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Global Annual Review

*connectedthinking

PRICEWATERHOUSECOOPERS 

PricewaterhouseCoopers provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience, and solutions to develop fresh perspectives and practical advice.

In this Global Annual Review we look at issues that impact our clients around the world, and we examine our performance, our key network policies and standards, and our work in the global community during FY 2008.

In this Global Annual Review, the terms *PricewaterhouseCoopers*, *PwC*, *our* and *we* are used to refer to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), each of which is a separate and independent legal entity.

FY 2008 runs from 1 July 2007 to 30 June 2008.

Ten years of progress



Article by Samuel A DiPiazza Jr, CEO, PricewaterhouseCoopers International. Sam DiPiazza has served as CEO of PwC International Limited since 2002. Prior to that he led the PwC US firm as chairman and senior partner. He joined PwC in 1973 and became a partner in the US firm in 1979.

In the ten years since PricewaterhouseCoopers was formed, we have accomplished a huge amount, including growing our head count by some 40,000 people, expanding our reach into many exciting new markets, and more than doubling our global revenues to over 28 billion USD. But our most important achievement is that we have continued to work with clients and help them succeed through both buoyant and difficult economic times.

Our ability to help clients to succeed drives our own success. Our people and partners around the world should be proud that throughout all the changes, challenges, and opportunities of the past decade, PwC has emerged as the global leader in our profession.

This leadership applies not only in terms of size, but also in the strength and breadth of our network, the talent of our people, and the consistent quality of our service to clients.

Thriving in volatile times

The current unsettled global economy is now posing new challenges for our clients. So, in the coming year, it is especially important that we continue to help them achieve success by meeting and overcoming these challenges. As Dennis Nally points out in this Review, Assurance has a key role to play in maintaining order in troubled capital markets, with the audit playing a vital part in providing the confidence in financial data that is essential for effective market operation.



In the decade since the formation of PwC, our profession has successfully navigated change, weathered regulatory reactions to corporate scandals and failures, and adjusted to the shift from self-regulation to government oversight.

As the credit crunch developed, a discussion began on aspects of financial reporting, with some commentators trying to lay part of the blame for the recent turmoil in the financial markets on Fair Value “mark-to-market” accounting. We at PwC disagree. Inevitably, the adoption of Fair Value standards has required some adjustment by the markets, but I am in no doubt that Fair Value remains the best available method of accounting for often complex financial instruments.

Recent economic events have confirmed that the credit crunch is continuing to bite ever more deeply. Its impact is evident not only in the developed economies of the West, some of which are on the brink of recession, but also in developing markets, whose formerly soaring growth rates have now slowed. As events unfold, it remains difficult to predict the length of the current down cycle and the full extent of its impact. However, it is clear that companies with agility and the ability to adapt will be the best equipped to succeed in these challenging times.

The time has now come for us to build on the past decade's accomplishments and make the organisational changes that will sustain our network through the years ahead.

Adapting to new realities

As our clients have adapted and reshaped their businesses to meet the changing requirements and risks of new economic realities, so too has the accounting profession. In the decade since the formation of PwC, our profession has successfully navigated change, weathered regulatory reactions to corporate scandals and failures, and adjusted to the shift from self-regulation to government oversight. Reforms in the profession were needed—and by great measure most of the new regulations have been for the better.

During the past ten years, we have also helped to guide the emergence of a single set of International Financial Reporting Standards (IFRS) that meet the needs of global business. I have been closely involved in this issue as a Trustee of the International Accounting Standards Committee Foundation, the oversight body for the International Accounting Standards Board. PwC has long advocated a single set of global standards, and, with the US about to come on board with IFRS, this goal is well on the way to being realised.

Maintaining strong foundations

Within our own business, the quality and consistency of our performance around the world remain a key focus for PwC. We've made great strides in this area and are continuing to examine new ways to ensure our work is of the highest possible quality.

In this context, potentially disastrous liability claims remain a particular cause for concern. While we fully accept that auditors should be held accountable for their performance and pay their fair share of liability when they are at fault, we do not believe that they should face judicial actions that would penalise firms far beyond the level of their responsibility and put their very

existence at risk. We are glad to see that this view is gaining ground. A system of proportionate liability has been introduced in the United Kingdom, and the European Commission has recommended reform of auditor liability.

A further touchstone for PwC during the past ten years is that we have continued—in the tradition of our predecessor firms—to lead the profession in developing a strongly aligned and regionalised network focused on providing the best service possible for clients. The time has now come for us to build on the past decade's accomplishments and make the organisational changes that will sustain our network through the years ahead.

Making structural changes

After a comprehensive review of the future needs of PwC and our clients, our firms around the world recently approved a new internal structure. This has created three major clusters of PwC firms—East, Central, and West—led by the senior partner of the leading national firm in each cluster, namely, China, the United Kingdom, and the United States.

At the same time, we have made changes to the leadership of the PwC global network. The network is now led by a new leadership team comprising myself as Chairman and CEO; Silas Yang, senior partner of PwC China; Ian Powell, senior partner of PwC UK; Dennis Nally, senior partner of PwC US, and Hans Wagener, senior partner of PwC Germany. Additionally, the standards each PwC member firm is obliged to follow have been updated and expanded to reflect the increasingly global nature of our services and the need for worldwide consistency across an ever-widening range of areas.

These changes build on our ten years of growth and reflect the increasingly connected global world in which our clients operate, and expect us to operate. Agility and speed are crucial to our

clients’—and our own—future success. Our new structure will improve the integrated services we offer and more closely align our strategy around the world. At the same time, the changes we have implemented are rooted firmly in PwC’s partnership culture. While all of our firms across the world will be more closely aligned and more responsive, they will continue to be locally owned and managed. This will preserve the entrepreneurial partnership culture that is the foundation of their success. The new structure will provide our people with an even broader range of career opportunities, along with the geographic mobility needed to maintain PwC’s status as one of the most attractive organisations in which to build a career. And that broad international experience,

combined with the deep industry knowledge, motivation, and passion of our people, is the key to delivering best-in-class client service.

We are making these changes for the most fundamental of reasons: to ensure that our organisation is positioned to provide clients with the distinctive, premier service they expect from our brand. Our clients rightly look to us to provide superb technical expertise wherever in the world they operate. But more than that, they want us to collaborate with them, to be able to see issues from their perspective, and to focus on helping them build value in their organisations. In short, they want us to bring both our heads and our hearts to work. And that is precisely what we do.

Our new structure will improve the integrated services we offer and more closely align our strategy around the world.

28.2 billion

total worldwide revenues in USD for
PwC during FY 2008.

Focusing on performance

FY 2008 was another good year of financial performance for the PricewaterhouseCoopers network.

Total worldwide revenues continued to rise, although at a somewhat slower rate than before, reflecting the spread of the economic slowdown across the world. Global gross revenues reached 28.2 billion USD, an increase of 8 per cent calculated at constant exchange rates. At variable exchange rates, revenue grew by 14 per cent.

At the local level, revenues remained strong across all major PwC firms, with some, particularly those in emerging economies, posting very impressive returns. Revenues were up 44 per cent in India, 21 per cent in Spain, and 20 per cent in the countries of Central and Eastern Europe. PwC's member firms grew by 23 per cent in China Hong Kong, and by 14 per cent in South America, while the fast-growing Middle East firms increased revenue by 47 per cent. Notably, PwC revenues in Japan grew by 27 per cent as our new member firm there began to make significant inroads into the market. Member firms

in the US, the UK, and other mature economies also continued to grow, notwithstanding the challenge of worsening economic conditions.

Business improved in each of our lines of service. Global revenues were up 14 per cent for our Advisory business and 13 per cent for Tax. Combined, those two businesses now account for 51 per cent of PwC's global revenues. We expect that percentage will continue to increase over the next few years. Despite the challenging environment, changing regulatory requirements, and the stall in transactional activity brought about by the global credit crunch, our Assurance business also grew, albeit by a more modest 3 per cent. Further detail about our results in this and other lines of service can be found in the "Facts and Figures" section of this Review.

The sustained revenue growth of our member firms during the decade since PwC's formation underlines the wisdom of our merger and ongoing strategy, as well as our ability to attract the highest calibre people and our unflinching commitment to clients. It is a record of which we can be proud.

4 million

in USD was contributed by the PwC community to the United Nations Refugee Agency earlier this year.

Working with our communities

Just as we have worked hard to sustain our business and prepare it for the decades ahead, we have also sought to fulfil our responsibilities to the communities in which we operate. Ian Powell explores the issue of sustainability and its impact on business later in this Review.

We cannot succeed in societies that fail. For PwC, Corporate Responsibility means that wherever we do business, we always operate in the context of the communities within which we live and work. Our commitment to Corporate Responsibility is both broad based and collaborative. As public concern for the environment increases and the gap between rich and poor widens, business, government, and society now increasingly accept that they must work together to address critical challenges. As chairman of the World Business Council for Sustainable Development, I work with the CEOs of over 200 leading global companies to develop approaches that can satisfy expectations of continuing

economic growth and development while at the same time meeting pressing social concerns.

At PwC, we have recognised that if we can use our skills and expertise to address societal needs, we can help bring about real and lasting change. To this end, our Global Communities programme operates at a grassroots level in hundreds of communities and provides a vehicle for collaboration across our network.

Earlier this year, rather than celebrate our 10th anniversary with a series of internal events, we decided to do something more meaningful. We contacted the Office of the United Nations High Commissioner for Refugees (UNHCR), who helped us establish a unique programme called the “Power of 10”. In the ten days leading up to our anniversary, the PwC community—embracing thousands of partners, staff, and firms in more than 100 countries—contributed over 4 million USD to the

UN Refugee Agency to build and operate schools for some 20,000 of Darfur’s refugee children. This represents the largest single corporate donation ever made to the UNHCR. The funds raised by PwC will be used to operate schools on a safe, sustainable basis at refugee camps in eastern Chad and will also provide children and teachers with a daily meal. We are committed to remaining connected to this programme and our people will monitor progress and provide assistance where needed.

