and equipment

Group

	Freehold property £m	Leasehold property £m	Fittings, furniture and equipment £m	Total £m
Cost				
At beginning of prior year	6	27	207	240
Additions	–	4	44	48
Disposals	–	–	(31)	(31)
Transfer between asset classes	–	37	(37)	–
At end of prior year	6	68	183	257
Additions	–	13	39	52
Disposals	–	(11)	(19)	(30)
At end of year	6	70	203	279
Accumulated depreciation				
At beginning of prior year	1	18	90	109
Depreciation charge for the year	–	3	21	24
Disposals	–	–	(29)	(29)
At end of prior year	1	21	82	104
Depreciation charge for the year	–	4	24	28
Disposals	–	(10)	(15)	(25)
At end of year	1	15	91	107
Net book amount at end of prior year	5	47	101	153
Net book amount at end of year	5	55	112	172

8 Property, plant and equipment continued

Property, plant and equipment is measured at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided on a straight-line basis from the point the asset is available for use over the following estimated useful lives:

Freehold property	50 years
Leasehold property	50 years or shorter leasehold term
Fittings and furniture	10–20 years or shorter leasehold term
Equipment	3–5 years

Repairs and maintenance costs arising on property, plant and equipment are charged to the income statement as incurred.

Group capital commitments contracted but not provided for at 30 June 2013 amounted to £14m (2012: £30m); there were no capital commitments in the LLP. Included within property, plant and equipment are £11m (2012: £15m) of assets under construction. The capital commitments contracted but not provided for and assets under construction relate principally to the refurbishment of office premises at 1 Embankment Place.

The transfer between fittings, furniture and equipment and leasehold property in the prior year represented the final classification of the fit out costs at our 7 More London office premises.

LLP

	Leasehold property £m
Cost	
At beginning of prior and current year	15
Disposals	(9)
At end of year	6
Accumulated depreciation	
At beginning of prior and current year	14
Disposals	(9)
At end of year	5
Net book amount at end of prior year	1
Net book amount at end of year	1

9 Intangible assets and goodwill

Group

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	8	59	67	40
Additions	–	5	5	–
Acquisition of subsidiaries	–	–	–	6
At end of prior year	8	64	72	46
Exchange differences	1	–	1	1
Additions	–	18	18	–
Acquisition of subsidiaries	–	–	–	3
Final fair value adjustments on prior period acquisitions	–	–	–	(2)
Disposals	–	(4)	(4)	–
At end of year	9	78	87	48
Accumulated amortisation/impairment				
At beginning of prior year	3	43	46	4
Amortisation charge for the year	–	7	7	–
Impairment charge for the year	–	–	–	1
At end of prior year	3	50	53	5
Amortisation charge for the year	1	6	7	–
Disposals	–	(3)	(3)	–
At end of year	4	53	57	5
Net book amount at end of prior year	5	14	19	41
Net book amount at end of year	5	25	30	43

Intangible assets

Customer relationship intangible assets are recognised at fair value on the acquisition of a business and are amortised on a straight-line basis over the expected useful economic life of the relationship, typically three to ten years.

Computer software comprises purchased software licences and costs directly associated with the development of software for internal use in the business that will generate future economic benefits. Computer software is measured at cost less accumulated amortisation and any recognised impairment loss. Amortisation is provided on a straight-line basis over the expected useful economic lives, typically three to five years.

Goodwill

On the acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities acquired. Goodwill arises where the fair value of the consideration given for a business exceeds the fair value of such assets, liabilities and contingent liabilities. Goodwill arising on acquisitions is capitalised with an indefinite useful life and tested annually for impairment. For the purposes of impairment testing goodwill is allocated to the cash generating units that are expected to benefit from the business combination in which the goodwill arose.

The largest element of the goodwill held within the Group is £30m in respect of the firm's strategic alliance in the Middle East, which is considered to be a single cash generating unit. The recoverable amount for goodwill has been determined based on value in use, being the present value of future cash flows based on three year financial budgets approved by management. An average annual revenue growth assumption of 18% has been used (2012: 18%). Cash flows for the periods beyond the approved financial budgets have been extrapolated using a 5% historic long-term GDP annual regional growth rate (2012: 5%). The discount rate applied against the anticipated future cash flows is based on a pre-tax estimated weighted average cost of capital of 12% (2012: 12%). A reasonable change in the key assumptions does not have a significant impact on the difference between value in use and the carrying value.

9 Intangible assets and goodwill continued

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Acquisitions

During the year the Group acquired 100% interests in PRPi Consulting Limited and Vantage Performance Solutions Limited (renamed PwC Performance Solutions Limited) for combined consideration of £5m. The fair values of assets and liabilities recognised on acquisition are estimated and approximate to pre-acquisition carrying value based on the respective accounts prepared as at the acquisition date. The combined net asset value, pending final valuation, was £2m. The goodwill recognised of £3m is attributable to the companies' existing workforce.

In the prior year the Group acquired the trade, assets and liabilities of PRTM Management Consultants Limited, together with a 100% interest in PRTM Management Consultants Middle East FZ-LLC (together PRTM). During the current year, the Group has completed the exercise of attributing fair values to assets and liabilities acquired with PRTM. As a result, final fair value adjustments have been made resulting in a decrease in goodwill of £2m.

LLP

	Customer relationships £m	Computer software £m	Total intangible assets £m	Goodwill £m
Cost				
At beginning of prior year	1	12	13	4
Additions	–	1	1	2
At end of prior year	1	13	14	6
Additions	–	1	1	–
At end of year	1	14	15	6
Accumulated amortisation				
At beginning of prior year	1	3	4	–
Amortisation charge for the year	–	3	3	–
At end of prior year	1	6	7	–
Amortisation charge for the year	–	3	3	–
At end of year	1	9	10	–
Net book amount at end of prior year	–	7	7	6
Net book amount at end of year	–	5	5	6

10 Investments and interests in joint ventures

	Group			LLP
	Other investments £m	Other investments £m	Investments in subsidiary undertakings £m	Total £m
Cost				
At beginning of prior year	3	3	52	55
Acquisitions	2	2	–	2
At end of prior year	5	5	52	57
Acquisitions	3	3	1	4
At end of year	8	8	53	61
Accumulated impairment				
At beginning of prior year	–	–	2	2
Impairment charge for the year	–	–	1	1
At end of prior year	–	–	3	3
Impairment charge for the year	–	–	–	–
At end of year	–	–	3	3
Net book amount at end of prior year	5	5	49	54
Net book amount at end of year	8	8	50	58

Other investments

Unquoted investments with no reliable measure of fair value are stated at cost less impairment. Income from these investments is recognised in the income statement when entitlement is established.

Other investments include a 14% holding in PwC Network Holdings Pte Limited, acquired on 18 June 2013, a company which invests in firms in the PwC network. The Group is committed to making further contributions to its investment in PwC Network Holdings Pte Limited of up to 0.5% of the Group's net revenue for the financial years ending 30 June 2014 and 2015.

Other investments also include holdings in and subordinated loan notes from entities that provide services to PwC network firms around the world.

Notes to the financial statements continued

10 Investments and interests in joint ventures continued

Investment in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment.

The financial statements consolidate the results and financial position of the Group, including the principal subsidiary undertakings listed below.

Companies	Principal activity
PricewaterhouseCoopers Services Limited	Service company and employment of staff
PricewaterhouseCoopers (Resources)	Employment of staff
PricewaterhouseCoopers (Middle East Group) Limited	Professional services
PricewaterhouseCoopers Overseas Limited	Professional services
Diamond Advisory Services Limited	Professional services
PricewaterhouseCoopers Advisory Services Limited	Professional services
PRPi Consulting Limited	Professional services
PwC Performance Solutions Limited	Professional services
Fire Station Operating Company Limited	Social enterprise
Limited Liability Partnerships	
PricewaterhouseCoopers CI LLP	Professional services
PricewaterhouseCoopers Legal LLP	Legal services

All subsidiary shareholdings are 100% owned and the companies incorporated in Great Britain, except for PricewaterhouseCoopers (Middle East Group) Limited which is incorporated in Guernsey, with the Group owning 100% of the ordinary shares and the local Middle East partners owning 'B' shares. In accordance with IAS 27 the Group has control as a result of owning 100% of the ordinary shares. The 'B' shares provide certain income access rights for local Middle East partners.

In accordance with IAS 27 the Group has consolidated the results of PricewaterhouseCoopers Legal LLP, though the members of PricewaterhouseCoopers LLP do not share in its profits.

The profit and capital attributable to members of PricewaterhouseCoopers Legal LLP is shown as a non-controlling interest in the consolidated financial statements, as is the non-controlling interest profit and capital attributable to members of PricewaterhouseCoopers CI LLP and the Middle East partners of PricewaterhouseCoopers (Middle East Group) Limited.

Interests in joint ventures

On 9 April 2013, the Group acquired an interest in a joint venture, Skyval Holdings LLP, for a total consideration of £1m. Skyval develops, maintains and licenses pension related software. The Group has 50% voting control and owns 20% of the equity with a 50% share of the profits and losses over the first three years, reducing to 20% thereafter. The Group's share of the net assets, liabilities, revenue and the results of the joint venture, are as follows:

Joint Venture	Country of incorporation	Assets £m	Liabilities £m	Revenue £m	Profit £m
Skyval Holdings LLP	United Kingdom	1	–	–	–

The Group's interests in jointly controlled entities are consolidated using the equity method of accounting. The investment is initially recognised at cost and the carrying value is increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition. The Group's share of profit or loss is recognised in the income statement with a corresponding adjustment to the carrying amount of the investment.

11 Trade and other receivables

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Client receivables	404	383	336	332
Due from PwC network firms	42	50	38	35
Trade receivables	446	433	374	367
Amounts due from members	19	21	–	–
Other receivables	27	28	6	7
Prepayments	58	59	4	6
Unbilled amounts for client work	274	247	226	215
	824	788	610	595

Trade receivables are measured initially at fair value and held at amortised cost less provisions for impairment. Provisions for impairment represent an allowance for doubtful debts that is estimated, based upon current observable data and historical trends.

