




PwC Hong Kong 2024 Transparency Report

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Contents



	Message from leadership	3
	Our approach to quality	9
	Cultures and values	16
	Our people	25
	Our approach	30
	Monitoring	36
	PwC Network	41
	Legal and governance structure	43
	Financial Information	45
	Partners' remuneration	46
	Appendices	48





Message from leadership



Message from leadership



Welcome to our 2024 Transparency report

Welcome to our 2024 PwC Hong Kong Transparency Report. At PwC, our purpose is to build trust in society and solve important problems. PwC Hong Kong is part of a global network of firms in 149 countries, with more than 370,000 professionals working daily to deliver high-quality assurance, advisory, tax, and legal services. I'm honoured to have taken up the role of Chair and CEO for PwC China this year, including PwC Hong Kong and our Hong Kong audit firm, which is the subject of this report. More detail on the construct of the firm can be found later in the report.

Whilst our leadership structure covers both firms, in this Transparency Report, you will find details about how our Hong Kong firm is governed, including financial information, as well as details on how our quality management system is delivered and maintained. John Ryan, who has recently been appointed to lead our Assurance practice in Hong Kong will provide a more detailed overview of these areas.

This past year has continued to present a number of complex challenges across the market, ranging from economic uncertainty and political turbulence to conflict in new regions. Within this challenging business environment, enhancing trust in the market and with our clients remains absolutely critical. Trust is a core component of the PwC agenda, and I'm proud of the significant contributions our audit teams make to maintain it.

Alongside trust, Quality is fundamental to how PwC operates and the reputation we have in the marketplace. This report highlights our commitment to quality, detailing how we manage and oversee our quality processes, what we are doing to enhance quality, and how we ensure monitoring is robust across our business.

However, we must also learn from challenges and this has been a very challenging year for PwC in Hong Kong and China. In September this year, the PwC Zhong Tian audit firm was sanctioned by its regulators for audit work in connection with the Evergrande Group. Our focus for 2024 is rebuilding trust in the market and delivering high-quality audits to our clients.

People are the heart of PwC. We are constantly looking to develop our people and create the environment for them to thrive. Acting with integrity is one of our core values and is fundamental to ensuring we live up to our purpose. We're creating a culture of challenge which encourages our people to speak up when they see something that isn't right. We provide more details on this in the Cultures and values and Our people sections of the report.

We are proud of the progress we have made in being more open and transparent about our work and the impact we make on society. Transparency is a key pillar in building trust and I am firmly committed to embracing it across our business.

I'm delighted to share this Transparency Report with you. Please take the time to read it and share your comments with us.



Hemione Hudson
Chair and CEO, PwC China

Message from leadership

A message from our Assurance Leader

Introduction

I am honoured to be appointed as PwC Hong Kong's Assurance leader from 1 July 2024. I joined PwC Hong Kong (羅兵咸永道會計師事務所) in 1996 and became a partner in 2001 and Hong Kong has been my home for the past 28 years. PwC Hong Kong is an audit partnership in Hong Kong established under the laws and regulations of Hong Kong.

During this period, I have seen PwC and the audit profession grow and develop enormously in Hong Kong and the Chinese mainland. I am very proud of the role my firm and the broader audit profession has played in the ongoing development of Hong Kong and the transformation of China into a global economic super power. I am convinced of the crucial role the Hong Kong audit profession plays in building trust and confidence in business and in maintaining Hong Kong's position as a global financial centre and one of the world's truly international business cities. PwC Hong Kong is determined to fully play our part reflecting our 120+ year history and our wide and important client base in Hong Kong.

Transparency and trust

At PwC Hong Kong, we are conscious of our duty to continuously enhance quality and trust in our profession and our firm. In that regard, we recognise that transparency is fundamental to our reputation. Our 2024 PwC Hong Kong Transparency Report describes our policies, systems, and processes for ensuring quality, the actions we have taken to develop our people, leverage tools and technologies, monitor audit quality, and foster a culture of quality at every level of the firm. Although this Report is primarily focused on our audit practice, PwC is a multidisciplinary firm and the underlying purpose in all of these areas apply across our Firm.

FY 24 overview

This has been a challenging period for both PwC Hong Kong and PricewaterhouseCoopers Zhong Tian LLP ("PwC Zhong Tian") PwC's audit partnership in the Chinese mainland.

Mainland China regulators imposed administrative penalties on PwC Zhong Tian relating to audits of its former client Hengda Real Estate Group Company Limited ("Hengda"), the principal subsidiary of China Evergrande Group. Those penalties do not apply to PwC Hong Kong. However, Hong Kong's Accounting and Financial Reporting Council has initiated an investigation of the audit of China Evergrande Group by PwC Hong Kong, and we are cooperating with that investigation.

As PwC Hong Kong's Assurance leader, I am very proud of the many excellent and high integrity partners and staff who work tireless and diligently delivering high quality audits for our clients. I am also very grateful for the many clients who have shown their strong support for PwC Hong Kong during this time reflecting the quality of the vast majority of our people and audits over many years, including through FY 24.

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Message from leadership

Complex and challenging audit environment

The issues facing the audit profession in Hong Kong have never been more complex. The current economic and geo-political environment is highly challenging. New and exciting technologies and business models are rapidly developed with scope for major business innovation and disruption. The world is becoming increasingly complicated and fast changing. These issues and challenges must be embraced and actively addressed for the success of the profession.

Furthermore, audit firms in Hong Kong, especially the larger firms, operate in a highly complex regulatory environment. In addition to our 'home regulator', the Accounting and Financial Reporting Council, the work done by Hong Kong auditors can be subject to inspection by audit regulators in the Chinese mainland (the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission) and overseas regulators such as the Public Company Accounting Oversight Board. The PwC Hong Kong leadership supports and respects our regulators and believes that robust regulation ultimately strengthens our profession and helps drive high quality and transparency.

Audit Quality

Audit quality is our first priority. As part of a global network, we are dedicated to performing work of the highest calibre and upholding the standards and values that are intrinsic to the PwC brand. PwC Hong Kong, leveraging our position as a key PwC network firm, brings leading global best audit practices to Hong Kong and we remain steadfast in our efforts to continuously enhance our policies, processes, and controls to meet the evolving expectations of our stakeholders.

Quality is a never ending journey and the firm's quality processes are designed to support the identification of areas requiring improvement in response to both the changing environment and technological developments. We are committed to making continuous enhancements to the quality of our work and this coming year we will make further investments to:

- broaden our risk management capabilities and further develop our existing quality management systems;
- invest further in our people including recruiting the best talent and enhancing skills through targeted training programmes;
- allocate more resources to our quality inspection teams including experienced practice partners and managers;
- enhance our audit delivery capabilities, including greater use of audit technologies; and
- strengthen our speak up culture.

People

The leadership of PwC Hong Kong greatly appreciates our partners and staff and is committed to supporting their personal growth and professional development throughout their careers. We will focus on delivering "effective learning" that is relevant and engaging and supports our people in doing their best work. Our learning programmes will be further tailored so our teams thoroughly learn the practical technical and other business skills to excel at their jobs. We will also continue to invest in upskilling and reskilling our people to equip them with skills needed for their future including digital, AI and evolving technologies as well as important softer skills like effective leadership. Enabling our people to successfully attain professional credentials to meet their personal and professional ambitions is also a key people priority in support of our firm's commitment to quality.

