

2004 Global Annual Review
what matters*

*connectedthinking



What's inside

PricewaterhouseCoopers provides industry-focused assurance, tax and advisory services for public and private clients in order to build public trust and enhance value through the application of what we call Connected Thinking. In this Global Annual Review, we discuss what matters most to our clients and stakeholders, and we examine how we performed in meeting those needs in fiscal year 2004.

In this review, the terms *PricewaterhouseCoopers*, *PwC* and *we* are used to refer to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

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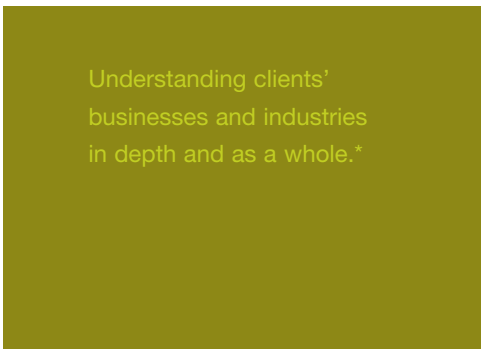
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Assessing the impact of decisions on all parties over the short and long term.*



Applying learning from other industries.*

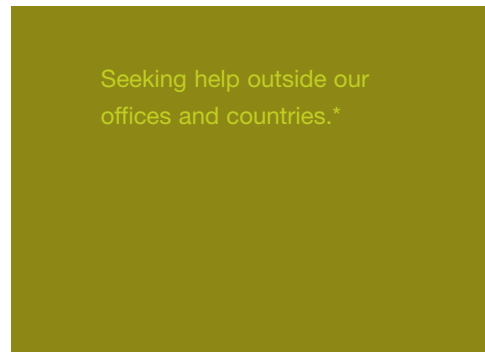




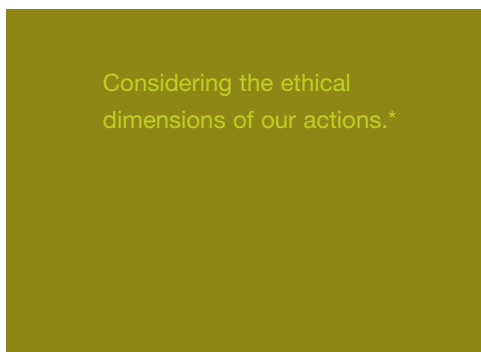
Connecting with others
who have more or different
experience.*



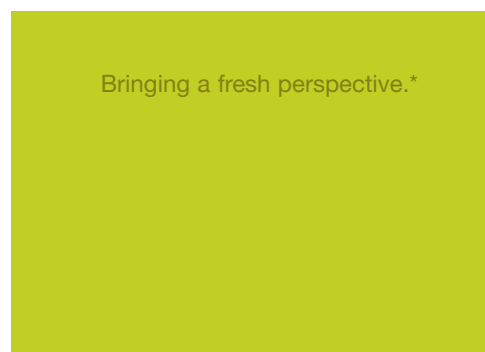
Seeking help outside our
offices and countries.*



Considering the ethical
dimensions of our actions.*



Bringing a fresh perspective.*



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What matters

Samuel A DiPiazza Jr

Chief Executive Officer, PricewaterhouseCoopers International Limited

As I travel around the world meeting with the clients and people of PricewaterhouseCoopers, I am often asked about changes that have occurred in the capital markets over the past few years. Has the increased focus on governance and regulation made the markets and our own profession better? Are we achieving increased accountability and transparency? What is the future of our profession in this changed world? How will we evolve to meet the needs of companies and the investing public who rely on our work? Our people want to know whether the profession they've joined will continue to provide them with challenging and enduring career opportunities. Everyone wants to be assured we are doing the right things.

These have been challenging times for those in the capital markets. But I am convinced that increased focus on the investor as the ultimate stakeholder, and higher recognition of the responsibilities of all players, are making our markets better. The changes, however difficult, have been good for the markets. Our own profession is being held to a higher standard, and that is good as well.

This is why I wanted this Annual Review to focus on the things that matter most to those who depend on our profession and on PwC. Our clients and our people are focused on issues that matter to all stakeholders: building trust, creating sustainable value, respecting people and providing leadership. These are the issues that will ultimately drive us toward better capital markets. These are the issues that define PricewaterhouseCoopers. We discuss them in more depth in this Annual Review.

BUILDING TRUST

Building trust matters deeply to all stakeholders. It underpins everything we do. Investors want information that enables them to judge the value of a company relative to the risks they are taking. Investment slows or stops entirely when investors think financial statements are subject to manipulation or that earnings are "managed." Investors depend on the accounting profession to conduct audits that attest to the reliability and relevance of the information companies provide. Our profession has learned that the true value of an audit is not solely in assuring compliance with exacting rules and standards. Instead, it lies in our focus on substance over form and on progressing toward a reporting and audit model that communicates better information about long-term value and the risks that are being taken to achieve it. We have begun the journey toward that objective, but investors and regulators around the world must support that effort in their own words and investment decisions.

CREATING VALUE

Creating value is the heart of the matter for companies and their shareholders. The accounting profession plays an essential role both in making sure that appropriate systems and controls are in place to report accurate, timely performance information and in providing sound advice that does not put reputation at risk for short-term gain. Developing and maintaining trust while creating value with

the advice we give—being a trusted advisor—is where PricewaterhouseCoopers seeks to differ from other advisors. We will not impair our independence. But we bring a unique perspective to our client relationships with our objective, independent advice, based on our multiple competencies.

OUR PEOPLE

To deliver on this promise to the markets, we must continue to attract and retain the very brightest people. The people who are PricewaterhouseCoopers are crucial to our role in building trust and enhancing value for our clients and their stakeholders. For us at PwC, they matter above all else. Our people depend on PwC to provide them with meaningful work, challenging careers, appropriate compensation and quality of life. The profession cannot meet the needs of shareholders and the companies that create value for them if it cannot provide career relevance for its own members. Yet, candidly, we in the accounting profession struggle with issues that cause too many people to leave before reaching their professional potential. The issues are both external—risk and liability, an uncertain regulatory future—and internal—career development, work-life balance. Addressing those issues will take time, but we are committed to finding ways to provide a work environment that fosters high performance, opportunity and the flexibility to deal with personal and family responsibilities.

LEADERSHIP

PricewaterhouseCoopers has endeavoured for many years to provide leadership on the need for greater transparency and openness in corporate reporting. Unfortunately, openness and transparency are often interpreted to mean more voluminous disclosure—rather than better disclosure that is clearly communicated. While those of us involved in corporate reporting must continue to advocate the disclosure of relevant information, it is also time to push for the elimination of irrelevant disclosure. The debate is complicated by the natural inclination of executives to provide an avalanche of information for fear of exposure to liability. But the focus should be on reporting clear information to the primary audience: investors and financial statement users.

Stakeholders are also increasingly interested in corporate social responsibility and sustainable development. Many companies have recognised that creating long-term, sustainable value extends beyond

short-term financial results. Working with organisations like the World Business Council for Sustainable Development, the United Nations Global Compact and the Global Reporting Initiative, PricewaterhouseCoopers is leading the debate in the transparent reporting of these matters.

A BALANCED APPROACH TO LIABILITY

Leadership continues to be needed to reform excesses in the global liability environment. The public's interest is not served when excessive litigation and unreasonable costs of resolving lawsuits chill risk taking and investment and discourage entry by the best people into our profession. Our organisation strongly supports reforming a global legal environment that presents disproportionate and potentially catastrophic consequences that even the largest accounting firms do not have the resources or capital to cover. To be clear, we are not advocating the elimination of liability when defects occur, whether in financial reporting by companies or in auditing by accounting firms. We remain committed to substantially improve audit quality and to reduce the occurrence of audit defects while working constructively with regulators to improve audit standards around the world. But exposure to liability must be proportionate and fair, and the liability system is now clearly out of balance. Failure to deal with this issue openly and constructively creates major risk in the capital markets, which require high-quality information based on high-quality audits performed by a high-quality accounting profession. Those goals will be difficult to achieve without substantial reform.

Engaging in a discussion of what matters to an organisation of more than 122,000 people and its clients and stakeholders is richest when the discussion is robust and open. I welcome your comments and questions on this subject and on our Annual Review. You can reach me at this address: pwglobalannualreview@nl.pwc.com.

Sincerely,



Samuel A DiPiazza Jr

A black and white photograph of a film set. A large camera crane is suspended in the center, with a camera attached. Three people are visible: a woman on the left, a man in a suit sitting in the center, and a woman on the right. They are all looking towards the camera. The background is dark and filled with film set equipment.

Connections matter



Meeting today's business challenges

PricewaterhouseCoopers is a truly global organisation of more than 122,000 people, with member firm offices in 769 cities in 144 countries. Our member firms' gross aggregated revenues from continuing operations were USD17.6 billion in fiscal year 2004. Excluding expenses reimbursed by clients, net aggregated revenues were USD16.3 billion.

In this, our third Annual Review, we have drawn on the collective expertise of our global network to discuss those things that matter to our clients and their stakeholders.

We describe their concerns about creating and sustaining value, building trust through dedication to quality, attracting and retaining outstanding people and demonstrating leadership through sound governance and transparency.

We show how our industry-focused services in the fields of assurance, tax, human resources, transactions, performance improvement and crisis management have helped address those client and stakeholder issues. Our success in meeting today's business challenges rests on the way we approach our work. We call that approach Connected Thinking.

What matters in the business world

We drew on our entire global network and our surveys of the world's CEOs to develop topics for this review that reflect the aspirations and challenges of businesses in today's environment. Many companies and other organisations are struggling with continuing economic instability and geopolitical uncertainty. Currency exchange rates have been highly volatile. And while new opportunities for growth and value creation are emerging in developing markets, many parts of the developed world are working hard to come to terms with a lower-growth, low-inflation environment.

Companies also face other pressures. Customers' simultaneous demands for lower price and higher quality are driving an urgent search for operational efficiencies and new business models. Rapid advances in technology may provide a way forward, but cost constraints and uncertain paybacks make investment decisions more difficult. And regulators and other stakeholders have intensified their focus on corporate governance. Our direct contacts with investors and research programmes such as the *FT/PwC World's Most Respected Companies Survey*, published in the *Financial Times*, confirm that investors are increasingly seeking a transparent, holistic view of both value and risk—a view that goes far beyond financial numbers to focus on underlying drivers including reputation and people management.

In short, this is a challenging environment in which to do business. Yet the responses from the 1,400 CEOs who participated in our *7th Annual Global CEO Survey* reflect a combination of engagement, realism and optimism. CEOs are by and large confident that their companies will do well, and they are reshaping their organisations to compete more effectively.

The challenges that CEOs perceive are—perhaps not surprisingly—the same issues that we at PwC confront every day. They include creating and preserving value in a highly competitive environment, navigating a wave of new regulation, and motivating and taking care of their key people. This Annual Review describes how, by applying Connected Thinking, we have worked on behalf of our clients and within our own organisation to meet those business challenges and demonstrate true leadership.



Findings of PwC's *7th Annual Global CEO Survey*, published January 2004:

Reasons for CEO Optimism

- Increasing Confidence in Revenue Growth
 - Better Understanding/Management of Enterprise Risk
 - Opportunities in Developing Markets
-

Their Greatest Concerns

- Increased Competition
 - Overregulation
 - Loss of Key Talent
-

PwC's Connected Thinking

Throughout this review, we highlight examples and case studies that provide insight into the way we apply Connected Thinking to help meet the challenges facing the business world. We use our networks to draw on the experience, industry knowledge and business understanding of more than 122,000 people. We are collaborative, open and direct within our own teams and with our clients. We are not content with standard solutions. We push ourselves, and our clients, to think harder, to understand all the consequences of every action

and to consider new perspectives. And we build relationships based on quality and integrity.