The “Power of 10” programme will help the children of Darfur maintain their hope for a better life through education. And its success to date demonstrates what the PwC network can accomplish when our people work together. On a broader level, the unique partnership we have forged with UNHCR is evidence of what the public and private sectors can achieve through collaboration. Later in this Review, Silas Yang explores the breadth of PwC’s community programmes around the world.

Supporting our people

In a business context, our people remain committed to meeting—and, more often than not, exceeding—the high demands and expectations of our clients around the world. We support that commitment through our continued investment in making PwC a great place to work, as well as by ensuring that our people can enjoy a fulfilling work-life balance. In one example of that spirit, five of our people competed in their chosen sports at the Beijing Olympics with the support of their local firm's leadership. Three of PwC's Olympians carried off medals—gold, silver, and bronze. There is more about PwC's involvement in the Olympics, as well as other matters relating to our people, later in this Review.

Looking ahead

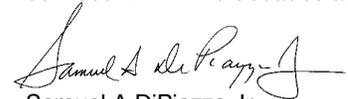
Throughout the past ten years of challenge and change, PwC has built a strong, successful organisation while demonstrating that we can

Throughout the past ten years of challenge and change, PwC has built a strong, successful organisation while demonstrating that we can accomplish great things.

accomplish great things. Though we cannot predict with certainty what the future will bring, we have actively positioned ourselves to take advantage of whatever opportunities and challenges lie ahead. We have realigned our network so as to provide the best possible client service. We have significantly strengthened the relationships between our member firms. We have taken steps to enhance our profession-leading brand. And we have ensured that we can actively support the professional and personal development of our people, who, on

a daily basis, deliver the distinctive PricewaterhouseCoopers experience.

We have accomplished a great deal in ten years. And with this robust foundation in place, I believe we are well prepared to sustain our position as the world's leading professional services firm in the decades ahead.



Samuel A DiPiazza Jr
31 October 2008



Control. The sub-prime mortgage crisis and ensuing worldwide “credit crunch” have reinforced the importance of checks and balances, controls, and governance procedures.

Assurance in a time of change

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Article by Dennis Nally, Chairman and Senior Partner of PricewaterhouseCoopers US.

Dennis Nally was elected to this position in 2002. Prior to that he served as managing partner of PwC US and Audit and Business Advisory Services leader for the Americas. He joined PwC in 1974 and became a partner in the US firm in 1985.

Throughout economic cycles, quality is the bedrock of our assurance practice. And in times of economic uncertainty, confidence in quality matters more than ever.

In recent months, several factors—including today’s complex and inter-related business environment, the sub-prime mortgage crisis and the ensuing global “credit crunch”—have combined to put the global financial system under severe strain. In doing so, these factors have reinforced the importance of effective checks and balances, controls, and governance procedures, necessary for the global banking system and capital markets to continue to operate in an orderly manner. Current economic uncertainty also underlines

the value of high-quality audits, reflecting the pivotal role of audit firms in ensuring that crucial components of the system are working and reporting properly.

But as well as reaffirming auditors’ importance, the downturn has also raised significant challenges for them. Delivering high quality in an uncertain economic environment can be a tough task for any auditor—and PricewaterhouseCoopers is no exception. We have had to make some difficult judgment calls, and the current volatility in the financial markets presents us with significant challenges. However, our professionals have the experience needed to meet and overcome those challenges by applying their objectivity and expertise.

At PwC we recognise that while Fair Value may not be perfect, it remains the best available method for the financial instruments to which it is currently applied.



In all of our audits, our ability to comply with auditing, accounting, and professional standards is a given—merely the expected performance baseline for everything we do. On top of this, we have to demonstrate high quality and add value in other ways—for example, by providing more than an opinion, and by drawing on our deep technical and industry expertise to carry out incisive, challenging audits and identify current and future risks that individual businesses face.

Financial reporting in context

A further effect of the credit crunch has been to highlight the importance of key stakeholders understanding the dynamics of the modern banking and capital markets system, including the role played by financial reporting. At root, financial reporting provides

a mechanism for communicating historical business performance in accordance with accepted accounting and reporting standards. That performance is portrayed through a mixture of financial data and management commentary, a combination intended to provide comparable data as well as the bigger picture—a view of the wider context within which the business operates and of the risks it faces. The current reporting model does suffer from some limitations—financial reporting and associated corporate reporting are not perfect sciences—but it would be unrealistic to expect otherwise.

One aspect of the accounting system that is currently stimulating much lively debate is the use of Fair Value accounting. How can you arrive at Fair Value given the volatility triggered by a



crisis? Do market crises mean that market value is no longer Fair Value? These are the types of questions currently being posed—not only among financial reporting professionals, but also across the wider business community.

At PwC we recognise that while Fair Value may not be perfect, it remains the best available method for valuing the financial instruments to which it is currently applied. Fair Value makes the impact of market forces on financial performance more transparent—a benefit that investors appreciate. Although the credit crisis may have highlighted certain limitations of Fair Value reporting, it has also confirmed its advantages.

Sounding the warning bells

The impact of the credit crunch has been felt far beyond the global banking system, as the deep sense of insecurity in banking and financial services depresses the performance and outlook of other commercial and industrial sectors. At the same time, reductions in debt levels have resulted in sharp falls in the degree

Understanding context and risk To provide effective audit assurance, auditors need to help the users of accounts understand the context of reported financial results—which increasingly means understanding the risks faced by a business and the business's approach to managing risks. Fair Values, for example, are affected by risk, since markets adjust their pricing of assets to reflect their perception of the associated risks.

The financial instruments disclosures standard IFRS 7 requires companies to discuss related risks and their management of them. However, volumes of disclosure that appear to meet the letter of the Standard can potentially mask the real truth behind the detail. PricewaterhouseCoopers audit professionals work with companies to help make companies' reporting as clear as possible, so that users of companies' accounts can see and understand the bigger picture and the true risk position.

of leverage in many countries—and in some countries, declining economic indicators are sounding warning bells over potential impending recession. Businesses are feeling the impact in the shape of mounting pressure on cash flows, with rising numbers facing the very real prospect of insolvency.

As more players in the wider economy start to struggle, and as questions of 'going concern' become more frequent, more judgment calls will have to be made. Can we be completely sure that these decisions will be soundly based?

When the audit is put to the test, will it prove to be the valued source of assurance that we firmly believe it to be?

We are absolutely confident that we can—and will—make such calls and get them right. There is a belief around the world that changes to the auditing profession in recent years have had a positive impact on the quality of work being done. We believe this view is justified. The profession is—and can be seen to be—in a more robust state than ever before to deal with the major challenges it faces.

If regulatory change is to be made, it is vital that it be done in a considered way.



Audit: a valued source of reassurance

Given the advent of the current downturn, the profession's state of readiness is very good news. The independent professional audit remains an essential source of reassurance for investors. By providing a balanced, objective opinion on financial statements, auditors help build trust between companies and their stakeholders, including investors.

This trust depends on more than just numbers. Auditing today isn't only about compliance or merely following rules. It is about comprehensive and well-informed assessment of risk, based on a thorough understanding of an audit client's business, marketplace, and controls environment. And it requires the application of judgment and insight, drawing on both technical knowledge and commercial experience. Technology is an increasingly useful tool for collating, analysing, and benchmarking data, bringing the potential both to spot anomalies in accounts and to identify potential areas where business performance could be improved.

Above all, an audit represents much more than the final opinion based on it; it is actually an ongoing interaction between auditor and management. Who could be a better sounding board for the chief executive, chief financial officer, or

Consistency. The success of IFRS depends on each country adopting the standards in full, without 'cherry-picking' to suit national preferences.

audit committee chairman than the audit engagement leader? Audit professionals bring insights gained from working with many businesses across a diverse range of sectors, enabling them to place a specific business and its unique set of challenges in the context of the wider economic environment. This in turn enables auditors to provide a robust challenge for management—and, if management is savvy, they appreciate that such challenges help enhance the long-term strength of their businesses.

As both parties strive to realise these benefits, a critical success factor is the quality of dialogue between auditor and client, something that ultimately depends on the quality of people the audit profession can attract and retain. Talented individuals will continue to choose a career path in assurance, so long as they can see clear opportunities for personal and professional development—including the chance to test themselves in today's challenging commercial climate. They also want to operate in a principles-based environment, where they can apply their judgment in ways that add real value for clients rather than being restricted to delivering prescriptive compliance.

Changing world order

Looking forward, the challenges faced by the auditing profession will continue to escalate—not least because of the ongoing profound change in the world order, including potential financial regulation. Inevitably, like the corporate collapses of the early 2000s, the credit crunch will trigger a further wave of new and tighter regulatory requirements. However, if regulatory change is to be made, we believe it is vital that it be done in a considered way, and involve

real thought and engagement with those who will have to make the new system work. Furthermore, the positive impact of this change would be even greater if we could seize the opportunity to sweep away all the baggage from the past and simplify and streamline existing regulation.

In the accounting and financial reporting arena, ongoing regulatory change has also manifested itself in the continuing adoption of International Financial Reporting Standards around the world. Already firmly established in Europe and Australasia, the standards are set to be adopted by further jurisdictions, including India, Japan, Canada, Brazil, and Korea by 2011. The US is moving in a similar direction, with the Securities and Exchange Commission having recently published its proposed road-map for mandatory IFRS adoption.

Global usage of a single, universally understood accounting language represents a major step forward for transparency, enabling investors to compare companies' performances more readily regardless of their regulatory jurisdiction. However, the success of IFRS in this respect depends on each country adopting the standards in full, without 'cherry-picking' the rules to suit its own national preferences and interests.

