

PwC Canada

Transparency report 2020

October 2020



Contents



Opening message 1



Our approach to quality 6



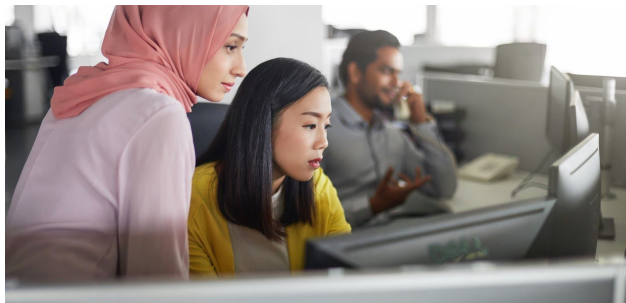
Cultures and values 9



Our people 15



Our audit approach 18



Monitoring 22



Legal and governance structure 24



PwC Network 25

Message from leadership



Nicolas Marcoux

Chief Executive Officer,
PwC Canada

At PwC, our purpose is to build trust in society and solve important problems. This serves as our guiding principle to align the focus of our people and direct the decisions we make and actions we take.

Quality goes straight to the heart of our purpose; it's a top priority and a baseline expectation from our stakeholders. We're committed to be transparent about our continued efforts to enhance quality, specifically in our audit practice and related services.

Our *Transparency Report 2020* details our quality metrics, the practices and processes in place to drive audit quality, as well as the culture which supports it. This includes our values, tone at the top and how we're bringing diverse people and perspectives together to achieve the best outcomes.

These conversations have never been more important. Across the globe, regulators, auditors and businesses are coming together to discuss how the audit needs to change to meet society's evolving expectations. We know there are no easy answers but we're committed to changes that ensure audits remain relevant and valuable.

Meanwhile, the pandemic has tested every organization, including our own. Our people's wellbeing was an immediate concern, but I'm proud of the resilience they've shown. While the pandemic presented some unprecedented challenges, we were able to provide our stakeholders with a continued level of quality that they've come to expect.

Thank you for your engagement and interest in our quality journey.

A message from our Assurance Leader



Michael Paterson

National Assurance Leader and
Asia Pacific Americas
Assurance Leader,
PwC Canada

Trust lies at the heart of everything we do at PwC. It's fundamental to fulfilling our firm's purpose. One of the ways we build trust is by being transparent.

As auditors, we're also acutely aware of another trust driver: the quality of our external audits. That's why we're pleased to present our Transparency Report for 2020, which shows how we maintain quality in our audit work. The report describes our policies, systems and processes for ensuring quality, the results of key quality monitoring programs and reviews, and the way we foster a culture of quality at every level of the firm.

Broadening the definition of audit quality

We welcome the public conversations that arise as a result of transparency about audit quality. We believe there are many factors that contribute to a quality audit and to get a balanced picture of audit quality in Canada stakeholders need to see a range of measures. A selection of measures are included in this report.

We are aware that by committing to this additional level of transparency, there may be times in the future when the results we publish don't meet our high expectations, let alone those of the public.

Audit quality remains our #1 job. It's core to our purpose—to build trust in society and solve important problems. We are proud to be auditors, and we are proud of the important role we play in the financial reporting ecosystem—supporting the overall health of the global economy and building trust in times of uncertainty.

Continuing the discussion on audit quality

Our audit business is fundamental to our strategy and brand. We continue to invest in continuous improvement in audit quality through new systems and technology, risk processes and learning and development for our people. I'm proud of the role we're playing in opening up discussion about audit quality in Canada. I welcome the opportunity to keep the conversation going through our Transparency Report, and other transparency initiatives.

Year in review

Internal inspection results – percentage of files with no significant findings



Restatements



Number of annual financial statement restatements involving PIE audits due to material errors

0.61%

Percentage of restatements of annual financial statement for issuer audit clients due to material errors

Training

Assurance Training FY20

Number of training courses offered to PwC partners and staff

124

E-learns

74

Classroom and Webinar

198

Total

Average hours completed per learner **39**

Total hours completed **68,502**

Assurance Training FY19

Number of training courses offered to PwC partners and staff

126

E-learns

74

Classroom and Webinar

200

Total

Average hours completed per learner **47**

Total hours completed **105,317**

Auditing and accounting training

Averaged assurance training hours by level FY20

22

Partner

40

Staff

Auditing and accounting training

Averaged assurance training hours by level FY19

31

Partner

48

Staff

Mandatory training attendance

100%

of partners and staff have completed all mandatory training attendance in FY20

Real time reviews

Number of reviews included in the real time assurance review program

FY20

81 reviews

With over 1,800 hours spent by our review team

FY19

61 reviews

With over 1,600 hours spent by our review team

Year in review

Average annual hours worked in excess of 40 hours per week by level

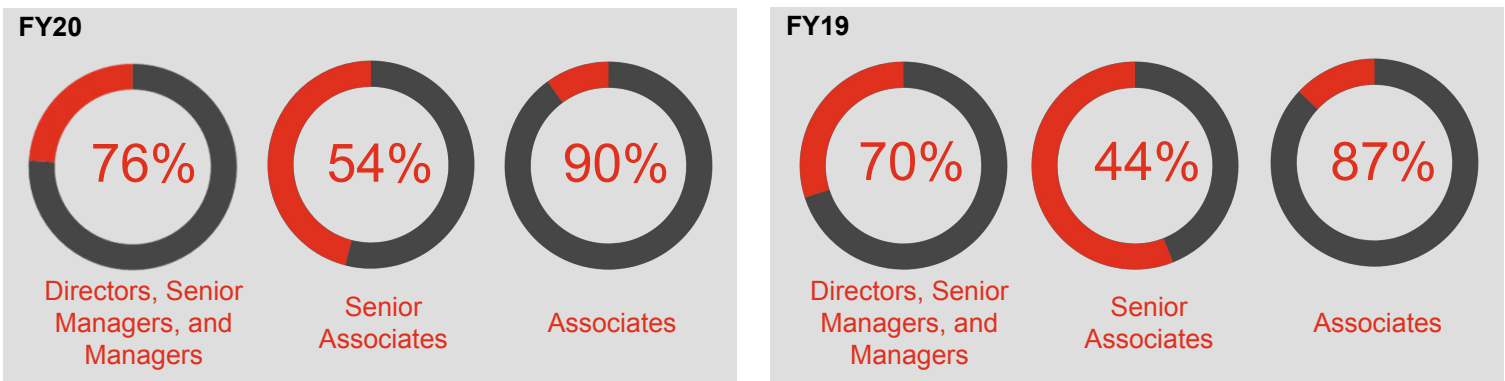
FY20 Average overtime hours by level			
Partners	Directors, Senior Managers and Managers	Senior Associates	Associates
572	395	259	258