Connected Thinking defines the way we behave and work together within our own organisation and the spirit in which we approach our clients' business. The pages that follow provide examples of Connected Thinking attributes in action as we seek to build trust and enhance value for clients and their stakeholders, to set a high standard for the conduct of business and to provide leadership in our profession.



Attributes of Connected Thinking

Looking at issues from a number of angles.

Understanding clients' businesses and industries in depth and as a whole.

Assessing the impact of decisions on all parties over the short and long term.

Applying learning from other industries.

Connecting with others who have more or different experience.

Considering the ethical dimensions of our actions.

Seeking help outside our offices and countries.

Bringing a fresh perspective.

A black and white photograph of an antique shop. In the foreground, a woman in a dark blazer and a man in a suit are looking at a piece of glassware. The man is holding a small, ornate glass bowl. The shop is filled with various antiques, including framed paintings, a large chandelier, and a tall, ornate lamp. A yellow circle is overlaid on the top left of the image, containing the text "Value matters".

Value matters



Focusing on the factors that create value

In an increasingly competitive and uncertain world, today's companies face a constant battle to create, demonstrate and realise value for their investors and other stakeholders.

PricewaterhouseCoopers is uniquely placed to help them achieve these goals. Through our international network of experts, supported by our deep knowledge of industry issues and best practices, we help clients improve their performance and return maximum value to their stakeholders without compromising integrity or transparency.

In the following pages, we describe recent examples that illustrate how organisations are seeking to enhance value for themselves and their stakeholders with our help.

- As public-sector organisations come under increasing financial pressure, they are looking at new ways of partnering with the private sector to deliver services more efficiently.
- Intangibles, including intellectual property, account for a growing share of corporate net worth. By managing those assets effectively, companies can open up new routes to growth.
- Following China's entry into the World Trade Organisation, new investment possibilities are opening up for companies prepared to do business despite the challenges of an unfamiliar business, legal and cultural environment.
- Far-sighted clients are focusing on wider dimensions of value that are beyond short-term financial measures, as they seek to fulfil their responsibilities to the communities in which they operate.

Adding value through our networks

Global mobility

The international perspective and networking knowledge of our people are particularly important in enhancing value for our clients. To create such a pool of global citizens, we invest in one of the world's largest global mobility programmes. In the past year, the number of international assignments grew by 15 percent as we shifted our strategic focus toward meeting priority client and regulatory needs. More than 2,000 partners and staff from PwC firms in 74 countries are currently involved in short- and long-term international assignments, supporting our client teams, our industry networks and the transfer of technical expertise to developing markets. There were 641 new long-term assignments and 512 short-term assignments in fiscal year 2004. Figure 1 shows where these placements were made.

The priorities of the mobility programme have been influenced by recent regulatory developments throughout the world, including implementation of the US Sarbanes-Oxley Act. Eighteen months ago, PwC firms began the long task of preparing staff and partners around the world to meet the regulatory requirements introduced under Section 404 of Sarbanes-Oxley. In fiscal year 2004, this resulted in over 250 people from 20 countries being seconded to PwC US for six- to nine-month assignments, including a mix of formal training and on-the-job experience. When they return to their home country, assignees are expected to pass on the knowledge they have gained to colleagues and, ultimately, to their global clients. A further 250 short-term secondments of this nature are scheduled for fiscal year 2005.



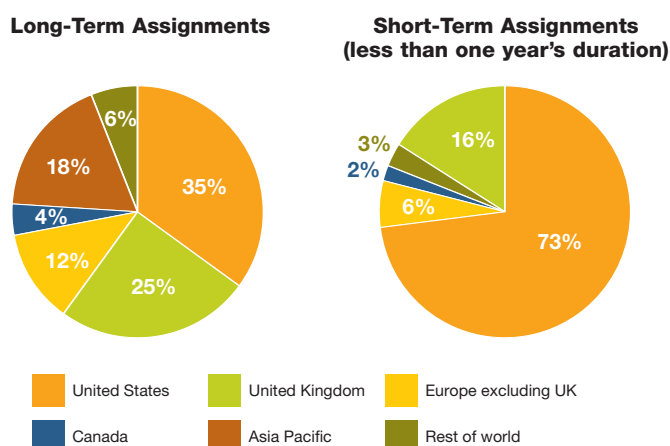
An international perspective for a family business

PwC Germany partner Norbert Winkeljohann knows all about making connections. He began his career in professional services as an auditor in the banking sector and then as an international tax advisor. Today he leads PwC Germany's services to medium-size companies, and he coordinates those services in Continental Europe. He also lectures at the University of Osnabrück.

"Most of our middle-market clients here in Germany are looking to expand into other countries," Norbert says. One example is Stockmeyer, a family-owned food-processing company. During the past year, Norbert has worked with specialists from the Dutch, Polish and US firms to help Stockmeyer reorganise its global transfer-pricing system and to conduct due diligence on a potential acquisition.

Serving this sector is different from serving bigger clients, according to Norbert. "You need varied knowledge and experience plus an entrepreneurial mind-set," he says—adding that PwC's "network within a network" differentiates it from the competition. "Our middle-market champions in each country work closely with our product and industry champions, who focus on our bigger clients," he says. "And there is a real commitment across the organisation to sharing knowledge and tailoring products for our private-company clients."

FIGURE 1: New Fiscal Year 2004 International Assignments





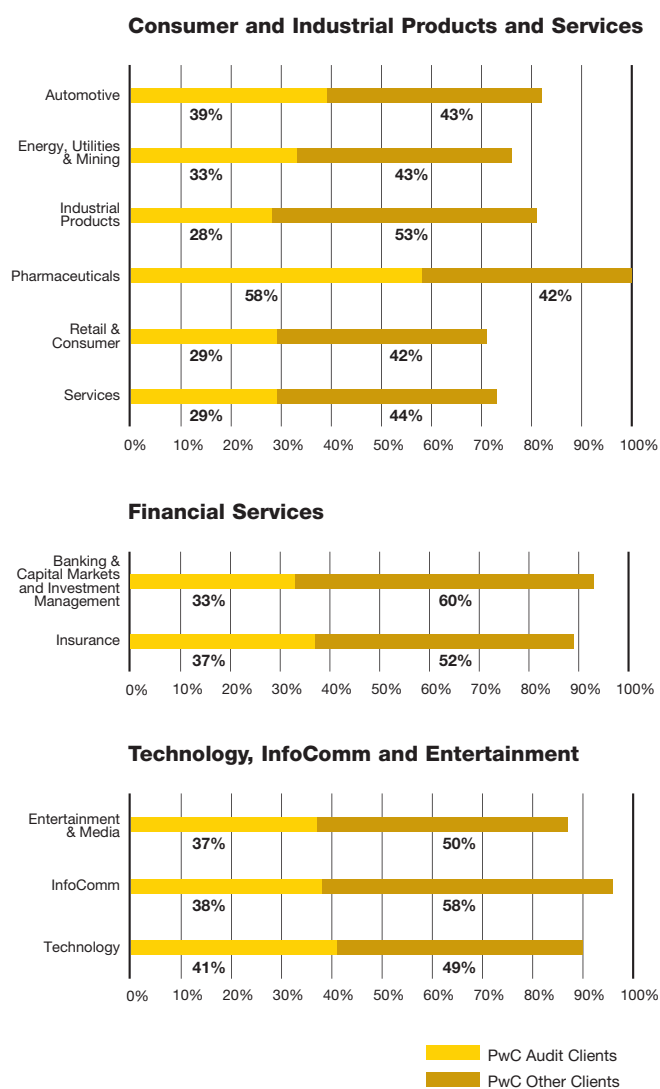
Industry expertise

The depth of our industry expertise, like our international perspective, is an attribute that our clients value highly. We invest significant resources in building and sharing such expertise. We organise around industries to:

- Share the latest research and points of view on emerging industry trends.
- Locate individual experts on each issue, wherever they are based.
- Develop industry-specific performance benchmarks, based on global best practices.
- Share methodologies and approaches in complex areas such as financial instruments and tax provisioning.
- Collaborate on accounting or technical issues unique to a particular industry, especially when interpretive guidance is needed.

PwC serves many of the leading businesses in every sector on which we focus. Figure 2 depicts the industry sectors around which we organise global, regional and local networks of knowledge and expertise. The networks are grouped into three major industry clusters: Consumer and Industrial Products and Services; Financial Services; and Technology, InfoComm and Entertainment.

FIGURE 2: PwC Clients as a Percentage of the Fortune Global 500



Looking at issues from a number of angles*

Helping the public sector create value



Delivering value and quality is ever more important to the public sector, as governments the world over seek to return value to the taxpayer. In this quest for greater efficiency, public-sector organisations are turning to the private sector for innovative ideas, support services and in some cases, financing.

Outsourcing is one area in which the public sector is benefiting from the experience of private-sector organisations. Not only can outsourcing offer cost savings, but also it can act as a catalyst for change within an organisation by introducing fresh thinking, new expertise and better performance. The largest outsourcing deals require every bit as much care and attention as any corporate M&A transaction. As the complexity of these transactions has grown, so has the need for independent advice throughout the process.

Increasingly, governments are creating private-sector partnerships in their new investment programmes too, to share risks and gain access to new skills and perspectives. As the leading advisor in the field, PwC member firms are in the forefront of helping governments realise the full benefits of such agreements.

Royal Mail Group: outsourcing for public value

Royal Mail Group (RMG) is the UK government-owned mail delivery business with revenue of some GBP8 billion (USD14 billion) and 200,000 employees. It plays a central role in the UK economy and affects every individual in the country.

Faced with the prospect of competition in its core market and government pressure to deliver greater value for money, RMG committed itself to improve efficiency throughout its operations. One early target was its GBP1-billion-a-year expenditure on back-office services ranging from vehicles, information technology (IT) and facilities management, to payroll services, training and employee health care.

RMG asked PwC UK to review the cost- and service-level efficiency of key support operations and to explore potential cost savings. The review resulted in a decision to outsource several opera-

tions. Aside from cost reductions, the potential benefits of outsourcing included improved service quality, fewer fixed costs, better utilisation of management time and greater focus on RMG's core activities. PwC UK has since helped structure the outsourcing programme, has supplied tax advice to ensure fiscal neutrality and has provided transaction support during negotiations with third-party providers.

Five outsourcing deals have already been concluded: in facilities management, IT, the vehicle fleet and health care. For example, RMG's facilities management business, Romec, was outsourced to Balfour Beatty on a seven-year, GBP1.3 billion contract via a joint venture. And the outsourcing agreements have encouraged further change within the organisation. As RMG begins to realise their benefits, it is exploring further opportunities for efficiency gains.

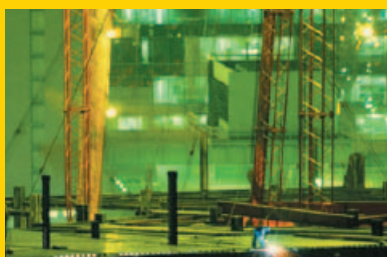
Public-sector organisations rely on objective advice that takes into account many stakeholder perspectives.

Partnerships in public construction in Germany

The use of public-private partnerships (PPPs) is increasing in many countries as a way to harness the skills and innovation of the private sector in the delivery of public services and assets.

Drawing on our international expertise in the field, PwC Germany supported a pioneering approach to develop a Federal Guideline for PPPs in Germany. The programme was led by the PPP Steering Committee at the German Transport and Construction Ministry, coordinating the interests of three federal ministries, regional and local governments and other public- and private-sector institutions. PwC Germany played a leading role on the programme team. The recommendations were agreed unanimously. They included an objective and transparent process for comparing the benefits of a PPP with traditional procurement, providing a basis for decision making at each stage of the process.

