

September 2023



PwC Australia's Commitments to Change

Response to the findings of Dr Ziggy Switkowski AO
and recent events at PwC Australia



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Part 1: Overview of Our Response

A Foreword from Kevin Burrowes, PwC Australia's CEO and Justin Carroll, Governance Board Chair: PwC Australia's Commitments to Change

In May 2023, PwC Australia commissioned Dr Ziggy Switkowski AO to conduct an Independent Review ("the Review") that evaluates the strengths and shortcomings in PwC Australia's governance, culture and accountability frameworks and practices.

On behalf of our firm, we want to thank Dr Switkowski for conducting a thorough and rigorous review. We are also grateful to our people and other stakeholders who shared their knowledge and experience to inform Dr Switkowski's Review.

As we previously committed, today we published the Review in full.

PwC Australia accepts and will implement the Review's recommendations. We recognise this is a critical and significant step required to re-earn the trust of our people, clients and stakeholders.

Dr Switkowski's Review highlights a failure of leadership – both by individuals and as a firm. Over time, this failure of leadership contributed to an erosion of good governance and culture, weakening focus on our professional and ethical standards.

We deeply regret and apologise for our failures. While at times difficult and disappointing to read, Dr Switkowski's Review lays bare where shortcomings exist in our firm and a culture that allowed them to go unchecked over time.

It is incumbent on us to accept this, and for each and every one of our partners as well as staff to embrace the need for change, and work together to build a better PwC Australia.

The Review makes a clear distinction between the leadership failures that led to an erosion of good governance and culture and the high quality of work our people and the firm provide for our clients every day. In particular, Dr. Switkowski highlights our Assurance business, which he states appears to "substantially model best practice."

In fact, Dr Switkowski states that "PwC Australia is comprised of many honest, clever and committed individuals in the business of advising other organisations about what 'good' looks like across governance, culture and accountability frameworks and practices." We will follow Dr Switkowski's advice to leverage the strengths he identifies within our firm to reset for the future, restore trust, and rebuild.





To both our clients and our 10,000 dedicated people: we have fallen short of your expectations. While the past few months have been enormously challenging, we are proud of the resilience our people have shown and their commitment to continue delivering high quality work - day in, day out.

PwC Australia's Action Plan to deliver on our Commitments to Change

We have deeply considered all of Dr Switkowski's recommendations, and undertaken a period of introspection to consider the root causes that allowed this situation to occur. These reflections are described in detail in our Action Plan below.

The Action Plan will deliver on our Five Commitments to Change. These are:

- 1** Put our purpose and values at the core of everything we do
- 2** Increase the independence and effectiveness of our governance board
- 3** Improve discipline and rigour of decision making
- 4** Strengthen risk and conflict management and accountabilities
- 5** Embed a culture and practice of constructive challenge

One foundational area of change Dr Switkowski identified was our firm's governance. The Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations provide a strong corporate governance framework and to the extent feasible, we will apply them to PwC Australia. This will include the appointment of at least three independent non-executives to our Governance Board, including a non-executive Chair, and we will publish comprehensive, audited financial statements by September 2025.

We understand that urgent change is required, and as Dr Switkowski undertook the Review, there were actions we began to deliver. Our actions over the last several months reflect our commitment to right the wrongs of the past and set ourselves up for the standards and expectations we must meet.

These include, but are not limited to, putting a new CEO and management team in place, initiating a search for independent non-executives, changes to partner remuneration frameworks for all partners with a balanced scorecard emphasising non-financial measures, divesting our government business to Allegro Funds and beginning work to build a more mature Enterprise Risk Management approach.

The Review and our corresponding management response marks a moment in time from where we, and others, can measure and hold ourselves to account for progress on our commitments.





We will publish our progress in meeting these commitments until changes are fully embedded. Our Governance Board, to be led by an independent Chair, will oversee our progress and reporting and ensure there is independent verification of our progress.

Our vision for the future is to become the leading professional services firm, built on the highest ethical and professional standards with integrity at our core, a firm that delivers purposeful and sustained outcomes in everything we do.

We do not underestimate the scale of the task ahead to achieve our vision. While we are committed to moving as quickly as possible - we realise that meaningful change will take time and we are committed to getting this right.

