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Transparency Report

PwC Luxembourg

October 2021



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PwC Luxembourg Transparency Report

Welcome to the PwC Luxembourg Transparency Report of activities for the year ended 30 June 2021 ("2021"). It is issued in accordance with EU Regulation No 537/2014 of the European Parliament and of the Council of 16 April 2014, 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.

The Management Board

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Welcome to our 2021 Transparency report



“I am immensely proud of what my partners and our people have achieved.

Financially, we have secured excellent growth across our businesses - landing at a remarkable 5.8 % growth in our top-line. At the same time, we have continued to drive our change agenda at pace and scale within the technology space, with record levels of investment both in terms of our client solutions and our in-house transformation.”

This report includes information about how the firm is governed and includes updates from Marie-Elisa Roussel-Alenda, who leads our Assurance practice. While PwC is a multidisciplinary firm, this report is primarily focused on our audit practice and related services. 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. Of course this year, continuing to deliver audit quality during the COVID-19 pandemic was an unprecedented challenge and a key focus area for us. We talk about this on page 13.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 156 countries with more than 295,000 people who are committed to delivering quality in assurance, advisory and tax services.

We are committed to drive a strong culture of quality and excellence that is core to our purpose.

In June 2021, we unveiled The New Equation, PwC's landmark global strategy which responds to fundamental changes in the world, including technological disruption, climate change, fractured geopolitics, and the continuing effects of the COVID-19 pandemic. The New Equation is based on analysis of global trends and thousands of conversations with clients and stakeholders. It builds on more than a decade of sustained revenue growth and continued investment. The New

Equation focuses on two interconnected needs that clients face in the coming years. The first is to build trust, which has never been more important, nor more difficult. The second is 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. For more information on The New Equation, please see www.pwc.com.

Our new strategy builds on our ongoing commitment to quality.

Our people are key to performing high quality audits and we draw upon a wide range of specialist skills across our multidisciplinary practice. That's why we maintain a constant emphasis on our purpose and values that address integrity and independence. We continue to invest in our people by providing ongoing professional and personal development, with in depth training.

We have continued to take steps to align our business to support this focus on audit quality in addition to our ongoing investment in new technology to support the quality of our audit services in order to better meet the changing audit challenges in a digital age and to enhance the quality and rigour of our audits.

Taken together, these measures represent a significant ongoing transformation of our audit business and support our focus on audit quality and our public interest responsibilities.

John Parkhouse
CEO

A message from our Assurance Leader

Unprecedented world of change and uncertainty

This year has been an unprecedented period as we faced the turmoil of the COVID-19 pandemic. No one could have predicted the all-encompassing impact it has had on both our personal and professional lives. While our first priority has been and remains the well being and health of our people, as a business we had to quickly mobilise and adapt our way of working to meet our obligations and our client's needs and expectations. As described in the section: Delivering audit quality during the COVID-19 pandemic, our teams transitioned quickly and seamlessly to working remotely. Our technology, including our ability to digitally sign our audit reports, has been the cornerstone of our ability to deliver during this crisis. With all our professionals working from home, the changes and uncertainty we and our clients were facing, our focus on quality remained paramount. With guidance from our network, the assurance leadership supported by our Risk and Quality and methodology teams focussed on helping engagement teams to deliver quality while navigating through the uncertain circumstances arising from the pandemic and providing additional support through guidance, access to resources and specialists, and quality improvement programmes such as Real-Time Assurance. Regular communication to reiterate the importance of maintaining and evidencing professional skepticism was and will remain fundamental, as, in spite of the end of the strict confinement, the outlook remains uncertain and volatile, and there are more changes and challenges ahead.

Investing in technology and innovation

Our experience working remotely has given us confidence on our digitisation journey. While we have made significant strides over the past years (refer to section Audit Approach for the descriptions of the tools and technologies that support our audits), we are committed to continue to invest in our assurance technology tools to further empower our assurance professionals. Emerging technologies are revolutionising the services we render, enhancing client service, quality and efficiency, and giving our people more time to do what machines cannot do.

Investing in our people - Your tomorrow

To continue to serve our stakeholders and deliver on our purpose, we need to help our people prepare for the changes that lie ahead and create an environment where people and technology thrive together to accomplish more than they could apart. We have and will continue to invest heavily in upskilling our people. Our goal is to provide our people with dedicated time to invest in developing the skills required to be successful in the digital world and to provide the best programmes and tools for them to do so. We offer a range of different programmes and tools to unlock the creativity and innovative power of our people to provide new solutions and improve the efficiency and impact of our services. To date, 439 of our assurance professionals have enrolled in one or more of these programmes. Our objective is to reach 100% of our professionals by the end of next year.

Unyielding commitment to quality.


At PwC Luxembourg, we are proud of our reputation for quality and we know that maintaining the highest level of quality requires continued vigilance and constant focus. We therefore continuously invest to maintain and enhance audit quality through new systems and technology, risk processes and learning and development for our people.

I invite you to read this Transparency Report which describes how we maintain high quality in our audit work and conveys the seriousness with which we approach our responsibility and our interest to engage with you about audit quality. I welcome the opportunity to keep the conversation going through our Transparency Report and our Annual Review Report available on www.pwc.lu

Marie-Elisa Roussel-Alenda

Assurance Leader





PwC Luxembourg

At PwC Luxembourg, our purpose is to build trust in society and solve important problems. We are a member of a network composed of independent Firms in 156 countries with more than 295,000 people who are committed to delivering quality in assurance, advisory and tax services.

