



2021 Annual Review

The New Equation

Building trust and delivering
sustained outcomes

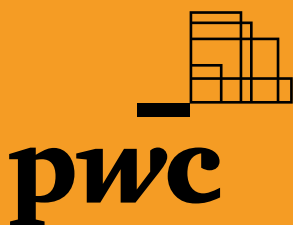




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Message from John Parkhouse



It is with great pleasure that I welcome you to our 2021 Annual Review. Over the past 18+ months COVID-19 has impacted us all in ways we are still coming to terms with — whether it is the impact on business models, a shift in the nature of work and expectations of our people or the very real and personal suffering that has hit many — whether through loss or the mental health implications of what we have lived through. At PwC, we entered our financial year at an uncertain point in time, where we were anticipating a contraction in our business. It was a point in time where we as partners chose to “double-down” on what makes us who we are - our people. Despite the very real financial challenge we faced, we made it clear from the start that there would be no job losses anywhere arising from COVID-19 and we continued to invest for our future. Our focus was to make it clear that we were all in this together and that together we would face the challenge and come through stronger.

Now as I look back at that moment, I am immensely proud of what my partners and our people have achieved, even if I also clearly know that our firm is very lucky to be in the sector it's in and that many others were impacted much more severely. 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. Most significantly though has been our continued focus on our people; as well as rewarding them for their phenomenal efforts with unprecedented bonus levels, we are working towards changing a dynamic that is all too familiar in professional services firms - that of accepting that there will be points in time where we need our people to work very long hours over an extended period of time that is not supportable. With this in mind, we have increased our targeted recruitment for the coming year by nearly 70% with a target of approximately 910 new joiners at all levels – significantly in excess of our growth predictions for the coming year. We know this will not change things overnight, but my partners and I are determined to strive for a healthy work environment for our people where they have the time and

opportunity to not only bring quality to our clients, but also to develop and to enjoy a positive work-life harmony.

Looking forward, we are optimistic for the year to come, but our people and our ability to source talent will remain our top priority as we all struggle in an incredibly tight labour market and are forced to look further and further afield for the talent we need. Another key focus for the coming year will be the adjustment of our sustainability strategy as we align to the WEF-IBC guidance issued in conjunction with all the Big Four accounting firms. At PwC Luxembourg, we started our journey several years ago by focusing on key areas where we as an organisation can have a material impact. From the beginning, we looked at our impact through a double lens: on the one hand were our stakeholders (what do they expect from us), and on the other, was the ecosystem we are a part of, the social and environmental challenge which we can positively impact. This was the foundation of the “materiality matrix” that was formed six years ago. It was and remains— in our view— the only way to deliver on our purpose: to build trust in society and solve important problems.

Last year, we decided to align our materiality matrix to the work performed by the World Economic Forum (WEF), namely, “Towards Common Metrics and Consistent Reporting of Sustainable Value Creation”, which assembles, with the support of the International Business Council (IBC) and the Big Four, a set of common metrics at the heart of long-term value creation. The strong alignment we found last year between our initial materiality metrics and the common metrics proposed by the WEF-IBC, as well as the commitment PwC Global made to apply the WEF-IBC framework, led us to the decision to fully align to the 21 core metrics from the WEF-IBC framework as from this year’s Annual Review.

In this report, we address the four fundamental dimensions the framework seeks transparency on: our Principles of Governance, our Prosperity, our People and our commitment for the Planet (the so-called “4Ps”). These four pillars are interconnected. They are part of the foundation of who we are, what we do and how we do it, in order to play a role in the ecosystem we are part of. One of the key tangible elements illustrating our commitment in taking our

part in building a more sustainable future is the creation of our Sustain@PwC Board, which will help coordinate and drive execution of our Sustainability strategy across all dimensions. A key part of this is our Net Zero ambition, which forces us to become part of our global commitment to achieve Net Zero as a network by 2030.

To close, I would add that in business and as a broader community, we are at a pivotal moment for society as a whole. We are witnessing major shifts shaping and transforming the world. Technological disruption, climate change, social tension and the continuous effects of the COVID-19 are but a few. Of course, many of these changes have been either discussed or initiated for a number of years, but there is a new sense of urgency. What this calls for is a new approach. As a service firm, we have a unique opportunity to help organisations build trust and deliver sustained outcomes, which is the premise at the heart of the PwC network’s vision, The New Equation.

The New Equation is based on analyses 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.

We are at an exciting whilst at the same time daunting moment for professional services firms and for business more generally. The expectation for us to really make a difference and be seen to make a difference is critical if we wish to remain relevant. And for those that succeed, the opportunity is immense, not just in business terms, but in contributing to the sustained success of society more broadly. Taking the words of our Nation’s Branding - “Let’s make it happen”!

Thank you for your trust, stay safe, and I wish you a pleasant reading.



Our materiality topics

The world is changing at an unprecedented pace and businesses are under greater pressure to create long-term value for all its stakeholders. The World Economic Forum (WEF), the International Business Council (IBC), PwC and other services firms collaborated for the identification of priority universal metrics to help corporates of all sizes and from all sectors create long-term value and enable them to have more consistent and comparable reporting for their stakeholders, including investors. The WEF-IBC framework is built on 21 core metrics and 34 expanded metrics that define and focus on the world's most pressing sustainability issues that should be addressed by all businesses.

In January 2021, PwC became one of the first organisations to publicly endorse the World Economic Forum's (WEF) Stakeholder Capitalism Metrics, and we at PwC Luxembourg aimed to align with the Global Network. To do so, we re-designed our sustainability strategy based on the WEF-IBC Stakeholder Capitalism metrics. We conducted a first materiality assessment of the 21 core metrics and identified 13 metrics which are a priority to us. These 13 topics form the basis of our new sustainability strategy and agenda to integrate sustainability at the core of our business and transform our operations. As we continue to develop our sustainability strategy, we plan to align with the remaining core metrics that we consider material to our business. We will also widen our scope and take into account the expanded metrics from the WEF-IBC framework.



Principles of Governance	Prosperity	People	Planet
<ul style="list-style-type: none">• Governance body composition• Material issues impacting stakeholders• Protected ethics advice and reporting mechanisms	<ul style="list-style-type: none">• Absolute number and rate of employment• Economic contribution• Financial investment contribution• Total R&D expenses	<ul style="list-style-type: none">• Diversity and inclusion• Pay equality• Health and safety• Training provided	<ul style="list-style-type: none">• Net zero• TCFD implementation





Principles of governance

A strong governance should be the foundation for achieving long-term value for all stakeholders; and, if we jointly drive financial and societal performance, we will also build legitimacy with our stakeholders. A key role for our governance is to set, monitor and integrate our firm's economic, environmental and social ambitions, and navigate the risks and opportunities that come from these dimensions. This will ensure continuous protection of the interests of all our stakeholders.

1. Lessons learned and impact on governance

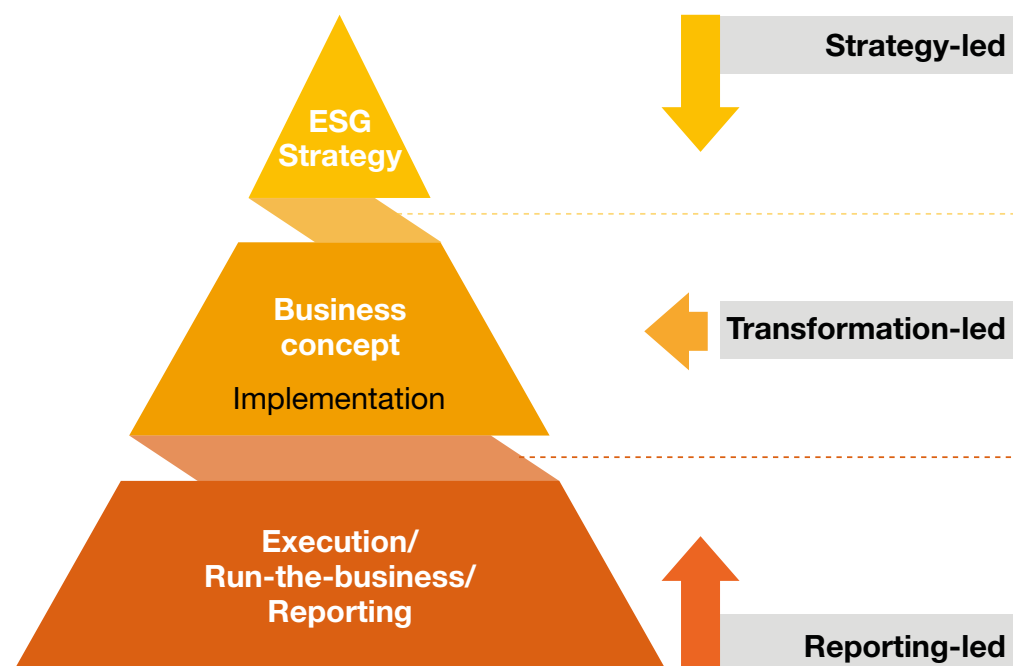
A successful sustainability journey should be built on:

1. Defining a strategy,
2. Transforming the organisation and
3. Measuring and reporting of progress.

What we have learned is that change does not happen simply because a clear strategy is in place. The main key to success is to align the three building blocks as shown in Image 1.