As the CEO and Chair of the Governance Board we commit to leading these efforts and overseeing the implementation across the firm.

From the top down, we are committed to rebuilding and re-earning the trust of our stakeholders - our clients, people, regulators, the government and communities. We are committed to learning, changing, and leading. This is our promise.

Please see our full Action Plan in Part Two below.

Kevin Burrowes

Chief Executive Officer,
PwC Australia

Justin Carroll

Chair, PwC Australia
Governance Board





PwC Australia's reflections on Dr Switkowski's findings

In the open letter we published on 29 May 2023, we acknowledged that we failed in three ways. First, there was a lack of respect by certain partners for confidentiality. Second, PwC Australia did not have adequate processes and governance in place. Third, we had a culture at the time in our Tax business that allowed inappropriate behaviour and, until now, we have not always properly held our leaders and those involved to account.

Having now considered Dr Switkowski's findings and our own reflections, we have a more mature understanding of the factors that enabled the confidentiality breaches and other failures to occur. Key amongst these are:

- **Our Executive Board did not have the clarity of role, formality, or working practices to operate as an effective oversight and decision-making forum for firm-wide matters.** The previous model of often devolving decisions about strategy and operations to our three lines of service resulted in an over-reliance on informal channels to elevate risks, issues and decisions to be debated, challenged and resolved at the Executive Board level.
- **There was a hesitance in our culture to challenge decisions and actions of leaders, hold people to account and reflect on what was not working well.** We have a highly collegial culture but a “shadow side” of this cultural trait is that, within our firm, there can be overconfidence in decision-making, a reluctance to share bad news and a preference for harmony over having uncomfortable conversations. These ways of interacting with each other hampered our ability to challenge leaders, escalate issues and incidents and manage enterprise risk effectively.
- **Our Governance Board did not have sufficient independence, the appropriate structure or mandate to provide the level of oversight and challenge to leadership that was required.** This allowed too much power to rest in the hands of the CEO, a failure to hold leadership to account and a lack of transparency (to the Board and wider partnership) on some issues when they arose. The absence of independent voices around our boardroom table reduced the effectiveness of the Board's oversight of the CEO and senior leadership.
- **Our risk practices and systems focused on quality and client-delivery at the line of service level, but at the enterprise level our controls were immature – lacking the stature, capability and rigour required.** This created inconsistency in how risks were managed, reported and escalated in different businesses. These ‘silos’ limited the opportunity for additional objective challenge of risks and issues at a firm level, including at senior executive and board.





- **Our response to enterprise level issues was too narrowly focused and did not encourage enough analysis of root causes such as leadership and team culture.** This has made our historical response to some issues slow and initially incomplete. Issues were not investigated deeply enough with an overemphasis on the legal risks and the actions of only those directly involved. Our processes did not ensure enough objective oversight and challenge was applied to how issues were investigated, managed and communicated to stakeholders.
- **Our approach to holding partners to account has historically been opaque, particularly for matters of personal conduct and behaviour.** This has allowed for too much individual discretion in how consequences are applied and a lack of clarity for our people and stakeholders about what is not tolerated at PwC Australia.
- **We failed to reinforce a clear or consistent enough expectation that financial performance does not take precedence over non-financial priorities.** At its most extreme, this allowed practices to go unchecked in our Tax business in the past that were unethical and lacked integrity, placing profit over purpose. More broadly, our performance management system in some businesses has promoted a short-term, growth focus and with too much discretion in the assessment of non-financial performance, particularly values and behaviours.

In his Review, Dr Switkowski observes that our three lines of service (Consulting, Financial Advisory and Assurance) have different levels of maturity. Our Assurance business, which includes our Audit practice, is the most mature, having well-developed and embedded policies, systems and controls for audit quality management and independence that are subject to external inspection. As part of our response to the Review we will look to extend what works well in our Assurance business to the other parts of our firm.



PwC Australia's Commitments to Change

We have developed a detailed Action Plan to serve as our roadmap to enable us to realise our vision for the future. Our Action Plan forms Part Two of this document.

The Action Plan is built around five Commitments to Change.

