

Ethical screening of: PricewaterhouseCoopers

For:

Date: January 2012

Company overview:

PricewaterhouseCoopers International Limited (PwCIL) is the umbrella entity for the PricewaterhouseCoopers global network - one of accounting's Big Four, along with Deloitte Touche Tohmatsu, Ernst & Young, and KPMG. PwC provides assurance (including financial and regulatory reporting), tax, and advisory services; it counts a majority of the world's largest companies among its clients in some capacity. Its network spans more than 750 offices in some 150 countries.

PwC's member firms are locally owned and operated. The largest geographic segment is western Europe, followed by the North America/Caribbean region. Together, the segments account for about three-fourths of the network's aggregate sales. Other regions served include Asia, Central and Eastern Europe, and South and Central America. PwCIL oversees the strategic growth and development activities for the network and provides support services to the member firms.

The nature of the industry dictates that as the economic climate cools, so does the need for accounting services. As such, PwC's members are faring somewhat according to their geographic segment's particular financial situation. Firms among rapidly developing economies (Brazil and China, for example) have had a stronger performance during the recovery from the global financial crisis, while members in more sluggish economies (the US) have seen a dip in sales. (ref:10)

Ownership:

PwC is structured as a network of member firms, linked together through membership in PwC International Limited (PwCIL), a UK membership-based company. PwCIL does not provide services to clients. Its primary activities are to: identify broad market opportunities and develop associated strategies; strengthen PwC's internal product, skill, and knowledge networks; promote the PwC brand; and develop and work for the consistent application of common risk and quality standards by member firms, including compliance with independence processes.

PwC member firms operate locally in countries around the world. But by working together, member firms also comprise a vigorous global network. This structure means the company is able to serve a broad range of clients: large, publicly-listed multinationals; small, private and domestic companies

In most parts of the world, the right to practice accountancy is granted only to national firms in which locally qualified professionals have majority or full ownership. Consequently, PwC member firms are locally owned and managed.

Ethical Consumer rating (including what EC identifies as the main ethical issues with this company):

PricewaterhouseCoopers scores 5.5 out of a possible 15 on Ethical Consumer's Corporate Critic database. It loses a mark for not having an adequate environment policy or report and a mark for having an inadequate ethical procurement policy. It loses a mark under Human Rights for having operations in 26 oppressive regimes, a full mark for lobbying and political donations and for having operations in tax havens, presumably for the purposes of providing tax haven facilities to its clients. It loses half marks under the Nuclear Power, Habitats & Resources, Climate Change and Arms & Military Supply categories for providing consultancy services to these industries. It loses another half mark under the Workers' Rights category for two criticisms relating to treatment of workers, plus another half mark under Anti-Social Finance for, among other things,

excessive director's pay and allowing a client to appear to be safeguarding it's own clients funds when this wasn't the case. The company fails to gain an additional positive mark for not having an innovative company structure (such as a non-profit or co-operative).

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Corporate critic database records:

Environment

Environmental Reporting

Worst ECRA rating for environmental reporting (2012)

The 'Environment' section of the PricewaterhouseCoopers website (www.pwc.com), viewed in January 2012, stated that the company was committed to a number of principles and actions including:

- * Measuring, reporting, and continuously reducing the environmental impact of its business operations
- * Using natural resources efficiently and minimising waste.
- * Mitigating climate change impacts by reducing greenhouse gas emissions from energy use, transport, and everyday processes.
- * Encouraging its suppliers to reduce the environmental impact of the materials they provided.

However, no evidence was found of the environmental report itself, nor any dated and quantified future targets to reduce the company's impacts, or independent verification of environmental data collected. The company mentioned its role as the global advisor and report writer for The Carbon Disclosure Project (CDP), but did not state that it participated itself. As a result, the company received Ethical Consumer's worst rating in this category. (ref: 1)

Nuclear Power

Consultancy services to UK nuclear industry (2012)

According to the website (www.pwc.com), viewed by Ethical Consumer in January 2012, PricewaterhouseCoopers (PwC) was "working with companies, governments and industry stakeholders in every region of the world to assist with the decisions, planning and implementation of nuclear power projects." The website stated that PwC could help with:

- * Strategy and finance
- * Contracting and delivery
- * Start up, operations and maintenance
- * Decommissioning and disposal (ref: 1)

Climate Change

Consultants to climate change industries (2012)

According to the company website www.pwc.com, viewed by ECRA in January 2012, PricewaterhouseCoopers advertised itself as a consultant to several industries regarded by ECRA as having high climate change impacts. This included the fossil fuels industry and the automotive sector. It said it offered:

- * Global sustainability
- * Global compliance services
- * Financial transaction services
- * Governance, risk & compliance
- * Transfer pricing
- * Mergers & acquisitions
- * Supply chain risk management
- * Cash & indirect taxes
- * Tax compliance (ref: 1)

Habitats & Resources

Consultant to extractive industries sector (2012)

According to the PricewaterhouseCoopers website (www.pwc.com), viewed by Ethical Consumer in January 2012, PwC delivered "a range of services to help mining companies address the many challenges they face today and to help them to prepare for the upturn in the future.