PricewaterhouseCoopers Luxembourg, operating as a Société coopérative since 1 July 2012 (“PwC Luxembourg” or “our Firm”), is a company with limited liability incorporated under Luxembourg law. It is registered with the Luxembourg Business Registers under number B 65477 with a subscribed capital of EUR 943,075 and a total of capital and reserves of EUR 26,844,303 at 30 June 2021 and is registered as an approved audit Firm (*cabinet de révision agréé*) as per the Law of 23 July 2016 on the audit profession as amended. It is owned by individuals providing audit, tax or advisory services in Luxembourg. A majority of voting rights are in the hands of shareholders who are registered approved statutory auditors (*réviseurs d'entreprises agréés*) and members of the IRE (*Institut des réviseurs d'entreprises*) and in the hands of shareholders who are Chartered Accountants (members of the *Ordre des Experts-Comptables*).

Our Firm additionally is registered with the PCAOB (the US Public Company Accounting Oversight Board), the UK FRC, the JFSA (the Japan Financial Services Authority), the Hong-Kong FRC and with the BVI (British Virgin Islands) Financial Services Commission. PwC Luxembourg has three fully owned operating subsidiaries which are PricewaterhouseCoopers Academy S.à r.l., PricewaterhouseCoopers Training Administration Service Centre S.à r.l. and PwC Tax Information Reporting S.à r.l.



The PwC Network

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

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

PricewaterhouseCoopers International Limited

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

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

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. Board members are elected by partners from all PwC firms around the world every four years.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- **Global Leadership Team** 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 network firms to coordinate activities across all areas of our business.

The Assurance Leader of PwC Luxembourg is a member of the Global Board and maintains our relationships with the Network Leadership Team.



Governance

PwC Luxembourg is governed by a Management Board (*Conseil de Gérance*) having the overall responsibility for the strategic, business, operational and financial management of our Firm. The Management Board members are appointed by the shareholders meeting and the Board is composed of a majority of approved statutory auditors. It sets and communicates its strategic priorities, which cascade into our Firm's business planning process. The contribution of Assurance, Tax, Advisory and support services is monitored by the Management Board, which also takes overall responsibility for the systems of internal control (which include controls relating to quality) and for reviewing and evaluating their effectiveness.

Our Firm is led by a CEO, assisted by a Deputy Managing Partner, who is, like the other members of the Board, elected for four years by the shareholders. Currently, the members of the Management Board are: John Parkhouse (Territory Senior Partner, CEO), Rima Adas (Deputy Territory Senior Partner), Olivier Carré, Gérard Cops, François Génaux, François Mousel, Anne-Sophie Preud'homme and Marie-Elisa Roussel-Alenda. The audit of the Firm's financial statements is carried out by an independent local audit Firm.

The Firm also has an oversight body (the Supervisory Board). This board is presently composed of 7 members elected among and by the partners, for a term of four years. It is not under the authority of another body.

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

The Supervisory Board has overall responsibility for governance of the Firm and oversight of the Management Board. It has an advisory and oversight role and is responsible for considering, reviewing and providing guidance on those matters that are, or may potentially be, of concern to the partners or our Firm. These matters include but are not limited to, the implementation of, or compliance with, global or Firm policies and rules and the arrangements for effective communication between the Firm's management and the Partners.



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Our approach to quality



Our quality improvement programmes

At PwC, we are invested in continuously improving our audit quality through the design and operation of an effective system of quality management. Further, as part of PwC's new global strategy, The New Equation, PwC will continue to invest to further enhance quality. This includes a focus on the following key areas:

- Continuing to strengthen our quality culture to support our partners and teams display behaviours consistent with driving audit quality;
- Integration of the use of Assurance Quality Indicators to aim to predict quality, 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, cultures, and actions;
- Increasing our focus on ongoing and real-time quality monitoring including through the use of Real Time Assurance and Assurance Quality Indicators;
- Developing an implementation plan that addresses explicit requirements resulting from the recently approved IAASB quality management standards. However it is not expected that the changes related to ISQM 1 will have a significant impact on our SoQM.

In addition, we continue to engage with our stakeholders to have:

- Enhanced transparency of information about our business;
- Real time engagement around the changes we're seeing in the world and their impact on audit quality and compliance, like technology disruption, climate change, geopolitics - changes that have been magnified and accelerated by the COVID-19 pandemic.

Our approach to delivering quality services across all our operations and network

Focus on Quality

The quality of our work is at the heart of our organisation and we invest significant and increasing resources in its continuous enhancement across all of our businesses. This investment is targeted into many different areas, including training (technical, ethical and behavioural), methodologies, adding resources in key areas and exploring new ways of delivering our work. Each investment reflects a common determination to understand the factors that drive quality and identify opportunities for enhancement.

We are also investing heavily in new technology to drive continuous improvement in the capabilities and effectiveness of all of our services.

We are proud to have been the first of the global professional services networks to have published its internal audit quality inspection results. It is very important that we are transparent about both the efforts that we are making to enhance quality, and also the results and the impact that these efforts are having. The publication of this data by our Network over the last few years, along with public discourse on the subject of the audit, has quite rightly put an increasing focus on the issue of audit quality, which we discuss in detail in this report.