Our Updated Vision: To become the leading professional services firm, built on the highest ethical and professional standards with integrity at our core, a firm that delivers purposeful and sustained outcomes in everything we do.

Our Commitments to Change

	1. Put our purpose and values at the core of everything we do	2. Increase the independence and effectiveness of our Governance Board	3. Improve the discipline and rigour of decision making	4. Strengthen risk and conflict management and accountabilities	5. Embed a culture and practice of constructive challenge
Key Initial Actions	- Conduct a gap-analysis to identify a firm-wide target culture focused on restoring trust - Undertake a program of work to embed desired behaviours to bring out our purpose and values each day	- Adopt the ASX Corporate Governance Principles where feasible - Appoint at least three independent non-executives, including a non-executive Chair - Revise the CEO election process - Publish comprehensive, audited financial statements	- Formalise the Management Leadership Team (formerly known as the Executive Board) as the enterprise-level decision making and risk management forum - Enhance operating and decision-making disciplines of the Management Leadership Team	- Strengthen the voice and mandate of the central risk function - Appoint an external CRO - Uplift the rigour and transparency of our incident handling and conflict management	Further empower our people and partners to ask questions and challenge the decisions and behaviours of others within the firm

Each of our Commitments to Change involves a series of actions we have committed to taking. Those actions are a combination of the recommendations made by Dr Switkowski and other initiatives that we have separately resolved to implement. The key initial actions are set out in the diagram above and the detailed list of actions under each Commitment to Change is contained in the Action Plan at Part Two of this document.

A number of the changes proposed in the Action Plan require changes to our partnership agreement. As a partnership we will work together to agree the detail of how these changes will be made.



PwC's global values, outlined below, will guide the implementation of our Action Plan.



Act with
integrity



Make a
difference



Care



Work together

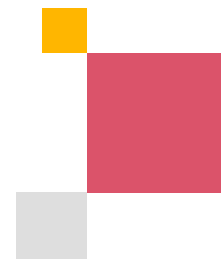


Reimagine the
possible

Actions taken to date

The Action Plan builds on steps we took while Dr Switkowski was conducting the Review to address shortcomings and set ourselves up for the standards and expectations we must meet. These include, but are not limited to,

- putting a new CEO and management team in place;
- making our General Counsel and Chief Risk and Ethics Leader members of the Management Leadership Team;
- initiating a search for independent non-executive Governance Board members;
- changing partner remuneration frameworks with a balanced scorecard emphasising non-financial measures;
- divesting our government business to Allegro Funds; and
- beginning work to build a more mature Enterprise Risk Management approach.



Measuring our progress

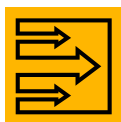
PwC Australia will publish our progress in meeting our commitments until changes are fully embedded. Our Governance Board, to be led by an independent Chair, will oversee our progress and reporting and ensure there is independent verification of our progress.





Part Two: PwC Australia's Action Plan

The Action Plan flows from our Five Commitments to Change, which are reconciled below with each of Dr Switkowski's related recommendations.



Commitment One: Put our purpose and values at the core of everything we do

We **accept both** of Dr Switkowski's recommendations relating to purpose and values and commit to the following:

Put our purpose and values at the core of everything we do – a program of work will embed our focus on purpose and values and a gap-analysis will be undertaken to develop a firm-wide target culture focused on restoring trust. Our purpose and values will guide all aspects of our work to implement the Action Plan.

Recommendation 17:
Implement program of work to embed focus on purpose and values

17.1

The culture gap analysis being performed will direct us to where we need to enhance and build the understanding of and commitment to our purpose and values. It also forms the foundation of the global leadership framework we will be rolling out to all people leaders (partners and staff).

Storytelling and role modelling of our purpose and values are being built into the engagement and communications plan supporting the Action Plan. By showcasing for our people how the purpose and values are brought to life everyday through our actions, conversations and critical symbols, we will bring them to life.

Action to be implemented by end **December 2023**.

Recommendation 18:
Conduct gap-analysis to a firm-wide target culture focused on restoring trust

18.1

An initial culture gap analysis is underway using existing material including engagement surveys and cultural work that has been done in the separate businesses. The work done in the Assurance business focused on embedding critical behaviours and this work has been reported on to the Audit Quality Advisory Board that has advised that business since 2020 (having been established in late 2019).