The team also developed proposals for a Federal Competence Centre to help federal, state (Länder) and municipal governments take practical steps to implement specific projects. The models and methods proposed in the Guideline have been widely adopted by public-sector bodies in Germany, boosting their readiness to consider a PPP approach and the confidence of the capital markets in the programme.



Supporting reconstruction in Honduras

In 2003 the Inter-American Development Bank asked a team from PwC Argentina to review the transparency and accountability of the multibillion-dollar reconstruction programme responding to the passage of Hurricane Mitch through Honduras. This four-year expenditure review has expanded into a more-comprehensive exercise to strengthen public-sector management, as the recommended procedures and requirements become adopted more widely in the government sector of Honduras.

Applying learning from other industries*

Unlocking hidden value in intellectual property



The management of intellectual assets is emerging as one of the greatest competitive challenges of the 21st century. Recent PwC research indicates that intangible assets may represent more than 60 percent of a company's market value.¹ Yet despite such statistics, many businesses still fail to adequately value their intellectual property (IP) or to manage it so as to safeguard and capitalise on its value.

The business case for effective intellectual asset management is clear. Organisations are already rightly expected to provide investors and other stakeholders with detailed explanations of their most-valuable IP rights and of any risks lurking in their IP portfolios. And in the European Union, the pressure to do so will increase with the adoption of International Financial Reporting Standards (IFRS) requiring companies to value goodwill, including IP, at fair market value and to perform annual value impairment tests. Driven by market expectations and regulatory pressures, organisations now have little choice but to turn their attention to intellectual asset management.

In the short term, regulatory compliance may be the principal motive for change. But the benefits are also plain to see. Procter & Gamble and Texas Instruments are two of the companies that have successfully added millions—sometimes billions—of dollars to their bottom line by developing an in-depth understanding of the attributes and value of their intellectual assets. Once the benefits as well as the risks have been properly appreciated, companies can truly begin to unlock the hidden value in the patents, trademarks and copyrights that they own and to profit from the know-how of their employees.

Many businesses still fail to adequately value their IP or to manage it so as to safeguard and capitalise on its value. Yet the business case for effective intellectual asset management is clear.

¹ Source: "An International Perspective on Brand Valuation and Management," Adrian Davis and Lucinda Spicer, PwC UK (article in *IP Value 2004: Building and Enforcing Intellectual Property Value*, Globe White Page)

As an intellectual capital-based organisation, PwC understands the importance of IP assets.

Commercialising intellectual assets

With the total asset value of patents worldwide now estimated at USD1 trillion, there has been an upsurge in transactions related to intellectual property (IP), and the trend looks set to continue.

By commercialising their intellectual assets in this way, companies can finance growth and pursue new business opportunities. IP-backed deals were seen first in the early 1990s, when film studios succeeded in securitising their future cash flows from film catalogues. The high-profile Bowie Bond deal in 1997 intensified the spotlight on IP-backed deals, and since then, momentum has been building.

Now IP commercialisation looks set to make a mark on the technology sector, encouraged by the emergence of widely adopted industry standards, which are creating large patent pools of revenue-generating assets.

General Electric (GE) took advantage of that trend earlier this year by purchasing a portfolio of IP assets from Motorola. The revenue-generating assets within that portfolio formed part of the patent pool underlying the industry standard of the Moving Picture Experts Group (MPEG). They represented a sufficiently predictable source of cash flow to fund the licensing and exploitation of development-stage

IP assets in the portfolio, thereby enabling the whole deal to be successfully structured.

From Motorola's viewpoint, the transaction presented many benefits. It offered an attractive combination of cash and participation in any future revenue flows from the development-stage IP assets. As a partner, GE had the credibility and capability to extend Motorola's licensing reach without further investment. And the deal structure created a mutual interest in the success of the development-stage assets—giving GE an incentive to fund ongoing IP maintenance costs and enforce Motorola's patent rights.

Technology deals of this type, put together by companies that combine financing and licensing know-how under one roof, are likely to become more commonplace.

Other industry sectors may well see similar developments. Drug royalty-related transactions are getting publicity in the wake of a USD225 million patent royalty securitisation from Royalty Pharma Finance Trust in 2003. Franchise royalty securitisation is becoming more common in the retail and leisure sectors. And film receivables deals—such as those at DreamWorks and Universal—have opened up attractive sources of financing to film studios.

Seeking help outside our offices and countries*

Sharing insights across borders

Supporting investment in China

Acquiring, or establishing a joint venture with, a Chinese enterprise can be a complicated and time-consuming process. It is often difficult for foreign multinationals to grasp the extent to which Chinese enterprises differ from their own organisations. Those differences range from the basic motivation driving the enterprise—profit is not always the overriding goal—to the way the organisation is managed and the information it reports.

When a leading international automotive company first considered establishing a joint venture with a large Chinese truck manufacturer, it was confronted with a sprawling quasi-state-owned enterprise about which it knew little. In assisting the client to decide whether to proceed with the transaction, PwC China's greatest challenge lay in reducing the extent of the unknown.

Many Chinese enterprises neither collect nor analyse management information that foreign multinationals would gather as a matter of routine. Divisional reporting is not the norm, and only the auditors commonly prepare consolidated financial information. The Chinese truck company's

management had never before prepared consolidated profit and loss or balance sheet information by product line. But such information was vital for the investor, who was interested primarily in the heavy-duty truck business and needed to understand how it was performing.

Reducing the unknown depended crucially on the ability of PwC China's local teams to explain the client's needs, to build strong relationships with the truck company's management at each location and to persuade them to provide the information the client needed. This process was very time-consuming—making it essential to accept that certain noncritical information would not be available.

Using this approach, PwC China was able to gain a clear understanding of the financial position of each of the individual core business lines. The team was also able to define clearly what information was missing—a major improvement on the original position. The client could then plan its way forward with these as-yet-unquantified risks in mind.

Helping Airbus achieve liftoff on transfer pricing

Airbus is a complex global organisation in which research, design and manufacturing take place across multiple locations, thereby creating a complicated web of intragroup transactions. In July 2001, Airbus changed from a consortium between independent partners to an integrated organisation with four subsidiaries operating under the control of a new company, Airbus SAS. The reorganisation had profound implications for the group's tax affairs and in particular for its transfer pricing arrangements. Airbus decided to embark on a groundbreaking initiative to secure a multilateral advance pricing agreement (APA) with tax authorities in France, the UK, Germany and Spain—the first such agreement ever between those countries.

A team of transfer pricing experts drawn from four of our member firms and associated law firms across Europe advised Airbus on its negotiations with the tax authorities in each jurisdiction via a truly multilateral process coordinated by our associated law firm in France. Working with these transfer pricing experts, the Airbus project team, led by Airbus's vice president of taxation, supplied the complex information required and established channels of communication that enabled agreement to be reached within a tight deadline.

Through each stage of the negotiations, from initial confirmation that the business would qualify for an APA through to defining the precise terms of the agreement to which all countries could accede, our combined ability to operate seamlessly across multiple jurisdictions helped Airbus meet its objectives and satisfy the tax authorities.

Assessing the impact of decisions on all parties over the short and long term*

A wider perspective on value



Improving conditions on tea estates

Long-term value depends on more than economic factors. Some of our global clients believe that their success relies on a wider definition of value, including ethical practices that may reach beyond the limits of their own organisation. For example, 17 major tea-packing companies have come together to form the Ethical Tea Partnership to monitor standards of employment (including minimum age and wage levels), education, maternity, health and safety, housing and basic rights on the tea estates where their products are sourced.

A PwC team of experts from the UK firm and in-country monitors helps the Ethical Tea Partnership by monitoring tea estates' compliance with local laws and union agreements. The partnership then works with estates to agree a programme for rectifying any instances of noncompliance. The scheme already extends to approximately 1,200 estates in seven countries. And the Ethical Tea Partnership is expanding from its UK base to Europe and North America. With our support, the partnership is working for a responsible tea industry.

Our 2004 Global People Survey shows that 69 percent of our people believe we are socially responsible in our communities—an increase from 63 percent in 2003.

PwC's commitment to the community

PwC member firms and people seek to give value back to their communities in many ways in keeping with the spirit of Connected Thinking. Some recent examples follow.

- In 2002, PwC Germany and its partners set up a foundation to promote cultural awareness among young people. The foundation has already supported more than 35 projects ranging from youth theatre to architecture.
- PwC Malaysia teamed up with the New Straits Times Press Group to sponsor a Young Humanitarian Award. The inaugural award was won by a 32-year-old mother of six for her work on HIV/AIDS.
- PwC South Africa is closely involved in the New Partnership for Africa's Development (Nepad), an African Union programme aimed at eradicating poverty and setting Africa on a path of sustainable development. The firm's booklet on Nepad—*Expanding Horizons*—was widely acclaimed.
- PwC is an active member of the World Business Council for Sustainable Development (WBCSD) and a signatory of the United Nations Global Compact. One of the WBCSD initiatives is the Young Managers Team, which tackles sustainability-related topics. This year, the group is focusing on making sustainable connections—a theme that reflects our own Connected Thinking.



Trust matters



Enhancing reputation through quality and integrity

A strong and durable reputation is among the most valuable assets any organisation can possess. Such a reputation can be sustained only by embedding quality deep into the organisational fibre, by operating with integrity and by seeking to serve the public interest beyond narrow business objectives. The world's most successful companies remain in the forefront largely through their commitment to quality. Many of our clients deserve praise for their dedication to quality, and the work we do in providing assurance on their financial statements serves only to confirm to the outside world what is already apparent to their stakeholders.

In this section we highlight two of our clients who are working towards that goal by embedding sustainability in their businesses and by reporting effectively and transparently on their efforts to their stakeholders. These organisations have motivated their employees to adhere to higher ethical standards and have reinforced trust amongst their customers. We describe later in this section the actions we took during the year to reinforce our own quality and integrity and to put our commitment to the public interest into effect.

Bringing a fresh perspective*

Building a reputation for quality

Two clients who understand that creating a reputation for quality means performing against more than financial measures are Coop, one of Switzerland's largest retailers, and Novozymes, a Danish producer of enzymes for the world market (see sidebar).

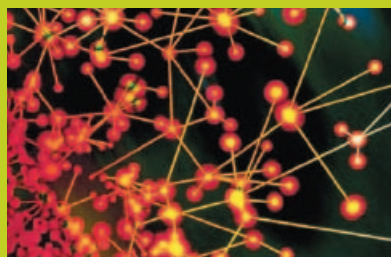
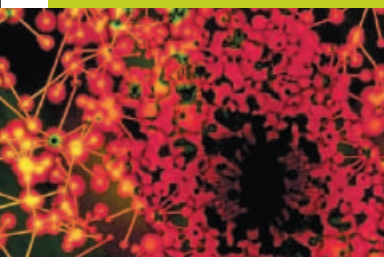
Coop is a major Swiss retailer of food and non-food products, with some 50,000 staff and annual sales of CHF14.4 billion (USD11.3 billion). It is also Europe's largest seller of sustainability-branded foodstuffs and the world's largest retailer of certified "fair trade" products. Coop had been extremely successful at embedding sustainability into its business activities. But the company's reputation for sustainable business practices, though good, was failing to keep pace with its actions.

Coop called on PwC Switzerland to help it address this challenge. Best practice benchmarking confirmed that Coop could do more to demonstrate how its investment in social and environmental programmes creates business value. This would motivate employees to adhere to higher ethical and environmental standards, build trust and differentiation among clients and consumers and contribute to the long-term growth of its business. One of the most difficult issues was to determine and communicate the extent of Coop's responsibilities within a complex network of suppliers, traders and retailers.

The solution lay in the creation of a new Sustainability Report, based on Global Reporting Initiative (GRI) guidelines and PwC's ValueReporting framework, and including testimonials from Coop's staff. The Coop Sustainability Report 2004 has enabled Coop's stakeholders to see clearly how the company creates long-term sustainable value and manages its brand and reputational assets.