Unbilled amounts for client work are measured initially at fair value and held at amortised cost less provisions for foreseeable losses.

Group and LLP trade receivables are primarily denominated in sterling. £79m of the Group's trade receivables are denominated in US dollars/US dollar linked currencies (2012: £63m) and £17m are denominated in euros (2012: £19m). The carrying value of trade and other receivables in the Group and LLP is consistent with fair value in the current and prior year.

The other classes of assets within trade and other receivables are primarily denominated in sterling and do not contain impaired assets.

The ageing and credit risk relating to trade receivables is analysed as follows:

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
30 days or less, fully performing	291	282	248	244
31 to 180 days, past due and fully performing	152	148	123	121
More than 180 days, past due and impaired	19	18	15	13
Impairment provision	(16)	(15)	(12)	(11)
	446	433	374	367

Movements in the impairment provision on trade receivables were as follows:

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Balance at beginning of year	(15)	(17)	(11)	(14)
Charged to the income statement	(11)	(10)	(8)	(7)
Released unused during the year	7	7	4	6
Utilised during year	3	5	3	4
Balance at end of year	(16)	(15)	(12)	(11)

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

12 Cash and cash equivalents

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Cash at bank and in hand	27	30	2	1
Short-term deposits	209	129	202	129
	236	159	204	130

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Fair values of cash and cash equivalents approximate to carrying value owing to the short maturity of these instruments.

Group cash and cash equivalent balances are primarily denominated in sterling, with £21m being denominated in US dollars/US dollar linked currencies (2012: £21m) and £12m being denominated in euros (2012: £10m).

13 Trade and other payables

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Current				
Trade payables	96	70	–	–
Amounts owed to Group undertakings	–	–	157	174
Other payables including taxation and social security	137	128	48	33
Accruals	256	259	8	8
Progress billings for client work	111	90	98	75
	600	547	311	290

Trade and other payables are measured at amortised cost.

Group trade payables are primarily denominated in sterling, with £33m being denominated in US dollars/US dollar linked currencies (2012: £15m) and £17m being denominated in euros (2012: £13m). The carrying value of trade and other payables in the Group and LLP is consistent with fair value in the current and prior year. Group current trade payables include amounts owing to PwC network firms totalling £63m (2012: £53m).

Other current payables including taxation and social security comprise:

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Other taxes and social security	83	87	–	–
Other payables	54	41	48	33
	137	128	48	33

Other non-current liabilities

Group other non-current liabilities of £41m represent capital loans provided by non-controlling interest partners in subsidiary undertakings consolidated into the Group (2012: £34m).

14 Borrowings

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Current				
Bank borrowings	26	10	–	–
Other loans	15	13	–	–
	41	23	–	–
Non-current				
Bank borrowings	1	3	–	–
Other loans	9	10	–	–
	10	13	–	–
Total borrowings	51	36	–	–

Borrowings are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The carrying values of borrowings approximate their fair value.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The Group's borrowings at 30 June 2013 and 30 June 2012 were unsecured and denominated in US dollars.

All non-current borrowings mature within one to five years.

15 Provisions and contingent liabilities

	Group				LLP		
	Annuities £m	Client claims £m	Property £m	Total £m	Client claims £m	Property £m	Total £m
Balance at beginning of prior year	12	19	27	58	18	18	36
Income statement:							
– Charge for the year	4	6	4	14	6	1	7
– Released unused during the year	–	(3)	(2)	(5)	(3)	(2)	(5)
– Unwinding of discount	1	–	1	2	–	–	–
– Actuarial losses	2	–	–	2	–	–	–
Cash payments	(1)	(5)	(6)	(12)	(4)	(5)	(9)
Balance at end of prior year	18	17	24	59	17	12	29
Income statement:							
– Charge for the year	2	5	3	10	4	2	6
– Released unused during the year	–	(2)	–	(2)	(2)	–	(2)
– Unwinding of discount	1	–	–	1	–	–	–
Cash payments	(3)	(3)	(6)	(12)	(3)	(5)	(8)
Balance at end of year	18	17	21	56	16	9	25

15 Provisions and contingent liabilities continued

Disclosed as:

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Current	4	5	3	4
Non-current	52	54	22	25
	56	59	25	29

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Annuities

The Group financial statements consolidate the provision made for the annuities payable by certain subsidiary undertakings to the non-controlling interest partners in those undertakings, principally in relation to the Middle East. These partners are not members of the LLP and the annuities are unfunded. The provision reflects the present value of the obligations arising from service to date. Any changes in the provision for these annuities arising from changes in entitlements or in financial estimates and actuarial assumptions are recognised in the income statement. The unwinding of the discount is presented in the income statement as a finance expense. When the entitled individuals retire and their annuities come into payment, these payments are shown as a movement against the provision.

The principal actuarial assumptions that have been used in calculating the annuities provision are an assumed retirement age of 57 (2012: assumed retirement age of 57), with a discount rate of 4.6% (2012: 4.3%) and an inflation rate of 2.5% for US dollar denominated annuities (2012: 2.5%). The discount rates are based on the yield on corporate bonds.

Members of the LLP are required to make their own provision for pensions and do so mainly through contributions to personal pension policies and other appropriate investments. Members, in their capacity as partners in the PricewaterhouseCoopers United Kingdom Partnership, have agreed to pay pension annuities and other post-retirement payments to certain former partners of that partnership and the widows and dependants of deceased former partners. These annuities and other post-retirement payments are personal obligations of the individuals and are not obligations of, or guaranteed by, the LLP or its subsidiary undertakings. Accordingly, these annuities are not recognised within these financial statements.

Client claims

In common with comparable professional practices, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims. Provision representing the cost of defending and concluding claims is made in the financial statements for all claims where costs are likely to be incurred. The Group carries professional indemnity insurance and no separate disclosure is made of the detail of claims or the costs covered by insurance, as to do so could seriously prejudice the position of the Group.

Property

Provisions are recognised for obligations under property contracts that are onerous and to restore premises to their original condition upon vacating them, where such an obligation exists under the lease. The provisions are based on estimated future cash flows that have been discounted to present value, with the unwinding of that discount presented in the income statement as a finance expense. The onerous lease provision covers residual lease commitments up to the end of the lease and is after allowing for existing or expected sublet rental income, with most of the provision expecting to unwind over the next five years.

The property provisions are based on estimated future cash flows that have been discounted to present value at an average rate of 3.8% (2012: 3.2%).

Contingent liabilities

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or present obligations where the outflow of resources is uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements, but are disclosed unless they are remote. The Group's policy on client claims is disclosed above.

The Group has entered into US \$30m (2012: US \$10m) guarantees with third-party banks in connection with work performed in foreign territories.

15 Provisions and contingent liabilities continued

The LLP has entered into a US \$52m (2012: US \$52m) loan guarantee with a third-party bank in connection with a loan to an entity in the PwC global network.

The LLP has provided guarantees in respect of the future lease commitments of a subsidiary company, totalling £744m over the remaining lease terms (2012: £764m), for the office premises at 7 More London and 1 Embankment Place.

The LLP guarantees the bank borrowings of a subsidiary company, which is included in the consolidated statement of financial position. At the year-end, the relevant subsidiary company bank borrowings were nil (2012: nil).

Financial guarantees are initially measured at fair value and subsequently measured at the higher of their initial fair value, less amounts recognised in the income statement, and the best estimate of the amount that will be required to settle the obligation.

16 Members' capital

	Group and LLP £m
Balance at beginning of prior year	158
Contributions by members	25
Repayments to members	(18)
Balance at end of prior year	165
Contributions by members	34
Repayments to members	(10)
Balance at end of year	189

Members' capital due to members retiring within one year is shown as current, as it will be repaid within 12 months of the reporting date. Total members' capital analysed by repayable dates is as follows:

	Group and LLP 2013 £m	Group and LLP 2012 £m
Current	18	13
Non-current	171	152
	189	165

Members' capital, which is measured at fair value, is classified as a financial liability.

Members' capital contributions are determined by the Executive Board with the approval of the Supervisory Board, having regard to the working capital needs of the business. Individual members' capital contributions are set by reference to equity unit profit share proportions and are not repayable until the member retires.

The carrying value of members' capital liabilities (Group and LLP) is consistent with fair value in the current and prior year.

17 Retirement benefits

Defined contribution scheme

As at the end of June 2013 there were 13,129 members of the firm's defined contribution scheme (2012: 9,109), of which 2,739 members were auto enrolled (2012: nil). The Group's contributions to the scheme are charged to the income statement as they fall due. Costs of £69m (2012: £64m) were recognised by the Group in respect of the scheme. Costs of the defined contribution scheme in the LLP were nil (2012: nil).

17 Retirement benefits continued

Defined benefit schemes

The Group's two defined benefit pension schemes are the PwC Pension Fund (Fund) and the DH&S Retirement and Death Benefits Plan (Plan). Both of the Group's defined benefit pension scheme arrangements are closed to future service accrual, although certain current employee member benefits remain linked to final salary. Both schemes are funded and their assets are held separately from those of the Group. The liabilities arising in the defined benefit schemes are assessed by independent actuaries, using the projected unit credit method. Both schemes are valued formally every three years, with the last valuation dated 31 March 2011.

The net deficit or surplus in each scheme is calculated in accordance with IAS 19, based on the present value of the defined benefit obligation at the reporting date, less the fair value of the scheme assets.

The Group's income statement includes the current service cost of providing pension benefits, the expected return on scheme assets and the interest cost on scheme obligations. Past service costs arising from changes to scheme benefits are recognised immediately in the income statement, unless the benefits are conditional on the employees remaining in service for a specified period of time, in which case the past service costs are amortised over that vesting period.

