

Boardroom Agenda

September 2022



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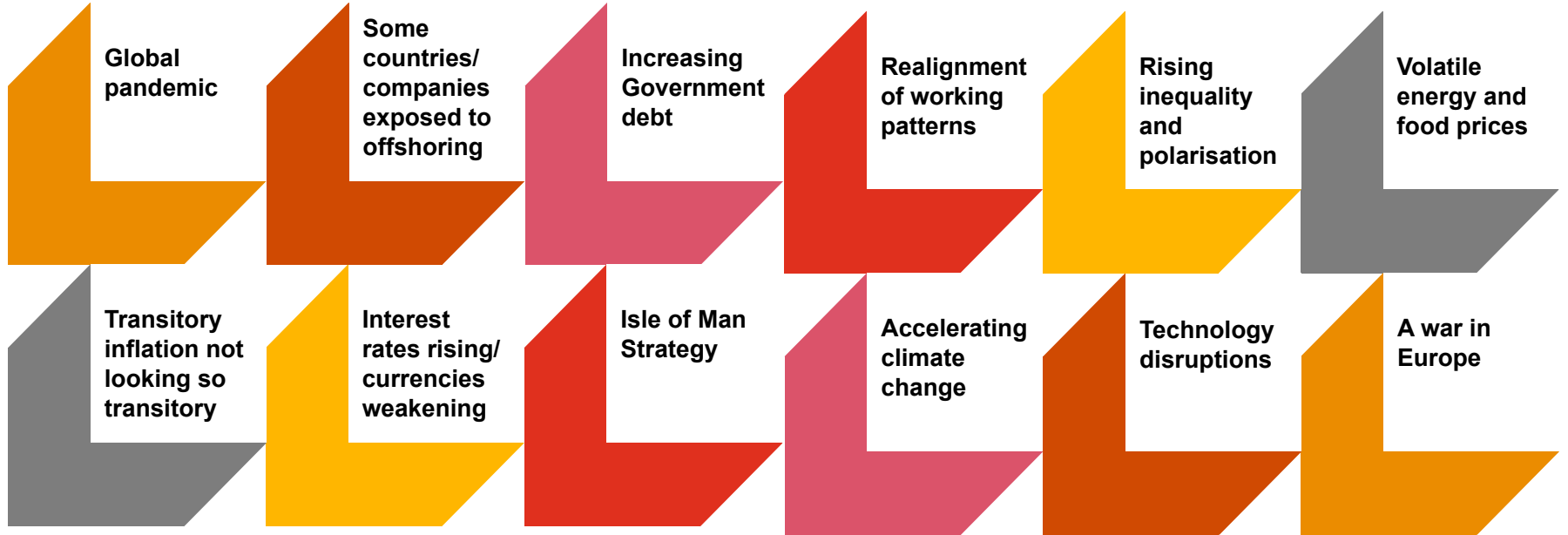


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Welcome



What's happened since we last got together?



Today's agenda

1. The changing tax landscape - Kevin Cowley
2. Creating value with ESG - Dasa Brynjolffssen
3. Insights into cyber attacks - Adolf Mugandiwa
4. Building tomorrow's workforce - Nichola Christison

The changing tax landscape



Your speaker:

Kevin Cowley

Tax Leader

kevin.cowley@pwc.com

The UK's
mini-
budget

1

The IoM's
Economic
Strategy

2

Tax
comparison

3

Incentives

4

NICs and
VAT

5

International
matters

6

1. The UK 2022 fiscal event ('mini-budget')

Purpose of the mini-budget

1. Intended to kickstart an economy which may already be in recession
2. Stimulate growth in GDP to an annualised level of 2.5% (from a currently unknown but presumed negative level).

How will this be done?

- Stimulate investment and activity
- Attract skilled people and businesses to the UK
- Critics calling it a 'trickle down' approach – will it work and when?

1. The UK 2022 fiscal event ('mini-budget')

- Cancelling planned corporation tax increase from 19% to 25%
- Abolishing top rate of income tax for the highest earners:
 - People earning more than £150,000 a year will no longer pay 45% but instead the lower 40% rate applicable to those with income over £50,271
- A cut to the basic rate of income tax, with the main rate falling from 20% to 19%

- A cut to stamp duty on house purchases
- VAT-free shopping to be introduced for overseas visitors
- Confirming the reversal of a recently imposed increase in National Insurance rates (1.25%) via cancellation of the Health and Social Care Levy.

Market reaction? £ v \$

2. The Isle of Man (IoM) 'Economic Strategy'

Main economic objectives

Grow population to **100,000** by **2037**

Reach GDP of **£10bn** by **2032** with **5,000** new jobs

Increase tax revenues by **£200m** by **2032**

Personal income tax

- The role of the personal income tax system will be significant
- The key challenge is to balance incentives against fairness.

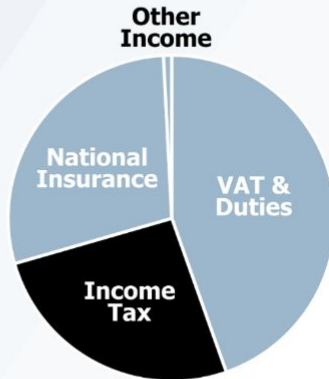




Government revenue – income tax

In the Isle of Man Budget 2022-23 the Treasury projected that Income tax would account for 25.93% of total Treasury income.

Budget Income Projections 2022/23



£ '000	Budget Income Projections						
	Budget 2021-22	Probable 2021-22	Provisional Budget 2022-23	Indicative Financial Plan			
				2023-24	2024-25	2025-26	2026-27
Income							
Customs & Excise	409,009	386,517	430,726	443,994	457,562	471,543	483,252
Income & Other Taxes	226,762	227,169	250,429	262,177	269,056	276,262	285,685
NI Operating Account	277,236	299,256	276,781	282,316	287,963	293,722	299,596
Other Treasury Income	9,860	6,160	7,937	8,096	9,258	9,443	9,632
Total Treasury Income	922,867	919,048	965,873	996,583	1,023,839	1,050,970	1,078,165





Comparison with the UK

(updated for 2022/23 tax year)

Income £31,772 per year

(UK median wage is £611 per week and IOM median wage is £613 per week)

£875 better

Single person on UK median wage

Income £35,000 per year

£947 better than UK (3%)

Would also be entitled to a one off refund of Class 1 National Insurance under the National Insurance Holiday Scheme – £3,061 in this case

Single recent graduate

Earning £35,000 each per year

Mortgage interest £3,600 per year

£2,285 better than UK (4%)

Young couple

Married couple

One person earning £50,000, other person no income

£5,555 better than UK (15%)

Mid level professional

Married couple

One person earning £70,000
Other person earning £35,000
Joint mortgage interest £5,000

£7,876 better than UK (10%)

Experienced Dr. and High School teacher spouse

Married couple

Combined earnings of £148,000
Additional income from interest, dividends and rental income of £128,400

£49,122 better than UK (29%)

High level professionals

Self employed with multiple business interests

Consultancy fees of £500,000
Dividend income of £500,000
Rental income of £60,000

£243,933 better than UK (40%)

High net worth individual



3. Tax comparisons

At lower incomes

- Small difference in favour of IoM
- Benefit will decrease with the reduction in BRIT in the UK

At higher incomes

- Significant benefits for IoM residents
- No capital taxes

The tax cap

- 55 individuals registered for the tax cap
- Significantly down on previous numbers – due to the 5 year tie in and/or level of tax?

4. Incentives

In overview

- System is fundamentally sound and competitive
- Softer advantages in the IoM

01

Simplicity - No 'overlapping' taxes, no marginal allowances and reductions, and consistent tax rates

02

Service - Communication is key

03

An equitable application - Practice driven application but with fairness in mind.

So, how can we move forward?