The initial culture gap analysis assessment will inform the design of an extensive culture program that will bring in external experts and is expected to run from January 2024 - December 2025.

Action to be implemented by end **December 2025**.





Commitment Two: Increase the independence and effectiveness of our Governance Board



We **accept all six** of Dr Switkowski's recommendations relating to the role of the Board of Partners (Governance Board) and commit to the following:

Increase the independence and powers of our Governance Board – we will change the board composition to increase its independence, clarify and restate the role, powers and practices of the Governance Board to enhance its effectiveness. We will revise the CEO election process and have the independent non-executive Board members lead the candidate selection process.

The ASX Corporate Governance Principles and Recommendations provide a strong corporate governance framework and, to the extent feasible, we will apply them to PwC Australia. This will include the appointment of at least three independent non-executives to our Governance Board, including a non-executive Chair, and we will publish comprehensive, audited financial statements by September 2025.

In advance of the finalisation of the Independent Review, the Governance Board has initiated a comprehensive review and reset of the composition, authority and activities of the Board, including the identification of changes required to our Partnership Agreement. Some of the lessons we have learned from the implementation of our external Audit Quality Advisory Board have also been embraced, as an external lens challenging our approach to audit quality has served us well in the Assurance business.

In consultation with our partners, as the owners of PwC Australia, changes will be proposed to facilitate:

- A significant increase in the independence of the Governance Board, including the number of independent non-executives and the removal of the requirement for the Board Chair to be a partner of the firm. It is the intention that an independent Board Chair will be appointed.
- The Governance Board having the appropriate level of authority to appoint and remove the CEO.
- An increase in the authority of the Governance Board with respect to strategy, risk and culture.
- The resetting of the Board's responsibilities and working practices so that it can drive a stronger focus on oversight and challenge of the CEO and executive decision making.

Recommendation 1:
Restructure the Board of Partners (Governance Board) to ensure adequate independence

1.1 The Governance Board will appoint three independent non-executives to the Board as soon as possible. This goes beyond the announcement of 8 May 2023 to appoint two independent non-executives to the Board. An external search firm has been appointed to assist the firm in this process.

1.2 Changes to the Partnership Agreement will be proposed to allow for a majority of independent non-executives.

1.3 The current Partnership Agreement requires that a PwC partner be the Board Chair. A proposal to remove this requirement will be put to partners and PwC will move to appoint an independent Chair as soon as practicable.

Actions to be implemented by end June 2024.





Recommendation 2:
Clarify and restate the governance role of the Board

- 2.1** A comprehensive review of the powers, duties and responsibilities of the Governance Board and the CEO is already underway to ensure that the requisite authority is provided to the Board in respect of strategy, risk, finance, culture and succession planning.
- 2.2** The Governance Board is currently redesigning its sub-committee structure and related terms of reference to increase the focus and independence of oversight of risk, ethics and public interest matters. This will also include an expansion of the remit of the Leadership, Succession and Nominations Committee.
- 2.3** More timely and comprehensive reporting of issues to the Board by the CEO and Management has commenced and will be further improved with reference to the Review's findings. Adherence to these protocols will form part of the performance assessment of the CEO and Management going forward.

Actions to be implemented by end March 2024.

Recommendation 3:
Revise the CEO appointment process

- 3.1** Proposals to update the mandate of the Governance Board will be put to partners to allow for the appointment and removal of the CEO. The process of selection of the CEO will be led by our independent non-executives. The consultation process with the PwC Global Network will be enhanced as part of the changed mandate.

Action to be implemented by end March 2024.

Recommendation 4:
Develop a Board skills matrix and induction and development programs

- 4.1** A comprehensive skills and experience framework for the selection of the Governance Board will be developed, together with the establishment of a formal professional development curriculum focusing on excellence in governance.

Action to be implemented by end March 2024.

Recommendation 5:
Design and implement Board succession planning

- 5.1** Succession planning is currently being undertaken to identify future internal and external candidates for Board membership, aided by the use of a skills matrix incorporating core governance capabilities, skills, experience and background.