Definition and culture

At PwC, we define quality service as one that consistently meets the expectations of our stakeholders and which complies with all applicable standards and policies. An important part of delivering against this quality definition is building a culture across a network of 295,371 people that emphasises that quality is the responsibility of everyone including our 2,839 people. 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 rigorous system of quality management (SoQM); to annually complete a SoQM performance assessment; and to communicate the results of these assessments to global leadership. These results are 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 our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our SoQM and investing in programmes to enhance the quality of the services that we provide.

Specific focus on audit quality

Delivering quality audits is core to our purpose. To that end, we are committed to providing a quality audit. However, where our work falls below the standards that we set for ourselves and are set by the regulators, we are disappointed and also criticised. We take each of these instances very seriously and work hard to learn lessons and to enhance the quality of audits that we undertake in the future.

The right objectives and capabilities

To help us put this strategy into effect, the PwC network has established clear objectives around audit quality and provides support to help us meet these objectives. Our engagement teams can only deliver quality audit services if they have access to the necessary capabilities – both in terms of people and technology. That's why our quality objectives

focus on having the right capabilities – both at a member firm level and across our network – and on using these capabilities to meet our own standards and the professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values and behaviours.

Integrated and aligned in the right way

The quality objectives focus on having the right people supported by effective methodologies, processes, and technology appropriately directed and supervised. These represent the capabilities that we believe are relevant to achieving and sustaining audit quality. To help us achieve these objectives, there are a number of dedicated functions at a network level that develop practical tools, guidance and systems to support and monitor audit quality across our network. These elements have been integrated and aligned by our network to create a comprehensive, holistic and interconnected quality management framework that we tailor to reflect our individual circumstances.

Delivering a quality end-product consistently

Central to the framework is the recognition that quality management is not a separate concept; it needs to be embedded in everything we do as individuals, teams, firms and the network. The quality objectives are supported by designated key activities which are considered necessary to achieve the quality objectives, focused mainly on building a quality infrastructure and organisation. We supplement and design those key activities as appropriate to respond to risks we have identified to achieve each quality objective.

Values and judgments

Performing quality audits requires more than just the right processes. At its core, an auditor's role is to assess with a "reasonable" degree of assurance whether the financial statements prepared by the company's management are free of "material misstatements" – reaching a professional judgment on whether the financial statements present a fair picture of the company's financial performance and position. To carry out this assessment effectively, the auditor needs to use all the capabilities that have been built up in line with our quality objectives. These include applying ethical behaviour in accordance with PwC's values, professional scepticism, specialist skills and judgment – all supported by technology.

Delivering audit quality during the COVID-19 pandemic

Our response to COVID-19

At PwC, in addition to continuing to safeguard the health, safety and well-being of our people, we have remained focused on working together as a Network, with our clients and other stakeholders to continue to deliver audit quality.

Sharing developments and experience

From the early stages of the pandemic, the PwC network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we did not compromise on audit quality. We have leveraged the guidance developed by our Network to provide consistent leadership and guidance on audit quality and equip our teams to consider their client's unique circumstances and respond accordingly. Our Network response was comprehensive. It covered all aspects of audit quality, including regulatory and standard setting updates, auditor reporting, methodology, accounting and learning and education.

Using the network guidance, we considered changes needed to our existing policies and procedures as well as what needed to be reinforced through appropriate communications to our staff and partners.

Identifying and addressing risks related to COVID-19

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

The foundation we have built for our system of quality management helped us navigate some of our biggest challenges as a result of the pandemic. We were able to monitor the actions we took to address identified risks and assess whether changes needed to be made on a real time basis. We used the experience and examples shared with us from across the network to support our assessment of the issues that had the potential to impact our system of quality management.

We focused on enhanced supervision and review, the use of consultations with specialists within our firm, enhanced Real-Time Assurance programs and regular communications to our People to respond to the risks we identified.

The investment in technology and moving quickly to upskill our partners and staff to work seamlessly in a digital world put us at the forefront in managing remote working during our busiest time of year without sacrificing quality in our audits. Our teams utilised the resources made available and worked cohesively to execute our audits remotely.

We continue to monitor and respond to the ongoing impacts of the pandemic on our people and clients including the implications of changing or easing restrictions.



Culture and values



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 SoQM and permeates how we operate, including guiding our leadership actions, and how we build trust in how we do business, with each other and in our communities.

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

Key messages are communicated to our firm by our 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 assess whether our people believe that our leaders' messaging conveys the importance of quality to the success of our firm. Based on this assessment, we are confident our people understand our audit 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.

To help PwC Luxembourg put this strategy into effect, the PwC network has established the Quality Management for Service Excellence (QMSE) framework for

quality management which integrates quality management into business processes and the firm-wide risk management process. The QMSE framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of our clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and our system of quality management (SoQM) must be designed and operated so that these objectives are achieved with reasonable assurance.

The achievement of these objectives is supported by a quality management process established by our firm and Assurance leadership, business process owners, and partners and staff.

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.

These programs, by design, require ongoing monitoring and continuous improvement, in particular Assurance Quality Indicators, which we expect will evolve significantly over time and as we continue to use and learn from these measures.

The Quality Management Process

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.

Aim to Predict: Assurance Quality Indicators

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.

The Assurance leadership team reviews an AQI dashboard on a quarterly basis, whose purpose is to analyse trends over the last relevant periods in order to assess whether new remedial actions need to be enforced / to which extent existing remedial actions are efficient.

The AQIs used as predictors include the followings: utilisation and turnover of our people, number of new hires, compliance with Learning policies, involvement of specialists, timing of planning reviews, etc.