PwC moved early to recognise the importance of consistent IFRS adoption by creating Global Accounting Consulting Services (ACS). Based around a small central team in London and drawing on accounting experts from the many countries where IFRS is being adopted, Global ACS strengthens PwC's ability to deliver consistent technical advice anywhere it is needed around the world. This provides a highly responsive integrated



Audit professionals bring insights gained from working with business across a diverse range of sectors.

network within which the interpretation of international accounting standards is determined and urgent client needs are met. The result is high-quality accounting advice founded on consistent global interpretation—an offering that both supports and mirrors the twin goals of a single, international accounting language and cross-border transparency of corporate reporting to investors.

The structure of Global ACS enables a vast array of expertise and experience to be shared between technical experts and the actual preparers of accounts—engagement partners working directly with clients. It also facilitates the gathering of valuable insights for international

standard setters, who may not always have up-to-date, first-hand knowledge of the complex structures and transactions used in today's organisations.

A further facet of the changing world order is the continued higher growth of emerging economies. What does this trend mean for global markets as a whole? One key effect of the rise of new commercial and economic powerhouses is to focus attention on the sustainability of traditional resource usage in developed economies. This attention now encompasses the security of some supplies previously taken for granted, such as energy and food. These concerns over sustainability are beginning to have

an impact on our mainstream assurance business by changing the risk profiles of industries and the valuations placed on businesses.

A parallel trend in both developed and emerging economies is that serious questions are being raised about the traditional assumptions about the information needed to run businesses, about the scope and content of external reporting, and about the value that can be provided by the auditing profession. These questions have created a need to enhance the systems for gathering data and providing meaningful information, as well as the associated controls and governance structures.



Assurance beyond financial reporting Investors and management could gain significant reassurance from objective assessments of many factors directly affecting future performance, such as the potential impact of a corporate merger or the progress of a major IT systems implementation. Could a new business model have a transformational effect on operational results? What issues need to be considered before deciding to outsource or offshore a business function?

Assurance can take many forms, and the formal audit opinion is just one of them. Companies and their stakeholders appreciate benchmark data, diagnostic reports, and professional insights, all of which provide them with the means to interpret the business and its performance in a constantly changing environment.



Confident. We remain extremely optimistic about the future role of assurance and the value it adds for companies and their stakeholders.

A broader assurance role

As assurance providers, our role clearly extends beyond 'pure' financial reporting and regulatory audit. Business leaders, shareholders, and other stakeholders are becoming more and more aware of and concerned about sustainability—the impact that shortages in key resources, whether energy, water, raw materials, or people, could have on business operations. They are also increasingly interested in the reporting of an organisation's impact on the environment around it, including such aspects as climate change, fair trade, labour rights, and community involvement.

Reports on such topics may involve the inclusion of non-financial key performance indicators. To make these indicators credible and to encourage readers to rely on them, they warrant objective external assessment. So the traditional skills of the auditor have real value here. By applying our professional expertise to broader, non-financial types of assurance engagement, PwC can help management enhance organisational performance and provide investors and other stakeholders with the types of relevant and reliable information they seek.

A future of new opportunities

Change can sometimes be challenging, but it is invariably stimulating, encouraging creative thinking and new ways of looking at the world, at business, and at assurance. The past year has been a challenging period for both PwC and many of our clients. Nevertheless, the experience of the past 12 months has given us good cause to remain extremely optimistic about the future role of assurance and the value it adds for companies and their stakeholders.



Big. The sheer scale of the sustainability challenge has moved it to the top of the corporate agenda and into every function and business unit.

Sustainability: A perfect storm for change

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Article by Ian Powell, Chairman and Senior Partner of PricewaterhouseCoopers UK. Ian Powell was elected to this position in July 2008. Prior to that he served as head of PwC UK's Advisory business. He joined PwC in 1977 and became a partner in the UK firm in 1991.

The way executives think—and the way businesses operate—is being fundamentally reshaped by a concept that entered the public consciousness just a few years ago: *Sustainability*. At its most basic level, sustainability is the process of improving the quality of life for all people while living within our planet's environmental limits.

The sheer scale of the sustainability challenge—which ranges from international efforts to reverse the current trajectory of carbon emissions to transforming the way we live, govern, and do business in a resource constrained world—has moved sustainability to the top of the corporate agenda and into every function and business unit. External reporting requirements along with

internal financial and strategic objectives have driven environmental and social performance issues out of their traditional corporate silos.

At the same time, sustainability issues are higher on the consumer agenda than ever before. According to a recent study commissioned by PwC in the UK to measure consumer awareness and concern about sustainability, more than 60 per cent of respondents indicated that sustainability issues such as climate change, poverty, and food and water shortages were the most important issues facing the world. In addition, the explosion of media coverage along with consumers feeling the impact of sharply higher prices for food, fuel, and utilities have served to raise awareness.

Forward-looking executives recognise that addressing the sustainability challenge is not simply an act of altruism or clever public relations.

This awareness and concern is motivating action and changing behaviour, particularly in regard to purchasing habits. Consumers are increasingly buying more sustainable products and would buy even more but are put off by the price premium associated with sustainable goods, by confusion about the social and environmental trade-offs of buying sustainable products, and by the lack of availability of sustainable alternatives.

The economic case for sustainability From both cost and revenue perspectives, it's evident that being sustainable pays. The era of cheap and readily available raw materials and energy has gone. Physical supplies are running out faster than previously predicted, competition for remaining resources is intensifying, and in the medium term, we are likely to see changing weather patterns leading to volatile output levels. In addition, the regulatory burden has increased and is likely to continue. Organisations that predict and react to this regulatory environment will benefit and in some cases, will be able to shape regulations to their advantage and to the detriment of competitors.



Forward-looking executives recognise that addressing the sustainability challenge is not simply an act of altruism or clever public relations. Rather, they understand that the future commercial viability of their businesses may depend on how well they understand and respond to sustainability's many challenges. In fact, 53 per cent of executives surveyed by the Economist Intelligence Unit report that sustainability policies

are in place and are overseen by the CEO of their organisation or the board of directors. The business case for investing in sustainable business models is becoming increasingly clear to all organisations and not just to those operating in green niches.

Internal implications

In an age of rising commodity and raw materials costs, it is economically viable to act. The commercial logic for assessing and minimising energy, carbon, water, and commodity usage is simple: using fewer materials costs less. Underlying structural changes in the world economy—such as continued growth in the economies of Brazil, Russia, India, and China—mean competition for resources is intensifying, and resource scarcity is likely to become a greater issue in the future.

Leading companies are taking action now to reduce the levels of resources they use and invest in technology that can reduce energy consumption and emit less hazardous—and potentially taxable—emissions. What's more, as costs continue to rise, the payback period for such capital investment is reduced. The best organisations are



60%

is the percentage of respondents in a recent study by PwC in the UK who indicated that sustainability issues were the most important issues facing the world.

investigating which technology investments can reduce their cost and their regulatory exposure. Truly pioneering companies are adopting innovative solutions to secure the quantity and quality of materials they need to manufacture and operate. From a supply chain perspective, this has resulted in organisations forging better links with farmers, growers, non-governmental organisations, and other external certification bodies.

Producers and retailers that are investing directly in suppliers and farmers are finding real strategic advantage. This collaborative model delivers the continuity and consistency of supply that are essential to meet the commercial needs of a business. In addition, it brings real benefits to farmers and producers and enhances corporate reputation. This model is as relevant to relationships with farmers in the developed world as it is to developing-world suppliers.

Successful organisations also incorporate sustainability into their human resource strategies. Acting in a sustainable way is key to recruiting, retaining, and developing staff. Historically, this has been most applicable to knowledge-based industries such as financial and professional services. However, retailers and consumer goods companies are now using their sustainability credentials to attract and motivate staff across all functions. Being green helps you get, and hold on to, the best talent.

Green. Heightened awareness of ethical and environmental issues has irreversibly changed consumer perceptions of brands and products.



External implications

In the face of increasing competition and consumer interest, retailers and consumer goods companies are using sustainability to support their brand and develop range and price propositions that generate competitive advantage. From both retail and consumer goods perspectives, what is clear is that greenwashing no longer works. Consumers are smarter, better informed, and more discerning. In today's tighter economic climate, consumers want to

understand why a price premium exists, so they can make an educated choice on which products best fit their emotional, ethical, and functional needs.

From a consumer goods perspective, sustainability has consequences for product formulation, innovation, and portfolio composition, in addition to branding. Heightened awareness of ethical and environmental issues has irreversibly changed consumer perceptions of brands and products. Typically,

Consumer goods companies are finding legitimate commercial

Change.

The drive for sustainable brands and product portfolios has resulted in new entrants but has also driven increased merger, acquisition, and disposal activity.



more packaging, more-powerful ingredients, and more flavour variants have equated to a “better” product. With higher raw material costs and with retailers increasingly selecting products for their green attributes, consumer goods companies are finding legitimate commercial advantages to modifying existing products and creating new ones.

For example, concentrated laundry products use less packaging and raw materials, take up less shelf space, and are easier for consumers to carry.

This win-win situation illustrates how sustainability is driving change across the production, retail, and consumption stages of the value chain and how a category can fundamentally change in a short period of time.

The drive for sustainable brands and product portfolios has resulted in new entrants but has also driven increased merger, acquisition, and disposal activity. Unilever and Ben & Jerry’s, PepsiCo and PJ’s, Cadbury’s and Green & Blacks, and Danone and Stoneyfield

Farm are all examples of recent transactions where sustainability has been one of the key drivers of the acquisition. In each case, the acquirer was seeking to either engender a particular category with social, environmental, or ethical attributes or integrate operational capabilities into its existing business. This will likely continue as established players jostle with each other to ensure their product and brand portfolios are relevant to future consumer tastes and demands. Organisations that develop a unique position will continue to prosper.