4. Incentives continued

Key employee concession

- Existing concession to attract key employees and entrepreneurs
- 3 year effective 'non-dom' treatment
- Difficult to get the concession?

Payroll

- A constant difficulty in cross border working (especially with UK workers)
- Simplified arrangements would be a big step forward.

Benefits in Kind

- Existing £20,000 relocation allowance & 3 months rent free accommodation
- Extend this to allow for food & accommodation (community setting)?

The tax cap

- Is £200,000 the right level – sensitivity analysis would be invaluable
- Lower cap if conditions are met?

Tax credits and digitisation

- Digitise (or else...)
- Tax credits for investment? Other areas?

5. NICs and VAT

NICs

- A very big contributor to Government finances
- Split from UK has provided an opportunity to review the tax.

Some fundamental questions:

- Should we have a Social Security tax at all?
- If so, should it be an 'earned income only' tax?
- Should everyone pay NICs, regardless of age?
- Why have different rates depending on business form?

NICs continued

Consultation currently live – closing date **7 October 2022**.

VAT

- Still a significant contributor to Isle of Man finances.

6. International matters (zero/ten and the OECD Pillars)

Pillar II

- IoM will have 'common approach' choice to implement (no international standard):
 - Not implementing could risk blacklisting 'by the back door' and it may become a standard in future in any case
 - If we don't tax relevant companies, they will be taxed elsewhere in any case.
- No decision on Pillar II made by IoM yet but likely to follow CIs who have issued a paper saying they are likely to implement
- The upshot of Pillar II would be a 15% rate on certain calculated profits of entities in large groups (turnover in excess of Euro 750M)
- ITD estimate around 800 Isle of Man companies would pay the 15% rate (total IoM population of around 27,000 companies)
- All relevant industry bodies have been contacted by ITD (especially Insurers as captives may well be caught)

6. International matters (zero/ten and the OECD Pillars)

Is it the end of zero/ten?

- Unlikely to be a future stepped reduction of the Euro 750M threshold, which would ultimately effectively mean the end of zero/ten
- This is because the 750M limit is expected to cover over 90% of worldwide corporate profits and so the cost-benefit of reducing it would not make sense
- Of course, inflation will mean that the Euro 750 million will be devalued over time, potentially bringing more companies into play but that would be a long game and not of immediate concern to ITD.

6. International matters continued

Other developments - Automatic Exchange of Information (AEOI):

1. MDR

- IoM to activate its Mandatory Disclosure Rules soon - probably later this year (this stalled due to Covid).
- IoM's answer to DAC 6 which the IoM and UK have decided not to implement in full ('DAC 6 lite'). Centred around reporting of transactions involving either of two hallmarks:
 - avoidance of CRS reporting
 - concealing beneficial ownership of a structure.
- Unlikely to have much, if any, impact on PwC Isle of Man.

2. Crypto-Asset Reporting Framework (CARF)

- Similar to CRS but for digital assets/transactions. No firm definition of which assets would be in scope but likely to include all currency, currency derivatives and NFTs.

3. CRS 2.0

- Updated CRS reporting with improved reporting functionality, changes in scope/application and exclusions to remove any possible duplication of reporting given CARF.
- Items 2) and 3) in early stages - public consultations to be held by ITD.

Thank you

Get in touch with our Tax team



Kevin Cowley
Tax Leader
kevin.cowley@pwc.com

Nicola Jackson
Senior Manager
nicola.jackson@pwc.com

Hannah Dawson
Tax Senior Associate
hannah.dawson@pwc.com

Grainne Christian
Tax Senior Associate
grainne.christian@pwc.com

Creating value with ESG



Your speaker:

Dasa Brynjolffssen

Director

dasa.brynjolffssen@pwc.com

What is ESG
and why is it
important?

1

The
economic
realities and
challenges

2

The
landscape
on the Isle of
Man

3

Areas for
boards to
reflect on

4

1. What is ESG and why is it important?

\$20Tr BoA estimate of ESG market demand in the next two decades.

30% CEOs think they should do more to measure their impact on wider communities.

60% CEOs plan to increase investment in sustainability & climate change (CEO survey).

89% investors saying their firm has changed their voting policy to be more attentive to ESG risks.

58% consumers are saying a company's purpose plays an important role in their decisions.

ESG provides an umbrella framework to consider a **company's impact** and dependencies on the **environment** and **society**, as well as the quality of its **corporate governance**.

What is ESG and why is it important continued

Environmental concerns

The impact of a company on the environment or the environment on the company.

Social concerns

The contribution of a company to fairness in society.

Governance concerns

The processes a company has for decision making, reporting, and ethical behaviour.

Stakeholder concerns - Consumers, shareholders, press, employees, unions, and regulators.

- Climate change
- Waste, emissions, pollution
- Water and resource scarcity
- Deforestation
- Land protection

- Community development
- Fair working conditions
- Access to finance
- Health concerns (physical/mental)
- Equality, diversity and inclusion

- Ethical behaviour
- Management accountability
- Anti-corruption
- Risk and opportunity oversight
- Tax transparency and governance

Considerations for companies.

- Net Zero commitments
- Transition risk
- Sustainable finance/ Green Bonds
- Energy efficient real estate
- Stress testing, scenario planning and modelling

- Company purpose, values and culture
- Socially responsible products and supply chain strategies
- Philanthropy and CSR activity
- Inclusive workplace and workforce
- People strategy (incl. talent)
- Modern slavery

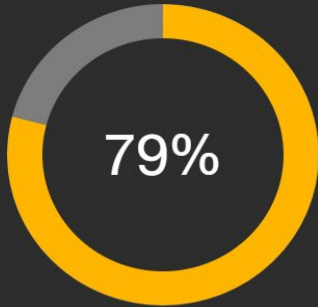
- Investment and stewardship policies
- ESG KPIs, data quality and governance
- Regulatory compliance
- Internal/ external reporting and assurance
- Board diversity and pay
- Data protection and security

2. The economic realities and challenges

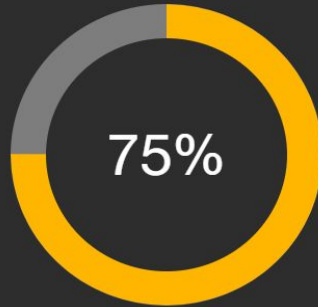
- For investors, what started out as a way to measure the ESG performance of a company for the purposes of gauging risk, is now a major force driving investment strategy.
- Investors are increasingly calling for clarity about the ESG initiatives companies are undertaking, and demanding more holistic, comparable and reliable decision-useful ESG reporting.

Attitudes toward ESG risks and opportunities, % of respondents who agree

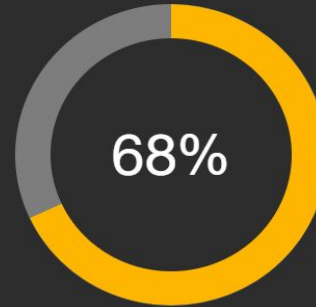
ESG risks are an important factor
in investment decision-making



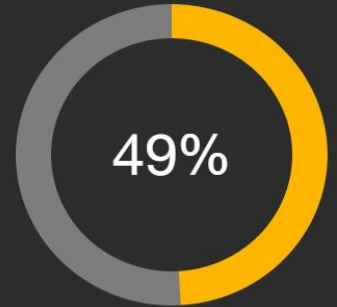
Companies should address ESG
issues, even if doing so reduces
short-term profitability



ESG performance measures and
targets should be included in
executive pay



I am willing to divest from
companies that aren't taking
sufficient action on ESG issues



Source: PwC 2021 Global Investor Survey

2. The economic realities and challenges

\$50Tr of assets expected to have additional ESG requirements in their mandate by 2025

Demand from various stakeholders to have a thought out strategy – but what are they looking for?

Lack of consistent frameworks for gathering and reporting information makes this challenging

How do organisations create access to lower cost capital and other value drivers through ESG?