FY19 Average overtime hours by level			
Partners	Directors, Senior Managers and Managers	Senior Associates	Associates
587	446	296	236

Leveraged ratio of audit-related hours for audit team members

		FY20		FY19		FY18	
Partners	to	Manager	1 to 3.5	1 to 2.6	1 to 4.3		
Manager	to	Staff	1 to 4.0	1 to 4.8	1 to 3.8		
Partners	to	Staff	1 to 13.9	1 to 12.3	1 to 16.4		

Average retention rate by staff level



Technical support

Ratio of partners serving in technical support roles to the total number of audit partners*

2020:

1 to 11

2019:

1 to 12

*Ratio calculated based on information as at July 1, 2020

Experience of our partners

Average years of Partner experience at PwC

18 years*

*For both FY20 and FY19



Use of Acceleration Centers

Percentage of audit hours performed by Acceleration Centers

FY20	FY19
13%	9%

Staff workload

Actual to planned utilisation of staff

FY20	FY19	FY18
102%	103%	101%

Our quality improvement program

At PwC, we are invested in continuously improving our audit quality through the design and operation of an effective system of quality management. This includes a focus on the following key areas:

- Continuing to strengthen our quality culture to support our partners and teams display behaviours consistent with driving audit quality.
- Integration of the use of Assurance Quality Indicators to aim to predict quality, Real Time Assurance to aim to prevent quality issues, Root Cause analysis to learn from quality issues and a Recognition and Accountability Framework to reinforce quality behaviours, cultures, and actions.

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

- Public discussions on the future of audit, exploring how it needs to change to meet society's evolving expectations.
- Real time engagement around the impact of COVID-19 on our people and our practice



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

Focus on Quality

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

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

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

Definition and culture

At PwC, we define quality service as one that consistently meets the expectations of our stakeholders and which complies with all applicable standards and policies. An important part of delivering against this quality definition is building a culture across a network of 284,000 people that 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.

Measurement and transparency

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

As our services change and develop, and the needs and expectations of our stakeholders also change, we are continually reviewing and updating the scale, scope and operations of our system of quality management and investing in programmes to enhance the quality of the services that we provide.



Specific focus on audit quality



Paul Fitzsimon

Chief Assurance, Risk, Quality
and Regulatory Officer
PwC Canada

Specific focus on audit quality

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

The right objectives and capabilities

To help us put this strategy into effect, the PwC network has established clear objectives around audit quality and provides support to help us meet these objectives. Our engagement teams can only deliver quality audit services if they have access to the necessary capabilities – both in terms of people and technology. That’s why our quality objectives focus on having the right capabilities – both at a member firm level and across our network – and on using these capabilities to meet our own standards and the professional requirements. These capabilities can only be developed under the right leadership and quality culture, promoting the right values and behaviours.

Integrated and aligned in the right way

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

Delivering a quality end-product consistently

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

Values and judgments

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

Delivering audit quality during the COVID-19 pandemic

Our response to COVID-19

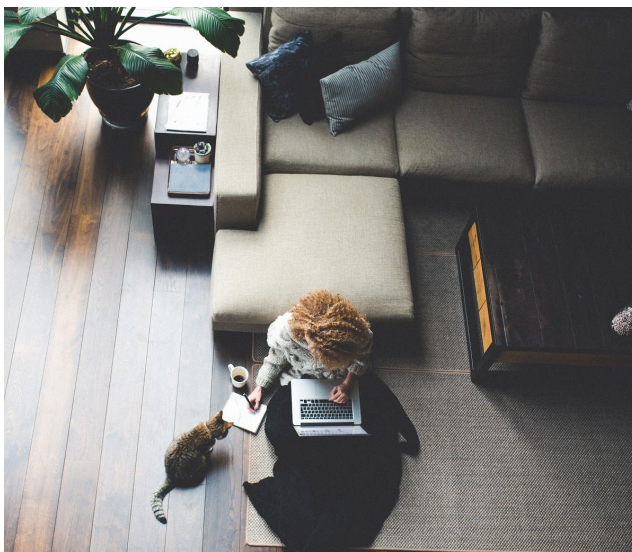
This year, the global COVID-19 pandemic has had an unprecedented impact on our clients and our people, as well as global and local economies and broader society.

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

Sharing developments and experience

From the early stages of the pandemic, the PwC network put a team in place to monitor developments globally and to highlight areas of critical importance to ensure we did not compromise on audit quality. We have leveraged the guidance developed by our Network to provide consistent leadership and guidance on audit quality and equip our teams to consider their client's unique circumstances and respond accordingly.

Our Network response was comprehensive. It covered all aspects of audit quality, including regulatory and standard setting updates, auditor reporting, methodology, accounting and learning and education. Using the Network guidance, we considered changes needed to our existing policies and procedures as well as what needed to be reinforced through appropriate communications to our staff and partners.



