

Transparency report

PwC Gibraltar (PricewaterhouseCoopers Limited) June 2023



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<u>from</u> <u>leadership</u>



Our approach to quality Cultures and values













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Message from leadership

Welcome to our 2023 Transparency Report

It is my pleasure to present our 2023 Transparency Report which includes financial information for the year ended on 30 June 2023.

This report includes information about how the firm is governed and includes updates from our Territory Assurance Leader, Barry Pillans, who heads our assurance practice. While PwC Gibraltar is a multidisciplinary firm, this report is primarily focused on our assurance practice and related services, which operates under the corporate structure of PricewaterhouseCoopers Limited.



The audit profession continues to be under significant public scrutiny and challenge. We understand the concerns and we support and are committed to changes that will improve audit quality.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with more than 364,000 people who are committed to delivering quality in assurance, advisory and tax services. We are committed to driving a strong culture of quality and excellence that is core to our purpose.

PwC's global strategy, The New Equation, responds to fundamental changes in the world, including technological disruption, climate change and fractured geopolitics. The New Equation focuses on two interconnected needs that clients face: to build trust, which has never been more important, nor more difficult, and to deliver sustained outcomes in an environment where competition and the risk of disruption are more intense than ever and societal expectations have never been greater.

As part of The New Equation strategy, the PwC Network is making an incremental US\$3bn investment in quality. This includes a \$1bn investment in a five-year programme to deliver a next generation audit ecosystem - human-led, tech-powered and data-driven. It will enable us to make continuous improvements to audit quality by further standardising, simplifying, centralising and automating our audit work, transforming the experience for our stakeholders and our people.

For more information on The New Equation, please see www.pwc.com/qx/en

Our approach to building trust is designed to meet rising expectations of transparency, accountability and stakeholder engagement. It combines expertise in audit, tax and compliance activities with a drive to expand specialist capabilities in areas such as cyber security, data privacy, ESG and AI. It also recognises the importance of quality - and that reporting and compliance represent just one link in a chain that includes organisational culture, executive mindset, aligned standards, certified professionals, stringent controls, tailored technologies and appropriate governance.

Similar to building trust, delivering sustained outcomes requires us to work in an integrated way. Instead of taking a traditional technology-driven approach to transformation, PwC focuses on the outcomes that our efforts are seeking to achieve. To deliver the agreed outcomes, we then mobilise our expertise in areas including - among many others - strategy, digital and cloud services, value creation, people and organisation, tax, sustainability reporting, deals, business recovery services, legal and compliance.

Our new strategy builds on our ongoing commitment to quality. This is manifested by our substantial investment in recruitment during FY23 and to date. We have increased our staff compliment by over 20% in the last 12 months, with the major recruitment focus on assurance and in risk and quality staff. Our staff numbers now exceed 100 with over 50% being in our Assurance line of service.

We have prepared this Transparency Report, in respect of the financial year ended 30 June 2023, in accordance with the requirements of Article 13 of the EU Regulation No. 537/2014 of the European Parliament and of the Council of 16 April 2014 and the Gibraltar Financial Services Act 2019, on specific requirements regarding statutory audit of public-interest entities. The regulation prescribes that certain information on our legal structure, independence and quality assurance has to be made publicly available. We fully support the law's requirements for transparency, which is aligned with our firm's values.

I hope you find our report informative and if you are require any further information please email me on colin.vaughan@pwc.com.

Colin Vaughan
Territory Senior Partner

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A message from our Assurance Leader

Our assurance practice sits in the centre of our strategy in building trust. Quality in whatever we do is core to our purpose and remains at the heart of our strategy.

FY23 has been a year of both tremendous challenges and opportunities for our people, clients and communities. COVID-19, the war in Ukraine, geopolitical strains, supply chain disruptions, skills and workforce shortages, inflation,cost of living crisis and the ongoing need to digitise are just a sample of the challenges and opportunities we are all faced with. These challenges and opportunities have demanded a lot from PwC and our client's teams.

It was our focus on our people and their trust in us, that allowed us to navigate the disruption. With the tools, processes and guidance we provided, our audit teams continued in FY23 to deliver quality each and every time focussed in addressing the needs of our society, clients, regulators and other stakeholders. As a firm, we continued to focus on the important role we play as auditors in helping to facilitate transparency.

One of the ways we build trust and transparency is by us being transparent. That is why we are pleased to present our Transparency report for FY23, which shows how we maintain quality in our audit work. The report describes our policies, systems and processes for ensuring quality, which include key quality monitoring programmes and reviews and the way we foster a culture of quality at every level of our firm. It details the EU PIE companies we performed audits for and the total revenue from our audit and non-audit work

Our focus on audit quality

Our audit business is fundamental to our strategy and brand. We continue to invest in continuous improvement in audit quality through new systems and technology, risk processes and learning and development for our people.

Executing high-quality audits and providing professional audit services objectively and ethically to every company we audit continue to be our top priorities and at the core of our commitment to serve the public interest.

To continuously improve our audit quality, we challenge our audit methodology and approach regularly, evaluate all inspection findings and take responsive actions. Furthermore, we believe there are many factors that contribute to a quality audit. To get a balanced picture of quality, stakeholders need to see a range of measures. This report discloses how we are performing against key measures of audit quality.

Blending our people with technology to deliver quality

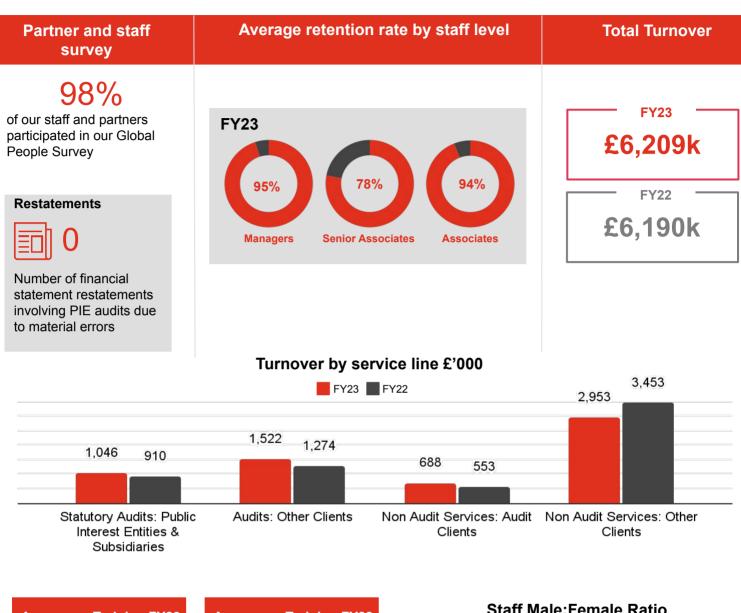
We are empowering our audit teams with advanced, innovative tools, support and guidance. We aim to achieve a perfect blend of people and technology, reimagining the audit and how we bring the best of human and machine intelligence to our clients. Today we have powerful platforms such as Halo, Aura and connect that will take us into tomorrow, as we consider how to enhance our use of technology and data in the future to communicate securely and provide better insights to our audit clients.

