

Transparency Report

PricewaterhouseCoopers Channel Islands

Year ended 30 June 2019



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Welcome to our 2019 Transparency Report



Simon Perry

I'm delighted to present our Transparency Report, which aims to help our key stakeholders and wider society within the Channel Islands understand our objectives, what we expect from our people and how we are governed.

Our purpose is to build trust in society and solve important problems. We seek to bring this purpose to life in everything we do, from providing investors with the confidence in financial disclosures they need to make key decisions, to helping businesses and the wider community within the Channel Islands

navigate through disruption and complexity. At a time of uncertainty and upheaval within the UK, Europe and worldwide, this mission has never been more relevant.

Transparency is a critical part of this mission. We recognise that there can be no real trust without transparency, which is why this report is so important.

A good place to start is explaining who we are and what we do. I first came to the Channel Islands from Ireland in 1993 and, apart from a few years in Sydney, this has been my home ever since. I became the territory senior partner in January 2018.

The team I lead here in the Channel Islands is multi-talented and multi-disciplinary, but to marshal our activities and direct our capabilities we group them into three core lines of service:

Assurance – Provides clients and their various stakeholders – including investors, markets, regulators, employees, customers and wider society – with confidence so they can trust in information, systems and controls, both financial and non-financial.

Advisory – Helping clients build and implement solutions focused on their strategy, technology, management, operations and deals, to help them do business better and generate more value from transactions or investments.

Tax – Helping businesses understand complex tax rules and make informed decisions, while also assisting governments in improving and running tax systems.



Strengthening quality and credibility

Quality is the watchword for everything we do and continues to be a key focus for investment. This year we adopted a new PwC global quality management framework, which we have adapted to make it appropriate for local regulatory requirements and ensure it fully delivers for our clients and wider stakeholders. Key objectives include building quality management into business processes, monitoring against key quality thresholds and identifying and tackling risks that could undermine quality. The framework is supported by independent assessment.

The importance of continuous improvement is heightened by the intensifying public scrutiny and challenge facing the audit profession in the UK and elsewhere. We understand the concerns and recognise that the audit profession has not kept pace with the expectations of society and therefore needs to evolve and reform. Through developments such as our new quality management framework and the commitment to transparency demonstrated by this report, we're determined to ensure that our audit services are relevant, credible and fit for the future.

Tackling misconceptions

While critical everywhere, the question of credibility has particular resonance in the Channel Islands given the widespread misconceptions about our economy and policies on taxation. It's therefore hugely gratifying that the Channel Islands has been awarded with the highest OECD rating for the quality of its tax transparency and international information exchange. The OECD has also confirmed that our tax regime is not harmful to the global economy.

We at PwC will continue to do all we can to address lingering misconceptions and meet the exacting standards needed to sustain these international endorsements.

Making diversity a reality

Diversity and inclusion are critical to how we operate, from both a moral and business perspective. We believe that the breadth of experience and perspective that comes from promoting diversity and inclusion are a critical part of our ability to sustain quality.

A sign that our commitment is beginning to pay off is our achievement of a negative gender pay gap within PwC Channel Islands. To put this into perspective, the pay gap for the UK as a whole is more than 10% in favour of men. However, we recognise that we still have a long way to go, especially at the most senior levels of the firm. Two of our 11 partners on the Channel Islands are women and all our partners are white. We need to address this by identifying and nurturing people with potential on the one side and tackling the lingering biases and barriers that hold back people from under-represented groups on the other.

Within the community, our commitment to diversity and inclusion includes the release of the Channel Islands Women in Work Index earlier in the year, which measures female participation in the economy and how pay compares with men. The report highlights the extent to which women are a critical but still under-utilised source of talent and economic dynamism here in the Channel Islands. We're determined to address this, not just within the opportunities we offer within PwC, but also through our work with schools and advocacy within government and client businesses.

Transforming the way we work

Flexible working can support diversity, though it's important to stress that we see this as an option for all our staff as part of our commitment to autonomy and agile working. We're happy to consider any flexible working arrangement including compressed hours, part-time, flexible hours and remote working. And with more than 50% of our employees likely to take up one of these options at some point in their careers, it's the norm rather than the exception. We're pleased to have seen some of our younger employees asking to work 9 months on and 3 months off to go travelling. This has proved to be a great talent retention tool. I and my leadership team need to demonstrate that we ourselves embrace working flexibly and that it is in no way a barrier to progression.

The other big push in our workforce modernisation is ensuring that all our employees have the digital skills to improve client service and boost their employability. The roll out of new systems and associated training covers areas ranging from client engagement and business intelligence to tools that enable our people to make the most efficient use of their time. We're also bringing in new artificial intelligence capabilities that enable us to carry out comprehensive screening to identify potential client risks and compliance issues. Our teams can then take the results to carry out targeted assessments and remediation.



I hope you find this report useful. If there are any issues that you would like to discuss, please feel free to get in touch.

Simon Perry

Territory Senior Partner
PwC Channel Islands

October 2019

1 Introduction

Report overview

This Transparency Report is published in accordance with the requirements for third country auditors in Article 45 (5)(e) of the European Communities (Statutory Audits) (Directive 2006/43/EC) for our financial year ended 30 June 2019.

At PwC, as indicated earlier, the firm's purpose is to build trust in society and solve important problems. It's a network of firms in 157 countries with more than 276,000 people who are committed to delivering quality in assurance, advisory and tax services. The Transparency Report was approved and signed by Simon Perry as Territory Senior Partner on 31 October 2019 on behalf of PricewaterhouseCoopers CI LLP ('PwC Channel Islands').

Legal structure and ownership

PwC Channel Islands is a limited liability partnership. It is wholly owned by its members, who are commonly referred to as partners. Its members include PricewaterhouseCoopers LLP (PwC UK). Other than PwC UK, all members of PwC Channel Islands are natural persons and partners of the firm. As of 30 June 2019 PwC Channel Islands was made up of eleven partners in addition to PwC UK; one in Tax, one in Advisory and nine in Assurance. The subsidiaries providing professional services during the year were PwC Corporate Services (Guernsey) Limited, which is licensed by the Guernsey Financial Services Commission under the Regulation of Fiduciaries, Administration Business and Company Directors, etc (Bailiwick of Guernsey) Law, 2000 and PricewaterhouseCoopers Services (Jersey) Limited, which is a Managed Trust Company that has a joint business relationship with PraxisIFM Trust Limited and is licenced by the Jersey Financial Services Commission under the Financial Services (Jersey) Law 1998.

The firm has three PwC offices within the Channel Islands:

Jersey	Guernsey	Alderney
PwC Channel Islands 37 Esplanade St Helier Jersey JE4 4XA	PwC Channel Islands Royal Bank Place 1 Glatigny Esplanade St Peter Port Guernsey GY1 4ND	PwC Channel Islands Upper Floor Maison Des Venelles Venelles Des Gaudion Alderney GY9 3YW
Tel: +44 1534 838200	Tel: +44 1481 752000	Tel: +44 1481 752000
http://www.pwc.com/jg	http://www.pwc.com/jg	http://www.pwc.com/jg





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Network arrangements

PwC Network

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

In many parts of the world, accounting firms are required by law to be locally owned and independent. Although regulatory attitudes on this issue are changing, PwC member firms do not and cannot currently operate as a corporate multinational. The PwC network is not a global partnership, a single firm, or a multinational corporation.

For these reasons, the PwC network consists of firms which are separate legal entities.

PricewaterhouseCoopers International Limited

The firms that make up the network are committed to working together to provide quality service offerings for clients throughout the world. Firms in the PwC network are members in, or have other connections to, PricewaterhouseCoopers International Limited (PwCIL), an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for member firms in the

PwC network. Focusing on key areas such as strategy, brand, and risk and quality, the Network Leadership Team and Board of PwCIL develop and implement policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, member firms may draw upon the resources of other member firms and/or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

The PwC network is not one international partnership and PwC member firms are not otherwise legal partners with each other. Many of the member firms have legally registered names which contain "PricewaterhouseCoopers", however there is no ownership by PwCIL. A member firm cannot act as agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control member firm's exercise of professional judgement.



The governance bodies of PwCIL are:

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

The Territory Senior Partner of PwC Channel Islands is connected to the Strategy Council and maintains the firm's relationships with the Network Leadership Team.

Quality Management for Service Excellence (“QMSE”)

Delivering service of the highest quality is core to PwC’s purpose and the firm’s strategy, the focus of which is to strengthen trust and transparency in its clients, in the capital markets and wider society.

To help PwC Channel Islands put this strategy into effect, the PwC network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and efficient manner that meets the expectations of clients and other stakeholders.

This overall quality objective is supported by a series of underlying quality management objectives and the firm’s quality management system (QMS) must be designed and operated so that these objectives are achieved with reasonable assurance. The achievement of these objectives is supported by a quality management process established by the firm’s Assurance leadership, business process owners, partners and staff. This quality management process includes:

- identifying risks to achieving the quality objectives
- designing and implementing responses to the assessed quality risks
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators
- continuously improving the quality management system when areas for improvement are identified by performing root cause analyses and implementing remedial actions and

- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration and career progression decisions.

Real Time Assurance

PwC Channel Islands has developed a Real Time Quality Assurance (“RTA”) program to provide the firm with a process and tool for monitoring and supporting audit quality leveraging current technology opportunities.