Action implemented and practice ongoing.

Recommendation 6:
Regularly review Board effectiveness

- 6.1** The Governance Board will undertake an internal annual assessment against a comprehensive suite of performance measures, with an externally facilitated assessment to be undertaken every three years.

Action to be implemented by end September 2024.

**Additional
PwC Australia
Action**

- 24.1** Publish comprehensive, audited financial statements by September 2025. In addition, other reporting required by the ASX Corporate Governance Principles including a Remuneration Report will be published. Action to be implemented by end **September 2025.**



Commitment Three: Improve the discipline and rigour of decision making



We **accept both** of Dr Switkowski's recommendations relating to Senior Leadership Oversight and commit to the following:

Enhance the rigour and transparency of decision making – in September 2023 our most senior executive group (formerly known as the Executive Board) was renamed the Management Leadership Team. The new Management Leadership Team will be defined and formalised as the enterprise-level decision making and risk management forum, and will be improved through enhanced operating and decision-making disciplines.

A key focus of the new MLT is to ensure that it acts on enterprise-level decision making rather than the previous business model of “Three world-class businesses”. A new “One Firm” focus will permeate all decisions and communications and examples of this approach have already been implemented and are outlined in the detail below.

Recommendation 7:
Define and formalise the role of the senior executive forum

- 7.1** Terms of reference for the Management Leadership Team have now been approved and include the distinctions suggested by Dr Switkowski. **(Complete)** Delegations are currently under review.
- 7.2** The Chief Risk and Ethics Leader is currently working with the People Leader on the firm's consequence management processes and accountabilities. Some immediate changes to the consequence management framework were made in July 2023.
- 7.3** A formal Management Risk Committee will be established with a clear charter and focus on enterprise level risks and relevant delegations. A formal Client Committee has already been established and the first meeting was held on 31 August 2023. **(Complete)** The purpose of this delegated Management Leadership Team committee is to ensure that key client decisions that may impact risk and reputation, are made on an enterprise-wide basis with all stakeholders represented.

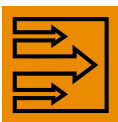
Actions to be implemented by end December 2023.

Recommendation 8:
Improve operating and decision-making disciplines of the senior executive forum

- 8.1** The focus of the secretariat supporting the Management Leadership Team has been improved since July 2023 and includes improved formal and more detailed minute taking, decisions and action logging.
- 8.2** Collective decision making with a “One Firm” focus has been reinforced for the new Management Leadership Team who will be incentivised using a firm scorecard (referred to in the Commitment Four section below).

Actions implemented and practices ongoing.





Commitment Four: Strengthen risk and conflict management and accountabilities



We **accept all five** of Dr Switkowski's recommendations relating to Risk Governance and Compliance, **all three** recommendations relating to Issues Management and **all three** recommendations relating to remuneration and consequence management.

We commit to the following:

Strengthen risk and conflict management – central risk management will have a prominent 'voice', clear mandate and be supported by an external Chief Risk Officer (CRO) appointment, improved functionality of risk-related forums, strengthened approach to conflicts of interest, as well as uplifting the rigour and transparency of issues management.

This is being actioned in a number of different ways including investing significantly in the central risk function and bringing outside thinking to the way enterprise risk is managed, reported and governed. Specific client risk has generally been well managed in the businesses but investment in enterprise-wide processes is required. The strengths of the Assurance practice in this area will be leveraged in this process. The sale of PwC Australia's Government Business was announced on 25 June 2023. This will reduce certain inherent potential conflicts of interest but not eliminate the need for improvements in our conflict management systems and controls.

Change the way we measure success for partners and the firm – introduction of minimum standards to qualify for a remuneration increase such as demonstrated ethical behaviours in line with our values, restatement of behavioural expectations for partners and the application of significant visible consequence for breaches, including consequences for behaviours discovered after partners have left the firm.