Throughout our sustainability journey, we have identified missing links, and we now feel the need to strengthen our governance in order to improve and enhance alignment and support our mission to embed sustainability into everything we do. We are confident that acting on our sustainability priorities will drive significant benefits, such as boosting innovation, mitigating risks, and unlocking better connections with our stakeholders as well as supporting the broader societal need.

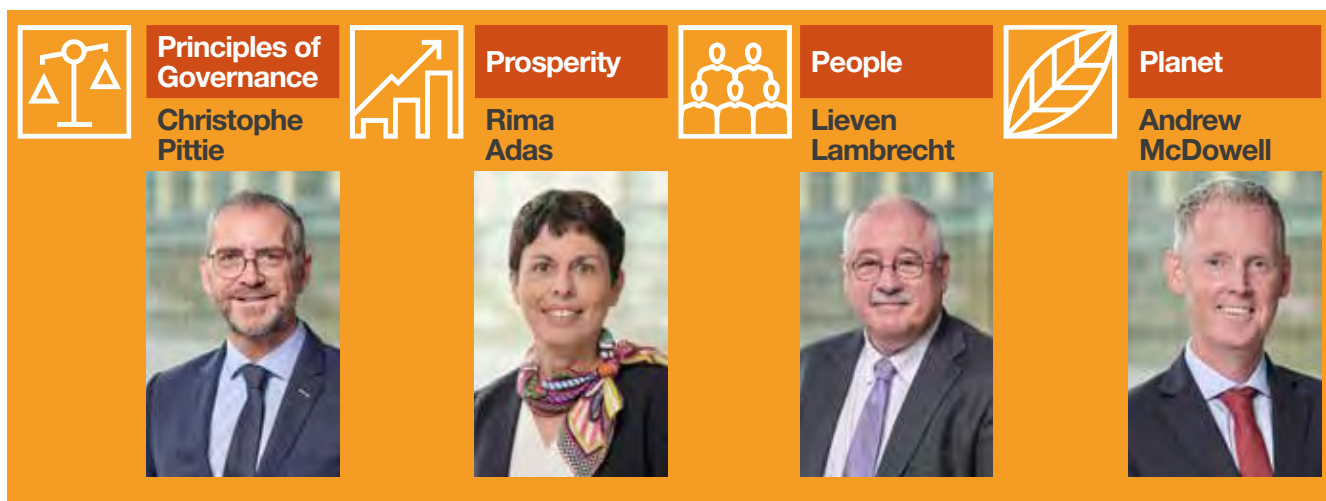
IMAGE 1: Building blocks to a sustainability strategy



SUSTAIN@PwC

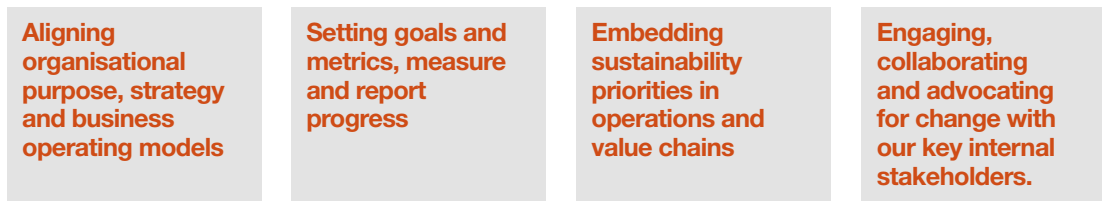
In the continuation of our CSR strategy and increased sustainability articulation, we created in April 2021 a new steering committee “Sustain@PwC”, run under the direct leadership of our CEO John Parkhouse and supported by our Corporate Responsibility leader, Valérie Arnold. Our committee is built on the 4 Pillars of the WEF-IBC framework, and is composed of four leaders, with each leader running one of the four Pillars: Principles of Governance; Prosperity; People and Planet.

IMAGE 2: Organisation Chart of SUSTAIN@PwC Committee



The committee’s mission is to select, among the 21 core metrics proposed in the WEF-IBC framework, the priorities that will drive change and which are most relevant for us in the years to come.

Furthermore, it will manage and monitor the effective change by:



A quarterly exchange with our executive committee is foreseen with the aim to make sure that the priorities identified are aligned with our business objectives.

2. Our engagements with our stakeholders

Our stakeholders are a key part of our business and it is highly important to us to continue engaging with them all.

How we engaged with our people this past year

Surveys are one of the main forms of engagement we use with our people to collect their views, opinions and feedback. They help us measure our progress, highlight challenges that remain and identify actions that need to be undertaken. The annual **Global People Survey (GPS)**, in particular, allows us to obtain insight from our staff on two of our priority sustainability topics, namely Ethics and Health & Wellbeing.

In addition, firm-wide calls (*Connecting With You*) led by our CEO, John Parkhouse, have been organised on a regular basis since we had to switch to a fully remote working format last year. While our offices have now reopened, the *Connecting With You* sessions allow us to both engage with our people and the “délégation du personnel” throughout the year on key topics, and ensure that connectivity remains between the PwC teams.

How we will engage with our stakeholders on our new sustainability strategy

Engaging with our stakeholders is a critical aspect of redesigning our sustainability strategy. Since having decided to align with the WEF-IBC 21 core metrics, we also need to adapt the way we conduct our business and will have to engage with our stakeholders on the basis of these new terms and objectives.

Our stakeholders will help us identify and prioritise which of the 21 core WEF-IBC metrics are material for PwC Luxembourg. We therefore plan to conduct engagements with all our stakeholders, from our Partners, to our people, to our clients to regulators as well as with the broader community. This multi-stakeholder exercise will be monitored by the SUSTAIN@PwC committee.

3. Protected ethics advice and reporting mechanisms

At PwC Luxembourg, we are aware that ethical behaviour, values and purpose are fundamental for our business, and for the trust our clients, communities and people place in us. These aspects—guided by our Code of Conduct — are what enable us to adapt to global challenges and thus remain a resilient and relevant business partner for our stakeholders. We promote and enact a responsible business internally—through an Ethics and Business Conduct Committee—as well as externally, by serving clients, approved by our Client Acceptance Committee, who value our service and meet appropriate standards of legitimacy and integrity

Speak-Up, Listen-Up and Follow-Up culture

Speaking up to raise a concern of any type is crucial to our culture at PwC and our purpose. That's why we offer a safe place, free from retaliation, for our people, clients and third parties to report a concern or ask a question:

It can be done directly to an Ethics and Business Conduct Committee Member, being composed of an independent chairman (Paul Neyens), a leader (Philippe Sergiel) and four partners, one from each of our four lines of service, as well as an Ethics Officer. The committee is devoted to creating an open culture where everyone feels respected, included and valued, and able to bring their whole self to work.

We identified 22 Ethics Counsellors who have an inherent diversity and proximity to the teams and are there to listen, to help and to support employees to address or report issues encountered, if need be.

Since early 2021, in addition to direct contact with the Ethics and Business Conduct Committee Members or Ethics Counsellors, we have organised an Ethics Helpline, which is a whistleblowing platform. Handled by an external provider, the Ethics Helpline is available via our intranet but also on our website, and enables all our employees and external stakeholders to report any ethical concerns or queries directly (online or by phone), all while having the possibility of remaining anonymous.

We have a Code of Conduct that aims at providing an appropriate and specific framework within PwC Luxembourg in relation to any ethics and business conduct concerns. It provides a clear view on how independent investigations are performed on a confidential basis and ensures that no retaliation is tolerated.





Prosperity

Business review

Core to our contribution to society is the value we bring to our clients, and the opportunities we provide to our People. The results of our business is a key indicator for this.

The fiscal year 2021, spanning from July 2020 to June 2021, has been in all dimensions a very abnormal year. PwC, like the whole business community, has settled into remote working and virtual business conduct for the largest part of its activity. Our financial year was marked by four major business trends materialising throughout the year:

1. Significant acceleration in digital transformation

The use of digital solutions to maintain a proper 'business as usual' was the challenge at the start of the COVID-19 crisis. Now, this has evolved into a strong shift towards digital service practices, based on a higher acceptance of virtual/digital solutions by clients as well as the advent of new key success factors for every business: value creation through digital experience. This acts as a booster to the focus that many clients already had on technology-driven transformation projects.

2. Market evolution towards 'Alternatives'

The rise of the so-called private markets, i.e. private equity, real estate, private debt and infrastructure investments has been marking the financial center for many years. Now, we observe the start of a 'next level' state in this evolution. All major asset managers, traditionally focused on UCITS funds, as well as all major wealth managers, propose private market solutions to their investors. This is coupled with public-private partnership initiatives to fund major infrastructure investments such as the 'energy shift towards renewables'. Alternatives has been a major growth area and will remain the driver for the asset management, asset servicing and corporate banking in Luxembourg. The capital to "repair the world" is available in the private markets, the governments' role will be to create positive ROI conditions for the deployment of that capital, notably through giving long-term investment visibility as in the case of the shift to electrical energy source.

3. Business relevance of ESG ('double materiality')

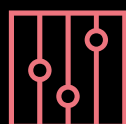
The political, societal and regulatory shift towards a recognition of ESG risks and ESG indicators has been put into practice over the last 12 months. 2022 will be a major year of implementation with the EU Taxonomy and related changes not only impacting our clients, but also PwC as a corporate and professional services provider. PwC has taken up this challenge and is actively assisting its clients in the change with dedicated advisory services and a re-cast of our core assurance services to address the new sustainability standards.