The RTA program is designed to be a preventative monitoring program that further supports engagement teams getting the ‘right work’ completed during the audit. It enables the firm to cover both a wide range of engagements and Assurance quality indicators through internal monitoring processes with standardisation and automation saving time and resources.

Assurance Quality Indicators

PwC Channel Islands has identified a set of Assurance Quality Indicators (AQIs) that support the Assurance leadership team in the early identification of potential risks to quality. This quality risk analysis is produced quarterly and is an essential part of our QMSE, and the AQIs, in addition to other performance measures, provide a tool which assists the firm in monitoring the effectiveness of its QMS.

Root Cause Analysis

PwC Channel Islands performs analyses to identify any potential factors impacting the firm’s audit quality so that it can take actions to continuously improve. One of its primary objectives when conducting such analyses is to identify how the firm can provide the best possible environment for its engagement teams to deliver a quality audit. The firm looks at audits both with and without deficiencies—whether identified through its own internal inspections process or through external inspections—to help identify possible distinctions and learning opportunities.

For individual audits, a team of reviewers that is independent from the engagement team identifies potential factors contributing to the quality of the audit. The firm considers factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others. Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

In addition, the data compiled for audits both with and without deficiencies is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geography as the client, the number of years that key engagement team members have been on the engagement, the number of other audits that engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was performed.

PwC Channel Islands' goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of the audits. The firm evaluates the results of these analyses to identify enhancements that may be useful to implement across the practise. The firm believes these analyses contribute significantly to the continuing effectiveness of its quality controls.

Recognition and Accountability Framework

The firm's Recognition and Accountability Framework ("RAF") reinforces quality in everything its people do in delivering on the strategy, with a focus on the provision of services to clients, how the firm works with its people and driving a high quality culture. It holds Partners and Directors accountable for quality outcomes. The RAF considers and addresses the following key elements:

- **Quality outcomes:** Providing quality outcomes to measure the achievement of the quality objectives. The firm's quality outcomes take into account meeting professional standards and the PwC Network and the firm's standards and policies;
- **Behaviours:** Setting expectations of the right behaviours that support the right attitude to quality, the right tone from the top and a strong engagement with the quality objective;
- **Interventions/recognition:** Putting in place interventions and recognition that promotes and reinforces positive behaviours and drives a culture of quality; and
- **Consequences/reward:** Implementing financial and non-financial consequences and rewards that are commensurate to outcome and behavior and sufficient to incentivise the right behaviours to achieve the quality objectives.

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Legal structure and ownership of the firm

The members appoint the Territory Senior Partner who is responsible for the management of the business and affairs of PwC Channel Islands. The current Territory Senior Partner was appointed on 1 January 2018. He has appointed functional leaders comprising the partners of PwC Channel Islands as detailed below.

The responsibilities of the Territory Senior Partner and the Partnership Team include establishing and determining the effectiveness of the firm's system of internal control, including those relating to the quality of the firm's audit services.

Partners and their key roles as of 30 June 2019:

Name	Role(s)	Experience as a PwC Partner	Location
Evelyn Brady	Risk and Quality Leader	10 years	Guernsey
Mike Byrne	Asset Management Leader	4 years	Jersey
Karl Hairon	Markets Leader, Technology Leader, and Jersey Managing Partner	9 years	Jersey
Neil Howlett	Advisory Leader	4 years	Jersey
John Luff	People Partner and Business Transformation Leader	6 years	Guernsey
Lisa McClure	Partner	1 year	Jersey
Roland Mills	Partner	3 years	Guernsey
Simon Perry	Territory Senior Partner	14 years	Guernsey
John Roche	Partner responsible for Independence and Ethics, and Business Conduct Leader and Guernsey Managing Partner	13 years	Guernsey
Nick Vermeulen	Innovation and Technology Leader	8 years	Guernsey
Justin Woodhouse	Tax Leader	29 years	Jersey





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Internal quality control system

Firms of the PwC network are members of, or otherwise connected to PwCIL. Each member firm is a separate legal entity. All member firms are obliged to abide by certain common audit and quality control standards and policies approved by PwCIL and to conduct risk and quality reviews. PwC Channel Islands' policies are based on these common standards and policies, which are supplemented to address local professional standards and regulatory requirements.

Culture and tone from the top

The firm's purpose and values are the foundation of its success. PwC Channel Islands exists to build trust in society and solve important problems, and its values help deliver on that purpose. The purpose reflects 'why' PwC does what it does, and the strategy provides it with the 'what' is done. 'How' the firm delivers its purpose and strategy is driven by the culture, values and behaviours. The PwC culture thrives and is supported by a framework of internal and external expectations and requirements. These help guide behaviours and build trust:

- in how business is done;
- with each other;
- in communities; and
- in how information is used.

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

Acts with integrity

- Speaks up for what is right, especially when it feels difficult;
- Expects and delivers the highest quality outcomes; and
- Makes decisions and acts as if personal reputations were at stake.

Makes a difference

- Stays informed and asks questions about the future of the world;
- Creates impact with colleagues, clients and society through its actions; and
- Responds with agility to the ever-changing environment in which it operates.

Cares

- Makes the effort to understand every individual and what matters to them;
- Recognises the value that each person contributes; and
- Supports others to grow and work in the way that brings out their best.

Works together

- Collaborates and shares relationships, ideas and knowledge beyond boundaries;
- Seeks and integrates a diverse range of perspectives, people and ideas; and
- Gives and asks for feedback to improve themselves and others.

Reimagines the possible

- Dares to challenge the status quo and try new things;
- Innovates, tests and learns from failure; and
- Has an open mind to the possibilities in every idea.



Quality control standards

Compliance with International Standards on Auditing (ISA) requires PwC Channel Islands to have a system of quality control over its auditing practice. These controls are embedded as part of PwC Channel Islands' day-to-day activities. The quality control system is in compliance with International Standards on Quality Control 1 (ISQC1), Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, issued by the International Federation of Accountants (IFAC). The IFAC standards and requirements and, therefore, PwC Channel Islands' quality control system, encompass the following six elements of quality control:

1. Leadership Responsibilities for Quality within the Firm
2. Ethical Requirements
3. Acceptance and Continuance
4. Human Resources
5. Engagement Performance
6. Monitoring of Assurance Quality

1. Leadership responsibilities for quality within the firm

PwC Channel Islands' leadership is committed to audit quality and has established a firm culture embracing high standards and integrity.

This leadership is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance discussed below. It is also demonstrated by the dedication of resources to quality. There is a partner responsible for risk management and quality control relative to PwC Channel Islands' client service operations who reports directly to the Territory Senior Partner.

2. Ethical requirements

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

- A. **Integrity** – to be straightforward and honest in all professional and business relationships.
- B. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
- C. **Professional Competence and Due Care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
- D. **Confidentiality** – to respect the confidentiality of information acquired as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authority, unless there is a legal or professional right or duty to disclose, nor use the information for the personal advantage of the professional accountant or third parties. Further details on how we have addressed our responsibilities regarding confidentiality and data security are disclosed on page 27.
- E. **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

Network Standards

The firm's Network Standards applicable to all Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair-competition, anti-corruption, information protection, firm's and partner's

taxes, sanctions laws, internal audit and insider trading. The firm takes compliance with these ethical requirements seriously and strives to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which the firm operates. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in PwC Channel Islands monitors compliance with these obligations.

Independence

The firm has specific policies, procedures and practices relating to independence, which are explained in more detail on page 29.

PwC Values

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

Speak-up helpline

The firm has an anonymous and confidential whistle-blowing helpline called the Speak Up helpline which is run by PwC UK. This is available to any partner or member of staff who observes inappropriate business conduct or unethical behaviour that cannot be resolved locally, or where the normal consultation processes are not appropriate. The PwC Code of Conduct encourages partners and staff to speak up when dealing with behaviour or facing a situation that doesn't seem right. Partners and staff have a

responsibility to report and express concerns in good faith, fairly, honestly and respectfully. The firm is committed to dealing responsibly, openly and professionally with any genuine concerns raised about possible malpractice. It also protects against any form of retaliation.

Code of conduct

Upon hiring or admittance, all staff and partners of PwC Channel Islands are provided with the PwC Global Code of Conduct. They are expected to live by the values expressed in the Code in the course of their professional careers and have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing behaviours inconsistent with the Code. Each firm in the PwC Network provides a mechanism to report issues. There is also a confidential global reporting option on pwc.com/codeofconduct. PwC Channel Islands has adopted an accountability framework to facilitate remediation of behaviours that are inconsistent with the Code of Conduct.

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

Anti-bribery

PwC Channel Islands is opposed to bribery in any form. The PwC Code of Conduct makes it clear that it is unacceptable for its people to solicit, accept, offer, promise or pay bribes whether directly or through a third party. Policies, training and procedures designed to prevent bribery and disciplinary procedures if bribery is detected, are in place.

Preventing the facilitation of tax evasion

The firm is opposed to tax evasion and the facilitation of tax evasion. In accordance with the PwC Code of Conduct, it is unacceptable for anyone providing services for or on behalf of PwC to evade tax or to facilitate tax evasion. Policies, training and procedures designed to prevent the facilitation of tax evasion are in place.

Further details regarding our response to The Criminal Finances Act 2017 can be found on page 43.