Identifying and addressing risks related to COVID-19

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

Our system of quality management provided the framework to identify, assess and respond to the risks arising from the COVID-19 situation. We used the experience and examples shared with us from across the Network to support our assessment of the issues that had the potential to impact our system of quality management.

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

Using technology to support our teams

Our teams transitioned quickly and seamlessly to working remotely. Our Network audit technology infrastructure and tools including our Connect Suite and collaboration through Google (see page 21 for how we use technology tools in our audits), which have been in place for a number of years, enabled our people to continue to carry out their work despite the significant change in our physical work environment.

The impact of the COVID-19 continues to evolve. We are continuing to monitor, assess and respond to the resulting risks in our audits.

Cultures and values

Leadership and tone at the top

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



Key messages are communicated to our firm by our Senior Partner and our leadership team and are reinforced by engagement partners. These communications focus on what we do well and actions we can take to make enhancements. We track whether our people believe that our leaders' messaging conveys the importance of quality to success of our firm. Based on this tracking, we are confident our people understand our audit quality objectives.

Quality management for service excellence

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

To help PwC Canada put this strategy into effect, the PwC network has established a framework for quality management which integrates quality management into business processes and the firm-wide risk management process. The framework introduces an overall quality objective for the Assurance practice focused on having the people and processes to deliver services in an effective and

efficient manner that meets the expectations of our clients and other stakeholders.

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

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

This involves the integrated use of Assurance Quality Indicators to aim to predict quality issues, Real Time Assurance to aim to prevent quality issues, Root Cause Analysis to learn from quality issues and a Recognition and Accountability Framework to reinforce quality behaviours, culture and actions.

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

At PwC, "audit quality" means that we consistently:

- comply with auditing standards;
- exercise professional skepticism;
- use our experience to identify and resolve issues timely; and
- apply a deep and broad understanding of our clients' businesses and the financial environment in which they operate.

Our audit quality principles are achieved through our audit quality practices and mean that we:

- ask tough questions;
- apply an objective and skeptical mindset;
- embrace the supervision and review process as a way to continuously improve;
- stay current on professional standards;
- have timely, meaningful exchanges with audit committees and management;
- plan our work and resolve issues in a timely and thorough fashion;
- remain alert for issues that need deeper analysis;
- act with professionalism and integrity; and
- recognize our role in the capital markets.

The Quality Management Process

This quality management process includes:

- identifying risks to achieving the quality objectives;
- designing and implementing responses to the assessed quality risks;
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators;
- continuously improving the system of quality management when areas for improvement are identified by performing root cause analyses and implementing remedial actions; and
- establishing a quality-related recognition and accountability framework to be used in appraisals, remuneration, and career progression decisions.

Aim to Predict: Assurance Quality Indicators

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

Aim to Prevent: Real Time Assurance

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

It enables us to cover both a wide range of engagements and Assurance quality indicators through our internal monitoring processes with standardisation and automation saving time and resources.

Learn: Root cause analysis

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

For individual audits, an objective team of reviewers identifies potential factors contributing to the overall quality of the audit. We consider factors relevant to technical knowledge, supervision and review, professional scepticism, engagement resources, and training, amongst others.

Potential causal factors are identified by evaluating engagement information, performing interviews, and reviewing selected audit working papers to understand the factors that may have contributed to audit quality.

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

Our goal is to understand how quality audits may differ from those with deficiencies, and to use these learnings to continuously improve all of our audits. We evaluate the results of these analyses to identify enhancements that may be useful to implement across the practise. We believe these analyses contribute significantly to the continuing effectiveness of our quality controls.

Reinforce: Recognition and Accountability Framework

Our Recognition and Accountability Framework ("RAF") reinforces quality in everything our people do in delivering on our strategy, with a focus on the provision of services to our clients, how we work with our people and driving a high quality culture. It holds Partners, including non-Partner Engagement Leaders accountable for quality outcomes beyond compliance. Our RAF considers and addresses the following key elements:

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

Ethics, independence and objectivity

Ethics

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

1. **Integrity** – to be straightforward and honest in all professional and business relationships.
2. **Objectivity** – to not allow bias, conflict of interest or undue influence of others to override professional or business judgements.
3. **Professional Competence and Due Care** – to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practise, legislation and techniques and act diligently and in accordance with applicable technical and professional standards.
4. **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.
5. **Professional Behaviour** – to comply with relevant laws and regulations and avoid any action that discredits the profession.

In addition, our Network Standards applicable to all Network firms cover a variety of areas including ethics and business conduct, independence, anti-money laundering, anti-trust/fair-competition, anti-corruption, information protection, firm's and partner's taxes, sanctions laws, internal audit and insider trading. We take compliance with these ethical requirements seriously and strive to embrace the spirit and not just the letter of those requirements. All partners and staff undertake annual mandatory training, as well as submitting annual compliance confirmations, as part of the system to support appropriate understanding of the ethical requirements under which we operate. Partners and staff uphold and comply with the standards developed by the PwC Network and leadership in PwC Canada 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 Canada has adopted the PwC Network Standards which include a Code of Conduct, and related policies that clearly describe the behaviours expected of our partners and other professionals-behaviours that will enable us to build public trust. Because of the wide variety of situations that our professionals may face, our standards provide guidance under a broad range of circumstances, but all with a common goal - to do the right thing.

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

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

Objectivity and Independence

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

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

PwC Canada has a designated partner (known as the 'Partner Responsible for Independence' or 'PRI') with appropriate seniority and standing, who is responsible for implementation of the PwC Global Independence Policy including managing the related independence processes and providing support to the business. The partner is supported by a team of independence specialists. The PRI reports directly to the Chief Assurance, Risk, Quality and Regulatory Officer, a member of the firm's extended leadership team.

Independence policies and practices

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

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

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

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

PwC Canada supplements the PwC Network Independence Policy as required by Canadian requirements, the independence requirements of 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.



