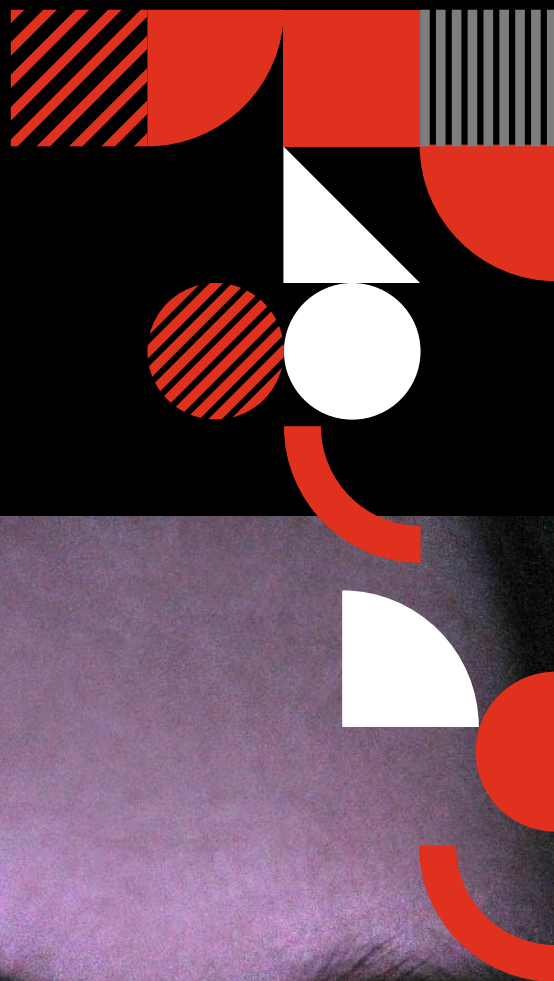




# Transparency Report 2023

PwC Brazil





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**Marco Castro**  
CEO

# Leadership message

## Transparency Report 2023

Preparing our Transparency Report is also a time to reflect on the past year, our achievements, but above all a time to connect with our values and think about next year's actions. We continue to seek to build trust in society and solve important problems through our global strategy called "The New Equation", which addresses the main current challenges, including climate change, growing technological disruption and geopolitical conflicts.

Our people continue to be the fundamental pillar of our strategy. We believe in the importance of bringing different points of view to build a more comprehensive and appropriate perspective of reality and we believe that this contributes to a better quality audit.

Although we are not fully satisfied with the results achieved, over the last 3 years we have made relevant progress in our I&D indicators, especially race and gender. Currently, we have 38% of individuals who identify as Black, and 55% are female (with significant progress in the percentage of female partners). We therefore work on the I&D agenda not only because it is the right thing to do, but also because we believe that it brings us a strategic advantage.

The engagement of our people has been a source of pride and satisfaction for us. This past year, we reached one of the highest historical engagement rates at PwC Brazil, one of the highest in the entire network of PwC firms: we reached 90%.

Finally, as you will see throughout this edition of our Transparency Report, quality continues to be an absolute priority and a fundamental element of our culture. In this cycle, our climate survey demonstrated that no less than 90% of our people challenge themselves to deliver quality work.

We believe that diverse people, bringing different and engaged perspectives, combined with cutting-edge technology, will continue to be the right combination to produce the best solutions for our clients.

Good reading!







# Leadership message



**Fábio Cajazeira**

Leader of Audit, Governance, Risks and Compliance

We have challenged ourselves to rethink the way we audit our clients, focusing on innovation and generating insights, always having Quality as the number one priority in everything we do.

This involves a lot of care and investment in the training and qualification of our people.

We understand that the audit of the future will be progressively driven by technology, however, we are fully convinced that people are and will continue to be fundamental in carrying out an audit that is even more comprehensive, predictive and capable of generating relevant insights for our clients.

For us, *Trust* and *Quality* are non-negotiable. Trust is built through solid and lasting relationships with our clients. And quality, nowadays, is only possible through the best combination of the right people and cutting-edge technology.

There are three main dimensions subject to audit quality assessment: Firm's Systems and Processes; Projects and People.

When it comes to audit systems, processes and projects, we assess quality through annual reviews carried out by other PwC Firms. Likewise, reviews carried out by regulatory bodies, such as CVM.

Regarding technology used in our audits, we currently occupy a reference position in the market, using tools recognized in the industry as innovative and effective. We have just won the "2023 Digital Innovation of the Year" award at the "International Accounting Forum and Awards" in London, with three tools, which will very soon join those already used by us at PwC Brazil:

- i) predictive analytics – to forecast future revenues based on past history and key market assumptions – this solution uses cloud data processing using machine learning and advanced statistical models;
- ii) financial statement disclosure checking - system for checking disclosures made in financial statements using artificial intelligence, and
- iii) data search system using artificial intelligence, which processes a massive amount of data, to identify items that need to be better analyzed by our auditors and clients.

These are some of the tools that have already been developed as part of a multi-year program, called "Next Generation Audit - NGA", which aims to create a new ecosystem for our audit of the future and which will transform the way we work.

The NGA involves a global investment of more than US\$1 billion in a technological platform aimed at the massive use of data and artificial intelligence. It will allow the migration of the current audit approach from sample testing to validate the whole to full data analysis and validation, expanding our ability to generate relevant insights for our clients.





# A team of solvers

## Our strategy:

Be the leading global talent developer



## Experience of our partners

Average years of experience of PwC partners



**23**  
Years

## New hires (Assurance)

Hiring in FY23



**540+**  
New generation



**170+**  
Experienced

People with diverse experiences and backgrounds, inquiring minds and intellectual curiosity.

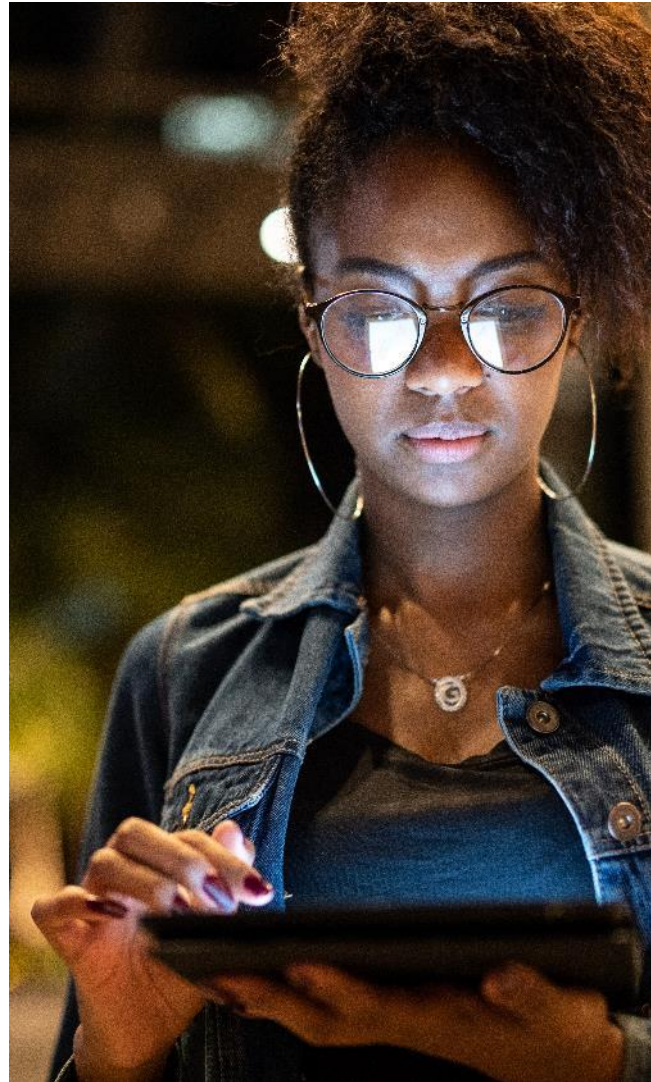
## FY23 Audit Trainings



**100%**

**Trained partners,  
managers and directors**

Totaling more than 89,000 hours of technical training in FY23.



## Training

Focus on relevant and emerging themes, such as ESG, Digital Upskilling and Be Well, Work Well, Including Mindset in addition to all technical training.



# The year in perspective

## Global People Survey



90%

Our climate survey, carried out globally with more than 360,000 PwC professionals, achieved an engagement rate of 90% at PwC Brazil

## Quality reviews: audits – external regulators

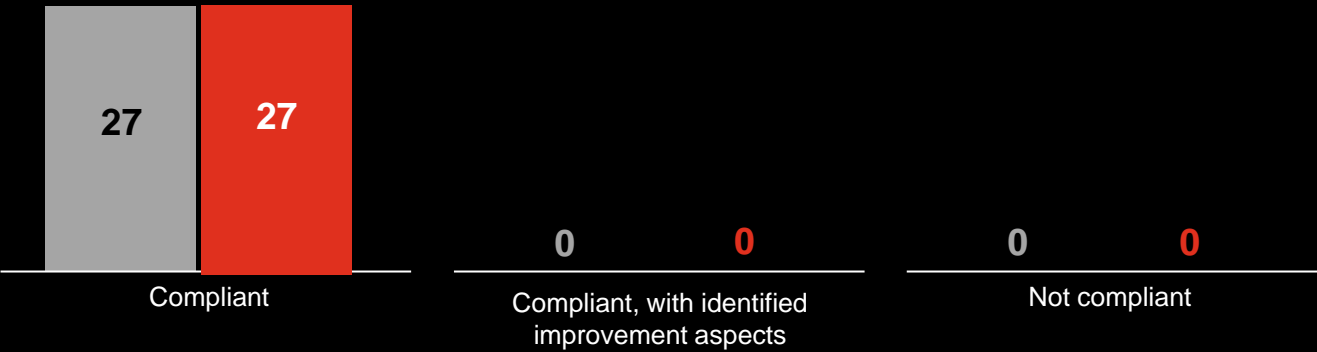
No deficiencies were found as a result of the inspection conducted by the CVM (Brazilian Exchange Commission), market regulator. This result is consistent with our historical series.

The PCAOB conducted an inspection in December 2020 and the report issued does not indicate any deficiencies in our quality management system.

A new inspection, carried out in 2023, is currently underway, the report of which has not yet been issued.

## Quality reviews: audits – internal inspections

● 2023 ● 2022



## Peer review

Quality reviews performed by another audit firm (peer review) and its results.