3. Acceptance and Continuance

Considerations in accepting and continuing an audit client relationship

The firm's principles for determining whether to accept a new client or continue serving an existing client are fundamental to delivering quality, which it believes goes hand-in-hand with PwC's purpose to build trust in society. The firm has established policies and procedures for the acceptance of client relationships and audit engagements that consider whether it is competent to perform the engagement and has the necessary capabilities including time and resources, can comply with relevant ethical requirements, including independence, and has appropriately considered the integrity of the client. The firm reassesses these considerations in determining whether it should continue with the client engagement and has in place policies and procedures related to withdrawing from an engagement or a client relationship when necessary.

Client and Engagement Acceptance and Continuance

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

Engagement teams:

- to document their consideration of matters required by professional standards related to acceptance and continuance;

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

Member firms (including member firm leadership and risk management):

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

Withdrawal from an engagement

Policies and procedures are in place for circumstances in which the firm determines that it should, or is required to, withdraw from the engagement. Its policies in this area include the need for appropriate consultations both within the firm and with those charged with governance at the entity, together with ensuring compliance with legal and professional obligations. This may include informing its and/or the entity's regulators of the reasons for resignation. The firm's policies and procedures also deal with circumstances where it becomes aware of information after accepting an engagement which, had it been aware of it earlier, would have led the firm to decline the engagement.

Conflicts of interest and sensitive situations

Conflicts of interest and sensitive situations arise when two or more clients have conflicting interests in a matter and the services being provided relate to that matter. Where applicable, appropriate measures (e.g. ethical walls or other separation barriers) will, with both parties' agreement, be put in place to safeguard the confidentiality of both clients' information and to otherwise mitigate the actual or perceived conflict. It is important that engagement leaders are alert to whether conflicts of interest or sensitive situations exist and that engagement leaders and staff recognise they need to be dealt with carefully and sensitively to protect the best interests of the firm and its clients. Policies, guidance and training are provided to engagement leaders and staff to facilitate this. If a conflict of interest or sensitive situation is identified, engagement leaders are responsible for implementing the relevant information barrier or ethical wall instructions that relate to their team, and ensuring they are followed, and for promptly providing the Ethics and Business Conduct Leader and their line of service risk management team with details of the engagement, as well as for keeping the Ethics and Business Conduct Leader apprised of updates to the scope of the engagement or composition of the team.

4. Human Capital

PwC Channel Islands' partners and staff receive a thorough orientation to the culture, values, code of conduct and core attributes of PwC – Act with integrity, Make a difference, Care, Work together and Reimagine the possible. PwC Channel Islands recruit only top quality staff that can operate in supporting high quality audits and who share in the firm's aim for excellence. Candidates are considered according to multiple criteria (based on network standards), including their academic achievements.

In 2015, the firm launched The PwC Professional, a global leadership framework which articulates the skills and capabilities the firm expects from all its people to deliver an outstanding experience to both clients and its people. The recruitment process is closely aligned to this framework, enabling the firm to select the best talent, based not only on their technical skills but also on their behaviours and ways of working.

PwC Channel Islands hires top-performing school-leavers into its Higher Apprenticeship program, and top-performing graduates into its graduate programs. The Associate level is the entry level grade, with progression through the ranks. A rigorous recruitment process is in place to ensure candidates are screened for intellectual capability,

competency and culture fit through a succession of interviews and interactions with decision-makers. Through competency based interviews the firm establishes their demonstration of the five attributes of The PwC Professional; Whole Leadership, Global Acumen, Technical Capabilities, Business Acumen and Relationships.

Experienced hire candidates follow an equally rigorous screening and a two stage interview process aligned to The PwC Professional. This establishes the level of standard and quality which the individual works to and ensures the firm is recruiting individuals who will promote and live by the values and core attributes of PwC during their professional work.



Promotions of staff are based on the individual's performance, their skills and the business case. Promotions to director or admission to partnership involve the CI leadership team and follow network standards through participation in the UK Director process.

PwC Channel Islands Partner candidates undergo an overall assessment validation carried out by an independent UK Partner admission process. All potential admissions to Partnership are considered and ratified by the Partnership in consultation with the UK member and the UK Partner Affairs Committee.

The process for promotion to director and admission to partnership involves a formal assessment of the quality of the individual's work and their adherence to ethical requirements and professional standards.

In determining remuneration for staff, the firm carefully balances several elements including: the economic climate and the external market; recognition of individual contribution, including the quality of the work they delivered; the performance of the firm; and investment for the future. PwC have common firm-wide reward principles, but in rewarding its people the Channel Islands firm recognises that it operates in different markets.

Learning and education

The PwC Professional global leadership framework underpins a training curriculum which provides a wealth of opportunities for the firm's people to build professional skills and knowledge to support the delivery of high quality assurance services to its clients.

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

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

The design of the curriculum allows the firm to select, based on local needs, when it will deliver the training. The Learning & Education leader considers what additional training is appropriate – formal and/or informal – to address specific local needs. This involves specific industry updates on the areas the firm works in, software and technology training and various other soft skill development programmes. The firm uses the Global Assurance Curriculum which is released by the Global Learning & Education (L&E) team, and between local L&E and staff, these materials are tailored to become more Channel Islands specific. The firm has a wealth of resources available on a central learning system which allows staff to curate and choose their own learning based around their goals and personal development objectives.

The modular content along with innovative learning approaches have led to formal recognition from the broader learning community. In both 2017 and 2018, PwC's Learning and Education won a Brandon Hall Group silver award for excellence in the "Best Strategy for a Corporate Learning University" © 2017, 2018 Brandon Hall Group, Inc.

Supervision and direction

Each engagement partner and director is responsible, in consultation with others as appropriate, for staffing engagements with partners, directors and staff who have the professional competence and experience required in the circumstances. Further, each engagement partner or director is ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

Diversity and Inclusion

PwC Channel Islands strives for an inclusive culture in which everyone, irrespective of gender, culture, background or beliefs is valued. Diversity is critical for the business, bringing different experience, skills and perspectives together to enable the firm to meet its clients' needs.

PwC Channel Islands takes pride in employing staff from a wide variety of cultural backgrounds, making the firm rich in diversity.

A gender pay-gap analysis was conducted for the year ending 30 June 2019, concluding that at below Partner level, pay bias is not present in determining base pay. A slight favouring of women in pay was noted.

During the year ending 30 June 2020 further analysis will be conducted to include Partner earnings as well as other aspects of reward such as bonus.

See page 37 for an overview of the firm's Gender Pay Gap.

5. Engagement performance

Consistent global methodology

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

The PwC Audit Guide explains PwC's methodology. The Guide along with PwC's technology-based audit support tools, templates and content support engagement teams in conducting assurance and related services engagements.

Developed technology

PwC Channel Islands continues to invest in audit technology that builds quality into the audit and enhances its ability to provide insights to its clients. The firm's technology is built and implemented globally ensuring consistency across the PwC Network.

These new tools that enhance audit quality and efficiency through automation, connectivity and mobility include:

- Aura Platinum is the latest, cloud-based release of Aura. It's at the heart of how the firm builds and executes the audit plan. Aura is used globally across all PwC audits, delivering audits tailored to the client's business. Targeted audit plans specify risk levels, controls reliance and substantive testing. Smart dashboards show teams audit progress and the impact of scoping decisions more quickly.

New functionality includes:

- Enhanced dashboards - makes teams more efficient by helping them focus on what's important
- Improved workflow view - facilitates better project management
- Seamless integration with assurance tools - changes flow straight into Connect.
- The Connect Suite is the firm's collaborative platform where it shares data, document requests and audit status. It provides fast, efficient and secure information sharing with clients and multi-location audit teams at every stage of the audit:
 - Connect monitors the status of requests and information between clients and the engagement team in real time. Audit and client teams know where things stand at all times through a consolidated dashboard showing all sites, digitisation of engagement matters, and automated key performance indicators.

- Connect Audit Manager streamlines, standardises and automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process, so there's greater transparency, compliance and quality for complex multi-location audits.
- Halo is PwC's market-leading audit technology that allows it to identify and assess risks and determine where to focus audit efforts. Halo interrogates, tests and analyses huge volumes of business-critical data, analysing whole populations, spotting and visualising anomalies and trends in financial information. It enables the firm to analyse patterns and trends, identify unusual and high-risk transactions, and provide valuable insight to its teams and clients. Halo works with data from any system and there are a number of applications for different industries and risks.
- Count facilitates the end-to-end process for inventory counts, allowing the firm's engagement teams to create and manage count procedures, counters to record results directly onto their mobile device or tablet and engagement teams to export final results into Aura. Engagement teams with multiple locations can standardise instructions and manage results through a single portal.



- PwC's Confirmation System makes it easy for clients to return requested information securely. Automated, flexible technology means it works for virtually all confirmation types - from accounts receivable to derivatives to loans to inventory. PwC Channel Islands continues to invest in audit technology that builds quality into the audit and enhances its ability to provide insights to its clients. The firm's technology is built and implemented globally ensuring consistency across the PwC Network.
- DokBot – a document generation tool that automatically generates the right wording for auditor's reports, audit engagement letters and other audit related documents, based on input parameters that the auditor specifies. The use of DokBot reduces the likelihood that the auditor might make a mistake in tailoring a document to the specific engagement circumstances, particularly in areas that are complex, for example the detailed additional reporting obligations associated with Public Interest Entities, or those that are relatively infrequently carried out by the auditor.

Comprehensive policies and procedures

To complement the Global policies and procedures, PwC Channel Islands has comprehensive policies and procedures governing local accounting and auditing practice that are constantly updated to reflect new professional developments and operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that PwC provides to its professionals about how best to implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible remotely at any time.