4. Transformation and role of the public sector

The public sector will be key to accompany and set the frame for the future evolution of our society, in partnership and trustful collaboration with the private sector. This entails that the role of the public sector is likely to be enhanced, but it also involves significant transformation and upskilling requirements. Otherwise, it will be difficult to meet the citizens' expectations and (re)build the trust in our public institutions which underpins our liberal democracies.

1. OUR INDUSTRIES

Because our clients have very different needs, our teams are organised around five major industries: Alternatives, Asset and Wealth Management (AWM), Banking, Industry & Public Sector (IPS) and Insurance.



Percentage of turnover
38.7%

Alternatives +18.5%

Our Alternatives practice experienced an incredible growth of 18.5% in our turnover. When it comes to the Luxembourg Alternative Investments market in 2020, we counted EUR 815 billion in regulated Alternative assets and EUR 863 billion at the end of June 2021. The country ranks fourth as a domicile destination for Alternative Investment funds in Europe and experienced one of the largest growths, behind Germany, the UK and the Netherlands, accounting for 12% (+2pp) of total Alternative Investment funds assets in Europe (source: *ESMA Annual Statistical Report, April 2021*).

Our Alternative Investments practice experienced a significant increase in terms of resources and number of clients in 2021, which resulted in the industry generating the largest revenue increase for PwC Luxembourg. In addition, we have the largest Alternative Investment practice in the country, which we cultivate by implementing continuous digital and business upskilling for our teams. Moreover, the Alternative Investments practice has developed strong relationships with their clients by supporting them with a broad service offering, spanning from support to their day-to-day activities, regulatory change and business efficiency as well as adapting to new ways of working. Finally, the integrated offering of capital markets and securitisation services completes our value adding relationship with our clients.



Percentage of turnover
24.0%

Asset & Wealth Management -0.8%

Luxembourg as a financial center has continued to increase its AuM in the funds industry to reach EUR 5487 billion in June 2021, despite the COVID-19 pandemic. Existing players are extending their footprint and new players are coming into the market, both fueled by a Luxembourg business and regulatory environment that has showcased its agility to cope with fast-changing stakeholder requirements.

We are supporting our clients throughout the lifecycle of their activities. This means advising them in coping with challenges and launching new services to support them in the widening of their operations, of their global distribution and with regard to new product launches.

ESG— and more wider Sustainable Finance— is a priority for our clients, and we are investing massively in this area. We have built a leading expert team, which is supporting our clients on their ESG journey, from strategy through execution. We launched our *“2021, the year of the ESG business change”* initiative to accompany our clients with bi-monthly discussion forums, thought leadership papers and webcasts.



Percentage of turnover
12.0%

Banking and Capital Markets +9.1%

Despite a challenging context, our Banking practice had an exceptional year with 9.1% growth mainly driven by our Consulting and Audit practices, proving once again the depth of the trust our clients put in our services and expertise as well as the strength and resilience of the sector.

Our Advisory, Assurance & Tax teams collectively worked together to help our clients adapt and operate as normally as possible under exceptional working conditions. In an increasingly digital environment, customer journey and digital transformation have been key topics all year long. In addition, the past year was marked by ESG & Sustainable Finance rocking the Banking sector with increasing demand from customers and investors to invest in products that are socially and environmentally acceptable, which inevitably comes with an increasing regulatory and disclosure pressure that needs to be addressed proactively.

To keep up with an evolving market and meet clients expectations, we invested in our Asset Servicing, Capital Markets and E-Money & Payment Institutions practices.



2021 in figures



490.0
TURNOVER
(IN MILLIONS EUROS)

432.3
NET REVENUE
(IN MILLIONS EUROS)

↑ 5.8%
GROWTH



Percentage of turnover

3.7%

Insurance

↑ +29.7%

The Insurance sector has not been spared in the last 12 months, starting with the COVID-19 pandemic in March 2020, experiencing “roller-coaster” financial markets and, more recently, being impacted by the unprecedented flooding across the country (and the exceptional support of insurers to their clients on this occasion). Nevertheless, the industry grew by 29.7% compared to last year.

Our Insurance practice had a truly remarkable year, driven by extraordinary Strategy & Joint Business Relationship projects. The Insurance sector also makes no exception when it comes to the ESG wave, and new disclosure requirements will force (re)insurers to fully embrace a genuine sustainable mindset.

On the tax side, the entry into force of DAC6 and the general reinforcement of reporting requirements and in general contributed to a significant growth in revenues. Our Audit practice remains a leader on the market with more than 32% of Insurance companies in Luxembourg being audited by PwC with new iconic clients coming up.

There is also much to come on the digital and AML fronts, amongst other things, with the recent Cloud Computing CAA Circular and the GAFI visits, promising an exciting and challenging year again, for both our clients and our outstanding insurance staff.



↓ -9.8%

Percentage of turnover

14.9%

Industry & Services

6.7%

Public Sector

Despite a turnover drop of 9.8% mainly explained by the consolidation of the top line for the international tax portfolio, our non-financial sector (Industry and Public Sector) experienced a remarkable year considering the overall economic environment generated by the pandemic.

Our Consulting practice was the largest contributor to this success with a strong momentum in the Public Sector, fuelled by a heavy EU and governmental agenda in matters such as Modernisation and Transformation, Digital, Healthcare as well as Policy Advice (Climate Finance). Demand for Data Analytics, AI and Cyber services has reached record levels.

Our Assurance portfolio continued to grow with the win of some iconic audit clients, reflecting the trust of the local market in the quality of our audits.

The tax consulting and compliance activity remains a key pillar of our strategy in the context of a fast evolving EU and worldwide tax environment.

TOTAL CAPITALISATION

26,844,303
Capital and reserves

+

67,540,303
Shareholders loans

=

94,384,606
Total capitalisation

2. OUR LINES OF SERVICES

The services we provide are bundled across three Lines of Service: Assurance, Tax and Advisory, which are supported by our Internal Firm Services (Infrastructure, IT, Compliance, Marketing & Communications, Client Relationships & Sales, Market Research, Knowledge Management, to name a few of these support services).



Advisory

Percentage of turnover

22.2%
▲ +4.4%

Our Advisory practice had a successful year, reporting a 9% growth in its core business and a 4.4% growth overall. In the current context, such performance demonstrates the high level of trust our clients have in our ability, reflecting the quality, relevance and impact of the advice that we provide.

During the year, we have accompanied clients in the execution of projects focusing on their current key challenges, and which we regroup under what we call the **PwC Advisory Platforms**, representing the key areas we see at the top of our clients' agendas:

- Operational Excellence
- Risk and Regulation
- Distribution
- Trust
- Innovation
- Sustainability
- Alternatives
- Workforce of the Future
- Customer Transformation
- Digital Transformation
- Business Strategy, among the most notable

With these platforms, we are better equipped to innovate and co-develop with our clients, in line with some of the biggest catalysts for change.

In addition, we have broadened our Advisory business in Luxembourg through the launch of **Strategy&**, PwC's well-renowned global strategy consulting business, to better accompany our clients from their strategy definition through to its execution.



Assurance

▲ +9.8%

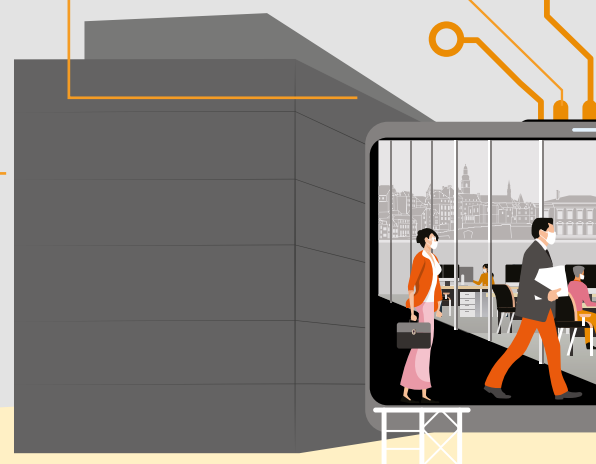
Percentage of turnover

34.8%
**Statutory
audit**

14.1%
**Other Assurance
services**

2021 was another successful year for our Assurance practice with a growth of 9.8% with the continued expansion of the Alternatives Industry.

Delivering quality services continues to be at the core of our purpose and in the uncertain and turbulent times of the COVID-19 pandemic has become more important than ever. As for our colleagues in Advisory and Tax, the investments made in both technology and our people have enabled our professionals to maintain the same level of commitment and quality despite the significant change in our physical work environment. While we are very proud of what has been achieved, we continuously strive to meet the growing demands and expectations of our stakeholders, be they our clients, our regulators, our people and society at large. This is achieved through a relentless focus on quality, the well being, development and retention of our talents, our digital and technology solutions and the broadening of our services. We have built and continue to build our capabilities and depth in our broader assurance services to provide the trust our stakeholders expect beyond our traditional focus on financial reporting; ESG being one of our core priorities.



2021 in figures



490.0
TURNOVER
(IN MILLIONS EUROS)

432.3
NET REVENUE
(IN MILLIONS EUROS)

↑ **5.8%**
GROWTH



Tax

Percentage of turnover
28.9%
↑ **+0.7%**

In 2021, revenues from our Tax Services grew by 0.7%, against the backdrop of an increasingly complex and challenging environment, driven by various factors including the impact of the pandemic and local and global tax policy changes.