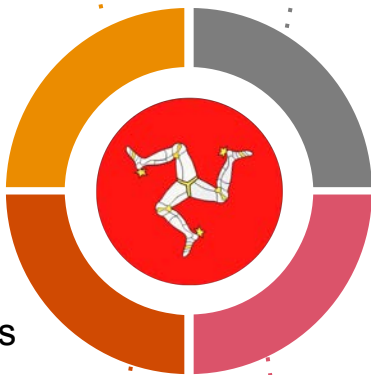
3. The landscape on the Isle of Man

No current regulation or reporting requirements

- No regulation currently on IoM, and nothing in short- or medium- term pipeline
- Although can be impacted by other external regulation (ie, listed or regulated entities).

Yet companies are reacting

- Societal and market expectation remains
- Recognition that companies are judged on both financial and non-financial performance
- ESG objectives and strategies are being developed.



Interaction with other jurisdictions can drive this

- Entities that are part of overseas groups can be pulled into that regulation
- Ambition to operate in other markets is a motivator
- Different jurisdictions have different focus areas and levels of requirements (at this point).

ESG isn't one to shy away from

- Regulation is likely to come
- Until that point, ESG is a value driver
- It's a challenging topic to work through and it takes time.

3. The landscape on the Isle of Man

1 Governance

- Business organisational structure taking into account responsibilities for ESG issues
- Processes to inform board/business owners and management
- Inclusion into board oversight activities, including frequency of consideration
- Monitoring and oversight of progress.

2 Strategy and risk management

- Risks/opportunities identified over short/medium/long term
- Strategic and financial impacts to the business
- Resilience of the business to ESG issues
- Processes for identifying, assessing and managing ESG-related risks
- Level of integration into overall risk management processes.

3 Metrics and targets

- Metrics used to assess ESG-related risks and opportunities in line with strategy and risk management process
- Fundamental measures on greenhouse gas emissions, diversity and inclusion and supply chains
- Realistic, yet ambitious, targets and performance against targets
- Quantified impacts to P&L and BS.

4 Reporting and assurance

- Determining the likely audiences for the reporting (investors, banks, regulators) and the benefits of disclosure
- Material ESG-related risks and opportunities
Completeness, accuracy and consistency of ESG-related information
- Arrangements in place to collate, prepare and review ESG information for reporting
- Extent of internal and/or external assurance to enhance credibility and expectations of the likely audiences.

4. Areas for boards to reflect on

The market ask is changing

What are the 'material' issues?

Supply chain – how deep do you go?

Board structure – where does ESG fit?

Define your ambition level

Funding the transition



Thank you

Get in touch with our ESG team



Dasa Brynjolffssen
Director
dasa.brynjolffssen@pwc.com

Ferran Munoz-Lopez
Partner
ferran.munoz-lopez@pwc.com

An insight into typical cyber attacks and what might have prevented them



Your speaker:

Adolf Mugandiwa

Manager

adolf.mugandiwa@pwc.com

When are businesses most at risk?

1

What are the sources of cyber risks?

2

Cyber focus areas

3



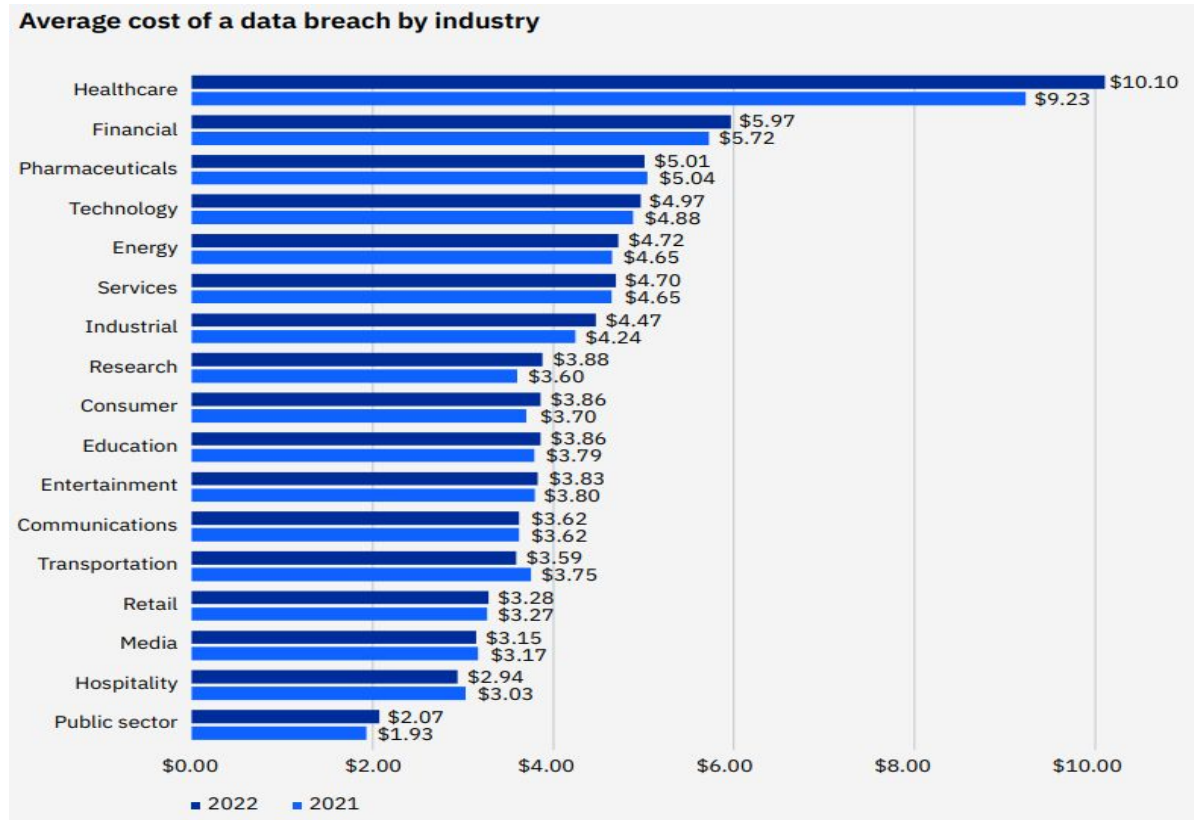
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Businesses are at risk
before the idea is even
conceived.

1. When are businesses at most risk?

- Migration from on-premise to cloud infrastructure
- Mergers and acquisitions
- New systems implementation/acquisition
- Taking on new third party vendors
- During a disaster/pandemic