Recommendation 9:
Substantially improve enterprise risk management capability

- 9.1** A full time Chief Risk and Ethics Leader has been appointed to the Management Leadership Team, reporting to the CEO. This role has no client responsibilities. **(Complete)**
- 9.2** The process is underway to appoint an enterprise-wide Chief Risk Officer with significant corporate experience. The responsibilities and mandate of this role will focus on enterprise-wide risk management and will also have no client responsibilities.
- 9.3** A detailed capability assessment with respect to enterprise risk is underway but will be an immediate responsibility of the new enterprise-wide Chief Risk Officer, including additional training requirements as required.

Actions to be implemented by end **March 2024**.

Recommendation 10:
Embed clearer accountabilities for risk across the firm

- 10.1** Business Risk leadership now reports to the Chief Risk and Ethics Leader, with dotted reporting lines to Business Leadership. **(Complete)**





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- 10.2** A detailed review of risk accountabilities and governance is currently underway including responsibilities and processes across Business and Central Risk to support an effective 'Three Lines of Defence' model. Changes to accountabilities and roles will be completed following this review.

Actions to be implemented by end **December 2023**.

Recommendation 11:
Fix gaps in compliance risk management

- 11.1** A Head of Compliance was appointed in July 2023, reporting to the Chief Risk and Ethics Leader.
(Complete)

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- 11.2** A review of our compliance framework maturity has been completed. The Head of Compliance has a number of priority initiatives with 2023 completion dates underway. The plan to address remaining gaps and to increase the voice of compliance will be progressively implemented.

Actions to be implemented by end **December 2024**.

Recommendation 12:
Improve functionality of the executive-level Risk sub-Committee and other risk-related forums

- 12.1** A Management Leadership Team Risk Committee will be established with membership from the full Management Leadership Team. Responsibilities will be formally defined and include more dedicated time to review formal enterprise risk reporting.

A formal Client Committee has been established and has already met as outlined above in Recommendation Seven.

Action to be implemented by end **December 2023**.

Recommendation 13:
Strengthen firm-wide approach to conflicts of interest

- 13.1** A detailed review of the firm-wide approach to conflicts of interest has commenced. The revised approach will leverage the practices used currently in the Assurance and Securities businesses.

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- 13.2** A standardised conflict management and reporting process will be implemented, leveraging the strong practices in the Assurance business. A new contract management system is currently being piloted.

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- 13.3** A refreshed and additional comprehensive training and education program on conflict identification and management will be rolled out to all PwC Australia partners and staff. This program will be reinforced with change management support and continuing modules in recurring training programs.

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- 13.4** The firm's process for external Board appointments is under review and an updated policy incorporating close oversight of approval processes will be launched and implemented.
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13.5 PwC Australia has announced it will no longer make political donations. **(Complete)**

13.6 Completion of the sale of PwC Australia's core Government business is anticipated to finalise in October 2023.

Actions to be implemented by end **June 2024**.

Recommendation 14:
Improve focus on issues management

14.1 An incident/issues management system along with revised processes is currently being assessed and will be implemented. All significant breaches will be reported to and considered by the Management Leadership Team and Governance Board and considered as part of the consequence management process (refer Recommendation 15). Lessons learned through this process will be incorporated into communications and learning and development material.

14.2 An assessment of the Office of General Counsel function is underway.

Actions to be implemented by end **March 2024**.

Recommendation 15:
Redefine and clarify accountabilities for conduct risk

15.1 Our consequence management framework is under review and changes will be recommended by December 2023. Amendments will be made to clarify that the framework addresses business conduct risk as well as personal conduct matters and applies regardless of the means by which the conduct at issue was reported or discovered.

15.2 As well as regular training on ethics for all of our people, tools and materials to support good decision making founded on the PwC Code of Conduct and the profession's Code of Ethics will be made available and kept up to date on a readily accessible platform. This platform will also make available materials to support learning and development and will be in place by December 2023.

Actions to be implemented by end **December 2023**.

Recommendation 16:
Improve rigour of regulatory engagement

16.1 Regulatory engagement has been strengthened by establishing central leadership and oversight to support business led engagement. The Chief Risk and Ethics Leader has overall ownership for regulatory engagement. The CEO, Chief Risk and Ethics Leader and General Counsel are now each involved in regulator dialogues alongside Business leaders and there is regular reporting to and discussion with the Management Leadership Team on these matters. **(New practice complete and ongoing)**

Action **implemented and practices ongoing**.