We experienced growing demand to help our clients navigate an increasingly complex tax landscape and the growing compliance burden. Demand in 2021 was particularly high for Tax & Accounting services in the Financial Services industry, and notably the Alternatives industry. In light of the challenges many businesses faced in meeting their reporting obligations remotely throughout the pandemic and their resource constraints, we assisted our clients with the effective transformation of their Tax & Accounting functions by offering co-sourcing and managed services solutions.

The global tax policy landscape continues evolving, at ever increasing pace. New global anti-avoidance and transfer pricing developments are currently leading the debate, but transparency, information sharing, technology and governance are not far behind. In Luxembourg, tax audits are also being performed on a systematic basis.

Looking ahead, Tax executives will need to assess how upcoming tax developments - including OECD Pillar 1 and 2 initiatives and increasing tax controversy - could affect their global tax burden. We are ready to help our clients deal with this ever increasing regulatory complexity, to assess the potential impact on the tax position, and to comply with their reporting obligations.



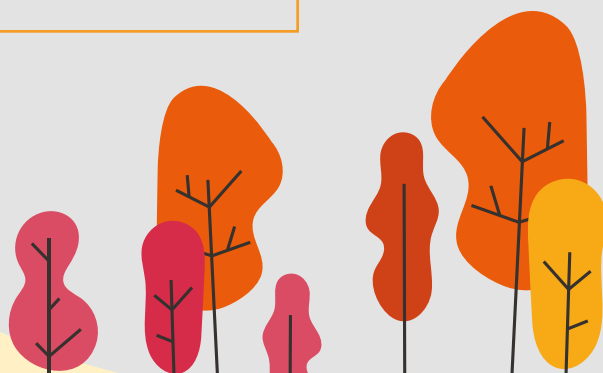
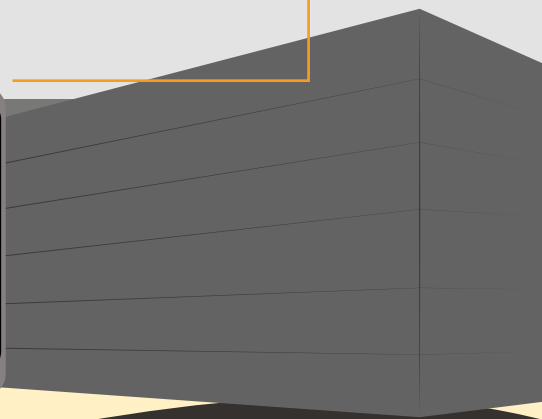
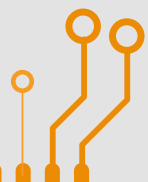
Internal Firm services

The Internal Firm Services (IFS) team's main challenge is to increasingly provide the highest standard services to our business lines to ultimately serve our clients. To succeed, we focus on looking for efficiency, reviewing and adapting the delivery scope to the current needs, as well as increasing the quality of service we provide.

During this COVID-19 period, the IFS teams have been there every day to ensure our operations were adapted to the new working conditions. On top of their daily activities, they also went through significant transformation in areas like compliance, secretariat and business support, logistics and IT.

As COVID-19 was affecting our working lives, we took the opportunity to start developing our Workplace of the Future strategy in collaboration with our newly created Next Normal team. As a first step, we decided to close our second building in Hesperange City to regroup our people in our main headquarters while continuing to develop our network of satellite offices - close to the borders - to facilitate the commuting of our people in anticipation of a greater return to the office.

We are also placing a greater emphasis on talent development to better facilitate an evolving people experience underpinned by a growth mindset training boosting the collaboration of our teams in a positive and safe environment.





1. Building a sustainable workforce for a prosperous future

Although we have various core contributions to society, a primary one is to provide the opportunity for many people to enter and succeed in a vibrant business community. The success of our Firm and the building-up of the skills of our people while they work with us—or if and when they go out into society to work elsewhere—is a valuable contribution to the Luxembourg business ecosystem and economy.

That being said, last year was a challenging period marked with uncertainty in Luxembourg and around the world. During this time, we hired 726 employees in 2021, which is 13% less than 2020. Our absolute rate of employment dropped slightly to 2,839 employees at the end of the year.

With the remarkable engagement of our people, we eventually managed to realise a very successful year as we pivoted into the “new normal” - particularly (but not exclusively) in terms of remote working and other COVID-19 restrictions. But this also came with a strain on our hard-working people. We then redefined our recruitment strategy with more ambitious targets (1) to accompany this growth, (2) minimise the impact of the high workload on the wellbeing of our people and (3) keep serving our clients the best way we can. We are now well underway to increase our headcount by 10% by the end of 2021, with a priority focus on Assurance and Tax.

We offered active learning and development programmes and endorsed the lessons learned from the ‘forced’ work at home by formalising our policy for the future. Our internal recognition programme made substantial progress in awareness and usage but more importantly, our rewards scheme was upgraded and our overall variable pay-out component increased by 20%. This represented a huge investment in rewarding each and every employee of the Firm who contributed to this incredible growth.

And while we recognise these tremendous efforts in terms of financial reward for the year, we are also looking at multiple ways to have a holistic sustainable approach. For the sake of everyone we have thus embarked on a major shift focussed on Health & Wellbeing – with a key focus point being the avoidance of excessive workload. Our investment in Health & Wellbeing includes training and awareness programmes along with our continued efforts with our learning platform, Vantage, on top of our Digital Upskilling programme. This is a clear testimony to our commitment to develop our people and prepare them best for the future to come. This combines with the provision of different career opportunities, both internally and to a broader scope of candidates with varying educational status and background, and the assurance that the overall “package” for our people is competitive financially and differentiated when taken as a whole.

2. Innovating for a sustainable future, our Research & Development (R&D) strategy

Continuously improving our existing business and developing new services is a key focus for us as it is for any successful business. It is also indispensable to remain relevant for our wider ecosystem:

Our clients	Our people
Industry associations	Regulators
Students and universities	Government

With that in mind, we created the enabling structures to make sure that the way we are organised supports our ambitions. Those enabling structures include:

Dedicated transformation teams in our various lines of service	Innovation function coordinated through a small core central team
Development of our Market Research Centre and PwC's Academy	Development of partnerships
Significant investments in our internal IT team's skills and our product development skills.	

We are also empowering our lines of services and industries by leveraging platforms and other means of technology. We are currently running four big bets - strategic projects for which we are developing new product-driven service offerings for our Advisory, Assurance and Tax businesses. In this framework, we have for instance worked closely with the PwC US firm on **Marketplace for Talent**, a turnkey solution which matches client needs with the right set of PwC skills. Our approach of 'big bets' with incremental turnover allows us to focus our time and efforts on key strategic R&D areas relevant to our clients.

Overall, on top of the investments of our global Network, in which we participate, PwC Luxembourg manages a transformation and innovation budget of approximately 6% of our turnover, or roughly EUR 29,5 millions invested primarily in our people and local technologies development/adaptation.

Below, we outline some key current areas of focus for our R&D today:

Audit Transformation: Tomorrow's Audit, Today

Quality first, purpose always. That's what drives us today and it is how we are bringing the audit into the future. Tomorrow's Audit Today is about reimagining the audit with equal parts automation and human experience. How do we do it? Through a combination of acquired and internally developed solutions, utilising the most recent technologies including AI and machine learning, and through our citizen-led innovation. This is a market leading approach for equipping our people with new skills and giving them the tools and freedom to put this learning to work. The result: auditors who are digitally upskilled and continuously looking for ways to bring innovation and insights along with the integrity, independence and professional scepticism our stakeholders expect. To foster this innovation, our teams are supported by our 41 Digital Accelerators (each receiving and graduating from an intensive 400-hour immersion learning programme), our data scientists and a data ecosystem including our Digital Lab (a virtual space for our people to collaborate, create, and share automations).

Today our leading platforms include:

Aura: our global ERP system, which ensures that work gets done one way - the right way, globally. It is used by over 100,000 auditors worldwide, on every PwC audit. Aura ensures our teams take a consistent, focused and efficient approach to audit risk,

Connect: our collaborative workflow tool that provides fast, efficient and secure information sharing at every stage of the audit - creating a better audit experience for clients, and

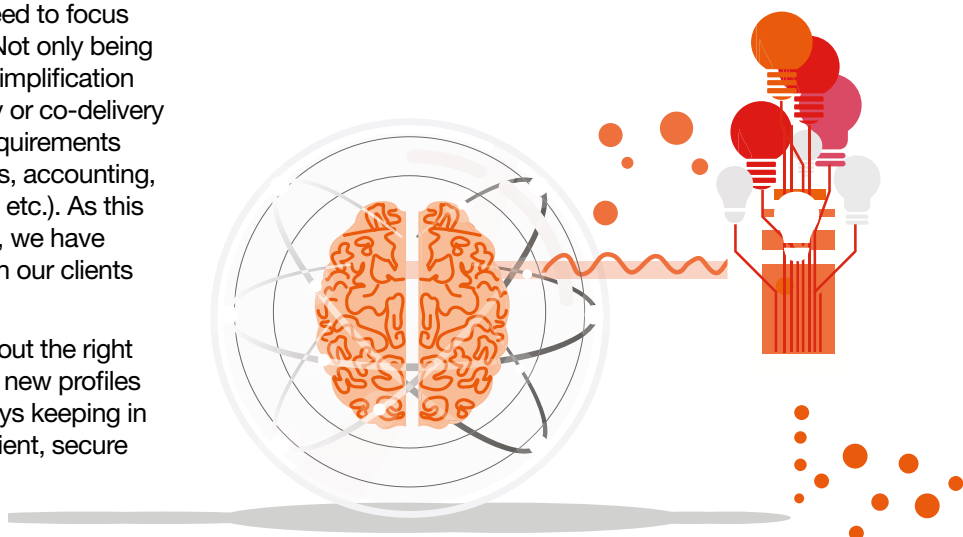
Halo for Funds: our global solution tailored to investment funds. This data-driven solution allows us to test huge volumes of business-critical data, analyse whole populations, improve risk assessment, analysis and testing, and unlock a wealth of insight.