What is clear is that there is competitive advantage to be gained from looking at internal and external strategy through a sustainability lens. However, it is unwise to just focus on external factors, such as brand. Consumers will not tolerate companies that make platitudes to sustainability, and such actions may well be harmful. Companies that want to succeed commercially must approach sustainability strategically and with conviction, determination, and transparency.

advantages to modifying existing products and creating new ones.

PwC: Part of the sustainability solution With more than a decade of sustainability experience and over 700 global sustainability practitioners, PwC is playing a leading role helping businesses and governments face the challenges—and opportunities—created by the sustainability agenda. The complexity and commercial implications of sustainability require not only the skills and expertise of our sustainability experts but also the breadth and depth of PwC’s global network: economists, tax advisors, supply chain experts, strategists, due diligence teams, auditors, change management leaders, and sector experts. In addition to our client services, we play an active role in many of the world’s leading organisations working toward solutions—among them, the World Business Council for Sustainable Development.

Where next?

The majority of retail and consumer goods businesses have developed some form of response to the issues of sustainability. The minimum requirement today is to deliver compliance and risk management. However, responses are becoming more sophisticated and have begun to address the issues on a tactical basis to deliver cost reduction or optimise resource use.

Further opportunity lies in strategically using sustainability as a source of defensible competitive advantage. Brand value, customer and employee loyalty, higher top-line and margin growth, cost savings, and supply advantages may be some of the potential benefits.

The pace of change is accelerating as a better understanding of the issues and of ways to extract value from sustainability strategies develops. In addition, regulation is forcing action. The minimum requirement today will move rapidly, and the bar is being raised. It is better to lead this development than to risk being left behind as others—including regulators and consumers—set the pace.

The forces converging on consumer and retail businesses are, in combination, extremely powerful. Their confluence is creating a perfect storm that cannot be ignored. The emerging combination of consumer empowerment and awareness, pressure on resources, and government action are set to transform the retail and consumer environments.

This is not an issue that is going to disappear. Like the growth of online retail, it is a game-changing trend. The leaders are making market interventions and decisions that have consequences for all.

Consumers as catalysts: The long-standing perception that sustainability attributes have to raise cost may ultimately be true for some products that are more costly to produce. However, environmentally friendly attributes such as low carbon, reduced packaging, less waste, and reduced resource use should actually reduce cost. This will change the sustainability price equation. As consumer awareness of this increases, sustainable products could become the more affordable alternatives.



Retailers as catalysts: Competition among retailers adds to the pressure wave. We have seen tactical responses, but there remains an opportunity for a consumer champion to bring sustainability into the mainstream. Satisfying demand and removing barriers require leveraging scale: creating the market by encouraging suppliers to develop more sustainable products, reducing price premiums, and allocating greater shelf space and promotion spend. This is not just about addressing price, accessibility, and availability. Although these are significant challenges, credibility and trust need to be established to enable better communication of sustainability messages.

Producers as catalysts: The role as innovator to create supply and build availability is crucial. Greening of long-established and powerful brands presents a number of major challenges. However, the opportunity for innovation and new products in this space is high.

There has been significant growth in numerous categories driven by new entrants. While many of these remain niche, momentum is building and private label/store brand development has been growing. We are witnessing success stories from established operators acquiring and developing 'sustainable from birth' brands.

Suppliers also have a role in creating greater trust and understanding among the mainstream. Leading brands have the power to change and influence behaviours.

Regulators as catalysts: Governments are influencing sustainable consumption by using tax and regulation, incentivising the good and penalising the bad. This is not just about waste and land-fill taxes or carbon emission legislation. Protectionism in the face of scarcity and potential changes in international trade instruments (duty and import agreements) have implications for continuity and cost of supply.

Regardless of market position or scepticism of the science, consumer awareness, competitor action, resource scarcity, and regulation changes mean all organisations need to develop strategic responses to sustainability issues. It is essential that credible and transparent sustainable solutions be developed and embedded in the strategic decision-making process. Sustainability is now a business imperative.

Further opportunity lies in strategically using sustainability as a source of defendable competitive advantage.





Commitment. Many people today believe business has a positive responsibility to operate in ways that benefit society and foster its well-being.

Corporate responsibility: PwC in the wider world

What does corporate responsibility actually encompass? [page 25](#)

Corporate responsibility at PwC [page 26](#)

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Article by Silas SS Yang, Chairman of the regional Asia Board of PricewaterhouseCoopers. Silas Yang was elected senior partner of PwC's Hong Kong firm in 2001 and the following year became chairman and senior partner of PwC China and Hong Kong. He joined PwC in 1983 and became a partner in the Hong Kong firm in 1989.

No organisation should pursue commercial success at the expense of the community or wider society in which it operates. But there is a rising groundswell of opinion that the private sector's obligations go beyond avoiding doing harm—or even being willing to do good deeds every now and then. Indeed, many people today believe business has a positive responsibility to operate in ways that benefit society and foster its well-being on a sustained and sustainable basis.

This point of view has been expressed under various banners including “triple bottom line,” “sustainable business”, or simply “corporate responsibility”. But whatever term is used, the underlying concept is here to stay. Companies

around the world now speak of the business case for corporate responsibility, recognising that it is good for business, and are voicing their intention and increasingly taking concrete action to integrate corporate responsibility into everything they do.

What does corporate responsibility actually encompass?

In practice, corporate responsibility (CR) often embraces ambitions that are both grand and modest—everything from carbon neutrality to employee appreciation days. Clearly, CR's meaning and scope are still evolving. But it is fair to say that in its fullest sense, CR requires a level of commitment that goes well beyond agreeing to paint a school

Many people across our organisation came to believe that PwC needed to do more.



building or make an annual donation to a favourite charity. Instead, CR implies a deep commitment by a business to integrate social, environmental, and economic concerns into its corporate mission, company strategy, and daily operations. And if that sounds like a big commitment—well, it is.

So, how does a business begin to define and fulfil a CR charter? Of course, there is no one-size-fits-all solution that is appropriate for every enterprise. Each will adopt its own preferred course of action, and PwC is no exception.

Corporate responsibility at PwC

PwC's interpretation of CR has evolved in tandem with its own experience of pursuing this important business goal. As in many other organisations, thousands of PwC people have spent countless hours over the years as volunteers, leaders, and facilitators on hundreds of worthwhile community projects. While all of these projects were and continue to be worthwhile, many people across our organisation came to believe that PwC needed to do more.

Eventually, a network-wide consensus emerged about what we needed to do—which was to drive CR deeper

At the heart of our new framework are four



into our organisational DNA and make our engagement with CR more effective. To achieve such changes, we would have to broaden our focus on the issue while adopting a more coordinated approach to all of our CR-related activities.

To get this under way, PwC launched an initiative in 2006 called Global Communities. One of this programme's immediate goals was to support PwC people leading particular kinds of local community programmes—whether tutoring students, supporting relief operations, or providing professional assistance for non-profit organisations—as well as sharing their experiences with

other PwC people leading similar work around the world. In this way, Global Communities began building internal communities of PwC people whose expertise could be leveraged across our entire network of firms.

This year, in response to our desire for a “wider view”, Global Communities formulated a CR conceptual framework that is both sufficiently comprehensive and ambitious for an organisation of PwC's size and scope. At the heart of our new CR framework are four quadrants: Environment, Community, People, and Marketplace. The following section shows what each one means in practical terms.

Spirit of giving PwC in Kazakhstan is closely involved in child welfare initiatives, with many staff volunteering regularly at children's orphanages. Under another initiative, instead of buying New Year gifts for clients, PwC donates the money to charity. In 2007 these funds went to support a rehabilitation facility for disabled children.

The spirit of giving is embraced enthusiastically by PwC staff in Mexico. On 6 January each year, when children traditionally receive presents, PwC staff and their families deliver donated gifts to children at 22 orphanages and other centres serving underprivileged communities. The number of gifts given is increasing every year—reaching 2,350 in 2007.

quadrants: Environment, Community, People, and Marketplace.

Environment. Business, governments, and individuals all share responsibility for the preservation of the natural environment. For PwC, this means putting an environmental strategy at the core of our operations by committing to a number of initiatives, including:

- measuring, reporting, and continuously reducing the environmental impact of business operations
- using natural resources efficiently and minimising waste
- mitigating climate change impacts by reducing greenhouse gas emissions from energy use, transport, and everyday processes



- developing processes to minimise environmental impact
- encouraging suppliers to reduce the environmental impact of the materials they provide

At PwC, each of our individual member firms is responding to the need to protect the environment with plans that can be implemented immediately at a local level. These targeted local efforts also form part of a wider initiative being

coordinated by PwC's Climate Change Response Group, which brings together representatives from our eight largest firms. The Climate Change Response Group serves as a forum for sharing insights and best practices on environmental matters. It also acts as a consultative body responsible for the development of a long-term, aligned approach to environmental issues that can be applied—with local customisation—across our entire organisation.

Taking action on climate change PwC firms around the world are taking action to combat climate change—and here are just a few examples.

Our Polish firm has promoted environmental awareness through an educational campaign called Green Week. The initiative saw employees receive e-mails every day for a week, encouraging environmentally responsible behaviour both in and outside the office. They were told about the potential savings achievable through simple actions such as recycling cans, unplugging computers at night, and carrying reusable shopping bags. The week ended with an invitation for ideas to improve environmental performance in the office, triggering over 300 suggestions.

This year, PwC US completed a national inventory of carbon emissions and established a baseline carbon footprint. Based on the results, a four-year action plan is being put in place with a commitment to reduce carbon emissions by 20 per cent by 2012, with a significant focus on travel, workspaces, and commuting. PwC was the first amongst its competitors in the US to make an announcement of this kind. The effort will consist of several steps, from leveraging the work of local office “green pilots” to test printing and car-pooling systems, to investing in innovative technology and video-conferencing capabilities and selecting airlines and rental car agencies that have more environmentally friendly fleets.