I am proud of the role we are playing in the discussions about audit quality in Gibraltar. We will continue to drive audit quality to contribute to the success of our clients and stakeholders.

Barry Pillans

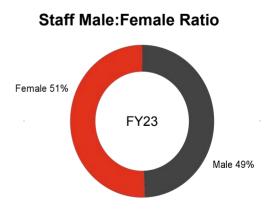
Gibraltar Assurance Leader

Year in review











Experience of our partners

Partners' average years of experience at PwC

23 years





<u>from</u> <u>leadership</u>



Our approach to quality Cultures and values













governance <u>structure</u>

Our approach to quality

A specific focus on audit quality across the network

The PwC Network's Assurance QMSE framework

Delivering high-quality work is at the heart of what we do at PwC; it is what our stakeholders rightly expect of us.

To deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders, the PwC Network has established the Quality Management for Service Excellence ("QMSE") framework which integrates quality management into how each firm runs its business and manages risk.

This framework introduces an overall quality objective that is supported by a series of underlying quality management objectives and each firm's system of quality management ("SoQM") should be designed and operated so that the overall quality objective, which includes meeting the objectives of ISQM 1, is achieved with reasonable assurance.

The International Standard on Quality Management 1 ("ISQM 1")

ISQM 1 became effective 15 December 2022 and required all firms performing audits or review of financial statements, or other assurance or related service engagements to have designed and implemented a SoQM to meet the requirements of the standard.

The PwC Network's Assurance QMSE framework was designed to enable our firms to meet the requirements of ISQM 1. This includes design and implementation of the SoQM to comply with ISQM 1 to meet the effective date and evaluation of the SoQM under the standard by 15 December 2023.



Overall quality objective

To have the necessary capabilities in our organisation and to deploy our people to consistently use our methodologies, processes and technology to deliver services in an effective and efficient manner to fulfil the expectations of our clients and other stakeholders"

Integrated and aligned in the right way

The quality objectives focus on having the necessary capabilities and to deploy our people consistently using our intellectual and technological resources to deliver audits in an effective and efficient manner that fulfils the expectations of our clients and stakeholders. Put simply, designing our business and processes to deliver consistently high-quality audits.

To help us achieve these objectives, the PwC Network invests significant resources in the continuous enhancement of quality across our network. This includes having a strong quality infrastructure supported by the right people, underlying tools and technology at both the network level and within our firm, and a programme of continuous innovation and investment in our technology. The PwC Network's Global Assurance Quality ("GAQ") organisation aims to support PwC firms in promoting, enabling, and continuously improving Assurance quality through effective policies, tools, guidance and systems used to further promote and monitor quality and to build an appropriate level of consistency in what we do.

These elements have been integrated and aligned by our network to create a comprehensive, holistic and interconnected quality management framework that each firm tailors to reflect our individual circumstances. Each firm is responsible for utilising the resources provided by the network as part of our efforts to deliver quality to meet the expectations of our stakeholders.

The Quality Management Process

The achievement of these objectives is supported by a **Quality Management Process (QMP)** established by our firm and Assurance leadership, business process owners, and partners and staff. This quality management process includes:

- identifying risks to achieving the quality objectives
- designing and implementing responses to the assessed quality risks
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators
- continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions and
- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions

This involves the integrated use of
Assurance Quality Indicators to aim to
predict quality issues, Real Time
Assurance to aim to prevent quality
issues, Root Cause Analysis to learn
from quality issues and a Recognition
and Accountability Framework to
reinforce quality behaviours, culture and
actions

The key factors that impacted our system of quality management

Our system of quality management ("SoQM") must be designed, implemented and operating on an ongoing basis to achieve the quality objectives. This ongoing process includes monitoring, evaluating, assessing, reporting, and being responsive to changes in quality risks, driven by the firm's internal and external environment. This is our Quality Management Process ("QMP"). Our focus on quality management is therefore not to apply prescribed rules but rather to design and implement risk responses which are fit for purpose to manage the risks we identify in our own risk assessment and achieve the quality objective taking into consideration the conditions, events, circumstances, actions and/or inactions that may impact our SoQM.

The past several years have seen unprecedented challenges and our firm's SoQM under the QMSE framework has helped us navigate and react to the impact that identified factors had on our ability to achieve the overall assurance quality objective - to deliver quality audit engagements.

Our SoQM involves a dynamic risk assessment process that takes and analyses the information about these conditions, events, circumstances, actions or inactions which may result in:

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

2023 key factors impacting our SoQM

This year, we have seen various factors impact our SoQM but in particular, one of the more meaningful conditions, events, circumstances actions and/or inactions that have necessitated changes to our SoQM is:

Application of alternative delivery models

The firm makes the use of other PwC Member Firms where necessary in order to foster the growth of the client base and learning opportunities for our people, whilst ensuring appropriate support for engagement performance and maintaining quality standards in the execution of our work.





<u>from</u> <u>leadership</u>



Our approach to quality Cultures and values







Our approach Monitoring







governance <u>structure</u>

Our culture and values



Definition and culture

At PwC, we define quality service as consistently meeting the expectations of our stakeholders and complying with all applicable standards and policies. An important part of our ability to deliver against this quality definition is building a culture across a network of 364,000 people. This culture of quality emphasises that quality is the responsibility of everyone. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.



Measurement and transparency

For all our businesses, each PwC firm – as part of the agreement by which they are members of the PwC Network – is required to have in place a comprehensive system of quality management ("SoQM"); to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are then discussed in detail with the leadership of each local firm and if they are not at the level expected, a remediation plan is agreed with local leadership taking personal responsibility for its successful implementation.

As the services that our network provides change and develop, and the needs and expectations of our stakeholders also change, the PwC Network is are continually reviewing and updating the scale, scope and operations of our PwC firms' systems of quality management and investing in programmes to enhance the quality of the services that the PwC Network provides.