Message from leadership

Technology

We use a range of methods, processes, technologies, and approaches to ensure continuous improvement in the performance and quality of our audit engagements. We are committed to delivering our work through leading audit technology, and we invest heavily in tools that provide greater quality and insight.

The PwC network is investing in a multi-year effort to deliver a new global audit platform to power our next generation audit, ultimately replacing our current technologies. Our vision for our next generation audit is to provide efficient, robust and independent assurance and audit insights across financial and non-financial information, helping to build trust in what matters to our stakeholders. PwC Hong Kong will work alongside the PwC network to tailor these tools to our local environment and roll them out on a timely basis.

Our culture

We are focussed on creating and maintaining a culture that promotes quality first and continuous improvement. Our culture emphasises that quality is the responsibility of everyone. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership team.

Statement on the effectiveness of the firm's System of Quality Management

Details of our statement on the effectiveness of the firm's System of Quality Management ("SoQM") are provided in this Report on page 14.



John Ryan
Assurance Leader, PwC Hong Kong

Hong Kong Assurance Leadership Team



John Ryan
Assurance Leader, PwC Hong Kong



Andrew Yuen
Risk Management Partner



Benson Wong
Entrepreneur Group Leader



Cathy Ng
People Partner



Dilys Cheng
Operations Partner



Jacky Wong
Institutional Group Leader



Lars Nielsen
Financial Services Group Leader



Raymond Chan
Entrepreneur Group Leader



Vincent Cheuk
Market Partner



Our approach to quality



Our approach to quality



International Standard on Quality Management 1 (ISQM 1)

In December 2020, the International Auditing and Assurance Standards Board (IAASB), approved and released three new and revised standards that strengthen and modernise a firm's approach to quality management, including ISQM 1. This standard which became effective 15 December 2022 required all firms to have designed and implemented the requirements of the standard and evaluate their system of quality management (SoQM) under the new standard by 15 December 2023.

ISQM 1 is an objectives-based approach that expects firms to have a SoQM that operates in a continuous and iterative manner taking into consideration the conditions, events, circumstances, actions and inactions that impact a firm. It enhances the firm's responsibilities around monitoring and remediation, emphasising the need for more proactive, real time monitoring of the SoQM, a more effective, efficient, and timely root cause analysis process, and timely and effective remediation of deficiencies.

ISQM 1 states that the objective of the firm is to design, implement and operate a SoQM that provides the firm with reasonable assurance that:

- The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

The standard goes on to say that the public interest is served by the consistent performance of quality engagements and that this is enabled by an effective SoQM.



A specific focus on audit quality across the Network

The PwC Network's Assurance QMSE framework

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

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

The QMSE framework is designed to align with the objectives and requirements of ISQM 1 and provides a model for quality management in PwC firms that integrates quality management into business processes and the firm-wide risk management process. Under QMSE, our overall quality objective is supported by a series of underlying quality management objectives and each firm's SoQM should be designed and operated so that the overall quality objective, which includes meeting the objectives and requirements of ISQM 1, is achieved with reasonable assurance.



Overall quality objective

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

Integrated and aligned in the right way

Our SoQM includes quality objectives that are identified from the following components of ISQM 1 as well as any additional objectives the PwC Network has identified in the QMSE framework:

- Governance and leadership
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Engagement performance
- Resources
- Information and communication
- Monitoring and remediation process

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

Our approach to quality

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

The Quality Management Process

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

- identifying risks to achieving the quality objectives;
- designing and implementing responses to the assessed quality risks;
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance Quality Indicators;
- continuously improving the SoQM when areas for improvement are identified from the firm's monitoring activities, inspections and other relevant sources by performing root cause analyses and implementing remedial actions; and
- establishing a quality-related recognition and accountability framework to both set clear expectations of expected quality behaviours and outcomes and reinforce those expectations through consistent and transparent use in appraisals, remuneration, and career progression decisions.

This involves the integrated use of

- Assurance Quality Indicators to aim to predict quality issues;
- Real-Time Assurance to aim to prevent quality issues;
- Root Cause Analysis to learn from quality issues; and
- a Recognition and Accountability Framework to establish, communicate and reinforce quality behaviours, culture and actions.



Our approach to quality



Our firm's SoQM

Our SoQM must be designed, implemented and operating on an ongoing basis to achieve the quality objectives. This ongoing process includes monitoring, assessing, evaluating, reporting, and being responsive to changes in quality risks, driven by the firm's internal and external environment. This is our QMP.

Our focus on quality management is therefore not to apply prescribed rules but rather to design and implement risk responses which are fit for purpose to manage the risks we identify in our own risk assessment and achieve the quality objective taking into consideration the conditions, events, circumstances, actions and/or inactions that may impact our SoQM.

Our risk assessment process

The past several years have seen unprecedented challenges and our firm's SoQM has helped us navigate and respond to the impact that identified factors had on our ability to achieve the overall assurance quality objective - to deliver quality audit engagements. Our SoQM includes the performance of a risk assessment over the quality objectives identified in the QMSE framework. We consider how and the degree to which a condition, event, circumstance, action or inaction may adversely affect the achievement of the quality objectives which may result in:

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

A quality risk is one that has a reasonable possibility of occurring and individually, or in combination with other quality risks, could adversely affect the achievement of one or more quality objectives.

2024 key factors impacting the development of our SoQM

This year, we have seen various developments that have implications for the continuous development of our SoQM. These include events, circumstances, and consequential actions such as findings from reviews of audit engagements, uncertainties in the capital markets, increased regulatory and public scrutiny and issues faced by certain industry sectors. We will implement the following developments to our quality management systems:

- **Client acceptance and continuance** – Consideration of quality of company personnel responsible for financial reporting and company financial reporting capabilities will be enhanced.
- **Partner portfolio composition** – Enhancements of workload, suitability and performance metrics for engagement leaders as well as Quality Review Partners (QRP) responsible for public interest entity clients, to ensure audit partners have sufficient time and focus on audit quality.
- **Partner rotation** – Enhancements of assignment and rotation of partners, including cooling-off periods and consideration of qualitative factors.
- **Strengthening of quality assurance programmes** – including enhanced issue escalation protocols, increasing dedicated reviewer resources and independent review team coaches.

Our firm's processes, procedures and risks are reviewed and updated in response to significant changes throughout the year. ISQM 1 has been fully implemented notwithstanding that the approach to SoQM is a continuous evolving process.

Our commitment to continuous improvement and enhancement of audit quality

Quality is an ongoing and never ending journey. In light of increasingly stringent regulation, rising stakeholder expectations related to audit quality, and a more complex and challenging business and economic environment, audit quality must be consistently invested in and enhanced to anticipate and respond to these changes.

The leadership of PwC is committed to high standards of audit quality. This means we will invest in continuous improvement of audit quality including having world class system of quality management and control in PwC Hong Kong. Our goal is to clearly demonstrate to all stakeholders that we are the highest quality audit firm in Hong Kong.

Our firm's system of quality management



Aim to Predict: Assurance Quality Indicators

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

Throughout this transparency report, we have provided insight into the policies and procedures we have designed, implemented and are operating to reduce the quality risks we have identified to an acceptable level.