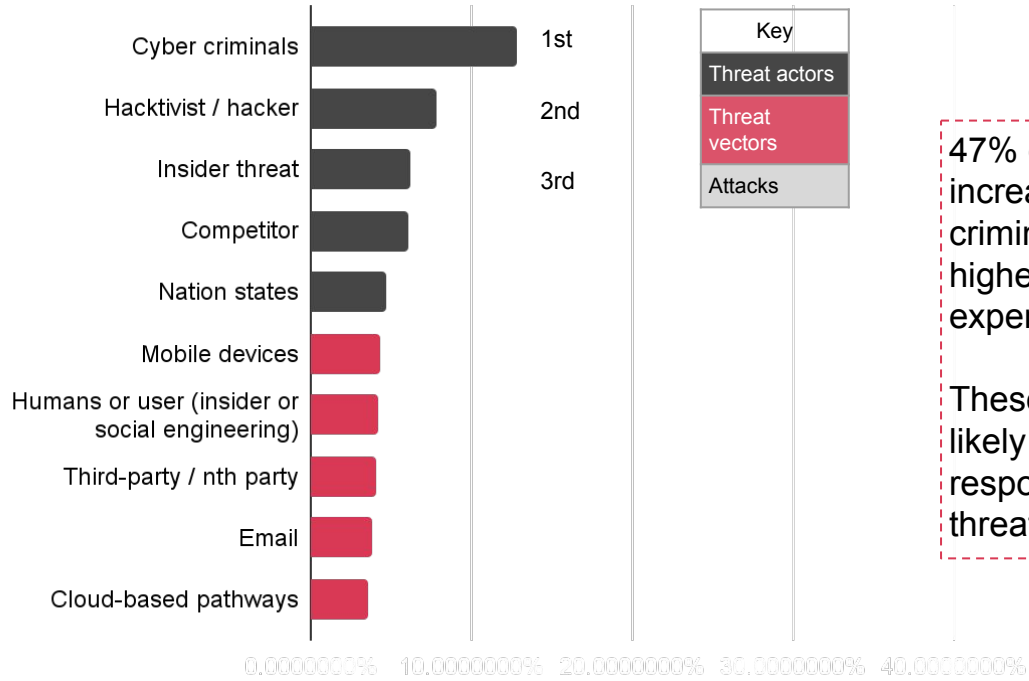
Cost per data breach



Source: Cost of a Data Breach Report 2022, IBM Security

Digital Trust Insights Survey 2023 - Although cybercrime, hackers and insider threats are top concerns in 2023, organisations are least prepared to address them.

Actors, vectors and attacks that organisations are least prepared to address (Ranked index, top 10)



47% of organisations who have experienced an increase in cyber breaches ranked cyber criminals in their top five answers, a significantly higher result than those who have not experienced an increase (31%)

These organisations were also significantly more likely to select the 2nd and 3rd highest ranked responses, 'Hacktivist / hacker' and 'Insider threat'.

Source: PwC's Global Digital Trust Insights Survey 2023, Final Results, September 2022. Base: 3522

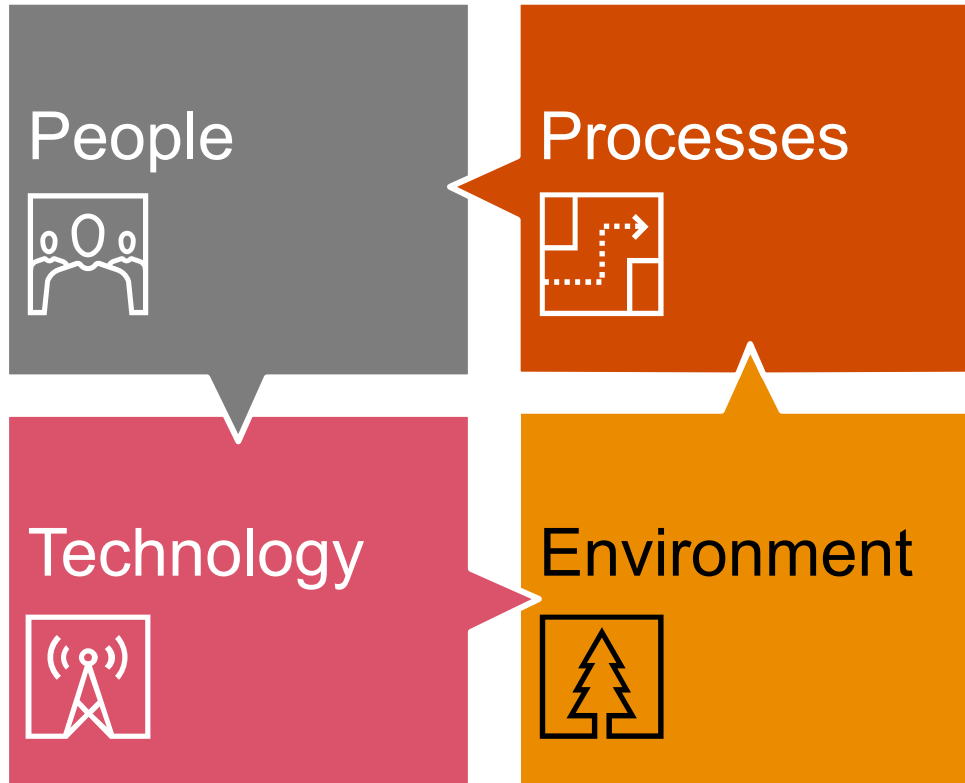


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The challenge

Enterprises often try to solve tomorrow's business problems with yesterday's cyber operating model.

2. What are the sources of cyber risks?



People

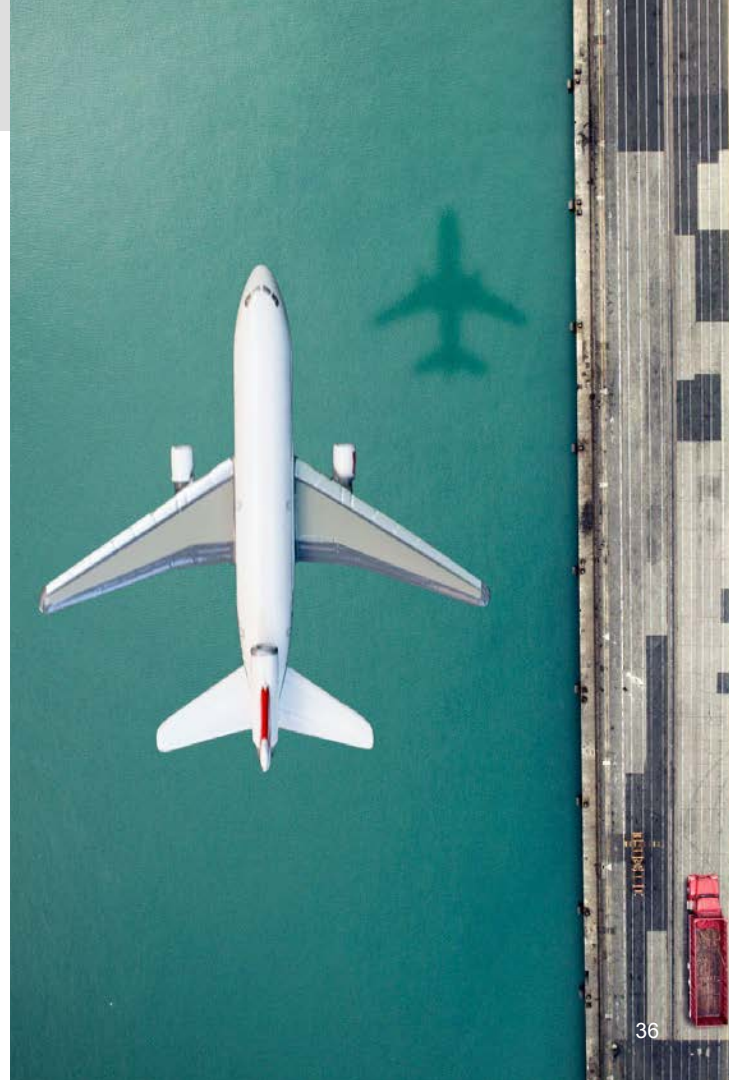
Here are two examples of high-profile attacks which rocked many organisations and exploited vulnerable people:

Uber hack

- Hacker gained access to some of Uber's internal systems including internal Slack messages, a finance tool for invoices and a dashboard used by the company's security researchers to report bugs and vulnerabilities.

American Airlines hack

- The American Airlines phishing attack involved unauthorized access to Microsoft 365.



Technology

Cloud-based systems have been prime targets of hackers:

- When SolarWinds was attacked in 2020, hackers could access networks of over 18,000 customers including Government agencies.
- LAPSUS\$ international extortion group claims to have breached identity platform, [Okta](#).