In the Netherlands, PwC became the first professional services firm to form an agreement with the Forest Stewardship Council (FSC). Under it, the firm will use only FSC-certified paper for internal and external communications and will select FSC office furniture and building materials whenever possible.



At times, a company's involvement in the community may turn on life-and-death events.

Community. To be truly effective, our experience suggests that a business's CR strategy for involvement in its local communities needs to be rooted in partnerships with a variety of community organisations. In addition to providing these organisations with additional human resources, businesses can also bring them specialised knowledge that is often in short supply across the non-profit sector. PwC's member firms seek to support and nurture strong, thriving communities through efforts including:

- encouraging employees to become involved in community activities
- working in partnership with community organisations by providing support, expertise, skills, and cash
- engaging the community in a dialogue on issues of local concern

- promoting the adoption of CR practices within the general business community
- procuring supplies from local suppliers

At times, a company's involvement in the community may turn on life-and-death events. Let me give a particular example that touched me personally. In May 2008, a devastating earthquake struck Sichuan Province. Many thousands of lives were lost. Without hesitation, PwC firms around the world launched appeals to their people and made donations to support disaster relief for the region. At the time of writing, a total of 1.5 million USD had been contributed. Aside from giving, our people on the ground in China were also personally involved in the relief effort, packing and distributing aid materials to those in need.



Fighting disasters and poverty

When devastating floods struck eastern Uganda in October 2007, the response from PwC was immediate. PwC Uganda's Corporate Responsibility group provided medicine, food, and financial aid as well as mosquito nets and water-treatment solutions to help the many people left homeless and sick. Staff donated clothes, shoes, and money—and all of this aid was doubled through PwC's matching-gift programme.

In South Africa, PwC is partnering with Habitat for Humanity, an organisation that provides simple, respectable, and affordable housing for people living in poverty throughout the world. In addition to making financial donations, PwC people are now also getting their hands dirty by helping build houses themselves.



People. From a CR perspective, building a supportive workplace is simply the right thing to do. But it is also essential if a business wishes to nurture a high-performance corporate culture. Actions that can be taken include:

- equipping people with the skills to do their jobs effectively and investing in training and development
- establishing a culture where inclusion and diversity are the norms
- creating a work environment that supports the health, safety, and well-being of employees
- promoting corporate values that make employees proud to be part of the organisation

Promoting education across the world PwC UK is working with Shakespeare's Globe Theatre in London to help young people improve their performance at school. Schoolchildren have the chance to act on this famous stage, using Shakespeare's plays as a means of improving their confidence, eloquence, and team-building skills. Places are always oversubscribed, underlining the popularity of this scheme.

In Argentina, PwC gives an annual cash award to schools that best demonstrate the benefits of education to children and their local communities. Besides cash for investment in social education projects, award winners also receive a year of help from PwC volunteers.

Creating awareness of hunger is the mission of PwC Netherlands' partnership with Kids Moving the World. Through this programme, PwC volunteers act as game guides to help children learn about the realities of hunger and living conditions in developing countries. Through games, stories, pictures, and assignments, children are encouraged to think about what they could do to help.

In Belgium, PwC volunteers have been helping underprivileged children with their homework and are coaching youngsters who have dropped out of school.

Essential to PwC's overall CR strategy is the creation of a workplace in which our people treat one another with dignity, fairness, and respect. We help our people develop to their fullest potential and to understand that they will be held accountable for their work and recognised for the value they deliver.

Marketplace. Organisations that demonstrate a high competency for making money often also show a distinct aptitude for executing CR effectively. It is easy to understand why. Treating customers with respect, acting fairly toward suppliers, and developing products and services that address broad societal needs combine to create an excellent recipe for "doing good"—as well as for "doing well." In the marketplace, both aims can be advanced simultaneously by:

- providing innovative products and services that address society's major challenges
- understanding and monitoring supply chains and managing the risks they entail
- adhering to appropriate standards of behaviour in areas where laws or standards are absent or inadequate
- meeting the needs of vulnerable stakeholders and ensuring they are not exploited
- working with regulators to help ensure that the public interest is addressed

As with any emerging movement, corporate responsibility has its leaders, followers, and laggards. Given PwC's role in serving the public interest, we feel we have a particular responsibility to take a leadership role on CR issues. Consequently, PwC was one of the first global signatories to the United Nations Global Compact, an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies. And PwC's Global CEO, Sam DiPiazza is the chairman of the World Business Council for Sustainable Development, a CEO-led association of 200 global companies that promotes business policies that contribute to social and economic progress.

Corporate responsibility suggests a new kind of compact between the private and public spheres—one based on shared interests and mutually agreed-to objectives. That the success of CR rests to a large degree on a realisation within the public sector that the creativity and innovation that drive business can also have an enormously beneficial impact when unleashed for the benefit of the wider society. As that realisation grows, it is a good bet that an expectant public—and its representatives in government—will increasingly embrace the concept of CR and assume that CR's principles will be factored into all significant business decisions taken by management.



Unleashing the “Power of 10” In August 2008, PwC donated more than 4 million USD to the Office of the United Nations High Commissioner for Refugees (UNHCR) to be used in building and operating schools for the many refugee children who have fled the conflict in Darfur. This was the largest single donation ever made by a business to the UNHCR. The funds—which were raised in only 10 days during PwC's “Power of 10” campaign to mark PwC's 10th anniversary—were contributed by PwC people in 102 countries. Many PwC member firms also made donations on behalf of their employees.

The funds will be used to build and operate schools on a sustainable basis for more than 20,000 children aged 6 to 14 living in refugee camps in eastern Chad. As part of the programme, children and teachers will receive a daily meal. Teacher training and school supplies will also be provided. António Guterres, the UN High Commissioner for Refugees, comments: “PwC's generosity will provide direct assistance to refugee children in Darfur who currently have limited options for education. Working together, UNHCR and PwC are committed to providing these children with safe havens and hope for a better future.”

In the past, many companies regarded CR as a well-meaning but tangential exercise. Today, as CR gains momentum in companies and societies across the world, those sceptics may well wish to rethink that view. At PwC, we have gone through the exercise of examining what is, and what is not, important to our business and our people. That exercise has enabled us to build an understanding of CR that is a major asset to our business—and that may be of value to other organisations as they seek to address this critical issue.





Connected. PwC is structured as a network of member firms, operating locally in countries around the world.

Key network information

Legal structure, ownership, and network arrangements [page 34](#)

Governance structures [page 34](#)

Description of internal quality control systems [page 34](#)

Assurance quality review process [page 36](#)

Independence practices [page 37](#)

Partner remuneration [page 38](#)

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Introduction by Hans Wagener, Senior Partner of PricewaterhouseCoopers Germany. Hans Wagener has held this position since 2003. Prior to that, he served on the German firm's Management Team, with responsibility for Financial Services. He joined PwC in 1977 and became a partner in the German firm in 1987.

The key factor that makes PwC the distinctive organisation in the professional services industry is the strength of our network. It is this network that provides PwC firms with the flexibility to operate as both local and global businesses—sharing knowledge, skills, and resources with speed and consistency—to the ultimate benefit of our clients.

In September 2008, our firms around the world voted overwhelmingly to endorse a new organisational model for the PwC network. The new model strengthens the network structure, allowing us to more closely align our strategy around the world, thereby further improving the integrated service we offer clients.

It will give us the agility and speed needed to continue our expansion in the emerging markets. At the same time, member firms will continue to be locally owned and managed partnerships,

preserving our organisation's entrepreneurial culture.

We are naturally very proud of our network and keen to share here with all of our stakeholders some detail of the legal, network, and governance structures of the PricewaterhouseCoopers network of member firms.

In this section of our Review, you can also read about the importance we attach to how we manage risk and quality; the rigorous standards demanded of all of our member firms; and the reviews we conduct to achieve the highest levels of compliance.

You can also get insight into our independence practices, the essential elements that underpin partner remuneration, and our total commitment in ensuring that our 126,000 professionals get access to high-quality learning and education.

Legal structure, ownership, and network arrangements

Network arrangements and member firms PwC is structured as a network of member firms, operating locally in countries around the world, connected through membership of PricewaterhouseCoopers International Limited.

This network structure provides PwC firms with the flexibility to operate simultaneously as local and global businesses, creating a platform on which member firms share knowledge, skills, and resources and deliver services of consistently high quality to international and local clients.

In most parts of the world, the right to practice accountancy is granted only to national firms that are majority owned by locally qualified professionals. Consequently, PwC member firms are locally owned and managed, thereby fostering a deep understanding of local markets.

PricewaterhouseCoopers International Limited PricewaterhouseCoopers International Limited (PwCIL) is a UK membership-based company. PwCIL does not provide services to clients. Its primary activities are to identify broad market opportunities and develop associated strategies; strengthen PwC's internal product, skill, and knowledge networks; promote the PwC brand; and develop and work for the consistent application of common risk and quality standards by PwC's member firms, including compliance with independence policies.

Governance structures

Global Board The Board's role is to ensure accountability, protect the PricewaterhouseCoopers International Limited network, and ensure effective governance. The Board does not have an external role. Board members are elected by all partners worldwide every four years.

Network Leadership Team This team sets the strategy and standards that the PwC network will follow.

Strategy Council The Strategy Council, which is made up of the senior partners of some of the largest PwC firms, agrees strategic direction and ensures alignment in the execution of strategy.

Network Executive Team This team, which reports to the Network Leadership Team, is responsible for key service line and functional areas across the PwC network.

Note: Turn to pages 50-51 for lists of the members of the Board, Network Leadership, Strategy Council, and Network Executive Teams.