Our firm's commitment to quality



Leadership and tone at the top

Our purpose and values are the foundation of our success. Our purpose is to build trust in society and solve important problems, and our values help us deliver on that purpose. Our purpose reflects 'why' we do what we do, and our strategy provides us with the 'what' we do. 'How' we deliver our purpose and strategy is driven by our culture, values and behaviours. This forms the foundation of our system of quality management and permeates how we operate, including guiding our leadership actions, and how we build trust in what matters - how we do business, with each other and in our communities.

Trust in what matters

Today companies are judged on far more than just financial outcomes. A company's performance in areas like ESG, cybersecurity, and more can affect its reputation, staff retention, access to capital, and ultimately enterprise value.

That's why we're evolving our assurance offering to provide confidence not just in companies' financial statements but in their impact on people and the planet as well.

We call this 'trust in what matters.' This includes issues that are important to a company and its wider stakeholders. We apply rigorous standards to analyse companies' performance on issues such as climate and diversity. This helps companies demonstrate their progress, enabling these firms to build trust, enhance their corporate reputations, and grow enterprise value.

We encourage our clients to understand what matters to their stakeholders, and we deliver assured information about the company's performance on these measures. We believe that if it needs to be trusted, it needs to be assured. High-quality assurance heightens accountability and trust while giving companies a robust basis for tracking and improving their performance.

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

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

This culture is supported by appropriate tone at the top through regular communication from leadership to all partners and staff about the firm's commitment to quality. Key messages are communicated to our firm by our Territory Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to the success of our firm. Based on this tracking, we are confident our people understand our quality objectives. Delivering service of the highest quality is core to our purpose and our Assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.



Audit Quality Measures



Aim to Predict: Assurance Quality Indicators

- Employee survey results or Global People Survey: People Engagement Index scores
- Global People Survey: Quality Behaviour Index scores

We have identified a set of Assurance Quality Indicators (AQIs) that support our Assurance leadership team in the early identification of potential risks to quality, using metrics to aim to predict quality issues. This quality risk analysis is an essential part of our QMSE, and the AQIs, in addition to other performance measures, also provide a key tool in the ongoing monitoring and continuous improvement of our SoQM.



Ethics, independence and objectivity

Ethics

At PwC, we adhere to the fundamental principles of ethics set out in the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (the Code), which are:

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

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

In addition to the PwC Values (Act with Integrity, Make a difference, Care, Work together, Reimagine the possible) and PwC Purpose, PwC Gibraltar has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals-behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal-to do the right thing.

Upon hiring or admittance, all staff and partners of PwC Gibraltar are provided with the PwC Global Code of Conduct. They are expected to live by the values expressed in the Code in the course of their professional careers at our firm and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing conduct inconsistent with the Code. In addition, every partner and staff are required to complete new hire training, which covers the ethics and compliance network standards, including ethics and the Code of Conduct.

PwC has implemented a network-wide confidential ethics helpline for the reporting of questions or concerns related to behaviours that are inconsistent with the Code of Conduct and related policies. Every PwC firm has a separate and secure tier of the ethics helpline for their confidential matters and investigations. The ethics helpline allows our partners, staff and third parties to feel safe raising a question or concern without fear of retaliation. The ethics helpline is also available for third parties, including clients.

The PwC Code of Conduct and the ethics helpline are available on-line for all internal and external stakeholders at https://www.pwc.com/ethics.

PwC Gibraltar has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

Finally, the Organisation for Economic Co-operation and Development (OECD) provides guidance, including the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), by way of non-binding principles and standards for responsible business conduct when operating globally. The OECD Guidelines provide a valuable framework for setting applicable compliance requirements and standards. Although the PwC Network consists of firms that are separate legal entities which do not form a multinational corporation or enterprise, PwC's Network standards and policies are informed by and meet the goals and objectives of the OECD Guidelines.



Objectivity and Independence

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

The PwC Global Independence Policy, which is based on the Code, including International Independence Standards, contains minimum standards with which PwC firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

The independence requirements of the United States Securities and Exchange Commission (SEC) are, in certain instances, more restrictive than the Global Independence Policy. Given the reach of these requirements and their impact on PwC firms in the network, the Policy identifies key areas where an SEC requirement is more restrictive. Provisions that are specifically identified as applicable to SEC restricted entities must be followed in addition to. or instead of, the Policy in the associated paragraph. PwC Gibraltar has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by an appropriately sized team.

Independence policies and practices

The PwC Global Independence Policy covers, among others, the following areas:

personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g., bank accounts and loans by partners, staff, the firm and its pension schemes;

non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (SOPS), which provide practical guidance on the application of the policy in respect of non-audit services to audit clients and related entities;

business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business; and acceptance of new audit and assurance clients, and the subsequent acceptance of any non-assurance services to be provided to those clients.

The PRI reports directly to the Territory Senior Partner (TSP). Both the TSP and PRI are members of the firm's Board and leadership team.

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

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

PwC Gibraltar supplements the PwC Global Independence Policy as required by EU Audit Regulation where they are more restrictive than the network's policy.

Independence-related systems and tools

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

- The Central Entity Service (CES), which contains information about corporate entities including all PwC audit clients and their related entities (including all public interest audit clients and SEC restricted entities) as well as their related securities. CES assists in determining the independence restriction status of clients of the PwC firm and those of other PwC firms before entering into a new non-audit service or business relationship. This system also feeds Independence Checkpoint and the Authorisation for Services system;
- 'Independence Checkpoint' which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and is used to record their subsequent purchases and disposals. Where a PwC firm wins a new audit client or there is a change in the restriction status of a security, this system automatically informs those holding relevant securities of the requirement to sell the security where required;

Independence-related systems and tools, continued

- Authorisation for Services (AFS) which is a
 global system that facilitates communication
 between a non-audit services engagement
 leader and the audit engagement leader,
 regarding a proposed non-audit service,
 documenting the analysis of any potential
 independence threats created by the service and
 proposed safeguards, where deemed necessary,
 and acts as a record of the audit partner's
 conclusion on the permissibility of the service;
- Joint Business Relationships (JBR) which is a
 global system used to clear joint (close) business
 relationships from an independence perspective.
 JBR is used to facilitate PwC firms' compliance
 with JBR requirements for new and existing joint
 business relationships. It assists independence
 specialists in gathering information to assess,
 from an independence perspective, the
 permissibility of proposed joint business
 relationships and in monitoring the continued
 permissibility of previously approved existing joint
 business relationships; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g., those set by regulation or professional requirements) where the breach has cross-border implications (e.g., where a breach occurs in one territory which affects an audit relationship in another territory). All breaches reported are evaluated and addressed in line with the Code.