0

In peer review, no flaws or deficiencies noted

15

inspected audits



See the following sections for additional information about the data presented



# The year in perspective



## Real-time reviews

Number of audit hours subject to the real-time review program.



**596.000 hours**  
**in audit work**

They comprise hours of audit work that were subject to review. With approximately 3 thousand hours incurred by the teams dedicated to this review process.

## Technical support

**1 for each 4.6**

Proportion of partners who perform technical support functions in relation to the total number of audit partners.



## Our quality management system

Approximate number of hours of dedicated professionals to quality monitoring.



**7,800 hours**

PwC Brazil has evaluated our System of Quality Management (SoQM) for the period ended June 30th, and except for a deficiency related to a failure in timely assessing independence issues related to Joint Business Relationships for a Company acquired by the Firm in this financial year, concludes that the SoQM provides the Firm with reasonable assurance that the quality objectives have been achieved.

PwC Brazil performed a root cause analysis to identify the causal factors and implemented appropriate corrective actions to remediate this deficiency on a timely basis. As of the date of this Transparency Report, the deficiency has been remediated and the Firm concludes that our SoQM provides reasonable assurance that the objectives of the SoQM have been achieved.



**See the following sections for additional information about the data presented.**







# Approach to quality





### Definition and culture

At PwC, we define quality service as service that consistently meets the expectations of our stakeholders and that complies with all applicable standards and policies. An important part of achieving this goal is developing a consistent culture across a network of approximately 360 thousand people and that emphasizes the responsibility of each and every person for quality and ethical behavior. Continuously improving this quality culture is a priority for our leaders, in Brazil and around the world, and has a fundamental role in evaluating 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 comprehensive 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 the services that our network provides change and develop, and the needs and expectations of our stakeholders also change, the PwC network is continually reviewing and updating the scale, scope and operations of our PwC firms' systems of quality management and investing in programmes to enhance the quality of the services that the PwC network provides.

Following the strong example of our firm's leadership (tone at the top), we continuously improve our culture of high performance and high quality. We know the importance of leading by example and maintaining a reward and accountability framework that includes a consistent system for measuring the effectiveness and quality of leadership.





# Our approach to providing quality service across our operations

## Focus on quality across the Network

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

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

## The Quality Management Process

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

- identifying risks to achieving the quality objectives
- designing and implementing responses to the assessed quality risks
- monitoring the design and operating effectiveness of the policies and procedures through the use of process-integrated monitoring activities such as real-time assurance as well as appropriate Assurance quality indicators
- continuously improving the 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



### Overall quality objective

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





# Our approach to providing quality service across our operations

## The PwC Network's Assurance QMSE framework

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

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

This framework introduces an overall quality objective that is supported by a series of underlying quality management objectives and each firm's system of quality management (SoQM) should be designed and operated so that the overall quality objective, which includes meeting the objectives of ISQM 1, is achieved with reasonable assurance.

The International Standard on Quality Management 1 (ISQM 1)

ISQM 1 became effective 15 December 2022 and required all firms performing audits or review of financial statements, or other assurance or related service engagements to have designed and implemented a SoQM to meet the requirements of the standard.

The PwC Network's Assurance QMSE framework was designed to enable our firms to meet the requirements of ISQM 1. This includes design and implementation of the SoQM to comply with ISQM 1 to meet the effective date and evaluation of the SoQM under the standard by 15 December 2023.

## Integrated and aligned

Quality objectives focus on applying the necessary skills and mobilizing our staff consistently, using the intellectual and technological resources necessary to carry out audits effectively and efficiently, fully meeting the expectations of our clients and other stakeholders. In short, designing our services and processes to consistently deliver high-quality audits.

These elements were integrated and aligned by our Network to create a comprehensive, holistic and interconnected quality management structure, adaptable to each member-firm in order to reflect the reality of each one of them.

**It involves the integrated use of quality indicators to ensure prevention of quality problems in real time, identifying and analyzing root causes to provide learning opportunities with quality issues and a framework of recognition and accountability that reinforce behaviors, culture and quality actions.**



# Specific focus on audit quality



## Continuous improvement

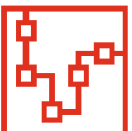
Carrying out quality audits is fundamental to our purpose. We are committed to providing high quality audit services across all our projects. However, when any engagement falls below the standards we set for ourselves or those defined by regulators, we act promptly and decisively to address the issue. Each of these occurrences is analyzed in detail, and processes and controls are implemented to guarantee the quality of the audits to be carried out in the future.



## Clear objectives and adequate resources

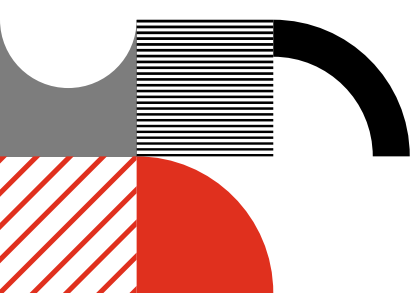
To help us execute this strategy, the PwC Network has set clear objectives related to audit quality and supports us in meeting them.

Our work teams can only provide quality audit services if they have access to the necessary resources – in terms of people and technology. Therefore, our quality objectives focus on having the right resources – both within each member-firm and across our Network – and use them to meet our own professional standards and requirements. These resources can only be developed under a leadership committed to a culture of quality and based on the promotion of unquestionable values and behaviors.



## Integration and alignment

The focus of quality objectives is to have qualified people, supported through effective and properly directed and supervised methodologies, processes and technologies. For us, these are the relevant resources to achieve and maintain audit quality. To achieve these goals, a series of dedicated structures across our Network develop tools, guidance and systems to support and monitor audit quality. These elements are integrated and aligned to create a comprehensive, holistic and interconnected quality management system and framework, which we adapt according to the circumstances of each firm.





### Consistently delivering a quality product

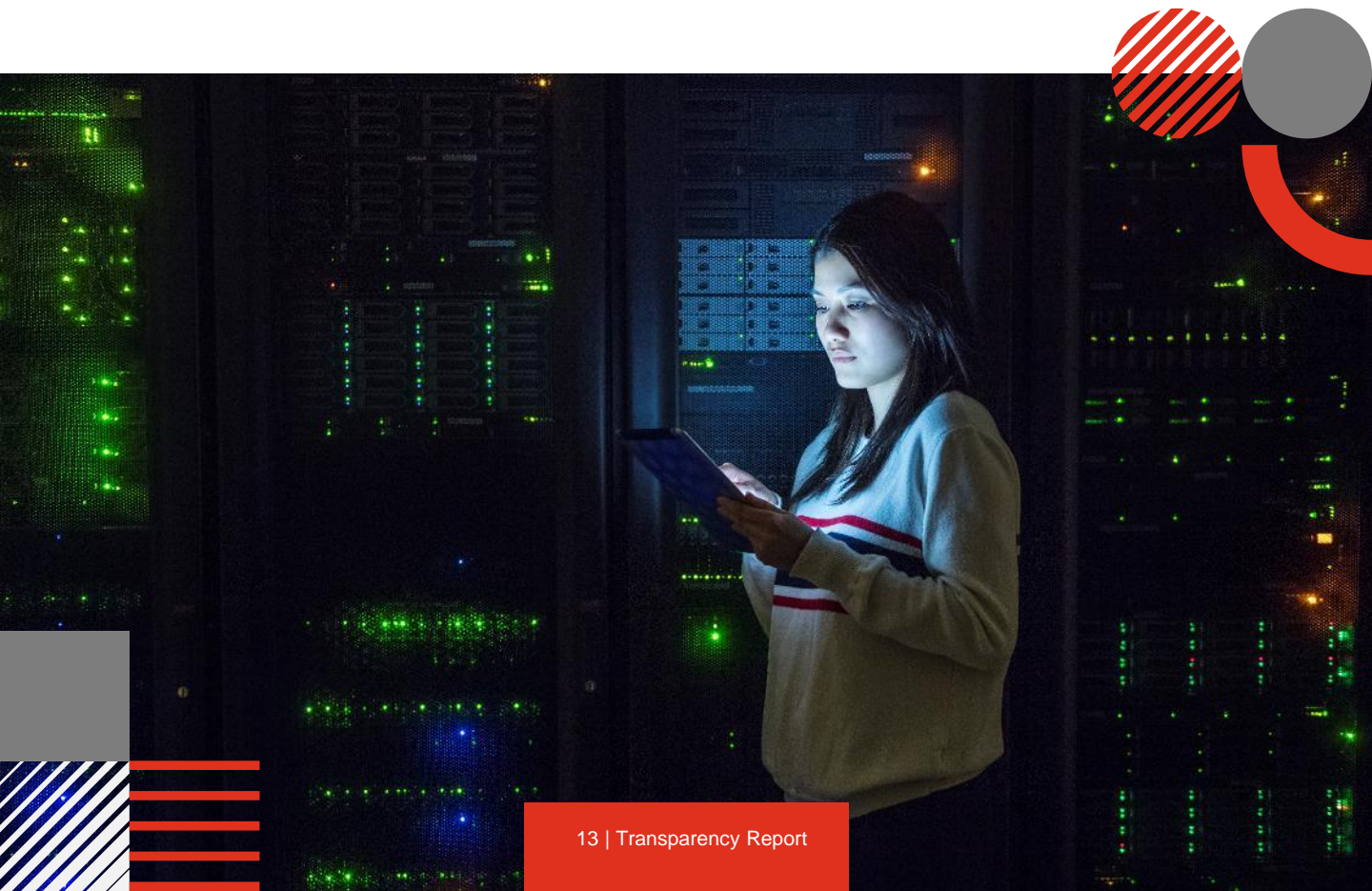
The central point of the model is the recognition that quality management is not something separate from other audit processes. It needs to be embedded in everything we do as individuals, teams, firms and Network. Quality objectives are supported by key activities considered necessary to achieve them. They are mainly focused on developing a quality infrastructure and organization. We complement and design these key activities as appropriate to respond to the risks we identify to achieve each quality objective.



### Values and judgment

Performing quality audits requires more than just proper processes. In essence, an auditor's role is to assess, with a reasonable degree of certainty, whether the financial statements prepared by the company's management are free from material misstatements, exercising their professional judgment. To carry out this assessment effectively, our auditors use resources that are developed in line with our quality objectives.

This includes applying ethical behavior in line with PwC values, professional skepticism, specialist skills and judgment skills – all of this supported by technology.







