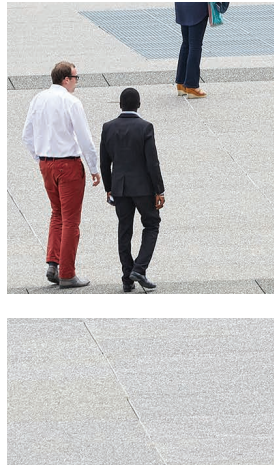
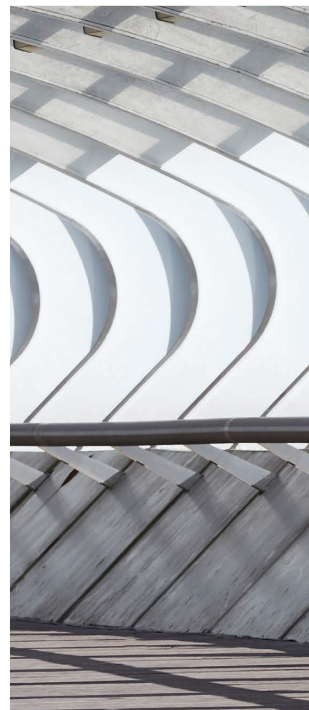


Cyprus Impact Report



2018





Contents

| | |
|---------------------------------|----|
| CEO's message | 04 |
| Background for the TIMM project | 05 |
| TIMM Framework | 08 |
| PwC Cyprus' Total Impact | 10 |
| Our Economic Impact | 14 |
| Our Tax Impact | 16 |
| Our Social Impact | 18 |
| Our Environmental Impact | 20 |
| Contacts | 23 |
| PwC in Cyprus | 24 |
| PwC Cyprus Offices | 25 |

CEO's message



Our actions in PwC are driven by our purpose, to build trust in society and solve important problems. Our purpose brings meaning to our daily work, guides our decision-making and inspires action in a dynamic environment. It demonstrates our ongoing, clear commitment to working collaboratively and innovatively to deliver the highest quality outcomes for our clients, our people and society.

Our values define the expectations we have for working with each other and our clients. We come from different backgrounds and cultures across the firm and our values are what we have in common. They capture our shared aspirations and expectations, and guide how we make decisions and treat others—they're what makes us who we are.

Our actions are directed towards making a positive impact. Our aim is for this positive effect to be lasting, measurable and above all meaningful.

In this context, we have for the second time quantified and monetised our overall impact on the Cyprus economy, the society and the environment. Our total impact for FY18 is €166.8 million, whereas in FY15 it was €162.8 million, a positive increase of €4 million.

The Total Impact Measurement & Management (TIMM) framework utilised for this purpose is an innovative and multi-dimensional way of enriching the information used for decision making. It has allowed us to look beyond financial results and measure our total footprint in order to plan specific actions that will help us enhance our overall contribution.

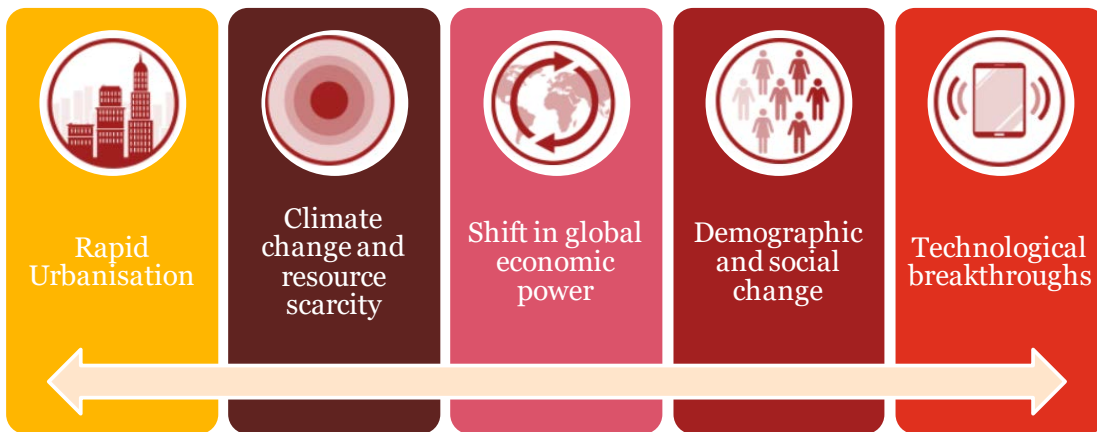
In order to succeed in fulfilling our purpose, we take responsibility of our impact and fulfil our role in society in many ways, from direct economic and tax contributions to supporting our communities, nurturing talent and fostering entrepreneurship.

Being a responsible business means, we are committed to greater transparency and to enhance the role PwC plays in society. Our impact report provides a snapshot of our journey towards creating a future we all aspire to be part of.