Risk and Quality (R&Q)

Consultation is a key element to quality control. PwC Channel Islands has formal

protocols setting out the circumstances under which consultation is mandatory. PwC Channel Islands has access to all the technical resources to track new developments in accounting and auditing and provide updates to the appropriate professional staff. PwC Channel Islands' consultative culture means that its engagement teams will regularly consult with experts and others where appropriate.

Supervision and review

The engagement leader and senior engagement team members supervise the audit, review the work done, coach the team and maintain audit quality. Its audit software, Aura, is designed to help audit team members track the progress of the engagement and therefore make sure that all work has been completed, that work is reviewed by the relevant individuals including the engagement leader and, where relevant, the Engagement Quality Control Reviewer (known in PwC Audit as the Quality Review Partner), and that all matters arising have been appropriately addressed.

The engagement leader is expected to:

- lead the performance of the audit and its documentation by being proactively and sufficiently involved throughout the audit, including being satisfied that risks have been assessed and responded to appropriately;
- drive a cultural mindset that strives for continuous quality improvement, challenges engagement team members to think, analyse, question and be rigorous in their approach, and embody the experiences of our clients and people in how the team delivers the audit and applies professional scepticism;
- foster an integrated coaching culture and demonstrate a willingness to learn and to coach others;
- be responsible for the engagement team undertaking appropriate consultation on difficult or contentious matters, initiating those consultations where necessary;

- have an ongoing involvement in assessing the progress of the audit, and in making key judgements;
- be satisfied that the review, supervision and quality control procedures in place are adequate and effective; and
- have an overall responsibility for reviewing and assessing the quality of the work done, its proper and timely documentation and the conclusions reached.

Senior engagement team members support the engagement leader by:

- setting an example in the performance of the audit and its documentation by being involved throughout the audit, including identifying the risks and being satisfied that they are responded to appropriately;
- striving for continuous quality improvement, challenging engagement team members and applying rigour to the audit process;
- fostering an integrated coaching culture and demonstrating a willingness to learn and coach others;
- together with the engagement leader, putting in place arrangements for timely reviews of audit work and documentation, and, taking into account the nature, extent and level of reviews already performed by other members of the team, satisfying himself or herself that the work performed and documentation are consistent with the understanding of the engagement; and
- reviewing work done and the record of the audit, including considering the quality of the audit process and the results of the work and the documentation of conclusions.

In addition to reviews by the engagement leader and senior engagement team members, all staff are expected to critically self-review their own work to make sure that it meets the relevant requirements.

Engagement quality control review

PwC Channel Islands appoints a Quality Review Partner (QRP) to conduct engagement quality control reviews of the audits of listed clients, other public interest entities and clients identified as higher risk or higher profile.

QRPs are experienced individuals, usually partners, who are independent of the core engagement team; they receive training when appointed as a QRP and on an annual basis thereafter.

QRPs are appointed to an engagement based on their experience and expertise. The QRP is responsible for reviewing key aspects of the audit including independence, significant risks and responses to these risks, judgements, uncorrected misstatements, documentation of work done in the areas reviewed, the financial statements, communication with those charged with governance and the appropriateness of the audit report to be issued. QRPs are involved throughout the audit process so that their input is timely.

The QRP will challenge the audit team in the judgements they have made and work done. Their review is completed and any matters raised are resolved to the QRP's satisfaction in advance of the audit report date. Second partners are required to be appointed to certain types of non-audit work and, depending on the nature of the engagement, may fulfil a role similar to that of a QRP on an audit. In other situations, their role is defined and agreed with the engagement leader and evidenced on the file.

Differences of opinion

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or central functions such as Risk and Quality or Independence. These include the use of technical panels consisting of partners independent of the engagement.

Engagement documentation

At the end of an engagement, teams are required to assemble the electronic audit file in accordance with a timeline that is more stringent than that required by professional standards. The act of archiving the electronic audit file prevents any further amendments being made to the file. Unless required for legal, regulatory or internal review purposes, electronic audit files are only accessible by members of the engagement team or by specific individuals for risk management, quality review and compliance purposes until they are destroyed. All engagement files are destroyed after periods specified by law or professional standards.

Independent senior partner review

PwC Channel Islands operates a programme of obtaining direct feedback from its clients via face-to-face interviews, undertaken by senior partners independent of the engagement team, as well as client satisfaction surveys. It uses this feedback to make sure that it continues to provide high-quality services and address any service issues promptly.

6. Monitoring of Assurance Quality

The firm recognises that quality in the Assurance services delivered to clients is key to maintaining the confidence of investors and other stakeholders in the integrity of PwC's work. It is a key element to the firm's Assurance strategy.

Responsibility for appropriate quality management lies with the Leadership of PwC Channel Islands (the firm). This includes effective monitoring processes aimed at evaluating whether the policies and procedures which constitute its Quality Management System are designed appropriately and operating effectively to provide reasonable assurance that audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards.

The firm's monitoring program is based on the PwC Network's Global Assurance

Quality Review (GAQR) Program. This program which is based on professional standards relating to quality control including ISQC 1, contains policies, procedures, tools and guidance which are used by PwC Network firms. The GAQR program is coordinated by a central team which consists of a GAQR Leader with a group of International Team Leaders (ITLs) who are senior partners seconded to the GAQR central team by PwC member firms. Provision of oversight by the ITLs and their continuous involvement and support enables a consistent and effective performance of reviews across the PwC network.

The firm's monitoring procedures include an ongoing assessment of the design and effectiveness of its quality management system, as well as a review of completed engagements (Engagement Compliance Reviews - ECR). The results of these procedures form the basis for the continuous improvement of the firm's quality management system.

Assurance ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in the firm who are authorised to sign audit or non-audit assurance reports. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement related policies and procedures. Assurance ECRs are undertaken so that significant risk-based engagements are reviewed at least twice every six years. All assurance partners and signing directors must have at least one of their engagements reviewed every five years, or once every three years for those eligible to sign UK Statutory audit reports. The Quality Review process also involves periodic testing of the effectiveness of PwC Channel Islands' quality controls in functional areas such as hiring, training, advancement and independence.

Reviews are led by experienced Assurance partners from other territories, supported by independent teams of partners, directors, and senior managers and other specialists.

Review teams receive training to support them in fulfilling their responsibilities, and utilise a range of GAQR-approved checklists and tools when conducting their review procedures.

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

Partners and employees of the firm are informed about the review results and the actions taken to enable them to draw the necessary conclusions for the performance of their engagements. In addition, the GAQR Leader informs engagement partners of the firm who are responsible for group audits involving cross-border work about relevant quality review findings in other PwC member firms which enables the firm's partners to consider these findings in planning and performing their audit work.

The members of PwC Channel Islands believe that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that statutory audits carried out by PwC Channel Islands consistently meet the required quality standards.

Partner and staff survey

PwC conducts an annual staff survey: YouMatter. This is derived from PwC's global staff survey, the questions are applicable across all lines of service and the results feed into its global reporting on people management: The firm's YouMatter survey was updated for 2016 and now incorporates additional questions focused on audit quality, enabling it to report its people's view on quality.

Respondents are able to score on a scale of 1-5 where 1= strongly disagree; 2= disagree; 3= neither agree nor disagree; 4= agree; and 5= strongly agree. When asked whether delivering quality work is a priority for individuals and whether the leaders the firm works with are committed to providing high quality services to external clients, results were received across all lines of service between 4 and 5. PwC Channel Islands is pleased to see that partners and staff continue to prioritise the delivery of quality work to its clients, as reflected in these high scores.

Complaints and allegations

If clients are not satisfied with the services the firm has delivered, or have suggestions for how it can improve, they may contact either the engagement leader or Simon Perry, the Territory Senior Partner at PwC Channel Islands.

The firm looks carefully and promptly at any complaint received. The Institute of Chartered Accountants in England and Wales (ICAEW) or the institute of which the individual PwC Channel Islands partner or member of staff is a member, may also be contacted directly.





5

Confidentiality and Information Security

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

The firm's Territory Senior Partner, Simon Perry, is responsible for information protection. In this role Simon is supported by the Information Protection Governance Group, which is responsible for providing oversight, policy and strategic direction on information risk matters.

Membership of the Group comprises representatives from Risk and Quality, Data Protection, Information Technology and the Lines of Service.