Independence related systems and tools

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

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

PwC Canada also has a number of Canadian-specific systems which include:

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



Independence training and confirmations

PwC Canada provides all partners and practise staff with training in independence matters. Training typically focuses on milestone training relevant to a change in position or role, changes in policy or external regulation and, as relevant, provision of services. Partners and staff receive regular communications and updates on PwC Canada's independence policy and related topics.

All partners and practise staff are required to complete an annual compliance confirmation, whereby they confirm their compliance with relevant aspects of the member firm's independence policy, including their own personal independence. In the current year, PwC Canada implemented additional compliance confirmations for partners and managerial practice staff specific to 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.

Independence monitoring and disciplinary policy

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

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

The results of PwC Canada's monitoring and testing are reported to the firm's management on a regular basis.

PwC Canada has disciplinary policies, personal monetary sanctions, and mechanisms in place that promote compliance with independence policies and processes, and that require any breaches of independence requirements to be reported and addressed.

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

Client and Engagement Acceptance and Continuance

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

- **Engagement teams:**
 - To document their consideration of matters required by professional standards related to acceptance and continuance;
 - To identify and document issues or risk factors and their resolution, for example through consultation by adjusting the resource plan or audit approach or putting in place other safeguards to mitigate identified risks or by declining to perform the engagement; and
 - To facilitate the evaluation of the risks associated with accepting or continuing with a client and engagement.
- **Member firms (including member firm leadership and risk management):**
 - To facilitate the evaluation of the risks associated with accepting or continuing with clients and engagements;
 - To provide an overview of the risks associated with accepting or continuing with clients and engagements across the client portfolio; and
 - To understand the methodology, basis and minimum considerations all other member firms in the Network have applied in assessing audit acceptance and continuance.

Our people

High performance

Our people strategy is focused on being the world's leading developer of talent. We hire candidates who have diverse backgrounds and appropriate skills; have a questioning mindset and intellectual curiosity; and demonstrate courage and integrity. PwC Canada partners and staff are regularly educated on the PwC strategy, values and foundational behaviours needed to drive a high performance mindset.

PwC Canada aims to recruit high quality staff that can operate as accounting and other experts in support of audits and who share in PwC Canada's strong sense of responsibility for auditing. Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, assessment of academic records, and background checks.

Audit Quality Measures

- Average staff retention rate
- Leveraged ratio of audit-related hours

Partner remuneration

PwC Canada partners are remunerated solely out of the profits of PwC Canada. 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 equity partners is made by Firm management once their performance has been assessed and the annual financial results have been determined. The Firm's partnership board approves the process and oversees its application, including setting the compensation of the CEO and Leadership Team.

Each equity partner's remuneration is dependent upon the level of equity shares in the Firm, which is a function of sustained performance as well as roles and responsibilities, and performance of the individual and his or her business unit in the current period.

Each equity partner's performance is evaluated by assessing achievements against an individually-tailored dashboard, based on the partner's role and responsibilities. Quality is carefully considered in determining partner income.

There is full transparency among the equity partners over the total income allocated to each partner.

Continuous upskilling

Today's world demands new skills. We are responding to our people and clients' changing expectations to deliver a different, more digital experience to our clients.

- We provide our people with learning tools to expand the use of digital solutions on their audits and empower them with a mindset of continual improvement and innovation. Our Digital Academies leverage market-leading software and focus primarily on building three core skills: data wrangling, automation, and data visualization. These tools enhance the firm's collective digital fluency while providing individuals with a personalized curriculum to build their digital IQ. Digital experts are embedded within our engagement teams and are dedicated to applying digital capabilities to each audit, as well as developing new digital solutions for the firm.





Diversity and inclusion

At PwC, we're committed to creating a culture of belonging. We are focused on diversity and fostering an inclusive environment in which our people are comfortable bringing their whole selves to work and feel that they belong and are valued. We know that when people from different backgrounds and with different points of view work together, we create the most value-for our clients, our people, and society. Our core values of caring and working together guide us to recognize the contributions of each individual and develop a workplace with a range of people, perspectives and ideas.



Recruitment

PwC Canada aims to recruit, train, develop and retain the best and the brightest staff who share in the firm's strong sense of responsibility for delivering high-quality services. Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, assessment of academic records, and background checks.



Team selection, experience and supervision

On engagements, the lead partner must staff their engagements with suitably qualified, competent and experienced partners and staff. They must also determine the extent of direction, supervision and review of junior staff.



Real-time feedback

We collect real-time feedback on people performance, values and progression via our Snapshot tool, a simple, mobile-enabled technology. Snapshot captures data on five Assurance quality dimensions: accounting and technical knowledge, auditing skills, professional scepticism, issues management, review and supervision. We also use Workday to allow staff to provide real-time feedback on an upwards and peer basis and complements Snapshot.



Career progression

PwC Canada uses PwC Professional, a global career progression framework. PwC Professional 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. As part of the framework, individuals meet with their Relationship Leader regularly to discuss their development, progression and performance.



Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand and the development experience we provide make 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.



Open and transparent firm feedback

PwC Canada is committed to making sure we practice what we preach. To keep us on track, we gather real-time feedback from our people on how well the firm is living its values.

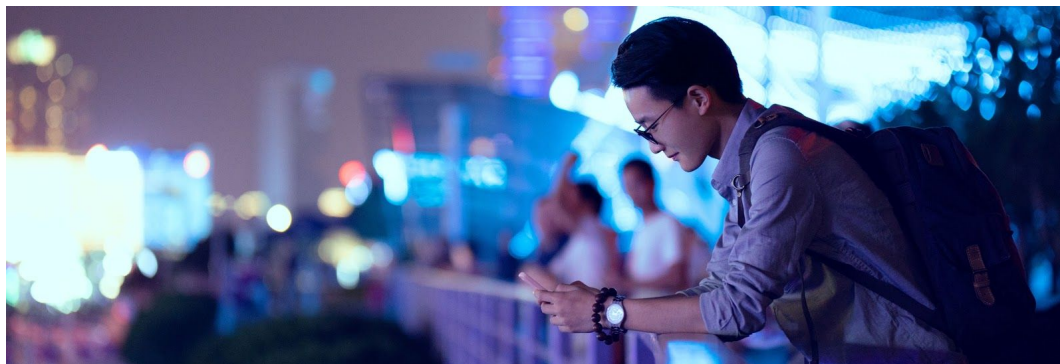
Diversity and inclusion

At PwC Canada, we're all responsible for fostering an equitable and inclusive environment.

