

# *Transparency report* 2011

*Founded in 1954, PricewaterhouseCoopers Oy is a Finnish-owned APA community. Employed by our company, our partners are APA accountants and experts in taxation, corporate transactions, business management and risk management.*

*PwC offers global business consulting, accounting, corporate transaction, tax and assurance services employing 169,000 individuals in 158 countries. In Finland, PwC has more than 700 experts in 20 locations around the country.*

*We believe in transparency in all our activities. In this transparency report, we describe, in accordance with Section 29 of the Auditing Act, and Section 9 of the Auditing Decree, the administration of our company, the standards we adhere to, our employee reward programme and personnel education.*

### **Legal form and ownership relations**

Owned by its employees, PricewaterhouseCoopers Oy is a Finnish company with the status of an APA community. During the past fiscal year that ended on 30 June 2011, the company included the affiliated company JHTT-yhteisö PwC Julkistarkastus Oy.

According to the articles of association, more than half of all the shares of the company and of the votes carried by them shall be held by the accountants employed by the company, approved by the Central Chamber of Commerce, or by APA communities. The APA accountants owned 63.7 per cent of the company's shares on 30 June 2011.

### **Description of the legal and structural entity of the PwC network**

PwC Finland is part of the network formed by the member firms of PricewaterhouseCoopers International Limited (PwCIL), where each company is an independent legal entity. The network members have local ownership and management. The PwC network has specific standards for risk management, personnel management, brand-specific activity and communications that all the firms in the network have undertaken to maintain. Compliance with these standards is regularly monitored.

PwCIL's primary tasks include: (i) identifying new markets and developing strategies related thereto; (ii) reinforcing PwC's internal product, skills and information networks; (iii) promoting awareness of the PwC brand; and (iv) ensuring uniform application of common risk management and quality standards and procedures related to independence in member firms.

When joining the PwC network, member firms obtain the right to use the PwC marketing title and common resources, methodologies and know-how of the network. Similarly, all the member firms are obligated to follow certain practices common to the network and to maintain the standards observed in the PwC network, approved by the PwCIL management. The PwC network is not responsible for the activities and possible acts of neglect of the member firms; the member firms themselves are responsible for these.

### **Administration**

The activities of PricewaterhouseCoopers Oy are governed by effective legislation, articles of association, and the numerous rules, guidelines and recommendations related to the industry. The objective of corporate governance is an open and transparent method of management. Our responsible conduct instructions form the basis of all our activities, and

PwC's values—teamwork, excellence and leadership—create a firm basis for both interaction with our clients and other external stakeholders, and internal communications within the company.

The general meeting, board of directors and CEO supported by the management team, as well as the shareholders' and partners' meetings, partners' committee and nomination committee, are responsible for the administration of PricewaterhouseCoopers Oy. The principles of corporate governance are defined in the rules of procedure for each administrative organ.

### **General meeting**

The general meeting is held by the end of December each year. The decisions that concern the annual general meeting shall be made and the remunerations of the board of directors and accountants shall be determined in the meeting. Additionally, the current share price shall be confirmed and other issues mentioned in the summons to the meeting shall be discussed. The annual general meeting of PricewaterhouseCoopers Oy was held on 23 November 2010.

According to the articles of association, the annual meeting chooses a board of directors each year, which consists of five and at most nine ordinary members. The chairman and possible vice chairman of the board of directors and other members are chosen in the annual general meeting, and their term of office concludes by the time of the next annual meeting. If a member of the board of directors resigns in the middle of a term of office, a by-election may be conducted in an extraordinary general meeting.

### **Board of directors**

It is the task of the board of directors to manage the administration of the company and the appropriate organisation of activities. The board of directors also ensures that the supervision of the bookkeeping and financial administration of the company is appropriately arranged. The board of directors also approves the business strategy, business plan and budget and monitors the execution thereof. The board of directors appoints the CEO and approves the appointments of the business area managers and other members of the management team. The issues handled by the board of directors are presented by the CEO.