Aim to Prevent: Real Time Assurance

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

Experienced practice professionals are namely entrusted with pre-issuance reviews of certain engagements selected on the basis of a risk-based approach. This program contributes to the overall quality of the audit and is a good opportunity to provide additional coaching to engagement teams and to identify shareable best practices.

The number of audit engagements included in the real time review program over the year was 516.

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 objective when conducting such analyses is 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 inspection 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 – 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 deficiencies 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 that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was performed.

Our goal is to understand how quality audits may differ from those with deficiencies, 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 practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

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 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 behavior and sufficient to incentivise the right behaviours to achieve the quality objectives.



Ethics, independence and objectivity

Ethics

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

- **Integrity** – to be straightforward and honest in all professional and business relationships.
- **Objectivity** – not to compromise professional or business judgements because of the bias, conflict of interest or undue influence of others.
- **Professional Competence and Due Care** – to attain and maintain professional knowledge and skill at the level required to ensure that a client or employing organisation receives competent professional service, based on current technical and professional standards and relevant legislation.
- **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.
- **Professional Behavior** – to comply with relevant laws and regulations and avoid any conduct that the professional accountant knows or should know that might discredit 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 our Firm 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, our Firm 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 Luxembourg 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 and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code. Each firm in the PwC Network provides a mechanism to report issues. There is also a confidential global reporting option on pwc.com/codeofconduct and on our local website. PwC Luxembourg has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

The PwC Code of Conduct is available on-line for all internal and external stakeholders at: pwc.com/ethics

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 member firms and their partners and staff are expected to comply with the fundamental principles of objectivity, integrity and professional behaviour. In relation to assurance 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 IESBA International Code of Ethics for Professional Accountants, including International Independence Standards, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

Our Firm 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 a team of independence specialists. The PRI reports directly to the Firm's Head of Risk and Quality.

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 non-assurance services for those clients.

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 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 or in response to operational matters.

The PwC Network Independence Policy is based on the EISBA code of ethics but also includes the independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States and the requirements resulting from the EU Audit Regulation. PwC Luxembourg supplements the PwC Network Independence Policies where rules set by Luxembourg professional bodies, laws and regulations are more restrictive than the Network Independence Policy.

Independence-related systems and tools

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

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

Our Firm also has a number of local-specific systems which include:

- A rotation tracking system which monitors compliance with our Firm's audit rotation policies for the Firm engagement leaders, other key audit partners and senior staff involved in an audit; and
- A database that records all approved business relationships entered into by PwC Luxembourg. These relationships are reviewed on a six monthly basis to ensure their ongoing permissibility.



Independence training and confirmations

PwC Luxembourg provides all partners and staff 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 our Firm's independence policy and related topics. Additionally, face-to-face training is delivered to members of the practise on an as-needed basis by our Firm's independence specialists and risk and quality teams.

All partners and staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member 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 appropriate confirmations which have to be provided by all partners and staff as soon as they render any kind of services to clients.

Independence monitoring and disciplinary policy

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

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

The results of our Firm's monitoring and testing are reported to the firm's management on a regular basis with a summary reported to them on an annual basis.

Our Firm has disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

This would include discussion with the client's audit committee regarding the nature of the breach, an evaluation of the impact of the breach on the independence of the member firm and the need for 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 our Firm's systems and processes and for additional guidance and training.

Based on the reviews outlined above, we confirm that we conducted an internal review of independence practices during the year ended 30 June 2021.

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.

Client and Engagement Acceptance and Continuance

We have 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 and Continuance (A&C)). A&C 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.

Member firms (including member 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 member firms in the Network have applied in assessing audit acceptance and continuance.

The A&C is supplemented by VigiLense Suite, a set of tools gathering all the AML and Risk Management tasks which are critical for the acceptance of client relationships and audit engagements.

Our People



People strategy

Our people strategy at Network level is focused on being the world's leading magnet for talent. Growing our people faster with future-proof skills in this rapidly changing world is our ultimate goal. At PwC Luxembourg, this translates into company-wide efforts to increase the digital fluency of all our employees just like our continuous focus on deepening the professional and technical expertise. Our unparalleled investment in people is the cornerstone of our success.

Well-being of our people is the other pillar we're heavily investing in. During the Pandemic, the notion of wellbeing got a whole new dimension. Creating a healthy work environment, where work smoothly integrates in personal life, is on top of the list. Special investments in manpower capacity and radical flexibility demonstrate its priority.

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 behavior-based questions built from The PwC Professional framework, assessment of academic records, and background checks.



Diversity and inclusion

At PwC, we're committed to creating a culture of belonging. 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

Our Firm 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 behavior-based questions built from The PwC Professional framework, assessment of academic records, and background checks. Across the firm in the FY21, we recruited over 726 new people, including 307 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. We also use Workday to give and receive upward and peer feedback. 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

Our Firm uses The PwC Professional, a 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 public 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.

Global People Survey

Each PwC member firm participates in an annual Global People Survey, administered across the network to all of our partners and staff. PwC Luxembourg is responsible for analysing and communicating results locally, along with clearly defined actions to address feedback.

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 development opportunities, classroom, virtual classroom, and on-demand learning, and on-the-job real time coaching/development. Our flexible learning 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 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.



Continuing education

We, and other PwC member 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, 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 then considers what additional training is appropriate – formal and/or informal – to address any additional specific local needs.