The leading platforms that power today's audit are just the beginning, and we continue to develop the next wave of innovation to drive even higher quality.

Asset Management Digital Solutions

Alternative and Asset Management players need to focus their energy and time on their core business. Not only being a question of cost optimisation, the need for simplification comes with an ongoing support in the delivery or co-delivery of some of their business and/or regulatory requirements such as the preparation of financial statements, accounting, regulatory reporting (e.g. AIFMD, KIID/PRIIPS, etc.). As this truly brings value when it is a smooth process, we have invested in technology both for interacting with our clients and on the data collection and usage.

But, technology and services are nothing without the right solutions and people. We're continuing to hire new profiles to expand the range of services we offer, always keeping in mind that the delivery model needs to be efficient, secure and provide an exceptional client experience.



On top of those areas of focus for innovation and transformation, we also continuously source new ideas and stay connected as much as possible with our stakeholders. Some examples include:

1. We created the Idea Lab, our idea-sourcing platform, which has inspired our colleagues to share 200+ ideas via challenges. It has acted as a connecting point to solve our client & market needs with creative solutions.
2. Our Dragons' Den event series, which is a unique opportunity for our people to reveal their intrapreneurship mindset and pitch their ideas with a startup mindset, driving them through the innovation journey and turning them into valuable solutions for clients.
3. As a founding member of the LHoFT, we are actively involved in various initiatives set up to support the FinTech sector: mentoring startups such as those participating in the Catapult Kickstarter programme hosted by the Ministry of Economy & the LHoFT and mentoring high school students in the Digital for Financial inclusion hackathon hosted by the Luxembourg Technology School. We have moderated masterclass sessions on content strategy, fundraising and product design and participated as panelists on Tech career days and more recently the VC scholar programme.
4. We invest significantly in thought leadership papers and surveys. These allow us to deepen our understanding of trends/evolutions and/or specific topics, but also to connect with our clients and stakeholders to embed their views and so get an understanding of which challenges PwC should address. We cover a wide range of topics our clients need insights on, such as Green, Social and Sustainability Bonds, Asset and wealth management revolution: The power to shape the future, AWM: From "A brave new world" to a new normal, or our 24th Annual Global CEO Survey.
5. We invest significantly in activities like the "Journée de l'Economie", the "PwC Cybersecurity & Privacy Days" or the "AWM Monthly Briefings" series, which group relevant stakeholders of an industry or around a topic and where a focus is to also bring the outside-in view from outside Luxembourg.
6. We run "Client Advisory Boards" where we invite our clients to exchange with them directly on their industry and/or their most critical business challenges.
7. We partner in a targeted manner with industry associations and the Union des Entreprises Luxembourgeoises to remain close to the topics most relevant to the industries of our clients and contribute to solving their problems.
8. Finally, PwC's Academy is for us a means to ensure that our partners and people invest time to deep-dive into topics relevant for our clients through the design and distribution of training programmes, either in-person or digitally.

3. Our economic contributions

Continuously improving our existing business and developing new services is a key focus for us as it is for any successful business. It is also indispensable to remain relevant for our wider ecosystem:

Our economic contribution to the Public Sector

The European Union, United Nations, World Bank and local governmental agendas were heavily laden this year with matters such as modernisation and transformation, digital and healthcare, but also more broadly long-term strategic and societal changes such as climate and economic recovery.

Thanks to a wide range of technical and sectoral expertise, we were in a position to support our local and international clients to solve urgent issues and work on those more long-term ambitions.

Locally, we are proud of having supported the Luxembourg government on some of their most important actions related to the COVID-19 pandemic such as planification of PCR tests, management of the sanitary reserve, a COVID-19 helpline and even the design of a PCR result prediction tool.

Additionally, we were delighted to help the EU and the member states in some of their most critical transformations such as using AI to fight tax fraud, strengthening the EU external borders management, building a more integrated and secure EU Customs systems, and contributing to the design of the EU financial instruments that will be essential in the delivery of the EU Green deal.

Our clients have relied on our ability to combine strategic advice with hands-on, result-oriented implementations backed by the most advanced technologies in areas such as AI, Cloud and Cyber.

Our Philanthropic contribution

This year, we continue to engage with different initiatives from the Luxembourgish community and those of our neighbours. These actions are strategically focussed on deserving local NGOs mostly focussing on health programmes because we strongly believe in giving back to our community and the society in which we operate. For example, for the first time since COVID-19, we participated in Relais pour la Vie, because the need for cancer funding is as important as ever. We also organised our internal challenge “From CP to the Moon”, which is a collaborative run, where the collective objective is to reach—by running, walking or biking—the distance separating us from the Moon (400,111km). These initiatives supported Fondation Cancer, Cheveux au Vent, ELA Luxembourg and Handicap Solidaire Luxembourg Asbl with the funds raised.

In addition, we granted the opportunity to the three teams who achieved the highest participation rate regarding our Global People Survey, to choose associations they wished to donate to: they choose the Fondation Kriibskrank Kanner, Lueur d’espoir pour Ayden and La ferme du Monceau. As education is an important topic for us, we also participated in “Fit-for-life”, which is a programme educating secondary school pupils run by Jonk Entrepreneuren.

Nearly 25% of our workforce, meaning more than 700 of our people invested their time in these initiatives and activities. As well as reinforcing one of our core values of Making a Difference, and bolstering engagement, these actions demonstrate PwC Luxembourg’s commitment to the Grand Duchy.





People

While digital and remote working have been transformational, the need to address the excessive workload and the lack of work-life harmony has become more apparent. This has led us to: change and upgrade our recruitment effort; implement specific measures to increase our diversity beyond gender focus; continuously emphasise growth through performance and behaviour (our compensation strategy); enhance our people's strengths and capabilities; highlight the importance of wellbeing and offer adequate programmes; and finally, ensure that our people have access to lifelong learning, particularly in digital fluency.

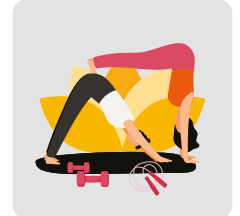
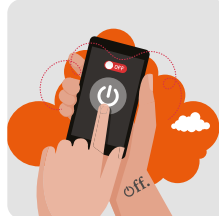
This year, we'd like to specifically report on four major axes:

1. Inclusion and Diversity (I&D)

Inclusion and Diversity mean many things for us, from the 82 nationalities that interact in our offices every day, our proportion of women in all management levels to the development of our LGBT+ community. We continue executing our I&D strategy focused on five aspects: engaging our leaders, building common awareness for all, filling our talent pipeline, embedding I&D into our business operations and developing our external footprint. We power this action plan with a systematic data-driven approach, which has enabled us to set priorities—such as the notions of gender balance and inclusiveness—and enable all dimensions of individual characteristics to be accepted, respected and valued. To advance our strategy successfully, we plan to combine actions and work on the pillars in a mutually beneficial manner.

Digging deeper into the invisible obstacles

This year, we implemented a real-time monitoring tool for our promotion cycle, the “**promotion dashboard**”. This dynamic reporting tool helps our leaders visualise the impact of their decisions on promotions in terms of gender allocation during the evaluation cycle. It minimises the bias and follows an indicator called “opportunity rate” that translates into a simple formula: *number of women promoted / total of eligible women*, and similarly for men. This ensures that the decision makers can visualise whether they are widening or closing the gap for accessing higher levels of responsibilities as a man or a woman. Interestingly, the data evidences that there is almost no statistical significant difference (a maximum of 3% in favour of women) when it comes to assessing our people, i.e. similar proportions are observed in terms of performance rating allocation among the female and male population. However, the data collected about the promotion cycle do reveal a striking gap when reviewing the opportunity to be promoted: a similar opportunity is proposed to men and women as 24%/25% of them are experiencing a promotion but with an unequal distribution for the grades of manager and above. We see that **30.18%** of men are promoted to Manager/Senior Manager/Director level among all the male promotions, while only **18.87%** of all women are promoted to those levels. The use of our dynamic reporting tool will help balance promotions in the future, as it will make evident the gender allocation during the promotion cycle.



Engaging with our main stakeholders, our people

Our I&D plan is regularly adjusted with the input of our people, and we do so through surveys. This year we conducted two surveys, through which we gathered the following:

- **Internal D&I survey** (1,000+ respondents): Equal opportunities and gender equality remains a demand, as well as ensuring these factors are embedded in everything we do (from mixed teams to propulsing gender balance, to leadership roles).
- **Global People Survey (GPS)** (81% participation rate): The “Diversity Index” (based on different criteria in the GPS) has dropped from 65% in 2019 to 60% in 2021. While the result was surprising as the perception of an inclusive culture has not altered, the current circumstances have indeed increased feelings of concerns and doubts, particularly in the context of promotions. We therefore, find it even more important to ensure our people that their specific capabilities will not be forgotten going forward in professional development, which will simultaneously nurture a culture of inclusion.