Description of internal quality control systems

The way we do business PwC's member firms conduct their businesses within the framework of applicable professional standards, laws, regulations, and internal policies. However, we acknowledge that these rules do not govern all types of behaviour, so we have a Code of Conduct for all PwC people and firms.

PwC people have an obligation to know and understand not only the guidelines contained in the code but also the values—Excellence, Teamwork, and Leadership—on which the guidelines are based.





Each client engagement partner is responsible for selecting partners and staff for an engagement who have the required professional competence and experience.

Sustainable culture To ensure the continuing success of our business, we nurture a culture that supports and encourages all of our people to do the right thing, especially when they have to make tough decisions. PwC people have ready access to a wide array of networks—both formal and informal—and technical panels to help them reach the right solutions.

Quality procedures PwC has a number of globally developed methodologies and work programmes for many of its services. These are designed to assist partners and staff in delivering work of the expected quality. Each client engagement partner is responsible for selecting partners and staff for an engagement who have the required professional competence and experience.

Managing risk and quality A firm's membership of the PwC network depends on its ability to comply with common risk and quality standards. Underlying PwC's risk management and compliance programme is the fundamental principle that every PwC firm is fully responsible for its own risk and quality performance and, where necessary, for driving improvements. Territory Senior Partners sign an annual compliance confirmation with a set of risk management standards covering a range of risk areas, including independence, ethics and business conduct, Assurance, Advisory and Tax risk management, member firm governance and data protection and privacy. These confirmations follow an assessment of compliance supported by local testing and quality review.

Learning lessons PwC has a high reputation for quality. However, the sheer size of our network makes it inevitable that we will occasionally fall short of the high standards we set for ourselves. When this happens, we discuss and resolve the issues with the client or other concerned party. We also make sure that lessons are learned and communicated to the relevant part of our business. Where appropriate, we enhance our processes, systems, and training programmes to avoid such problems in the future.

All partners, directors, and client-facing managers are required to record the details of their investment portfolios on a confidential database.



Assurance quality review process

Our Assurance practice conducts an annual global programme of quality reviews intended to:

- Evaluate a member firm's performance of its overall quality and risk management responsibilities relative to PwC global policies and procedures and the performance of its partners and staff on selected individual engagements;



- Provide reasonable assurance that:
 - Audit examinations are performed in accordance with generally accepted auditing standards, financial statements are prepared in conformity with generally accepted accounting principles, and reports issued are appropriate in the circumstances;
 - Other Assurance services are performed to appropriate standards and documented in accordance with PwC policies and procedures;
- Identify the possible root causes of failings where deficiencies are identified or where performance needs improvement;
- Identify and assess any factors that increase the member firm's risk;
- Ensure compliance with global Assurance risk management policies and procedures;
- Provide constructive recommendations for correcting any deficiencies noted during the review.

Quality reviews are carried out on each PwC member firm at least every three years, or more frequently should circumstances warrant more-frequent review.

Independence practices

Policy PwC's Global Independence Policy—based on the International Ethics Standards Board for Accountants Code of Ethics—sets out the minimum standards that should be observed and the processes followed to maintain independence from PwC Assurance clients. PwC member firms may impose independence restrictions and processes that differ from, but are no less restrictive than, the global policy, by reference to local regulatory and ethical requirements.

The requirements of the Global Independence Policy for PwC firms are embodied in a number of Independence Standards that all PwC firms are required to assess their compliance against annually.

Training Computer-based training modules on the Global Independence Policy and related topics have been made available to all PwC firms. Individual countries supplement these with training materials tailored to reflect local requirements. Our Assurance, Tax, and Advisory practices also deliver local training programmes and materials dealing with independence considerations related to the provision of services to Assurance clients.

Compliance Compliance processes rely on a combination of business activities and monitoring systems. All partners, directors, and client-facing managers are required to record the details of their investment portfolios on a confidential database that provides real-time monitoring of investments held against an independence list of prohibited securities.

In addition to these compliance monitoring systems, all member firms must have certain confirmation and verification processes in place, including:

- Annual Independence Confirmations
- Inspection and testing programmes

Violations All PwC member firms must have disciplinary policies and mechanisms in place to promote compliance with policies and processes and to report and address any violations of independence requirements. In addition, all member firms must report any violations of cross-border regulations affecting audit appointments of another member firm.



We are committed to delivering consistently high levels of audit quality around the world.



Partner remuneration

An essential element of PwC's ethos is a common global framework for partner remuneration based on partner performance and quality of work. This global framework suggests that all partner remuneration systems should include three core elements for which partners should be rewarded: first, the role they are asked to play in the partnership; second, how well they carry out their responsibilities; and, third, how well their individual firm performs as a whole. The underlying

premise of the partner income philosophy at PwC is designed to encourage, recognise, and reward partners, both as individuals and as members of teams, based on their contribution to their local firm.

The successful execution of the partner income arrangements, including delivery of actual rewards, hinges on a balanced scorecard evaluation against individual and team objectives. Our performance-rewards structure respects the regulatory environment in which we operate.

Continuing education

The PwC approach to learning and education (L&E) at the global level ensures that our people have access to a wide curriculum of courses developed to global standards while also providing support for local L&E leadership and fostering personal accountability for continuous education.

We are committed to delivering consistently high levels of audit quality around the world. To help us do this, our global curriculum gives Assurance practitioners and specialists in Advisory and Tax who provide audit support access

to courses covering our approach to audit and the tools we use, updates on new standards and their implications, and areas of audit risk and engagement quality. These courses give all practitioners the opportunity to sharpen their professional judgment by sharing insights and experiences with their instructors and peers.

We also provide highly focused programmes for those with special roles or who serve clients with unique characteristics. These include our Quality Review Partners, those leading multilocation audits, those leading audits of non-financial information,

and those serving clients in selected industries with unique business models, regulation, or audit risks.

In a global practice of some 126,000 professionals, guaranteeing lifelong continuous education for every individual is a major challenge. But we have put mechanisms in place at all levels—individual, national, and global—to help us achieve this goal.

Territory L&E leaders are responsible for reporting their training plans for the year and, at year-end, their actual delivery of training to the target audience for each programme.





Momentum. All our member firms across the world grew in FY 2008 with many of our major regions boasting strong growth rates.

Facts and figures

Revenues [page 41](#)

Clients [page 44](#)

People [page 46](#)

Global board and leadership teams [page 50](#)

Revenues

Our member firms around the world continued to produce good results in the 12 months to 30 June 2008, with global revenues growing, at constant exchange rates, by 8 per cent to 28.2 billion USD. At variable rates of exchange, revenue growth was higher, at 14 per cent, boosted by the weakness of the US dollar.

Despite the challenges posed by the continuing credit crunch, particularly in developed markets, PwC's results held up very well, reflecting our strategic focus on key emerging markets and PwC's strong position as the premium brand in many of our markets.

Figure 1: Aggregated revenues of PricewaterhouseCoopers firms by region (USD millions)

	FY08 at FY08 ex. rates	FY07 at FY07 ex. rates	% change	% change at constant ex. rate
Asia	2,601	2,084	25%	21%
Australasia and Pacific Islands	1,366	1,086	26%	12%
Central and Eastern Europe	861	659	31%	20%
Western Europe	12,619	10,711	18%	8%
Middle East and Africa	715	596	20%	20%
North America and the Caribbean	9,332	9,029	3%	2%
South and Central America	691	564	22%	13%
Total gross revenues	28,185	24,729	14%	8%

FY08 revenues are expressed in US dollars at average FY08 exchange rates. FY07 revenues are shown at average FY07 exchange rates for continuing operations. Gross revenues are inclusive of expenses billed to clients.

Fiscal year ends 30 June.

Revenues continued

Revenue growth remained buoyant across all three of our main service offerings. Our Tax operations again performed very well across the world in FY 2008, with revenues up 13 per cent to 7.5 billion USD, reflecting strong performances across the full range of service offerings, particularly for local clients.

Our advisory business grew by 14 per cent to 6.9 billion USD, driven by good performances in all major markets. There were particularly impressive results from our fast maturing consulting business.

Our Tax and Advisory practices continue to be main focal points for future growth across the world, and in FY 2008 for the first time, they accounted for more than half of our global revenues (51 per cent), compared with 48 per cent in FY 2007 and 44 per cent four years ago.

Assurance remains the centrepiece of our business and our brand-defining service. In FY 2008 our Assurance practice earned revenues of 13.8 billion USD, up 3 per cent, reflecting the difficult market conditions, the extremely high growth in this area in previous years, changing regulatory requirements, and the very competitive nature of the assurance market.

Figure 2: Aggregated revenues of PricewaterhouseCoopers firms by service line (USD millions)

	FY08 at FY08 ex. rates	FY07 at FY07 ex. rates	% change	% change at constant ex. rate
Assurance	13,808	12,699	9%	3%
Advisory	6,899	5,739	20%	14%
Tax	7,478	6,291	19%	13%
Total gross revenues	28,185	24,729	14%	8%

FY08 revenues are expressed in US dollars at average FY08 exchange rates. FY07 revenues are shown at average FY07 exchange rates for continuing operations. Gross revenues are inclusive of expenses billed to clients.

Fiscal year ends 30 June.