The Group's objectives are to:

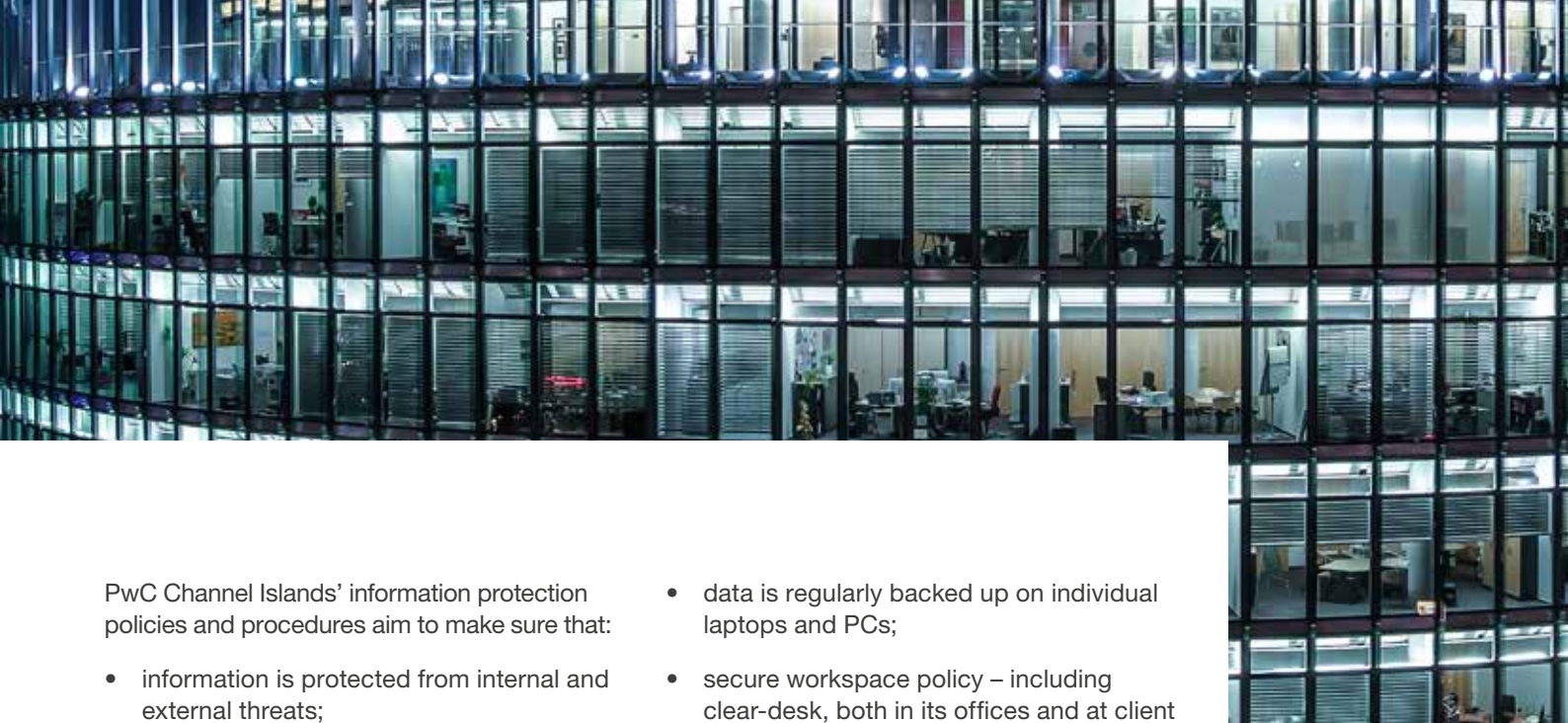
1. Provide overall governance and oversight of information protection;
2. Act as an approval body for information protection policies and procedures;
3. Agree and allocate information protection accountability and responsibilities;
4. Identify and initiate information protection remediation projects; and
5. Monitor progress of the information protection programme.

The firm is bound by, and all partners and staff are required to comply with, the ICAEW's fundamental principle of confidentiality. There are also other legal and regulatory obligations on partners and staff about handling confidential information and personal data, and contractual terms govern the use and disclosure of information. The firm provides information security and data protection training upon recruitment, annual update training for all partners and staff thereafter, and training to various departments on an ad hoc basis throughout the year.

The firm also has in place an accountability framework and the appropriate technical and organisation measures to promote compliance with Data Protection regulations.

PwC Channel Islands is registered with the Jersey and Guernsey data protection authorities. Its standard privacy notice is available to the public at <https://www.pwc.com/jg/en/about-us/privacy-statement.html>.

PwC Channel Islands participates in an information security management system. It is working towards certification to be compliant with the requirements of ISO/IEC 27001:2013 for all client data that comes under its control or ownership by virtue of a contract for services between PwC Channel Islands and a client.



PwC Channel Islands' information protection policies and procedures aim to make sure that:

- information is protected from internal and external threats;
- confidentiality, availability and integrity of information is maintained;
- statutory regulatory and contractual obligations are met; and
- appropriate classification of data confidentiality to ensure it is appropriately handled.

The firm's policies and procedures include:

- encryption of all the firm's laptops, PCs and removable media;
- secure and PwC managed apps for data accessed by mobile devices;
- software restricting the use of removable media;
- data is appropriately classified to ensure correct handling of data;
- access to engagement files – both electronic and hard copy paper files – is restricted to those with a 'need to know' and is regularly reviewed to ensure that such access remains appropriate;

- data is regularly backed up on individual laptops and PCs;
- secure workspace policy – including clear-desk, both in its offices and at client sites;
- securing hard copy files when they are not in use;
- remote access to the network via a secure virtual private network, or equivalent technology;
- policies on the transmission of data by email outside of the organisation; and
- restricted access to operational areas of the firm's buildings.

The firm's policies and standards are supported by ongoing compliance monitoring. Monitoring is carried out by PwC Channel Islands' risk management team and will be supplemented by checks by the PwC Network Information Security organisation.

The firm has incident reporting and response procedures that seek to minimise the impact of any data loss which arises. These procedures include notifying clients when it is known that their data is at risk and, where appropriate and feasible, taking corrective action.

6

Independence procedures and practices

Organisation

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

During the year to 30 June 2019, PwC Channel Islands had a designated partner, John Roche, known as the “Partner Responsible for Independence” (PRI) with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a small team of independence specialists. The PRI reports directly to the Territory Senior Partner.

Policies and guidance

The firm applies the PwC Global Independence Policy, which is based on the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants, and contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

Entities subject to independence requirements of the US Securities and Exchange Commission (SEC), the US Public Company Accounting Oversight Board (PCAOB) and the UK FRC Ethical Standard are, in certain instances, subject to more restrictive independence requirements than those required by the IESBA code and PwC’s

Global Independence Policies. Given the reach of these requirements and their impact on PwC Network Firms, the policy identifies key areas where these requirements are more restrictive.

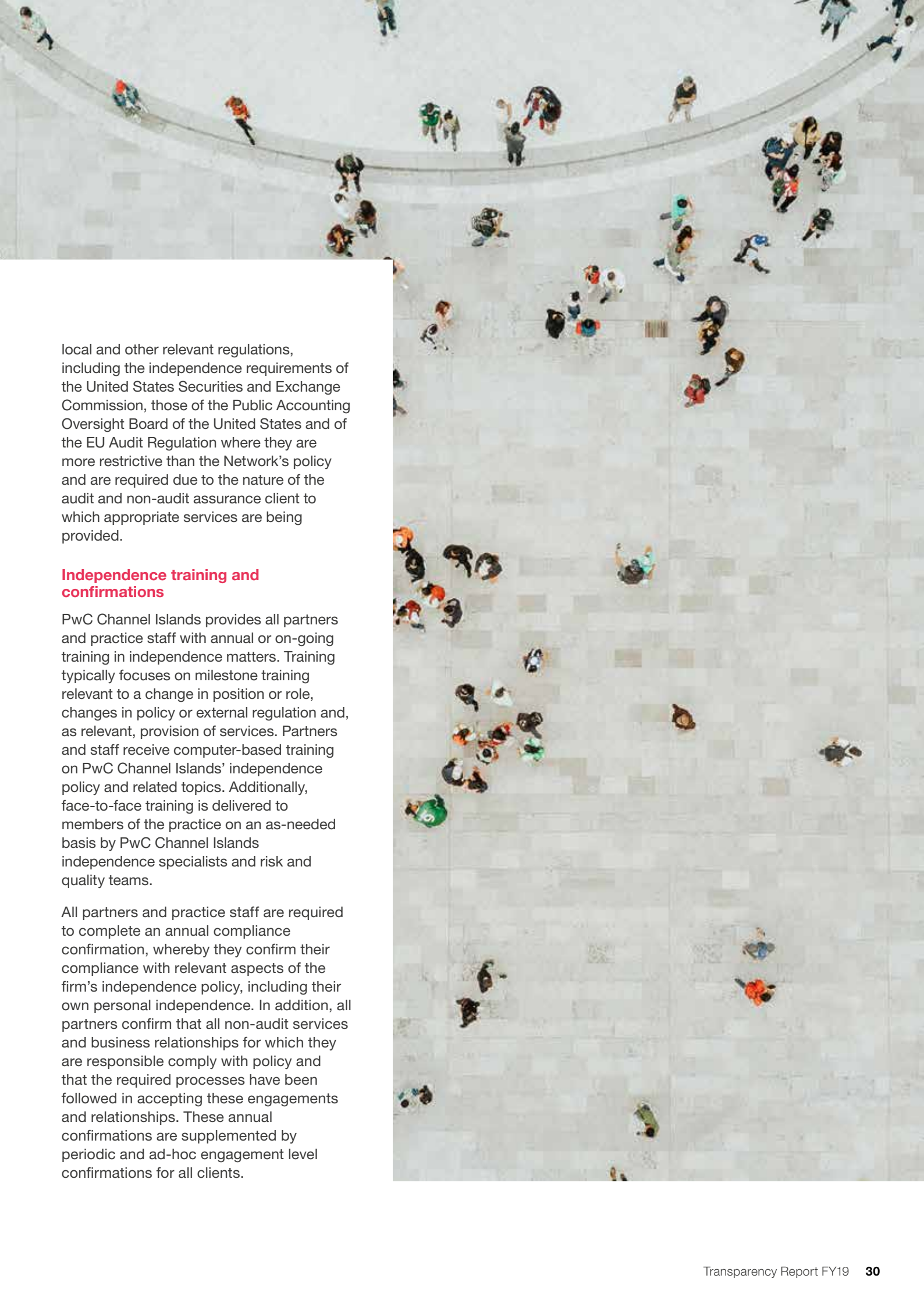
The firm’s independence policy covers, among others, the following areas:

- personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (SOPS), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients; and
- business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.