Communicating corporate responsibility

Already recognised for its commitment to sustainable development, Novozymes wanted to make that commitment even more visible by integrating its annual report and its environmental and social report. To ensure the new report's credibility, Novozymes asked PwC Denmark to review and evaluate the nonfinancial statements and measures under Global ISA 100 and AA1000. The results were published in the company's 2002 and 2003 annual reports. In 2003, Novozymes won the award for the best annual report published by a company in the Copenhagen Stock Exchange's blue-chip index, as well as e-com's S-award for excellence in the integration of social and environmental reporting.



"PwC was involved from the beginning to support the idea of integrating social and environmental reporting and to help us develop the concept."

Steen Riisgaard, CEO, Novozymes

Sustainable value in the energy sector



Reputation in the energy sector, arguably more than in any other, requires attention to the wider dimensions of quality. The collapse of energy company Enron had a profound impact on attitudes towards ethics and corporate governance worldwide. And the environmental and social sensitivity of energy companies' activities puts them in the forefront of the debate on corporate ethics and sustainable business practices. As investors and regulators focus on environmental and social performance alongside economic measures, farsighted energy companies are treating this as a competitive opportunity.

To build stakeholder trust, energy companies must behave in a sustainable way and must be seen to do so. A study by PwC Australia for the World Energy Congress in September 2004² found that most global energy companies still use their annual reports to meet minimum statutory corporate governance requirements in their home countries. But some forward-thinking energy companies are using good governance and transparent reporting on their environmental and social performance to attract a premium. By doing so, they are transforming the energy sector's ability to create sustainable value.

Petrobras: building sustainability into performance

One company that has responded to changes in public attitudes towards the oil and gas industry is Petrobras, Brazil's biggest corporation. After a pipeline leakage in the Rio de Janeiro area, the company decided to ensure there could be no repeat of the incident. So it created a core group to coordinate the four-year Program for Excellence in Environmental and Operational Safety Management (PEGASO), involving more than 4,000 projects.

PwC Brazil supported the PEGASO programme for three years, until its completion in mid-2004. The initial task was to evaluate the first year's progress in tackling environment and safety issues and with help from PwC US, to benchmark Petrobras's performance against global industry best practices in environment and safety.

Petrobras presented the findings and recommendations from the review to its US investors and local insurers. Petrobras then retained PwC Brazil to support PEGASO's ongoing monitoring process and pipeline integrity programme.

The scale of the environmental and safety challenge facing Petrobras is expanding in line with its business. In 2003 it bought an oil and gas company in Argentina, and PwC Argentina is supporting local management as it implements controls similar to those in Brazil. PwC Brazil has also helped Petrobras's transportation division identify the environmental and social impact of potential investments and is working with Petrobras's Engineering Department as it integrates social and environmental performance indicators into pipeline construction projects.

² Ethics in energy: meeting community expectations

PwC's commitment to quality

Our reputation depends on adhering to the highest standards of quality. That message starts from the top and touches every aspect of our work, including the clients and organisations with whom we do business, our approach and methodologies, and our quality assurance and performance management processes.



CLIENT ACCEPTANCE AND CONTINUANCE

The quality of PricewaterhouseCoopers' client base is key to our own institutional quality and integrity. Each of our lines of service has a robust process to monitor companies for acceptance and continuance as clients. If we are not satisfied with an entity or with its reporting arrangements or if the reward is insufficient to carry out the work considered necessary, we may resign or decline the engagement. Over the past year, the US and UK firms alone ended audit relationships with about a thousand clients and declined to propose on more than 170 audit opportunities.

ENHANCING OUR AUDIT APPROACH

Embedding quality within the practices of PwC firms worldwide is vital to us. PwC's Global Audit Policy Board was established to reinforce our commitment to continuous improvement in audit quality, bringing together practitioners and professional standards leaders from around the world. The Global Audit Policy Board defines our global audit policies, monitors the implementation of our global methodology, oversees assurance training and technology strategy, and provides thought leadership on auditing standards and issues. When we believe that new standards are particularly important, such as the new audit risk and fraud auditing standards, we may adopt them earlier than required by the standards body.

We are in the process of updating our methodologies in preparation for the new standard on quality control issued by the International Auditing and Assurance Standards. As part of this process, we have reviewed the roles and responsibilities of engagement and concurring partners and are strengthening our global consultation and whistle-blowing policies. We have also invested significantly in training to deliver our assurance methodologies and help auditors apply the new accounting and reporting standards. Examples of our training commitment are described on page 31.

MONITORING ENGAGEMENT QUALITY

We have established quality assurance and risk management networks in each of our lines of service. Partners and managers of PwC firms commit more than 450,000 hours to the Assurance risk management network alone. Among their tasks, the risk management networks support member firms in fulfilling their responsibility for monitoring and assuring compliance with quality standards in accordance with global guidance.

Figure 3 shows the scope of our Assurance quality review programme in calendar years 2003 and 2002, covering audit work, other attestation work, agreed-upon procedures and nonaudit engagements for smaller clients. This year we are intensifying review coverage of large public clients, whose scale and complex demands are very different from those of other clients, and we are introducing more-frequent surprise inspections. Calendar year 2004 reviews are still under way, and we will report on them next year.

The Tax quality assurance programme requires at least two assignments for each partner and director to be reviewed each year (see figure 4). Major offices undergo independent review every three years. There were 143 such office reviews in 2004. An integrated risk management programme is being developed for the new Advisory line of service, which will focus on measuring compliance with 10 fundamental risk controls.

Quality and risk management are also monitored at the country level. The 2004 country review programme involved performance self-assessments by all firms, with independent validation reviews also being undertaken in the largest countries with regional or global support.

Instances of failure to meet performance standards are treated very seriously. The partner responsible is counselled to improve performance, and the partner's work is subject to review in the following year. Very often there is a negative adjustment to the partner's compensation; in some cases, the partner is no longer permitted to sign audit opinions in the PwC name; and in serious cases, the partner is requested to withdraw from their firm. We closely monitor remedial measures taken at the country level in response to identified quality failures, including adjustments to partner compensation. In fiscal year 2003, in 17 of the largest member firms, 83 audit partners' compensation levels were affected and 17 audit partners were required to withdraw from their firms.

FIGURE 3: Assurance Quality Review Programme:
Coverage of Individual Engagement Reviews

	CY03 Programme	CY02 Programme
Number of countries in which engagement reviews were carried out	62	52
Number of engagements reviewed	1,884	1,599

FIGURE 4: Tax and Advisory Engagement Review Programme

	Tax		Advisory	
	FY04 Programme	FY03 Programme	FY04 Programme	FY03 Programme
Number of countries in which engagement reviews were carried out	80	64	39	N/A
Number of engagements reviewed	5,194	4,983	1,100	N/A

INTEGRITY

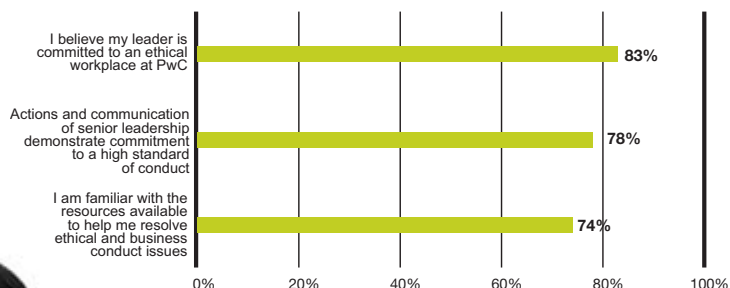
The leaders of our worldwide organisation and our member firms consistently emphasise the importance of maintaining the highest ethical standards. We underpin their messages with a global Code of Conduct that sets out the standards we expect of all of our people. Based on our core values, the code offers guidance on such issues as confidentiality, independence, respect and corporate citizenship. Since the code was launched in 2002, more than 70 Business Conduct Leaders have been appointed by PwC member firms in aggregate and 100,000 people have received training in sustaining a culture that supports the principles of the code.

Although our most recent Global Ethics survey indicates a high level of acceptance by our people that we are committed to an ethical workplace, we are still trying to improve on that result. We hold regularly scheduled three-day workshops in which ethics and business conduct champions collaborate to address their local challenges. The events also provide a way of sharing best practices, many of which will help us lead the way in implementing new or anticipated regulations and professional standards.

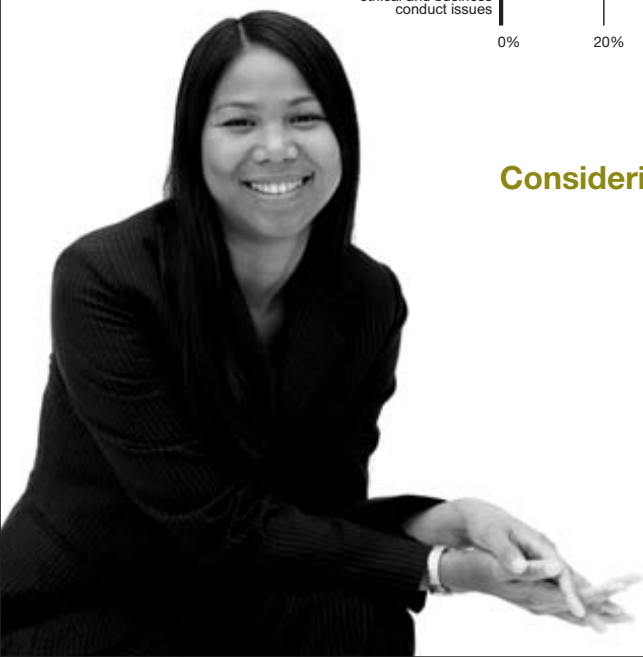
Across the network, our Business Conduct Leaders and their teams are working to apply the global Code of Conduct in ways that are sensitive to local regulatory requirements and cultural environments. For example:

- The US, Mexican and Dutch firms have integrated ethical training into their key training courses.
- The Swiss firm includes explicit assessments of ethical behaviour in its upward performance feedback process.
- In South Africa and Sweden, the firms have built networks of more than 300 locally trained ethics and business conduct champions.

FIGURE 5: Highlights of Global Ethics Survey, September 2004



Considering the ethical dimensions of our actions*



AUDIT INDEPENDENCE

Maintaining strict independence from the companies we audit is essential if we and our clients are to retain the confidence of investors and the wider public. When necessary, our global independence policies are supplemented by policies at a member firm level to meet local regulatory requirements.

We have invested heavily in systems to facilitate and support compliance with independence policies. Examples include the recent launch of a mandatory computer-based training module on the PwC independence policy and an electronic system to facilitate authorisation of nonaudit services by the audit engagement partner.

Sample tests are conducted to check that partners and managers have accurately entered the details of their investments into our automated investment portfolio system. Based on a global model, PwC member firms have adopted a disciplinary sanctions policy to respond to any violations.

An essential component of membership in the PwC network and the right to use the PwC name is a member firm's—and its people's—commitment to comply with PwC independence policy. Each member firm is responsible for complying with independence policy. We evaluate their compliance with independence policy through our inspection programmes at the country and engagement levels. In fiscal year 2004, we carried out reviews of 58 countries and regions.



Providing quality tax advice: a Tax Code of Conduct

There is increasing focus in the marketplace and by tax authorities on the policy issues surrounding tax planning and specifically on how corporations structure their affairs to mitigate their tax liabilities. PwC welcomes and supports the resulting public debate, which we believe helps promote greater clarity and understanding of the complex issues involved.

Our main business objective in providing tax services is to support clients in managing their responsibilities to all stakeholders. We do so by following a Tax Code of Conduct, which states that we will act lawfully at all times, give proper disclosure, strive to apply the highest possible technical standards and comply with our professional standards of integrity and objectivity. The Tax Code of Conduct sets out five principles to be applied whenever we give tax advice.