As mentioned above, some of our policies and procedures are provided by the PwC Network which we have assessed to determine that these resources are appropriate for use as part of our SoQM and in the performance of engagements. The following sections of the report cover the following ISQM 1 quality objectives:

- Cultures and values – Governance and leadership, relevant ethical requirements, acceptance and continuance of client relationships and specific engagements
- Our people – Human resources
- Our approach – Intellectual and technological resources, engagement performance, information and communication

Our monitoring and remediation process

In the section, Monitoring, found on page 36, we have described the types of ongoing and periodic monitoring our firm has designed, implemented and is operating to provide relevant and reliable information about our firm's SoQM and to help us take appropriate actions over any identified deficiencies so we can remediate those deficiencies effectively and on a timely basis. To support the timely and effective remediation of identified deficiencies, our firm has designed, implemented and are operating a root cause analysis programme that is described further on page 39.

The information gathered from our monitoring and remediation process along with other sources of information, such as external reviews, is used to help us evaluate our SoQM.



Statement on the firm’s system of quality management



Relationship of PwC Hong Kong and PwC Zhong Tian and their System of Quality Management (“SoQM”)

PwC China is a construct referring to the collaboration of PwC network entities in the Chinese Mainland, Hong Kong SAR and Macau SAR, each of which is a separate and independent legal entity subject to applicable local laws. PricewaterhouseCoopers Zhong Tian LLP (“PwC Zhong Tian”) is an audit partnership in the Chinese mainland established under Chinese laws and regulations and PwC Hong Kong is an audit partnership in Hong Kong established under laws and regulations of Hong Kong.

PwC Hong Kong and PwC Zhong Tian are members of PwC China and have a common SoQM. The SoQM consists of controls that exist at engagement level, audit business unit level, at PwC Hong Kong and PwC Zhong Tian levels and at the PwC China level.

Statement on the Effectiveness of the PwC Hong Kong firm’s System of Quality Management

During the year, we completed our evaluation of the PwC Hong Kong firm’s System of Quality Management (“SoQM”) under ISQM1. On behalf of PwC Hong Kong, the Assurance Leader and the Assurance Risk & Quality Leader have evaluated whether our firm’s SoQM provides us with reasonable assurance that:

- The firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Based on all the relevant information on the firm’s SoQM, as at 31 March 2024, we believe that our SoQM provides us with reasonable assurance that the quality objectives noted above have been achieved, with the exception of the matter described in “Audit of China Evergrande Group” section below.



Statement on the firm's system of quality management (continued)



Audit of China Evergrande Group ("China Evergrande")

PwC Hong Kong was the auditor of China Evergrande from 2007 to January 2023 and the last audit opinion signed was in respect of the financial statements for the year ended 31 December 2020. The audit of China Evergrande and its subsidiaries was led from, and primarily performed by, an audit team of PwC Zhong Tian's Guangzhou branch. The audit report was signed by a partner of PwC Hong Kong based in Guangzhou.

On 13 September 2024, the Ministry of Finance of the People's Republic of China and the China Securities Regulatory Commission published administrative penalties related to the 2018 – 2020 audits by PwC Zhong Tian of its former client Hengda Real Estate Group Company Limited ("Hengda"), the principal subsidiary of China Evergrande. The penalties imposed on PwC Zhong Tian do not apply to PwC Hong Kong. However, Hong Kong's Accounting and Financial Reporting Council has initiated an investigation of the audit of China Evergrande carried out by PwC Hong Kong. PwC Hong Kong is cooperating with the investigation which is in progress.

We concluded that certain monitoring controls did not operate effectively. The control deficiencies did not have a pervasive effect on the design, implementation or operation of the firm's SoQM.

PwC China's Management and Governance Boards, with support from the PwC network, have taken a series of accountability, remedial and enhancement actions to address this matter, including:

- termination of the employment of partners and certain key staff directly involved in the China Evergrande and Hengda audit work;
- closure of the Guangzhou branch of PwC Zhong Tian;
- taking accountability actions against current and former leadership who were responsible for the oversight of the audit practice or in the direct chain of command over leadership with such oversight responsibilities; and
- appointing new leaders including individuals with experience delivering quality elsewhere in the PwC network to focus on reinforcing the values and expectations of the firm.

Based on the remedial actions noted above and other enhancement activities currently under way, PwC Hong Kong believes that the impact of the control deficiencies described above has been mitigated.





Cultures and values

Our culture and values



Definition and culture

At PwC, we define quality service as consistently meeting the expectations of our stakeholders and complying with all applicable standards and policies. An important part of our ability to deliver against this quality definition is building a culture across a network of 370,000 people. This culture of quality emphasises that quality is the responsibility of everyone. Continuing to enhance this culture of quality is a significant area of focus for our global and local leadership teams and one which plays a key part in the measurement of their performance.



Strengthening our speak up culture

Every team member should feel confident and supported in voicing concerns. Enabling open dialogue is essential for continuous improvement and prevents the recurrence of past errors.

We will implement the following changes to strengthen our speak up culture:

- Specifying the key behaviours in terms that are actionable for partners and staff, bringing clarity to what PwC HK expects and what partners and staff should expect from PwC HK
- Embedding these key behaviours in systems and processes including client selection, training, coaching & supervision, performance evaluation & promotion processes
- Defining measures to assess progress and inform further actions

These actions will be business-led, with collaboration from functional teams.



Measurement and transparency

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

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



Our firm's commitment to quality



Leadership and tone at the top

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

Leadership plays a critical role in shaping a culture of audit quality and accountability. PwC HK's leadership is committed to delivering audit quality through a culture of challenge, transparency and professional ethics. We will be making changes to ensure these are delivered consistently. This includes refining communication strategies, and evaluating and revising reward systems, including ensuring appropriate emphasis is made on quality metrics.

Trust in what matters

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

That's why we're evolving our assurance offering to provide confidence not just in companies' financial statements but in their broader impact.

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

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

When working with our clients and our colleagues to build trust in society and solve important problems, we are living our values on a daily basis, which include:

- Act with integrity – Speak up for what is right, especially when it feels difficult; Expect and deliver the highest quality outcomes; Make decisions and act as if our personal reputations were at stake.
- Make a difference – Stay informed and ask questions about the future of the world we live in; Create impact with our colleagues, our clients and society through our actions; Respond with agility to the ever changing environment in which we operate in every idea.
- Care – Make the effort to understand every individual and what matters to them; Recognise the value that each person contributes; Support others to grow and work in the way that brings out their best.
- Work together – Collaborate and share relationships, ideas and knowledge beyond boundaries; Seek and integrate a diverse range of perspectives, people and ideas; Give and ask for feedback to improve ourselves and others.
- Reimagine the possible – Dare to challenge the status quo and try new things; Innovate, test and learn from failure; Have an open mind to the possibilities.

Employees at every level are encouraged to recognise each other for living our PwC values throughout the year through our Life Awards and Badges.

This culture is supported by appropriate tone at the top through regular communication from leadership to all partners and staff about the firm's commitment to quality. Key messages are communicated to our firm by our Territory Senior Partner ("TSP") and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. Leadership and engagement partners take the lead on these actions as they role model the expected behaviours in interactions with clients and teams. We measure whether our people believe that our leaders' messaging conveys the importance of quality to the success of our firm. Based on this tracking, we are confident our people understand our quality objectives.

This culture is also reinforced by all of our people processes starting from the people we recruit to how we develop, evaluate and reward our people. Our **PwC Professional development framework** outlines the capabilities needed to thrive as **purpose-led and values-driven leaders at every level**. There are five key attributes – **Whole leadership, Business acumen, Technical and digital, Global and inclusive, and Relationships** – and each is equally important. For example, under Technical and digital – employees are expected to adhere to quality standards and practices, engage productively in a digital world and continually develop their technical depth and breadth.