These included:

- * Financing and managing capital projects
- * Mining transactions and industry consolidation
- * Improving performance and operational effectiveness
- * Managing risk
- * Complying with regulatory & reporting requirements
- * Addressing sustainability issues
- * Recruiting and retaining a skilled workforce" (ref: 1)

People

Human Rights

Operations in 26 oppressive regimes (2012)

According to the company website www.pwc.com, viewed by ECRA in January 2012, PricewaterhouseCoopers had operations in the following countries regarded by ECRA at the time of writing as having oppressive regimes: Afghanistan, Belarus, China, Colombia, Democratic Republic of Congo, Equatorial Guinea, Honduras, India, Iraq, Israel, Jordan, Kazakhstan, Laos, Libya, Nigeria, Pakistan, Philippines, Russia, Saudi Arabia, Sri Lanka, Thailand, Turkmenistan, Uzbekistan, Venezuela, Vietnam and Zimbabwe. (ref: 1)

Workers' Rights

'Cruel and callous' treatment of workers (December 2010)

According to Labour Research, December 2010, Vol 99, No 12, PricewaterhouseCoopers (PwC) had been criticised for its treatment of workers in its role as administrator of two companies which specialised in social housing maintenance which collapsed following government cuts to public spending. Alan Ritchie, the general secretary of construction industry UCATT criticised PwC for informing some workers via conference calls that they were losing their jobs. The use of conference calls was controversial in the administration of the first company to collapse, Ritchie described the practice as 'cruel and callous' and said that PwC had 'learnt nothing since the first debacle'. The collapse of the companies was described as a devastating blow for the workers and their families and Ritchie said it was becoming increasingly clear that the government's spending cuts were having a highly detrimental effect on the construction industry. He said that urgent reform was needed and taking social housing maintenance contracts back in house should be considered as the 'vagaries of the market had once again resulted in dedicated skilled construction workers fearing for their livelihoods and tenants left not knowing whether vital repairs on their homes would be made.' (ref: 2)

Race discrimination claim by former employee (July 2009)

According to an article which was published on the Daily Mail website (www.dailymail.co.uk) on 13 July 2009, an accountant who claimed she was made to feel 'like a prostitute' by her bosses was suing a PricewaterhouseCoopers for £40million in a record race discrimination claim.

Romanian Mihaela Popa said she suffered a string of racist and sexual jibes while working at the accountancy giant.

Miss Popa, 31, claimed that a colleague told her 'Eastern Europeans are whores' and used to refer to her as 'Mihaela and porn'.

She said she was accused of only being in London to 'live it up' and was quizzed about returning to Romania, given menial tasks to perform and ignored for promotion.

When she asked one manager why she was given mundane work, he allegedly said that 'someone was needed to mop up the s***'.

She alleged that some of her colleagues even believed she was a Communist spy working undercover for the Securitate, the Romanian secret police.

Miss Popa, of Hampstead, north west London, earned £41,000-a-year as a forensic accountant.

She claimed that the discrimination prevented her from becoming a partner with the firm, earning at least £500,000-a-year plus bonuses.

She was demanding £40million in compensation for loss of earnings and hurt feelings - believed to be the highest amount ever claimed in a race discrimination case.

PricewaterhouseCoopers denied her allegations of race discrimination and victimisation.

Miss Popa studied for an MBA in the U.S. and started her career at the company's office in Bucharest in 2000.

She said she suffered sexual harassment and race discrimination within months of moving to the firm's Chicago branch, before transferring to London in September 2004.

She alleged the treatment became 'progressively unbearable' until she felt she had no choice but to resign in November 2006 after being off sick for several months with depression and anxiety.

Speaking outside a Central London employment tribunal, she said: 'They said originally that they thought I could be a future partner but then they never gave me the opportunity.'

Miss Popa had already lost a previous claim for racial discrimination against PricewaterhouseCoopers, but claimed to have more detailed evidence in her fresh case.

A spokesman for the company said: 'We successfully defended claims at the employment tribunal in November 2007 and the employment appeals tribunal in 2008. 'We will be vigorously defending the most recent claims.' (ref: 3)

Supply Chain Management

Insufficient policy on Ethical Procurement (January 2012)

Ethical Consumer searched the PricewaterhouseCoopers website (www.pwc.com) in January 2012 and found the company's Code of Conduct. This document stated "We respect the confidentiality and privacy of our clients, our people and others with whom we do business. We comply with applicable laws, regulations and professional standards in order to maintain the appropriate degree of confidentiality and privacy." However there were no details of how the company ensured that its suppliers demonstrated these standards. As a result it was awarded Ethical Consumer's worst rating for its ethical procurement policy. (ref: 1)