1. All tax advice that results in positions taken in a client's tax return must be supported by a credible basis in tax law.
2. No tax-planning advice must rely in any way on less than full disclosure.
3. Tax-planning advice must be given in the knowledge of the actual facts and circumstances of the client concerned.
4. Tax-planning advice must always involve discussion of the wider consideration of all risks involved, including how our client's actions might be viewed by others.
5. We are advisors on tax planning and not principals or counterparties.



People matter



Nurturing talent and diversity

At PricewaterhouseCoopers we understand that our most valuable asset is our people. And our success depends on the way we recruit, develop, motivate and connect them.

That means our people strategy is fundamental to our business goals. PwC firms recruit people of high intellect who have exceptional ethics and an understanding of the world around them. We seek to inspire those people to achieve their potential and to serve clients

to the best of their ability and within the context of our shared values. We listen to them. We challenge them. We offer them opportunities to grow as individuals and leaders, and we work to retain those who distinguish themselves through their personal integrity, their professional abilities and the quality of their relationships. If their future lies elsewhere, we try to support them in making that transition. In this section we report on our performance during the past year in meeting our people-related goals.

Recruiting the best

Despite a resurgence of interest in careers in public accountancy in our largest markets, the audit and accountancy profession still struggles to attract sufficient numbers of high-quality people to meet the burgeoning demands it faces. Around the world, PricewaterhouseCoopers firms are amongst the largest recruiters of high-performing college graduates, and we pride ourselves on our ability to attract the very best. Collectively, our hiring of graduates increased to more than 12,000 in fiscal year 2004. PwC firms recruited 8,000 experienced professionals during the year.

Our top ranking in student surveys reflects our ability to attract remarkable talent. As shown in figure 6, our firms continue to lead the profession as the most attractive employers. Seventy percent of respondents to our 2004 Global People Survey confirm that PwC is doing a good job of recruiting the right people—a significantly higher proportion than in other professional services organisations or high-performing companies.

FIGURE 6: PwC Ranking in Student Surveys

Country	Rank Amongst Big Four		Rank Amongst All Employers	
	2004	2003	2004	2003
China†	1	1	18	24
Czech Republic	1	NA	4	NA
Denmark	1	1	6	5
Finland	1	1	13	15
France	2	2	23	22
Germany	1	1	7	6
Netherlands	1	1	9	9
Sweden	1	1	2	2
Switzerland	1	1	9	7
United Kingdom	1	1	1	3
United States	1	1	1	2
Pan-European	1	1	7	3

† Results are from calendar 2003, the most recent available rankings

Sources:

China (ChinaHR.com), Czech Republic (AIESEC Survey), Denmark (Universum Graduate Survey), Finland (Universum Graduate Survey), France (Universum Graduate Survey), Germany (Trendence Institute, Berlin), Netherlands (AIESEC Survey), Sweden (Universum Graduate Survey), Switzerland (Universum Graduate Survey), United Kingdom (*The Times* Student Survey of Top Graduate Employers), United States (Universum Graduate Survey), Pan-European (Universum Graduate Survey).

Women in PwC: going places

Nearly 50 percent of PwC entry-level hires are women, but despite a steady increase over the years, on average only 22 percent of PwC firms' newly admitted partners are women. Initiatives to address this imbalance include mentoring partnerships for potential partner candidates among women and minority groups, as well as Women in PwC, a workshop and debate programme covering 19 European countries. Through Women in PwC we have built a network of champions who share data and insights on why women leave PwC, and we strive to find ways of improving our performance. The programme is headed by Marie-Jeanne Chèvremont, Human Capital Co-Leader and PwC Luxembourg Senior Partner. Marie-Jeanne, who was named Luxembourg's Woman of the Year in 2003 by the newspaper *Tageblatt*, says: "An even ratio of men to women at senior levels would affirm our ability to retain the best minds that enter our business. Our goal is to create an environment where women and men can excel and progress equally."

PwC firms operating in the central region of Africa certainly take that message seriously. Two of their three Line of Service leaders are women, as are two of the three new partners who were admitted in July 2004.



Seventy-four percent of our people say they have the opportunity for personal growth and development at PwC.

2004 Global People Survey



Helping people grow

PwC firms invest hundreds of millions of dollars each year in offering development opportunities to PwC people. A new graduate who is studying for professional qualifications typically receives at least 200 hours—and sometimes as much as 800 hours—of formal training. Experienced professionals and those who already hold professional qualifications receive a combination of mandatory and optional training, which is usually 50 to 150 hours. And we constantly update and refresh our core training courses. For example, in 2004, an additional 40 hours of mandatory training in US generally accepted auditing standards and a further 70 hours in International Financial Reporting Standards were added. In total, our people received over 3,000 professional accounting qualifications and more than 1,000 other specialist qualifications in 2004.

One of the most successful initiatives we launched during the year was the European School of Business (ESB), a holistic approach to partner development covering 2,000 partners in firms in 19 countries with 15 native languages. ESB offers MBA-level training in conjunction with INSEAD, and customised programmes including team leadership, think tanks on emerging industry issues and succession planning. The 2004 pilot programme received excellent ratings from its 250 participants. And our training does not stop in the

classroom. We strive to sustain a work environment in which our people are challenged intellectually and in which they develop professionally. A recent study by the University of Southern California for PwC US showed that current employees and alumni shared a highly positive view of their development at the firm and that they valued their informal on-the-job experience even more highly than their formal training.

Those findings are borne out by our Global People Survey, which continues to report a high level of satisfaction with the development opportunities offered.

The development efforts of our member firms extend to the entire workforce. The Brazilian firm, for example, hires teenage school leavers as office auxiliaries while they continue studying in evening classes. These teenagers come from publicly funded schools, where the level of English teaching would not enable them to pass the admission tests to join PwC Brazil as professional staff. The Brazilian firm has responded to that problem by setting up a volunteer programme that trains students in English during their lunch breaks. In 2004, 16 teachers and 31 volunteers were involved in training 113 students. The first graduates from the programme have already joined the firm as assurance trainees.

Developing tomorrow's leaders

We cannot foresee tomorrow's world, but we're convinced that the most effective way to prepare for the future is to identify potential leaders and provide them with the tools they will need to take the organisation forward—whatever the challenges.

Two global initiatives we launched in 2001 illustrate the value that fostering multicultural development creates for both PwC and individual participants. The first is Genesis Park, whereby high-performing staff from PwC firms around the world are immersed in an intensive five-month residency programme based in Washington, DC. Recent Genesis Park participants have tackled topics ranging from the future of corporate reporting to how best to capitalise on cross-border market opportunities. At the same time as it offers participants a chance to develop their core leadership capabilities and business acumen, the Genesis Park programme brings their fresh perspective to bear on our most critical business issues.

The second initiative is Project Ulysses, a programme that enables partners with clear leadership potential to participate in an intensive, three-month learning experience in a developing country, including working with a nongovernmental or intergovernmental (such as the United Nations) organisation. The result is a transformational

learning process—both for the individual and for PwC. Seventeen partners from PwC firms around the world have joined the Ulysses 2004 programme, working on vital projects in Peru, Ecuador, India, Uganda, East Timor and Eritrea.

The results of these programmes speak for themselves. Of more than 100 Genesis Park graduates from 25 countries, fully 97 percent are still with PwC, influencing their environment and sharing their unique approaches to problem solving and leadership. Equally significant, every one of the 41 Ulysses graduates to date from around the world has stayed with PwC. And the programme has had a noticeable effect on their behaviour. PwC Malaysia partner Jennifer Chang says her team noticed a shift in her managerial style when she returned from an assignment in Belize, finding she was readier to listen to their issues and points of view. "Decisions are reached more slowly in many other places, and I learned a kind of patience that's helpful even in our fast-paced work environment," she says. Ralf Schneider, who leads Ulysses, could not be more pleased: "Our aim is to make insights like this ripple out across PwC to help build leaders capable of confronting the challenges of an increasingly global business."



“For more than 15 years, companies have used social-responsibility initiatives to develop leaders. But PwC takes the concept to a new level.”

Business Week, September 6, 2004



Retaining key talent

PricewaterhouseCoopers firms recruit highly talented and motivated people. We provide them with world-class development and opportunities. We understand that this makes them attractive in the external marketplace. We strive to help our people make sensible career choices within and beyond PwC. A certain level of staff turnover is appropriate. However, the average staff turnover rates of our member firms are higher than we would like, and they're significantly higher than we would like amongst those with three to six years of work experience. Turnover rates for client service staff in our larger member firms average almost 23 percent, although they are much lower at the partnership level, with just 7 percent leaving in 2004. Figure 18 on page 51 shows the turnover rates within each of our lines of service.

The recent University of Southern California study for PwC US provides evidence to suggest that people who leave the firm at an early stage do not maximise their career potential and that many of them later wish they had remained longer. That study also revealed that concerns about professional liability issues have become one of the reasons not to stay at PwC US. Clearly, we have work to do both in improving our career model and in working with policy makers towards a more balanced liability system.

One of our greatest people-related challenges lies in achieving sufficient flexibility between professional demands and personal life. We know that some of our people work too many hours—particularly when the pressures associated with new regulation have placed great strains on our resources. We are proud that our people have responded so positively. Although absolute balance may be inconsistent with our desire for leadership in the accounting profession, we believe we can create more flexibility between our people's work and personal responsibilities.

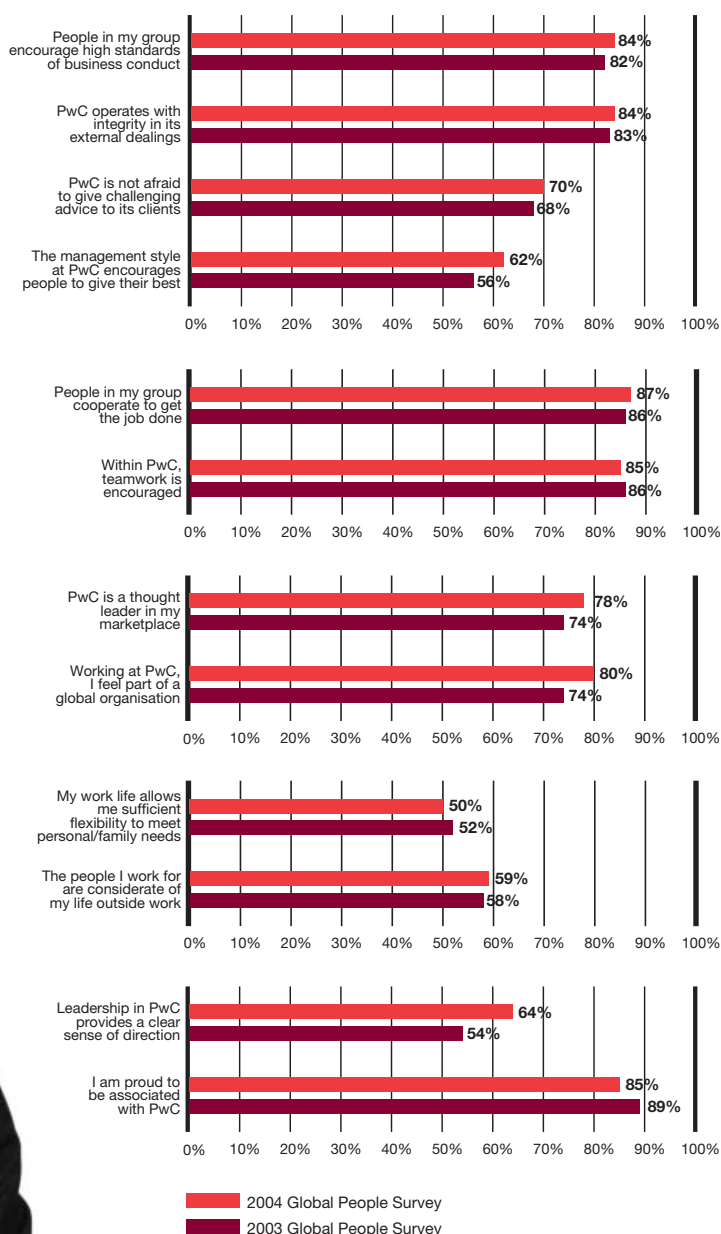
Measuring our progress: our 2004 Global People Survey

We understand the importance of listening to the people throughout our organisation. Our member firms regularly track how they are performing in the eyes of their people, as illustrated on page 44. To supplement those efforts, we have increased the scope and frequency of our Global People Survey.