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

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

PwC Channel Islands supplements the PwC Network Independence Policy as required by



local and other relevant regulations, including the independence requirements of the United States Securities and Exchange Commission, those of the Public Accounting Oversight Board of the United States and of the EU Audit Regulation where they are more restrictive than the Network's policy and are required due to the nature of the audit and non-audit assurance client to which appropriate services are being provided.

Independence training and confirmations

PwC Channel Islands provides all partners and practice staff with annual or on-going training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive computer-based training on PwC Channel Islands' independence policy and related topics. Additionally, face-to-face training is delivered to members of the practice on an as-needed basis by PwC Channel Islands independence specialists and risk and quality teams.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that the required processes have been followed in accepting these engagements and relationships. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for all clients.

Independence-related tools

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

- The Central Entity Service (CES), which contains information about corporate entities including public interest audit clients and SEC restricted clients and their related securities. CES assists in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system drives the 'Independence List' and also feeds Independence Checkpoint;
- Independence Checkpoint which facilitates the pre-clearance of publicly traded securities by all partners and practice managers before acquisition and records their subsequent purchases and disposals. Where a PwC firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security where required;
- Authorisation for Services (AFS) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats created by the service and proposed safeguards, and acts as a record of the audit partner's conclusion on the permissibility of the service; and
- Global Breaches Reporting System which is designed to be used to report any breaches of external auditor independence regulations (e.g. those set by regulation or professional requirements) where the breach has cross-border implications (e.g. where a breach occurs in one territory which affects an audit relationship in another territory).

PwC Channel Islands also has a number of Channel Islands specific systems which include:

- A rotation tracking system which monitors compliance with PwC Channel Islands' audit rotation policies for engagement leaders and other key audit partners involved in an audit; and
- A database that records all approved audit engagements entered into by PwC Channel Islands. These engagements are reviewed on an annual basis to ensure their all appropriate independence checks have been made.

Independence monitoring and disciplinary policy

PwC Channel Islands is responsible for monitoring the effectiveness of its quality control system in managing compliance with independence requirements. In addition to the confirmations described above, as part of this monitoring, the firm performs:

- Quality control reviews of engagements to confirm compliance with risk management processes, including independence;
- Personal independence compliance testing of a random selection of partners and directors as a means of monitoring compliance with independence policies;
- Compliance testing of independence controls and processes; and
- An annual assessment of the firm's adherence with the PwC Network's independence risk management standard.

In addition, policies and guidance are reviewed and revised when changes arise such as updates to laws and regulations, when PwC Network policies and guidance change or as a result of the above reviews and of our monitoring and testing programme.

The results of PwC Channel Islands' monitoring and testing are reported to the firm's management on a monthly basis.

The investigations of any identified violations of policies also serve to identify the need for improvements in PwC Channel Islands' systems and processes and for additional guidance and training.



Disciplinary policy

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

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

7

Continuing professional education of partners and staff eligible for appointment as statutory auditors

PwC Channel Islands maintains up-to-date reference materials which are accessible by all assurance practice partners and staff. These cover audit policy, procedure and methodology, and include a library of international accounting, auditing and ethical standards. To support and keep staff and partners' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise. Support is available to partners and staff on auditing, accounting and regulatory requirements, including access to subject matter experts in specialist industries.

PwC Channel Islands' internal training curriculum provides a broad range of technical solutions as well as business and personal skills programmes. There are also specialised training programmes available for those with clients in specialist industries. Through their participation in the internal objective setting and related performance appraisal processes, engagement leaders assess their ongoing personal development needs and identify any necessary development activities, including in relation to quality. Unsatisfactory work results in reduced performance reward.

The PwC Global Code of Conduct sets expectations of behaviour and values. Mandatory ethics and business conduct training covers the Code of Conduct as well as ethical, accounting, auditing and other regulatory matters.

PwC Channel Islands also monitors compliance with Continuing Professional Development requirements, including the completion of mandatory training programmes, so that PwC Channel Islands' services are delivered by individuals who have the right experience and – where required – are qualified under relevant legislative and other applicable requirements.



8

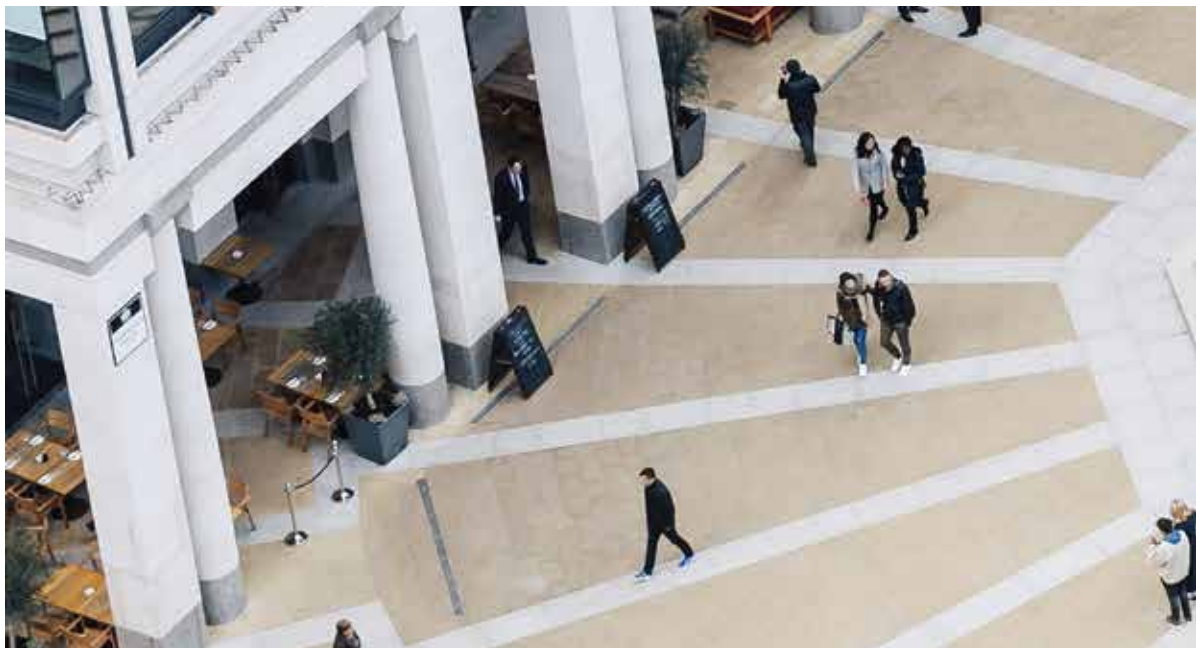
External inspections

PwC Channel Islands is eligible as a recognised auditor to undertake the required statutory audit work for Jersey and Guernsey domiciled companies with debt or equity listed on EU regulated exchanges in:

- Austria
- United Kingdom
- Germany (*)
- Ireland (*)
- Luxembourg
- Netherlands (*)

(*) = Granted equivalence by the relevant regulator in each country under European Communities (Statutory Audits) (Directive 2006/43/EC as amended by Directive 2014/56/EU).

The Jersey Financial Services Commission and the Guernsey Registry have delegated responsibility for conducting inspections of recognised auditors to the Audit Quality Review (AQR) team of the Financial Reporting Council in the United Kingdom. The AQR team completed its last inspection of the quality of PwC Channel Islands' work in 2016. Following completion of that inspection, the Jersey Financial Services Commission and the Guernsey Registry each confirmed the continuance of PwC Channel Islands' registration as a recognised auditor. The AQR team commenced a further review in July 2019, which is expected to conclude in early 2020.





9

Gender Pay Gap

In March 2019, PwC Channel Islands released the Channel Islands Women in Work Index <https://www.pwc.com/jg/en/publications/women-in-work-index.html>. The report methodology was based on a global Index created by PwC of female participation in employment for OECD countries. The report ranked Jersey overall as equivalent to 20th in the Index and Guernsey at 14th. One of the key metrics in the methodology is gender pay gap differences. As part of the firm's own commitment to promote a diverse and inclusive workplace, it stated that PwC Channel Islands would voluntarily publish its own gender pay gap information.

Results: effective 22 August 2019

The gender pay gap is calculated as the difference between the average FTE pay of all women in the firm versus the average FTE pay of all men in the firm, regardless of what they do in the organisation. The table below shows that PwC Channel Islands has a negative gender pay gap of -2.8% ie women are paid slightly more than men overall. The firm is confident that people are paid equally for equivalent work.

1.0 PwC Channel Islands overall gender pay gap

	All staff	Including Partners
Overall gender pay gap	-2.8%	27.2%
Demographic gap	-1.6%	25.3%
Non-demographic gap	-1.2%	2.0%

Note: - figures represent a favour towards women

+ figures represent a favour towards men

Demographic: linked to the gender mix in the population

Non-Demographic: linked to differences in pay within the same grade

2.0 PwC Channel Islands gender split and gender pay gap by staff grade

	Number of men	Number of women	Pay gap
Associate	36	29	-6.9%
Senior Associate	99	66	-4.6%
Manager	28	30	0.7%
Senior Manager	24	22	4.1%
Director	16	10	-0.4%

PwC Channel Islands is very pleased with the findings and believe this is the result of its conscious strategy to create an inclusive workplace and promote workplace flexibility to all staff. In the past 12 months, it has adopted a number of measures to create a more flexible working environment for all, more support and incentives for working parents, and a bigger focus on developing its talent pipeline. The firm believes the strategy is working, but there is more work to do.