Activating equity and celebrating our diversity is a business imperative and a core part of our PwC Canada Strategy. For FY21, we'll continue to move the dial on diversity beyond gender and focus on valuing our differences.

Here are a few examples of our key priorities:

- **Focus on equity, inclusion and belonging:** we launched an Equity Task Force to drive measurable actions into our business plans aimed at fostering a more inclusive culture for our racialized communities. We have initiated four immediate actions demonstrating our commitment to make a difference:
 1. Signing the Canadian Council of Business Leaders Against Anti-Black Systemic Racism BlackNorth CEO Pledge to formalize joint, measurable actions we're taking with other Canadian business leaders over the next five years.
 2. Embedding accountability metrics within our leadership structures with formalized Key Performance Indicators internally and externally around equity and inclusion.
 3. Developing a more extensive Inclusive Leadership Upskilling Curriculum with multiple modules, which will include mandatory unconscious and racial bias training.
 4. Reviewing recruiting practices and listening to the lived experiences of our racialized colleagues to continue to foster a more equitable and inclusive culture.
- **Understanding bias awareness:** Being aware of our unconscious biases (or blind spots) is key to building an inclusive environment and valuing the diversity colleagues bring to the table. PwC is focused on raising awareness and has embedded training throughout the talent cycle, including programs like our award-winning Open Minds e-learn and Blind Spots, a four-part video series. We continue to update our training and are currently developing racial bias modules. To learn more about our unconscious bias training, please visit our [D&I website](#).
- **HeForShe and gender equity:** As proud 10x10x10 Founding Impact Champions of the United Nations' HeForShe initiative, we've accelerated global gender equity by joining forces with leading companies, heads of state and universities to make a lasting difference by encouraging 1 billion men from around the world to commit to gender equity. PwC is also aspiring to leverage our network to engage no less than 80,000 PwC men globally to join HeForShe. To learn more about HeforShe, please visit our [D&I website](#) or [HeforShe microsite](#).
- **Strengthening our inclusive networks:** Our employee-led Inclusion Networks (employee resource groups) play a critical role in celebrating our different "identities" and creating a sense of community with both members and allies. Inclusion Networks also drive engagement by building bridges with our clients and the community through our shared values of an inclusive culture. To learn more about our Inclusion Networks, please visit our [D&I website](#).
- **Women in Leadership:** Women in Leadership (WiL) is our award-winning leadership development program focused on providing leadership insights, practical tools, networks and experiences that enable the personal and professional growth and aspirations of our diverse female talent. To learn more about WiL [click here](#).
- **Strategic partnerships:** To strengthen our commitment to D&I priorities, we strategically partner with key external organizations including (but not limited to) Ascend Canada, Catalyst Canada, Council for Inclusive Work Environments, Gender and the Economy (GATE) at Rotman's School of Management, and Economic Club of Canada.



The PwC Professional

The PwC Professional is our global leadership development framework. It supports the development and career progression of our staff by providing a single set of expectations across all lines of service, geographies, and roles; outlining the capabilities needed to thrive as purpose-led and values-driven leaders at every level.

Professional Development

We are committed to putting the right people in the right place at the right time. Throughout our people's careers, they are presented with career development opportunities, classroom and on-demand learning, and on-the-job real time coaching/development. Our on-demand learning portfolio facilitates personalized learning with access to CPE and non-CPE educational materials, including webcasts, podcasts, articles, videos, and courses.

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

Audit Quality Measures

- Average training hours per audit professional
- Mandatory training attendance

Enhanced Working Practices

Enhanced working practices refers to the way we work as a team. At the heart of EWP approach is the concept of "teach, don't tell" - the use of open-ended questions to teach our people to think and learn, instead of providing answers. This approach is supported by five on-the-job routines:

- rounds
- formal observation and feedback
- shadowing
- lessons learned
- team workshops

We have ingrained our Enhanced Working Practices philosophy into the way we engage, motivate and inspire our people to deliver a distinctive client experience. We believe that if we treat our people right, we'll get it right with you.

Continuing education

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

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

The design of the curriculum allows us to select, based on local needs, when we will deliver the training.

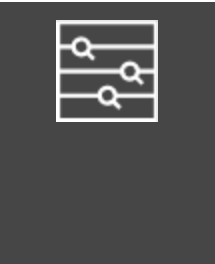
We consider what additional training is appropriate – formal and/or informal – to address any additional specific local training needs in the way of videos, workshops and forums for staff to share their experiences. This training is then supplemented with learning from others, whether by receiving and discussing feedback, or by shadowing, observing and/or working with others in order to support them on the job.

Attendance at required training courses is monitored and is an important component of an individual's performance assessment. In addition, many courses are followed by learning assessments. These assessments help extend the learning experience by testing knowledge gained during the course, and providing participants with a better understanding of where they could improve.

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

Our audit approach

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



The PwC Audit

The quality and effectiveness of audit is critical to all of our stakeholders. We therefore invest heavily in the effectiveness of our audits, in the skills of our people, in our underlying audit methodology, the technology we use, and in making the right amount of time and resources available. We pay close attention to what our various stakeholders require from us, what they tell us we need to improve and to the findings of regulatory inspections on the quality of our work. Just as important are 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.