Evgenios C Evgeniou
CEO, PwC Cyprus

Background for the TIMM project

PwC has identified a series of megatrends which are shifting the norms in the key areas of climate change and resource scarcity, demographic and social change, rapid urbanisation, shift in global economic power and technological breakthroughs. These long-term megatrends, described in brief in the diagram below, are the driver behind the significant and constant changes our world is challenged with. Moreover, it is evident that these megatrends have environmental, social and economic impacts that can pose serious risks for businesses that fail to respond proactively and adequately, but also bring big opportunities for forward-looking organisations. Detailed information on the megatrends and their implications is available on our global website: www.pwc.co.uk/issues/megatrends



Today, more than half the world's population live in urban areas and almost all of the new growth will take place in lesser known medium-sized cities of developing countries. As a result, the ever increasing populations will demand new 'city models' that are sustainable, smarter, more efficient and more resilient.

As the world becomes more populous, urbanised and prosperous, the constraints put on the Earth's finite amount of natural resources increases dramatically. Environmental sustainability is the key in becoming more agile and resilient to the changes that an unpredictable environment will inevitably bring.

Over the past few years, the key factor that contributed to a significant change in the economic performance of many emerging markets has been the dramatic fall in commodity prices, the most visible marker being the fall in the price of oil. Nevertheless, in the longer term it appears that China and India in particular will continue to raise their productivity level towards western levels, while having vast populations.

By 2030 the world's population is projected to increase by more than 1 billion. 97% of this population growth will come from emerging or developing countries. Equally significantly, people are living longer and having fewer children. A younger Africa, and an older world will require more agile economies and businesses, and more diverse workplaces.

Unlike other periods of significant upheaval – the agricultural or industrial revolutions, for example – the digital revolution has no boundaries or borders. The change generated by technology is multidimensional. It's happening rapidly and in many different directions – changing behaviour and expectations as much as the tools used to deliver new services and experiences.

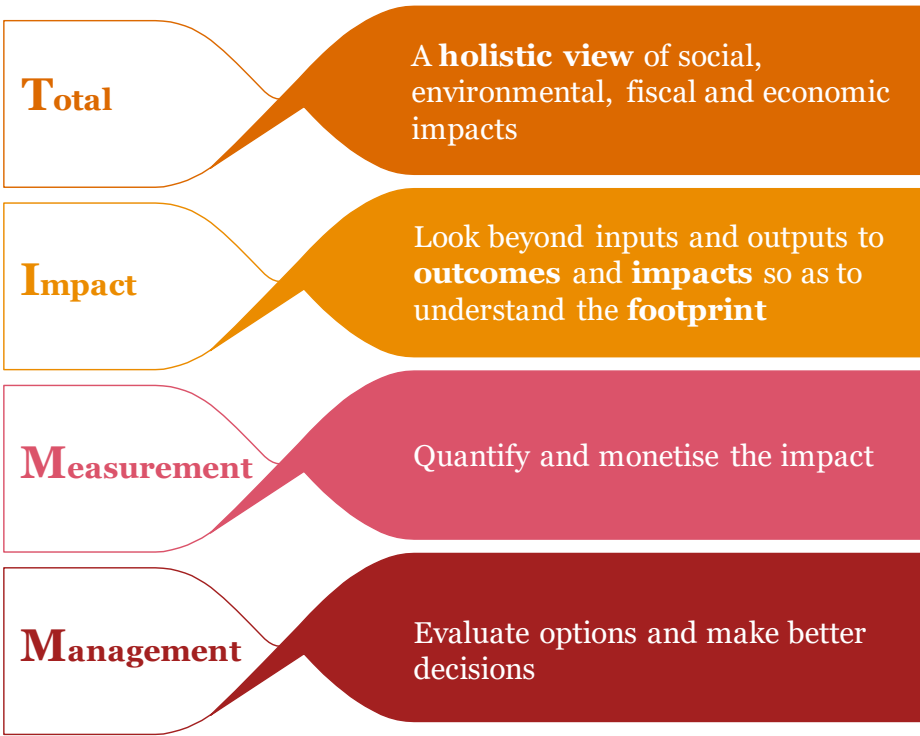
Businesses need sustainable growth, however, business models of the past are unfit for the challenges of today. In this new business context, it is time to revisit the breadth of information used to make decisions and to judge long-term success. From environmental footprints to social impacts and to investor demands, businesses are scrutinised by an ever-wider array of stakeholders. If they fall short in any respect, they erode a vital commodity: trust. Trust needs time to develop on solid foundations and it is not something you can demand from others. And in an age of enhanced transparency and heightened accountability, a loss of trust has profound consequences.

According to our 21st Annual Global CEO survey the 69% of CEOs in Cyprus, consider that transparency is the most important factor in an organisation's people strategy, while 73% of CEOs globally and 70% in the Eurozone indicate that transparency is essential in promoting and implementing their corporate values.



The Total Impact Measurement and Management (TIMM) framework developed by PwC UK, is designed to enable businesses to look beyond inputs and outputs and short-term financial results. Instead, as illustrated below, this approach focuses on understanding the overall impact of businesses' activities, and of their products or services on their stakeholders and generally on society, the environment and the economy.