At the partner level it has two women among its 11 partners. Including Partner reward in the analysis shows a gender pay gap of 27.2%. Whilst this indicates that there is some way to go, focusing on leadership development will be a high priority for the firm, so that within a reasonable time period, diversity at the partner level improves. This change will not happen overnight, but the firm is committed to having a more diverse leadership within five years.

In terms of diversity beyond gender, PwC Channel Islands is fortunate to have employees from 31 different territories within its business which brings a significant diversity of thinking and experience which its clients get value from.





10

External reviews of the Audit Sector

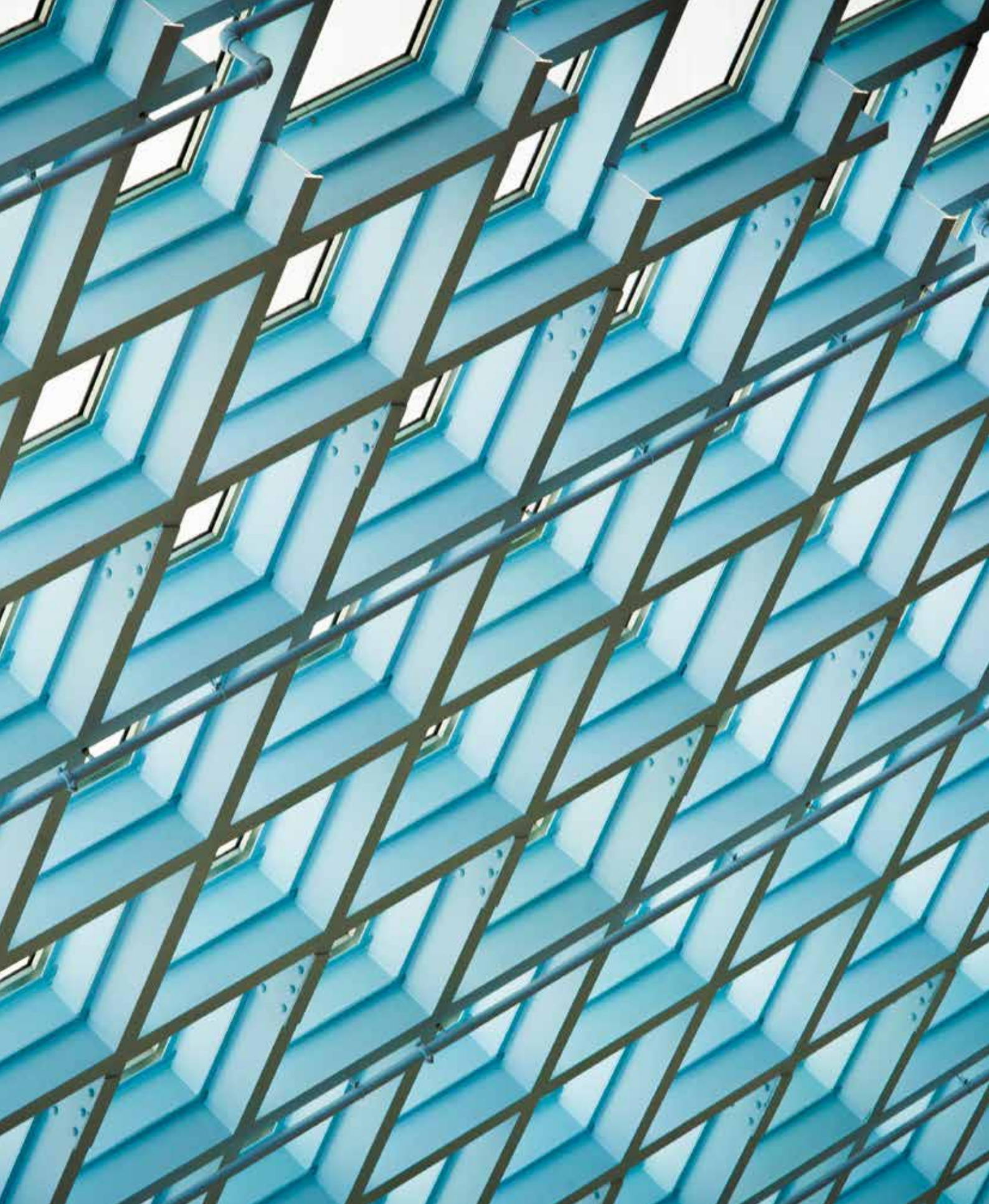
The role and value of audit continued to face intense scrutiny over the last year, with a number of UK government-commissioned reviews examining the audit sector from different angles:

- The Competition and Markets Authority has scrutinised the structure of the audit market, considering choice and competition and the impact of perceived conflicts of interest;
- Sir John Kingman examined the structure, role and responsibilities of the regulator (the 'Kingman Review')
- Sir Donald Brydon's review of the scope and purpose of the audit itself (the 'Brydon Review') remains ongoing; and
- The BEIS Select Committee report on the Future of Audit, which sets out a number of recommendations to the government on how to improve the quality and usefulness of audit and promote independence and challenge among auditors.

All of these reviews will form critical elements of a reform package. Through PwC Channel Islands' relationship with PwC UK, Simon Perry as Territory Senior Partner has contributed where appropriate towards the shaping of the responses submitted by PwC UK. The firm recognises that this is a moment for change and supports proposals that will enhance audit quality and create a stronger and more impactful regulatory regime.

The firm is also very supportive of Sir Donald Brydon's work to address the scope and purpose of audit and as was clear from PwC UK's Future of Audit initiative, audit has not kept pace with society's expectations. PwC Channel Islands is aligned to PwC UK where they have made it clear that they welcome more choice, but that this must not be at the cost of audit quality. The firm further supports PwC UK where they have expressed a strong belief in the significant benefits to audit quality of a multi-disciplinary practice.

PwC Channel Islands also believes strongly that real change needs to be underpinned by accountability throughout the wider corporate reporting and governance system, including companies, shareholders, non-executives, legislators and regulators; it is glad to see that these areas are being examined by the Kingman and Brydon reviews.



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Public interest audit clients

During the period covered by this Transparency Report, PwC Channel Islands has not signed any audit reports on the financial statements of an EU PIE as defined by Article 13. However as a Third country audit firm, audit opinions have been issued for the following Jersey and Guernsey incorporated audit clients that have transferable securities admitted to trade on EU Regulated Markets and meet the definition of being Market Traded Companies under Jersey and Guernsey law:

- Atlantis Japan Growth Fund Limited
- Atrium European Real Estate Limited
- BMO Real Estate Investments Limited
- City Merchants High Yield Trust Limited
- Credit Agricole CIB Finance (Guernsey) Limited
- F&C Commercial Property Trust Limited
- GCP Asset Backed Income Fund Limited
- Highbridge Multi-Strategy Fund Limited
- Hipgnosis Songs Fund Limited
- Invesco Perpetual Enhanced Income Limited
- JPEL Private Equity Limited
- JTC PLC
- Millshaw SAMS No. 1 Limited
- NB Global Floating Rate Income Fund Limited
- NextEnergy Solar Fund Limited
- Princess Private Equity Holding Limited
- River & Mercantile UK Micro Cap Investment Company Limited
- Schroders Oriental Income Fund
- SME Credit Realisation Fund Limited
- Starwood European Real Estate Finance Limited
- Tufton Oceanic Assets Limited
- TwentyFour Income Fund Limited
- TwentyFour Select Monthly Income Fund Limited
- UK Mortgages Limited
- Vinacapital Vietnam Opportunity Fund Limited





Prevention of facilitation of tax evasion: Response to the Criminal Finances Act 2017