Actuarial gains and losses arising from experience adjustments and changes to actuarial assumptions are not recognised for each scheme unless the cumulative unrecognised gain or loss at the end of the previous reporting period exceeds 10% of the greater of the present value of the defined benefit obligation and the fair value of the scheme assets. In this case the excess is recognised within finance income or expense over the expected average remaining service lives of the employees participating in the scheme.

Assumptions

The principal actuarial assumptions used for the purposes of these financial statements prepared under IAS 19 are:

	2013	2012	2011
Discount rate	4.6%	4.4%	5.5%
Inflation (RPI)	3.3%	2.8%	3.6%
Inflation (CPI)	2.3%	2.1%	2.9%
Expected rate of increase in salaries	2.8%	2.8%	3.6%
Expected rate of increase in pensions in payment	2.8%	2.5%	2.9%
Expected return on Fund assets	5.3%	4.8%	6.0%
Expected return on Plan assets	5.1%	4.8%	6.2%

The majority of liabilities for the Fund and the Plan are indexed on an RPI basis, while future increases to deferred member pensions before retirement increase using CPI.

Sensitivity analysis

The principal actuarial assumptions all have a significant effect on the IAS 19 accounting valuation. The following table shows the sensitivity of the present value of the defined benefit obligations to changes in these assumptions:

	Fund Increase £m	Plan Increase £m	Total £m
0.25% decrease to discount rate	54	32	86
0.25% increase to salary increases	3	1	4
0.25% increase to inflation	35	20	55
One year increase to life expectancy	21	13	34

17 Retirement benefits continued

The figures used in these financial statements assume that the mortality of the schemes' members will be in line with nationally published S1NA mortality tables, adjusted to reflect the longer life expectancy of members of the Group's schemes versus the standard table by a one year age rating for males and a half a year age rating for females, and with future improvements in line with Continuous Mortality Investigation (CMI) 2009 projections, with a 1.25% long-term rate. The following table illustrates the actual life expectancy for a current pensioner member aged 65 at 30 June and a future pensioner member aged 45 at 30 June:

	2013		2012	
	Fund Years	Plan Years	Fund Years	Plan Years
Life expectancy of current pensioners at age 65:				
– male	23.2	23.2	23.1	23.1
– female	25.0	25.0	24.9	24.9
Life expectancy of future pensioners at age 65:				
– male	25.0	25.0	24.9	24.9
– female	27.0	27.0	26.9	26.9

Income statement

The amounts recognised in the consolidated income statement are as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Finance income and expense						
Expected return on scheme assets	53	28	81	62	35	97
Interest cost	(51)	(27)	(78)	(57)	(31)	(88)
Amortisation of actuarial losses	(11)	(5)	(16)	–	(2)	(2)
	(9)	(4)	(13)	5	2	7

Statement of financial position

The amounts recognised in the Group and LLP statements of financial position are as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Fair value of scheme assets	1,180	647	1,827	1,110	611	1,721
Present value of defined benefit obligations	(1,216)	(644)	(1,860)	(1,175)	(625)	(1,800)
Net (deficit) surplus	(36)	3	(33)	(65)	(14)	(79)
Unrecognised actuarial losses	187	95	282	225	116	341
Retirement benefit asset	151	98	249	160	102	262

An analysis of the movement in the net retirement benefit asset recognised in the statements of financial position is as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
At beginning of year	160	102	262	112	69	181
Expected return on scheme assets	53	28	81	62	35	97
Interest cost	(51)	(27)	(78)	(57)	(31)	(88)
Contributions by employer	–	–	–	43	31	74
Amortisation of actuarial losses	(11)	(5)	(16)	–	(2)	(2)
At end of year	151	98	249	160	102	262

Notes to the financial statements continued

17 Retirement benefits continued

Scheme assets

The changes in defined benefit scheme assets were as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Fair value of scheme assets at beginning of year	1,110	611	1,721	1,035	568	1,603
Expected return on scheme assets	53	28	81	62	35	97
Actuarial gains (losses) on assets	47	23	70	(2)	(9)	(11)
Contributions by employer	–	–	–	43	31	74
Benefits paid	(30)	(15)	(45)	(28)	(14)	(42)
Fair value of scheme assets at end of year	1,180	647	1,827	1,110	611	1,721

The actual return on scheme assets in the year ended 30 June 2013 was a gain of £151m (2012: £86m gain).

The expected long-term rate of return on each asset class is as follows:

	2013	2012	2011
Equities	7.0%	6.7%	7.8%
Bonds	4.5%	4.2%	5.5%
Gilts	3.5%	2.9%	4.3%
Cash	3.2%	2.8%	4.0%

The expected return on assets is based on a projection of long-term investment returns for each asset class, with separate analysis provided for bonds and gilts. The calculation incorporates the expected return on risk-free investments and the historical risk premium associated with other invested assets.

The allocation and market value of assets of the defined benefit schemes were as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Equities	531	254	785	488	259	747
Bonds	258	178	436	191	123	314
Gilts	375	205	580	400	204	604
Cash	16	10	26	31	25	56
	1,180	647	1,827	1,110	611	1,721

Defined benefit obligations

The changes in defined benefit obligations were as follows:

	2013			2012		
	Fund £m	Plan £m	Total £m	Fund £m	Plan £m	Total £m
Present value of defined benefit obligation at beginning of year	(1,175)	(625)	(1,800)	(1,027)	(580)	(1,607)
Interest cost	(51)	(27)	(78)	(57)	(31)	(88)
Actuarial losses on obligations	(20)	(7)	(27)	(119)	(28)	(147)
Benefits paid	30	15	45	28	14	42
Present value of defined benefit obligation at end of year	(1,216)	(644)	(1,860)	(1,175)	(625)	(1,800)

17 Retirement benefits continued

Actuarial gains and losses

The history of actuarial experience adjustments on each of the schemes for the current and four previous financial years is as follows:

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Fund					
Fair value of scheme assets	1,180	1,110	1,035	873	735
Present value of defined benefit obligation	(1,216)	(1,175)	(1,027)	(960)	(806)
Net (deficit) surplus	(36)	(65)	8	(87)	(71)
Actuarial experience gains (losses) on assets	47	(2)	69	71	(109)
Actuarial (losses) gains on obligations due to experience	(1)	(33)	(5)	16	(4)
Plan					
Fair value of scheme assets	647	611	568	493	410
Present value of defined benefit obligation	(644)	(625)	(580)	(570)	(479)
Net surplus (deficit)	3	(14)	(12)	(77)	(69)
Actuarial experience gains (losses) on assets	23	(9)	32	38	(52)
Actuarial (losses) gains on obligations due to experience	–	23	2	5	(2)

Future cash funding

The most recent full actuarial valuations for both the Fund and the Plan were as at 31 March 2011, conducted under the new Scheme Funding Regulations (Pensions Act 2004). These valuations formed the basis for the update to 30 June 2013 used in these financial statements. For the year ended 30 June 2013, Mercer Ltd was the actuary for the Fund and the Plan.

Following the 31 March 2011 triennial valuation, the Group agreed to make £115m of additional contributions to the schemes by 30 June 2016, of which £74m has been paid. The Group expects to pay contributions of £15m in the next year, with the balance over the remaining two years.

18 Deferred tax

The movements in the Group's deferred tax assets and liabilities during the year were as follows:

	2013 £m	2012 £m
Balance of deferred tax assets at beginning of year	–	3
Charged to the income statement	–	(3)
Balance of deferred tax assets at end of year	–	–
Balance of deferred tax liabilities at beginning of year	–	–
Charged to the income statement	(1)	–
Balance of deferred tax liabilities at end of year	(1)	–

Deferred tax liabilities relate to temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, recognised using the liability method.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the financial statements continued

18 Deferred tax continued

Deferred tax is measured at the tax rates that are substantively enacted at the reporting date and expected to apply in the periods in which the temporary differences reverse.

Deferred tax is calculated using a tax rate of 24% for the period to 31 March 2013 and 23% thereafter (2012: 26% for the period to 31 March 2012 and 24% thereafter).

There was no deferred tax arising in the LLP.

19 Total members' interests

During the year the Executive Board sets the level of interim profit allocations and members' monthly drawings after considering the working capital needs of the Group. The final allocation of profits and distribution to members is made after assessing each member's contribution for the year and after the annual financial statements are approved. Unallocated profits are included in reserves within members' equity. To the extent that interim profit allocations exceed drawings, the excess profit is included in the statement of financial position under trade and other payables. Where drawings exceed the allocated profits, the excess is included in trade and other receivables. The same treatment is used for members who retire during the year.

Group

	Members' interests				Non-controlling interests	
	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m	Reserves £m	Amounts due to (from) non-controlling interests £m
Balance at beginning of prior year	158	572	(20)	710	(22)	–
Profit for the prior year available for division among members	–	672	–	672	55	–
	158	1,244	(20)	1,382	33	–
Allocated profit	–	(655)	655	–	(50)	50
Movement on cash flow hedges	–	1	–	1	–	–
Contributions by members	25	–	–	25	–	–
Repayments to members	(18)	–	–	(18)	–	–
Drawings and distributions	–	–	(655)	(655)	–	(50)
Movement in compensating payment due to subsidiary undertakings	–	–	(1)	(1)	–	–
Balance at beginning of year	165	590	(21)	734	(17)	–
Profit for the current year available for division among members	–	680	–	680	60	–
	165	1,270	(21)	1,414	43	–
Allocated profit	–	(641)	641	–	(59)	59
Movement on cash flow hedges	–	(1)	–	(1)	–	–
Contributions by members	34	–	–	34	–	–
Repayments to members	(10)	–	–	(10)	–	–
Drawings and distributions	–	–	(641)	(641)	–	(59)
Movement in compensating payment due to subsidiary undertakings	–	–	2	2	–	–
Balance at end of year	189	628	(19)	798	(16)	–

19 Total members' interests continued

LLP

	Members' capital £m	Reserves £m	Amounts due to (from) members £m	Total £m
Balance at beginning of prior year	158	564	–	722
Profit for the prior year available for division among members	–	664	–	664
	158	1,228	–	1,386
Allocated profit	–	(655)	655	–
Contributions by members	25	–	–	25
Repayments to members	(18)	–	–	(18)
Drawings and distributions	–	–	(655)	(655)
Other movements	–	(2)	–	(2)
Balance at beginning of year	165	571	–	736
Profit for the current year available for division among members	–	678	–	678
	165	1,249	–	1,414
Allocated profit	–	(641)	641	–
Contributions by members	34	–	–	34
Repayments to members	(10)	–	–	(10)
Drawings and distributions	–	–	(641)	(641)
Balance at end of year	189	608	–	797

Amounts due to members represent allocated profits not yet paid to members and are due within one year. In the event of a winding-up, members' reserves rank after unsecured creditors.