In addition, it facilitates a change in mindsets, which will assist companies in taking a holistic perspective and moving towards Integrated Reporting, thus enabling them to operate in the evolving business environment.



TIMM Framework

This is the second time that PwC Cyprus used this unique framework to quantify, monetise and report on its economic, tax, social and environmental impacts. TIMM is one of the tools that our organisation uses to strengthen its reporting so as to provide greater transparency for its stakeholders and improve the quantity and quality of information it uses for decision making. And, over time, it'll show how our impacts change in line with our growth and the implementation of our strategy. The respective reports are available on our website: www.pwc.com.cy/en/publications-newsletters.html

The first time this study was carried out was for the financial year 2015 (FY15), which covered the period from 1st July 2014 to 30th June 2015 - the need became evident when our Management Board wanted to understand the external benefits to society of the PwC's investment in training qualified accountants. Additionally, as part of the Firm's Corporate Social Responsibility Strategy it was equally important to understand our negative environmental impacts, thus enabling better action planning. TIMM was then first introduced by our Sustainability and Climate Change team and following approval the framework was applied to measure, assess and monetise the Firm's overall impact.

The framework assesses impacts in the areas of economy, tax, society and environment, as per the diagram below and consists of three levels:

- direct impacts that result directly from our business activities
- indirect impacts that are generated by our purchases from our supply chain and
- induced impacts that are generated by the spending of our Partners and staff and employees in the businesses that supply us (eg impact on local communities).

Social Impact

Measures and values the consequences of business activities on society such as health, education and community cohesion

Environmental Impact

Puts a value on the impact business has on natural capital eg emissions to air, land and water, and the use of natural resources

Tax Impact

Values a business' contribution to the public finances, including taxes on profits, people, production and property

Economic Impact

Measures the effect of business activity on the economy, by measuring changes in economic growth (output or value added) and associated changes in employment

Similar to the first time, the project was completed in two stages. The first stage was to collect all required data both from within PwC Cyprus and from external sources. The second stage involved analysing the data and applying the PwC UK's environmental and social valuation approaches to estimate the total impact. The evaluation methodologies used in regards to the environmental data are available on PwC UK's website: www.pwc.co.uk/naturalcapital