One for the parents

Lastly, one of our main actions of this year was “**Back and Happy**”, an initiative targeted specifically for new parents. This mentoring programme is a parent-to-parent initiative where PwC experienced parents support others who are just returning from a long child leave. Based on a one-to-one mentoring relationship, it aims at helping the new parent address her/his new challenges, in a confidential and trust-based environment.

And one for our LGBT people: Shine, our global brand and initiatives

Shine, the LGBTQI+ and Ally inclusive business network at PwC, is acting to implement a safe working environment for everyone to be her/him or their selves in order to help unleash everyone’s potential. To ensure this environment in Luxembourg, we have set up an ambitious action plan covering the training of leaders and key people managers, the creation and animation of our network of allies, events and common actions with external organisations, explicit HR and ethical policies, among others. There is still a lot of work to be done, but the tone from the top is essential with our CEO having participated as a speaker in various conferences and symposia on the topic organised within the PwC network and with external local stakeholders.

2. Pay Equality

The overall gender pay gap in Luxembourg is less than 5% according to the EU statistics and PwC is a great contributor to that. Our latest gender pay gap analysis performed by a third party resulted in a 0.3% pay difference related to gender only. Nevertheless, results show that the pay gap is not due to gender, but due to the promotion cycle.

Indeed, the talent cycle can be slower for women compared to men, and the proportion of women in our workforce decreases with age, experience, seniority and position. This remains the case despite having designed a workplace where both HR and remuneration policies are proven to be gender equal. The promotion cycle appears as the critical moment where we need to focus our attention with robust processes, real time data and to involve inclusion conscious roles to minimise these differences. It led us to deploy a new dynamic tool that will show in real time the impact of decided promotions and detect or react in due time for our next assessment cycle.

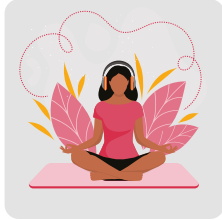
3. Health, Safety and Wellbeing

Be Well, Work Well

In our 2020 Annual Review, our Be Well, Work Well initiative was introduced, which is a pragmatic and solution-driven programme offering a range of concrete tools, actions and objectives to ensure that wellbeing is implemented in our work culture. We adapted our programme to the specific pandemic situation: from virtual sports initiatives to keep people in shape to “tips” and tricks to help them keep a balance through critical moments, we provide our employees with many ideas to help them maintain their wellbeing on a daily basis.

In January 2021 we launched the **Ready, Set, Recharge programme**, a six-month programme open to all our people, focusing on Personal Energy Management - “**taking care of myself**”. The objective was to help our people restore and maintain their wellbeing by embedding **new habits into their work, life and teams**. Each month was dedicated to a specific topic (sleep, technology breaks, mental health, etc.) for which a range of **events, activities** and **useful tips** were suggested.

This initiative was supplemented with a specific programme for our team leaders. A series of workshops was organised, in small groups, to equip team leaders with simple, practical tools to manage their teams remotely by stimulating individual resilience, collective energy and cross-collaboration during home working periods.



Wellbeing in figures

Two KPIs are used to track our wellbeing journey and to quantify the impact health initiatives have on our people:

Wellbeing and Flexibility index:

The results for this index are gathered through the GPS survey in which we are able to get our people's feedback around aspects such as work-life balance and wellbeing at PwC. This year we have seen a decrease in our Wellbeing and Flexibility index: **51% compared to 60% in 2019.**

Burnout rate:

Every year, we work with the Luxembourgish Association Pour la Santé au Travail du Secteur Financier (ASTF) to identify the number of cases. This past year, we have seen a sharp decrease with **11 identified cases, compared to 19 in 2020.**

These figures confirm the long-term impact of COVID-19 and remote working on our employees. While home-based working may have taken away the stress of commuting for many of our employees, and thereby contributing to our reduced number of burnout cases; it also seems to have enhanced the difficulty in separating professional and personal spheres when at home and thereby creating the perceived need to be 'always on' and increasing workload, resulting in greater stress and a negative impact on our people's wellbeing. We acknowledge that we need to continue to closely monitor the health of our employees, particularly in such complex times.

4. Training provided

Our commitment to training and professional development is part of our people promise. Future-focused growth and development is one of the five pillars of our New Employment Deal. Our total training hours for the Firm amount to 165,303. This averages to 58 hours per employee per year.

Next to our professional and business training initiatives, we set ourselves a goal of digitising our network by upskilling all our employees to become a 'digital citizen'. We are near completion of this goal with 83%, totalling over 10,000 hours of training. We have also completed three waves of Digital Accelerators totalling 41 employees, whereby we invest 400 hours of training per employee.

Your Tomorrow – Our programme for a Digitally Enabled Workforce

1. We continue our upskilling efforts, offering a wide range of training opportunities to our people in the digital area. We support and encourage an employee-led approach to learning, because it is more effective to let people choose

what knowledge they want to acquire. We encourage our people to use their new skills—gained either in classrooms, self-paced learning platforms or through team projects—to improve their jobs and their work with clients.

2. Our 'Your Tomorrow' has greatly accelerated over the last 12 months and we have reached important milestones over the three levels of our digitally enabled workforce:

- **Digital Citizen:**

85% of our people have reached this level by January 2021, which means that a vast majority, including new joiners, have an awareness of data and analytics tools.

- **Digital Promoters:**

Here we have seen great improvement across the organisation. Each line of service has made marked achievements on this next level, by having defined and deployed a strategy to upskill 10 to 50% of their workforce according to their needs.

- **Digital Accelerators:**

The highest level of digitally skilled people underpinned by at least 400 hours of training now counts 41 active collaborators. Digital Accelerators are armed with the skills, knowledge and digital technology to help solve complex business challenges. They are distributed throughout the firm and are currently working on more than 90 different projects using tools from Robotic Process Automation to Artificial Intelligence and Machine Learning.

3. The Digital Lab was launched in April 2021. Today, more than 2,800 employees have access to this collaborative platform, where they can find and share workflows, visualisation tools, macros or bots developed by other PwC offices in Europe. At the end of the fiscal year, a major update took place making it possible to have access to digital assets developed in other territories such as PwC US, PwC UK, PwC Canada, PwC Australia or PwC China. Through this initiative, we increased our digital collaboration with the best of our network and are fully embracing digital transformation in all our business lines.

4. For the coming year, we already have many projects and rewarding initiatives ready to be launched and we expect to continue to see behaviors and mindset changing for the best across the firm.





Planet

Climate change is the most pressing environmental problem for our planet today, and it is in everyone's best interest to help realise systemic change to deliver on the ambitions of the Paris Climate Agreement. PwC believes that the business community has a key role to play in mitigating climate change and this also means that we are committed to playing our part. That's why the PwC network has made a worldwide science-based commitment to reach net zero greenhouse gas emissions by 2030.

PwC's Net Zero Commitment

Our Net Zero Commitment will require us to transform our business model to decarbonise our operations and our value chain, and to engage with clients and suppliers to support them in tackling their climate impact.

Specifically, the PwC Net Zero ambition comprises the following commitments.

We will reduce our gross emissions in line with a 1.5 degree climate scenario,¹ starting with a 50% reduction in all scope 1 and 2 emissions by 2030 (compared with a 2019 base) and a 50% reduction in business travel emissions (scope 3) over the same period.² In addition, we will transition to 100% renewable electricity where possible.

We will from 2022 offset all remaining emissions related to scopes 1 and 2 and to scope 3 business travel.³

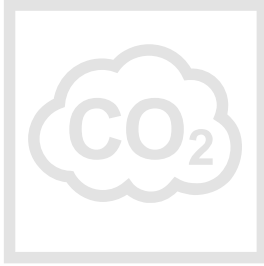
We will engage our entire value chain, which includes working with our suppliers, encouraging them to set net zero plans. It is part of the Global PwC Commitment to ensure that 50% of our purchased goods and services suppliers (by emissions) have set science-based targets to reduce their own climate impact by 2025.

Our scope 3 emission reduction and offsetting commitment is currently limited to business air travel. Going forward, we are planning on widening this to take into account our emissions from all business travel, this will include flight data broken down by class, road and rail travel, and hotels. In addition, we would also like to open up our scope 3 to include emissions beyond business travel, such as staff commuting and the procurement of IT, catering and other services from our suppliers. We recognise that these other sources of scope 3 emissions are potentially a significant proportion of our total emissions, and we are actively exploring new approaches to measure our total scope 3 emissions profile and total carbon footprint. As accurate data becomes available, we will consider expanding the scope of our gross emissions reduction and offsetting commitments as part of our Net Zero ambition.

Beyond setting actions to achieve net zero within our own operations and value chain, we will also expand our services to clients to support their own efforts to help make a net zero future a reality for all. Building on existing advisory client work in sustainability and net zero transformation, we will integrate climate and sustainability considerations across our services, including assurance and tax.

In the next section, we break down and report for the first time the greenhouse gas emissions within the scope of these commitments.