PwC Luxembourg will add in any local training to ensure that staff received global as well as local and territory specific content, (e.g. GAQ-Accounting training on IFRS) and externally sourced training, covering both technical and non-technical training.

PwC has a five-fold approach to learning.



Element 1

Training is provided soon after promotions to ensure that our people are equipped to take on their new expanded roles.

Element 2

We enable our people to attend external events, summits, workshops and seminars on the latest trends and innovative technology.

Element 3

We enable our people to participate in PwC EMEA events and communities, which strengthens our network with other territories, and helps to broaden their view and align our practices across firms.

Element 4

Coaching and mentoring complements the learning events and embed the learning into everyday behavior. An important element of development is the time and commitment shown by our leaders to provide training to staff.

Element 5

An important investment has been made in the new, innovative learning platform called Vantage, which provides access to both local and global PwC content.



The modular content along with innovative learning approaches have led to formal recognition from the broader learning community. In both 2019 and 2020, PwC's Learning and Education won the following awards:

- › **Gold:** Best Advance in Leadership Development Whole Leader; Best use of mobile learning Power Up PwC Pioneers a Live APP based trivia Game for Corporate; Best use of games and simulations for learning Architecting for Value: Take Flight
- › **Silver:** Best Learning Programme supporting a change transformation business strategy; Digital Accelerators: Accelerating Digital Upskilling and Citizen Led Innovation at PwC.
- › **Bronze:** Best Advance in Senior Manager Development Endeavour; Best Advance in Competencies and Skills Digital Upskilling: Investing in our workforce to create the PwC of the future Digital Accelerators: Accelerating Digital Upskilling and Citizen Led Innovation at PwC; Best Learning Programme supporting a change transformation business strategy; Digital Upskilling: Investing in our workforce to create the PwC of the future our training investment in people

Assurance Training FY21

FY21
Total hours completed

103,086

FY 21
Average days achieved by Partners and staff

10.6

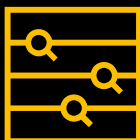
Mandatory training attendance

100%
Of partners and staff have completed all mandatory training attendance in FY21

Our audit approach



Our Firm 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 audit 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.

Technical support

Ratio of partners serving in technical support roles to the total number of audit partners: 1 to 15

Experience of our partners:

Partners' average years of experience at PwC: 18.6



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.



The PwC Audit

Tools and technologies to support our audit

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

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 more quickly.





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.



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



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



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 for Funds is our globally integrated, technology enabled auditing platform for investment funds used to standardised and enhance the audit by applying a variety of applications to define the testing plan, import data, execute risk assessment and substantive test of details procedures. Tools on this platform allow us to analyse large volumes of data for a more effective and efficient audit.

We then bring them to life through data visualisation tools so you can see beyond numbers on a page. Together, these tools enable us to automate target testing and unlock new value and analysis related to critical audit areas.

We make the data do the work.

We continue to invest heavily in advanced software and artificial intelligence (AI) powered tools that are transforming the way people and technology work together. AI and automation have the potential to enhance audit work with exceptional speed and accuracy, eliminating human bias and error, and augmenting human judgement. Our auditors work with intelligent machines where vast volumes of data can be analysed and interpreted in seconds using advanced analytics and visualisation - to spot patterns and trends in data, and detect anomalies and exceptions.

People-led innovation. In FY21, we have continued the digital upskilling of our Assurance professionals building on our technological capabilities to enhance quality and increase efficiency. Our skilled Assurance professionals are able to use our technology platforms to dig deeper into their client's data, surfacing audit-related matters, and providing relevant perspectives and insights as a result of audit procedures. Our commitment to digital upskilling and people-led innovation is helping redefine the profession. We're developing more well rounded professionals who are skilled in both digital and audit acumen, and this, in turn, enhances quality and the audit experience. Automations developed by our people reduce time-intensive routine tasks, allowing more time for performing analysis. Custom data visualisations bring

insights to life, and quality is enhanced because work is done more consistently. Nearly 60 of our staff, have taken enhanced training for digital skills through our Digital Accelerator program or other opportunities. These influencers work with or are embedded within our audit teams and are applying digital capabilities to each audit, as well as developing new digital solutions for the firm. Digital Lab, our unique technology-sharing community, has been integral to our innovation journey. Digital Lab allows our people to find, build, and share digital assets to enhance efficiency and audit quality.

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. Member Firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

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 Luxembourg is required to adhere to the ISP requirements and complete an annual, evidence based assessment to demonstrate compliance. The CISO approved assessment undergoes a detailed and standardised Quality Assessment (QA) process performed by a centralised, objective Network Information Security Compliance team.

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, improve 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.



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 member 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 relevant individuals, including the engagement leader.



Consultation culture

Consultation is key to maintaining high 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 as well as individuals within our Methodology and Risk Management Core group.



Methodology and Risk Management Core Group

Our firm comprises technical accounting, auditing, and financial reporting specialists as well as risk and quality. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to professional staff.



Quality Review Partners (QRP)

Specific audit engagements are assigned a QRP as part of the member firm's system of quality management as required by professional standards. 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 central functions such as the Methodology and Risk Management. These include the use of technical panels consisting of partners independent of the engagement.



Monitoring



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 our Firm. 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 include 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 and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards. This includes the use of Real Time Assurance which is discussed in more detail on page [x] within The Quality Management Process section.