# Strategy, culture and values



# Strategy, culture and values



### Objective of Forecasting: Audit Quality Indicators

We have established a set of quality indicators (Audit Quality Indicators - "AQIs"), which support our leadership in the early identification of potential risks to quality, using preventive metrics to avoid problems. This quality risk analysis is an essential part of our QMSE, and AQIs are a fundamental tool for the continuous monitoring and improvement of our SOQM.

#### How we monitor people's engagement

- Survey results with professionals.
- Hours spent in training.

### Leadership by example

Our purpose is to build trust in society and solve important problems.

It reflects "why" we do what we do and is the basis of our success. Our values help us achieve that purpose, and our strategy tells us "what" we do. "How" we deliver on our purpose and strategy is driven by our culture, values and behaviors. All of this constitutes the foundation of our quality management system and permeates our operations, including guiding the actions of our leadership, and the way we build trust and do business, among ourselves and with our communities.

By working with our clients and our people to build trust in society and solve important problems, we:

- We act with integrity.
- We make a difference.
- We take care of people.
- We work together.
- We challenge the limits of what is possible.

The main messages are communicated to our firm by the CEO and the leadership team, through regular meetings with our people. Among the topics discussed at these meetings, the following stand out: business strategy; initiatives and actions aligned with our purpose; among others. The different themes shared at these meetings are reinforced by all partners, through robust governance, bringing leaders closer to our people and ensuring that everyone is aware of the strategy, vision of future, programs and initiatives that PwC offers. These communications emphasize what we do well and the actions we can take to improve.

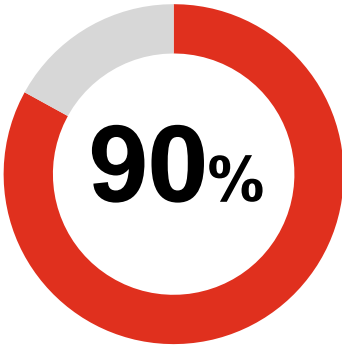
We continuously monitor how our professionals understand the messages conveyed by our leaders and perceive the importance of our culture and values for the success of our firm. Based on this monitoring, we ensure the degree of clarity of the messages transmitted by leadership, as shown below.




Result of our  
Global People  
Survey 2023

Global people survey is annual pulse survey, carried out at each PwC member-firm, covering all partners and employees. PwC Brazil is responsible for analyzing and communicating results locally and defining clear actions to address the identified points.

Global People Survey



Engagement index of our professionals with their work at PwC Brazil.



**79%**  
Understand that the work environment at PwC is inclusive.




**85%**  
Say that they are encouraged to innovate and learn from mistakes.




**93%**  
Are proud to be part of PwC.



**91%**  
State that their personal values are aligned with those practiced at PwC.



**80%**  
Attest that the people they work with actively seek new ways to use technologies to improve the delivery of our work.



**90%**  
The people I work with challenge me and each other to deliver quality work.







Providing the highest quality services is fundamental to our purpose and our audit strategy, which focuses on strengthening trust and transparency in our clients, in the capital markets and in society in general.

As mentioned previously, to help PwC Brazil put this strategy into practice, the PwC Network established the QMSE framework that introduces a general quality objective for the audit practice that is supported by a series of underlying quality management objectives. Our quality management system (SOQM) is designed and operated so that these objectives are achieved. The achievement of these objectives is supported by a quality management process established by the PwC Brazil leadership, our audit business line, partners and employees of the firm.

### The quality management process

The quality management process includes:

- Identification of risks to achieving quality objectives.
- Design and implementation of responses to assessed risks.
- Monitoring operational effectiveness and the design of policies and procedures through process-integrated activities, such as real-time internal project reviews, as well as appropriate audit quality indicators.
- Continuous improvement of the quality management system in the case of identifying areas for improvement, through carrying out root cause analyses and implementation of corrective actions.
- Definition of a quality-related recognition and accountability framework, used in decisions about evaluation, compensation and career progression.

### Prevent and monitor: audit quality indicators

We have established a set of quality indicators (Audit Quality Indicators - "AQIs"), which support our leadership in the early identification of potential risks to quality, using preventive metrics to avoid problems. This quality risk analysis is an essential part of our QMSE, and AQIs are a fundamental tool for the continuous monitoring and improvement of our SOQM.

As an example of the use of AQIs, we monitor the audit planning approval date to ensure that teams have sufficient time to carry out risk assessment procedures applying a robust professional judgment process.

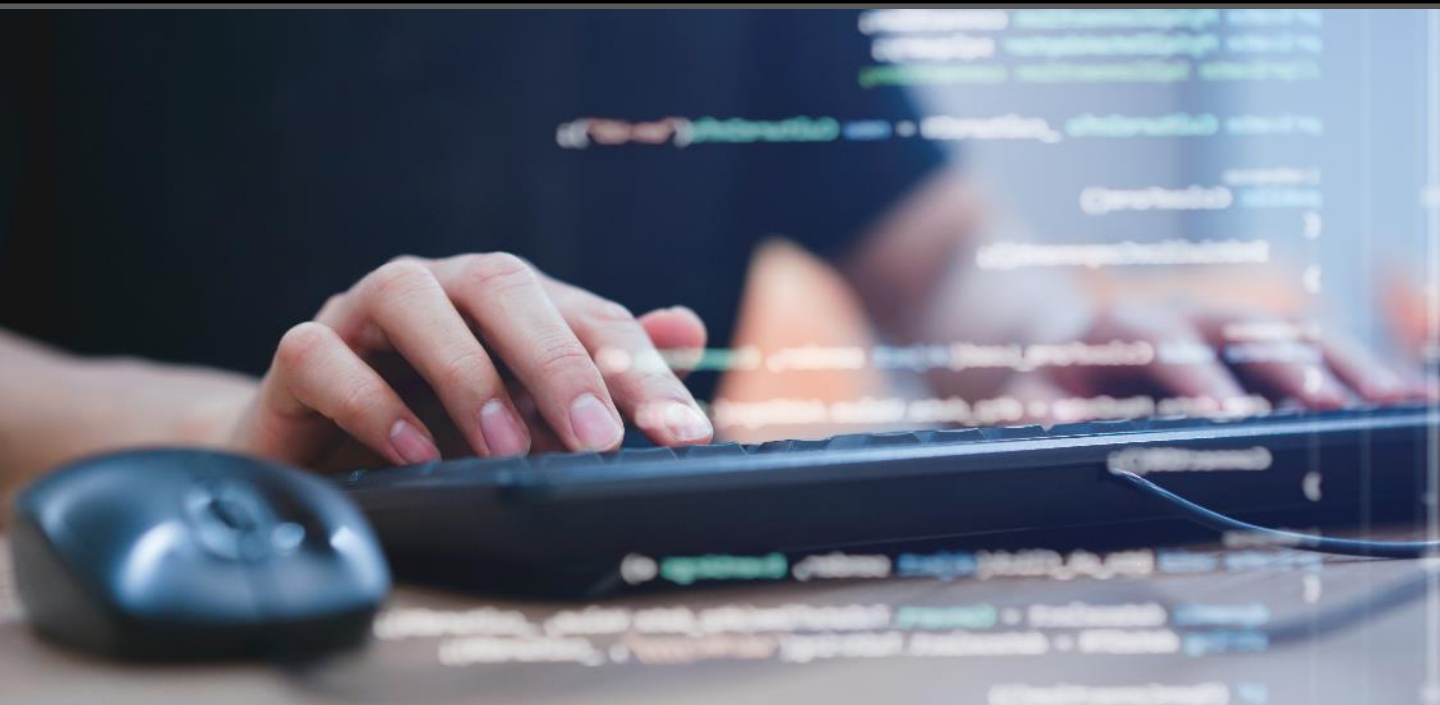
This involves the integrated use of audit quality indicators to predict and monitor quality issues, real-time internal project reviews to prevent quality issues, root cause analyses to learn from quality issues, and a recognition and accountability framework to reinforce quality-related behaviors, culture and actions.

These programs, by definition, require continuous monitoring and improvement, especially audit quality indicators, which we hope will evolve significantly over time and as we continue to use these metrics and learn from them.

“

**Providing the highest quality services is fundamental to our purpose and to our audit strategy, which focuses on strengthening trust and transparency of our clients, of the capital markets and of society in general.”**

*Fábio Cajazeira, partner and leader of Audit, Governance, Risks and Compliance*



### Prevent: real-time internal project reviews

We have developed a program of Real Time Quality Assurance (RTA), designed to enable proactive monitoring, assisting in training and supporting project teams to properly conclude the engagement in real-time during the audit.

We have a strong RTA process, with built-in technology, to help teams identify and resolve potential issues in a timely manner. Adopting data analytics concepts, Aura, our audit documentation system used across the PwC Network, has functionality to detect anomalies or exceptions, which are communicated to partners before teams issue the audit report. Our RTA program directs experienced partners and directors to specific focus areas related to pre-issuance reviews. The benefits of these analyses include additional training for work teams and identification of best practices that can be shared.

### Learn: Root Cause Analysis

We perform analyses to identify factors that may contribute to the quality of our firm's audit and so that we can take continuous improvement measures. Our primary objectives in conducting such reviews are to understand what our findings tell us about our quality system and to identify how our firm can provide the best possible environment for engagement teams to conduct a quality audit. We analyze quality findings from internal and external sources, including our own ongoing monitoring to help identify potential distortions and opportunities for improvement.

For audit engagements, an objective team of reviewers identifies possible factors that contribute to the overall quality of the engagement. We consider relevant factors to be technical knowledge, supervision and review, professional skepticism, resources available for the project and training, among others. Possible causes are identified through evaluation of project information, interviews, and review of selected documents to understand factors that may have contributed to audit quality.

This analysis is then discussed and reviewed by the Risk and Quality leaders, and relevant actions are designed, if necessary, and its implementation is also monitored by our technical group.



Additionally, data compiled for audits with and without deficiencies is compared to identify whether there may be factors related to the audit quality. For example, hours dedicated to audit, years of experience of key project members, other responsibilities of the project leader beyond serving clients, submitting the work to a pre-issuance review, and period of execution of the audit engagement.

Our goal is to understand how quality audits differ from those with deficiencies and use these learnings to continually improve the quality of deliverables. We evaluate the results of these analyses to identify improvements that may be useful across the practice. We believe these analyses contribute significantly to the continued effectiveness of our quality controls.