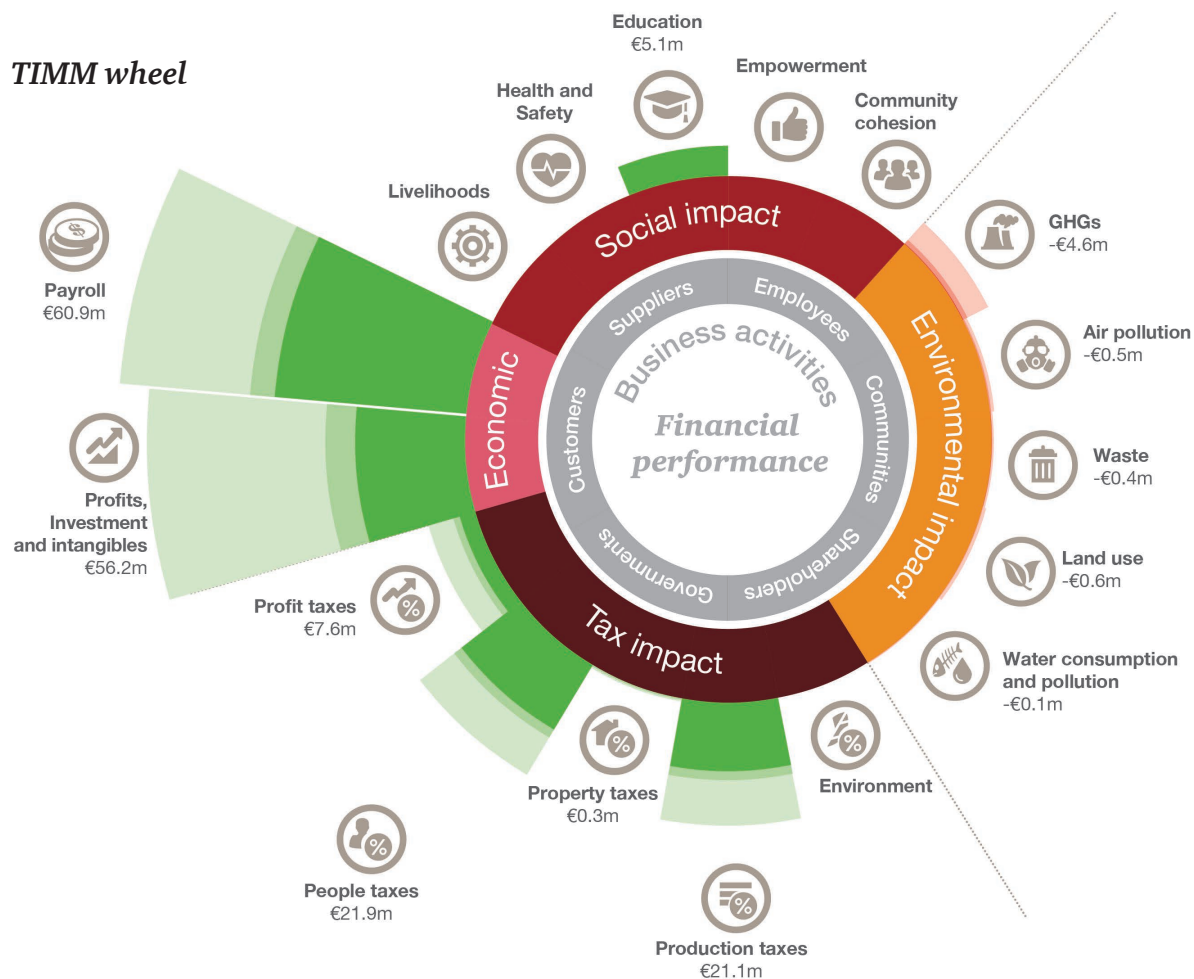
PwC Cyprus' Total Impact

PwC Cyprus' Total Impact

PwC Cyprus' economic, tax, social and environmental impacts are measured for the financial year 2018 (FY18), which covers the period from 1st July 2017 to 30th June 2018. The results are summarised on the TIMM wheel which illustrates our business activities at the centre surrounded by the stakeholders who are affected by our operations. Each of our impacts is shown on the outside of the wheel with the associated value indicated by the proportional size of the bar.



TIMM wheel



Key

- | | | |
|-----------------------------|-----------------------------|---|
| ■ Negative impact, direct | ■ Positive impact, direct | ■ To be completed in the future |
| ■ Negative impact, indirect | ■ Positive impact, indirect | ■ Immaterial impact, no evaluation done |
| ■ Negative impact, induced | ■ Positive impact, induced | |

Our total impact for FY18 is €166.8 million, a positive increase of €4 million on the FY15 figure of €162.8 million and 53% more than our revenue. It is important to highlight that since the FY15 PwC Cyprus TIMM analysis the Firm has made significant infrastructure changes that have affected the results (see figure below).

In addition, there have been overall methodological improvements. These include, the use of a more up to date economic data set that underpins the Input - Output (IO) model and the application of updated environmental valuation coefficients.

Another important note is that the scope of the study in FY18 consists of PwC Cyprus and its subsidiary network companies, whereas the analysis carried out in FY15 was only for PwC Cyprus. Due to these changes, FY18 is considered our starting point and any future studies will be compared to this baseline year.

1. Construction of PwC Central and move in FY16

2. Replacement of Firm’s motorcycles in FY16

3. Reduction of our buildings from 5 to 4 in FY16

4. Construction of new parking lots in FY16

5. Renovation of City House Limassol in FY17

6. Renovation of Julia House ground floor FY18

*Main changes
for the period
FY16 - FY18*

Our positive economic impact is estimated at €117.1 million, representing about 70% of PwC Cyprus overall impact. More specifically, our direct economic impact is €52.6 million, our indirect €9.8 million and our induced €54.7 million. In addition, we have a positive tax impact of €50.9 million (direct: €27.3 million, indirect: €3.7 million and induced: €19.9 million). Moreover, the Firm also has a positive social impact of €5.1 million deriving directly as a result of the qualified accountants we train and who then leave the Firm to go on to work throughout Cyprus, thus adding value to the marketplace.

On the other hand, the Firm has a small but negative environmental impact of €6.2 million with the biggest cost resulting from greenhouse gas emissions (€4.6 million). The vast majority of our total environmental impact occurs as induced impact resulting from the spending of Partners and staff and the employees of our suppliers (€5.5 million).

Our four impact areas are described in more detail in each section below.

We note that all calculations carried out in regards to the data we collected and used to measure our impacts have been reviewed and verified, through an internal process implemented by an independent qualified colleague.

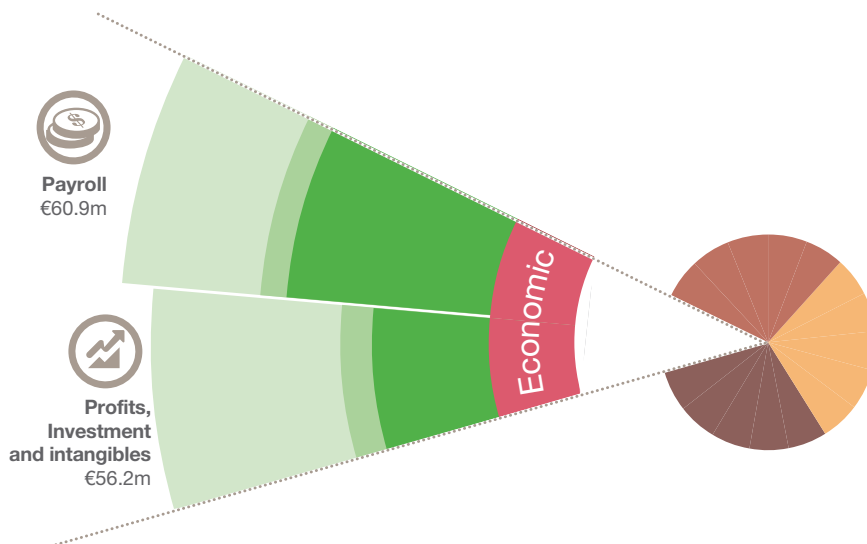


Our Economic Impact



Our economic impact forms the biggest part of our contribution to Cyprus. It consists of two categories: profits, investment & intangibles and payroll.