More than 40,000 people responded to our latest survey, conducted in June 2004 by International Survey Research (ISR). As figure 7 shows, we continue to perform strongly on the measures that support our core values of excellence, teamwork and leadership, and we continue to improve our scores on crucial quality-related measures. Our performance in some areas reflects the recent shift in our business environment—from a period of turbulence and uncertainty to comparative stability. For example, we believe that is a reason that pride in PwC has slipped slightly from unusually high levels in earlier surveys. On the other hand, there is a better understanding of our business strategy.

We still need to improve our performance in areas related to the quality of the working environment. And we have more to do to reinforce teamwork and Connected Thinking across all of our business units as well as between partners and junior staff.

FIGURE 7: 2004 Global People Survey

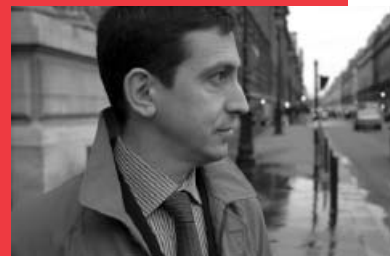


Connecting with others who have more or different experience*

Recognising the value of highly skilled people

Retaining key talent was one of the top concerns reported in our *7th Annual Global CEO Survey*. But the challenge is about more than retention. The best companies satisfy their people's expectations and build sustainable corporate value by nurturing, motivating and aligning the talent of their workforce with the company's business goals. PwC US and PwC UK recently invested in developing world-class capability in the field of human capital measurement. Saratoga Institute was acquired in February 2003 and EP-First in November of the same year. Together they offer expert services to 40 percent of Fortune Global 500 companies.

Saratoga is developing further insights into the links between effective people management and wider business objectives. One such research study,³ conducted with the University of Michigan on behalf of Convergys Employee Care, investigates ways companies can become more agile in applying the diverse and geographically dispersed capabilities of their workforces, in aligning these strategies with business objectives and in assigning accountability for the investment they make in people. The findings are scheduled for publication in late 2004.



Using forensic expertise

Jean-Louis Di Giovanni's profession is not exactly ordinary. He is a key member of PwC France's dispute analysis and investigations team. Across the PricewaterhouseCoopers network, there are some 1,500 dispute analysis and investigations professionals, including 200 in Europe.

Based in Paris, Jean-Louis experienced his first taste of forensics by working on a long-running project relating to a financial institution for which the French government acted as a guarantor. Six years later, he still uses many of the skills he learned then.

During the past year, Jean-Louis has been helping a large insurance company deal with the challenges of Holocaust-era insurance claims. "In 1998, Europe's five largest insurance companies committed to do all they could to identify unpaid life insurance policies dating back to the

Holocaust period," Jean-Louis says. His team's work has included identifying archive sites, examining thousands of boxes of papers for relevant records and developing a database to process the information.

Jean-Louis's other major project this year has been to design and deliver a training programme for the French police force in cooperation with PwC France's client training team. He conducted courses for about 95 police officers specialising in financial fraud.

According to Jean-Louis, the basic skills required for auditing and for investigation are similar, although the approach is different. "For both professions, you need attention to detail and a lot of common sense," he says. "Without the knowledge and experience I gained as an auditor, I couldn't do the job I do today."



Leadership matters



Strengthening governance and reporting

Leadership is one of our three core values at PricewaterhouseCoopers. To us it means much more than having the biggest market share. It means advising and leading the way forward on difficult issues for our clients and their investors. It means adhering to the highest standards of governance, ethics and quality. It means investing continually in the next generation. It means giving back to our communities and participating actively in programmes such as the World Business Council for Sustainable Development. And it means fulfilling our responsibility to speak out on the issues that matter to business and to our profession.

Sound governance and transparency form the bedrock of leadership. At PwC, we are committed to serving as a force for integrity, good sense and wise solutions to the problems facing businesses and the capital markets today. Transparency and good standards of corporate governance—both in our clients' businesses and in our own—are central to our ability to achieve those objectives. And we aim to continue to achieve them from a position of strength as the undisputed leader of our profession.

Governance means more than compliance

Much of the recent debate about governance has been fuelled by the loss of trust in financial institutions and other companies. Following a wave of corporate scandals around the world, a burst of new regulation has been enacted, mandating accountability and good governance as means of shoring up confidence in the integrity of institutions.

It is natural that companies have responded to these developments by focusing on keeping pace with regulators' demands. When PwC and the Economist Intelligence Unit (EIU) asked more than 200 executives in global financial institutions where they were planning to allocate their governance-related investments during the next 12 months, the number one answer was the Compliance function.⁴

But good governance is about much more than compliance and the prevention, detection and resolution of fraud. It is also about addressing poor information flows, communication failures and inadequate understanding of risk. A properly governed company has high-quality management at all levels, makes the best use of its assets and intellectual capital and understands and manages its risks on an enterprisewide basis. Good governance, looked at from all its angles and communicated ably to all stakeholders, is a source of strategic advantage.

Governance is a particularly sensitive issue in the highly regulated financial services industry—a fact highlighted in the examples that follow.

Bringing a fresh perspective to National Australia Bank

In January 2004, PwC Australia was appointed to investigate and report on unauthorised foreign currency options trading at Australia's largest financial services company: National Australia Bank. The events under investigation had resulted in losses amounting to AUD360 million (USD250 million).

The investigation has been acknowledged as an outstanding example of forensic accounting and widely recognised for its best-practice approach to risk management, governance and corporate reporting.

The PwC team worked closely with the Australian prudential regulator—the Australian Prudential Regulation Authority—as part of its investigation. The subsequent report, which National Australia Bank publicly released on 12 March 2004, identified a range of process and control issues and cultural factors that had contributed to the unauthorised foreign exchange options trading.

In August 2004, *CFO* magazine named PwC Australia Audit Firm of the Year, partly because of its investigation and report.



“Another reason for [PwC Australia's] high score in the minds of business people this year was its report on the foreign currency options trading at the NAB, which exposed cultural problems within the bank and which the NAB chief executive, John Stewart, has been trying to rectify.”

CFO magazine

⁴ PwC/EIU Briefing, Governance: From compliance to strategic advantage, April 2004

Understanding clients' businesses and industries in depth and as a whole.*



Preparing for deregulation in China

China's economic development continues apace, placing inevitable strains on the structures that underpin its economy, including the banking sector. Entry to the World Trade Organisation requires deregulation, which will add to the pressures by exposing China's banks to more open competition than ever before.

Many Chinese banks have until recently operated with corporate governance and risk management policies that evolved from a planned economy and consequently differed from those expected in the international business arena. The Chinese authorities are determined to address this issue to ensure that the banking system keeps pace with the country's rapid evolution into a major player in global business.

PwC China has been at the forefront in working with banks in China to reform their governance standards and systems, whether as auditor or advisor. The firm is auditor of the Bank of China Group (BOC), which has embarked on a programme intended to achieve best practice in financial reporting and corporate governance. In August 2004 BOC officially established a joint-stock holding company: Bank of China Group Limited. This is a critical step in the reform process that will facilitate change to the corporate governance structure and amongst other things, will enable BOC to engage in a range of capital markets initiatives. And the Chinese firm also acted as special advisor to the Industrial and Commercial Bank of China as it undertook an enterprisewide review of its risk management and governance structures and processes.

Another Chinese bank that has made significant advances in corporate governance and financial reporting is the Bank of Communications (BoCom), China's fifth-largest bank and the first shareholding bank in the country. Ultimately, BoCom intends to transform itself into a commercial bank adhering to international best practices. A critical element in that transformation has been the development of a risk management framework and a management accounting system for equipping the bank to deal with the rapidly changing commercial environment. The Chinese firm is currently auditing the financial statements of BoCom prepared in accordance with International Financial Reporting Standards (IFRS.)

In addition to helping established banks, the firm audits one of the newer arrivals in the Chinese banking sector. China Minsheng Bank is the first private bank in China and was also the first Chinese bank to present IFRS financial statements. Its rapid growth has been accompanied by strong emphasis on governance and transparency, which should assist the bank in its planned listing in Hong Kong.

To guide these and other banks through the challenging process of restructuring, we have developed the China Bank Reform Roadmap, which outlines the operational restructuring, financial reengineering and financial reporting changes needed to prepare banks for the new environment, including policies and procedures that will create true transparency.

Increasing transparency

Pressures on companies to be more transparent—more open about their activities and their performance—are unlikely to abate. Regulators and investors are demanding more and more information. Today it is an accepted fact that traditional financial statements must be supplemented by nonfinancial information to meet the needs of stakeholders.

Being open is not simply about providing more information. The volume and complexity of mandated disclosures and information have increased to a point where stakeholders find it difficult to locate and understand what is relevant to them. That problem can be partially resolved by new technologies, but technology alone is not sufficient. Openness also means simplification. Convergence in reporting standards, use of plain language and elimination of unnecessary information are needed to create true transparency and connect organisations better with all of their stakeholders.



IMPROVING THE QUALITY OF INFORMATION

PwC has long encouraged companies to supplement their financial statements with information that helps stakeholders develop a clear view of their business.

Evidence of the benefits of reporting more than financial data comes from an experiment we performed in collaboration with Coloplast, a Danish company that practises a high level of transparency. Two anonymous versions of the company's annual report were prepared. The first version presented basic financial statements. The second was the company's usual, more-open report, including nonfinancial information. Based on the two reports, analysts at a leading investment house were asked to produce an earnings forecast and make a buy or sell recommendation.

The results were fascinating. Analysts who received the basic report made high earnings forecasts, yet almost 80 percent recommended selling the stock. Conversely, analysts who received the more open report produced a lower earnings forecast yet overwhelmingly supported buying the stock. How could this be? Clearly, the analysts provided with nonfinancial information saw the investment as less risky and were therefore more confident that the earnings forecasts would be achieved. It appears that enhanced information suggests a more-certain return on investment and lowers the cost of capital for companies.

Assessing the impact of decisions on all parties over the short and long term*

Developing performance metrics in New Zealand



Christchurch International Airport

In 2004, Christchurch International Airport Limited (CIAL) in New Zealand decided to improve its corporate reporting so as to give stakeholders a clearer picture of how it creates sustainable value.

CIAL asked PwC New Zealand to help it meet the challenges involved, including determining the information to be reported in the short term, identifying potential future metrics, collecting the required information from across the business, and preparing an annual report that reflected global best practices and made an explicit link between sustainability and long-term value creation for shareholders.

The team drew on our own ValueReporting framework—which includes research on value drivers in 16 industries—and the Global Reporting Initiative's triple bottom line reporting framework to show how intangible assets could be codified and reported. These elements were combined with research on corporate-reporting practices in the property, retail and service sectors, including other airports, and in New Zealand companies to develop a reporting blueprint for CIAL. CIAL is now well on its way to producing a 2004 annual report that gives a transparent account of its sustainability performance against key financial and nonfinancial indicators.

Research suggests that improving information to stakeholders lowers companies' cost of capital.