At least two-thirds of the members of the board of directors and possible vice members, and the chairman and possible vice chairman, shall be accountants employed by the company, approved by the Central Chamber of Commerce. The proposals on the members of the board of directors are

made to the annual general meeting by the Nomination Committee.

The members of the board of directors during the fiscal period that ended on 30 June 2011 included Kim Karhu, APA, (chairman) until 31 May 2011; Eero Suomela, APA, (chairman) from 1 June 2011; Heikki Lassila, APA; Pekka Loikkanen, APA; Janne Rajalahti, APA; Juha Wahlroos, APA; Kai Wist, LL.M., trained on the bench; and Merja Lindh, APA, from 23 November 2010. The board of directors convened 13 times during the fiscal year. The activities and working methods of the board of directors are assessed each year. This takes place as a self-assessment.

### **Territory Senior Partner**

The partners' meeting of PricewaterhouseCoopers Oy chooses one partner as Territory Senior Partner (TSP) to represent the company and partners in the PwC network. The position has been held by APA Johan Kronberg since 2003.

### **CEO**

The board of directors of PricewaterhouseCoopers Oy appoints the CEO, who is responsible for the management of the company, the execution of the strategy and development of business in accordance with the directions and rules supplied by the board of directors. The management team assists the CEO. Since 1 June 2011, the CEO of the company has been APA Kim Karhu (APA Jan Holmberg until 31 May 2011).

### **Management team**

The primary task of the management team is to assist the CEO in operative management and the execution of the decisions of the board of directors. The management team has no powers based on law or the articles of association. The management team guides and develops the company's activities in order to achieve the strategic objectives.

During the fiscal year, the management team included the CEO, Territory Senior Partner, Line of Service directors, Chief Financial Officer, Markets Leader and HR director, and the quality and risk management partner and technology partner on a quarterly basis. The board of directors approves the members of the management team on the proposal of the CEO. The CEO acts as the chairman of the management team. The management team convened 11 times during the fiscal year.

During the fiscal year that ended on 30 June 2011, the members of the management team included Jan Holmberg (CEO until 31 May 2011), Kim Karhu (CEO from 1 June 2011),

Eero Alho (HR director), Klaus Keravuori (tax services), Sirpa Korhonen (Chief Financial Officer), Marko Korhonen (Markets Leader), Johan Kronberg (TSP), Matias Lindholm (quality and risk management partner), Mikko Nieminen (assurance), Timo Raikaslehto (consulting and deals), Timo Takalo (technology partner) and Markku Tynjälä (family business services).

### **Partners**

The company is owned by its partners, the Equity Partners. The rights and responsibilities of the partners are determined on the basis of the Limited Liability Companies Act, the articles of association and the partnership agreement. In general meetings, the partners exercise the highest decision-making power as referred to in the Limited Liability Companies Act and the articles of association.

In addition to the Equity Partners, there are the Associated Partners. The rights and responsibilities of the Associated Partners are determined on the basis of the partnership agreement. In the shareholders' and partners' meetings, the Associated and Equity Partners participate in the decision-making concerning the issues mentioned in the partnership agreement.

All the partners of PricewaterhouseCoopers Oy are employed by the company. At the end of the fiscal year, there were altogether 71 partners in the company, of which 43 were accountants approved by the Central Chamber of Commerce. There were 37 Equity Partners and 34 Associated Partners.

### **Partners' committee**

The task of the partners' committee is the preparation of issues relating to the hiring of partners, partnership policy and structure, and payment of dividends. The partners' committee is formed by the chairman of the board of directors, the chairman of the nomination committee, TSP and CEO. The chairman is the chairman of the board of directors of the company. The members of the partners' committee are not separately chosen; serving on the partners' committee is considered part of the larger job description in the tasks mentioned.

Members of the partners' committee include Kim Karhu (chairman until 31 May 2011, member from 1 June 2011), Eero Suomela (chairman from 1.6.2011), Jan Holmberg (until 31 May 2011), Johan Kronberg and Jouko Malinen.