Delivering service of the highest quality is core to our purpose and our Assurance strategy, the focus of which is to strengthen trust and transparency in our clients, in the capital markets and wider society.



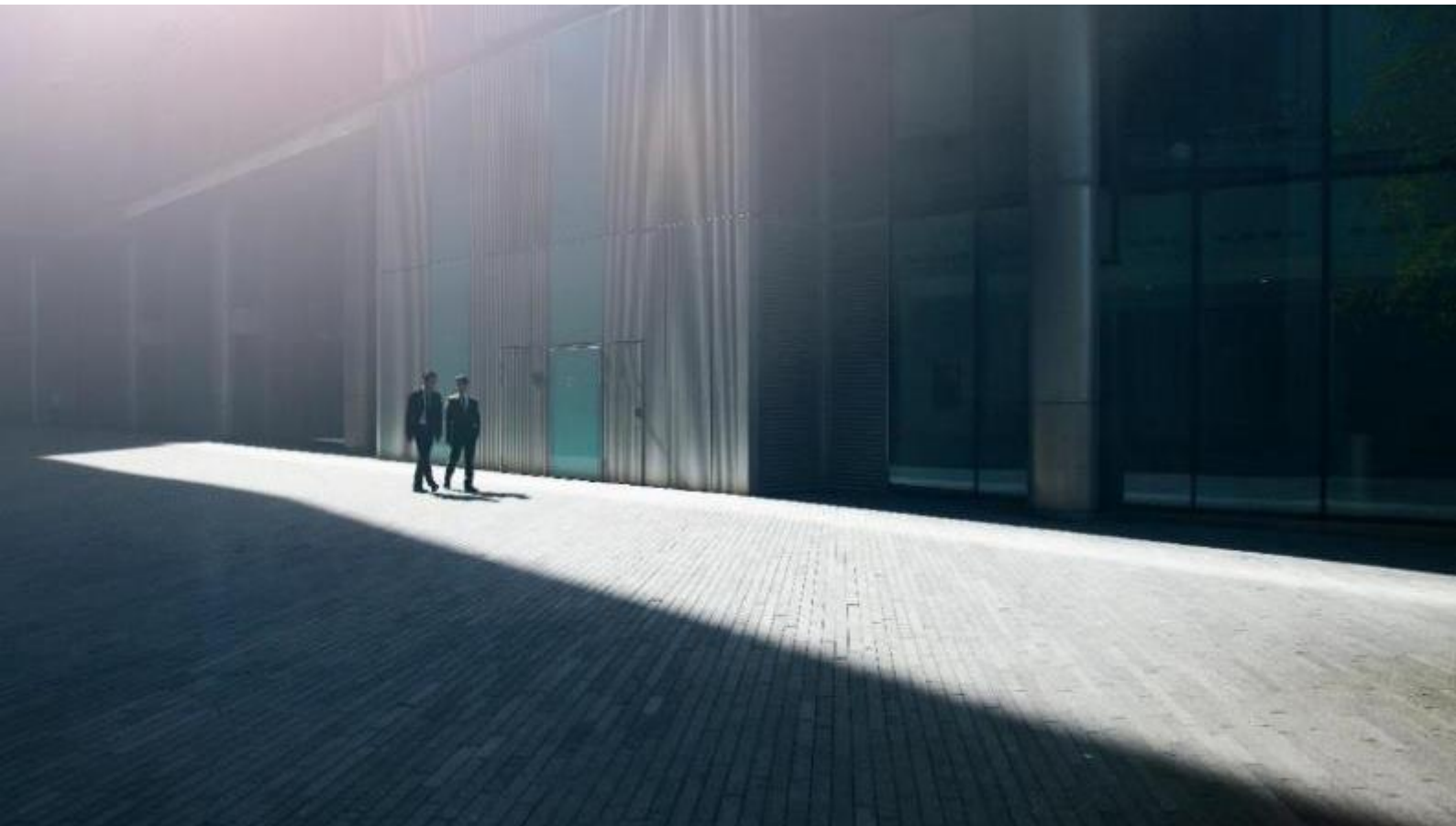
Reinforce: Recognition and Accountability Framework

Our Recognition and Accountability Framework (RAF) reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high-quality culture. Our RAF has been designed to both set clear expectations of expected quality behaviours and outcomes and reinforce those expectations by holding Partners and directors with engagement leader and other supporting roles accountable for quality behaviours and quality outcomes beyond compliance. Our RAF considers and addresses the following key elements:

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

Assurance Risk & Quality implements the RAF by summarising all the inputs on quality behaviours and outcomes, and providing recommendations to leadership on annual Partner and Director performance evaluation.

The principles in the RAF also apply to all Assurance staff below Partners/Directors and their accountability for their performance is set out in the Assurance Expectations Framework.



Ethics, independence and objectivity



Ethics

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

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

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

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

Upon hiring or admittance, PwC HK provides an overview of the PwC Code of Conduct and the expected behaviors for all partners and staff, who should follow these expectations throughout their professional careers at our firm. As part of the values and expectations in the PwC Code of Conduct, they also have a responsibility to report and express concerns, and to do so fairly, honestly, and professionally when dealing with a difficult situation or when observing conduct inconsistent with the PwC Code of Conduct. In addition, every newly joined partner and staff are required to complete new hire training, which covers the ethics and compliance network standards, including ethics and the PwC Code of Conduct.

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

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

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

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



Objectivity and Independence

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

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

The independence requirements of the United States Securities and Exchange Commission (SEC) are, in certain instances, more restrictive than the Policy. Given the reach of these requirements and their impact on PwC firms in the network including PwC HK, the Policy identifies key areas where an SEC requirement is more restrictive. Provisions that are specifically identified as applicable to SEC restricted entities must be followed in addition to, or instead of, the Policy in the associated paragraph. PwC HK has a designated partner (known as the ‘Partner Responsible for Independence’ or ‘PRI’) with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a team of about fifty-five independence specialists. Independence matters are reported to the Firm’s Strategic Risk Council for discussion/resolution on a regular basis throughout the year, and are escalated to the Firm leadership for resolution, where necessary.

Independence policies and practices

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

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

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

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

PwC HK supplements the PwC Global Independence Policy to include the independence requirements of the Hong Kong Institute of Certified Public Accountants, the China Institute of Certified Public Accountants, the United States Securities and Exchange Commission and those of the Public Company Accounting Oversight Board of the United States and of the EU Audit Regulation where they are more restrictive than the network’s policy.

Audit partners and audit staff, which includes staff from Assurance and other lines of service contributing to the audit, are not permitted to be, nor are they incentivised to be, evaluated, promoted or remunerated for the selling of non-audit services to their audit clients.

Independence-related systems and tools

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

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

PwC HK also has a number of Hong Kong-specific systems which include:

- A system that monitors compliance with PwC HK's audit partner rotation requirements in connection with the member firm's audits of public interest entities; and
- A system that records all approved business relationships entered into by PwC HK. These relationships are reviewed periodically to ensure their ongoing permissibility. Additionally, PwC HK contributes data on its business relationships that feeds into the Global CES system, so other PwC firms can access the data for independence purposes.
- In addition, PwC HK utilises the Network's centres of excellence which adopt standardised processes to perform the independence assessment and monitoring of joint business relationships and approval of non-audit services for certain categories of clients.