Figure 3: Growth of PwC's service lines (2004-2008) at constant exchange rates

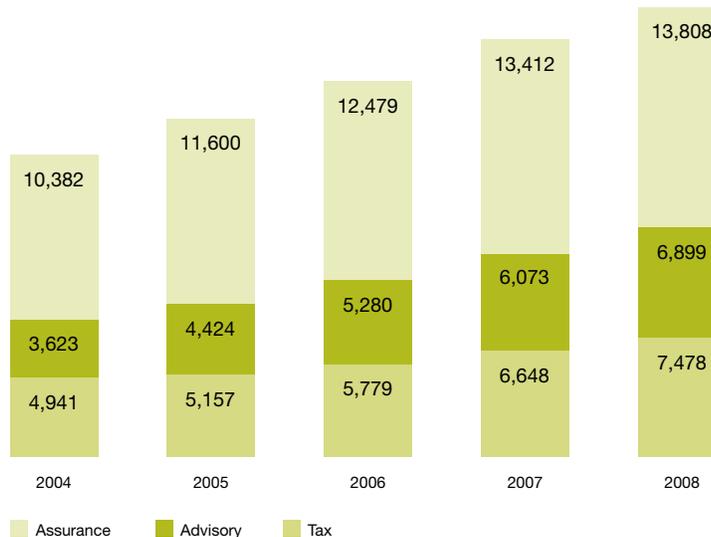
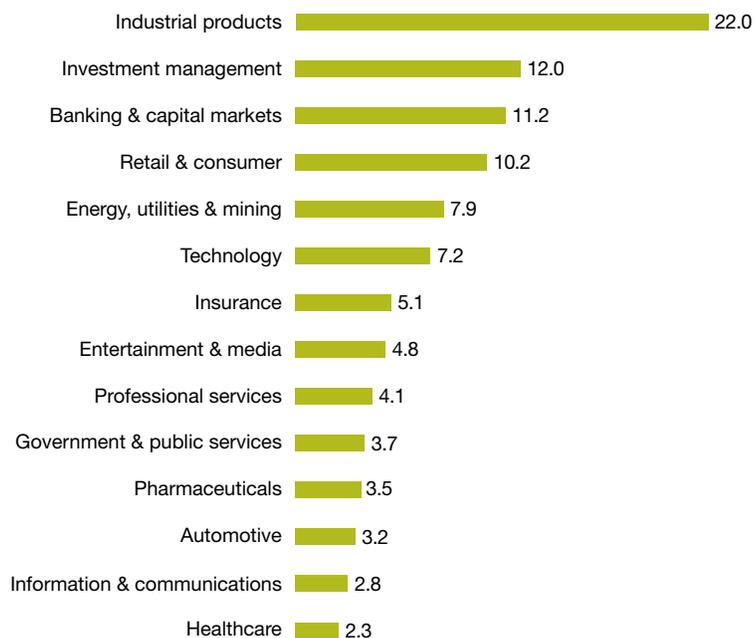


Figure 4: Aggregated revenues by industry sector (percentage of revenue)



All our members firms across the world grew in FY 2008 with many of our major regions boasting strong growth rates. There were particularly good results from Asia, which saw revenues increase by 21 per cent, while the Middle East and Africa enjoyed revenue growth of 20 per cent.

Our firms in Central and Eastern Europe also performed well, with revenues up 20 per cent, while Western Europe continued to demonstrate strong growth, with revenues up 8 per cent. Our North American firms saw revenues grow by just 2 per cent—a smaller increase compared with last year, and reflecting the difficult economic conditions.

Revenue growth was robust in many of our member firms around the world, with particularly impressive results from some key developing markets such as China, India, the Middle East, and Central and Eastern Europe and some of the developed markets such as Australia, Germany, Japan, and Korea.

Our services are delivered through a number of industry sectors, allowing clients to benefit from our latest thinking, research, and expertise. Looking at our revenues on an industry basis, there were particularly good results from colleagues working with clients in the investment management, professional services, government, and mining sectors.

Clients

Our clients face complex opportunities and challenges, and they turn to PwC because of the breadth of our skills and experience and our ability to work closely with them to deliver comprehensive solutions.

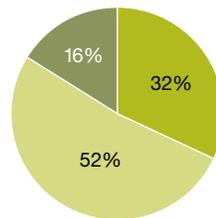
The clients of PricewaterhouseCoopers' firms around the world range from the world's largest and most complex organisations to innovative entrepreneurs. Our services are tailored to match the needs and requirements of all of our clients depending on their size, location, and specific needs.

In FY 2008, PwC firms provided services for 425 of the companies in the Fortune Global 500 and 420 of the companies in the FT Global 500. In addition, PwC firms served significantly more than half of the largest companies in each of our regional markets during the year.

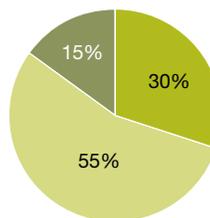
PwC's firms around the world have a broad mix of clients. The share of revenues from smaller clients, private entities, not-for-profit organisations, and the public sector was 46 per cent of our total revenues in FY 2008, compared with 28 per cent for mid-sized companies and 26 per cent for large companies.

Figure 5: Global and regional client bases

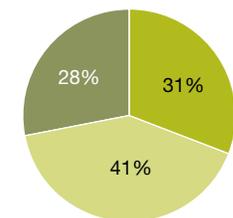
FT Global 500



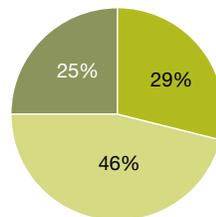
Fortune Global 500



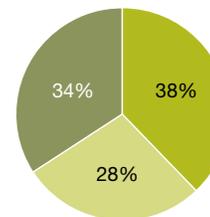
FT Europe 500



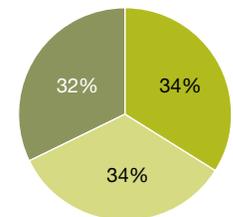
Fortune 500 (US)



S&P Asia 50



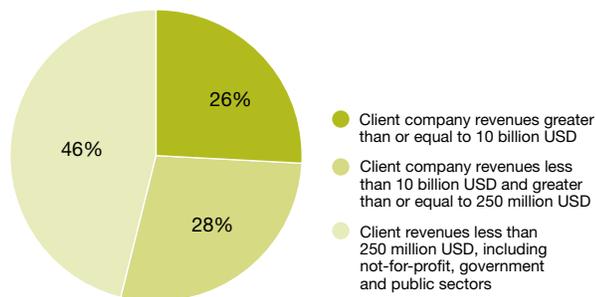
S&P Latin America 40



● PwC audit client companies in index/list ● PwC non-audit client companies in index/list ● All other companies in index/list

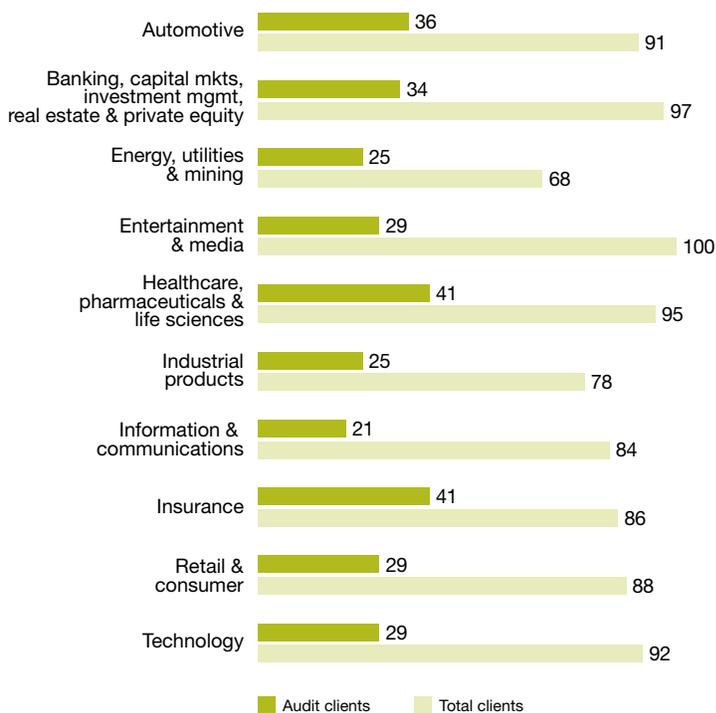
Audit clients include both sole and joint audit appointments. Other clients disclosed as companies where PwC revenues exceeded 500,000 USD in FY08.

Figure 6: PwC aggregated revenues by size of client



Estimates based on market data representing 98 per cent of aggregated revenues of PwC firms in FY08. Client revenues as reported by public record.

Figure 7: PwC clients as a percentage of the Fortune Global 500



Audit clients include both sole and joint audits. Other clients defined as companies where PwC revenues exceeded 500,000 USD in FY08.

People

At PricewaterhouseCoopers, our people are our most valuable asset. Our success depends on who we recruit and how we develop and motivate our people to provide the best possible service for our clients.

Worldwide, the PwC firms' head count is more than 155,000, an increase of over five per cent during FY 2008 (Figure 8) and up from about 118,000 at the time of the formation of PwC in 1998.

With offices in 749 cities across 153 countries, we have a presence in almost every part of the world.



Figure 8: PwC people, June 2008

PwC people	2008	2007	2006
Partners	8,603	8,578	8,280
Client service staff	116,935	108,926	104,414
Practice support staff	30,155	29,263	29,468
Total	155,693	146,767	142,162

Partner head count reflects withdrawals and retirements as of 30 June and new partner admissions as of 1 July.