MAKING CORPORATE INFORMATION ACCESSIBLE THROUGH TECHNOLOGY

Technology can be a powerful tool for improving access to high-quality corporate information. eXtensible Business Reporting Language (XBRL), for example, could dramatically reduce the cost and time required to produce and use such information. Applying an electronic tag to describe the meaning of each piece of data enables users to access and analyse vast quantities of information with unprecedented ease. In effect, XBRL gives stakeholders a powerful magnet to pull unique information “needles” out of the information “haystack.”

PwC has been a leader in the development of XBRL and in helping clients, investors and regulators appreciate and reap its potential benefits. After years of development, XBRL is now poised to become a commercial reality. Regulatory bodies in Canada, China, Japan, Korea, Luxembourg, the Netherlands, Spain, the UK and the US are actively reviewing, adopting and/or promoting XBRL for regulatory reporting. And in June 2004, the European Union granted EUR1 million (USD117 million) to XBRL in Europe, a consortium including PwC, which aims to accelerate the development and adoption of XBRL in Europe.

SIMPLIFYING CORPORATE REPORTING

The simplification of reporting may mean providing different types of information at different times so users are not overwhelmed with masses of information. It may mean applying common frameworks and formats that help users find the information they want. It may mean using plain language to explain critical issues. And last but not least, it may mean eliminating disclosure requirements that are no longer useful.

PwC is a charter member of the Enhanced Business Reporting Consortium (EBRC; see <http://www.ebrconsortium.org>). The consortium brings together corporations, investors and intermediaries—including accounting firms, rating agencies and research analysts—to identify ways of improving transparency through enhancement and simplification.

The area in which the most rapid progress is currently being made is in the convergence of reporting standards. By 2005, all 7,000 listed European companies will be required to convert to International Financial Reporting Standards (IFRS). With the related convergence between IFRS and US generally accepted accounting principles (GAAP), this development will lay the foundations for a single global set of accounting standards, replacing dozens of country-based GAAPs. Healthy companies will gain lower-cost access to worldwide capital, while investors will receive corporate reporting that is uniformly formatted on a global basis.

Simplification through convergence to IFRS in Europe—as well as in Australia, Russia, and some other countries—will involve huge effort. A report in the *Financial Times* in July 2004 raised the concern, supported by a recent PwC survey, that companies are not progressing quickly enough with the transition. Another concern is how the market may react to changes in reported earnings after the transition to IFRS. As the *Financial Times* commented: “Financial markets could face a shock when earnings figures and ratios are announced under the new standards in 2005 financial statements.”

Here too, PwC is not just studying the problem; it's also working hard with clients to help identify and implement solutions before it is too late.



Applying learning from other industries*

Pirelli hits the ground running on IFRS

Pirelli, headquartered in Italy, is a complex multinational group with businesses in tyres, energy cable and systems, telecommunication cable and systems, and real estate.

Pirelli's presence in so many business areas and countries created significant challenges in managing its transition to IFRS. The biggest hurdle involved the need to give its people throughout the worldwide group a thorough shared understanding of the new accounting standards and of their impact on the processes for recording and reporting information, in order to ensure consistent accounting treatment under IFRS.

The solution lay in a sophisticated, highly coordinated, global IFRS training programme. Designed and managed by a well-resourced internal project team, with the help of PwC Italy, the programme was delivered on a regional basis through face-to-face sessions and videoconferences between the head office and the business units. By actively involving in the training programme high-level controllers from each of the business areas, Pirelli minimised the disruption caused by diverting skilled staff from their normal duties.

Following the training programme, Pirelli is confident of making a reasonably smooth transition to IFRS. PwC Italy continues to provide technical advice on IFRS issues and project management advisory support as the company progresses through the conversion process.



Smoothing Russia's conversion to IFRS

The breadth and depth of PwC's involvement in supporting conversion to IFRS are illustrated by three projects PwC Russia is undertaking to help the country prepare for IFRS adoption.

The first project involves working with the Ministry of Finance in Russia to develop new Russian Accounting Standards that will be closer to IFRS. The medium-term aim, once the accounting profession and users in Russia have fully absorbed the concepts, is to adopt IFRS fully. The second project, with the Central Bank of Russia, is aimed at giving the bank's supervisors a full understanding of IFRS ahead of implementation of the international standards and at developing off-site supervision reports for commercial banks in preparation for the introduction of IFRS. Both of these major projects are funded by the European Union. The third project involves IFRS training for the Central Bank and commercial banks in Russia. Altogether we expect to train more than 5,000 bank accountants and senior bankers as part of this project.

Between them, these three projects will help prepare Russia to adopt IFRS by 2006 or 2007. They will also make a significant contribution to the development of a market economy via more-transparent financial reporting based on the same accounting standards used throughout Europe.

Openness at PricewaterhouseCoopers

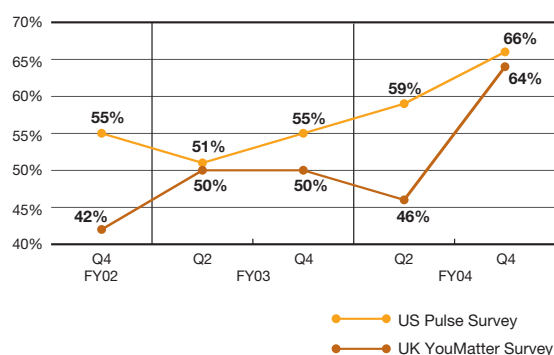
For PwC to have credibility in advocating transparency and openness, we must live by those same values. So we strive to be transparent with all stakeholders, including clients, investors, our staff, professional bodies and regulators. This is why we publish our Global Annual Review and why member firms in certain countries publish their own reports and financial statements.

Our efforts begin with being open amongst ourselves. Flying in the face of the conventional wisdom that so-called survey fatigue dooms internal surveys to failure, PwC US's Pulse employee survey and the YouMatter survey by the UK firm have built momentum, response rates and credibility over time—as depicted in figure 8.

These surveys regularly seek opinions from partners and staff within that firm about issues relevant to them and their work. The results are published promptly and made available to everyone in the surveyed firm. We are as open and as candid about negative trends—and what we are doing about them—as we are about positive results. As a result, response rates have risen significantly in both countries.

We know there is no stronger foundation for building public trust than living by the standards of openness that we advocate.

FIGURE 8: Response Rates to US and UK Surveys



PricewaterhouseCoopers' legal structure

PricewaterhouseCoopers firms come together through their membership of PricewaterhouseCoopers International Limited, a membership-based company organised in the United Kingdom. Upon joining the PricewaterhouseCoopers global network and becoming members of PricewaterhouseCoopers International Limited (PwCIL), member firms have the right to use the PricewaterhouseCoopers name and to gain access to common resources, methodologies, knowledge and expertise. In return, they are bound to abide by certain common policies and to maintain the standards of the global network as formulated by the CEO of PricewaterhouseCoopers International Limited and approved by its Global Board.

The current compositions of the Global Board and Leadership Team of PwCIL are shown below.



Global Board

Pierre B Anglade	Paris
Masaaki Ayukawa	Tokyo
Paul R Baart	Amsterdam
John J Barry	New York
Colin Beggs	Johannesburg
M Clare Bolton	Manchester
Paul V Brasher	Melbourne
Raimundo LM Christians	São Paulo
Mary Ann Cloyd	Los Angeles
Samuel A DiPiazza Jr	New York
Edgar Fluri	Basel
Jan Konerding	Frankfurt
Keith D Levingston	Washington, DC
Dennis J Lubozynski	Hartford, US
Donald A McGovern	San Jose, US
Israel H Mida	Toronto
Donal M O'Connor	Dublin
Andrew N Ratcliffe, Chair	London
Silas SS Yang	Hong Kong
Dean Yoost	Irvine, US

Other partners who served on the Global Board during fiscal year 2004 were Jay Brodish and Walter Ricciardi.

Leadership Team

Chief Executive Officer	Samuel A DiPiazza Jr	New York
Managing Partner— Markets	Willem LJ Bröcker	Amsterdam
Managing Partner— Operations	Amyas CE Morse	London
Human Capital Co-Leaders	Richard L Baird Marie-Jeanne Chèvremont	Chicago Luxembourg
General Counsel	Lawrence W Keeshan	San Francisco
Regulatory	Richard R Kilgust	Dallas
Assurance	Gerald M Ward	New York
Advisory	J Frank Brown	New York
Tax	Paul Boorman	London
Industries	Alec N Jones	London
Australia	Anthony PD Harrington	Sydney
Canada	Kevin J Dancey	Toronto
Central and Eastern Europe	John K Heywood	London
China and Southeast Asia	Arshad Uda	Kuala Lumpur
Continental Europe	Wolfgang Wagner	Berlin
South and Central America	Luis E Frisoni Jr	São Paulo
United Kingdom	Kieran C Poynter	London
United States	Dennis M Nally	New York

Performance matters





Facts and figures

PricewaterhouseCoopers is a truly global organisation with member firm offices in 769 cities in 144 countries. With a combined head count of more than 122,000, PwC firms rank amongst the world's leading employers of highly skilled, professional people. Aggregated revenues in fiscal year 2004 were USD17.6 billion, including expenses reimbursed by clients. Net revenues were USD16.3 billion.

Our clients range from the world's largest and most complex organisations to some of its most innovative entrepreneurs. In fiscal year 2004, our member firms performed services for 83 percent of the companies in the Fortune Global 500.

Revenues

In fiscal year 2004, gross aggregated revenues for the continuing operations of PwC firms worldwide totalled USD17.6 billion—an increase from USD15.5 billion last year. Excluding expenses reimbursed by clients, net aggregated revenues were USD16.3 billion. These results reflect improved market conditions in many countries despite the continued negative impact of regulatory developments on some of our core services. They also reflect favourable currency exchange rate movements. Stated in US dollars, the growth in revenues from continuing operations was more than 13 percent. Expressed in local currencies it was 6 percent.

Both Assurance and Advisory businesses grew strongly over the year. However, revenues from Tax services were flat, as the result of a continuing decline in revenues from US Securities and Exchange Commission registrant audit clients and restructuring in some member firms in response to regulatory changes.

Client buying patterns continue to shift. Aggregated advisory and tax revenues from top-tier audit clients fell by 8 percent in fiscal year 2004, following a fall of 16 percent last year. At the same time, the volume of advisory and tax services bought by top-tier organisations that are not audit clients increased by 21 percent.

FIGURE 9: Aggregated Revenues of PricewaterhouseCoopers Firms by Service Line

Service Line (USD millions)	FY04	FY03	% Change	At FY04 exchange rates % Change
Assurance	8,713	7,433	17.2%	9.6%
Advisory	3,077	2,709	13.6%	6.3%
Tax	4,464	4,197	6.4%	-0.2%
Net Revenue from Continuing Professional Services	16,254	14,339	13.4%	6.1%
Expenses Billed to Clients	1,317	1,137	15.8%	6.3%
Gross Revenue from Continuing Operations	17,571	15,476	13.5%	6.1%
Discontinued Operations	29	344	-91.5%	-92.3%
Total Gross Revenues	17,600	15,820	11.3%	3.9%

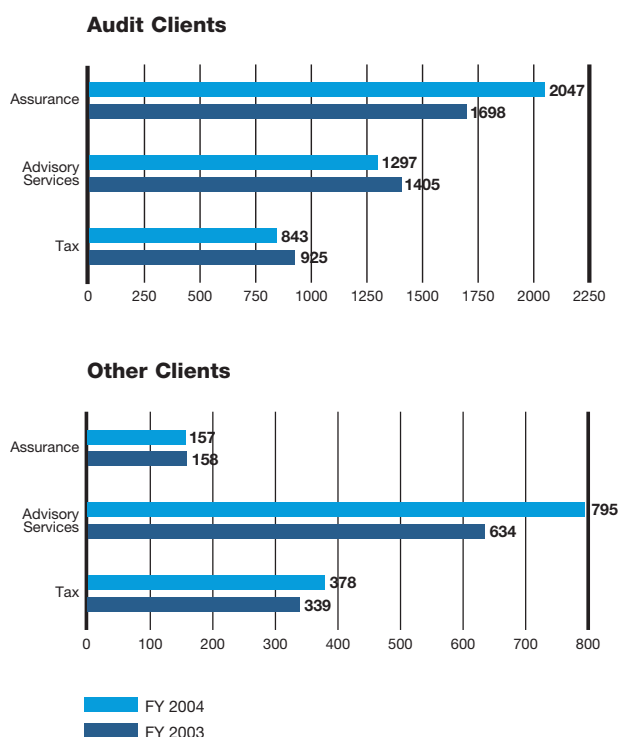
FY04 revenues are expressed in US dollars at average FY04 exchange rates. FY03 revenues are shown as originally reported last year at average FY03 exchange rates.