Independence training and confirmations

PwC HK provides (i) onboarding training on introducing independence policy and requirements to new joiners, (ii) milestone training on relevant independence knowledge at promotion, and (iii) annual training for changes in policy or external regulation to all partners and practice staff.

Partners and staff receive these trainings via computer-based training or face-to-face training delivered by PwC HK's independence specialists, as appropriate.

All partners and practice staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the Policy and PwC HK independence requirements, 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. Separately, these annual confirmations are supplemented by periodic engagement-level independence confirmations for all audit clients of PwC HK.



Independence monitoring and disciplinary policy

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

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

The results of PwC HK's monitoring and testing are reported to the firm's senior management on a regular basis with a summary reported to them on an annual basis. PwC HK has an Independence Accountability Framework and supporting disciplinary policies and mechanisms in place that promote compliance with independence policies and processes, and that require any non-compliance of independence requirements to be reported and addressed.

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





Considerations in undertaking the audit

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

Client and Engagement Acceptance and Continuance

PwC HK has a process in place to identify acceptable clients based on the PwC network's proprietary decision support systems for audit client acceptance and retention (called Acceptance 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:

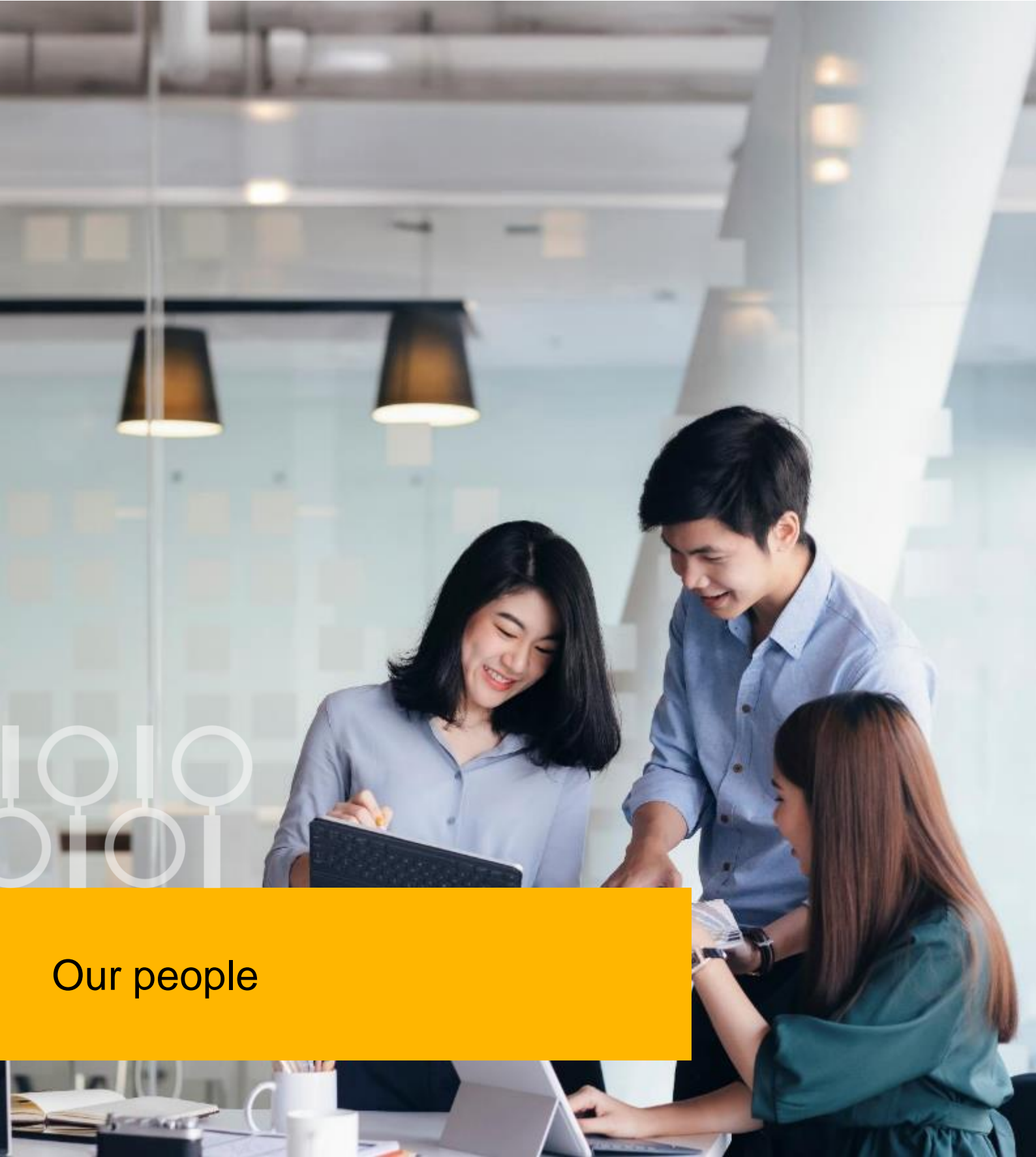
- To document their consideration of matters required by professional standards related to acceptance and continuance;
- To identify and document issues or risk factors and their resolution, for example through consultation by adjusting the resource plan or audit approach or putting in place other safeguards 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.

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

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

Enhancements will be made in relation to the consideration of quality of company personnel responsible for financial reporting and company financial reporting capabilities when assessing acceptance and continuance.





Our people

Our people



People strategy

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

A core part of our people strategy is bringing our People Value Proposition to life to attract, retain and develop our diverse network of talents. We build our Workforce of Future that is human-led and tech-powered, building trust and delivering sustained outcomes for each other, our clients and broader society.

We continue to invest in upskilling and reskilling our people to equip them with future-fit skills including digital and leadership. We focus on delivering effective learning through the curation of learning content that is relevant and market-leading, design of learning opportunities that are innovative and engaging, and offering of learning experience that is flexible and personalised.



The PwC Professional

The PwC Professional is the set of behaviours we expect of all our people, at all levels, to demonstrate with each other and with our clients and other stakeholders. When we focus on the behaviours that guide our interactions, we create opportunities to build trust and empower our teams to deliver distinctive outcomes. This is how we build trust in society and solve important problems.



Our people



Inclusion and diversity

At PwC, we're an organisation that fosters a culture of belonging and equity where our diverse workforce can thrive and feel like they belong. We do this by delivering on our Inclusion First strategy, which is centred on action, accountability and advocacy, in each of our member firms, across the PwC network.

We embrace and encourage differences and help our people actively develop the skills to work and lead inclusively with our focus on gender equity, disability inclusion, LGBT+ inclusion and social inclusion. Underpinning this is ensuring our systems and behaviours are inclusive. In FY24, 52% of our employees are female and 46% management positions (managers and above) are held by females. Of the 10 new Assurance partners admitted in FY24, 40% were women.



Recruitment

PwC HK aims to recruit, train, develop and retain the best fit-for-future staff with the right skills who share the firm's strong sense of purpose and responsibility for delivering high-quality services. Our robust hiring process encompasses a structured interview with behaviour-based questions built from The PwC Professional framework, assessment of academic records, working experiences and pre-onboarding background checks. Across the firm in the FY24, we recruited 563 new people, including 425 university graduates.