### Reinforce: Recognition and Accountability framework

Our Recognition and Accountability framework (RAF) reinforces quality in everything our people do to execute our strategy, focusing on providing services to clients, the way we work with our people and driving a culture of high-quality. It holds partners accountable for quality behaviours and quality outcomes beyond compliance. The RAF considers and addresses the following key elements:

- **Quality results:** take into account adequate compliance with professional standards and the standards and policies of our firm and the PwC Network.
- **Behaviors:** We set expectations for appropriate behaviors to support an appropriate attitude toward quality and the example set by leadership.
- **Interventions/recognition:** we intervene and recognize positive behaviors that drive a culture of quality.
- **Consequences/rewards:** there are financial and non-financial consequences and rewards, proportional to results and behaviors and sufficient to encourage the right behaviors to achieve quality objectives.





### Ethics, independence and objectivity

#### Ethics

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

- i. **Integrity** – be straightforward and honest in all professional and business relationships.
- ii. **Objectivity** – not allow bias, conflict of interest or undue influence of others to replace professional or business judgments.
- iii. **Professional competence and due care** – maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional services based on current developments in practice, legislation and techniques, and act diligently and in accordance with applicable technical and professional standards.
- iv. **Confidentiality** – respect the confidentiality of information obtained as a result of professional and business relationships and, therefore, not disclose any such information to third parties without proper and specific authorization unless there is a legal or professional requirement to disclose it, nor use the information for the personal advantage of the auditor or third parties.
- v. **Professional behavior** – comply with the relevant laws and regulations and avoid any action that discredits the profession.







In addition, our Network standards applicable to all member-firms cover various areas such as ethics and business conduct, independence, anti-money laundering, antitrust/unfair competition, anti-corruption, information protection, firm's and partners' taxes, legislation on sanctions, internal audit and privileged information. We do not compromise on compliance with these ethical requirements, in form and substance. All partners and professionals undertake mandatory annual training and prepare annual compliance confirmations as part of the system that supports adequate understanding of the ethical requirements under which we operate. Partners and professionals uphold and comply with the standards set by the PwC Network, and the PwC Brazil leadership monitors compliance with such obligations.

In addition to PwC's values and purpose, we adopt the PwC Network standards, which include a Code of Conduct and related policies. They clearly describe the behaviors expected of our partners and other professional behaviors that allow us to build trust. Because of the wide variety of situations our professionals may face, our standards provide guidance across a wide range of circumstances, but all with a common goal: doing the right thing.

Upon hiring or admission, all PwC Brazil professionals receive PwC's Global Code of Conduct. They are expected to live by the values expressed in the Code throughout their professional careers and feel comfortable reporting and expressing concerns, and doing so in a fair, honest and professional manner, when dealing with a difficult situation or observing behavior inconsistent with the Code.

Each PwC Network firm has its own mechanism for receiving reports of concerns. There is also a global confidential reporting option at [pwc.com/codeofconduct](https://pwc.com/codeofconduct). There is no tolerance for behaviors that are in disagreement with our Code of Conduct.

The PwC Code of Conduct is available online for all audiences, internal and external:



[Click here to access our Code of Conduct](https://pwc.com/codeofconduct)

The Organization for Economic Co-operation and Development (OECD) provides guidance, including the OECD Guidelines for Multinational Enterprises (the OECD Guidelines), through non-binding principles and standards of responsible business conduct for global operations. The OECD Guidelines provide a valuable framework for establishing applicable compliance requirements and standards. Although the PwC Network is composed by firms that are separate legal entities that do not form a corporation or multinational enterprise, the rules and policies of the PwC Network are based on the OECD Guidelines and meet their goals and objectives.



### Objectivity and independence

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

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

The independence requirements of the United States Securities and Exchange Commission (SEC) are, in certain instances, more restrictive than the Global Independence Policy. Given the reach of these requirements and their impact on PwC firms in the network, the Policy identifies key areas where an SEC requirement is more restrictive. Provisions that are specifically identified as applicable to SEC restricted entities must be followed in addition to, or instead of, the Policy in the associated paragraph. PwC Brazil 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 Territory Senior Partner – TSP (or CEO).

### Independence policies and practices

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

- personal and firm's independence, including policies and guidelines on the maintenance of financial interests and other financial arrangements, such as bank accounts and loans taken by partners or professionals, for the firm, and pension plans for partners and professionals;
- non-audit services and corresponding fees. The policy is supported by Statements of Permitted Services (SOPS), which provide practical guidance on applying the policy in relation to non-audit services for audit clients and related entities;
- commercial relationships, including policies and guidance on joint commercial relationships (such as joint ventures and joint marketing); and purchase of goods and services acquired in the normal course of business; and pension plans for partners and professionals;
- acceptance of new audit and assurance clients, and subsequent acceptance of non-audit services for these clients.





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

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

PwC Brazil supplements the PwC Global Independence Policy as required by local regulations and of the EU Audit Regulation where they are more restrictive than the network's policy.

### Systems and tools related to independence

As a member of the PwC Network, PwC Brazil has access to several systems and tools that support PwC member-firms and their professionals in executing and complying with our independence policies and procedures. Among them:

- **The Central Entity Service (CES)**, which contains information about corporate entities, including public interest audit clients and restricted clients of the SEC and their related securities. CES helps identify the independence restriction status of the member-firm's clients and other PwC member-firms before beginning a new non-audit engagement or commercial relationship. This system also feeds the Independence Checkpoint and Authorization for Services systems.
- **Authorization for Services (AFS)**, a global system to facilitate communication between a non-audit engagement leader and the audit engagement leader about a proposed non-audit service, documenting the analysis of any potential independence threat created by the service and the proposed safeguards, when necessary. Serves as a record of the independent auditor's conclusion on the admissibility of the service.
- **Independence Checkpoint**, which facilitates the prior approval of securities traded on the market, held by all partners and managers, before acquisition, and records their subsequent purchases and disposals. When a PwC member-firm gains a new audit client, the system automatically provides this information to those who hold securities at the client and advises them that it is necessary to sell them, when applicable.
- **Global Breaches Reporting System**, designed to record reports of potential violations of external auditor independence regulations (e.g., those defined by regulations or professional requirements), when the violation has transnational implications (e.g., when a violation occurs in a territory that affects an audit in another territory).

### PwC Brazil also has several of its own systems, which include:

- Rotation monitoring system, which monitors compliance with auditor rotation policies for project leaders, other key audit partners, and the senior team involved in an audit, when applicable.
- Database that records all commercial relationships entered into by PwC Brazil. These relationships are reviewed every six months to ensure they are continually updated.



### Training and independence confirmations

PwC Brazil provides annual or ongoing training on independence issues for all partners and professionals from the practice. Training often covers independence policy and regulations and related topics.

All partners and professionals from the practice must prepare an annual confirmation of compliance, by which they confirm compliance with relevant aspects of the member-firm's independence policy, including their own personal independence. In addition, all partners confirm that all non-audit services and relationships and business for which they are responsible are in compliance with the policy, and that the required processes were followed in accepting such engagement and relationships. These annual confirmations are complemented by periodic confirmations and *ad hoc* for specific projects, when applicable.



### Independence monitoring and disciplinary policy

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

- Compliance testing of independence controls and processes.
- Personal independence compliance tests of a random selection of, at least, partners and managers as a way of monitoring compliance with independence policies.
- Annual assessment of the member-firm adherence to PwC Network standards in relation to independence.

Monitoring and testing results are reported to leadership regularly.

PwC Brazil adopts policies and disciplinary mechanisms to promote compliance with independence policies and processes, which require that any violation of independence requirements be reported and resolved.

This may include a discussion with the client's audit committee about the nature of the violation, an assessment of the impact of the violation on the independence of the member-firm, and the need for safeguards to maintain objectivity. While most violations are minor, all are taken seriously and investigated appropriately. The investigation of any violation of independence policies also serves to identify necessary improvements to PwC Brazil's systems and processes, as well as additional guidance and training.





### Audit client acceptance considerations

Our principles for determining whether to accept a new client or continue serving an existing client are fundamental to the quality of our practice, which, in our opinion, goes hand in hand with our purpose of building trust in society.

We have established policies and procedures for accepting client relationships and audit engagements that take into account our competence to perform the engagement and necessary capabilities, including time and resources, compliance with relevant ethical requirements (including independence) and appropriate assessment of the integrity of the potential client. We reevaluate these considerations to determine whether to continue working with the client and have policies and procedures regarding withdrawing from an engagement or a client relationship when necessary.



### Acceptance and continuance of engagements and clients

We have a process for identifying acceptable clients based on the PwC Network's decision support systems for acceptance and retention of audit clients (called Acceptance and Continuance (A&C)). A&C supports the engagement team, business and risk managers to identify whether risks related to an existing or potential client are acceptable and whether or not PwC should be associated with it and its management. More specifically, this system allows:



### Engagement teams:

- Perform and document assessment on matters required by professional standards related to acceptance and continuance.
- Identify and document issues or risk factors and their resolution through consultation, where applicable – for example, adjusting the resource plan or audit approach, implementing other safeguards to mitigate identified risks, or refusing to perform the engagement.
- Facilitate the assessment of risks associated to the acceptance or continuance of a client and an engagement.



### Member-firms (including the member-firm's leadership and risk management):

- Facilitate the assessment of risks associated with the acceptance or continuance of clients and engagements.
- Provide an overview of the risks associated to the acceptance or continuance of clients and engagements across the entire client portfolio.
- Understand the methodology, base and minimum considerations that all other Network member-firms have applied in assessing acceptance and continuance of the audit.