Our monitoring also encompasses a review of completed engagements (Engagement Compliance Reviews-ECR) as well as periodic monitoring of our SoQM by an objective team, which is entirely composed of experienced reviewers from other PwC network offices than Luxembourg. The results of these

procedures, together with our ongoing monitoring, form the basis for the continuous improvement of our SoQM.

Our firm's monitoring program is based on a consistent Network-wide inspections program based on professional standards relating to quality control including ISQC 1 as well as Network policies, procedures, tools and guidance.

ECRs are risk-focused reviews performed annually of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to sign audit or non-audit assurance 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. Each signer is reviewed at least once every four years, unless a more frequent review is required based on the profile of that signer's client engagements.

Reviews are led by experienced Assurance partners, supported by objective teams of partners, directors, and senior managers and other specialists. ECR reviewers are sourced from other member firms. 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 review procedures. The network inspection team supports review teams with support on consistent application of guidance on classification of engagement findings and engagement assessments across the network.

In addition, the PwC Network coordinates an inspection program to review the design and operating effectiveness of our SoQM. The use of a central team to monitor these inspections across the Network enables a consistent view and sharing of relevant experience across the PwC Network.

A full review of the design and operating effectiveness of our SoQM is performed every two years, whereas the design and operating effectiveness of our SoQM is monitored by the central team on a quarterly basis. The quarterly monitoring is focused on remediation of any control issues raised in the previous quarter and on the assessment of the impact of any new developments of our SoQM. We were subject to a full review in 2020.

The results of all inspections are reported to our firm's leadership who are responsible for analysing the findings and implementing remedial actions as necessary. The conclusion of the inspection program led by the network during the year, on the basis of the results of both the ECR and the quarterly monitoring of the SoQM, was that the Firm's quality control system has been suitably designed and complied with to provide us with reasonable assurance of performing and reporting in conformity with applicable professional standards and PwC Audit in all material respects.

In situations where adverse quality issues 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.

Partners and employees of our firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of their engagements. In addition, engagement partners of our firm are informed by the network inspection program about relevant inspection findings

in other PwC member firms, which enables our partners to consider these findings in planning and performing their audit work.

Our Firm's audit practice and the registered statutory auditors (*réviseurs d'entreprises agréés*) are also subject to annual inspections performed by the CSSF (*Commission de Surveillance du Secteur Financier*), and joint inspections are also performed on a periodic basis by both the CSSF and the PCAOB (Public Company Accounting Oversight Board) for engagements that fall under their supervision. The last CSSF inspection occurred in 2020 and the last joint inspection occurred in 2019. Peer reviews are also performed by the IRE (*Institut des réviseurs d'entreprises*) on a periodic basis, whose scope of review is all contractual audits performed, and all the other specific assurance reports which are issued by our Firm as a requirement of the Luxembourg laws (i.e reports issued in the context of contributions in kind, interim dividends, mergers, liquidations, etc.). Our last IRE peer review occurred in 2018. In addition to the review of engagement files as described above, the IRE is also in charge of monitoring our compliance with our professional obligations in relation to the fight against money laundering and financing of terrorism. We were subject to this review during the year.

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

On the basis of the reviews performed, as outlined above, the Management Board is satisfied that PwC Luxembourg's internal quality control systems for Assurance are operating effectively. Any matters identified through the various monitoring and review processes are actioned and changes implemented as appropriate.

Partners' remuneration

At PwC Luxembourg, our partners have a remuneration package which is made up of a fixed income amount (salary) and a variable bonus. Each partner is responsible for his or her own pension arrangements. The final amount to be allocated to the individual partners is proposed by the Evaluation Committee (emanation of the Country Leadership Team) and subject to the oversight of the Remuneration Oversight Committee (ROC) composed of the chair of the Supervisory Board and two additional members of the Supervisory Board.

The partners' performance is assessed based on two components: a Firm component depending on the results at Firm's level and an individual component depending on the responsibilities and contribution of each partner. Each partner's income is determined by assessing achievements against an individually tailored scorecard of objectives.

These objectives include ensuring our Firm delivers quality services and maintains independence. Under no circumstances are audit partners rewarded for selling non-audit services to audit clients.

John Parkhouse
CEO

Our sustainability journey to deliver on our purpose

Delivering on our purpose

Expectations of business and its role in society have changed. Stakeholders increasingly expect businesses to play a stronger role in creating virtue and sustainable value. This was only accelerated by the coronavirus pandemic. To become more resilient and to create a business model that can anticipate and prepare for fast-moving and unexpected shocks and changes businesses need to adapt their core strategies and operations to a sustainable and purpose-led model.

At PwC Luxembourg we have aimed to do so by putting a Corporate Responsibility and Sustainability strategy in place. Being a service firm, we need to anticipate social challenges as it enables us to remain relevant for our clients, our people and society at large, while also living up to our purpose of “solving important problems and building trust in society”.

Aligning with the Global Agenda

It is important that we are aligned with global agendas, such as the United Nations Sustainable Development Goals. The SDGs are particularly relevant in regard to the coronavirus because they have the potential to be a critical framework to respond to the global pandemic: they can help us understand the scope and scale of the impacts; allow us to envision a post-COVID world; and act as a roadmap to achieve a resilient, post-COVID business.