1. PwC's gross emission reduction targets have been validated by the Science Based Target Initiative (SBTi), which aligns PwC's approach to SBTi's highest ambition level and emphasises our commitment to decarbonising the way we operate and decoupling our business growth from emissions.
2. Scope 1 comprises direct emissions emitted through owned or controlled assets. Scope 2 encompasses indirect emissions associated with the energy (mainly power and heating) that PwC buys. All remaining indirect emissions from activities within our value chain fall under scope 3.
3. A carbon offset is generated by an activity that either prevents the release of, reduces, or removes GHG emissions from the atmosphere. Emission reduction projects around the world generate carbon offsets from activities such as renewable energy, biogas and reforestation.



Greenhouse Gas Emissions

We have begun to build a GHG inventory that looks at our emissions with scope 1, 2 and 3. As a first step, PwC Luxembourg is reporting for the first time, in this annual review, against the emission sources that fall within the scope of our current emissions reduction (see Table 2 in Appendix) and on our offsetting commitments. Below, we disclose the total amount of emissions in tonnes of CO₂eq for Scopes 1 and 2 and business travel emissions under Scope 3 for the past three financial years, as well as the overall total.

Table 1: Annual PwC Luxembourg Greenhouse Gas (GhG) Emissions (tonnes of CO₂eq)

Total emissions (tCO ₂ eq)			
	FY19	FY20	FY21
Scope 1 (tCO ₂ eq)	3.26	3.48	0.48
Scope 2 (tCO ₂ eq)	181	193	301
Scope 3 (tCO ₂ eq) ⁴	2,352	2,014	36
Total emissions (tCO₂eq)	2,536.26	2,210.48	337.48

Some interpretation is perhaps helpful:

- Our **Scope 1** emissions are a very small proportion of our carbon portfolio as we do not have many direct emissions (we do not own a car fleet). Therefore, our scope 1 emissions are related to the fuel oil consumption necessary to operate our generator and the amount of petrol and diesel used for PwC owned tractors (to remove snow etc). During this past financial year, we did not use the PwC owned tractors and because our main office was closed for the majority of the financial year, our generator was also largely unused.
- Our **Scope 2** emissions increased in FY20 and particularly in FY21 due to COVID-related sanitary reasons - since the pandemic began the heating in our main buildings has been handled with fresh air (100% new air), compared to recycled air which we relied on pre-COVID-19.
- Our **Scope 3** business air travel emissions have - not unexpectedly - reduced dramatically since the pandemic began. Emissions from this source are likely to rise again with the expectation that we resume face-to-face client meetings and the resumption of international travel, though measures are being put in place to reduce travel demand consistent with our overall net zero ambition.

For more detailed information of our consumption and carbon emissions from 2019 to 2021, please see the tables in the Appendix.

4. Business air travel emissions only



Net Zero Governance and Action Plan

PwC Luxembourg has already taken a number of first steps to reduce our carbon footprint:



We have begun reviewing our Travel

Policy to cut air travel emissions (a significant component of our total emissions given the nature of our business). Notably, we:

- have implemented stricter cabin class criteria;
- have implemented a new requirement for partner approval for all air travel; and
- now ask our staff to use alternative, lower carbon modes of transport for journeys of 400km or less, such as by train, car or shuttle.



We have also invested into virtual collaboration tools (i.e

Wooclap, Vantage...) and have adopted new technologies (i.e audio/video conferencing) in order to continue collaborating with all our stakeholders while reducing our travel requirements.



Our main office building since 2014, Crystal

Park, has an excellent environmental, including energy efficiency, rating from BREEAM (Building Research Establishment Environmental Assessment Method).



Our electricity purchases are 100% sourced

from renewables generated from wind and hydroelectricity obtained from the Luxembourg Energy Office.

In addition, we are also pleased to announce that we have recently committed to the LEAF (Lowering Emissions by Accelerating Forest Finance) Coalition, to support what is expected to become one of the largest ever public-private efforts to protect our tropical forests. Between the years 2023 and 2027, we will offset 100% of the emissions in the scope defined in this report through this initiative.

These are just the first steps on what will be a challenging journey. We recognise that the achievement of our Net Zero 2030 commitment will require much more fundamental changes in our business model and our relationships with our staff, our customers and our suppliers.

To generate consensus around these changes, we will develop and publish our Net Zero Action Plan over the coming months, following consultation with all parts of the firm.

To oversee the consultation, the formulation and implementation of the Action Plan, we have appointed from within our Sustainability Board (see Principles of Governance chapter) a dedicated Planet leader who is also PwC Luxembourg's Net Zero Leader. The role of the Net Zero Leader is to ensure that the firm is united in its commitment to deliver on PwC's Net Zero ambition and to fulfil our reporting obligations under the WEF-IBC Planet metrics as well as other relevant reporting frameworks.

The Net Zero leader has a specific Net Zero team, composed of individuals from the Corporate Responsibility team and advisory teams, that drives the implementation of our strategy. In driving the Net Zero Action Plan, the Net Zero team, alongside the Corporate Responsibility team, will work with other departments within the firm. Procurement teams, Human Capital teams (including our Learning and Development group), Communication teams and sustainability-related advisory teams.

As our net zero strategy and climate agenda keeps evolving, we also plan, as of 2023, to develop and implement a TCFD action plan. This will enable us to align with the WEF-IBC metric "TCFD implementation".



Appendices

1. WEF-IBC Content Index

About this Annual Review

We are proud to announce that our 2021 Annual Review is aligned with the latest reporting disclosures and metrics proposed by the World Economic Forum (WEF) and the International Business Council (IBC), “Towards Common Metrics and Consistent Reporting of Sustainable Value Creation”. The layout of our report mirrors that of the four pillars suggested by the WEF/IBC - Principles of Governance, People, Prosperity and Planet - and we have matched our corporate responsibility and sustainability topics with the metrics and disclosures proposed.

This past year, we conducted a materiality assessment of the 21 core metrics of the WEF-IBC framework to identify which ones are a priority for us currently. At the end of the exercise, 13 metrics were highlighted as material (these are marked below by an asterisk). While we have already adopted - to various degrees - the majority of the core metrics, it is our goal to fully align with the remaining metrics that are material to us.

WEF Core Metrics and Disclosures					
Pillar	Theme	Metric and Disclosure	More information	Adoption status	Additional details
Principles of Governance					
	Governing Purpose	Setting purpose The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	Code of conduct (see at: www.pwc.lu/wef)	Full	Our Purpose and Values are the foundation of our success. We exist to build trust and solve important problems, and our values help us deliver on that Purpose.
	Quality of governing body	Governance body composition* Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non- executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under- represented social groups; stakeholder representation.	SUSTAIN@PwC (p.10)	Full	Quality of Governing body is a material sustainability topic for us. Our firm is led by our CEO, John Parkhouse with the support of our Executive Committee. In 2021, we introduced the Sustain@PwC Steer Committee which is run under the direct leadership of our CEO John Parkhouse and supported by our Corporate Responsibility leader, Valérie Arnold. Their main aim is to identify priority sustainability topics in line with the WEF-IBC and ensure they are integrated into our core strategy to drive change.
	Stakeholder engagement	Material issues impacting stakeholders* A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	Our material topics (p.6-7) Our engagements with our stakeholders (p.11)	Partial	Stakeholder engagements is a material sustainability topic for us. In 2021 we identified 13 priority topics from the WEF-IBC core metrics that form the basis of our new sustainability strategy. We plan to conduct a stakeholder engagement in the next year. Planned to conduct a full stakeholder engagement in 2022.
	Ethical Behaviour	Anti-corruption 1. Total percentage of governance body members, employees and business partners who have received training on the organisation's anti-corruption policies and procedures, broken down by region. a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and b) Total number and nature of incidents of corruption confirmed during the current year, related to this year. 2. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.		Partial	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. Not a material sustainability topic at this time. Planned to align with it in the near future.

WEF Core Metrics and Disclosures

Pillar	Theme	Metric and Disclosure	More information	Adoption status	Additional details
Principles of Governance					
	Ethical Behaviour	Protected ethics advice and reporting mechanisms* A description of internal and external mechanisms for: 1. Seeking advice about ethical and lawful behaviour and organisational integrity; and 2. Reporting concerns about unethical or unlawful behaviour and lack of organisational integrity.	Protected ethics advice and reporting mechanisms (p.11)	Full	Ethical behaviour is a material sustainability topic for us. Ethical behaviour, values and purpose are fundamental for our business, and for the trust our clients, communities and people place in us. This year we focused on the importance of our Speak-Up, Listen-Up and Follow-Up culture.
	Risk and opportunity oversight	Integrating risk and opportunity into business process Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	Message from John Parkhouse (p.4)	Full	Identifying, managing and planning for the mitigation of risk is an essential part of running any business. The PwC New Equation is based on analyses of global trends and conversations with clients and Stakeholders and 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.
Planet					
	Climate Change	Greenhouse gas (GHG) emissions* For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F-gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO2e) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	Greenhouse Gas Emissions (p.28) PwC's Carbon Emissions and Environmental Statistics (p.34-35)	Partial	Greenhouse gas emissions is a material sustainability topic for us. This year we introduced our Net Zero Ambition and have highlighted what we have achieved this past year. We also published for the first time an extensive list of our GHG emissions for our scopes 1, 2 and air travel emissions for scope 3. However, going forward in our Net Zero journey, we are exploring ways to increase our scope 3 and to provide additional data in future reports.
	Climate Change	TCFD implementation* Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net-zero emissions before 2050.	Net Zero Governance and Action Plan (p.29)	In progress	TCFD implementation is a material sustainability topic for us. It is an ambition that we will only implement as of 2023.
	Nature Loss	Land use and ecological sensitivity Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).		Omission	This disclosure is not relevant for us because the sites we own are not located in or adjacent to protected areas and/or key biodiversity areas.
	Freshwater Availability	Water consumption and withdrawal in water-stressed areas Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.		Omission	This disclosure is not relevant for us because we are not located in a water-stressed area.

