

# *Cyprus impact report*

September 2015







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## CEO's message



Evgenios C Evgeniou  
CEO  
PwC Cyprus

In the context of its Corporate Responsibility framework, PwC Cyprus has for the first time quantified and monetised its overall impact on the Cyprus economy, the society and the environment.

An innovative and multi-dimensional way of improving the information we use for decision making, the 2015 PwC Impact Report has helped us to understand the relative importance of different aspects of our business and where to focus our future efforts.

In today's highly demanding, increasingly interconnected and resource-constrained world, we strongly believe that this tool enables us to enhance our positive impact but also reduce and effectively manage our negative one.

The Total Impact Measurement & Management (TIMM) framework utilised for this purpose allows us not only to look beyond financial results and understand our footprint but also to plan specific actions that aim to enhance our overall positive input to the economy and society in general.

At PwC we, strongly believe that responsibility emanates from the will and overall effort of an organisation to assess and balance out its impact on the environmental, social and economic well-being. Being a responsible business requires much more than simply obeying the law and sector regulations; and PwC is committed to demonstrate just this.

A handwritten signature in blue ink, which appears to read 'Evgenios'.

Evgenios C Evgeniou  
CEO  
PwC Cyprus



# Background for the TIMM project

PwC has identified a series of megatrends which are shifting the norms including climate change and resource scarcity, demographic and social change, rapid urbanisation, shifting economic power and technological breakthroughs. 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. As a consequence, should be influencing business priorities and corporate decision making and reporting. Detailed information on the megatrends and their implications is available on our global website:

<http://www.pwc.com/gx/en/issues/megatrends/index.jhtml>

In practice, the quantification and monetisation of the economic, social and environmental impact of the megatrends has proved challenging with the result that they are often excluded from traditional accounting and return on investment decisions. Yet, in our 17th Annual Global CEO survey, 74% CEOs from around the world told us that measuring and reporting their total (financial and non-financial) impact

contributes to their long term success and 80% CEOs believe it is important to measure and try and reduce their environmental footprint.

In response, PricewaterhouseCoopers LLP, the UK Firm, has developed the TIMM framework which is designed to enable businesses to look beyond short-term financial results and consider the overall impact of their actions on the economy, the environment and society as a whole. The approach focuses beyond the outcomes of inputs and outputs in order to understand the footprint. It means that business decisions can be driven by an in depth understanding of their overall impact and the stakeholders they affect.



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# TIMM Framework

This is the first year that PwC Cyprus is using the Total Impact Measurement & Management (TIMM) framework to report on its economic, tax, social and environmental impacts. The need became evident when our Management Board wanted to understand the external benefits to society of our investment in training qualified accountants. In order to enable this it became apparent that a methodology to quantify and monetise this impact was required. Additionally, as part of our Corporate Social Responsibility Strategy it was equally important to understand our negative environmental impacts so as to be able to better focus our current and future actions. That is when our Sustainability and Climate Change team first introduced the TIMM framework. After better understanding what the TIMM framework entails, our Management Board decided that in the spirit of enhanced transparency it is important to measure and report on PwC Cyprus' contribution to Cyprus. Moreover, by gaining detailed knowledge of our overall impact to economy, society and the environment we will be able to enhance our positive impact but also reduce our negative one.

TIMM is a unique impact measurement

and assessment framework which provides the basis for a holistic assessment of our impacts in the areas of economy, tax, society and environment at three levels:

- direct impacts that result directly from our operations;
- 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.

PricewaterhouseCoopers LLP has already applied TIMM to measure its own impacts for three consecutive years.