Across our operations and supply chain, this corresponds to a contribution to Cyprus' GDP of 0.6% in Gross Value Added. The majority of our impact is the result of both our direct operations and the spending of our employees and the employees of our suppliers (induced impacts) in the economy, €52.6 million and €54.7 million, respectively. The remaining €9.8 million derives indirectly from the payments we make to our suppliers.





Profits, Investment & Intangibles

Our impact in this category is €56.2 million (direct: €19.1 million, indirect: €5.7 million and induced: €31.4 million). The induced impact is larger than both the direct and indirect impact added together (light green in figure, category: profits, investment & intangibles) due to economic multiplier effects and the spending of Partners and staff in sectors that generate high value added (compared to the sectors that PwC Cyprus' suppliers operate in), thus, driving relatively high the induced impacts.



Payroll

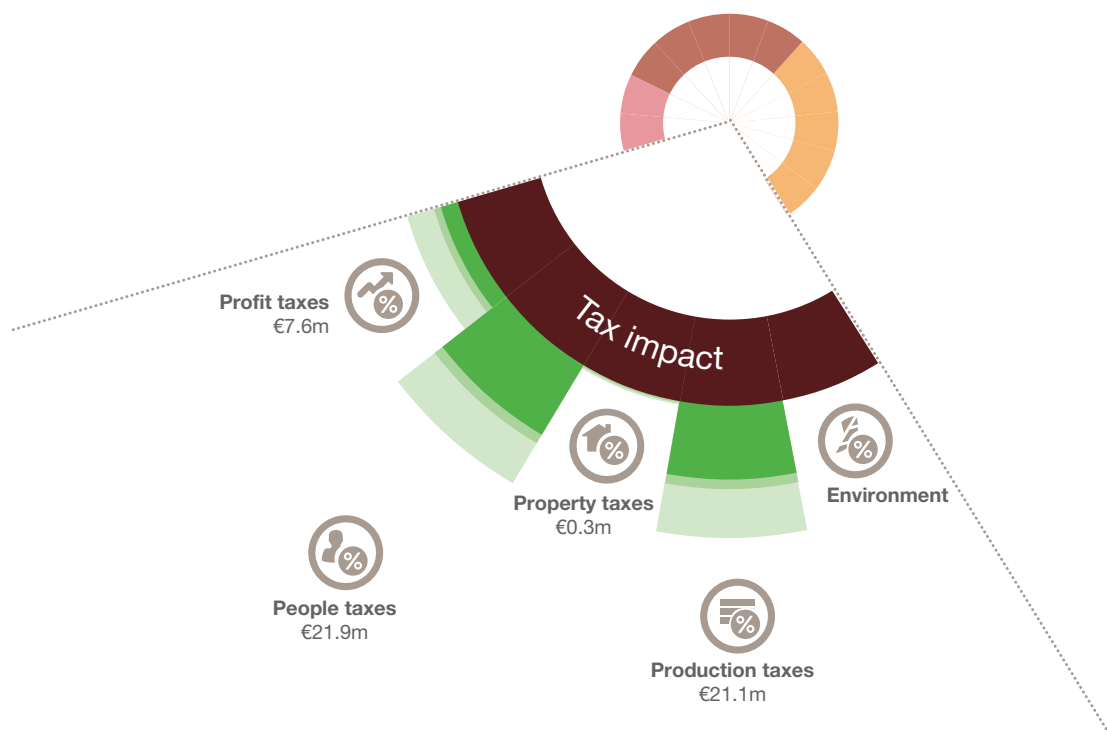
As one of the largest private organisations on the island, employing more than 950 people (Partners and staff), our biggest contribution to our total economic impact results from our direct spending on employees' salaries that in turn drive spending in the economy. Similarly, by procuring goods and services from our suppliers we enable them to spend in the economy, amplifying our positive contribution (known as the 'multiplier effect'). More specifically, the direct impact of employee compensation is €33.5 million, the indirect impact is €4.1 million and the induced impact is €23.3 million. The 11.7% increase in FY18 in comparison to FY15 is the result of an increase in the number and skills of our employees to meet growing market demand.



Our Tax Impact



PwC Cyprus also makes a positive contribution to the Cyprus economy through the taxes we pay directly and those paid by other organisations as a result of our business activities. We estimate that our total tax impact is €50.9 million, which is approximately one third of our overall impact. Our tax impact is separate from and additional to our economic impact and it's our overall contribution to the public finances. As per the diagram below, the tax impact includes taxes on profits, people, property and production.