PwC Gibraltar also has a number of Gibraltar specific systems which include:

- A rotation tracking system which monitors compliance with PwC Gibraltar's audit rotation policies for the Gibraltar firm, engagement leaders and other key audit partners involved in an audit; and
- Gibraltar territory breaches register, which includes all PwC Gibraltar breaches.



Independence training and confirmations

PwC Gibraltar provides all partners and specific staff members with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive computer-based training on a wide range of independence related topics. Additionally, face-to-face training is delivered to members of the practise on an as-needed basis by members of the PwC Gibraltar independence team.

All partners and specific staff members are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the PwC firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations. The latter is dependent on the circumstances of each client, such as client industry, etc.





Independence monitoring and disciplinary policy

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

- Compliance testing of independence controls and processes;
- Personal independence compliance testing of a random selection of, at a minimum, partners and practice managers as a means of monitoring compliance with independence policies; and
- An annual assessment of our firm's adherence with the PwC Network Standard relating to independence.

The results of PwC Gibraltar monitoring and testing are reported on a regular basis with a summary reported to Gibraltar leadership on an annual basis.

PwC Gibraltar has an Accountability Framework and supporting disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of a breach, an evaluation of the impact of the breach on the independence of the PwC firm and the engagement team and the need for actions or safeguards to maintain objectivity. Although most breaches are minor and attributable to an oversight, all breaches are taken seriously and investigated as appropriate. The investigations of any identified breaches of independence policies also serve to identify the need for improvements in PwC Gibraltar's systems and processes and for additional guidance and training.



Considerations in undertaking the audit

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality, which we believe goes hand-in-hand with our purpose to build trust in society. We have established policies and procedures for the acceptance of client relationships and audit engagements that consider whether we are competent to perform the engagement and have the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and have appropriately considered the integrity of the client. We reassess these considerations in determining whether we should continue with the client engagement and have in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary. The policies and processes we have in place emphasise risk and quality considerations such that financial and operational priorities do not lead to inappropriate judgements about whether to accept or continue a client relationship.

Client and Engagement Acceptance and Continuance

PwC Gibraltar has a process in place to identify acceptable clients based on the PwC Network's proprietary decision support systems for audit client acceptance and retention (called Acceptance). Acceptance facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management. More specifically, this system enables:

Engagement teams:

- To document their consideration of matters required by professional standards related to acceptance and continuance:
- To identify and document issues or risk factors and their resolution, for example through consultation by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
- To facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.

PwC firms (including PwC firm leadership and risk management):

- To facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
- To provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
- To understand the methodology, basis and minimum considerations all other PwC firms in the network have applied in assessing audit acceptance and continuance.

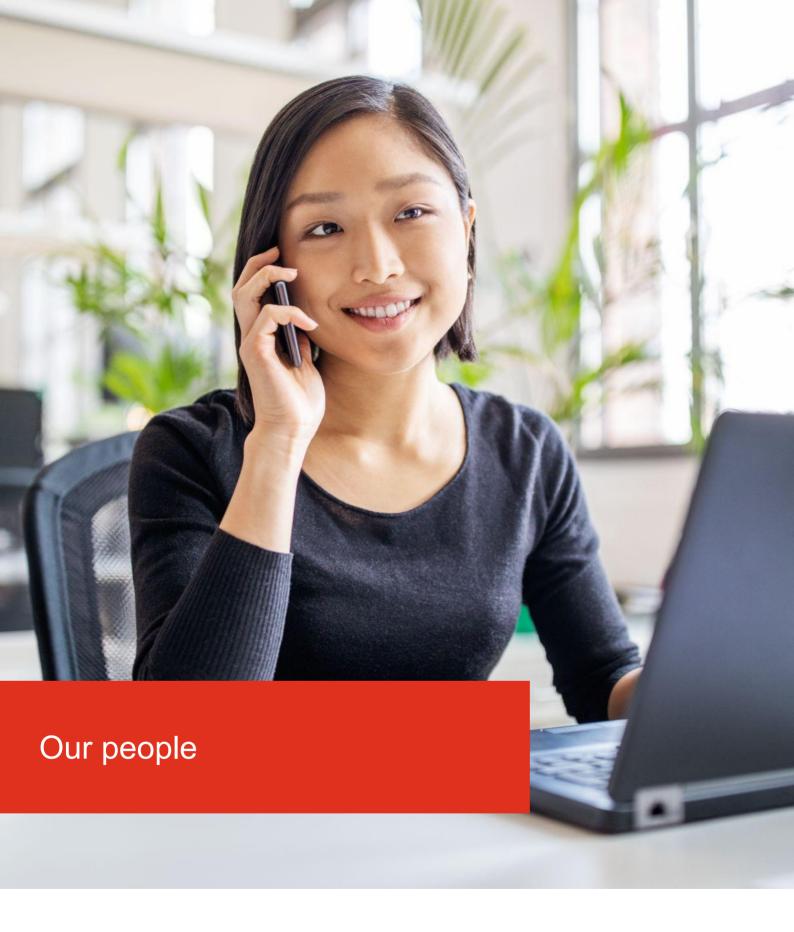


Reinforce: Recognition and Accountability Framework

Our Recognition and Accountability Framework ("RAF") reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds Partners, including non-Partner Engagement Leaders, accountable for quality behaviours and quality outcomes beyond compliance. Our RAF considers and addresses the following key elements:

- Quality outcomes: We provide transparent quality outcomes to measure the achievement of the quality objectives. Our quality outcomes take into account meeting professional standards and the PwC Network and our firm's standards and policies
- Behaviours: We have set expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective
- Interventions/recognition: We have put in place interventions and recognition that promotes and reinforces positive behaviours and drives a culture of quality
- Consequences/reward: We have implemented financial and non-financial consequences and rewards that
 are commensurate to outcome and behaviour and sufficient to incentivise the right behaviours to achieve the
 quality objectives







Message from leadership



Our approach Cultures and to quality values



Our people



Our approach



<u>Monitoring</u>



PwC Network



Legal and governance structure

Our people

Audit Quality Measures

- · Average staff retention rate
- Partner and manager hours in relation to total engagement hours
- Measure of project management/phasing of the audit, for example, actual utilisation in relation to planned and actual to budgeted hours at period end



People strategy

Our people strategy was developed in support of our broader business strategy, The New Equation. We are focused on being the world's leading developer of talent and enabling our people with greater agility and confidence in a rapidly changing world. Specific focus areas include creating a resilient foundation for times of change through supporting the well-being of our people and enabling effective delivery; developing inclusive leaders for a shifting world; and enabling our workforce for today's realities and tomorrow's possibilities.