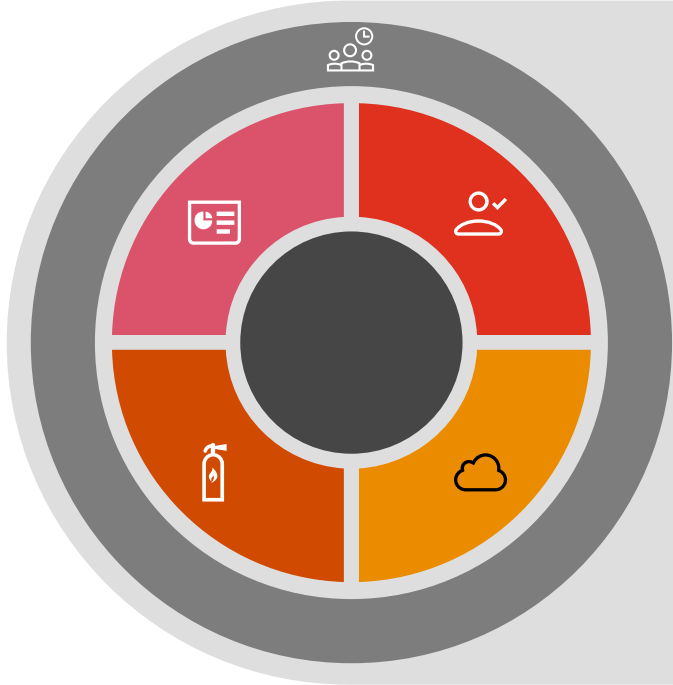


An aerial photograph of Singapore at sunset. The sun is low on the horizon, casting a golden glow over the city. In the foreground, the white Gothic-style spire of St. Andrew's Cathedral is prominent. The background features a dense skyline of modern skyscrapers, including the Marina Bay Sands tower, and the Singapore Flyer Ferris wheel. A large pink rectangular overlay covers the left side of the image, containing a quote.

“

Good security isn't incompatible with features, agility, or time to market.

3. Cyber focus areas



- **Building a security culture**
Security should be embedded in top-level the strategy
- **Advancing identity and access management**
Multiple device connectivity, IoT, Managed Services
- **Securing the work-from-anywhere environment**
Perimeter-less network, cloud-centric
- **Improving threat management capabilities**
Realtime security against an increasingly ominous threat landscape
- **Managing the supply chain**
Comprehensive look at the supply chain, including software supply chain.

Thank you

Get in touch with our Cyber team



Adolf Mugandiwa

Manager

adolf.mugandiwa@pwc.com

Ferran Munoz-Lopez

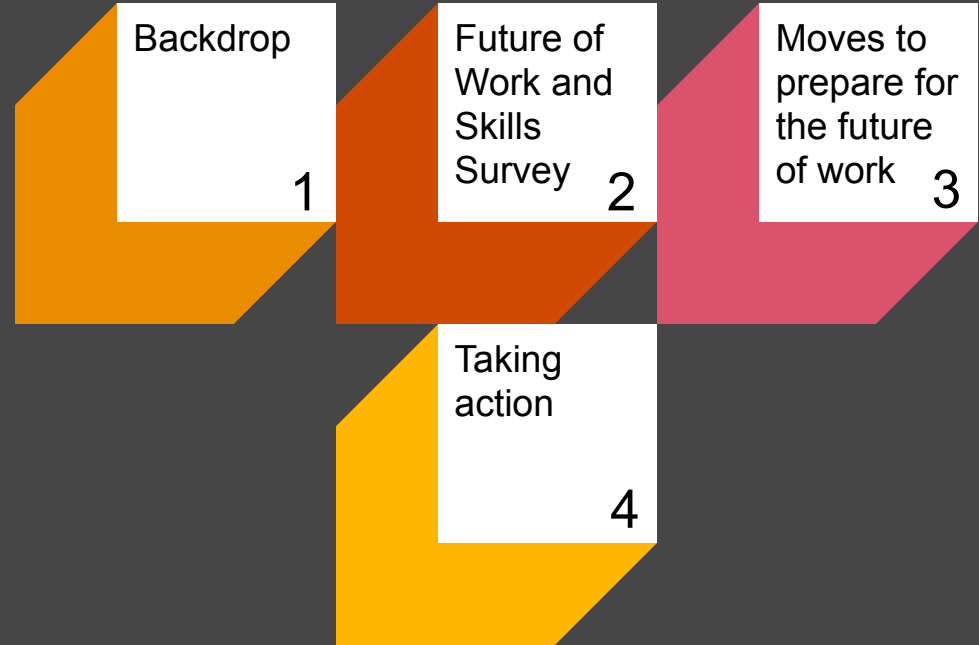
Partner

ferran.munoz-lopez@pwc.com

Building tomorrow's workforce



Nichola Christison | Partner
nichola.christison@pwc.com



1. Backdrop - our workforce challenges today

- Challenges are more significant and complex
- Global crises such as climate change and destabilising inequity
- Workplace digital journey
- People support and inspiration from their employers
- Burnout has become its own epidemic.

20m

USA: 20 million people quit April to August 2021
according to Bureau of Labor Statistics

1m

UK: 1 million open jobs
according to the UK's Office for National Statistics

0.7%

IoM: 0.7% unemployment rate
according to Government publications

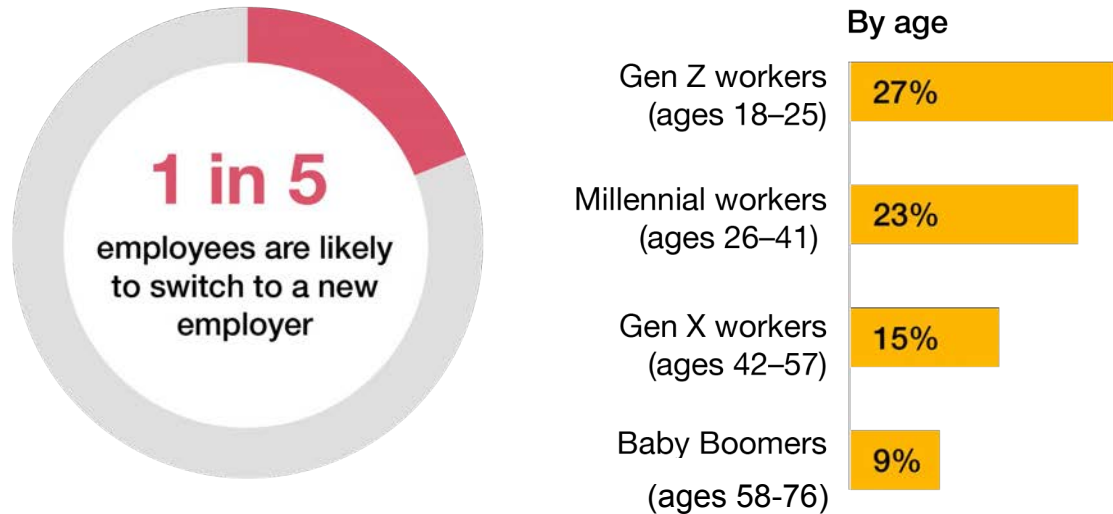
26%

AUS: 26% jump in workers moving from one company to another
according to LinkedIn data

1. Backdrop - our workforce challenges today (continued)

The Great Resignation is showing no signs of slowing down.

% of employees extremely or very likely to find a new employer in the next 12 months



Source: PwC's 2022 Global Workforce Hopes and Fears Survey of 52,195 workers across 44 countries and territories

2. Future of Work and Skills Survey

For organisations to thrive, they need to access their people's full potential and develop and execute new, dynamic strategies.

In our Future of Work and Skills Survey (September 2021), nearly 4,000 business and human resources (HR) leaders responded to collectively identify six actions as important to their workforce strategy - and agreed they are taking action.

3,937

business executives
and HR leaders

26

countries

28

industries

Lukewarm agreement or action will not move the needle in addressing today's biggest workforce risks. Leaders must act vigorously and quickly to strengthen their organisations for the most pressing challenges and to prepare for the future of work.