### **Nomination committee**

It is the task of the nomination committee to prepare for the general meeting a proposal on the number and identity of

candidates for the board of directors, and the identities of chairman and possible vice chairman. The nomination committee also prepares the election of the TSP for the partners' meeting.

The partners' committee chooses four partners to the nomination committee; of these, one is the chairman and one the vice chairman. A member of the board of directors, the CEO and the TSP cannot be members of the nomination committee. The term of office of the members of the nomination committee lasts from one partners' meeting to the next, unless otherwise decided.

The nomination committee includes Jouko Malinen (chairman), Juha Laitinen (vice chairman), Mika Kaarisalo and Mikael Österlund.

### **Description of internal quality assurance reviews**

Our company's values—excellence, teamwork and leadership—support the objective of high quality in all our client work. In addition to observing good technical quality and regulations, quality also means having the ability to put ourselves in our clients' shoes and a commitment to producing added value.

In internal training and other events, we constantly emphasise the meaning of high quality. We also conduct client satisfaction surveys on a regular basis. The personnel of our company and outside parties have the opportunity to disclose confidentially detected or suspected deviations from the professional standards and legislation concerning our company through the company's website.

We observe the International Standard on Quality Control (ISQC) 1, the purpose of which is to guarantee a reasonable certainty that we conduct our assignments in a manner stipulated by professional standards, regulations and legislation. The review process required by the standard on quality control, aimed at providing reasonable certainty that the operating principles and procedures relating to the quality control system are appropriate, function effectively and are adhered to, has been entrusted to the partner assigned for this duty, the Chief Quality Officer. He or she reports to the management team and board of directors of our company. The system ensures that the operating principles and procedures relating to quality control are appropriate, function effectively and are observed.

The PwC network conducted a Quality Management Review in our company in the spring of 2011, and it evaluated the appropriateness of our operating principles and procedures. The observations were reported to the management team and board of directors in September 2011.

It is the task of our Quality Office function to ensure that the auditing and other assurance assignments are dealt with observing high quality and the appropriate procedures and that they are conducted effectively. The members of the Quality Office include the director of the auditing business area, Chief Quality Officer, Risk & Quality Partner and the partners responsible for quality control reviews, internal training and methodology.

Our principles heighten the importance of consultation in

difficult professional questions or those that require interpretation. Assigned experienced experts are responsible for consultation.

Firms across the PwC network use congruent standards, operating principles and procedures on quality and supply of services. It is the task of the Risk & Quality Partner together with the Risk & Quality partners and managers of the business areas to maintain principles and systems relating to risk management and to monitor compliance therewith. We conduct a self-assessment on compliance with the operating principles each year. The Risk & Quality Partner reports to the management team and board of directors of our company.

The PwC network has a quality control review programme that is observed in all the firms part of the network. The individual PwC firms can supplement the global guidelines with local regulatory requirements. According to the programme, all the authorised public accountants are subject to quality control at least every third year. The results of the quality control review are reported to both the top management of PricewaterhouseCoopers Oy and the global management team of the PwC network. In addition to important observations that have come up in the quality control review, the report also includes recommendations for measures made on the basis of them. An action plan is drafted on the basis of the report in order to rectify the observed defects. The management of our company monitors the implementation of the approved plan of action.

In accordance with Section 40 of the Auditing Act, our community and APA accountants are subject to external quality control by the central Chamber of Commerce every three to six years. Similarly, our Chartered Public Accountants are subject to quality control by the Chambers of Commerce.

### **Date of the most recent quality control**

Our internal quality control review for year 2010 was completed and its results were reported to the board of directors of our company, the management team and the management team of the PwC network in September 2011.

In the autumn of 2010, the Auditing Board of the Central Chamber of Commerce conducted a quality review in our company, in which certain functions were reviewed on the basis of the International Standard on Quality Control (ISQC) 1.

The annual control visit of an APA community by the Auditing Board of the Central Chamber of Commerce was last conducted in at PricewaterhouseCoopers Oy on 14 February 2011.