20 Commitments under operating leases

The Group's total commitments under non-cancellable operating leases, together with the obligations by maturity, are as follows:

	2013		2012	
	Land and buildings £m	Other assets £m	Land and buildings £m	Other assets £m
Within one year	53	5	67	6
1–2 years	40	3	51	3
2–3 years	36	1	39	1
3–4 years	49	–	34	–
4–5 years	47	–	44	–
More than five years	622	–	665	–

21 Financial instruments

Financial instruments are initially measured at fair value. Fair value is the amount at which such an instrument could be exchanged in an arm's length transaction between informed and willing parties.

Derivatives, such as forward foreign-exchange contracts, are held or issued in order to manage the Group's currency and interest rate risks arising from its operations and sources of finance. Hedge accounting is applied where the relevant criteria are met. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income or expense within the statement of comprehensive income. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

21 Financial instruments continued

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Financial risk management and management of capital

The Group's objectives when managing capital are to safeguard the Group's ability to operate as a going concern and to maintain an optimal capital structure to cover the expected peak cash requirements of the business. The Group considers its capital to comprise of the members' capital, undistributed profits and borrowing facilities. The Group holds or issues financial instruments in order to finance its operations and manage foreign currency and interest rate risks arising from its operations and sources of finance. The principal financial instruments, other than derivatives, held or issued by the Group are:

- Trade and other receivables – The balance primarily represents amounts invoiced and unbilled amounts in respect of services provided to clients for which payment has not yet been received.
- Cash and cash equivalents – The Group manages its cash resources in order to meet daily working capital requirements. Cash and any outstanding debt are kept to a minimum and liquid fund deposits are maximised.
- Trade and other payables – The balance primarily represents progress billings to clients and trade payables and accruals in respect of services received, for which payment has not yet been made.
- Members' capital – The Group requires members to provide long-term financing, which is classified as a liability.
- Debt – The Group's policy permits short-term variable rate facilities with a maximum facility maturity of five years and long-term fixed borrowing with a maximum maturity of ten years.

The Executive Board determines the treasury policies of the Group. These policies, designed to manage risk, relate to specific risk areas that management wish to control, including liquidity, credit risk, interest rate and foreign currency exposures. No speculative trading is permitted and hedging is undertaken against specific exposures to reduce risk.

Liquidity risk

The Group's most significant treasury exposures relate to liquidity. The Group manages the risk of uncertainty in its funding operations by spreading the maturity profile of its borrowings and deposits. Committed facilities are arranged with minimum headroom of 25% of forecast maximum debt levels. The Group's facilities at 30 June 2013 totalling £322m (2012: £311m) are predominantly held with five leading international banks, with the main £225m facility due to expire in June 2015. For independence reasons, following our proposed appointment as auditor of one of these banks, the Group will need to withdraw from £81m of its total £322m facilities before 31 October 2014.

Credit risk

Cash deposits and other financial instruments with banks and financial institutions give rise to counterparty risk. The Group manages this counterparty risk by reviewing their credit ratings regularly and limiting the aggregate amount and duration of exposure to any one counterparty, taking into account its credit rating, market capitalisation and relative credit default swap price. The minimum long-term credit rating of all banks and financial institutions who held the Group's short-term deposits during the year was A.

The Group's other significant credit risk relates to receivables from clients. Exposure to that risk is monitored on a routine basis and credit evaluations are performed on clients as appropriate. The Group's exposure to that risk is influenced mainly by the individual characteristics of each client. Risk is managed by maintaining close contact with each client and by routine billing and cash collection for work done.

Interest rate risk

The Group's borrowings and any surplus cash balances are held at variable interest rates linked to London interbank offered rate (LIBOR). Outstanding borrowings were undertaken in US dollars to reflect the composition of the Group's assets that the borrowings are funding. A movement in the interest rate of 50 basis points on borrowings and surplus cash balances through the year would have had an immaterial impact on the pre-tax profits of the Group.

21 Financial instruments continued

Foreign currency risk

The major part of the Group's income and expenditure is in sterling. Other than the Middle East business, fees and costs denominated in foreign currencies are mainly in connection with professional indemnity insurance and transactions with PwC network firms. The Group seeks to minimise its exposure to fluctuations in exchange rates by hedging against foreign currency exposures. These hedges are designated as cash flow hedges where the necessary criteria are met. The Group's policy is to enter into forward or derivative transactions as soon as economic exposures are recognised.

Group financial assets and liabilities by category

	2013				2012			
	Loans and receivables £m	Available-for-sale £m	Derivatives used for hedging £m	Other financial liabilities £m	Loans and receivables £m	Available-for-sale £m	Derivatives used for hedging £m	Other financial liabilities £m
Assets								
Trade and other receivables	766	–	–	–	729	–	–	–
Investments	–	8	–	–	–	5	–	–
Cash and cash equivalents	236	–	–	–	159	–	–	–
Liabilities								
Trade and other payables	–	–	–	517	–	–	–	460
Borrowings	–	–	–	51	–	–	–	36
Members' capital	–	–	–	189	–	–	–	165
Other non-current liabilities	–	–	–	41	–	–	–	34
Forward foreign-exchange contracts								
Cash flow hedges	–	–	–	–	–	–	1	–

Interest rate profile of financial assets and financial liabilities

Group and LLP short-term deposits with banks of £209m (2012: £129m) and Group borrowings of £51m (2012: £36m) are subject to floating interest rates. Within Group and LLP investments are floating rate subordinated loan notes of £2m (2012: £2m).

Currency profile of financial assets and liabilities

The major part of the Group's income and expenditure is in sterling. After taking into account forward contracts and known US dollar and euro denominated assets and liabilities, the Group had net US dollar denominated assets at 30 June 2013 of £1m (2012: net denominated liabilities of £18m) and net euro denominated assets at 30 June 2013 of £13m (2012: net denominated assets of £15m).

Derivative financial instruments

Forward foreign-exchange contracts all mature in less than 18 months, and have been valued using forward market prices prevailing at the reporting date. The ineffective portion of cash flow hedges recognised in the income statement was nil (2012: nil). The effective portion of cash flow hedges recognised directly in other comprehensive expense was £1m (2012: £1m in other comprehensive income). The notional principal amount of forward foreign-exchange contracts was £66m (2012: £74m).

22 Reconciliation of profit after tax to operating cash flows

	Group 2013 £m	Group 2012 £m	LLP 2013 £m	LLP 2012 £m
Profit after taxation	740	727	678	664
Tax on profits	8	9	–	–
Adjustments for:				
– Depreciation, amortisation and impairment	35	32	3	4
– Loss on disposal of property, plant and equipment	2	–	–	–
– Loss on disposal of intangible assets	1	–	–	–
– Gain on disposal of business	–	(3)	–	–
– Finance income	(81)	(98)	(82)	(97)
– Finance expense	98	94	94	89
Changes in working capital (excluding the effects of acquisitions):				
– Increase in trade and other receivables	(36)	(72)	(15)	(15)
– Increase (decrease) in trade and other payables	51	27	21	(39)
– Increase (decrease) in provisions and other non-current liabilities	3	3	(4)	(7)
– Increase in retirement benefit assets	–	(74)	–	(73)
Cash generated from operations	821	645	695	526

23 Related party transactions

The LLP and the PricewaterhouseCoopers United Kingdom Partnership are related parties because they are both controlled by the same group of individuals and the United Kingdom Partnership is the predecessor firm of the LLP. This controlling group of individuals consists of all the members of the LLP who are also all the partners of the United Kingdom Partnership. Related party transactions with the United Kingdom Partnership and other related parties are summarised below.

Services provided to PricewaterhouseCoopers United Kingdom Partnership in respect of client assignments

Arrangements are in place for the LLP to supply services to the United Kingdom Partnership in connection with certain client assignments. For the year ended 30 June 2013, the LLP provided services to the United Kingdom Partnership to the value of £201,000 (2012: £247,000) under these arrangements. There were no balances outstanding at the end of the year (2012: nil).

Administrative support to PricewaterhouseCoopers United Kingdom Partnership

On behalf of its members, the LLP provides certain administrative services to support the United Kingdom Partnership, including the calculation of annuities and paying agent arrangements in connection with the pension annuities and certain other post-retirement payments due to certain former partners of that partnership. The LLP charged the United Kingdom Partnership £200,000 for these support services for the year ended 30 June 2013 (2012: £200,000). There were no balances outstanding at the end of the year (2012: nil). Amounts paid during the year to the annuitants on behalf of the continuing members in their capacity as partners in the United Kingdom Partnership totalled £85m (2012: £82m).

Transactions with joint ventures

Details of the Group's interests in joint ventures are provided in note 10. During the year, Skyval Limited, a wholly owned subsidiary of Skyval Holdings LLP, charged the Group £640,000 (2012: nil) for services provided. There were no balances with joint ventures outstanding at the end of the year (2012: nil).