Profit and People Taxes

The largest proportion of our tax impact (43%) comes from the taxes we pay and collect on behalf of our Partners and staff. The people taxes category includes the following taxes:

- Income Tax Deductions
- Social Insurance Deductions
- Special Deductions
- Social Insurance Contributions
- Special Contributions

Our people tax impact is valued at €21.9 million (direct: €12.9 million, indirect: €1.4 million and induced: €7.6 million). This forms our largest contribution to the overall tax impact. Furthermore, we estimated our profit tax impact at €7.6 million (direct: €2.6 million, indirect: €0.8 million and induced: €4.2 million). The direct impact is the corporation tax we pay and the induced impact is driven by the spending of our employees and our suppliers' employees in the economy.



Property Taxes

Although no direct impact occurs, as the Firm has transitioned from owning a number of properties to renting the premises it occupies, our operations lead to indirect and induced impacts in terms of property taxes. However, this value is very small compared to the other tax payments the Firm makes: it is only 0.6% of the total tax impact.



Production Taxes

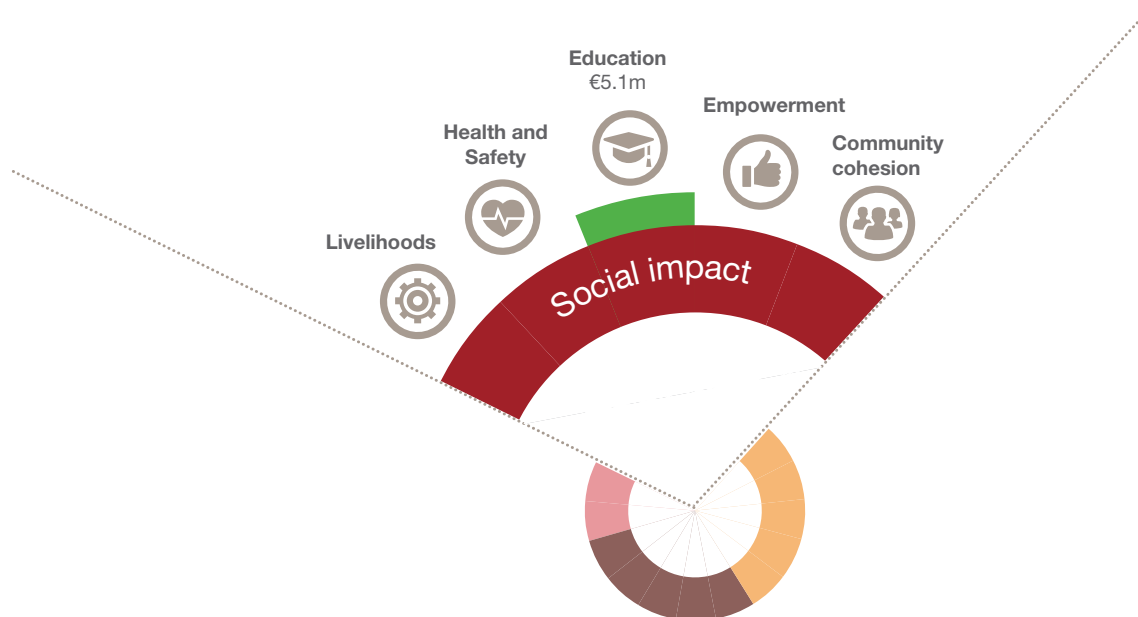
Production taxes are taxes relating to the services we provide (including net VAT paid) and form the second largest contributor to our overall tax impact. Our production taxes have remained flat at €21.1 million (direct: €11.8 million, indirect: €1.5 million and induced: €7.8 million).

Our Social Impact



The TIMM framework may assess social impacts in the following areas: livelihoods, health and safety, empowerment and community cohesion.

However, currently we don't have the data required so as to measure and value our other social impacts reliably. Nevertheless, we continue to measure the outcomes of our volunteering programmes and report our results in our Annual Reviews. We hope that we will be able to include these in future studies. As a result, the assessment of our social impact only considers our contribution to enhancing our people's skills and qualifications through education.





Education

As a leading professional services organisation we offer excellent education opportunities for graduates and students. Specifically, at PwC Cyprus, staff may undertake either a 3 year training programme to qualify as a Chartered Accountant (ACA) or a 5 year training programme to qualify as a Certified Accountant (ACCA). In addition, we have established a Summer Internship Programme, through which high calibre university students have the opportunity to develop their employability skills, by working for a few weeks in one of our Lines of Service. This programme is designed to give students a real-life experience of what a graduate career with PwC would be like. We have estimated the social impact that results from the training we provided in FY18, however, we have excluded the impact of our summer internship programme. Currently, there is no method to analyse such data and we are therefore unable to put an exact value on our summer internship programme impact.

Investing in our people is key for delivering our purpose - 'To build trust in society and solve important problems' and fundamental to the way we do business because it enables the delivery of high quality work to our clients. Whilst we aim to retain as many of the accountants qualified with us as possible, some decide to leave PwC and continue their careers elsewhere. In these cases, the qualifications they obtain during their employment at PwC help to increase their future earnings, which, in turn, generate incremental earnings over the course of their working lives and benefit the Cyprus economy. In FY18, our direct social impact was estimated at €5.1 million, up €0.9 million compared with FY15 (€4.2 million), as a result of higher number of trainee intakes and higher successful completion rates.