People

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

Technology

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

Approach

We've built our audit around our people and our technology. We've designed it to give us more time with our clients, understanding the things that matter to their business. That's more time understanding client concerns, and more time focusing on the inherent risks we see, including how they change over time and how they compare with peer companies.

The PwC Audit

Audit Committees

Audit committees have an important role, being charged with oversight of the appointment, performance, and independence of auditors. Through timely, meaningful exchanges, we obtain the audit committee's perspectives and fulfill our professional responsibilities to communicate certain items to them. We encourage audit committees to ask us candid questions and engage in an open dialogue to help foster an environment of accountability. For public company audits, our communications occur at least quarterly.

Examples of topics we commonly discuss with the audit committee include:

- our independence, including, when appropriate, the potential effects of proposed non-audit services;
- our role and the roles of management and the audit committee;
- the audit committee's views about fraud risks in the company;
- our audit approach, including our risk assessment process, consideration of fraud risks, and results;
- the scope of our audit, including multi-location considerations, where applicable;
- our client service team, including specialists;
- our planned use of the work of others;
- our timeline and communication plan;
- audit fees;
- management's accounting policies and practices, including adoption of new accounting standards and significant transactions;
- relevant trending topics, including economic developments and new laws and regulations affecting the company;
- the quality of the company's financial reporting;
- audit results, including areas of significant estimates and judgments; and
- firm external and internal inspection results.

We also frequently share observations regarding other matters related to the audit committee's roles and practices, such as the company's management and governance over financial reporting.



Tools and technologies to support our audit

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

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

We supplement the methodology through the development and enhancement of audit tools and related guidance that are specific to the needs and requirements of the Canadian Firm.



Aura Platinum

PwC Audit is underpinned by Aura Platinum, our global audit documentation system which is used across the entire PwC Network. Aura Platinum is the heart of 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. Smart dashboards show teams audit progress and the impact of scoping decisions more quickly.

Audit technology

Aura Platinum is supported by a series of technology-based audit support tools and templates which are accessible via a range of electronic devices ranging from PCs to smartphones. These tools increasingly integrate with Aura, populating audit evidence directly into Aura. The main tools include:



The Connect Suite is our collaborative platform where we share data, document requests and audit status. It provides fast, efficient and secure information sharing with our clients and multi-location audit teams at every stage of the audit:

- **Connect** monitors the status of requests and information between our clients and the engagement team in real time. Audit and client teams know where things stand at all times through a consolidated dashboard showing all sites, digitisation of engagement matters, and automated key performance indicators.
- **Connect Audit Manager** streamlines, standardises and automates group and component teams coordination for multi-location and statutory/regulatory audits. It provides a single digital platform to see all outbound and inbound work and digitises the entire coordination process so there's greater transparency, compliance and quality for complex multi-location audits.



Halo is our market-leading audit technology that allows us to identify and assess risks and determine where to focus audit efforts. Halo interrogates, tests and analyses huge volumes of business-critical data, analysing whole populations, spotting and visualising anomalies and trends in financial information. It enables us to analyse patterns and trends, identify unusual and high-risk transactions, and provide valuable insight to our teams and our clients.



Count facilitates the end-to-end process for inventory counts, allowing 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's Confirmation System makes it easy for clients to return requested information securely. Automated, flexible technology means it works for virtually all confirmation types-from accounts receivable to derivatives to loans to inventory.

Confidentiality and information security

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

Data Privacy

The firm maintains a robust and consistent approach to the management of all personal data, with everyone in our organisation having a role to play in safeguarding personal data. We have continued to build on our extensive GDPR readiness programme, and are committed to embedding good data management practices across our business.

Information Security

Information security is a high priority for the PwC Network. Member Firms are accountable to their people, clients, suppliers, and other stakeholders to protect information that is entrusted to them.

The PwC Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards, and other reputable frameworks (COBIT, NIST, etc.) as benchmarks for security effectiveness across the network of Member Firms. The PwC ISP directly supports the Firm's strategic direction of cyber readiness to proactively safeguard its assets and client information. The PwC ISP is reviewed, at a minimum, on an annual basis.

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



Supporting engagement performance



Evolving delivery model

We continue to evolve the way we deliver our services so our people give our clients an even better experience, improve the quality of what we do and create economic capacity to invest in the future. We use both on and offshore resources at Acceleration centers and Centers of Excellence to streamline, standardize, automate, and centralize 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. Teams utilize Aura Platinum which has capabilities to effectively monitor the progress of the engagement to make sure that all work has been completed and reviewed by relevant individuals, including the engagement leader.



Consultation culture

Consultation is key to ensuring audit quality. While we have formal protocols about mandatory consultation, in the pursuit of quality, we regularly consult more than the minimum requirement. For example, our engagement teams routinely speak with experts in areas such as taxation, risk, valuation, actuarial and other specialities as well as individuals within our National Office.



Specialists in Auditing, Risk and Accounting

Our Audit Risk and Quality and Accounting Consulting Services teams comprise technical accounting, auditing, and financial reporting specialists as well as risk and quality. These specialists play a vital role in keeping our policies and guidance in these areas current by tracking new developments in accounting and auditing and providing those updates to professional staff.



Quality Review Partners (QRP)

Specific audit engagements are assigned a QRP as part of the firm's system of quality management as required by professional standards. These partners, who have the necessary experience and technical knowledge, are involved in the most critical aspects of the audit. For example, they may advise on matters of firm independence, risks of material financial statement misstatement 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 audit risk and quality. These include escalation to individuals independent of the engagement or to leadership as required.

Monitoring

Audit Quality Measures

- Total number of ECRs
- Number of ECRs rated as compliant and non-compliant
- Financial statement restatements involving PIE audits due to material errors

Monitoring of Assurance quality

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

Responsibility for appropriate quality management lies with the Leadership of PwC Canada - the *“first line of defence”*. This includes the design and operation of an effective System of Quality Management (SoQM) that is responsive to our specific risks to delivering quality audit engagements, using the Network’s QMSE framework.