Fiscal year ends 30 June.

FY03 Service Line revenues have been reclassified to reflect the new Service Line structure, which came into effect in 2004. Tax figures include correspondent law firms where regulations permit.

Discontinued operations represent businesses disposed of during the year, principally affecting Tax services revenues of firms in Europe.

FIGURE 10: Services Provided for Leading Global Clients (USD millions)



Figures relate to top global clients accounting for approximately one-third of PwC firms' aggregated revenues.

FIGURE 11: Aggregated Revenues of PricewaterhouseCoopers Firms by Geography

Geography (USD millions)	FY04	FY03	% Change	At FY04 exchange rates % Change
Asia	1,497	1,352	10.7%	6.8%
Australasia and Pacific Islands	714	556	28.4%	7.3%
Europe	7,352	6,463	13.8%	2.2%
Middle East and Africa	358	269	32.8%	12.6%
North America and the Caribbean	6,028	5,432	11.0%	10.1%
South and Central America	305	267	14.1%	15.2%
Net Revenue from Continuing Professional Services	16,254	14,339	13.4%	6.1%
Expenses Billed to Clients	1,317	1,137	15.8%	6.3%
Gross Revenue from Continuing Operations	17,571	15,476	13.5%	6.1%
Discontinued Operations	29	344	-91.5%	-92.3%
Total Gross Revenues	17,600	15,820	11.3%	3.9%

FY04 revenues are expressed in US dollars at average FY04 exchange rates. FY03 revenues are shown as original reported last year at average FY03 exchange rates.

Fiscal year ends 30 June.

Discontinued operations represent businesses disposed of during the year, principally affecting Tax services revenues of firms in Europe.

On a geographic basis, there was double-digit growth in North America, where new regulatory requirements created heavy demand for US firm assurance services (figure 11). Revenues also recovered in South America—after a decline in 2003—and were relatively strong in Africa and parts of Asia, including China. In certain European and Asian markets, PwC firms faced more-difficult economic and regulatory conditions.

More than a quarter of PwC's aggregated revenues were derived from the financial services industry in 2004 (figure 12). This was a slight increase on the previous year, as rapid regulatory change and industry restructuring fuelled a recovery in demand. The technology, infocomm and entertainment industries account for a further 18 percent of revenues, as does the services sector, which includes government.

FIGURE 12: Aggregated Revenues by Industry Sector

Industry		% of Revenues
Consumer and Industrial Products and Services	Automotive	2.8%
	Energy, Utilities & Mining	7.4%
	Industrial Products	15.3%
	Pharmaceuticals	2.6%
	Retail & Consumer	10.0%
	Services	18.5%
Financial Services	Banking & Capital Markets and Investment Management	19.8%
	Insurance	5.5%
Technology, InfoComm and Entertainment	Entertainment & Media	5.4%
	InfoComm	4.0%
	Technology	8.7%
Total		100%

Estimate based on market data representing 80% of aggregated revenues of all PwC firms.

Clients

PricewaterhouseCoopers is privileged to work with an unrivalled client base, ranging from the world's largest and most-complex organisations to some of its most innovative entrepreneurs. In fiscal year 2004, our member firms performed services for 83 percent of the companies in the Fortune Global 500.

The largest proportion of our aggregated revenues has come from mid-cap and private companies. The share of these smaller, nonpublic entities in our member firms' revenues increased marginally in fiscal year 2004.

FIGURE 13: Global and Regional Client Base

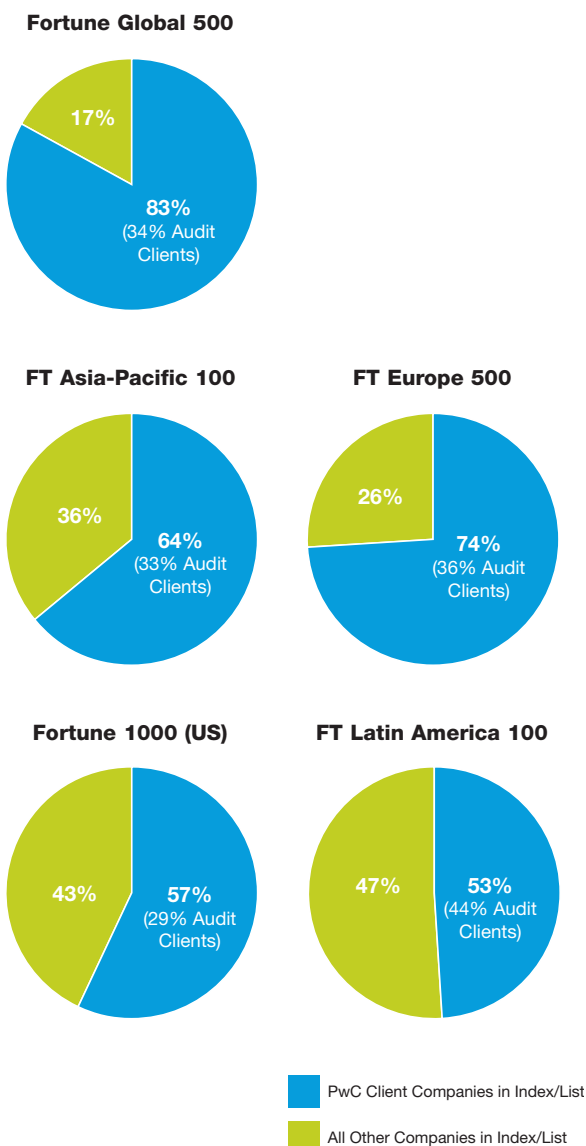
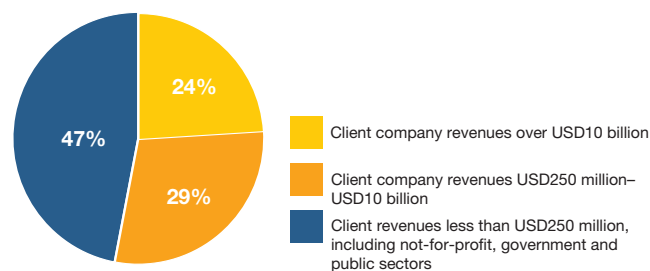


FIGURE 14: PwC Revenues by Size of Client, FY 2004



Estimate based on market data representing 50% of aggregated revenues of all PwC firms. Client revenues as reported by public record.



People

FIGURE 15: PricewaterhouseCoopers People, June 2004

PwC People	2004	2003
Partners	7,753	7,879
Client Service Staff	88,471	87,727
Practice Support Staff	26,247	27,214
Total	122,471	122,820

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

FIGURE 16: PricewaterhouseCoopers People by Gender

Percentage Women	July 2004	July 2003
Client Service and Practice Support Staff	50%	49%
New Partners	22%	18%
All Partners	11%	9%

FIGURE 17: PricewaterhouseCoopers People by Geography, 2004

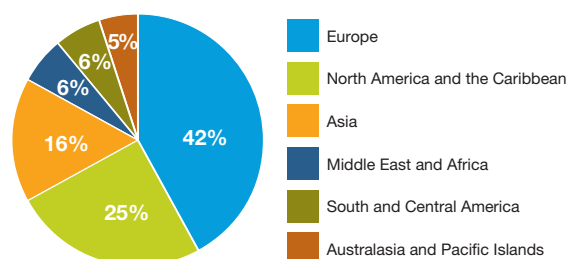


FIGURE 18: Average Turnover Rates of PwC People in Major Firms, FY 2004

Service Line	Client Service	Practice Support	Partners
Assurance	24%	15%	5%
Tax	22%	20%	8%
Advisory	20%	16%	10%
Total	23%	17%	7%

Based on data from member firms in 24 countries.

The combined head count of PwC firms is over 122,000. Our head count declined very slightly during the year, reflecting discontinued operations and the impact of regulatory changes on our tax services (figure 15). Client service and practice support staff are evenly balanced by gender; however, on average, only 11 percent of partners of PwC firms are women. We are striving to improve that figure, and 22 percent of PwC firms' new partner intake on 1 July 2004 were women. Figure 17 shows the geographic location of PwC people. In total, there are 769 member firm offices in 144 countries.

Figure 18 shows average partner and staff turnover rates within the three lines of service in 24 of our larger member firms. Internal restructuring of lines of service makes year-on-year comparison difficult at this level, but overall, the turnover rates were relatively stable after allowing for discontinued businesses.

The turnover rate amongst assurance professionals is higher than that of their advisory counterparts. This is in part a reflection of the high proportion of graduate trainees entering their first full-time employment in the assurance line of service. However, turnover levels amongst those with three to six years' experience are significantly higher than we would wish. We are striving to help people understand that their long-term professional aspirations are often best served by staying longer with PwC.

One of the things that matters most to PricewaterhouseCoopers is our people. Partners and staff photographed for this year's Annual Review are: Catherine Abonnenc, Roger Anderson, Matthieu Aubusson, Stuart Bainbridge, Alison Barker, Yann Bonduelle, Matt Britten, Albertha Charles, Donna Coallier, Naa Adorkor Codjoe-Abdallah, Neil Coomber, Adele Cunningham, Elizabeth Diep, Jean-Louis Di Giovanni, Charles Egan, Bertrand Eury, Susantha Fernando, Chloe Fletcher, Agnès Flouquet, Kym Ward Gaffney, Bernard Gainnier, Candice Galopeau, Joe Hendry, Richard Hulme, Bob Humphreys, Tony Jackson, Nash Jaffer, Isabelle Jenkins, Shruti Kapoor, Superna Khosla, Kironyo Kiarie, Matthew Kusnitz, Keston Lall, Sylvie Le Damany, John-Henry Liepe, Tok Hong Ling, Melissa Luo, Owen Mackney, Nahema Mahdjer, Sue Mainwaring, Jasmine Martin, Lona Mathis, Richard Mayock, Polly McLelland, Amanda Merritt, John Minards, Cathriona Mohan, Natasha Motton, Nicole Navratil, Nipha Netprasertkun, Lukeman Ogunyinka, Oliver Parker, Hector Perez, Sarita Perrin, Andrea Plasschaert, Cheng Png, Kathy Ronstrom, Shrenee Samuel, Graeme Sandford, Roland Sonnenberg, Kawthar Tak-Tak, Céline Tassin, Mai Tham, Nicolas Thilliez, Eric Timar, Heather J. Timmermans, Angéline Tong, Jean-Marc Truchi, Alejandro Vargas, Santiago Vazquez, Sonia Watson and Barry Winograd. Due to space reasons, not everyone photographed for the Annual Review appears in the publication.

Principal location photography by Peter Marlow, with additional photography by Bertrand Clech, Bruce Davidson, Nicole Gunther and Michael Melford. Portraiture photography by Igor Emmerich and Bertrand Clech. Special thanks to Film-Makers' Cooperative, London Underwriting Company and Phoenix Trading Company for location photography access. Stock photos by Getty Images and Corbis.

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Design: Odgis + Company **Printing:** Merrill Daniels

PricewaterhouseCoopers' 2004 Global Annual Review is printed on environmentally friendly, chlorine-free paper.