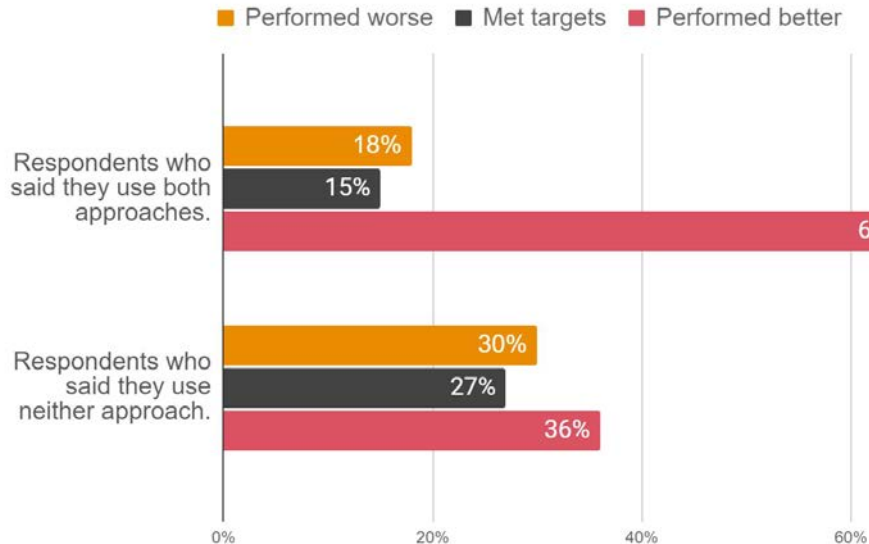
3. Moves to prepare for the future of work

1. **Anticipate and plan for the future**
2. **Build trust in the organisation**
3. **Optimise workforce productivity and performance**
4. **Enable the skills of the future**
5. **Prepare for and deploy technology with humans in mind**
6. **Build ability to rapidly access and deploy talent.**

3. Moves to prepare for the future of work

1. Anticipate and plan for the future

Scenario-based planning and dynamic planning yield significant dividends



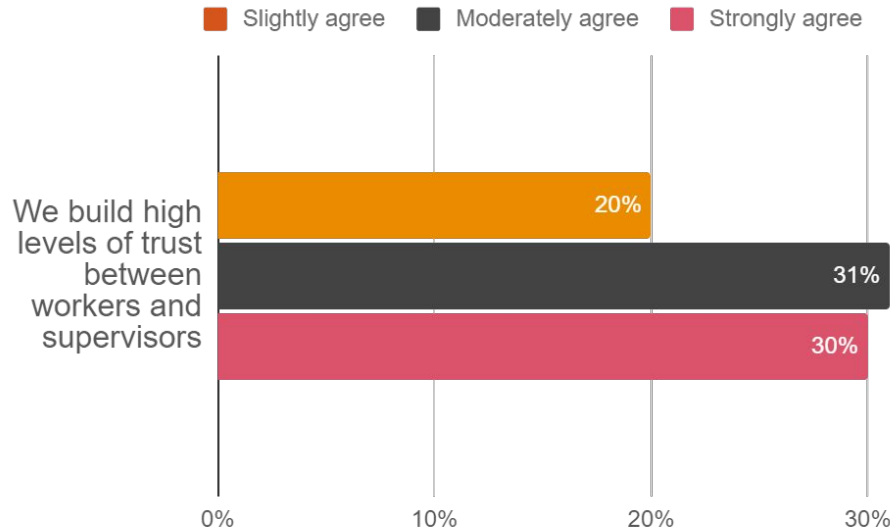
Actions:

- Gather and use data to plan deliberately
- Scenario and dynamic planning
- Intentional rather than reactive.

3. Moves to prepare for the future of work

2. Build trust in the organisation

Only 30% of surveyed leaders strongly agreed they're doing what's necessary to build high levels of trust between workers and their direct supervisors



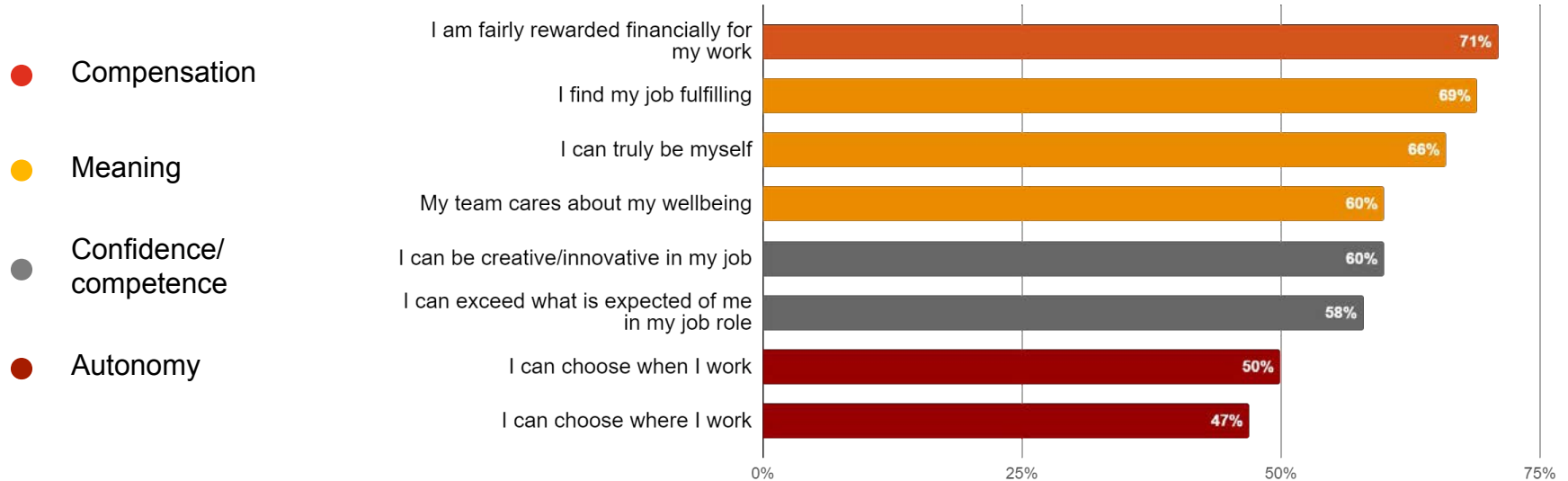
Actions:

- Activate culture - built trust, purpose and values
- Mental and physical wellbeing
- Accelerate digital journey
- Great transparency
- Close gaps in workforce diversity and pay equity
- Accountability - walk the walk.