Our strategy and priorities for the coming year include to continue to grow our people's digital and data skills by continually reviewing and updating our upskilling programme including deploying new network platforms and and associated training to our staff, to care for our people and to monitor our staffs wellbeing, During FY23 8% of our staff were qualified Mental Health First Aiders who are trained to listen to our staff through town halls, questionnaires and social events and to grow and further develop and enhance our Inclusion & Diversity Strategy.

We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity. Our hiring standards include a structured interview process with behavioral-based questions built from The PwC Professional framework, assessment of academic records and background checks. Our hiring standards include a structured interview process with behavioral-based questions built from The PwC Professional framework, assessment of academic records and background checks.

New world. New skills

Our One firm "New world. New skills" strategy is how we are investing to create the PwC of the future; We are responding to the expectations of the market to deliver a different, more digital experience to our clients. There are three elements to this strategy:

- Digital upskilling: We provide our people with individualised learning opportunities and tools to expand the use of digital solutions on their audits and empower them with a mindset of continual improvement and innovation. We are investing in Digital Academies which will leverage market-leading software and focus primarily on building three core skills: data wrangling, automation, and data visualisation. These tools will enhance the firm's collective digital fluency while providing each individual with a personalised curriculum to build their digital IQ. Our Digital Accelerators are embedded within our engagement teams and are dedicated to applying digital capabilities to each audit, as well as developing new digital solutions for the firm.
- <u>Skills for society</u>: This is a powerful program to develop our people while making a meaningful difference in our communities.
- <u>Be well, work well</u>: Given the pace and complexity of change, the firm is putting the power of its resources toward supporting our people's journey to greater well-being.





Inclusion and diversity

At PwC, we're committed to being a leading organisation for inclusion and belonging with our people, clients, and external stakeholders and a leading employee destination for diverse talent. We are focused on ensuring our ways of working embrace diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and can reach their full potential. As demonstrated through our core values of Care and Work Together, we strive to more deeply understand and empathise with different backgrounds, perspectives and experiences. We know that when people from different backgrounds and with different points of view work together, we create the most value for our clients, our people, and society.



Recruitment

PwC Gibraltar aims to recruit, train, develop and retain the best and the brightest staff who share in the firm's strong sense of responsibility for delivering high-quality services. Our hiring standards include a structured interview process with behaviour-based questions built from The PwC Professional framework, assessment of academic records, and background checks. Across the firm in FY23, we recruited over 26 new people, including 8 university graduates.



Team selection, experience and supervision

Our audit engagements are staffed based on expertise, capabilities and years of experience. Engagement leaders determine the extent of direction, supervision and review of junior staff.



Feedback and continuous development

Our team members obtain feedback on their overall performance, including factors related to audit quality, such as technical knowledge, auditing skills and professional scepticism. Audit quality is an important factor in performance evaluation and career progression decisions for both our partners and staff. Feedback on performance and progression is collected via our Snapshot tool, a simple, mobile-enabled technology tool. Ongoing feedback conversations help our people grow and learn faster, adapt to new and complex environments, and bring the best to our clients and firm.



Career progression

PwC Gibraltar uses The PwC Professional, our global career progression framework, which sets out clear expectations at all staff levels across five key dimensions. The framework underpins all elements of career development and helps our people develop into well-rounded professionals and leaders with the capabilities and confidence to produce high-quality work, deliver an efficient and effective experience for our clients, execute our strategy, and support our brand. Our annual performance cycle is supported by continuous feedback conversations and regular check-ins with the individual's Team Leader to discuss their development, progression and performance.



Retention

Turnover in the accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide makes our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent. In FY23 the firm introduced Empowered Flexibility working arrangements for all members of our staff. The core principle remains consistent: 60% of our working time per week should be spent at the office or at a client site, with a maximum of 40% of our working time per week being allowed to be spent working from home. This includes flexing start and finish times and taking time out during the day for personal commitments. It's empowering our staff to work in a way that best works for them, their teams and our clients.



Global People Survey

Each PwC firm participates in an annual Global People Survey, administered across the network to all of our partners and staff. PwC Gibraltar is responsible for analysing and communicating results locally, along with clearly defined actions to address feedback. The firmwide respondent rate for the Gibraltar firm was 98% with 100% of all audit partners and staff completing the survey.

The survey covers a wide range of topics and themes. Below are some examples of the survey questions and results:

- 86% of respondents answered favourably to the question "The people I work with challenge me and each other to deliver quality work"
- 83% of respondents answering favourably to the question "The leaders I work with actively build a diverse and inclusive work environment";
- 83% favourable response for the question "I am given the opportunity to apply newly developed skills in my work"



Audit Quality Measures

- · Average training hours per audit professional
- Mandatory training attendance



The PwC Professional

The PwC Professional supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.



Professional development

We are committed to putting the right people in the right place at the right time. Throughout our people's careers, they are presented with career development opportunities, classroom, virtual classroom and on-demand learning, and on-the-job real time coaching/development. Our flexible training portfolio facilitates personalised learning with access to a variety of educational materials, including webcasts, podcasts, articles, videos, and courses.

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



Mandatory training attendance 100%

Of partners and staff have completed all mandatory training attendance in FY23



Continuing education

We, and other PwC firms, are committed to delivering quality assurance services around the world. To maximise consistency in the network, the formal curriculum, developed at the network level, provides access to training materials covering the PwC audit approach and tools-this includes updates on auditing standards and their implications, as well as areas of audit risk and areas of focus for quality improvement.

This formal learning is delivered using a blend of delivery approaches, which include remote access, classroom learning, virtual classroom, and on-the-job support. The curriculum supports our primary training objective of audit quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including professional judgement while applying a sceptical mindset.

The design of the curriculum allows us to select, based on local needs, when we will deliver the training.

Our Learning & Education Leader meets regularly with all department training managers to discuss the department training requirements and the training managers ensure that all mandatory accounting training is completed. Our Learning & Education Leader will also consider what additional training is appropriate - formal and/or informal - to address any additional specific local needs.

Training on updates for IFRS standards are sourced from our PwC internal databases including Viewpoint, Aura, Connect, Workbench or externally via ACCA or ICAEW, our local regulator or via our internal locally developed training programmes.



Assurance Training FY22

Average hours achieved by partners and staff

33 online

47 classroom 80 total

FY22 Total hours completed

3,927





<u>from</u> <u>leadership</u>





Our approach to quality Cultures and values







Monitoring





governance <u>structure</u>

Our approach

Our approach

PwC Gibraltar uses a range of cutting-edge methods, processes, technologies, and approaches to ensure continuous improvement in the performance and quality of our audit engagements.