Arms & Military Supply

Consultants to the arms industry (2012)

When viewed by Ethical Consumer in January 2012, the PricewaterhouseCoopers website (www.pwc.com) stated, under the header 'Aerospace & Defense', that:
"PwC's Aerospace & Defense (A&D) practice provides industry-focused assurance, tax, and advisory services to leading A&D companies around the world. We help A&D companies address a full spectrum of industry-specific advisory challenges across areas such as the globalization of A&D, operational improvement, supply chain management, compliance, export controls, government contracting and full scope information technology. We actively leverage our diverse institutional knowledge, experience, and solutions to provide a fresh perspectives and significant value for our clients." (ref: 1)

Politics

Political Activities

Political donations (2012)

According to the entry for PricewaterhouseCoopers (PwC) on the Open Secrets website (www.opensecrets.org), the company had made tens of donations to both Democrat and Republican candidates during the 2012 election cycle totalling \$1,054,196. The majority of the donations went to the Republicans. (ref: 5)

Member of WEF (January 2012)

PwC was listed as a strategic partner of the World Economic Forum, on its website www.weforum.org viewed by Ethical Consumer on 16 January 2012. The World Economic Forum was a lobby group which campaigned for greater economic liberalisation and deregulation. ECRA defined the World Economic Forum as a corporate lobby group which lobbied for free trade at the expense of the environment, animal welfare, human rights or health protection. (ref: 6)

Member of one international lobby group (2012)

According to the organisation's website www.wbcasd.org, viewed by ECRA in January 2012, PricewaterhouseCoopers was a member of the World Business Council for Sustainable Development. This was regarded by ECRA as an international corporate lobby group which exerted undue corporate influence on policy-makers in favour of market solutions that were potentially detrimental to the environment and human rights. (ref: 7)

Anti-Social Finance

Targeted by tax justice campaign (2009)

According to the Autumn 2009 issue of Christian Aid News, PwC and 3 other accountancy firms had been targeted by the NGO's tax justice campaign for their roles in facilitation of companies tax avoidance. PwC was an acronym of PricewaterhouseCoopers. The campaign focussed on the four most well-known accountancy firms, of which PricewaterhouseCoopers were one. (ref: 8)

Settled bribe allegations (2007)

According to a report published by Christian Aid in 2008, PricewaterhouseCoopers had paid US\$2.3m in 2007 to 'settle allegations' that it helped IBM pay bribes to secure US government contracts. (ref: 9)

Operations in 24 tax havens (2012)

According to the PriceWaterhouse Coopers company website www.pwc.com, viewed by ECRA in January 2012, the company had operations in the following territories regarded by ECRA as being tax havens: Antigua & Barbuda, Aruba, Bahamas, Bahrain, Barbados, Bermuda, British Virgin Islands, Cayman Islands, Cyprus, Hong Kong, Ireland, Isle of Man, Luxembourg, Maldives, Malta, Mauritius, Monaco, Panama, Philippines, Singapore, St Kitts & Nevis, St. Lucia, Turks & Caicos Islands and Uruguay. (ref: 1)

Fined for allowing client to appear to be protecting clients money (January 2012)

According to an article which appeared on the Guardian website (www.guardian.co.uk) on 6 January 2012, PricewaterhouseCoopers had been fined for allowing the UK securities arm of JP Morgan to appear to be complying with rules requiring client money to be kept separate from the bank's own funds between 2002 and 2008.

The fine against PwC, which had admitted in August to years of mistakes, was eventually determined after a discussion among regulators which had suggested the penalty could be as high as £44m.

PwC had been required to submit a report to the FSA on whether JP Morgan complied with its client money rules and had the internal systems to ensure this was the case. While PwC had done so for each of the seven years in question, JP Morgan had not, in fact, been complying with the rules. The errors meant that an average of £5bn of client money was at risk each day.

The AADB said: "PwC admitted that it failed to obtain sufficient appropriate evidence on which to base these opinions and failed to identify and consequently did not report that [JP Morgan] had not at all times held client money separate from the firm's money and/or had not taken the necessary steps to ensure that client money was held at all times in an account identified separately from any accounts used to hold money belonging to [JP Morgan] , in breach of the client money rules." (ref: 4)

References

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- 2 - Labour Research:Vol 99 Issue 12 (December 2010)
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- 4 - Guardian, The:PricewaterhouseCoopers fined £1.4m (6 January 2012)
- 5 - Open secrets website:PricewaterhouseCoopers record (24 January 2012)
- 6 - World Economic Forum website www.weforum.org:Members list (January 2012)
- 7 - World Business Council for Sustainable Development (WBCSD) www.wbcscd.org:List of members January 2012 (19 January 2012)
- 8 - Christian Aid News:Autumn 2009 issue (2009)
- 9 - Christian Aid:Death and Taxes: the true toll of tax dodging (May 2008)
- 10 - Hoovers, www.hoovers.com (January 2012)

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