Another important note to make is that not all of our people are qualified accountants. Our consultants and other business professionals also benefit from development opportunities, but nevertheless haven't valued them yet.

Our Environmental Impact



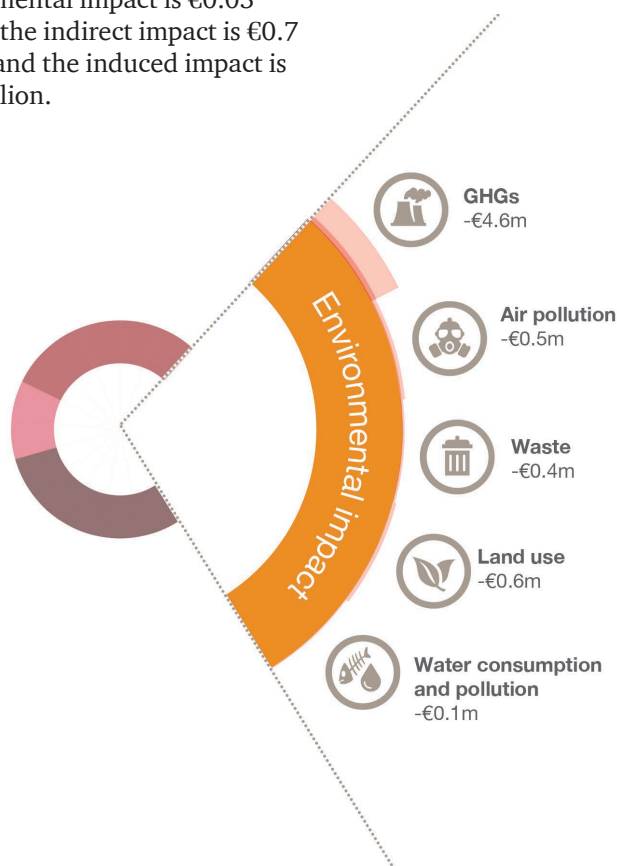
At PwC Cyprus, we take our environmental responsibilities seriously. As a responsible business, we continuously seek to minimise our environmental footprint by making our business activities more environmentally efficient.

Our actions are targeted at reducing our energy consumption, minimising and sustainably managing our waste streams, printing less coloured copies and reducing overall paper consumption. We also seek to measure and reduce our carbon footprint.

In FY18, we have estimated the value of our negative environmental impact at €6.2 million. This includes our direct, indirect and induced environmental impacts.

Our total environmental impact is relatively small when compared to our other impacts (notably our overall economic and tax contributions) and to those of many other industries. Nevertheless, we're committed to minimising it as part of being a responsible business. More specifically, our direct environmental impact is €0.03 million, the indirect impact is €0.7 million and the induced impact is €5.5 million.

It is important to highlight that our direct environmental impact is significantly less than the induced impact that derives from the spending of our employees and our suppliers' employees in their personal lives. This is a clear indication where we need to concentrate our future sustainability efforts.