Team selection, experience and supervision

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



Feedback and continuous development

Our team members obtain feedback on their overall performance, including factors related to audit quality, such as technical knowledge, auditing skills and professional scepticism. Audit quality is an important factor in performance evaluation and career progression decisions for both our partners and staff. Before November 2023, feedback on performance and progression is collected via our Snapshot tool, while peer and upward feedback was collected via Workday. Starting in December 2023, we launched SuccessFactors, an integrated platform that consolidates feedback on performance, progression, and peer and upward reviews. Ongoing feedback conversations help our people grow and learn faster, adapt to new and complex environments, and bring the best to our clients and firm.



Career progression

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

Our people



Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide makes our staff highly sought after in the external market. Our voluntary turnover rate fluctuates based on many factors, including the overall market demand for talent. Our partner and staff numbers have remained consistent from FY23 to FY24.

In FY24, we continue to evolve our Wellness Programmes, covering multiple wellbeing dimensions including physical, social, mental, financial and occupational well-being, to better support and engage our staff. We kicked off the year with a 2-week fitness challenge, and celebrated World Mental Health Day with a month-long campaign focused on promoting self-care and fostering a healthy work environment. We scaled up our flexibility proposition by launching “WeFlex Plus”, with enhanced leave options and other go-to resources to address our people’s aspirations along their career journey. We have launched new Support Groups on the Wellness Reimagined app for New Parents, Fresh Graduates, Overseas Talents, and the women growth community, creating a supportive and inclusive environment where individuals can come together to share their experiences and support each other. We have also enriched our Life Awards Programme to gift digital badges to those who exhibit the PwC values in their daily work regardless of our people’s management levels, strengthening the PwC appreciation and recognition culture.

To provide better access to meaningful work, we continue to optimise our Agility Ecosystem to enable faster and easier career moves with greater speed, transparency, and flexibility. We are driving more awareness internally and externally of the diverse career opportunities available at PwC by launching a revamped career portal and publishing a series of agility people stories on social media. In addition, we have been focusing on inspiring and motivating our talents to upskill themselves with future-proof and leading-edge capabilities. This is enabled by the gamified ecosystem of Development Miles that cultivate self-driven and collaborative learning culture, and the expansion of learning footprints with the Development Playbook in areas of Leadership, Digital and Technical & Quality. This allows our people to be future-proof with the most relevant skills and knowledge to take ownership of their career experience.

All these initiatives are fully supported by our Team Leaders and Career Coaches, who have been empowering their teams to deliver sustained outcomes through fostering a culture of collaboration, innovation, and connectedness. This year we have further stepped up our effort to better support our people managers. In addition to providing Team Leaders with the team engagement results of people surveys, we organised briefing sessions focused on mental wellbeing and high performance routines, and enhanced coaching sessions for Career Coaches to sharpen their leadership and people management skills so that they can drive better people engagement, communications, development and wellbeing, bringing out the best in the team.



Global People Survey

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

In the FY24 Global People Survey, 71% (2023: 74%) of our Hong Kong staff plan to stay with us over the next 12 months. The Behavioral Change Index, reflecting the positive impact of leadership actions on daily work experiences in the past year, stands at 74% (2023: 76%).

Learning and education



Professional Development

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

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



Continuing education

We, and other PwC firms, are committed to delivering quality assurance services around the world. To maximise consistency within the network, the formal training solutions, developed at the Network level, provides our firm with access to training materials covering the PwC audit approach and tools, 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 includes classroom learning, virtual classroom and e-learning.

The training solutions support our primary training objective of quality, while providing practitioners with the opportunity to strengthen their technical and professional skills, including professional judgement while applying a sceptical mindset.

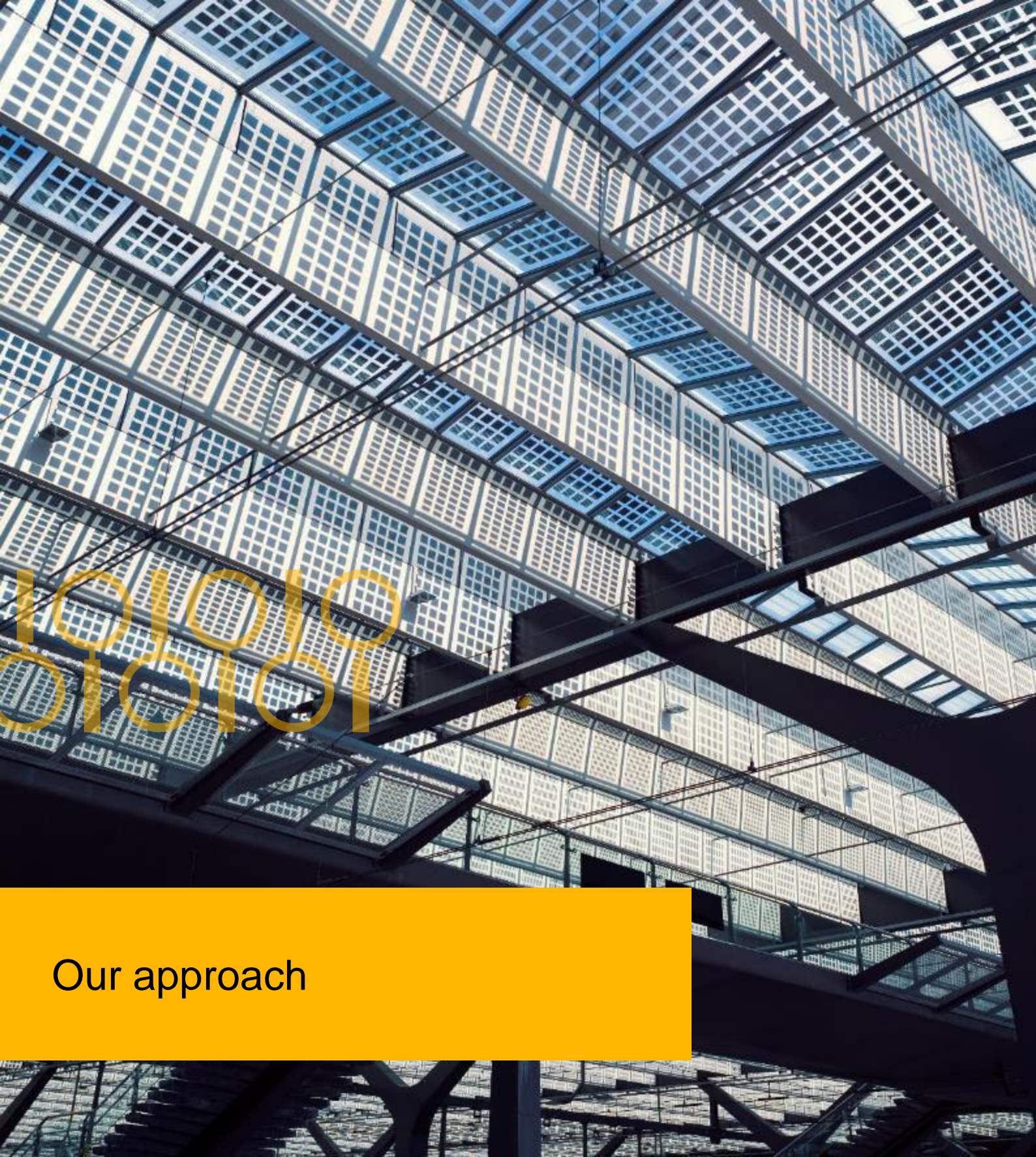
The design of the training solutions allows us to select, based on local needs, when we deliver the training locally ourselves.

Based on the specific needs in the local environment, PwC HK supplements the globally developed training solutions with local specific content, both technical and non-technical, to address our local specific needs.