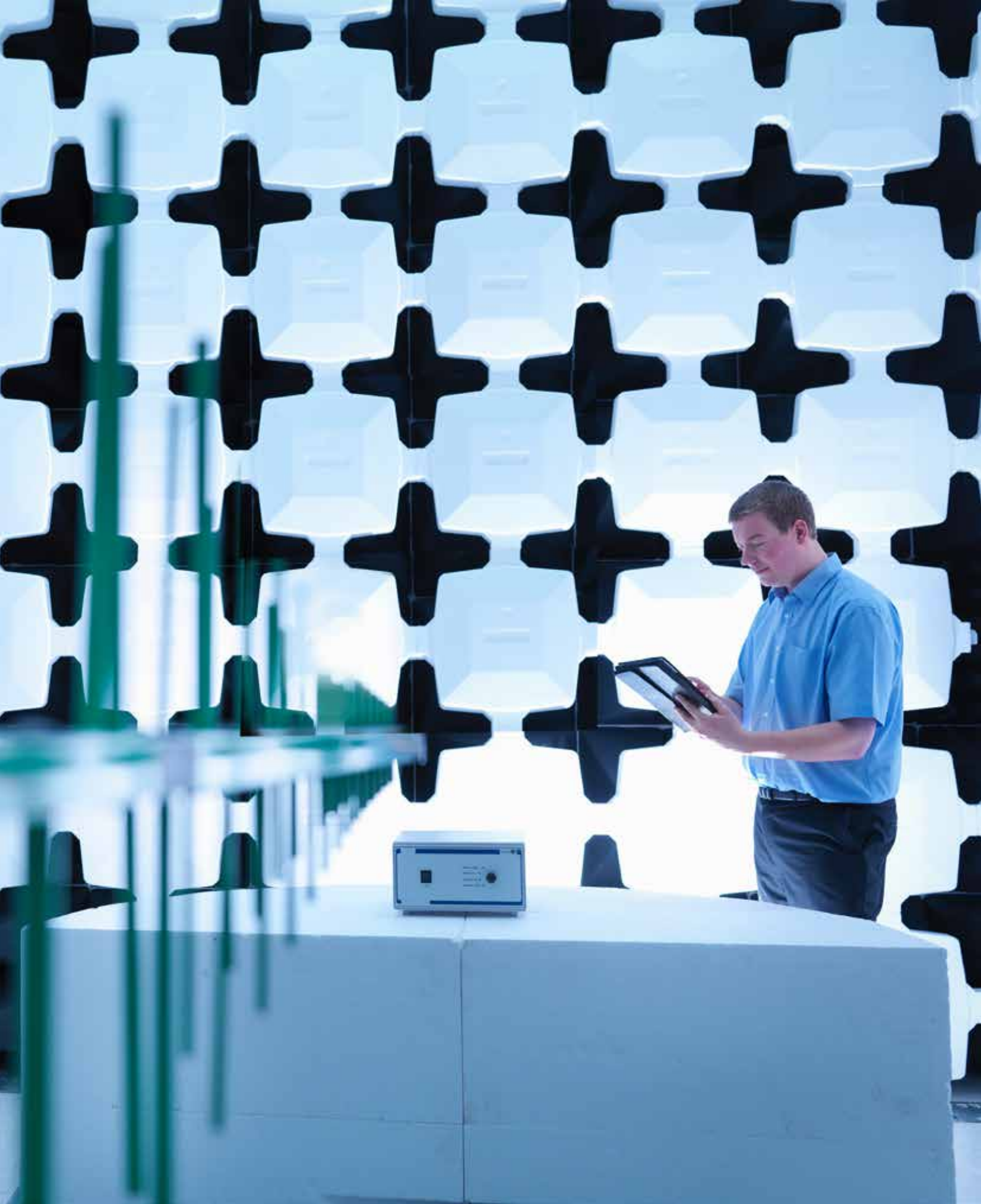
The Criminal Finances Act 2017 introduced the concept of an organisation performing a corporate criminal offence if any of their associated persons (including partners and staff) criminally facilitated the evasion of tax either in the UK or overseas. Organisations need to demonstrate that they have reasonable procedures in place to prevent the facilitation of tax evasion. The deliberately wide scope of the offence requires organisations to have oversight of the risks associated with their customers, employees and third parties, over their downstream activities.

PwC Channel Islands follows the PwC Global Code of Conduct which sets out its commitment to upholding professional standards, adhering to applicable laws and regulations and fulfilling ethical obligations. Every year, every member of staff confirms that they are familiar with and have complied with this Code of Conduct.

The PwC Global Code of Conduct guides partners and staff on PwC's core values of: Act with integrity; Make a difference; Care; Work together; and Reimagine the possible. It defines how all partners and staff should behave and conduct business, and provides practical advice on how to take ethical decisions.

PwC Channel Islands has policies, training and procedures to enable it to comply with applicable laws and regulations, including those relating to tax. These include:

- Regular mandatory training for all partners and staff so that they understand the ethical and professional requirements under which it operates.
- Contractual terms and due diligence procedures in respect of persons who perform or will perform services for or on behalf of the firm.
- Client and engagement acceptance procedures.
- Whistle-blowing (Speak Up) policies and procedures.
- Regular reviews of systems and processes by Internal Audit and risk and quality team.
- Since the introduction of the Criminal Finances Act 2017, PwC Channel Islands has reviewed all existing relevant policies and procedures and has taken a number of additional steps which aim to further formalise and prevent the facilitation of tax evasion. These include:
 - designating a partner responsible for a response to the new offence, reporting directly to the leadership team.
 - carrying out a risk assessment to identify and prioritise a response to facilitation risk across all service offerings.
 - reviewing existing policies and procedures across each line of service to identify any enhancements required.
 - providing training for partners and staff.
 - committing to monitoring and reviewing the risk assessment at least annually, as well as the firm's continuing compliance with relevant policies and procedures.



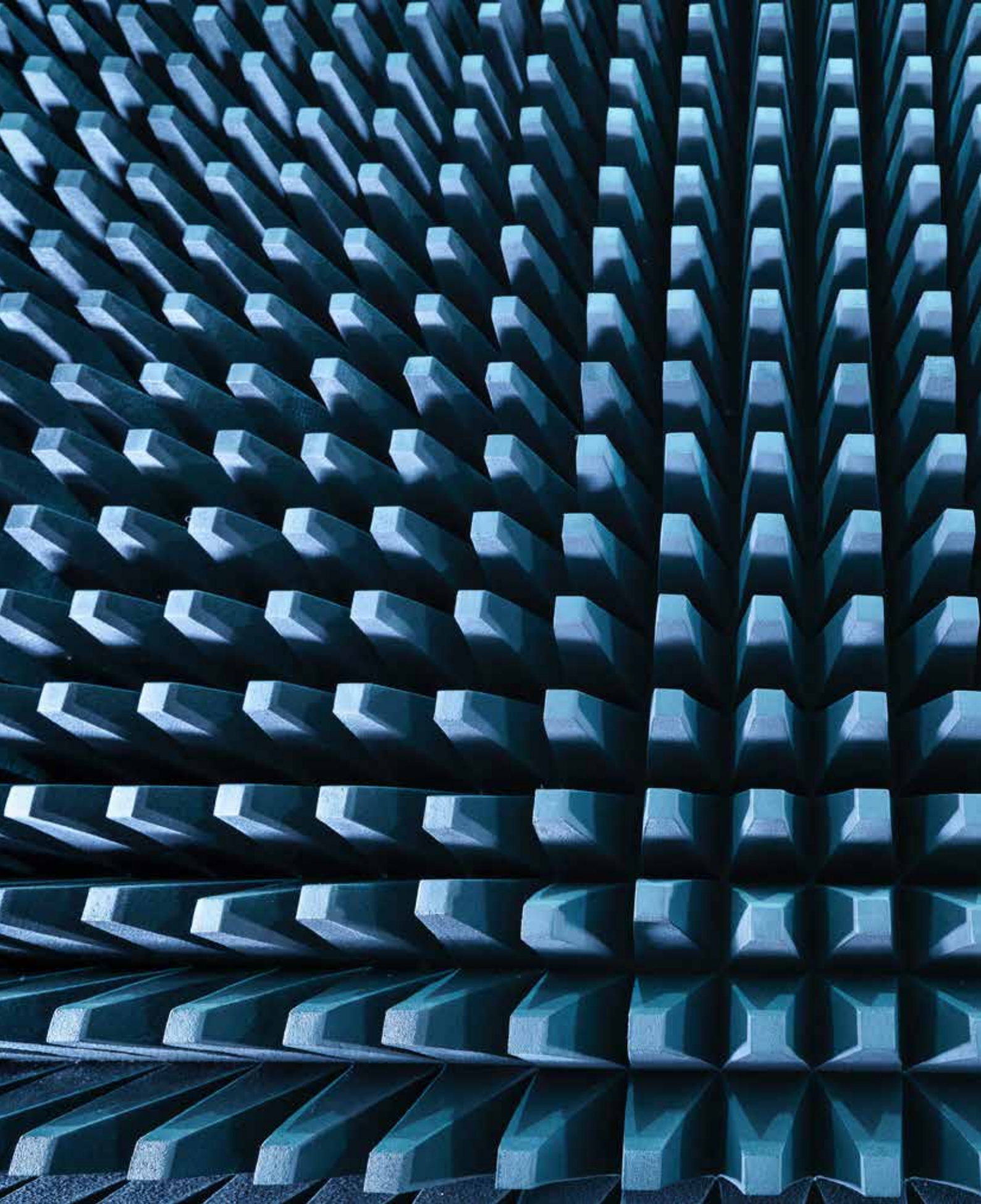
13 Financial information

The results shown below for the year ending 30th June 2019 have been extracted from the draft PwC Channel Islands accounts which have yet to be finalised by the Partners.

Total fee income for the years ending 30th June were:

	2019 £ Million	2018 £ Million
Audit revenue earned from Market Traded Companies	2.0	1.5
Audit revenue earned from all other clients	31.5	30.7
Non-audit services revenue earned from Market Traded Companies	0.8	0.5
Non-audit services revenue earned from all other clients	10.0	9.1

Market Traded Companies are defined under Jersey and Guernsey law as companies incorporated in Jersey and Guernsey with transferable securities admitted to trade on EU Regulated Markets, subject to certain companies that are eligible for exemptions.



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Partner remuneration

Partners are remunerated solely out of the profits of PwC Channel Islands. Audit partners are not permitted to be incentivised, evaluated or remunerated for the selling of non-audit services to their audit clients.

The final allocation and distribution of profit to individual Partners is made by the Territory Senior Partner, once their performance has been assessed and the annual financial statements have been approved.

Each Partner's remuneration comprises three interrelated profit-dependent components:

- responsibility income – reflecting the Partner's sustained contribution and responsibilities;
- performance income – reflecting how a Partner and their team(s) has performed; and
- equity unit income – reflecting the overall profitability of PwC Channel Islands.

Each Partner's performance income is determined by assessing achievements against an individually-tailored balanced scorecard of objectives, based on the Partner's role and responsibilities.