23 Related party transactions continued

LLP

The subsidiary undertakings as described in note 10 are related parties of the LLP. The transactions and year-end balances with these related parties are as follows:

	2013 £m	2012 £m
Purchase of services from related parties		
PricewaterhouseCoopers Services Limited	1,433	1,451
Other subsidiaries	11	17
Provision of services to related parties		
Other subsidiaries	(22)	(21)
	1,422	1,447
Year-end balances with related parties		
PricewaterhouseCoopers Services Limited	(166)	(189)
Other subsidiaries	9	15
	(157)	(174)

Non-financial sustainability data (assured to ISAE 3000 standard)

For full details and further explanation on performance and metrics, including Crowe Clark Whitehill LLP's independent assurance statement, see: www.pwc.co.uk/corporatesustainability

Workplace & Diversity

	Units	2017 Target	2014 Target	2013	2012	Base	Base year
Talent attraction and retention							
Graduate retention (3 years)	percentage	85%	83%	78%	79%	82%	2010
High potential retention	percentage	95%	90%	90%	89%	89%	2012
Voluntary turnover	percentage	12%–15%	12%–15%	12%	12%	14%	2008
People engagement score	score out of 5	4.20	4.03	3.98	4.03	3.97	2007
Inclusion and diversity							
New hire diversity: gender – women	percentage	50%	43%	42%	41%	41%	2009
New hire diversity: ethnicity – BME ¹	percentage	30%	25%	23%	23%	21%	2009
Partner admissions: women	percentage	30%	20%	16%	18%	14%	2007
Employee wellbeing							
Absence through sickness	percentage	<3.5%	–	3.2%	3.1%	3.3%	2009
Work-life balance ²	score out of 5	3.80	3.65	3.53	3.60	3.67	2008
Learning and development: spend	£ per FTE	–	–	1,361	1,445	916	2010

1 BME – Black Minority Ethnic (where provided)

2 Based on internal staff 'youmatter' survey

Community involvement

	Units	2013	2012	Base	Base year
Community contribution (cash, time and in-kind) ¹	£ million	7.1	7.2	4.3	2007
Employee involvement					
Volunteering during working hours	no. of occasions	5,320	6,500	2,900	2007
Volunteering during working hours	no. of people	4,069	4,933	4,226	2011
Time spent volunteering	working hours	45,386	54,267	37,400	2007
Skills-based volunteering	percentage of hours	80%	67%	58%	2011
Payroll giving participation	percentage of staff	3.2%	3.1%	3.5%	2011

1 Measured according to the London Benchmarking Group (LBG) principles. Restated to reflect more detailed data and updated measure of cost for discounted and pro bono work

Environment

	Units	2017 Target	Progress against base year	2013	2012	2007 Base
Carbon emissions¹						
Scope 1 ²	tonnes CO ₂ e	–	–30%	3,874	3,337	5,572
Scope 2	tonnes CO ₂ e	–	–37%	18,306	21,121	29,069
Scope 3: Business travel ³	tonnes CO ₂ e	0%	–20%	30,750	33,206	38,306
Scope 3: Other ⁴	tonnes CO ₂ e	–	–32%	5,186	5,297	7,606
Total	tonnes CO₂e	–25%	–28%	58,116	62,961	80,553
Operations						
Energy	million kWh	–50%	–32%	56	59	82
Paper procured	tonnes	–50%	–52%	409	509	844
Water supply ⁵	m3 (k)	–50%	–32%	141	163	206
Online meetings	meetings hosted per FTE	–	636%	1.03	0.49	0.14 ⁶
Waste⁴						
Landfill	tonnes	–100%	–100%	0	23	587
Incineration to energy	tonnes	–	–45%	773	747	1,408
Recycling	tonnes	–	4%	2,149	2,256	2,059
Total	tonnes	–50%	–28%	2,922	3,026	4,054

1 Calculated using Defra conversion factors (May 2012)

2 Fugitive emissions added this year. Landlord operated offices and 2007–2011 estimated on the basis of office area

3 Rail and associated carbon emissions restated to reflect improved estimation technique

4 New waste streams added for 2012 and 2013 and estimated for prior years

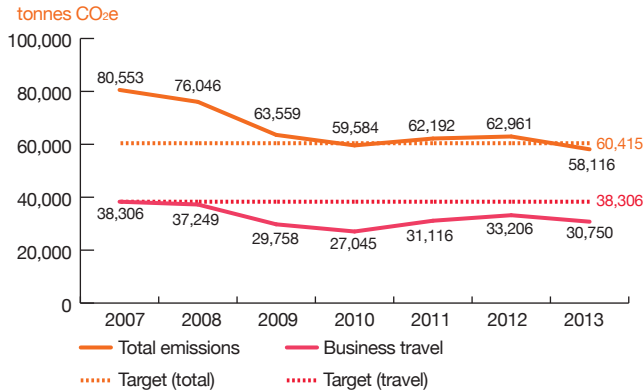
5 2012 data restated to reflect more accurate data

6 2010 data shown as earliest year available

All data excludes Middle East

Environment continued

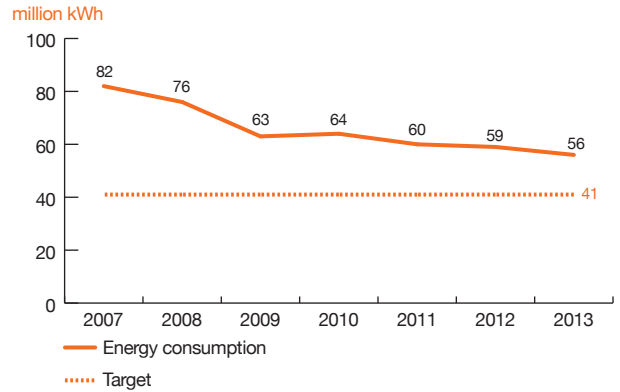
Carbon emissions: total and travel



We set a target to reduce absolute carbon emissions by 25% against a baseline of 2007, decoupling our environmental impact from business growth. So far we're exceeding our target and have reduced our overall carbon emissions by 28%.

Business travel is a prerequisite of delivering services to our clients and remains our biggest environmental challenge. Our carbon emissions from business travel have reduced 20% since 2007, continuing to exceed our target to hold them flat. This has been aided by reduced travel through the summer due to the Olympic period, so our challenge is to hold these gains in future years as we grow the business. To support this, we ran a campaign this year to promote online meetings and have introduced a new metric to our reporting to monitor our progress.

Energy

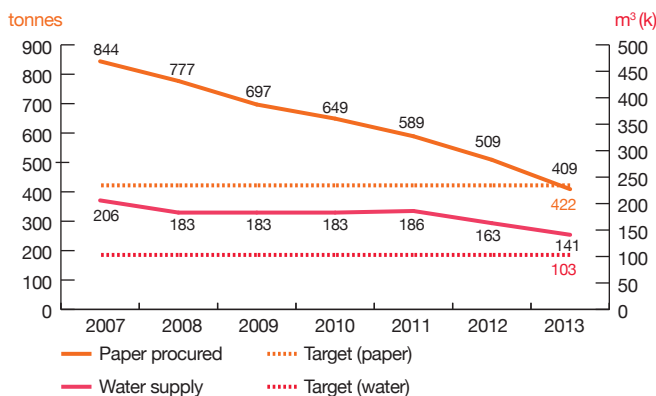


Over the last six years we've invested in technology to reduce the amount of amount of energy used to light, heat and power our offices. We're already well on our way towards our 50% target, having reduced our energy used by 32% since our baseline of 2007.

This has largely been achieved through a combination of good energy management practices and installing energy efficiency technology in both our 7 More London office and more recently the refurbishment of our Embankment Place office.

For further details, see our Lessons Learned on energy reduction: www.pwc.co.uk/cslearningsenergy

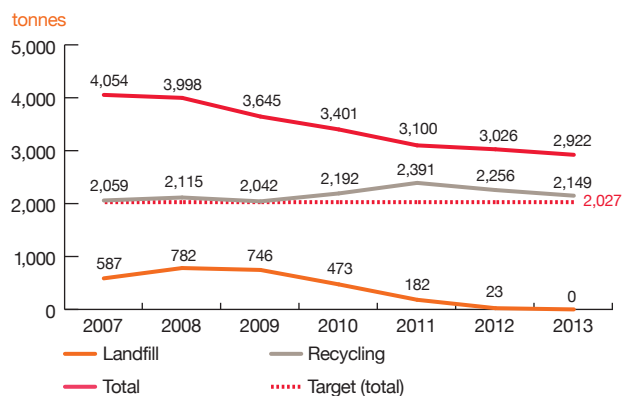
Paper and water



We've had considerable success in reducing paper procured, which is down 52% since 2007 – already achieving our 2017 target of 50%. This has, in part, been achieved by our move to multi-functional devices which have double-sided printing as a default and only print if a secure pass code is entered within one hour. Our challenge is now to retain this improvement as our business grows.

Our water supply has reduced 32% since 2007. We still have a way to go to meet our target reduction of 50%, but since focusing on water over the last couple of years we've started to see some improvement as we install new water-saving technologies in our offices.

Waste: total, recycling and landfill



Our total waste is down 28% since 2007, on our way to meeting our target of 50%. Progress has been slightly slow in the last year due to a clear-out as we refurbish our main office at Embankment Place, London.

Recycling makes up 74% of our waste, in line with last year although significantly up since 2007. Last year we also achieved our previous target of moving to zero waste to landfill and have succeeded in upholding this for a further year.

For more details, see our Lessons Learned on waste: www.pwc.co.uk/cslearningslandfill

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Unless otherwise indicated, either expressly or by the context, we use the word 'partner' to describe a member of PricewaterhouseCoopers LLP.

Registered office: 1 Embankment Place, London, WC2N 6RH.

Registered number: OC 303525.