# Digital Transformation





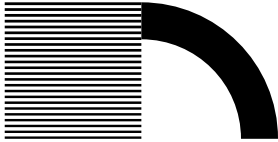
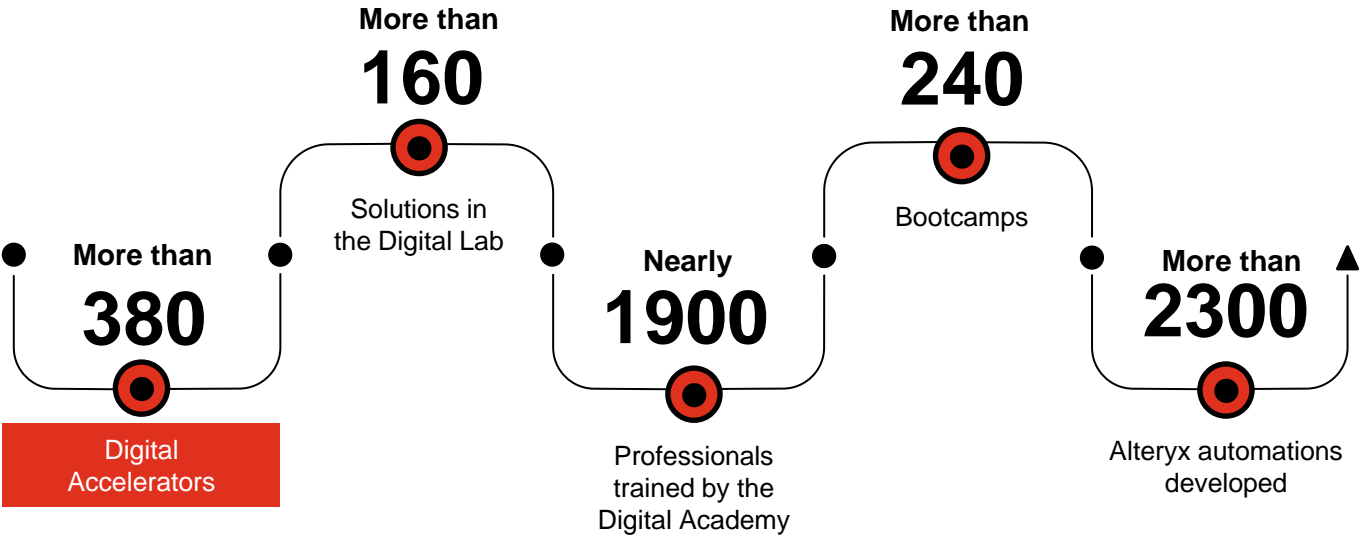
# Digital Transformation

Our digital transformation is based on bringing together the best of human skills and technology.

We invest in new technologies and training programs for our people to offer more quality and value to our clients, in addition to developing in them the skills necessary to thrive in an increasingly digital world and transforming the way of thinking, of formulating solutions and facing challenges.



The **Digital Upskilling** program, started in 2019, focuses on the development of all professionals to acquire digital skills and on initiatives that seek efficiency, innovation and the digital experience of our clients. Several digital and strategic initiatives were implemented that impact our people and, consequently, our clients as a result of this program:





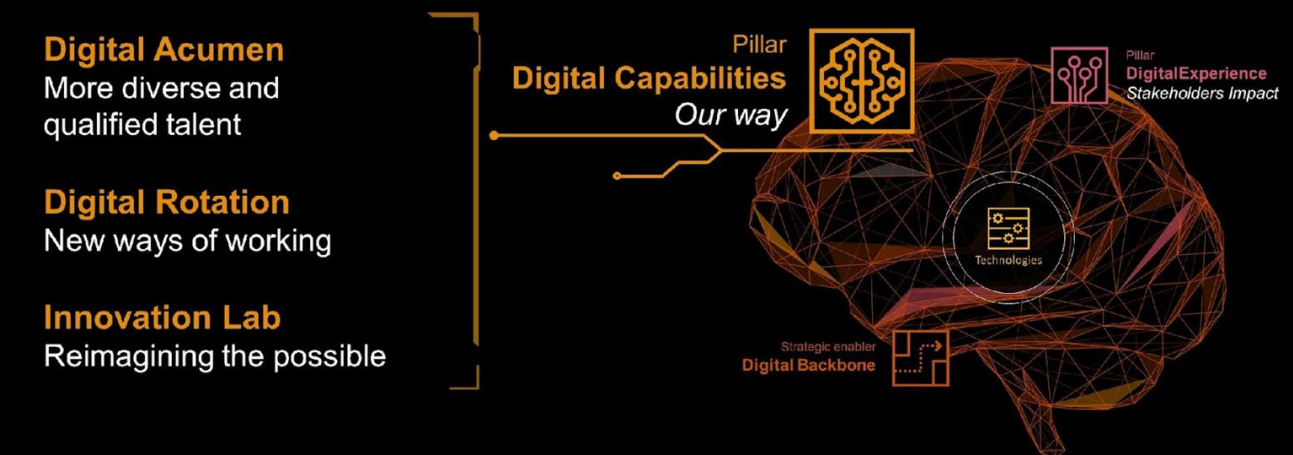


## Pillars and enablers of Digital Transformation

The **Digital Transformation** program aims, through actions and projects, to develop PwC's new digital capabilities in the **Digital Capabilities** pillar; and generate impact driven by digital experiences for our clients, society and others stakeholders through the **Digital Experience** pillar. To enable these pillars of transformation, a **Digital Backbone** ensures governance, agility, coherence of actions and rapid adaptation of technologies.

### Digital Capabilities

Development of PwC's new digital capabilities - talents, way of working and delivering, behavior and mentality - guided by innovation and technological combination, which make it possible to efficiently accelerate sustainable growth.



### Digital Experience

Responding quickly to the needs of our stakeholders, with an impact driven by digital experiences.



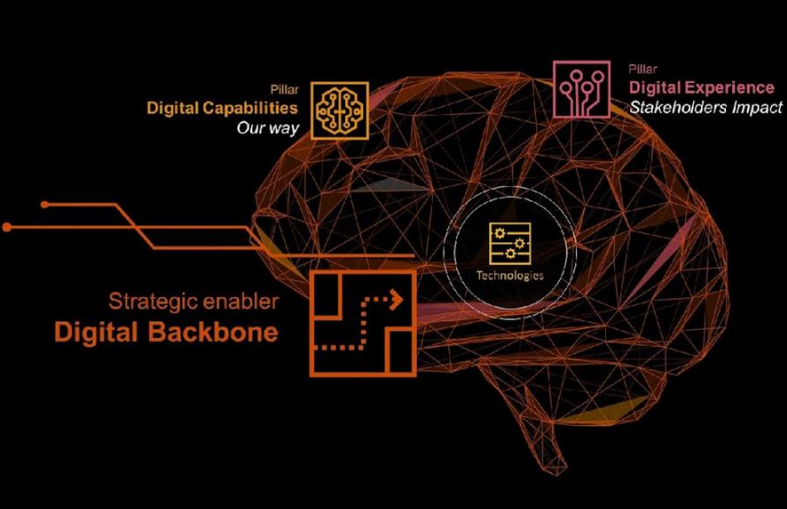




Digital Backbone

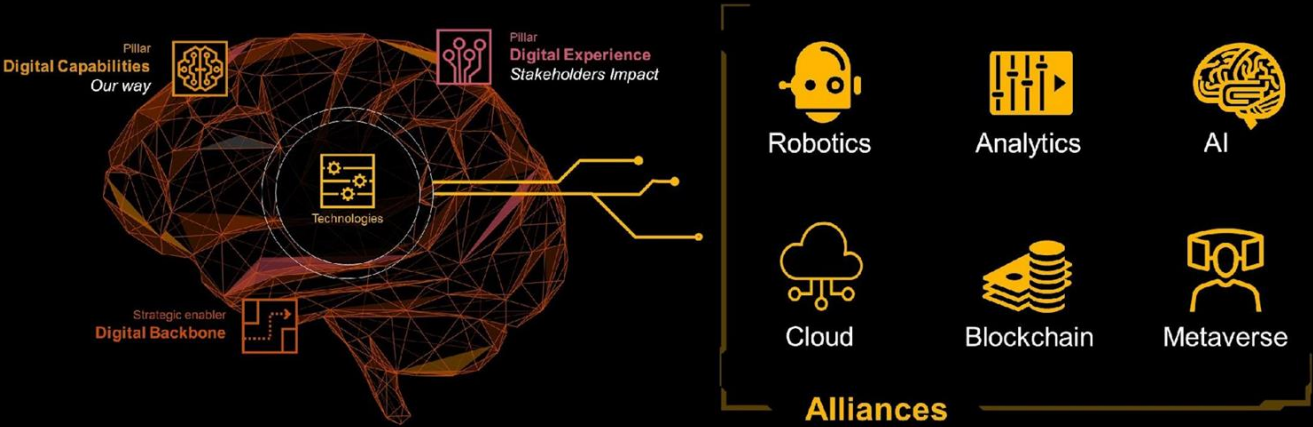
Guarantee of governance, as well as agile integration between initiatives and practices, and rapid adaptation of the combination of technologies.

- One Digital  
Transparency and connectivity
- Data Office  
Data-driven value generation
- Digital Office  
Strategy and governance
- Technology Infrastructure  
Agility and adaptability



Technologies and Innovation

Use of technological accelerators and/or infrastructure are fundamental for sustainable growth. Technologies and alliances are at the center of the program, as a means and way of boosting actions. The core technologies focus on both the use of data for efficiency, generation of insights and bringing more confidence, as well as to impact the experience of our people and clients.





# Digital Transformation



## Our technology

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

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

**Connect Audit Manager** streamlines, standardises and automates group and component teams coordination for 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 which facilitates greater transparency, compliance and quality for complex multi-location audits.

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

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

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

**Halo Platform** enables our engagement teams to manage all data extractions, executions and storage for all applications through one central location, allowing our engagement teams to monitor the status of data uploads and use the acquired client data for multiple applications during the audit.



## Digital Transformation



### Our next generation audit

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



### Reliability and auditability of audit technologies

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





## Next Audit Generation

PwC wins the 2023 Digital Innovation of the Year

PwC won the “*Digital Innovation of the Year*” award, at the “*International Accounting Forum and Awards*”

Our Next Generation Audit program represents PwC's bold leadership in the future of auditing.

**Human led. Tech powered. Data enabled.**



## Recognized tools of our NGA include:

### Predictive analytics

Emprega aprendizado de máquina baseado em nuvem e modelos estatísticos avançados para permitir que nossas equipes prevejam a receita do cliente para apoiar os procedimentos de auditoria..

### AI-assisted financial statement disclosure checks

Uses Artificial Intelligence capabilities to expand the process of verifying disclosures in the financial statements, increasing agility and quality in this process.

### AI-enabled search functionality

Use of generative AI by PwC, allowing to search large volumes of accounting and auditing guides, or personalize teams' experience when uploading and consulting information from their own documentation, eliminating the need for manual research.