Systemic and Purposeful Reporting

The SDGs also act as a roadmap in the latest non-financial reporting initiative launched by the World Economic Forum, alongside the IBC, PwC, KPMG, EY and Deloitte, namely “Towards Common Metrics and Consistent Reporting of Sustainable Value Creation”. By proposing a common set of metrics and recommended disclosures, this report aims to reduce fragmentation and encourage faster progress towards systemic reporting that creates sustainable value. The metrics and disclosures are split across four main pillars: Principles of Governance, Planet, People and Prosperity (based on the structure of the SDGs).

In order to create social value, and to be a virtuous business model, it is crucial that our own Corporate Responsibility and Sustainability strategy is up to date with the latest sustainability trends. As such, we have aligned our 15 sustainability challenges - including our 7 priority topics: Societal impact, Client Satisfaction, Conflict of Interest and Independence, Legitimacy and Ethics, Employee Journey, Health and Continuous Learning - with the four pillars proposed by the World Economic Forum.

Our 2021 Annual Report will also follow the format of the Common Metrics, with the four pillars being our four main chapters. In addition to our usual KPIs that we report on on an annual basis, we have also identified metrics and disclosures from the Common Metrics that deem material for us to disclose on as well. To find out more, please visit this [webpage](#).

Appendices

Appendix 1

List of public interest entities as defined by article 1 (20) of the Law of 23 July 2016 on the audit profession for which we carried out a statutory audit during the year ended 30 June 2021.

AB CUSTOM ALTERNATIVE PROGRAM

Ageasfinlux S.A.

Agricultural Bank of China (Luxembourg) S.A.

AIG Europe S.A.

AKBANK TURKISH SICAV

Allegro.eu

Allianz Life Luxembourg

Alrosa Finance S.A.

Amundi Index Solutions

Argentum Capital S.A.

ARISA ASSURANCES

Arisa Ré

Aviva Investors European Secondary Infrastructure Credit SV S.A.

AXA ASSURANCES LUXEMBOURG

AXA Assurances Vie Luxembourg

AXA Wealth Europe

Bank of Communications (Luxembourg) S.A.

Bankinter Luxembourg S.A.

BANQUE DEGROOF PETERCAM LUXEMBOURG S.A.

Banque de Patrimoines Privés

Banque Internationale à Luxembourg

Banque Transatlantique Luxembourg

Bavarian Sky S.A.

BEMO EUROPE BANQUE PRIVEE

BIL REINSURANCE S.A.

BNP Paribas Easy

CAFINA

CaixaBank Wealth Management Luxembourg S.A.

CALI Europe

Catella Bank S.A.

CK Hutchison Group Telecom Finance S.A.

CNP Luxembourg

Colonnade Insurance S.A.

Compass Re S.A.

COMURA S.A.

Covéa Lux Fonds Spécial

CREDIT SUISSE (LUXEMBOURG) S.A.

Demergon Funds

DKV LUXEMBOURG S.A.

Driver Master S.A.

Driver Multi-Compartment S.A.

Driver UK Master S.A.

Driver UK Multi-Compartment S.A.

EDMOND DE ROTHSCHILD (EUROPE)

EFG Bank (Luxembourg) S.A.

EOF MASTER FUND SCS SICAV-RAIF

Euler Hermes Ré

Eurasia Capital S.A.

Evergreen II SICAV-FIS

Evergreen III SICAV-FIS

exceet Group SCA

FIS Privatbank S.A.

FORTUNA Banque.s.c.

Gaz Capital S.A.

GELF Bond Issuer I S.A.

GPN Capital S.A.

Hannover Finance (Luxembourg) S.A.

HB Reavis Real Estate Investment Fund

HCOB Securities S.A.

HeidelbergCement Finance Luxembourg S.A.

Hiscox S.A.

HSBC Private Bank (Luxembourg) S.A.

IndexIQ
INTEGRALE LUXEMBOURG S.A.
iptiQ EMEA P&C S.A.
iptiQ Life S.A.
J.P. Morgan Bank Luxembourg S.A.
KBC Group Re S.A.
KBC Ifima S.A.
KMU Portfolio S.A.
LA LUXEMBOURGEOISE Société Anonyme d'Assurances
LA LUXEMBOURGEOISE-VIE Société Anonyme d'Assurances
Lalux Group Ré
Landmark Capital S.A.
Lombard Odier (Europe) S.A.
LRP
Mediobanca International (Luxembourg) S.A.
Miravet S.à r.l.
Monument Assurance Luxembourg S.A.
Multi Units Luxembourg
NATIXIS LIFE
Natixis Wealth Management Luxembourg

NORDEA SPECIALISED INVESTMENT FUND, SICAV-FIS
Nova Casiopea Re S.A.
O'KEY GROUP S.A.
Partners Group Global Value SICAV
PayPal (Europe) S.à r.l. et Cie, S.C.A.
Pictet & Cie (Europe) S.A.
Purple Protected Asset
RBC Investor Services Bank S.A.
Reinet Investments S.C.A.
Richemont International Holding S.A.
SB Capital S.A.
SC Germany S.A.
Scottish Widows Europe
SEALS FINANCE S.A.
SecurAsset S.A.
SELP Finance S.à r.l.
SES
Siem Industries S.A.
Single Platform Investment Repackaging Entity SA
Société Electrique de l'Our

Steel Capital S.A.
SWISS LIFE (LUXEMBOURG)
Swiss Life Products (Luxembourg) S.A.
Swiss Re Europe S.A.
Swiss Re International SE
Swiss Re Portfolio Partners S.A.
Swissquote Bank Europe SA
Talanx Finanz (Luxembourg) S.A.
TELEFONICA INSURANCE S.A.
Tenaris S.A.
The Partners Fund SICAV
Tokio Marine Europe S.A.
Trafigura Funding S.A.
UBS (Lux) Fund Solutions
United Re (Europe)
VCL Master Residual Value S.A.
VCL Master S.A.
VCL Multi-Compartment S.A.
VP Bank (Luxembourg) S.A.
Zurich Eurolife S.A.