WEF Core Metrics and Disclosures

Pillar	Theme	Metric and Disclosure	More information	Adoption status	Additional details
People					
	Dignity and Equality	Diversity and inclusion (%)* Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity)	Inclusion and Diversity (I&D) (p.23-24)	Full	Diversity and Inclusion is a material sustainability topic for us. This year we primarily focused on our promotion cycle and how we are tackling related obstacles. We also highlight how we engage with our staff on D&I, how we welcome back new parents and introduce the Shine action plan that aims to ensure a safe working environment for our LGBTQI+ community. For this metric we are exploring how to provide additional data in future reports.
	Dignity and Equality	Pay equality (%)* Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	Pay Equality (p.24)	Full	Pay equality is a material sustainability topic for us. The latest analysis shows that we have a gender pay gap of 0.3%.
	Dignity and Equality	Wage level (%) Ratios of standard entry level wage by gender compared to local minimum wage. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO		Omission	PwC Luxembourg is in compliance with the minimum social wage in Luxembourg. Therefore, this metric is not material for us.
	Dignity and Equality	Risk for incidents of child, forced or compulsory labour An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.	PwC's Global Human Rights Statement (see at: www.pwc.lu/wef) Charter of Responsible Purchases (see at: www.pwc.lu/wef)	Omission	We ask all of our suppliers to sign our Charter of Responsible Purchases. By signing this Charter, our suppliers have agreed to respect the Universal Declaration of Human Rights (UDHR) and follow social, ethical and environmental requirements.
	Health & Wellbeing	Health and safety (%)* The number and rate of fatalities as a result of work-related injury; high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked. An explanation of how the organisation facilitates workers' access to non- occupational medical and healthcare services, and the scope of access provided for employees and workers.	Health, Safety and Wellbeing (p.24-25)	Partial	Health and Wellbeing is a material sustainability topic for us. We monitor the health and wellbeing of our staff through our burnout rate (11 cases in FY21) and through the Wellbeing and Flexibility index (score of 51% in FY21). We are continuously finding ways to address issues of mental health and we are exploring how to provide additional data in future reports.
	Skills for the Future	Training provided (#, \$)* Average hours of training per person that the organisation's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees). Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	Training Provided (p.25)	Partial	Training Provided is a material sustainability topic for us. Our total training hours for the Firm amount to 165,303. This averages to 58 hours per employee per year. This year we specifically emphasise digitising our network by upskilling all our employees to become a 'digital citizen'. For this metric we are exploring how to provide additional data in future reports.

WEF Core Metrics and Disclosures

Pillar	Theme	Metric and Disclosure	More information	Adoption status	Additional details
Prosperity					
	Employment and wealth generation	Absolute number and rate of employment* 1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. 2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	Building a sustainable workforce and prosperous future (p.18)	Partial	Absolute number and rate of employment is a material sustainability topic for us. This year we focused on our firm's attractiveness and the number of new hires. We hired 726 employees in 2021, which is 13% less than 2020. We are constantly working to improve our attraction and retention strategies and we are exploring ways to provide additional data in future reports.
	Employment and wealth generation	Economic contribution* 1. Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organisation's global operations, ideally split out by: – Revenues – Operating costs – Employee wages and benefits – Payments to providers of capital – Payments to government – Community investment 2. Financial assistance received from the government: total monetary value of financial assistance received by the organisation from any government during the reporting period.	Our economic contributions (p.21) Business Review (p.13-17)	Partial	Economic contribution is a material sustainability topic for us. This year we focus on the impact we had in our ecosystem in Luxembourg through 1) our economic contribution to the Public Sector and 2) through our Philanthropic contributions. We are exploring ways to provide additional data in future reports.
	Employment and wealth generation	Financial investment contribution* 1. Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy. 2. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.		In progress	Financial investment contribution is a material sustainability topic for us. It is an ambition that we will only implement as of 2022.
	Innovation of better products and services	Total R&D expenses (\$)* Total costs related to research and development.	Innovating for a sustainable future, our Research & Development (R&D) strategy (p.19-20)	In progress	Total R&D expenses is a material sustainability topic for us. This is the first year we report on this metric and we highlight two focus areas in our current R&D strategy. They include, 1) Audit Transformation: Tomorrow's Audit, Today and 2) Asset Management Digital Solutions. We are exploring ways to further develop initiatives for this metric and to provide additional data in future reports.
	Community and social vitality	Total tax paid The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.		Omission	We do not disclose this information.

Appendices

2. PwC's Carbon Emissions and Environmental Statistics

Methodology

Our operational boundary

For this first year, the scope of the emissions we have decided to look at remain limited. The emission factors that we have decided to take into consideration are as follows:

- **Scope 1:** Fuel oil consumption; Petrol consumption by controlled or owned passenger transport in cars fuelled by petrol; Diesel consumption by controlled or owned passenger transport in cars fuelled by diesel
- **Scope 2:** Total purchased electricity; Purchased heat, steam or hot water
- **Scope 3:** Air travel emissions by short, medium and long haul- flights

In the coming years, we plan to expand our scope of emissions measurement and reporting by taking into account more emission sources in scope 3 (e.g. all business travel, suppliers, commuting etc.), as well as scope 2 emissions from our satellite offices.

Calculating GHG emissions

We followed two methodologies to calculate our GHG emissions. For scopes 1 and 2 we used the emission factors proposed in the Bilan Carbone, which was developed by ADEME (Agence de la Transition Energétique) in 2004. We followed the Global PwC methodology which is based on the GHG Protocol and the Carbon Disclosure Project and uses the UK Government Conversion Factors to calculate our GHG emissions from business air travel in scope 3. For both methodologies, the following equation was used:

$$\text{Activity data} \times \text{Emissions conversion factor (kg CO}_2\text{e / kWh)} = \text{kg CO}_2\text{ equivalent}$$

Limitations

Our carbon inventory was conducted on a 'manual' approach. We identified internal stakeholders that have access to the relevant data from 'primary sources' (travel agencies, for example). For scopes 1 and 2, the data is primarily based on invoices. For scope 3, we receive the air travel data (i.e kilometers traveled) from the travel agencies with which we work. Halfway through our financial year 2020, we switched travel agencies, thus obtaining data from two sources. This results in an inconsistency in the manner we gathered the data and thus calculated it. Going forward, we are working on methods to ensure that data is consistently and frequently collected to obtain accurate, reliable and verified data.

Table 1: Scope 1⁵ - GHG released directly from assets PwC Luxembourg owns or controls

Scope 1			
	FY19	FY20	FY21
Fuel oil consumption (L) ⁶	340	410	150
GHG emission of consumption of fuel oil (tCO ₂ eq)	1.08	1.31	0.48
Petrol consumption by controlled or owned passenger transport in cars fuelled by petrol (L) ⁷	228	228	0
GHG emission from petrol consumption (tCO ₂ eq)	0.64	0.64	0
Diesel consumption by controlled or owned passenger transport in cars fuelled by diesel (L) ⁸	485	485	0
GHG emissions from diesel consumption (tCO ₂ eq)	1.54	1.54	0
TOTAL EMISSIONS FOR SCOPE 1 (tCO₂eq)	3.26	3.49	0.48

Table 2: Scope 2 - GHG associated with producing the energy PwC Luxembourg buys

Scope 2			
	FY19	FY20	FY21
Total purchased electricity (kWh)	4,130,000	3,840,000	4,031,000
GHG emissions from purchased electricity (tCO2eq)	24.8	23	24.2
Portion of purchased electricity sourced from renewables (%)	100	100	100
Purchased heat, steam or hot water (kWh)	2,140,000	2,330,000	3,778,000
GHG emissions from purchased from heat, steam or hot water (tCO2eq)	156	170	276.8
TOTAL EMISSIONS FOR SCOPE 2 (TCO2EQ)	180.8	193	301

Table 3: Scope 3⁹ - Emissions from any other activities upstream or downstream in our value chain

Scope 3			
	FY19	FY20	FY21
Short haul flights (<460 km)	224,000	742,000	12,739
GHG emissions for short haul flights (tCO2eq)	67	221	4
Medium haul flights (460 - 3,700 km)	3,660,000	2,990,000	59,928
GHG emissions for medium haul flights (tCO2eq)	594	485	10
Long haul flights (> 3,700 km)	7,960,000	6,150,000	105,756
GHG emissions for long haul flights (tCO2eq)	1,692	1,307	22
TOTAL EMISSIONS FOR SCOPE 3 (tCO2eq)	2,352	2,014	36

5. Scope 1 only includes statistics from our main building, Crystal Park, and not our satellite offices

6. Fuel consumption used for our generator

7. Petrol consumption for PwC owned tractor HUSQVARNA PR 17

8. Diesel consumption used for PwC owned tractor Kioti CS 2610

9. All flight emissions are calculated using a PwC-based methodology

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