All partners and staff in PwC HK are expected to maintain the appropriate ethical standards and uphold integrity when completing training activities. They are required to complete mandatory training to ensure they are up to date with the latest technical knowledge, are equipped with the necessary skills to execute assignments, and are able to comply with the continuing professional development requirements. Completing mandatory training by due dates is also a factor when evaluating partners' and staff's annual performance.

PwC HK adopts a learning management system to track the learning status of partners and staff.

PwC HK also maintains up-to-date reference materials which are accessible by all assurance practice partners and staff. These cover audit guidance, procedures and methodology, and include a library of local and 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.



Our approach

Our approach

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

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

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying methodology, the technology we use, and in making the right amount of time and resources available. We pay close attention to the internal indicators and processes that routinely monitor the effectiveness of our risk and quality processes, and provide timely information about the quality of our audit work and any areas for improvement. Details of these indicators and processes can be found in the Monitoring of Assurance quality section. Additionally, we consider what our various stakeholders require from us, what they tell us we need to improve and the findings of regulatory inspections on the quality of our work.

People

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

Technology

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



Tools and technologies to support our audit



Our technology

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

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

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

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

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

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

Halo for Crypto supports the engagement team in obtaining sufficient appropriate evidence over the crypto asset-related balances and transactions. The Halo solution provides substantive evidence to establish that an entity has access to the digital wallets containing its crypto asset transactions and balances. The application can also securely extract blockchain transactions from public addresses to independently and reliably gather corroborating information about blockchain transactions and balances.

Assisted Disclosure Checking allows users to match disclosure requirements (checklist) to disclosures within the entity's financial statements, including the primary statements and the related footnotes.



Our next generation audit

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



Reliability and auditability of audit technologies

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



Confidentiality and Information Security

Confidentiality and information security are key elements of our professional responsibilities. Misuse or loss of confidential client information or personal data may expose the firm to legal proceedings, and it may also adversely impact our reputation and brand. We take the protection of confidential and personal data very seriously. By applying the Information Security Controls Standard, it is the policy of the PwC network, that the information assets of the Firm be protected from internal or external threats, whether deliberate or accidental, such that:

- Data subject rights are respected.
- Confidentiality of information is maintained.
- Integrity of information can be relied upon.
- Information is available when the business needs it.
- Relevant statutory, regulatory, and contractual obligations are met.
- The PwC brand is protected

Specifically, it covers the below areas:

- PwC Personnel Responsibilities – areas affecting personnel security within the firm such as employee vetting, terms and conditions of employment, confidentiality agreements, and user awareness training.
- Confidentiality agreements - Where permitted by law and in accordance with local firm policy, confidentiality agreements (for example non-disclosure agreements) may be implemented and signed by PwC staff and third-party suppliers.
- Data Protection - Data must be identified based on data classification and confidentiality requirements and must be protected with use of encryption where appropriate (for example, at rest, during transmission) and consider compliance with local and applicable international laws.



Data privacy

The Firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data.

The Firm has continued to build on our extensive Data Privacy and Protection programme and supplemented the Network Data Policy with Supplementary Guidance in handling personal data. We respect the privacy and confidentiality of information of our clients, our people, and others with whom we do business, including compliance with relevant legal requirements and professional standards.

We are also committed to embedding good data management practices across our business. Our PwC Code of Conduct contains information on a broad range of local policies covering legal and professional obligations, including the policies on protection of personal data. All partners and staff are required to confirm the compliance of such data protection related policies on an annual basis.

Information Security

Information Security is a high priority for the PwC network. Our firm is accountable to our people, clients, suppliers, and other stakeholders to protect information that is entrusted to us.

Failure to protect information could potentially harm the individuals whose information our firm holds, lead our firm to suffer regulatory sanctions or other financial losses, and impact the PwC reputation and brand. As such, our firm complies with the Information Security Policy which outlines the minimum security requirements for all PwC Firms.

Our data centers and offices in Hong Kong SAR are ISO 27001:2022 certified. They are annually reviewed for their IT security control effectiveness by the British Standards Institute, which is an independent and the official certification body.

Supporting engagement performance



Evolving delivery model

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



Direction, coaching and supervision

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



Consultation culture

Consultation is key to maintaining high audit quality. We have formal protocols about mandatory consultation, in the pursuit of quality. For example, our engagement teams consult with appropriate groups in areas such as taxation, risk, valuation, actuarial and other specialties as well as individuals within our technical support functions.



Technical support

We have specialists supporting our engagement teams including technical accounting, auditing, and financial reporting groups as well as risk and quality. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to professional staff.



Quality Review Partners (QRP)

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



Differences of opinion

Protocols exist to resolve the situations where a difference of opinion arises between the engagement leader and either the QRP, another Assurance partner or central functions such as specialists in our technical support functions.



Monitoring

Monitoring



Monitoring of Assurance quality

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

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

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

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



Aim to Prevent: Real Time Assurance

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

The selection criteria of engagements for the RTA programme is revisited every year taking into consideration engagements with specific risks or within specific industries. Reviewers are nominated partners and senior managers from business units and Risk & Quality depending on the types of RTA programme, and the checklist questions are also enhanced where necessary to address key findings identified in recent engagement reviews and other inspections.



Monitoring

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

ECRs are risk-focused reviews of completed engagements covering, on a periodic basis, individuals in our firm who are authorised to lead audit, non-audit assurance or related services engagements. The review assesses whether an engagement was performed in compliance with PwC Audit guidance, applicable professional standards and other applicable engagement-related policies and procedures. Each such individual is reviewed at least once every five years, unless a more frequent review is required based on the profile of that individual's client engagements or due to local regulatory requirements.

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



Monitoring

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

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

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



Learn: Root cause Analysis

Learn: Root cause analysis

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

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

In addition, the data compiled for audits both with and without engagement-level findings is compared and contrasted to identify whether certain factors appear to correlate to audit quality. Examples of this data include hours incurred on the audit, the number of years of experience of the key engagement team members, the number of years the key engagement team members have been on the engagement, the number of other audits that the key engagement team members are involved in, etc.

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

External inspections

As a registered CPA firm and Public Interest Entity auditor, PwC HK is subject to an annual inspection by the Accounting and Financial Reporting Council (AFRC) in Hong Kong under the Accounting and Financial Reporting Council Ordinance. The last inspection by the AFRC was undertaken from July 2023 to December 2023, five files out of seven reviewed were rated AQR 1 'Good' or AQR 2 'Limited improvements required'. Two files were rated AQR 3 'Improvements required'. No files were rated AQR 4 'Significant improvements required'. None of the findings required re-issue of the audit report or a restatement.

The US Public Company Accounting Oversight Board (PCAOB) issued a disciplinary order on 30 November 2023 against the Firm related to findings in connection with the actions of some staff in certain of the Firm's internal training programmes.





PwC network



Global network

PricewaterhouseCoopers International Limited

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. 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 PwCIL, an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to facilitate coordination between 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 coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual PwC firms where appropriate. Member firms of PwCIL can use the PwC name and the resources and methodologies of the PwC network. In addition, member firms may request 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 PwC 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.



The governance bodies of PwCIL are:

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of network standards. The Board does not have an external role. The Board is comprised of elected partners from PwC firms around the world and one or more external independent directors. Please refer to the following [page on the PwC Global website](#) for a list of the current members of the Global Board.
- **Network Leadership Team**, which is responsible for setting the overall strategy for the PwC network and the standards to which the PwC firms agree to adhere.
- **Strategy Council**, which is made up of the leaders of the largest PwC firms and regions of the network, agrees on the strategic direction of the network and facilitates alignment for the execution of strategy.
- **Global Leadership Team**, which is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from PwC firms to coordinate activities across all areas of our business.