### **List of publicly traded communities and credit and insurance institutions in which an APA community has been chosen as an accountant during the past fiscal year**

The website of PricewaterhouseCoopers Oy contains a separate list on the publicly traded communities and credit and insurance institutions in which an APA community or an accountant employed by it has been chosen as an accountant.

## **Independence policies and description of monitoring compliance**

Our company adheres to the global independence policies and procedures of the PwC network, which contain the minimum requirements related to independence and which are applied in all the assurance assignments conducted by us. The independence policies and procedures are based on the IFAC Code of Ethics for Professional Accountants and SEC's auditor independence rules with regard to SEC companies, and comply with the requirements of the Auditing Act. However, our policies on auditing clients are stricter than IFAC in certain respects. The knowledge of our personnel on issues of independence is maintained by internal news releases and training.

Our company observes a careful approval procedure of new clients and assignments. PwC's global Central Entity Service database enables the making of independence reviews regarding new clients and assignments. It is our policy to ensure prior to the approval of new clients and assignments that no conflicts of interest are involved which might endanger the independence, honesty or objectivity of our company.

It is our practice that the partner responsible for an auditing client approves services other than auditing services provided to the same client. This ensures that our independence and objectivity remain intact with regard to the services provided to our clients. With regard to publicly listed companies and insurance and credit institutions, this prior approval is taken care of by using the Authorization for Services system adopted by all the firms in the PwC network.

We request a confirmation of compliance with the independence rules from all our experts on an annual basis. All the partners, directors and managers maintain information on the ownership of securities in a database (Global Portfolio System), which compares them to the database containing all the independence communities in the PwC network and points out potential problems.

We also monitor compliance with independence policies and procedures by spot checks of our individual experts each year.

Detected violations of the independence rules are reported to the management team and board of directors of our company. The disciplinary principles of our company are applied to detected violations of the independence rules.

## **Principles on maintaining and developing expertise**

PwC is an expert organisation where success is based on knowledgeable and skilled personnel. We therefore invest a great deal in continuous personnel development. Performance Coaching & Development is part of PwC's leadership model, in which one purpose is to support the development and professional performance of all PwC personnel. In the PC&D process, an individual Development Plan is defined for every employee, which helps to create both short-term and long-term plans to support development. PwC offers its personnel diverse opportunities to attain these development objectives.

One method of development is training events, in addition to which on-the-job-training and coaching are important vehicles for maintenance of expertise and development. PwC adheres to the 70:20:10 principle in personnel development: 70 per cent of learning takes place through on-the-job-training and experience; 20 per cent by following others (role models, mentor, coach) and through feedback; and 10 per cent by means of training, seminars or self-study.

Training at PwC is diverse and continuous. It is based on goals derived from the strategy and the needs detected in client work. The training provision of the global PwC network combined with training tailored to PwC's own local needs offers opportunities for both in-depth specialisation and the comprehensive accumulation of skills.

Training is divided into technical expert training, development of client relationship management and interaction skills, and training focusing on PwC's practices, culture and values, and it is unit, business area and assignment-specific. The training events arranged by PwC are adapted to prevailing needs and the development plans of individual employees. Particularly training related to amendments of legislation, different standards and decrees is arranged regularly where necessary.

## **Basis for remuneration of partners**

A reward programme approved by the members' and partners' meeting is observed in the remuneration of partners, and its basic principles are similar throughout the entire PwC network. The partners' committee decides on adjustments to the reward programme, and major changes are brought before the board of directors and the partners' meeting for approval.

The partners' committee decides on the remuneration of partners. The partners are divided into different classes according to experience, skills and roles, and the reward programme pays attention to the attainment of personal objectives set for each year, conformity to values, the partner's role in the organisation and the financial result of the company.

## **Financial information on the extent of activities**

The turnover of the group in the fiscal period that ended on 30 June 2011 was EUR 91.4 million, with the following subdivision according to business area:

<b>Assurance</b>	<b>EUR 58.4 million</b>
<b>Tax</b>	<b>EUR 19.4 million</b>
<b>Consulting and Deals</b>	<b>EUR 13.6 million</b>

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