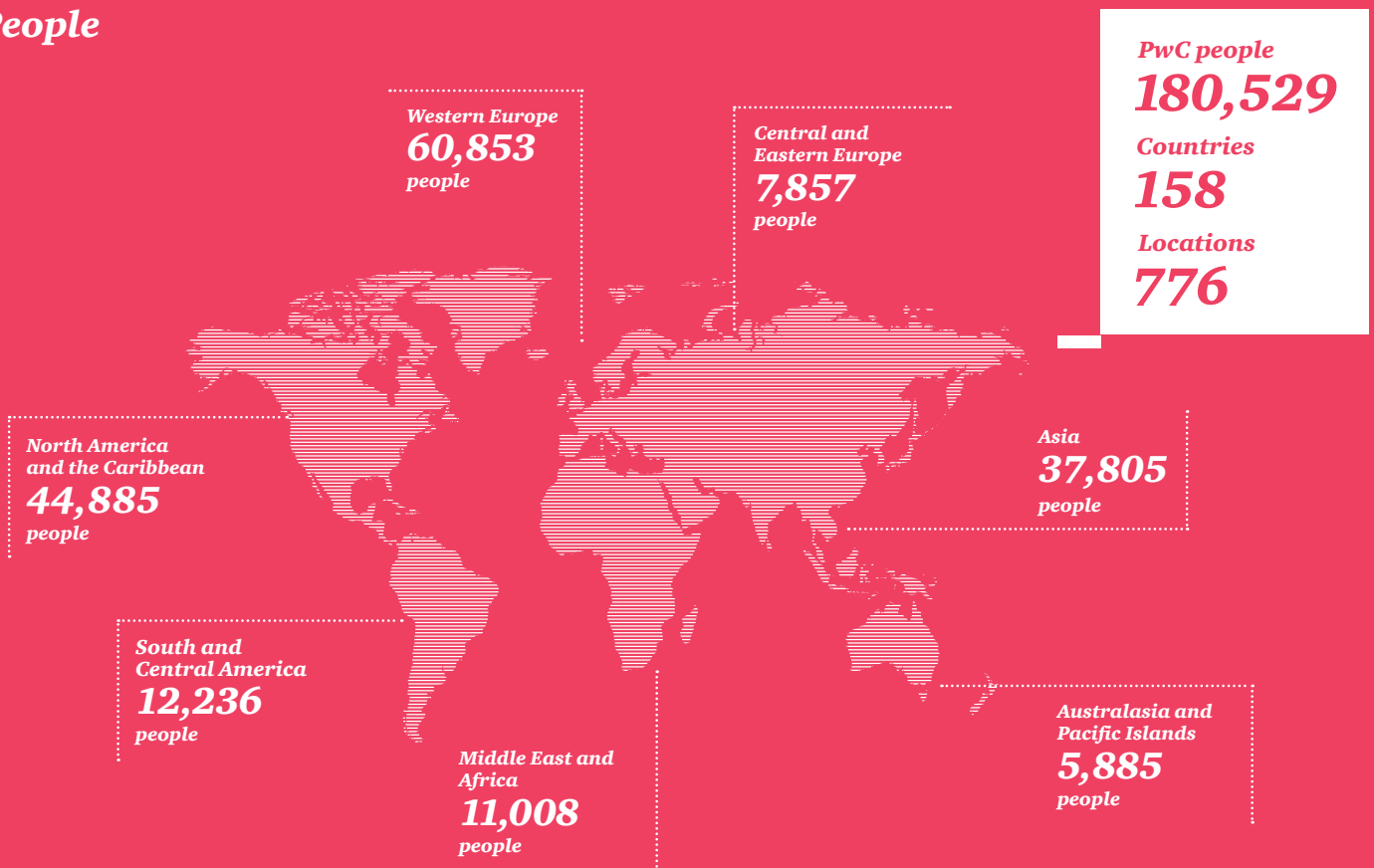
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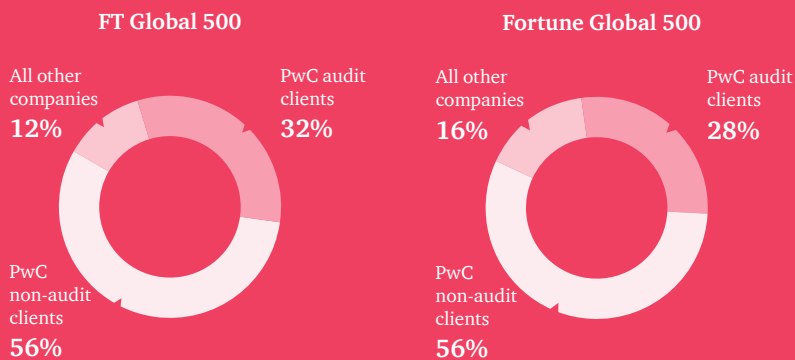
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Our global network

People



Clients



PwC firms provided services to 422 companies in the Fortune Global 500 and 439 in the FT Global 500.

Audit clients include both sole and joint audits. Non-audit clients are those companies where PwC did not provide statutory audit services and where revenues exceeded US\$ 500,000 in FY12.

Appendix 3

G4 reporting principles

The background of the cover features several thick, diagonal lines in shades of blue, green, and orange. The lines are arranged in a way that suggests movement and growth. The text is placed in a clean, modern font.

G4 SUSTAINABILITY
REPORTING
GUIDELINES

SECTION 4

**REPORTING
PRINCIPLES**

4

REPORTING PRINCIPLES

SEE IMPLEMENTATION MANUAL ↓

The Reporting Principles are fundamental to achieving transparency in sustainability reporting and therefore should be applied by all organizations when preparing a sustainability report. The *Implementation Manual* outlines the required process to be followed by an organization in making decisions consistent with the Reporting Principles.

The Principles are divided into two groups: Principles for Defining Report Content and Principles for Defining Report Quality.

The Principles for Defining Report Content describe the process to be applied to identify what content the report should cover by considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders.

The Principles for Defining Report Quality guide choices on ensuring the quality of information in the sustainability report, including its proper presentation. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions.

4.1 PRINCIPLES FOR DEFINING REPORT CONTENT

These Principles are designed to be used in combination to define the report content. The implementation of all these Principles together is described under the Guidance of G4-18 on pp. 31-40 of the *Implementation Manual*.

Stakeholder Inclusiveness

Principle: The organization should identify its stakeholders, and explain how it has responded to their reasonable expectations and interests.

Stakeholders can include those who are invested in the organization as well as those who have other relationships to the organization. The reasonable expectations and interests of stakeholders are a key reference point for many decisions in the preparation of the report.

Sustainability Context

Principle: The report should present the organization's performance in the wider context of sustainability.

Information on performance should be placed in context. The underlying question of sustainability reporting is how an organization contributes, or aims to contribute in the future, to the improvement or deterioration of economic, environmental and social conditions, developments, and trends at the local, regional or global level. Reporting only on trends in individual performance (or the efficiency of the organization) fails to respond to this underlying question. Reports should therefore seek to present performance in relation to broader concepts of sustainability. This involves discussing the performance of the organization in the context of the limits and demands placed on environmental or social resources at the sector, local, regional, or global level.


pp. 10-11 

Materiality

Principle: The report should cover Aspects that:

- Reflect the organization's significant economic, environmental and social impacts; or
- Substantively influence the assessments and decisions of stakeholders

Organizations are faced with a wide range of topics on which they could report. Relevant topics are those that may reasonably be considered important for reflecting the organization's economic, environmental and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which Aspects become sufficiently important that they should be reported.

pp. 11-12 

Completeness

Principle: The report should include coverage of material Aspects and their Boundaries, sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period.

Completeness primarily encompasses the dimensions of scope, boundary, and time. The concept of completeness may also be used to refer to practices in information collection and whether the presentation of information is reasonable and appropriate.

pp. 12-13 

4.2 PRINCIPLES FOR DEFINING REPORT QUALITY

This group of Principles guides choices on ensuring the quality of information in the sustainability report, including its proper presentation. Decisions related to the process of preparing information in a report should be consistent with these Principles. All of these Principles are fundamental to achieving transparency. The quality of the information is important to enable stakeholders to make sound and reasonable assessments of performance, and take appropriate actions.

Balance

Principle: The report should reflect positive and negative aspects of the organization's performance to enable a reasoned assessment of overall performance.

The overall presentation of the report's content should provide an unbiased picture of the organization's performance. The report should avoid selections, omissions, or presentation formats that are reasonably likely to unduly or inappropriately influence a decision or judgement by the report reader.

p. 13 

Comparability

Principle: The organization should select, compile and report information consistently. The reported information should be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations.

Comparability is necessary for evaluating performance. Stakeholders using the report should be able to compare information reported on economic, environmental and social performance against the organization's past performance, its objectives, and, to the degree possible, against the performance of other organizations.

p. 14 

Accuracy

Principle: The reported information should be sufficiently accurate and detailed for stakeholders to assess the organization's performance.

Responses to economic, environmental and social DMA and Indicators can be expressed in many different ways, ranging from qualitative responses to detailed quantitative measurements. The characteristics that determine accuracy vary according to the nature of the information and the user of the information.

pp. 14-15 

Timeliness

Principle: The organization should report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

The usefulness of information is closely tied to whether the timing of its disclosure to stakeholders enables them to effectively integrate it into their decision-making. The timing of release refers both to the regularity of reporting as well as its proximity to the actual events described in the report.

p. 15 

Clarity

Principle: The organization should make information available in a manner that is understandable and accessible to stakeholders using the report.

Information should be presented in a manner that is comprehensible to stakeholders who have a reasonable understanding of the organization and its activities.

pp. 15-16 

Reliability

Principle: The organization should gather, record, compile, analyze and disclose information and processes used in the preparation of a report in a way that they can be subject to examination and that establishes the quality and materiality of the information.