Figure 9: Growth by region, June 2008/2007

	2008	2007	Growth
Australasia and Pacific Islands	7,739	6,751	15%
South and Central America	9,698	8,809	10%
Asia	26,037	24,102	8%
Europe	64,157	59,706	7%
Middle East and Africa	9,902	9,429	5%
North America and the Caribbean	38,160	37,970	1%
Total	155,693	146,767	6%

Figure 10: PwC people by lines of service, June 2008

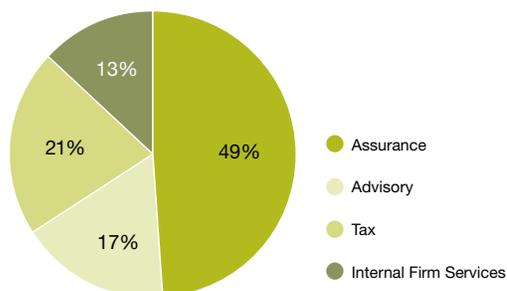
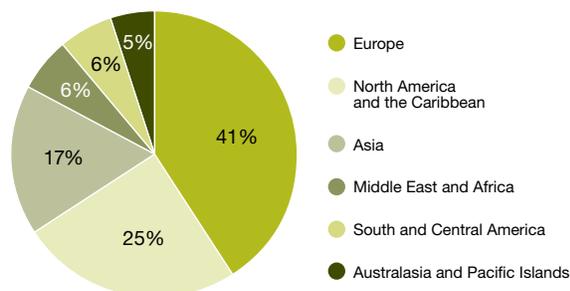


Figure 11: PwC people by region, June 2008



Attracting the best and brightest talent is one of our priorities—and recent student surveys have once again revealed that we continue to be the top employer in our profession in many key markets around the world (Figure 12).

As competition for quality people continues to be fierce, average partner and staff turnover rates in our largest member firms have gone up slightly (Figure 13). Improving retention rates is an area we will continue to focus on in FY 2009.

Women at PwC

Women represent half of the PwC global workforce at the recruitment stage, and 15 per cent of the Partnership, a number that continues to increase each year (Figure 14). Gender diversity remains a key goal for the PwC network, as evidenced by the 2006 formation of the Global Gender Advisory Council (GAC), an action-oriented group of partners who work on ways to improve the representation of women at the highest level of PwC. Details of the GAC's work can be found at www.pwc.com/women.

We partner with organisations such as Working Mother, the Women's Forum for the Economy and Society, and the World Bank on programmes to support, develop, and retain our people. Across our network, we continue to invest in mentoring schemes, role modelling and networking groups, and coaching and awareness training programmes. PwC is also one of only five organisations to be named by DiversityInc as a Top Company for Global Diversity in 2008.

Figure 12: PwC ranking in student surveys

	Rank in Big Four		Rank among all employers	
	FY08	FY07	FY08	FY07
China	1	1	10	8
Czech Republic	1	2	5	4
Germany	1	2	4	5
Poland	1	1	1	1
Sweden	2	1	5	2
Switzerland	1	1	6	4
United Kingdom	1	1	1	1
United States	2	1	3	1
Pan-European	1	1	7	7

Sources: China (Universum Student Survey), Czech Republic (AIESEC Survey), Germany (Trendence Survey), Poland (AIESEC Survey), Sweden (Universum Graduate Survey), Switzerland (Universum Graduate Survey), United Kingdom (The Times Student Survey of Top Graduate Employers), United States (Universum Undergraduate Survey—business majors), Pan-European (Universum Graduate Survey).

Figure 13: Average turnover rates of PwC people in major firms

	Client service		Practice support		Partners	
	FY08	FY07	FY08	FY07	FY08	FY07
Assurance	18%	17%	11%	11%	6%	3%
Advisory	17%	16%	12%	10%	10%	2%
Tax	15%	14%	13%	10%	8%	3%
Total	17%	16%	12%	10%	7%	3%

Figure 14: PwC people by gender, June 2008

	2008	2007
Client service and practice support staff	49%	51%
New partners	23%	22%
All partners	15%	13%

People continued

Figure 15: Global mobility programme—number of new assignments

	FY08	FY07	FY06
Long-term assignments	930	961	836
Short-term assignments	949	1,361	1,211
Total	1,879	2,322	2,047



Leadership development programmes

My Way Targeting senior managers and directors in PwC's European firms, this 18-month programme is aimed at developing the next generation of PwC leaders. Through an integrated set of four modules, self-directed learning, and ongoing local coaching and development, the My Way programme opens participants' minds to the complexity of leadership and, in particular, to their own leadership styles. Participant Emil Gullers of PwC Sweden comments: "My Way is an eye-opener, or wake-up call, and it provides a tool kit for all dimensions of my leadership."

Emerging markets In June, PwC launched a new development programme aimed at partners who are responsible for key clients in emerging markets. As an increasing

number of emerging-market businesses become significant global players, the aim of the programme is to prepare our partners for the changing needs of these clients—by helping them gain the skills needed to run global teams so we can continue to offer the best client service.

Twenty-five lead partners from emerging-market countries around the world gathered to attend the first of four modules in Hong Kong in June and a further group is planned to start the two-year programme in 2009.

Genesis Park As part of this four-month residential learning experience offered to high performers around the world, participants learn to lead small groups to develop new thinking on key business topics. One such example

Global mobility

PwC's Global Mobility Programme not only boosts the delivery of increasingly high-quality services to clients but also develops the skills and international perspective of our people. At the end of FY 2008, some 3,228 partners and staff (2007: 3,078) from PwC member firms in 103 countries (2007: 102) were posted internationally on short- and long-term transfers or assignments. These secondments enable our network to achieve specific business objectives, help us develop our people, and reflect our people's aspirations and choices.

The total number of international transfers across the PwC network is rising steadily year on year, as the annual investment in the mobility programme increases. We added another 1,900 people to our secondment programme in FY 2008. We anticipate that the recent changes that we have introduced to our network structure will further increase the opportunities for our people to develop and share skills in FY 2009.

is a report that was developed for the Women's Forum for the Economy and Society in October 2007. Focused on the economic barriers and enablers that impact women in the workplace, the report offers perspectives and insights from working women in Brazil, China, France, Germany, India, Spain, Sweden, and the US.

Ulysses Three partners from PwC France, Mexico, and the US recently returned from their mission in Tanzania: to carry out a management review of the operations of Selfina, a not-for-profit organisation focused on helping women set up in business. They had been participating in the Ulysses partner development programme, which sends small teams to developing countries to work on social improvement projects.

Figure 16: Global People Survey results (per cent agreeing)



[†] Wording modified for 2008 survey

^{††} New question in 2008

Global People Survey

Listening to and acting upon the views of our people are key to ensuring we continue to take the right steps to create a work environment that makes people want to remain with PwC. Every year, our Global People Survey delivers impressive response rates—and the results of this year’s survey were also good. New this year were questions about job appreciation and the opportunity to work on challenging assignments that contribute to career development. Both revealed good results.

Of course, there is always more we can do, and we will be using the results of the survey to build on our people strategy. For example, although we saw a slight improvement in the area of work-life balance during FY 2008, it is still not at the level we would like and this will remain a priority in FY 2009.



Helping our people pursue their Olympic dreams

Dealing with the demands of a career and personal life can be a challenge. That’s why we strive to offer our people the flexibility needed to help them find the right balance.

Good examples of that are the five PwC people who competed in the Beijing Olympics in August, facing a particularly difficult juggling act between work and hectic training schedules. Says PwC Germany’s Juan Carlos Nevado Gonzalez, who bagged the gold medal with his team in hockey and who, like the other PwC Olympians, was granted several months off to train exclusively: “Every one of my PwC colleagues supported me a lot. A part of my gold medal is for them because they enabled me to succeed.”

Other PwC Olympians who competed in Beijing were Marc Bellofiore, PwC Australia (slalom canoeing); Nic Youngblud, PwC Canada (water polo); bronze medal winner Manuela Lutze, PwC Germany (rowing); and silver medal winner Pol Amat, PwC Spain (hockey).

Global Board

Current members of the Global Board are:

Paul Brasher, Chair	Melbourne
Noël Albertus	Paris
John J Barry	New York
Marco A Castro	São Paulo
Peter Clemedtson	Stockholm
Jonathan J Davies	Washington, DC
Suresh P Kana	Johannesburg
Jan Konerding	Frankfurt
Murray J Legg	London
Keith D Levingston	McLean, US
Israel H Mida	Toronto
Didier L Mouget	Luxembourg
Brad Oltmanns	Los Angeles
Tim Ryan	Boston
Jeremy L Scott	London
Robert P Sullivan	New York
Peter Tieleman	Utrecht
Carrie Yu	Hong Kong

Note: Other partners who have served on the Global Board during fiscal year 2008 were Donald V Almeida, Samuel A DiPiazza Jr, Donald A McGovern, Donal M O'Connor, Serge Villepelet, and Silas SS Yang.

Network Leadership Team

Network Leadership Team members are:

Samuel A DiPiazza Jr	Chief Executive Officer
Dennis Nally	United States
Ian Powell	United Kingdom
Hans Wagener	Germany
Silas SS Yang	China Hong Kong

Network Executive Team

Network Executive Team members are:

Donald V Almeida	Clients and Markets
Paul Boorman	Operations
Pierre Coll	Risk and Quality
Richard Collier-Keywood	Tax
Moira Elms	People and Culture, Brand and Communications
Anthony PD Harrington	Strategy and Network Transformation
Donald A McGovern	Assurance
Edgardo Pappacena	Strategic Sourcing
Juan Pujadas	Advisory
Javier Rubinstein	General Counsel
Peter Wyman	Public Policy and Regulatory Matters

Strategy Council

Strategy Council members are:

Dennis Nally, Chair	United States
Kyung-Tae Ahn	Korea
Gautam Banerjee	Singapore
Colin Beggs	Southern Africa
Chris Clark	Canada
Luis E Frisoni Jr	South and Central America
Mark Johnson	Australia
Mike Kubena	Central and Eastern Europe
Carlos Mas	Spain
Markus Neuhaus	Switzerland
Ian Powell	United Kingdom
Ramesh Rajan	India
Pierangelo Schiavi	Italy
Javier Soní	Mexico
Henrik Steinbrecher	Sweden
Michael J Stevenson	Middle East
Robert Swaak	Netherlands
Hideo Takaura	Japan
Serge Villepelet	France
Hans Wagener	Germany
Silas SS Yang	China Hong Kong

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-  5,903 lbs of greenhouse gases was prevented
-  equivalent to 5,075 miles driven in an automobile was eliminated
-  equivalent to the planting of 397 trees

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