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying methodology, the technology we use, and in making the right amount of time and resources available.

We pay close attention to the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement. Details of these indicators and processes can be found in the Monitoring of Assurance quality section.

Additionally, we consider what our various stakeholders require from us, what they tell us we need to improve and the findings of regulatory inspections on the quality of our work. Details of the most recent regulatory findings can be found in the Leadership and Quality Management Process section.

People

Data and technology can help reveal insights, but it takes an inquisitive person with well-rounded business knowledge to understand what those insights mean. We recruit professionals with these capabilities, people who can deliver the highest quality outcomes in terms of client service and compliance.

Technology

As technological change accelerates, our clients want to trust their information with organisations that don't merely keep up but lead the way. We've made a global commitment to offer leading audit technology, and we've invested heavily in tools to match our approach. The result is greater quality and insight to our clients.

Approach

We've built our audit around our people and our technology. We've designed it to give us more time with our clients, understanding the things that matter to their business. That's more time understanding client concerns, and more time focusing on the inherent risks we see, including how they change over time and how they compare with peer companies.



Our tools

As a member of the PwC Network, PwC Gibraltar has access to and uses PwC Audit, a common audit methodology and process. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policy and guidance provided where appropriate. PwC Audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements that are relevant to each individual audit engagement. Our common audit methodology provides the framework to enable PwC firms to consistently comply in all respects with applicable professional standards, regulations and legal requirements.



Tools and technologies to support our audit



Our technology

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

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

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

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

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

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

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

PwC Confirmations, our global, secure, web-based confirmation platform providing a guided experience to preparing, sending, monitoring and receiving electronic and paper responses for our auditors and third-party confirmers as well as a dashboard view to assist in status updates. The Confirmer portal allows confirmers to easily navigate and provide responses.

Halo Platform enables our engagement teams to manage all data extractions, executions and storage for all applications through one central location, allowing our engagement teams to monitor the status of data uploads and use the acquired client data for multiple applications during the audit.



Our next generation audit

As part of our commitment to building trust and delivering sustained outcomes, the PwC Network is investing in a multi-year effort to deliver a new global audit platform to power our next generation audit, ultimately replacing our legacy technologies such as Aura and Connect. By exploring and investing in new technologies and redefining underlying audit processes, PwC will further standardise, simplify, centralise, and automate our audit work. PwC's investment will accelerate ongoing innovation and enable us to respond to changing stakeholders' needs while taking advantage of emerging technologies, providing a transformed audit experience focusing on continuous quality enhancement. PwC's vision for Next Generation Audit (NGA) is to provide efficient, robust and independent assurance and audit insights across financial and non-financial information, helping to build trust in what matters to our stakeholders. As PwC gains momentum around the next generation audit programme, we will continue to release new capabilities on an ongoing basis to enhance quality and the overall audit experience.



Reliability and auditability of audit technologies

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

Confidentiality and information security



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

Our focus on our clients requires a holistic and collaborative approach to reducing security, privacy and confidentiality risks with significant investment in appropriate controls and monitoring to embed an effective three lines of defence model. This model has enabled us to strengthen our information security organisation, align to industry good practice and improve our internal control frameworks.

Data Privacy

The firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data. We have continued to build on our extensive GDPR readiness programme, and are committed to embedding good data management practices across our business.



Information Security

Information Security is a high priority for the PwC Network. PwC firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

Failure to protect information could potentially harm the individuals whose information PwC firms hold, lead PwC firms to suffer regulatory sanctions or other financial losses, and impact the PwC reputation and brand. The Information Security Policy (ISP) outlines the minimum security requirements with which every PwC firm must comply.

PwC firm compliance with the ISP is measured through quarterly data-driven assessments as a well as a yearly evidence based assessment for each PwC firm.

Deviations that result from the assessment are prioritised for remediation per timelines agreed with firm leadership.

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

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



Supporting engagement performance



Evolving delivery model

We continue to evolve the way we deliver our services so our people give our clients an even better experience, further enhance the quality of what we do and create economic capacity to invest in the future. We use delivery centres to streamline, standardise, automate, and centralise portions of the audit.



Consultation culture

Consultation is key to ensuring audit quality. We have formal protocols about mandatory consultation, in the pursuit of quality. For example, our engagement teams consult with appropriate groups in areas such as taxation, risk, valuation, actuarial and other specialities. We also have protocols to consult with specialist and dedicated teams in respect of technical accounting, auditing, and financial reporting matters as well as risk and quality. We regularly consult more than the minimum requirement.



Direction, coaching and supervision

Engagement leaders and senior engagement team members are responsible and accountable for providing quality coaching throughout the audit and supervising the work completed by junior members of the team, coach the team and maintain audit quality. Engagement teams utilise Aura which has capabilities to effectively monitor the progress of the engagement to determine that all work has been completed and reviewed by appropriate individuals, including the engagement leader.



Quality Review Partners (QRP)

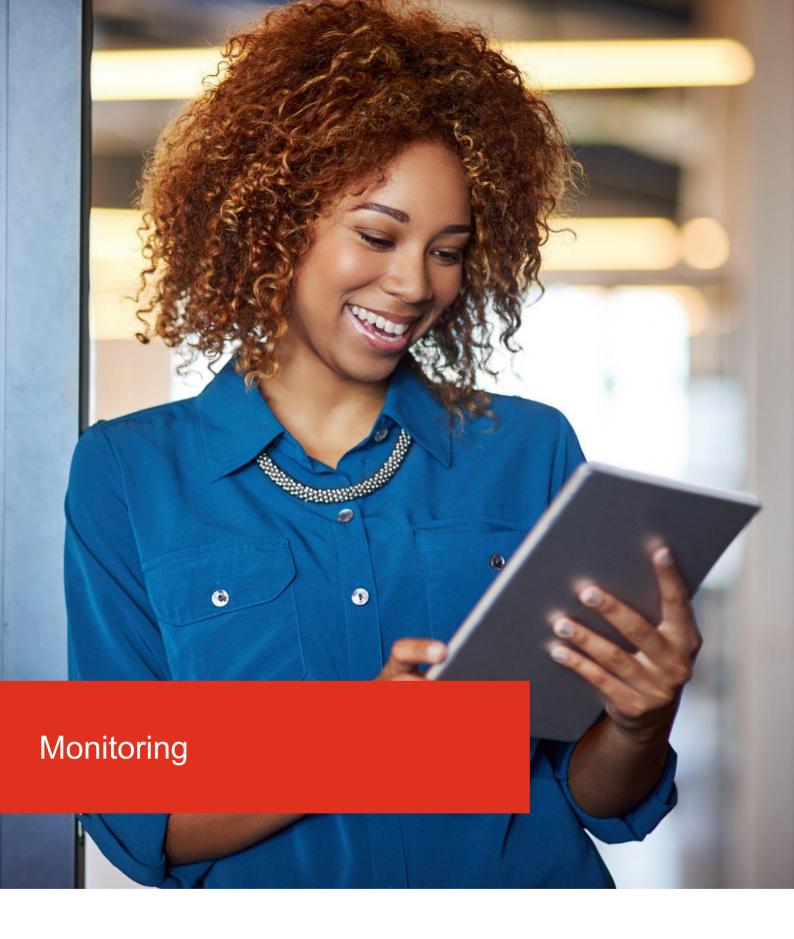
Specific audit engagements are assigned a QRP as part of the Member Firm's System of Quality Management ("SoQM") as required by professional standards and/or legislation/regulation. These partners, who have the necessary experience and technical knowledge, are involved in the most critical aspects of the audit. For example, they may advise on matters of firm independence, significant risks and a team's responses to those risks, and specific accounting, auditing, and financial reporting and disclosure issues.