Stakeholders should have confidence that a report can be checked to establish the veracity of its contents and the extent to which it has appropriately applied Reporting Principles.

p. 16 

Appendix 4

Academic courses

HEG Geneva, Course Material. MAEDER, Eric, 2013. *Business Ethics & Sustainability*



The three components of trust according to “Great place to work”

1. Credibility
2. Respect
3. Fairness

6

Items codes a conduct should contain





PRINCIPAUX THÈMES COUVERTS PAR LES CODES DE CONDUITE		
Actionnaires <ul style="list-style-type: none"> • Relations aux actionnaires • Respect des principes de gouvernance d'entreprise 	Collaborateurs <ul style="list-style-type: none"> • Diversité, conditions de travail • Santé et sécurité des collaborateurs 	Société civile <ul style="list-style-type: none"> • Dialogue avec la société civile (médias, autorités publiques, organisations non gouvernementales)
Ethique des affaires <ul style="list-style-type: none"> • Trafic d'influence et corruption • Délit d'initié • Conflits d'intérêts • Pratiques en matière de concurrence • Pratiques de gouvernement d'entreprise 	Clients <ul style="list-style-type: none"> • Pratiques marketing • Satisfaction, santé et sécurité des clients 	Environnement <ul style="list-style-type: none"> • Gestion de l'impact environnemental
	Fournisseurs <ul style="list-style-type: none"> • Respect des normes (droits du travail, droits de l'homme) • Respect des normes environnementales 	Référence à des principes externes <ul style="list-style-type: none"> • Cadres légaux nationaux et internationaux • Normes additionnelles identifiées par la compagnie (Organisation Internationale du Travail, Pacte mondial des Nations unies, etc.)

Source : www.ethosfund.ch

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Why consider business ethics? To deal with company's

1 – IMPACTS	2 – RISKS	3 – PRESSURE	4 – OPPORTUNITIES
Ethical case	Legal and business case	Business and social case	Business case
Convictions and responsibility	New risks	Stakeholder management	Strategic/economical
<ul style="list-style-type: none"> Internalize negative externalities (polluter pays principle) Fairness in value chain Give specific attention specific working conditions and environmental impact Provide meaning, value and trust to all stakeholders 	<ul style="list-style-type: none"> Anticipate new regulations, reduce liability, and criminal behavior Prevent (scandals, fraud, evasion, money laundering, illegal employment, wage dumping) and avoid conflicts of interest Reputation Management 	<ul style="list-style-type: none"> Media, NGOs and activists Unions and COPé Indices and rating agencies, SRI Shareholder activism (Ethos, Actares) Avoid boycotts, greenwashing (Pinocchio, Public eye award) 	<ul style="list-style-type: none"> Economics (reduce waste, energy consumption absenteeism, turnover) Niche (bio, fair trade, organic) Access to public contracts Access to financial markets
			
Tools: ISO 26000, sustainable management, « License to operate »	Tools: Compliance, code of conduct, governance charter, Whistleblowing	Tools: sustainable management, ISO 14001, ISO 9000, SA 8000	Tools: labels (Minergie, Bio, étiquette énergie, Max Havelaar, MSC, FSC, Fourchette verte, STEP, etc.

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In conclusion Doc 8: Shift from business 1.0 to 2.0/3.0

Dimensions	Business 1.0	Business 2.0/3.0
Relation between companies and the society	Negative and positive externalities	Positive externalities Global value creation
Employees and pressure groups	Confrontation	Dialogue, fair shared capital gain and partnership
Customers	Price/quality ratio, avoid boycott	Aim «buycott» and sustainability
Environnement Ressources	«cradle to grave» (linear economy)	«cradle to cradle» (circular economy), environmental management system
Suppliers		Be accountable for the entire supply chain. Be a model. Require suppliers to comply.
Transparence and accountability	« Made in »	« Made how » + Reporting (GRI) + independent

20

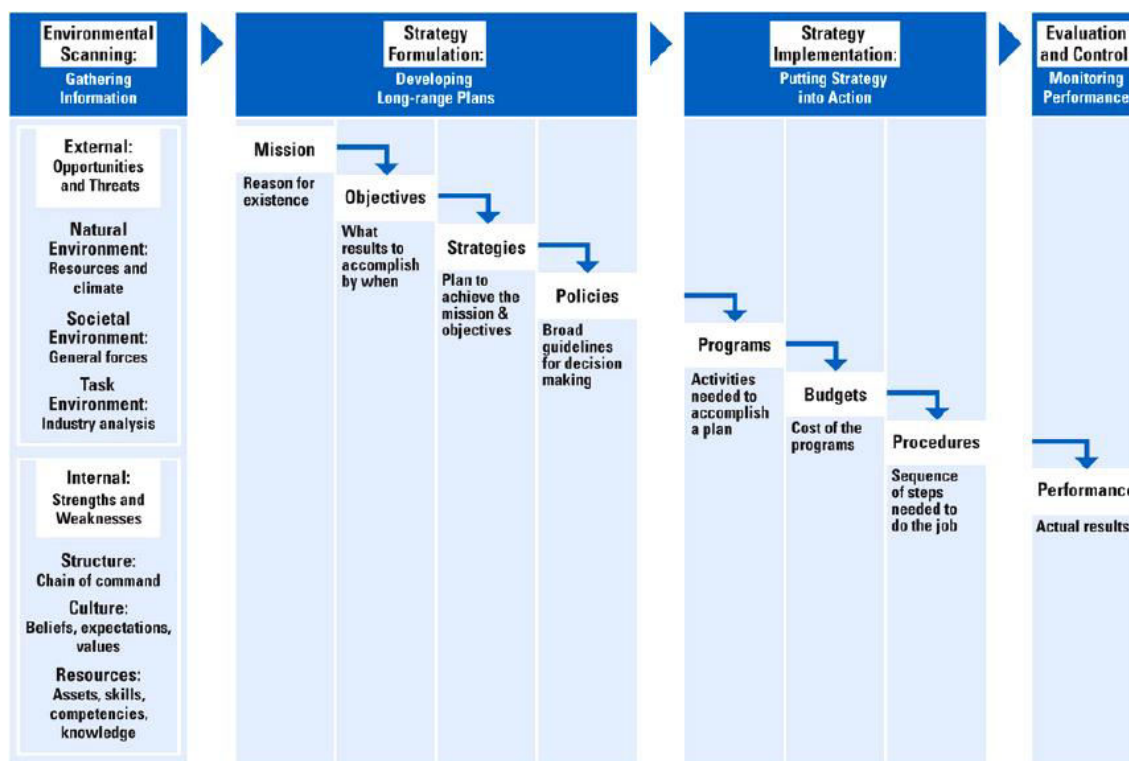
Third assignment

Prepare a 15min presentation with all 8 documents for January 7th
(send your slides by 12h on January 7th)

1. Present your company (mission, vision, values)
2. Create a mind map of all your stakeholders with delimitation of the value chain, the supply chain and the sphere of influence
3. Identify stakeholders sustainable expectations
4. Identify stakeholders power and legitimacy
5. Identify stakeholders potential threats to business and cooperation potentials
6. Identify modes of stakeholder dialogue
7. Write a sustainable development charter
8. Personal conclusion: how does your company reflect *Corporation's 20/20 six principles* and how is it a *3.0 business type company* (see slide 20 here above)?

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BFH Bern, Course Material. BRECHBUEHLER PESKOVA, Marie, 2014. Global Sustainable Strategies



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Dr. Marie Brechbühler Pešková

Integration of ESG into the investment process of Vontobel

Minimum Standards Framework		
9 critical ESG factors, each scored from 0-10, or F (fail)		
Environment	Social	Governance
Environment Management System <ul style="list-style-type: none"> Environmental considerations integrated into key processes Systematic targets, monitoring 	Employee relations <ul style="list-style-type: none"> Fair compensation Training, health & safety Equality of recruitment 	Board accountability <ul style="list-style-type: none"> Independent nomination committee Separation of CEO and Chair Independent auditors
Eco-efficient operations <ul style="list-style-type: none"> Emissions and water use disclosure Waste & resource use policies 	Social & economic development <ul style="list-style-type: none"> Code of conduct Ethical policy Human rights 	Shareholder rights <ul style="list-style-type: none"> Disclosure of structure No anti-takeover devices Founder privileges
Product stewardship <ul style="list-style-type: none"> Use of life cycle assessment Ecological impact of products Packaging reduction and recycling 	Supply chain <ul style="list-style-type: none"> Responsible marketing Health and content claims, labelling Supplier monitoring 	Executive remuneration <ul style="list-style-type: none"> Transparency and appropriateness Compensation models link to ESG Independent compensation committee
Average 'E' score	Average 'S' score	Average 'G' score
Average ESG Score >5 to be investable Any F score fails the entire rating		

Source: Vontobel



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UBS Investment Bank: Linking ESG to finance