Our firm’s monitoring procedures include an ongoing assessment aimed at evaluating whether the policies and procedures which constitute our SoQM are designed appropriately and operating effectively to provide reasonable assurance that our audit and non-audit assurance engagements are performed in compliance with laws, regulations and professional standards - the *“second line of defence”*.

Our monitoring also encompasses a review of completed engagements (Engagement Compliance Reviews-ECR) as well as periodic monitoring of our SoQM by an objective team. The results of these procedures, together with our ongoing monitoring form the basis for the continuous improvement of our SoQM.

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

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

Reviews are led by experienced Assurance partners, supported by independent teams of partners, directors, and senior managers and other specialists. Review teams receive training to support them in fulfilling their responsibilities, and utilize a range of checklists and tools developed at the Network level when conducting their review procedures.

Finally, the PwC Network coordinates an inspection program to review the design and operating effectiveness of our SoQM - the *“third line of defence”*. The use of a central team to monitor these inspections across the Network enables a consistent view and sharing of relevant experience across the PwC Network.

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

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

Statement of effectiveness of audit quality controls

Management of PwC Canada believes that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that financial statement audits and other assurance engagements carried out by PwC Canada consistently meet the required quality standards.



External inspections

External inspections of our public company audit practice provide a data point for audit quality and represent an important check on our internal monitoring and assessment processes. PwC Canada is subject to inspection by the Canadian Public Accountability Board (CPAB) and by the Public Company Accounting Oversight Board (PCAOB). The investments we have made in audit quality have had a positive impact on the results of the external inspections.

CPAB

PwC Canada is eligible to undertake statutory audit work of publicly listed entities by virtue of its registration with the Canadian Public Accountability Board (CPAB). CPAB undertakes an annual inspection of the quality of PwC Canada's work as auditors of Canadian Reporting Issuers. In March 2020 CPAB issued a report on the 2019 inspection. As at June 30, 2020, the 2020 CPAB inspection was underway and is likely to be concluded towards the end of 2020. Due to regulatory restrictions, we are not able to publicly share the results of these inspections. However, we continue to be pleased with our CPAB inspection results.

PCAOB

In addition, the Firm is registered with the PCAOB and subject to PCAOB inspection with respect to work as auditors of SEC registrants and their affiliates. As at June 30, 2020, the most recent PCAOB inspection report related to their 2018 inspection was received by the Firm in June 2019. A full copy of the report is available on the PCAOB website at www.pcaobus.org. The investments we have made in audit quality have had a positive impact on the results of the 2020 inspection of our 2019 year-end audits. Although the PCAOB's 2020 inspection cycle is not yet complete, to date we have seen a significant decrease in the number of issuer audits with identified deficiencies.

The Firm continues to be registered with CPAB and PCAOB.

Chartered Professional Accountants Canada

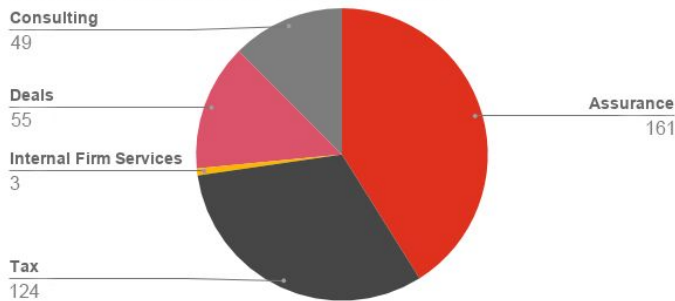
Chartered Professional Accountants (CPA) Canada is our national professional accounting body, with each province being represented by a CPA body. The firm is subject to provincial practice inspections that are focused on private company clients, which assess our adherence to professional standards as set out in the CPA Canada Handbook and relevant provincial rules.

Legal and governance structure

Legal structure and ownership of the Firm

The Canadian Firm of PricewaterhouseCoopers LLP (PwC Canada) is a limited liability partnership formed under the laws of the Province of Ontario, Canada. It is wholly owned by the partners of the Firm. PwC Canada operates out of 25 offices throughout Canada - a full list can be found at www.pwc.com/ca

Number of equity partners as at July 1, 2020



Governance structure of the Firm

PwC Canada's CEO and Senior Partner is responsible for managing and supervising the management of the business and affairs of the Firm. Among other responsibilities, the CEO has the authority to establish policies, strategic plans and budgets, and to appoint, remove and replace members of the Firm's executive team. The CEO is a partner elected by the partnership.

To assist him in discharging his responsibilities, the CEO and Senior Partner has appointed a Leadership Team, which works with him in managing the Firm. The responsibilities of the Senior Partner and Leadership Team include establishing and determining the effectiveness of the Firm's system of internal control, including those relating to the quality of the Firm's audit and assurance services.

PwC Canada's Partnership Board (the Board), currently comprised of 12 elected partners, is charged with overseeing the CEO and Firm management. Among other things, the Board is responsible for monitoring the financial performance and internal controls of the Firm, reviewing plans and budgets, approving the admission and removal of partners, and reviewing and evaluating the performance of members of the Leadership Team. Board members are elected for four year terms, and one half of the Board is elected by the partnership every two years. The Board meets several times throughout the year, and has standing committees which focus on governance, risk management, partner affairs, senior management performance and finance. The CEO is also a member of the Board. Special Board committees are formed to focus on particular issues as required.



Nicolas Marcoux

Nicolas Marcoux
CEO, PwC Canada



Michael Paterson

Michael Paterson
National Assurance
Leader and Asia Pacific
Americas Assurance
Leader



Paul Fitzsimon

Paul Fitzsimon
Chief Assurance, Risk,
Quality and Regulatory
Officer

Appendix 1: PwC Network

Global Network

We're a network of firms in 155 countries with more than 284,000 people who are committed to delivering quality in assurance, advisory and tax services. PwC is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC network. 'PwC' is often used to refer either to individual firms within the PwC network or to several or all of them collectively.