3. Moves to prepare for the future of work

2. Build trust in the organisation continued

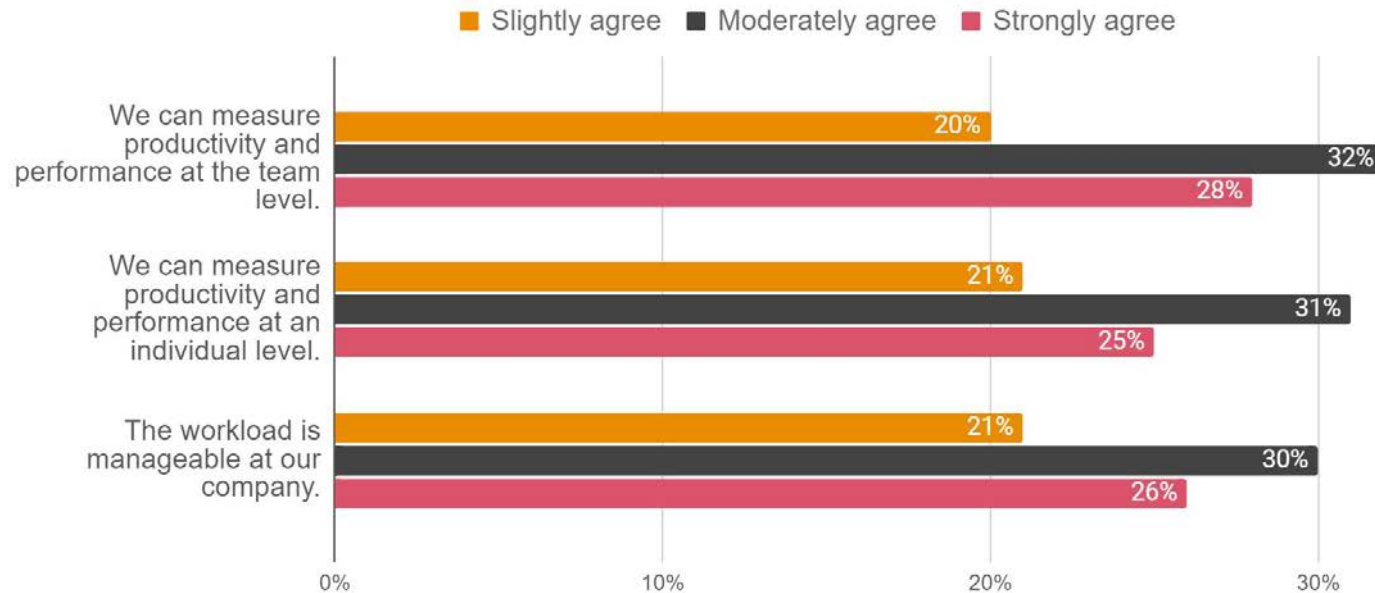
Most important factors when considering a change in work environment, % of respondents



3. Moves to prepare for the future of work

3. Optimise workforce productivity and performance

About 75% of leaders do not strongly agree that workload is manageable

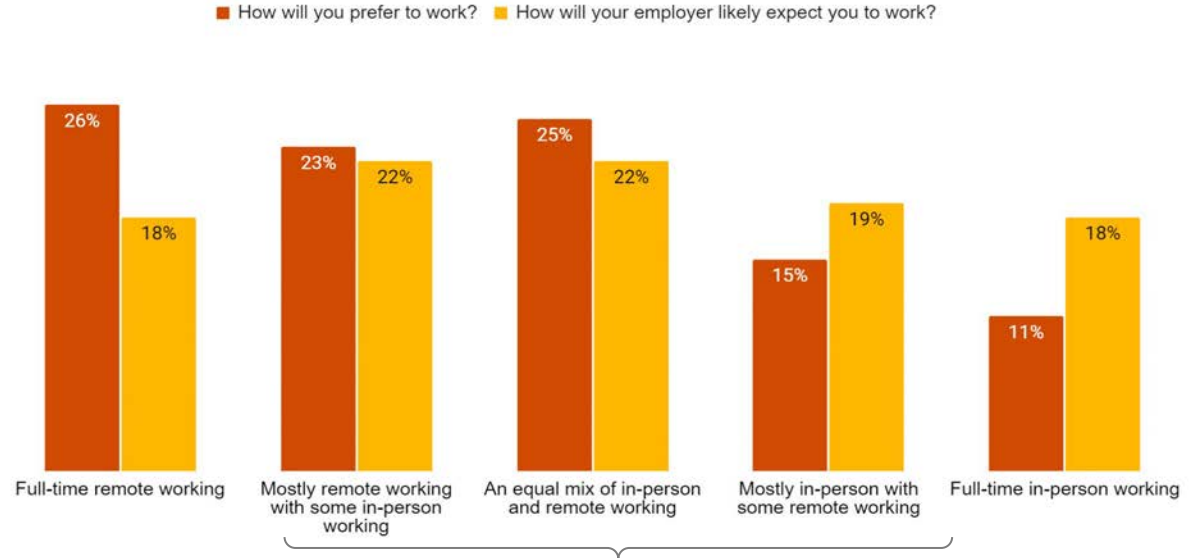


3. Moves to prepare for the future of work

3. Optimise workforce productivity and performance continued

Actions:

- Focus on management as much as measurement
- Remote / hybrid working boosts productivity
- Supports sustainable productivity
- Greater flexibility.

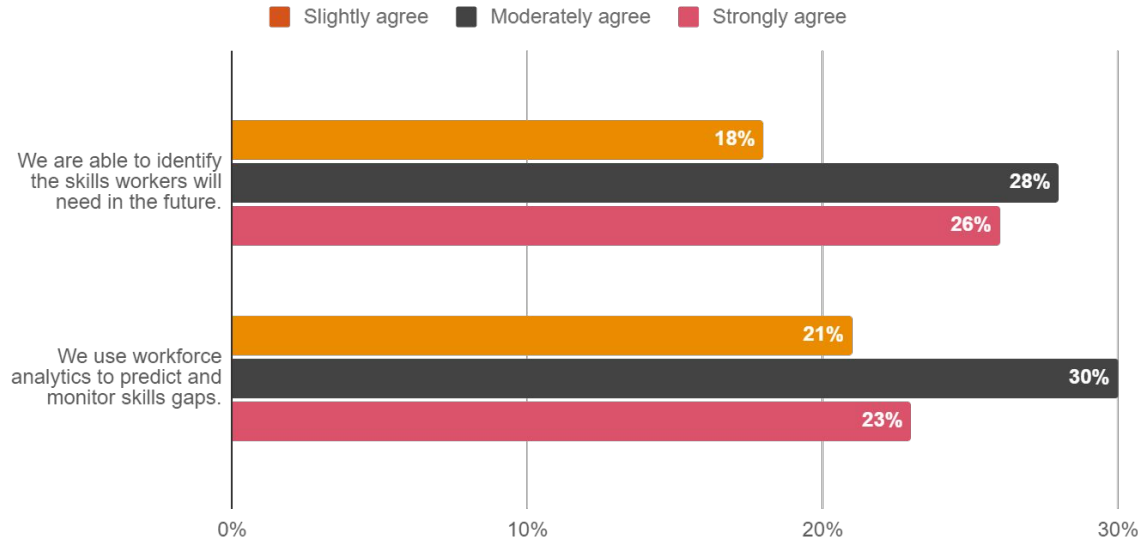


62% of workers said they prefer some mix of in-person and remote work, and **63%** said they expect their company to offer that kind of approach in the next 12 months.

3. Moves to prepare for the future of work

4. Enable the skills of the future

Barely one in four leaders can definitely identify skills they'll need in the future



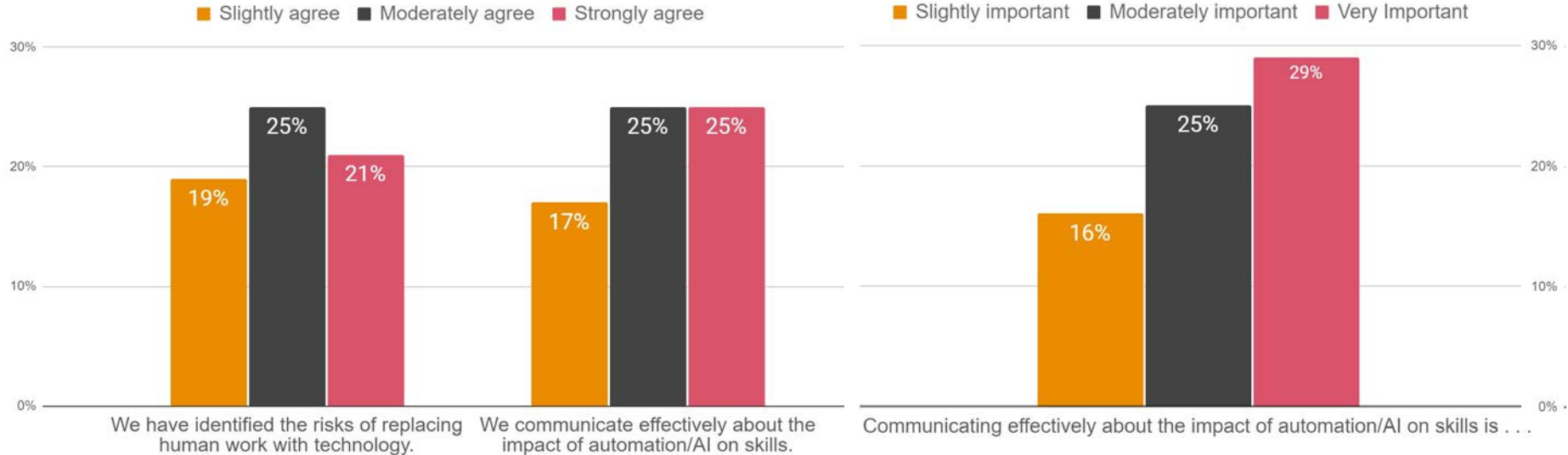
Actions:

- Invest in systems and data to assess needs and gaps
- Skills development builds trust in leaders
- General / targeted upskilling
- Targeted hiring and onboarding
- Enhanced coaching
- Design career paths and succession plans that enable mobility and retention.