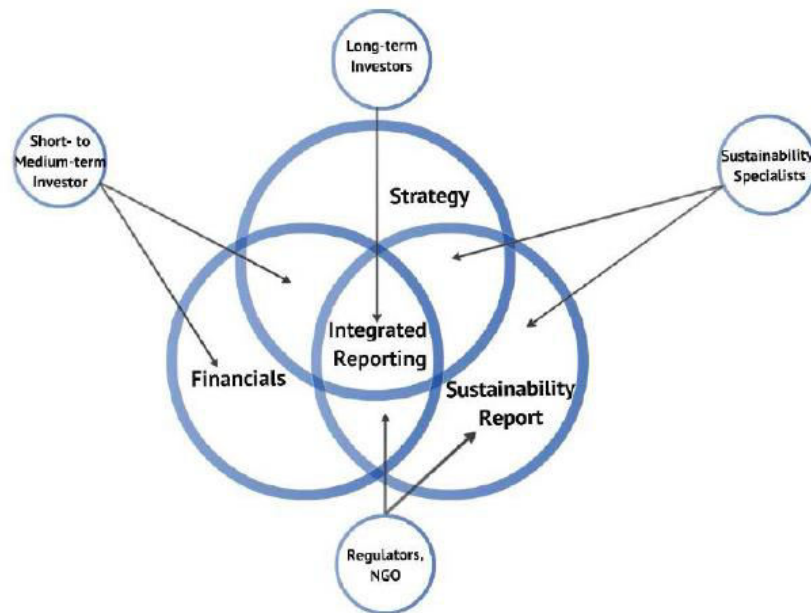
Core inputs	Financial materiality indicators	Environmental and social metrics or narrative
External dependencies	Leverage, interest burden. COGS % of sales. Energy costs % of COGS. Company size: absolute revenues, numbers employed, geographical sales segmentation. Market capitalisation % of local stock market and (for large firms) GDP.	Environmental footprint – emissions to air, water, land. Energy efficiency. Recycling; waste disposal and management.
Customers	Sales growth. Sales segmentation. SGA % of sales. Market share. Number of customers, revenue per customer.	Product labelling. Customer satisfaction. Customer access to necessities (e.g. digital divide, access to medicines, etc.). Customer choice/empowerment
Product	EBIT margin. R&D % of sales. SGA % of sales. Largest product category % of sales.	Product safety. Product quality. Product lifecycle impacts (incl. impacts from usage).
Supply chain	COGS % of sales. Overseas procurement – % of total or, if possible, geographical breakdown. Number of suppliers.	Supply chain % of audited. Sustainable procurement.
Human capital	Revenue per employee. Wages % of sales. R&D % of sales. SGA % of sales. Wage quintiles and highest minus lowest (or similar). Brand % of SOTP. Trends in sales growth, margins.	Health & safety, e.g. accidents, lost injury time, sickness absence. Workforce demographics/diversity. Education – secondary, tertiary, % of workforce. Restructuring. Unionisation if relevant.
Reputation	Brand % of SOTP. Company size. Numbers employed.	Corporate governance. Risk management in respect of all of the above where relevant.

Source: UBS



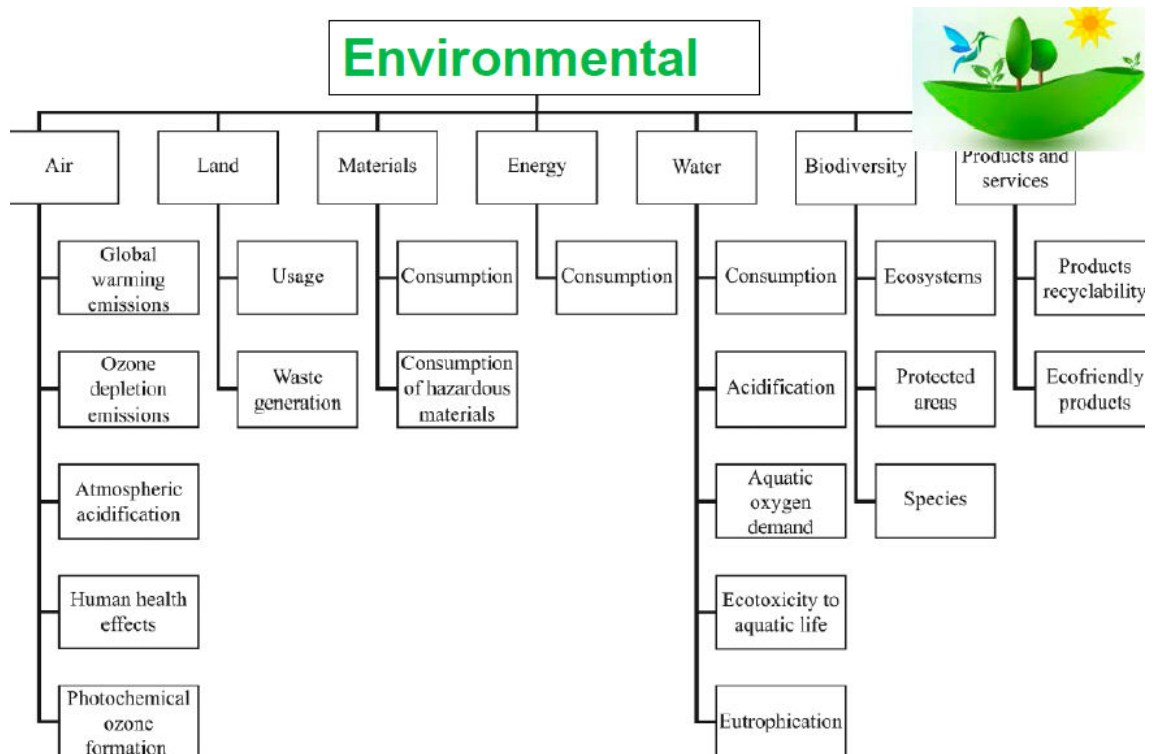
67

Integrated Reporting – a solution for all stakeholders?



Source: UBS

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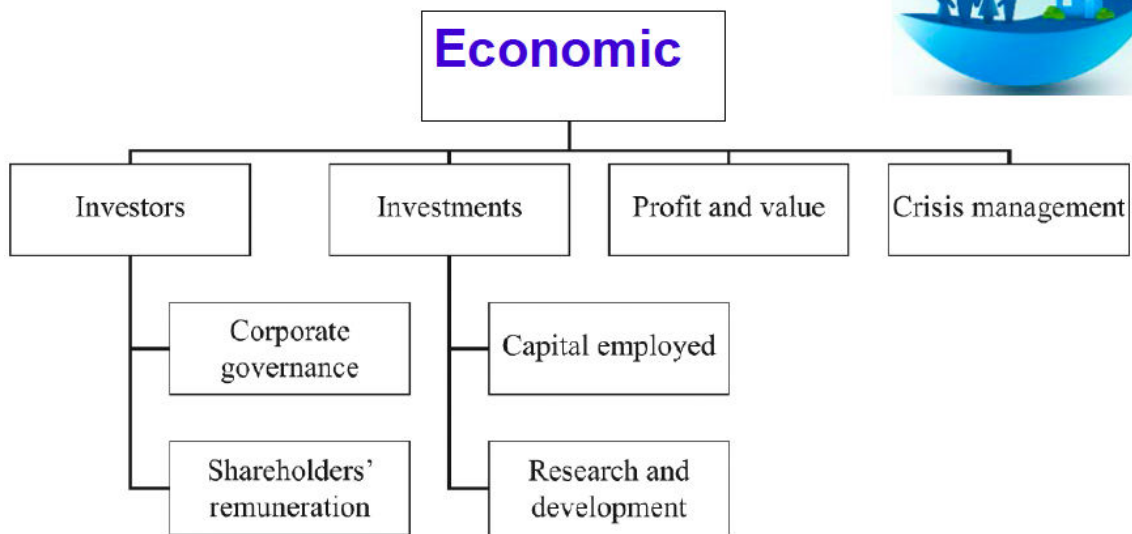
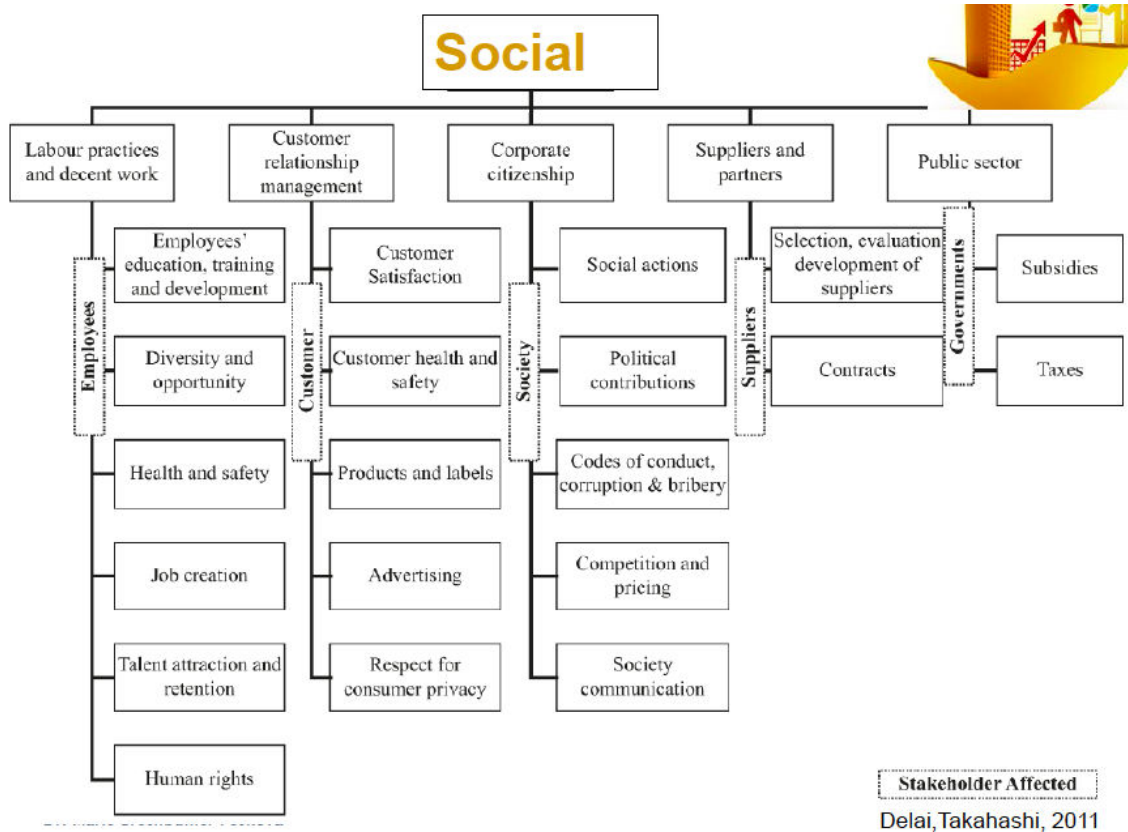


Berner Fachhochschule | Haute école spécialisée bernoise | Bern University of Applied Sciences

Dr. Marie Brechbühler Pešková

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Delai, Takahashi, 2011



Appendix 5

Grid Analysis Applied to PwC UK's 2013 CR Report