# Our people





### Audit quality metrics

- Average people retention rate
- Hours of partners and managers in relation to total working hours
- Actual utilization of hours in relation to planned hours at the end of the period

# Our people

## People strategy

Our people strategy was developed to support PwC's business strategy - the New Equation. Driven by our purpose, PwC seeks to be seen as the most trusted and relevant professional services firm in the world. And, to achieve this, we need to attract and develop the best talent, preparing our people with greater agility and confidence in a rapidly changing world.

The people strategy includes three pillars: creating a resilient foundation for times of change, supporting the well-being of our teams and enabling effective delivery, developing inclusive leaders for a changing world and developing our workforce for today's realities and the possibilities of tomorrow

We hire diverse people with different backgrounds and skills, who have a questioning mindset and intellectual curiosity, and who demonstrate courage and integrity. Our hiring standards include a structured interview process with behavioral questions, drawn from the development reference model, the PwC Professional, and the assessment of candidates' professional and/or academic experiences.

- We reviewed the value proposition for our people (PVP), aiming for greater alignment between our strategy and the expectations of our professionals. We conducted this initiative collaboratively, in a co-construction with the participation of our professionals who represented our broad diversity, thus ensuring listening and adherence to PwC Brazil's values and practices.
- We have invested extensively in carrying out actions that promote the flexibility and well-being of our people, who share their feedback and expectations with us regarding these topics, whether through annual surveys that we conduct, or through regular conversations held with our leaders. We have implemented a new working model that we call Wise Flex, which seeks to transform the way we work so that it is increasingly collaborative, productive, innovative, intelligent, and, of course, always having deliveries to our clients and the well-being of our people as main focuses.
- The culture of recognition also stands out as an important dimension in our people strategy, with several actions implemented to promote a culture of recognition and connection with our values.





## Inclusion and diversity

At PwC, we are committed to creating a culture of belonging. We are focused on promoting a diverse and inclusive environment, in which our people feel belonging, valued, comfortable being who they really are and, in this way, being able to reach their maximum potential. We know that when we encourage cooperation between people from different backgrounds and points of view, we generate more value – for our clients, our people and for society. Our core values – caring for people and working together – guide us to recognize the contributions of each individual and develop a work environment with a broad range of people, perspectives and ideas.

PwC Brazil understands the Inclusion and Diversity agenda as an essential part of its business strategy. Care for people and an ethical stance are part of our set of values that seek to positively impact the various stakeholders with whom we interact. Currently, the promotion of an inclusive and respectful environment is institutionalized in our people's daily lives, providing an expanded sense of belonging and proposing solutions for challenging social contexts.

We have a team of experts dedicated to this agenda and we work with I&D guidelines formalized in internal and external commitments that aim to confirm PwC's position of no tolerance to any type of harassment and discrimination in the workplace, in addition to reinforcing expected behaviors of our people, inside and outside the firm, ensuring the protection of health, safety and well-being.

Internally, for example, we have a Global Declaration of Human Rights, a Code of Conduct for our professionals and third parties, as well as a specific I&D policy that reinforces the appreciation and respect for the diversity of all people from different social classes, races, ethnicities, ages and generations, cultures, gender identities, sexual orientations among all the most varied characteristics of each individual.

In addition to these practices, we have at the center of PwC's strategy the development of all people, including those belonging to minority and underrepresented groups. To address this challenge, we launched a series of programs, among other affirmative actions, which have as their central focus the development of people, their careers and equitable access to opportunities within the firm:

### Women in Leadership (WiL)

Sponsorship program to support the career development of female senior managers and directors.

### Women in Focus (WiF)

Program to expand positive impacts for gender equity, bringing directors as mentors for women in Management positions.

### Black as Manager (BaM)

Program dedicated to black people with a focus on black senior associates, the initiative aims to support the development of behavioral and technical skills.

### PwD Mentoring Program (PIM)

Program that aims to increase the positive perception of the disability inclusion agenda, educate leaders, identify barriers and increase the engagement of people with disabilities.

### Beyond Age Mentoring Program (BAMP)

Intergenerational program with two-way mentoring between people of different generations with the aim of intensifying learning, understanding and exchange between different generations.

### Out and Shine

Program that aims to stimulate authenticity and enhance the careers of LGBTI+ professionals with mentoring, connections with the market, and improvement of skills.

Externally, we have public commitments made with the main local and global I&D players, for example, Global Compact, UN Women, Woman 360 Movement, Business Coalition for Race and Gender Equality, Business Initiative for Racial Inclusion, Business and LGBTI+ Rights Forum, Business Network for Social Inclusion and Generations and Future of Work Forum.



### Recruitment

PwC Brazil seeks to recruit, train, develop and retain the best and brightest professionals, who share the firm's strong sense of responsibility for providing high quality services. Our hiring standards include a structured interview process, focusing on behavioral questions based on the PwC Professional model and the assessment of candidates' professional and/or academic experiences. As we incorporate new technologies and digitize our services, we are increasingly looking for professionals trained in science, technology, engineering and mathematics.



### Team selection, experience and supervision

In projects, the engagement partner must form a team with qualified, competent and experienced partners and professionals. He must also determine the extent of direction, supervision and monitoring of the team.



### Real-time feedback

We obtain and provide real-time feedback on professional performance, values, and progression through our Snapshot tool, a simple, mobile-enabled technology. Snapshot captures data across five dimensions of audit quality: technical and accounting knowledge, audit skills, professional skepticism, issues management, and review and oversight.



### Career progression

PwC Brazil uses PwC Professional, a global career progression model, which helps our people develop as well-prepared professionals and leaders, with the skills and confidence necessary to produce high-quality work, provide a differentiated and effective experience for our clients, execute our strategy and strengthen our brand. As part of the model, professionals meet regularly with their team leader to discuss their development, progression and performance.



### Global People Survey

Each PwC member-firm participates in an annual global climate and engagement survey, administered across the Network and covering all our partners and professionals, called the Global People Survey (GPS). PwC Brazil is responsible for analyzing and communicating results locally and defining clear actions to address the identified points.





## Retention

Turnover in the auditing profession is generally high because as accounting regulatory standards change, the demand for high-quality professionals increases and the training and development experience we offer at PwC makes our professionals highly sought after by the market, which seeks our highly qualified talents. Our voluntary turnover fluctuates according to different factors, including the general market demand for talent.

Additionally, aiming to stimulate and contribute to the retention of our talents, we continue to continually review our strategies and approaches linked to our people and also implement initiatives that allow us to position ourselves in a different way compared to other companies and competitors in the market. We always look for short and long-term solutions that allow us to promote positive changes and developments and generate sustainable results for our people and our business.

The various actions we have implemented, such as new flexibility models for our people, expansion and encouragement of our recognition culture, the promotion of well-being, the review and implementation of improvements in various components of our total compensation, among others, have shown positive impacts on several indicators that we use to support the management of our people.

We observed in the results of our global climate and engagement survey

## Global People Survey

We observed in the results of our global climate and engagement survey, the Global People Survey, that the Assurance practice achieved:



**80%**

of respondents



**89%**

impressive People Engagement Index

**growth of 7 percentage points and 5 points above the global Best In Class standard (benchmarking average of companies with the best indexes).**

growth of 7 percentage points when compared to prior year

**89%**

**4 percentage points above the of the Best in Class Standard**

Intent to Stay



**94%**

of Audit professionals indicated that they were proud to work at the firm



**90%**

reported that they enjoyed working at PwC.



### PwC Professional

PwC Professional is our global leadership development model. It supports our team in career development and progression, providing a single set of expectations for all countries, service lines and roles, and describing the competencies needed for people to thrive as purpose-driven leaders and by values at all levels.

### Professional development

We are committed to placing the right people, in the right places, at the right time.

Throughout our careers, our professionals have a range of development opportunities, online on-demand learning, virtual classroom, real-time coaching and development at work. Our training portfolio facilitates personalized learning with access to continuing professional education topics, which includes webcasts, podcasts, articles, videos and courses.

Obtaining professional credentials is part of our firm's commitment to quality through consistent standards of examinations and certifications. Our goal is to provide our professionals with a more individualized route to promotion and help them prioritize and manage their time more effectively. Equipping our professionals with the ability to fulfill their professional and personal commitments is an essential component of our strategy related to our people.



Continuing education

We, and other Network firms, are committed to providing quality audit services around the world. To ensure consistency across the Network, we have a training program developed by the Network on PwC's audit approach and tools. This includes updates on auditing standards and their implications, as well as audit risk areas and focus areas for quality improvement.

This formal learning is delivered using a combination of approaches such as remote access, virtual learning, and on-the-job support. The curriculum supports our primary objective of training with a focus on audit quality, while also offering professionals the opportunity to strengthen their technical and professional skills, such as judgment and professional skepticism.

The curriculum design allows us to select the best time to facilitate training based on local needs. Our Learning & Education leadership assesses what additional training is appropriate to meet specific local needs. Thus, additional training related to auditing standards in other territories (e.g., PCAOB), industry-specific training (e.g., financial services), new standards and interpretations from regulators, internal and external inspection findings, and other local needs, are addressed in sessions held by experienced partners, directors and managers for audiences selected according to the needs.

Our modular content, associated with innovative learning approaches, has been formally the subject of public recognition.

Audit training 2022			Audit training 2021 (calendar year)		
Average hours per partners and employees (online and classroom)			Average hours per partners and employees (online and classroom)		
83	46	51	66	42	42
Staff	Directors and managers	Partners	Staff	Directors and managers	Partners
Total training hours 119.535 hours			Total training hours 89.152 hours		







# Audit approach







# Audit approach

PwC Brazil uses several cutting-edge methods, processes, technologies and approaches to ensure continuous improvement of the performance and quality of our audit work.

## The PwC audit

Audit quality and effectiveness are essential to all of our stakeholders. We invest heavily in the skills of our professionals, in our audit methodology, in the technology we use and in providing the right amount of time and resources. We pay close attention to what our diverse stakeholders expect from us, in what they say we need to improve and in the findings of regulatory inspections about the quality of our work. As important as these aspects are the internal processes and indicators that permanently monitor the effectiveness of our risk and quality processes and provide timely information about the quality of our audit work and possible areas of improvement.



### People

Data and technology help us uncover insights and add value, but to understand what those insights mean, we need curious people with deep business knowledge. We recruit and develop professionals with these skills. People who can generate the highest quality results in terms of audit client service.