3. Moves to prepare for the future of work

5. Prepare for and deploy technology with humans in mind

Less than one-quarter of leaders are confident they know the potential risks of automating work

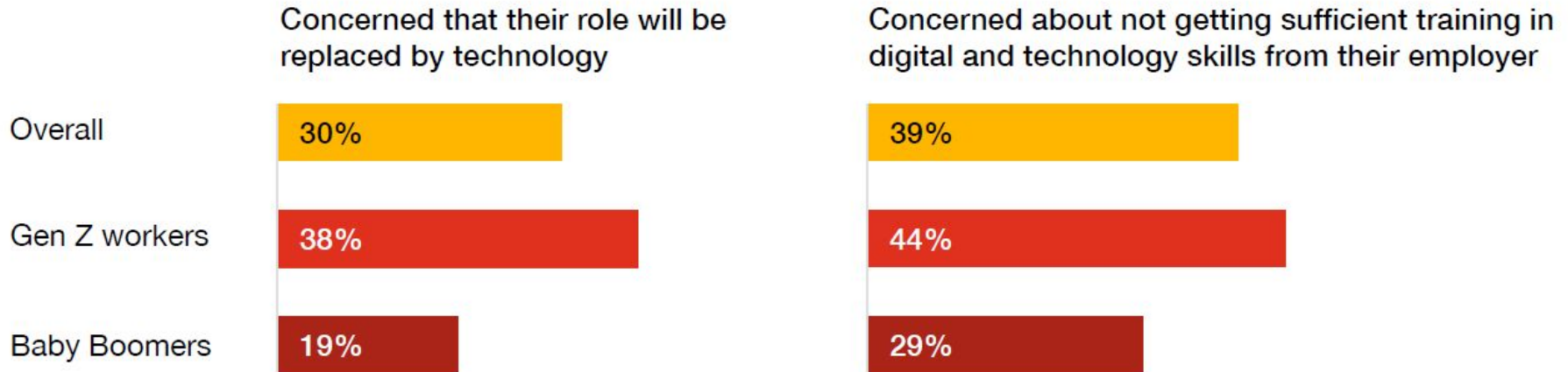


3. Moves to prepare for the future of work

5. Prepare for and deploy technology with humans in mind continued

Younger workers are more concerned about the impact of technology on their roles.

Technology's job impact over the next three years, % of respondents



Source: PwC's 2022 Global Workforce Hopes and Fears Survey of 52,195 workers across 44 countries and territories.

3. Moves to prepare for the future of work

5. Prepare for and deploy technology with humans in mind continued

Actions:

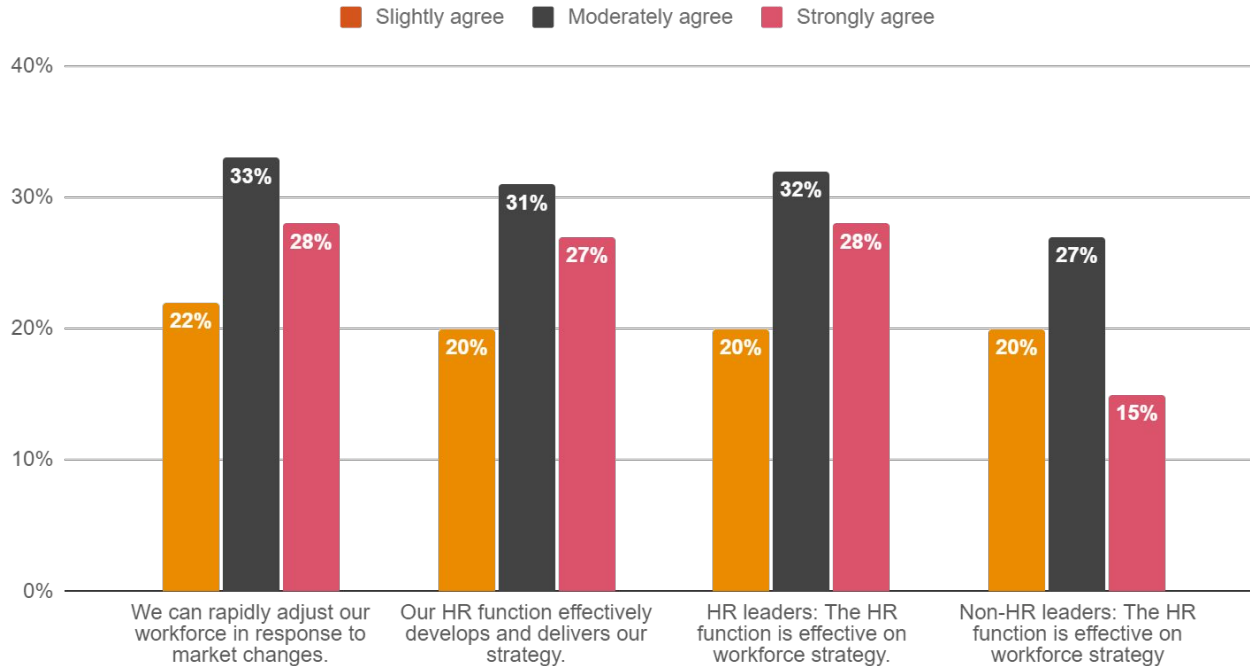
- Be transparent and collaborative
- Co-creation of solutions
- Reinforce transformation will be human-led and tech-enabled.



3. Moves to prepare for the future of work

6. Build ability to rapidly access and deploy talent

Far more human resources leaders than non-HR leaders think the HR function effectively delivers on workforce strategy



3. Moves to prepare for the future of work

6. Build ability to rapidly access and deploy talent continued

Actions:

- Highlight benefits of a diverse workforce
- Contingent workers
- Building versus borrowing talent
- Increase recruiting capabilities and internal mobility and redeployment
- Short-term resources.



4. Taking action

One size does not fit all.

Companies face a multitude of pressing challenges.

Success rests on fully-engaged people.

Getting this right needs:

- Workforce strategy
- Gathering data and addressing skills
- Building greater trust
- Communicating
- Tracking performance over time.



Thank you

Get in touch with our Human Capital team



Johann Marais
Human Capital Leader
johann.marais@pwc.com



Nichola Christison
Assurance HC Leader
nichola.christison@pwc.com



Samantha Pemberton
HR Senior Manager
samantha.pemberton@pwc.com

Questions?

Thank you



Nick Halsall
nick.halsall
@pwc.com



Kevin Cowley
kevin.cowley
@pwc.com



Dasa Brynjolffssen
dasa.brynjolffssen
@pwc.com



Adolf Mugandiwa
adolf.mugandiwa
@pwc.com



Nichola Christison
nichola.christison
@pwc.com

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