Differences of opinion

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or a central function, such as risk management.







<u>from</u> <u>leadership</u>





Our approach to quality Cultures and values





Our approach Monitoring







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Monitoring



Audit Quality Measures

- Total number of Engagement Quality Reviews (EQRs)
- Number of EQRs rated as Compliant, Compliant with Improvement Required, Non-Compliant
- EQRs rated as Compliant, Compliant with Improvement Required, Non-Compliant related to total number of EQRs (%)
- Financial statement restatements involving PIE audits due to material errors



Monitoring of Assurance quality

We recognise that quality in the Assurance services we deliver to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of our work. It is a key element to our Assurance strategy.

Responsibility for appropriate quality management lies with the leadership of PwC Gibraltar. This includes the design and operation of an effective System of Quality Management (SoQM) that is responsive to our specific risks to delivering quality audit engagements, using the network's QMSE framework.

The overall quality objective under the QMSE framework is to have the necessary capabilities in our firm and to deploy our people to consistently use our methodologies, processes and technology in the delivery of Assurance services in an effective and efficient manner to fulfil the valid expectations of our clients and other stakeholders.

Our firm's monitoring procedures includes an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit, non-audit assurance and related services engagements are performed in compliance with laws, regulations and professional standards (also referred to as our ongoing monitoring). This includes the use of Real Time Assurance.



Restatements



Number of financial statement restatements involving PIE audits due to material errors



Aim to Prevent: Real Time Assurance

We have developed a Real Time Quality Assurance (RTA) programme designed to provide preventative monitoring that helps coach and support engagement teams get the 'right work' completed in real-time, during the audit.

Our monitoring also encompasses a review of completed engagements ("EQRs") as well as periodic monitoring of our SoQM by an objective team within our firm. The results of these procedures, together with our ongoing and periodic monitoring, form the basis for the continuous improvement of our SoQM.

Our firm's monitoring programme is based on a consistent network-wide inspections programme for Assurance based on professional standards relating to quality control, including ISQM 1, as well as network policies, procedures, tools and guidance.



In addition to the ongoing monitoring noted above, our monitoring also encompasses periodic assessment of our SoQM which includes the review of completed engagements (EQRs), as well as periodic monitoring of our SoQM by an objective team within our firm. The results of these procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM. EQRs are performed under a network-wide inspection programme based on professional standards and PwC audit methodology.

EQRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to sign audit, non-audit assurance or related services reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures.

In Gibraltar, each signer is subject to an EQR at least once every three years, unless a more frequent review is required based on the profile of that signer's client engagements or due to local regulatory requirements.

All signing engagement leaders in 2023 were subject to an EQR, and all but one engagement was rated as compliant.

Reviews are led by experienced Assurance partners, supported by objective teams of partners, directors, senior managers and other specialists. EQR reviewers may be sourced from other PwC firms if needed to provide appropriate expertise or objectivity. Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of checklists and tools developed at the network level when conducting their inspection procedures. The network inspection team supports review teams by monitoring the consistent application of guidance on classification of engagement findings and engagement assessments across the network.



Additionally, the PwC Network undertakes periodic reviews to evaluate certain elements of PwC firms' systems of quality management. The network also looks at the PwC firm leadership's own assessment of the effectiveness of their system of quality management and their determination of whether the overall quality objective has been achieved.

The inspection results are reported to our firm's leadership who are responsible for analysing the results of the inspections along with the findings identified from all sources of information and implementing remedial actions as necessary. In situations where adverse quality matters on engagements are identified, based on the nature and circumstances of the issues, the responsible partner or our firm's Assurance leadership personnel may be subject to additional mentoring, training or further sanctions in accordance with our firm's Recognition and Accountability Framework.

Assurance partners of our firm receive information on the results of the network inspection program, designed for their use in assessing the scope of audit work they determine needs to be performed and their reliance on work performed by PwC firms in connection with their audit of a client's consolidated financial statements

Evaluation of effectiveness of quality control system

The Board of Directors of PwC Gibraltar has evaluated the operating effectiveness of the firm's system of quality management and is satisfied that it is functioning effectively.

Quality assurance review by our regulator

In accordance with applicable regulatory requirements, each Member Firm may also be reviewed periodically by national and international regulators and/or professional bodies. In this respect, PwC Gibraltar is subject to periodic review by the Gibraltar audit regulator, the Gibraltar Financial Services Commission ("GFSC").

During November 2021, the GFSC carried out their latest review of the Gibraltar Member Firm and a sample of our audit engagement files were included in the scope of their review. This was concluded on during March 2022. The overall quality of the firm, including it's audit work, was found to be appropriate. Some minor findings were identified for improvement, but these did not detract in any significant way from the overall quality achieved. We expect that the next GFSC review will be in 2024.

The latest GFSC annual report on audit supervision can be found <u>here</u>.



Learn: Root cause Analysis

We perform analyses to identify potential factors contributing to our firm's audit quality so that we can take actions to continuously improve. Our primary objectives when conducting such analyses are to understand what our findings tell us about our SoQM and to identify how our firm can provide the best possible environment for our engagement teams to deliver a quality audit. We look at quality findings from all sources including our own ongoing monitoring of our SoQM as well as network inspections of our SoQM, audits both with and without deficiencies - whether identified through our own internal inspections process or through external inspections and other inputs such as our Global People Survey and financial statement restatements and accounting errors - to help identify possible distinctions and learning opportunities.