The TSP of PwC HK is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.

Total turnover achieved by statutory auditors and audit firms from EEA Member States that are members of the PwC network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements are approximately 3 billion Euros. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing as of 30 June 2024.

A list of PwC Network audit firms and statutory auditors in European Union/European Economic Area Member States as at 30 June 2024 can be found in the Appendix 2.



Legal and governance structure

Legal and governance structure



Legal structure and ownership

PricewaterhouseCoopers (“PwC HK”) is a partnership wholly owned by its partners and established under the laws of Hong Kong SAR. PwC HK is a Certified Public Accountants (CPA) Firm and a Public Interest Entity (PIE) Auditor registered with the Accounting and Financial Reporting Council (“AFRC”) under the Accounting and Financial Reporting Council Ordinance (Cap. 588) (“AFRCO”) and may undertake and carry out statutory audits and PIE engagements in Hong Kong. There were 149 partners as at 30 June 2024. Partners have equal voting rights except for partners in their first 4 years of partnership, who have one quarter of one vote (and contribute a correspondingly reduced amount of Capital).



Governance structure of PwC HK

Management Board

The TSP is ordinarily elected for a period of four years in accordance with a method recommended and overseen by the Firm’s governance body. As of the date of this report, the current TSP was appointed by the governance body of the Firm.

The TSP has responsibility for the strategic direction and the overall management of PwC HK, and is supported by a Management Board, the members of which, are appointed by the TSP and which has responsibility for management of the day-to-day business. The PwC HK Assurance Leader is a member of the Management Board.

Quality is a regular item on the Management Board meeting agenda.

Assurance Leadership Team (ALT)

ALT meets monthly, with quality as a standing agenda item. The meetings are chaired by the Managing Partner – Assurance, and consists of regional leaders, Assurance Risk & Quality Leader and other leaders such as Risk Assurance, Capital Markets & Accounting Advisory Services, Human Capital, Finance & Operations, Digital & Strategy, State-Owned Enterprises and Markets. During these meetings, messages are discussed and agreed upon, which the leaders then cascade through their respective partner groups.

Board of Partners

The Board of Partners is the governance body of PwC HK. Its role includes to represent all partners and advise the TSP of issues of concern to the partners; to review the processes adopted by management in its decision making; to oversee the processes relating to the capital requirements and distributions of profits and other remuneration pursuant to the partner income system; and to confirm that due process has been adopted in requiring the mandatory withdrawal of a partner and to approve such mandatory withdrawal.

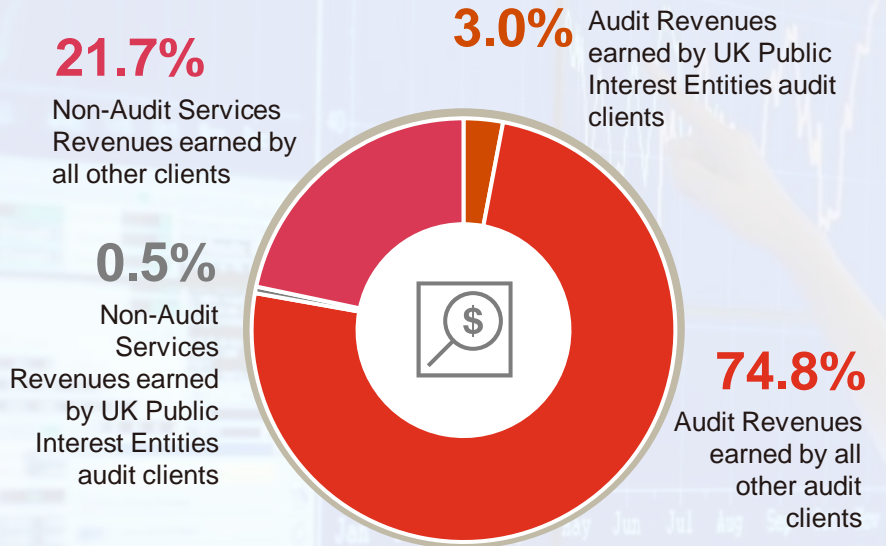
The TSP is an ex officio member of the Board of Partners. The other members are elected for a four-year term and a member of the Board of Partners may only serve as a member for a maximum of two consecutive terms. The Board of Partners meets at least monthly and each meeting is chaired by the Lead Director. A private session is held in each meeting without the presence of the TSP.

Committees of the Board of Partners:

- Remuneration Committee - The Remuneration Committee appointed by the Board of Partners has a role in developing the TSP and partners’ remuneration, which is reviewed and approved by the Board of Partners.
- Election Committee - An Election Committee is established by the Board of Partners to conduct the nomination, selection and election processes to elect members of the Board of Partners.
- Admissions Committee – The Admissions Committee is appointed by the Board of Partners, to assist the consideration of the candidates for admission.

The Board of Partners has recently established two further committees, being a Risk & Compliance Committee and a Finance Committee and is finalising the role of each.

Revenue disclosures required by Article 13 Item 2(k) are as follows:



Financial information



Partners' remuneration

Partners' remuneration

Partners are remunerated out of the profits of PwC HK. 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 approved by the Management Board, once their performance has been assessed and subject to firm results. The remuneration committee appointed by the Board of Partners approves the process and oversees its application.

Each Partner's remuneration comprises three interrelated components:

- responsibility income;
- performance income; and
- Equity unit income.

Each Partner's performance income is determined by assessing achievements against an individually-tailored balanced scorecard of objectives, based on the Partner's roles and responsibilities, and against performance and compliance with firmwide policies and expectations, including quality. There is transparency among the Partners over the process of determining the final income allocation on a summary basis.



Appendix 1 – Public interest audit clients

During the period covered by this Transparency Report, PwC HK has issued audit reports for Asian Infrastructure Investment Bank, Jardine Matheson Holdings Limited, DFI Retail Group Holdings Limited, Hongkong Land Holdings Limited and Mandarin Oriental International Limited that have transferable securities listed in London.



Appendix 2 – EU entities

The table below is a list of statutory audit firms/auditors by country within our network as of 30 June 2024 (Article 13.2.(b) items (ii) and (iii)):

Member State	Name of firm
Austria	PwC Wirtschaftsprüfung GmbH, Wien
	PwC Wirtschaftsprüfungs- und Steuerberatungsgesellschaft GmbH, Linz
	PwC Tax & Audit Services Wirtschaftsprüfung und Steuerberatung GmbH, Graz
	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bv/Reviseurs d'enterprises srl
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
	PricewaterhouseCoopers Savjetovanje d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit, s.r.o.
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
France	PricewaterhouseCoopers Audit
	PricewaterhouseCoopers France
	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
	Wibera Wirtschaftsberatung Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf

Appendix 2 – EU entities

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



We have prepared this Transparency Report, in respect of the financial year ended 30 June 2024, in accordance with the requirements of Article 13 of the retained UK version of EU Regulation No. 537/2014.

This Transparency Report relates to PricewaterhouseCoopers (PwC HK or the firm), a partnership established under the laws of Hong Kong SAR.

PricewaterhouseCoopers is referred to throughout this report as “the Firm”, “PwC HK”, “we”, “our” and “us”.

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