List of public interest entities which have issued transferable securities admitted to trading on UK Regulated Markets for which we carried out a statutory audit during the year ended 30 June 2021

O'KEY GROUP S.A. (*)

Multi Units Luxembourg (**)

(*) This public entity has issued transferable securities that are admitted to trading on UK Regulated Markets and no other EU Regulated Markets, as from the effective date of the Brexit.

(**) This public entity has issued transferable securities that are admitted to trading on both UK Regulated Markets and EU Regulated Markets.

Appendix 2

Financial Information

At PwC Luxembourg, our wide range of various-sized clients come from a broad spectrum of activities from the financial sector, including Banking, Asset & Wealth Management, Alternatives and Insurance, to industrial and commercial activities. We service all types of clients from large multinationals to small family-run enterprises and, of course, the public and institutional sectors. In relation to the disclosure requirements foreseen in Article 13.2 (k) (i)-(iv) of the EU Audit Regulation on financial information, we refer to our annual accounts which are filed on the register of commerce and companies in Luxembourg.

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 2.4 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 2021.



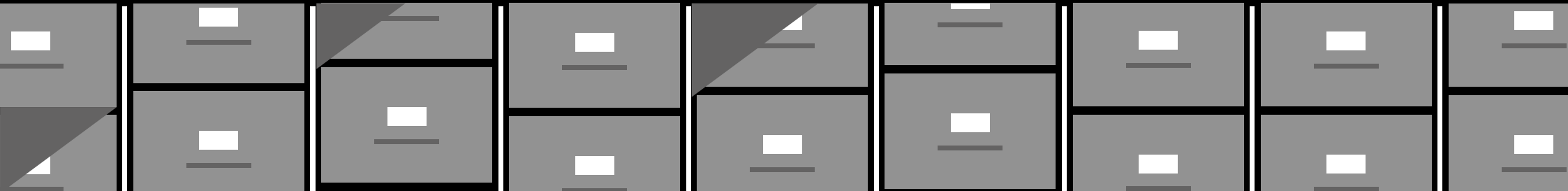
Appendix 3

List of Audit Firms/Statutory Auditors.

Disclosure in accordance with Article 13.2 (b)(ii) of the EU Regulation

| Member State | Name of firm |
|----------------|---|
| Austria | PwC Wirtschaftsprüfung GmbH, Wien |
| Austria | PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz |
| Austria | PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt |
| Austria | PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz |
| Austria | PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg |
| Austria | PwC Österreich GmbH, Wien |
| Belgium | PwC Bedrijfsrevisoren bv/Reviseurs d'entreprises 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 | PricewaterhouseCoopers Services France |

| | |
|---------|---|
| France | PwC Entrepreneurs CAC |
| France | PwC Entrepreneurs Commissariat aux Comptes |
| France | PwC Entrepreneurs Audit |
| France | PwC Entrepreneurs Audit France |
| France | PwC Entrepreneurs CAC France |
| France | PwC Entrepreneurs Commissariat aux Comptes France |
| France | PwC Entrepreneurs France |
| France | PwC Entrepreneurs Services |
| France | M. Philippe Aerts |
| France | M. Jean-François Bourrin |
| France | M. Jean-Laurent Bracieux |
| France | M. Didier Brun |
| France | Mme Elisabeth L'Hermite |
| France | M. François Miane |
| France | M. Pierre Pegaz-Fiorinet |
| 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 |
| Latvia | PricewaterhouseCoopers SIA |
| Liechtenstein | PricewaterhouseCoopers GmbH, Ruggell |
| Lithuania | PricewaterhouseCoopers UAB |
| Luxembourg | PricewaterhouseCoopers, Société coopérative |
| Malta | PricewaterhouseCoopers |
| Netherlands | PricewaterhouseCoopers Accountants N.V. |
| Netherlands | Coöperatie PricewaterhouseCoopers Nederland U.A. |
| Norway | PricewaterhouseCoopers AS |
| Poland | PricewaterhouseCoopers Polska sp. z. o.o. |
| Poland | PricewaterhouseCoopers Polska spółka z ograniczon odpowiedzialno ci Audyt sp. k. |
| Poland | PricewaterhouseCoopers Polska spółka z ograniczon odpowiedzialno ci 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 |
| Slovenia | PricewaterhouseCoopers d.o.o. |

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PwC Luxembourg

The PwC Network

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Partners' remuneration

Our sustainability
journey to deliver on
our purpose

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pwc.lu

PwC Luxembourg (www.pwc.lu) is the largest professional services firm in Luxembourg with over 2,900 people employed from 82 different countries. PwC Luxembourg provides audit, tax and advisory services including management consulting, transaction, financing and regulatory advice. The firm provides advice to a wide variety of clients from local and middle market entrepreneurs to large multinational companies operating from Luxembourg and the Greater Region. The firm helps its clients create the value they are looking for by contributing to the smooth operation of the capital markets and providing advice through an industry-focused approach.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 156 countries with over 295,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com and www.pwc.lu.

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