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



PricewaterhouseCoopers International Limited

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

A list of PwC network audit firms and sole practitioner statutory auditors in the European Union/European Economic Area Member States can be found in **Appendix 1**.

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

The governance bodies of PwCIL are:

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

PwC Canada's Chief Executive Officer (CEO) and Senior Partner, Nicolas Marcoux, is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.

Financial Information

Total turnover achieved by statutory auditors and audit firms from EU/EEA Member States that are members of the PwC network resulting, to the best extent calculable, from the statutory audit of annual and consolidated financial statements is approximately €3.2 billion. This represents the turnover from each entity's most recent financial year converted to Euros at the exchange rate prevailing as of 30 June 2020.

Relevant European Union audit clients

During the period covered by this Transparency Report, PwC Canada has signed audit reports for the following clients that have transferable securities listed on regulated markets in the countries noted.

Ireland:

- Royal Bank of Canada

Luxembourg:

- Royal Bank of Canada

Norway:

- Questerre Energy Corporation

Sweden:

- Africa Oil Corp.
- Africa Energy Corp.
- BlackPearl Resources Inc.
- Filo Mining Corp.
- Josemaria Resources Inc.
- Lucara Diamond Corp.
- Lundin Mining Corporation
- Lundin Gold Inc.
- Royal Bank of Canada
- Semafo Inc.

United Kingdom:

- Canadian General Investments, Ltd.
- Pure Gold Mining Inc.
- Royal Bank of Canada
- Toyota Credit Canada Inc.

Financial information

The Firm's audit revenues from the relevant audit clients listed above and all other Firm revenue (CA\$ millions) for the fiscal year ended June 30, 2020 are:

- Audit revenues from relevant EU/EEA clients \$27.4
- Non-audit revenues from relevant EU/EEA clients \$0.4
- Audit revenues from all other clients \$641.9
- Non-audit revenues from all other clients \$1,084.4

Appendix 2: PwC network audit firms and sole practitioner statutory auditors in EU/EEA member states as at June 30, 2020

Member State	Name of firm
Austria	PwC Wirtschaftsprüfung GmbH, Wien
Austria	PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz
Austria	PwC Kärnten Wirtschaftsprüfung und Steuerberatung GmbH, Klagenfurt
Austria	PwC Steiermark Wirtschaftsprüfung und Steuerberatung GmbH, Graz
Austria	PwC Salzburg Wirtschaftsprüfung und Steuerberatung GmbH, Salzburg
Austria	PwC Österreich GmbH, Wien
Belgium	PwC Bedrijfsrevisoren bv/Reviseurs d'enterprises srl
Bulgaria	PricewaterhouseCoopers Audit OOD
Croatia	PricewaterhouseCoopers d.o.o
Cyprus	PricewaterhouseCoopers Limited
Czech Republic	PricewaterhouseCoopers Audit s.r.o
Denmark	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Estonia	AS PricewaterhouseCoopers
Finland	PricewaterhouseCoopers Oy
France	PricewaterhouseCoopers Audit
France	PricewaterhouseCoopers Entreprises
France	PricewaterhouseCoopers France
France	PricewaterhouseCoopers Services France
France	PwC Entrepreneurs CAC
France	PwC Entrepreneurs Commissariat aux Comptes
France	PwC Entrepreneurs Audit
France	PwC Entrepreneurs Audit France
France	PwC Entrepreneurs CAC France
France	PwC Entrepreneurs Commissariat aux Comptes France
France	PwC Entrepreneurs France
France	PwC Entrepreneurs Services

Member State	Name of firm
France	Expertise et Audit Lafarge
France	M. Philippe Aerts
France	M. Jean-François Bourrin
France	M. Jean-Laurent Bracieux
France	M. Didier Brun
France	M. Anouar Lazrak
France	Mme Elisabeth L'Hermite
France	M. François Miane
France	M. Yves Moutou
France	M. Claude Palmero
France	M. Pierre Pegaz-Fiornet
France	M. Antoine Priollaud
Germany	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft
Germany	Wibera WPG AG
Gibraltar	PricewaterhouseCoopers Limited
Greece	PricewaterhouseCoopers Auditing Company SA
Hungary	PricewaterhouseCoopers Könyvvizsgáló Kft.
Iceland	PricewaterhouseCoopers ehf
Ireland	PricewaterhouseCoopers
Italy	PricewaterhouseCoopers Spa
Latvia	PricewaterhouseCoopers SIA
Liechtenstein	PricewaterhouseCoopers GmbH, Vaduz
Lithuania	PricewaterhouseCoopers UAB
Luxembourg	PricewaterhouseCoopers, Société coopérative
Malta	PricewaterhouseCoopers
Netherlands	PricewaterhouseCoopers Accountants N.V.
Netherlands	Coöperatie PricewaterhouseCoopers Nederland U.A.
Norway	PricewaterhouseCoopers AS
Poland	PricewaterhouseCoopers Polska sp. z. o.o.
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp. k.
Poland	PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością sp. k.

Member State	Name of firm
Portugal	PricewaterhouseCoopers & Associados-Sociedade de Revisores Oficiais do Contas Lda
Romania	PricewaterhouseCoopers Audit S.R.L.
Slovakia (Slovak Republic)	PricewaterhouseCoopers Slovensko, s.r.o.
Slovenia	PricewaterhouseCoopers d.o.o.
Spain	PricewaterhouseCoopers Auditores, S.L.
Sweden	PricewaterhouseCoopers AB
Sweden	Öhrlings PricewaterhouseCoopers AB
UK	PricewaterhouseCoopers LLP
UK	James Chalmers
UK	Katharine Finn

We have prepared this Transparency Report, in respect of the financial year ended June 30 2020, in accordance with the requirements of Article 13 of the EU Regulation No. 537/2014

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