For individual audits, an objective team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

In addition, the data compiled for audits both with and without engagement-level findings is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, the number of years the key engagement team members have been on the engagement, industry experience, the number of other audits that the engagement leaders are involved in, whether the engagement was subject to a real time assurance review and the timing of when the audit was performed.

Our goal is to understand how quality audits may differ from those with engagement-level findings, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practice. We believe these analyses contribute significantly to the continuing effectiveness of our quality management.





<u>from</u> <u>leadership</u>





Our approach to quality Cultures and values





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PwC Network



Global network

Firms in the PwC Network are members in, or have other connections to PwCIL, an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for PwC firms in the PwC Network. Focusing on key areas such as strategy, brand, and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual PwC firms where appropriate. PwC firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC Network. In addition, PwC firms may draw upon the resources of other PwC firms and/or secure the provision of professional services by other PwC firms and/or other entities. In return, PwC firms are bound to abide by certain common policies and to maintain the standards of the PwC Network as put forward by PwCIL.

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



The governance bodies of PwCIL are:

- Global Board, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of Network Standards. The Board does not have an external role. The Board is comprised of 19 members. One are appointed as external, independent directors, and the other 18 Board members are elected by partners from PwC firms around the world every four years.
- Network Leadership Team, which is responsible for setting the overall strategy for the PwC Network and the standards to which the PwC firms agree to adhere.
- Strategy Council, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- Global Leadership Team, which is appointed by and reports to the network Leadership Team and the Chairman of the PwC Network. Its members are responsible for leading teams drawn from PwC firms to coordinate activities across all areas of our business.







<u>from</u> leadership



Our approach to quality Cultures and values













governance structure

Legal and governance structure

Governance structure

PricewaterhouseCoopers Limited ("PwC Gibraltar") is a limited liability company governed by Gibraltar law and is owned by PwC Holdings Limited. The firm is ultimately owned by a group of six members, who are partners, all of whom are professionals active within the practice.

The firm is registered as an audit firm licensed and regulated by the Gibraltar Financial Services Commission ("GFSC").

The governance structure of the firm is made up of two elements; the Territory Senior Partner ("TSP") and the Board of Directors (the "Board").

The governing body of the firm is the Board, who meet at regular intervals to discuss strategy and to monitor the firms progress against that strategy. The firm is organised across the three core lines of service: Assurance, Tax and Advisory.

Each member of the Board is subject to formal, rigorous, and ongoing performance evaluation. In Gibraltar, the firm must annually comply with PwC's Network Standards.

Due to the size of the firm, each member of the Board is actively involved in the management of the firm and in the process of solving lines of service issues. Dedicated teams are also devoted to managing risk management, independence, technology and Human Resources (including learning & education).

Partner remuneration

An essential element of PwC's ethos is a set of common principles for remuneration of partners at PwC firms, based on partner performance and quality of work

The underlying premise of the partner income philosophy is to encourage, recognise, and reward partners, both as individuals and as members of teams. Reward is based on their contribution to their respective firms and, where relevant, to the wider network. Quality is the most important measure in assessing a partner's contribution.

Territory Senior Partner (the "TSP")

Colin Vaughan is the TSP for PwC Gibraltar, who has been in this role since 1 July 2005. The TSP is elected by the Partners of PwC Gibraltar. The TSP is responsible for the leadership and strategic direction of the firm and its role in PwC's global network. In addition, the TSP is ultimately responsible for the Gibraltar firm's compliance with PwC's Network Standards.

The Board of Directors (the "Board")

The Board is responsible for developing and implementing the policies and strategies of the firm, and for its direction and management. The Board also takes overall responsibility for the systems of internal control (which includes controls relating to quality) and for reviewing and evaluating their effectiveness. During the year ended 30 June 2023, the Board continued to hold meetings on at least a monthly basis, and discussed formal business matters at additional meetings as necessary. The members as at 30 June 2023 were:

- Kevin Duarte
- Lalit Khatwani
- Edgar Lavarello
- Patrick Pilcher
- Barry Pillans
- Colin Vaughan Chairman and CEO
- Luke Walsh

Statutory Auditors

Individuals at PwC Gibraltar who are licensed to serve as Statutory Auditors as licensed by the GFSC, are:

- Kevin Duarte
- Lalit Khatwani
- Edgar Lavarello
- Barry Pillans
- Jackielee Urrutia-Tinca
- Colin Vaughan

Management Team

A more detailed CV of all of our Board and management team can be seen as part of our website: www.pwc.gi



Appendix 1

Other considerations of Article 13 of the EU Regulation 537/2014

Appendix 1: List of Public Interest Entities

List of EU Public Interest Entities: Article 13(2)(f): a list of public-interest entities for which PwC Gibraltar carried out statutory audits during the year to 30 June 2023

Name of Entity - EU PIE

AA Underwriting Insurance Company Limited

Alwyn Insurance Company Limited

Carraig Insurance Company Limited

Caversham Insurance Limited (no longer an EU PIE as from January 2023)

Trusted Novus Bank Limited

Watford Insurance Company Europe Limited

WDP Insurance Limited

Name of Entity - PIE

Global Asset Programme Limited



Appendix 2

Names of other statutory auditors and countries

Appendix 2: Names of other statutory auditors and countries

Names of other statutory auditors and countries in which they operate in the Network: Article 13(2)(b)(ii) and (iii):

Austria	PwC Wirtschaftsprüfung GmbH, Wien
Austria	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
Austria	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
Austria	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bv/Reviseurs d'enterprises srl
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Croatia	PricewaterhouseCoopers Savjetovanje d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit, s.r.o.
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
France	PricewaterhouseCoopers Audit
France	PricewaterhouseCoopers Entreprises
France	PricewaterhouseCoopers France
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa

Appendix 2: Names of other statutory auditors and countries

Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Ruggell
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z. o.o.
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.
Portugal	PricewaterhouseCoopers & Associados - Sociedade de Revisores Oficiais de Contas, Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
Sweden	Öhrlings PricewaterhouseCoopers AB



Appendix 3: Network Statutory Auditor Turnover



Network Statutory Auditor Turnover: Article 13(2)(b)(iv):

Total turnover achieved by statutory auditors and audit firms from EEA Member States that are members of the PwC Network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements is approximately 2.8 billion Euros. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing as of 30 June 2023.

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