Recommendation 21: Review partner performance management framework

21.1 A new FY24 Balanced Scorecard was launched to partners on 7 September 2023. This includes a significant emphasis on non-financial measures in areas such as ethics and integrity, culture and experiences, client centricity and collaboration. Growth measures are now “One Firm” and are based on sustainable growth. **(Complete for FY24 scorecard)**

21.2 Additional changes to the partner performance management framework will be implemented following completion of the PwC Australia strategy and the review of the Consequence Management Framework noted in Recommendation Seven above. This includes consideration of changes to penalties, negative and positive adjustments. The strategy will be launched in November 2023. The framework will include clearer firm-wide minimum standards with a focus on leadership, integrity and other key values.

Actions to be implemented by end **September 2024.**

Recommendation 22: Strengthen partner remuneration process

22.1 The FY23 partner remuneration process is nearing completion and involved a strong focus on behaviours, leadership and a comprehensive “moderation” and review process. This process will be further enhanced for the FY24 process (to be completed by September 2024) with additional mechanisms for cross firm input into partner outcomes.

22.2 As part of the review of the PwC Australia Partnership Agreement, additional clawback and deferral mechanisms will be proposed, including consequences for behaviours discovered after partners have left the firm.

Actions to be implemented by end **September 2024.**

Recommendation 23: Provide greater transparency of behavioural expectations and consequence outcomes

23.1 A significant focus on values and behavioural expectations is included in the Action Plan (refer Recommendation 17). Transparent reporting of behavioural issues and consequence management outcomes will be significantly uplifted for the partner cohort, commencing with the results of the FY23 partner remuneration process.

Actions to be implemented by end **September 2024.**





Commitment Five: Embed a culture and practice of constructive challenge



We **accept both** of Dr Switkowski's recommendations relating to embedding a challenger culture, noting that the recommendations related to purpose and values are also enablers of this outcome.

Embed a culture that empowers our people to ask questions and challenge decisions – a program of work will embed our purpose and values and instil a 'challenger culture' where our partners and staff feel empowered to question the decisions and behaviours of others, including those in authority. We will strengthen the voice and capability of our 'ethical gatekeeper' teams including legal, risk and ethics.

Recommendation 19:
Embed a challenger culture with action and 'tone from the top'

19.1 A comprehensive program of work will be designed following completion of the gap analysis referred to in recommendation 18. External experts will be involved and the program will run from 2024 - 2025. Design will be complete by December 2023 leveraging work already performed through collection of engagement data and feedback and culture work performed in each of the businesses.

19.2 The program will focus on understanding and counteracting the "shadow sides" of PwC Australia's cultural strengths as outlined on page 46 of Dr Switkowski's Independent Review.

Work on tone from the top has already started with the following initiatives underway:

- increased communication with all partners and staff - including feedback sessions about key initiatives and policies. A firm-wide engagement session will be held in October 2023.
- strategy and Action Plan engagement sessions for all partners seeking feedback and challenge.
- increased use of survey tools to test key initiatives and policies.

19.3 Leadership development is a critical pillar to developing a culture of effective challenge. PwC Australia will be an early adopter of a new PwC global leadership framework focused on partners and senior staff. In the context of creating a challenger culture, PwC Australia's adoption of this framework will prioritise focus on behaviours such as 'I speak the truth even when it is hard' and 'I act ethically and speak up about inappropriate behaviour'.

Actions to be designed by **December 2023** and implemented by end **June 2025**.





Recommendation 20:
Reduce relationship
biases for senior roles

20.1 This process has recently changed so that any member of the partnership can apply for senior roles. Applicants are then interviewed and selected based on their merits. This was agreed by the Management Leadership Team on 17 July 2023 and communicated to partners shortly thereafter. The new process was implemented in September 2023 and is being used to fill senior roles going forward. **(Complete)**

20.2 A renewed vision for PwC Australia was communicated to partners on 7 September 2023. This vision intends to reset the direction of the firm, including in respect of our cultural and ethical ambitions to restore trust in PwC Australia.

This was combined with a new Balanced Scorecard as explained in Recommendation 21. **(Complete)**

Actions implemented and practices ongoing.