### Technology

As technology accelerates change, our clients want to trust their information to organizations that not only follow, but also lead the transformation journey. We make a global commitment to offering cutting-edge audit technology and invest heavily in tools that match our approach. The result is higher quality and more insights for our clients.



### Approach

We build our audit around our people and our technology. The focus is to free up more time for relationships with our clients, identifying their concerns and what is important for their business. This means focusing our work on audit risks, understanding how they evolve over time and how they compare with those of similar companies.

## = The PwC audit





### Audit tools and technologies

As a member of the PwC Network, PwC Brazil has access to and uses PwC Audit, a methodology and audit process common to the entire Network. This methodology is based on the International Standards on Auditing (ISAs), with additional PwC policies and guidance provided where applicable.

PwC audit policies and procedures are designed to facilitate audits conducted in compliance with all ISA requirements relevant to each engagement. Our audit methodology provides a model for PwC member-firms to consistently and in all respects comply with applicable professional standards, regulations and legal requirements.

### Audit technology

Aura Platinum relies on a series of technology-based tools and audit support models. They can be accessed by various electronic devices, from PCs to smartphones. These tools increasingly integrate with Aura, filling audit evidence directly into this system.

The main tools are:

**Aura Platinum:** PwC Audit is supported by Aura Platinum, our global audit documentation system, which is used across the PwC Network. It is around Aura Platinum that we develop and execute our audit plans, supporting teams in the effective application of our methodology, creating a transparent link between risks, necessary procedures, controls and the work carried out to address these risks, as well as providing comprehensive guidance and project management resources.

Audit plans specify risk levels, the reliability of controls and substantive tests to be carried out. Smart dashboards show the audit progress and the impact of scoping decisions more quickly.



**The Connect Suite:** our collaborative platform, where we share data, document requests and audit status. It allows us to share information with our clients and audit teams quickly, efficiently and securely, from multiple locations and at all phases 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 can track project status at all times through a consolidated dashboard showing all locations, the digitization of project issues and automated key performance indicators.
- **Connect Audit Manager** simplifies, standardizes and automates the coordination of component and group audit teams for statutory/regulatory and multi-site audits. It provides a single digital platform to view all incoming and outgoing engagement and digitizes the entire coordination process for greater transparency, compliance and quality in complex audits involving multiple locations.



**Confirmation System:** makes it easier for clients to return requested information securely. Flexible, automated technology works for virtually every confirmation types, such as accounts receivable, derivatives, loans, and inventories.



**Count:** facilitates the end-to-end inventory counting process by allowing work teams to create and manage counting procedures, accountants to record results on their mobile devices or tablets, and teams to export results to Aura.



**Halo:** is our market-leading audit technology that allows us to identify and assess risks and know where to focus audit efforts. Halo interrogates, tests and analyzes large volumes of business-critical data. Based on analysis of entire populations, we identify patterns, anomalies and trends in financial information. It allows us to detect unusual and high-risk transactions and provides valuable insights to our teams and clients.

### Reliability and auditability of audit technologies

Our firm has designed and implemented processes and controls to support the reliability of these audit technologies. This includes clarifying the roles and responsibilities of owners and users of audit technologies. Additionally, we have guidance focused on the sufficiency of audit documentation included in working papers related to the use of these audit technologies, including consideration of solution reliability, and documentation necessary to help the reviewer fulfill his oversight and review responsibilities as part of the normal course of the audit.





### Confidentiality and information security

The confidentiality and information security are essential elements of our professional responsibilities. The misuse or loss of confidential client information or personal data may adversely affect our clients and our people and expose the firm to legal proceedings. It may also negatively affect our reputation.

Therefore, we take the protection of personal and confidential data very seriously.

Our focus on clients requires a holistic and collaborative approach to reduce security, privacy and confidentiality risks, with significant investment in appropriate controls and monitoring to incorporate an effective defense model, which passes through three instances. This model allowed us to strengthen our information security organization, adopt best practices in our segment and improve our internal control structures.

### Data privacy

The firm maintains a robust and consistent approach to managing personal data. Everyone in the organization has a role to play in protecting this data.

Our comprehensive monitoring program of aspects related to LGPD (General Data Protection Law) incorporates good data management practices into our business.

### Information security

Information security is a high priority for us and the entire PwC Network. Member-firms are responsible – before their professionals, clients, suppliers and others stakeholders – for the protection of the information entrusted to them.

PwC's Information Security Policy (ISP) is aligned with ISO/IEC 27001, financial services industry standards and others conceptual frameworks (COBIT, NIST, etc.) as security effectiveness benchmarks across the Network of member-firms. PwC's ISP directly supports the firm's strategic direction for cyber readiness to proactively protect its assets and client information. PwC's ISP is reviewed at least annually.

PwC Brazil is required to comply with ISP requirements and complete an annual evidence-based assessment to demonstrate compliance. The member-firm is assessed regarding necessary controls through analysis of available data. In coordination with the stakeholders of the member-firm, data is analyzed for quality to ensure an accurate assessment of the member-firm's security posture. Deviations that result from the ISP Compliance Program assessment process are prioritized for correction using a risk-based approach and within deadlines agreed upon with leadership.







## Support for engagement performance



### Evolving service model

We continue to evolve in the provision of our services to offer clients an even better experience, improve the quality of what we do and create economic capacity to invest in the future. We use internal resources in the Service Delivery Center and in the Centers of Excellence to streamline, standardize, automate and centralize parts of the audit.



### Consultation culture

Consultation is essential to ensure the quality of the audit. We have formal mandatory consultation protocols in the pursuit of quality, but we regularly go beyond the minimum requirement. For example, our engagement teams routinely speak with experts in taxation, risk, valuation, actuarial and other specialties, as well as professionals from our Risk and Quality area and PwC offices in other countries.



### Direction, coaching and supervision

Project team leaders and senior members are responsible for providing quality coaching during the audit and oversee the engagement completed by junior team members, train staff, and maintain audit quality. Teams use Aura Platinum, which has features to effectively monitor the progress of the engagement, ensuring everything has been completed and reviewed by the relevant people, including the engagement leader.



### Risk and Quality Area

Our Risk and Quality area has specialists in accounting, audit, financial reporting, risk and quality management. They play a vital role in keeping our policies and guidance in relation to these topics up to date, monitoring developments in accounting and audit and providing these updates to professionals.



### Audit Methodology Team

Our Audit Methodology Team (AMT) is made up of experienced partners and professionals who help audit teams design effective approaches and efficient work processes and reinforce key learning points from training and audit guidance, as well as quality reviews. Our AMT contributes to technical and industry discussions focusing on audit quality topics and provides suggestions on audit issues by reviewing certain aspects of selected audit engagements before they are completed.



### Quality review partners (QRP)

Specific audit engagements have QRPs assigned as part of the firm's quality management system required by professional standards. With the necessary experience and technical knowledge, these partners are involved in the most critical aspects of the audit. For example, they are consulted on issues of firm's independence, risks of material misstatement in the financial statements and the team's responses to those risks, and specific accounting, audit, and financial reporting and disclosure issues.



### Differences of opinion

There are protocols to resolve situations where a difference of opinion arises between the engagement leader and the QRP, another audit partner, or key areas such as Risk and Quality. These protocols include the use of technical panels made up of independent partners from the project.



# Monitoring





# Monitoring



## Audit quality metrics

- Total number of Engagement Compliance Reviews (ECRs).
- Number of ECRs classified as compliant; compliant, with improvement aspects; and not compliant.

## Monitoring audit quality

We are aware that the quality of the audit services we provide to clients is key to maintaining the trust of investors and others stakeholders in the integrity of our work. It is the essential element of our audit strategy.

The responsibility for adequate quality management lies with the leadership of PwC Brazil – the first instance of our monitoring. This includes the design and operation of an effective SoQM Quality Management System, which responds to our specific risks of providing quality audit services, using the Network's QMSE (Quality Management for Service Excellence) model.

Our firm's monitoring procedures include an ongoing assessment to verify that the policies and procedures that constitute our SoQM are adequately designed and operate effectively to provide reasonable assurance that our engagement is performed in compliance with laws, regulations and professional standards – the second instance of our monitoring. This includes Internal Real Time Quality Assurance (RTA), which is discussed in more detail on the page 19 in the “Strategy, culture and values” section.

Our monitoring also includes a review of completed engagements (Engagement Compliance Reviews – ECRs), as well as periodic monitoring of our SOQM by an objective team. The results of these procedures, in addition to our ongoing monitoring, form the basis for continuous improvement of our SOQM.

Our firm's monitoring is supported by a consistent program of inspections across the Network, based on professional standards related to quality control, including ISQC 1, as well as Network policies, procedures, tools and guidance.





Quality reviews: audits – internal inspections

2023 2022



No engagement inspected was classified as “not compliant” with professional auditing standards in 2023 and in 2022.

Audit quality metrics



Total number of projects reviewed by external regulators



Number of projects reviewed by peers



Number of projects reviewed by other external regulators that resulted in non-compliance (or equivalent)

ECRs are risk-focused reviews of completed engagements. Conducted on a periodic basis, they cover individuals who are authorized to sign reports by our firm. The review assesses whether an engagement was performed in accordance with the PwC audit guidance, applicable professional standards and other policies and procedures applicable to the engagement. Each partner is reviewed at least once every five years, unless a more frequent review is necessary based on the profile of that partner's client work.

Reviews are conducted by experienced audit partners, supported by independent teams of partners, directors and senior managers, and other experts. The PwC Network inspections team supports review teams by monitoring the consistent application of guidance on grading results and evaluating engagement across the Network.

Review teams receive support training to fulfill their responsibilities and utilize a series of checklists and tools developed in the Network when conducting their review procedures.

In addition to the tools developed by the Network, PwC Brazil holds complementary information sessions for reviewers based on the results of inspections and conclusions obtained in previous years.

Finally, the PwC Network coordinates an inspection program to review the design and operational effectiveness of our SOQM – the third instance of our monitoring. Using a central team to monitor these inspections across the Network allows for a consistent view and sharing of relevant experiences across the PwC Network.



Examples of audit quality Metrics

- Total number of reviews by external regulators
- Number of reviews by other external regulators resulting in non-compliance (or equivalent)



Inspection results are reported to our firm's leadership, who are responsible for analyzing the findings and implementing corrective actions accordingly. In situations in which quality issues are identified in the engagements, depending on the nature and circumstances of the issues, the firm's engagement partner or audit leadership may be subject to additional guidance, training, or other sanctions in accordance with the firm's Recognition and Accountability framework.