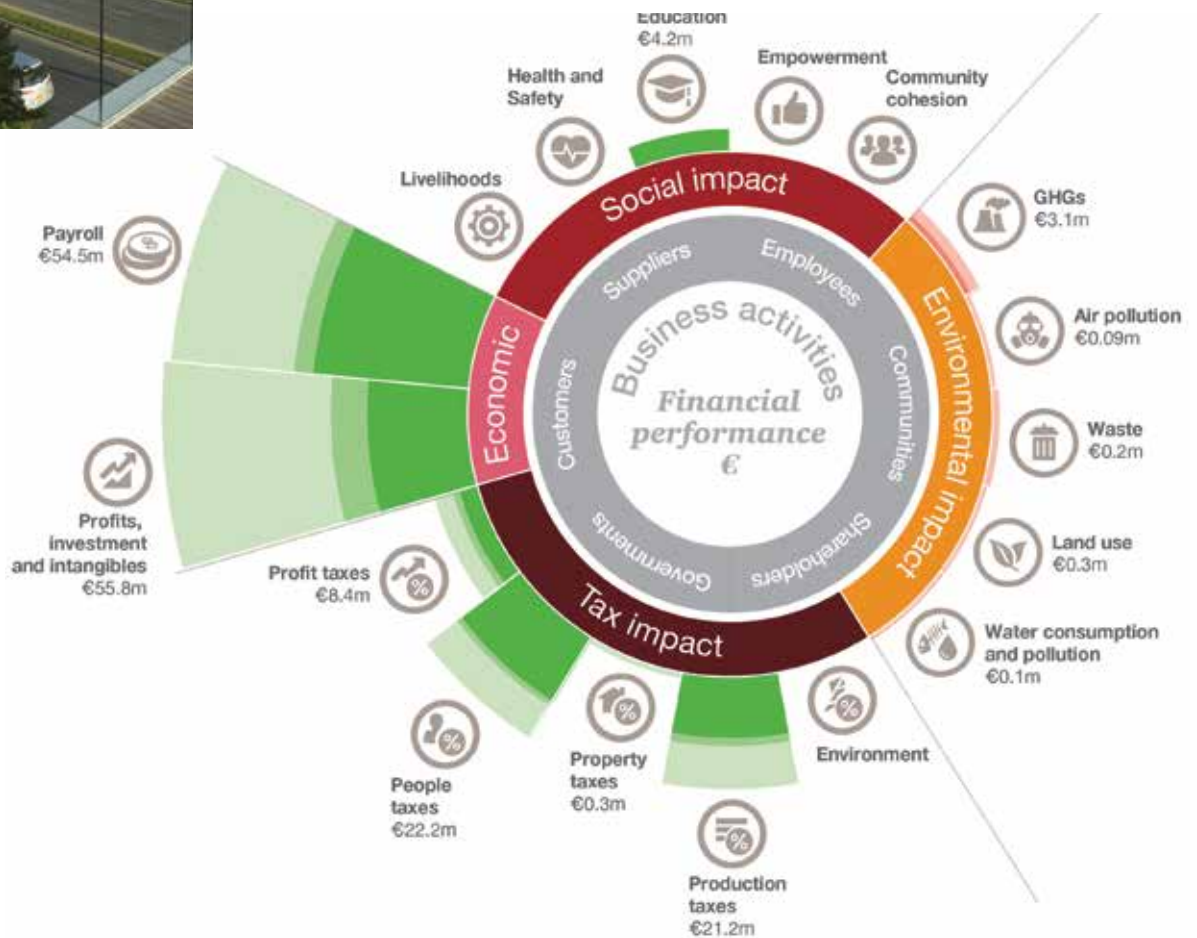
Upon approval of the TIMM project the Sustainability and Climate Change teams from both PwC LLP and PwC Cyprus have worked together in a two stage approach to complete the project. The first stage was to collect all required data both from within PwC Cyprus and from external sources. The second stage involved analysing the data and applying the PwC LLP'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 LLP's website: [www.pwc.co.uk/naturalcapital](http://www.pwc.co.uk/naturalcapital).

By measuring and quantifying our total contribution to Cyprus, and disclosing the data in our Annual Review 2015 we aim to strengthen our credibility as well as relevance in our community, offer increased transparency for our stakeholders and improve the quantity and quality of information used in our decision making.

# PwC Cyprus' Total Impact



PwC Cyprus's economic, tax, social and environmental impacts are measured for the financial year 2015 (FY15), which covers the period from 1st July 2014 to 30th June 2015. They are summarised in the diagram below 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.