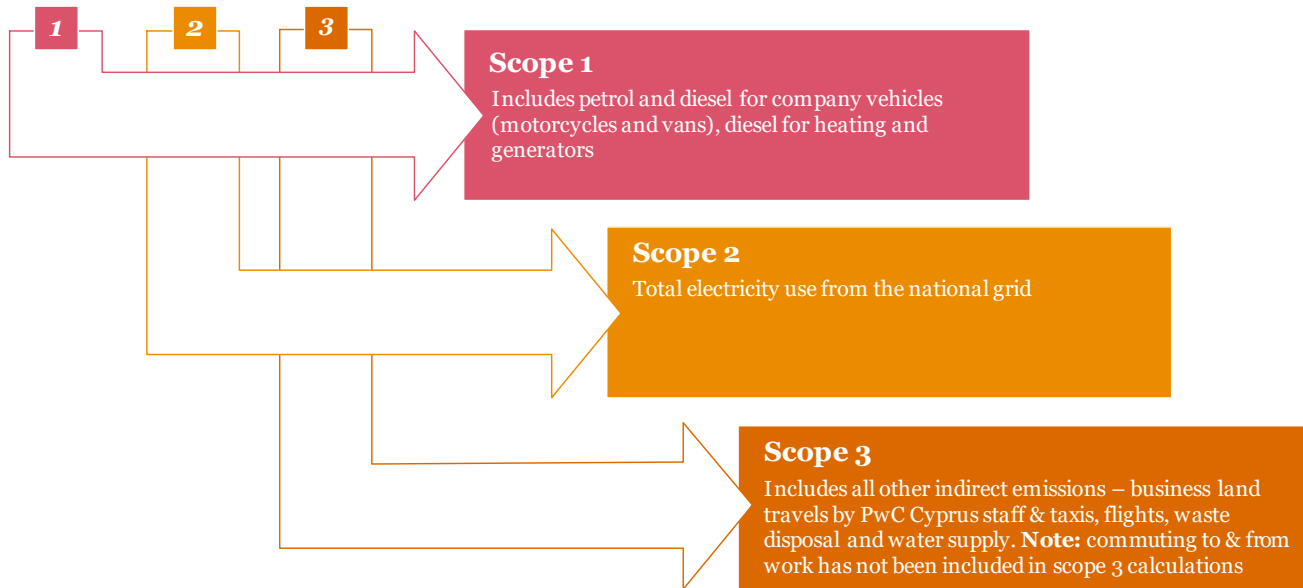


GHGs and other Air Emissions

The GHG emissions for Scope 1, 2 and 3 were estimated using emission factors and based on the calculations provided by the Department for Business, Energy and Industrial Strategy in the UK as per diagram below.

The respective emission factors and guidelines are used in the PwC Global methodology for GHGs data collection in cases where recognised local emission conversion factors are not available. This is the case for Cyprus. However, the electricity emission factor used to calculate our scope 2 emissions is specific to Cyprus and derived from Eurostat 2016 data.

The majority of our environmental impact is due to our GHGs and other air emissions (82.3% of the total). Most is generated by our suppliers' operations and through the spending of our employees and those of our suppliers in the wider economy (€5.1 million). Our direct GHG emissions are the result of energy consumption in our premises and business travel to our clients (€0.02 million).





Land Use

Our land use direct impact is negligible. However, our induced impact is more significant (€0.6 million) making land use the second largest contributor to our overall environmental impact. This is mainly due to the conversion of agricultural land to produce food that is consumed by our employees and their families and our suppliers' employees in their personal lives.



Waste

Waste is the third largest of our environmental impacts (€0.4 million, 6.5% of our total environmental impact). Our direct impact is €10k, our indirect €0.04 million and our induced €0.34 million. Even though this figure is very small we still try to reduce the waste we produce following the principles of the waste hierarchy: reduce – reuse – recycle – recover – dispose and thus comply with national legislation. We have managed to significantly reduce our paper consumption through implementing actions such as double sided printing, centralising our colour printing to specific printers only accessible by authorised personnel, promoting electronic communication with colleagues and clients etc. Additionally, all suppliers that manage our waste streams are licenced by the Environmental Department to collect, transport and process waste.



Water Consumption and Pollution

In our day to day business operations we do not consume large amounts of water. We estimate that the environmental impact is €0.1 million (direct: €0.5k, indirect: €5k and induced: €0.1 million). In recent years we have managed our direct water impact by installing motion sensor faucets, water saving filters in taps and low-flow toilets. Also, the installation of dry urinals helped significantly to reduce the consumption of water in our buildings.

Contacts

Tassos Procopiou

Partner

Sustainability

T: +357 22 555 000

tassos.procopiou@pwc.com

Cleo Papadopoulou

Partner

In charge of Corporate Responsibility

T: +357 22 555 000

cleo.papadopoulou@pwc.com

George A Ioannou

Director

Sustainability

T: +357 22 555 752

george.ioannou@pwc.com

Elina Votsi

Senior Associate

Operations Department

T: +357 22 555 746

eleni.votsi@pwc.com

PwC in Cyprus

We support you to create the value you are looking for by providing specialised solutions based on quality. Together we build relationships based on trust and we say things as they are, to assist you to deal with issues that tomorrow will prove important.

We adapt the expertise of our almost 1.000 professionals in Cyprus and the power of our global network of 236.000 experts in 158 countries to your specific needs, helping you make the difference.

In a demanding and challenging business environment, our diverse teams of experts are sharing deep knowledge and experience. We provide a broad range of services as listed below to meet your increasingly complex needs.



Assurance
Advisory

Tax Advisory
Indirect Tax Advisory
Legal Advisory
International Private Clients
Tax Reporting & Strategy

Our industry specialisation in the following sectors, gives you the benefit of our in-depth industry knowledge and experience.

Banking
Transportation & Logistics
Energy
Hospitality & Leisure
Retail, Consumer & Manufacturing

Funds
Real Estate & Construction
Investment Firms
Insurance
Telecommunications

Visit www.pwc.com.cy to discover the benefits we can bring to you.

PwC Cyprus offices

Nicosia

Address: PwC Central, 43 Demostheni Severi Avenue, CY-1080 Nicosia
P O Box 21612, CY-1591 Nicosia, Cyprus
Tel. +357 - 22555000 , Fax +357 - 22555001

Limassol

Address: City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus
Tel. +357 - 25555000, Fax +357 - 25555001

Paphos

Address: City House, 58 Grivas Dighenis Avenue , CY-8047 Paphos, Cyprus
P O Box 60479, CY-8103 Paphos, Cyprus
Tel. +357 - 26555000, Fax +357 - 26555001

Designed by: PricewaterhouseCoopers Ltd - Marketing & Communications Department
Printed by: Chr. Nicolaou & Sons Ltd

This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2018 PricewaterhouseCoopers Ltd. All rights reserved. PwC refers to the Cyprus member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.