The firm's partners and professionals are informed about the results of the review and the actions taken so that they can draw the necessary conclusions to carry out their work. In addition, the GAQ-I leader (PwC's global group responsible for quality inspections) informs the firm's project partners responsible for audits of multinational groups about the findings of relevant quality reviews at other PwC member-firms. This allows our partners to consider these findings when planning and executing their audit work.

## Audit quality reviews – external

### CVM Reviews

The CVM (Brazilian Securities Commission) is the entity that regulates and supervises the capital market, therefore encompassing Brazilian publicly traded companies. For a firm to carry out independent audit work at these companies, it must be registered with the CVM and its professionals must have the required proficiency certifications that are updated annually.

As part of the regular monitoring process of audit firms, the CVM completed its last inspection in 2021 and did not identify any deficiencies in the engagements reviewed or in our quality management system. This conclusion is consistent with the result of the inspection carried out previously, in 2018.

In 2023, the CVM began a new review process, currently underway, with no topic reported to date.

### Peer reviews

In Brazil, audit firms are periodically subjected to a "Peer Review" process, in which another audit firm carries out independent review procedures, both of the quality management system and of certain audit work selected from the reviewed firm.

The scope and extent of this review are determined by the CFC (Federal Accounting Council), supported by the CRE (Administrative Committee of the External Quality Review Program).

In 2022, PwC Brazil underwent this external quality peer review, which did not identify deficiencies.





### PCAOB reviews

The PCAOB (Public Company Accounting Oversight Board) is the federal agency that regulates independent auditing activities in the North America capital market.

For a firm to carry out independent audit work on companies listed in this market, it must be registered with the PCAOB.

PwC Brazil is registered with the PCAOB and is subject to inspections every three years. The last completed inspection took place in December 2020, covered three audit engagements carried out in 2019, and had its report issued on April 21, 2022 ("2020 Inspection Report").

This report, which did not identify deficiencies in our quality management system, is public and available on the PCAOB website.

A new inspection, starting in September 2023 and covering three engagements carried out in 2022, is currently underway, and to date, no report has been issued.

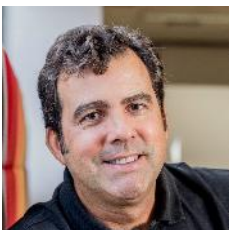
### Other regulators

Independent audit activity in Brazil is also subject to regulators of specific industries, such as the Brazilian Central Bank (BACEN) for financial institutions, the Superintendency of Private Insurance (SUSEP) for insurance companies, the National Supplementary Health Agency (ANS) for companies operating in the health industry, the National Electric Energy Agency (ANEEL) for companies operating in the energy industry, among others. This past year, we have had no engagement inspected by such regulators that has been classified as deficient.





## Audit and Risk and Quality (R&Q) Leadership



**Fábio Cajazeira**  
Member of the Executive Committee  
and leader of Audit, Governance,  
Risks and Compliance

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**Washington Cavalcanti**  
Audit Leader

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**Valdir Coscodai**  
Audit Risk and  
Quality Leader

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**Denilza Portela**  
Human  
Capital  
Leader

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**Catarina Costa**  
Education and  
Learning Leader

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**Patrícia Agostineto**  
Risk and  
Quality  
  
Director

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**Emerson Macedo**  
Quality  
Inspection  
Leader

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**Marcos Paulo**  
Methodology  
and QMSE  
Leader

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**Leandro Ardito**  
Accounting  
Consulting  
Services Leader

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# Risk and Quality Area (R&Q)

Data relating to fiscal year 2023:

## Partner experience

Average years of experience of R&Q partners



29 years

## Professionals dedicated to R&Q

Number of professionals

12

Partners



31

Officers, Managers and staff

## Technical notices

Number of notices

34

Ethics/ Independence



7

R&Q/ Methodology



23

Accounting/Audit



## Number of consultations made



617

Consultations on accounting and audit topics

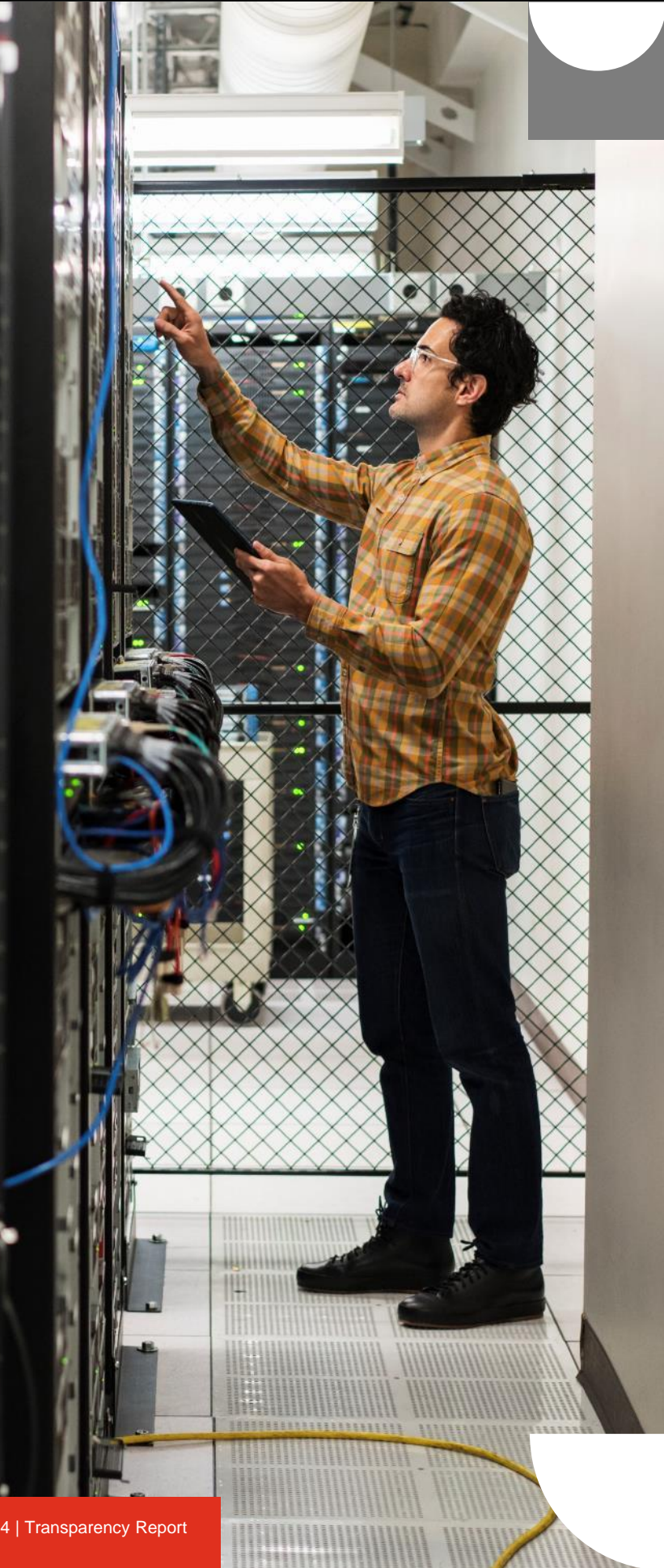


144

Consultations made on independence



# Legal and governance structure





## Legal and governance structure

### TSP

The Territory Senior Partner (TSP), or CEO, of PwC Brazil leads the partners and professionals and defines the short and long-term strategic direction. The TSP is elected by the firm's partners for a period of five years. If re-elected, he may serve in this role for another term of up to five years. Since July 1, 2020, PwC Brazil's TSP is Marco Castro.

The TSP is also responsible for appointments to the firm's Executive Committee and other leadership positions. Under the leadership of the TSP, the Executive Committee is responsible for managing the firm.

### *Territory Oversight Board*

The *Territory Oversight Board* (TOB) is responsible for governance and supervision. Its role includes supporting, monitoring and providing information on the firm's strategy, approving partner admissions and retirements and approving important transactions or submitting them for a partner vote. The TOB is made up of the firm's TSP and six other partners elected by the partners.

### Partners

The main subjects are submitted to approval to partners by vote. These issues include the election of the TSP and TOB members, changes to the firm's partnership rules and termination of the partnership, among others.

### Legal structure and ownership of PwC Brazil

PwC Brazil integrates the global firm Network of PricewaterhouseCoopers International Limited (PwCIL) and is formed by three general partnerships wholly owned by the firm's local partners. Partners have equal voting rights on all matters relating to the company. PwC Brazil operates and controls various corporate entities necessary for legal and operational purposes.

### PwC Brazil is directed and led by:



#### **Territory Senior Partner (TSP)**

(CEO of PwC Brazil)



#### **Brazil Leadership Team**

(PwC Brazil Executive Committee)



#### **Territory Oversight Board**

(PwC Brazil Oversight Board)



#### **Partners of the firm**





# PwC Network







# PwC Network

## Global network

PwC is the brand under which the member-firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the PwC Network. “PwC” often refers to individual PwC Network firms, to several of them or to all of them collectively.

In many parts of the world, accounting firms are required by law to be independent and locally owned. PwC Network is not a global partnership, a single firm or a multinational corporation. The PwC Network is made up of firms that represent different legal entities.



Firms in the PwC network are members in, or have other connections to PwCIL, an English private company limited by guarantee. PwCIL does not practise accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for PwC 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 PwC firms where appropriate. PwC firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC network. In addition, PwC firms may draw upon the resources of other PwC firms and/or secure the provision of professional services by other PwC firms and/or other entities. In return, PwC firms are bound to abide by certain common policies and to maintain the standards of the PwC network as put forward by PwCIL.

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

#### PwCIL's governance bodies are:

- **Global Board**, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team and the approval of network standards. The Board does not have an external role. The Board is comprised of 18 members. One is appointed as external, independent directors, and the other 17 Board members are elected by partners from 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**, which is appointed by and reports to the Network Leadership Team and the Chairman of the PwC network. Its members are responsible for leading teams drawn from PwC firms to coordinate activities across all areas of our business.

Territory Senior Partner of PwC Brazil is a member of the Strategy Council and maintains our relationships with the Network Leadership Team.

PwC Brazil integrates  
the Strategy Council,  
which it is represented  
by its TSP, Marco Castro.



PwC Brasil



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PwC refers to the PricewaterhouseCoopers Brasil Ltda. member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

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