## 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 FY15 is €162.8 million.***

Our positive economic impact is estimated to be €110.3 million, approximately 67% of our overall impact, mostly due to our profits, investment, intangibles and the employment opportunities we offer. Specifically, our direct impact is €48.3 million, our indirect impact is €10.7 million and our induced impact is €51.3 million. In addition, we have a positive tax impact of €52.1 million (direct: €28.9 million, indirect: €3.4 million and induced: €19.8 million). We also have a positive social impact of €4.2 million as a direct result of the accountants we train who go on to work throughout Cyprus. On the other hand, our environmental impact is small but negative (€3.8 million). Our biggest cost results from the greenhouse gas emissions (€3.1 million). Additionally, the vast majority of our total environmental impact occurs as induced impact resulting from the spending by Partners and staff and the employees of our suppliers (€3.3 million).



Our four impact areas are described in more detail in the following sections.

We note that all calculations carried out in regards to the data collected and used to measure our impacts have been reviewed and verified, internally by colleagues independent of the process.

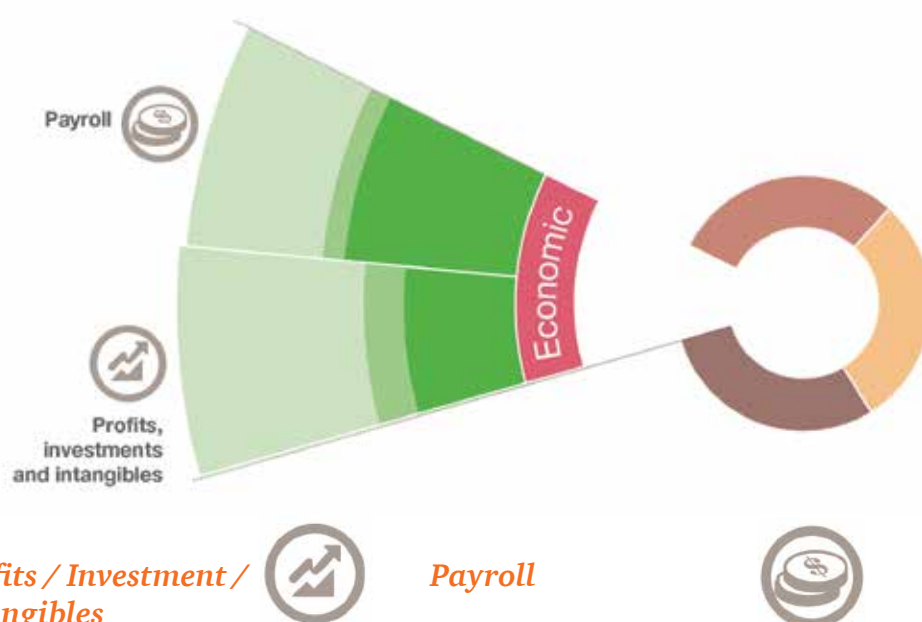


# Our economic impact

€110.3  
million

Our economic impact is the biggest part of our contribution to Cyprus.

It consists of two categories, profits / investment/ intangibles and payroll, which correspond to a contribution to Cyprus' GDP by more than 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, €48.3 million and €51.3 million, respectively. The rest derives indirectly from the payments we make to our suppliers (€10.7 million).



## Profits / Investment / Intangibles

Our impact in this category is €55.8 million (direct: €18.9 million, indirect: €7.3 million and induced: €29.6 million). The induced impact is larger than both the direct and indirect impact added together (dark green in figure, profits / investment / intangibles) because of the spending of Partners and staff in sectors that generate high value added (compared to the sectors that PwC Cyprus' indirectly spends), thus, driving relatively high the induced impacts.

## Payroll

Our Firm employs more than 900 people (Partners and staff). The salaries we pay them drives spending in the economy which forms the second largest contribution to our total economic impact. The direct impact of employee compensation is €29.4 million, the indirect impact is €3.4 million and the induced impact is €21.7 million.

# Our tax impact

€52.1  
million

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 activities. We estimate that our total tax impact is €52.1 million, which is nearly one third of our overall impact. The Tax impacts are additional to the economic impacts and contribute directly to the public finances.



## Profit and People Taxes

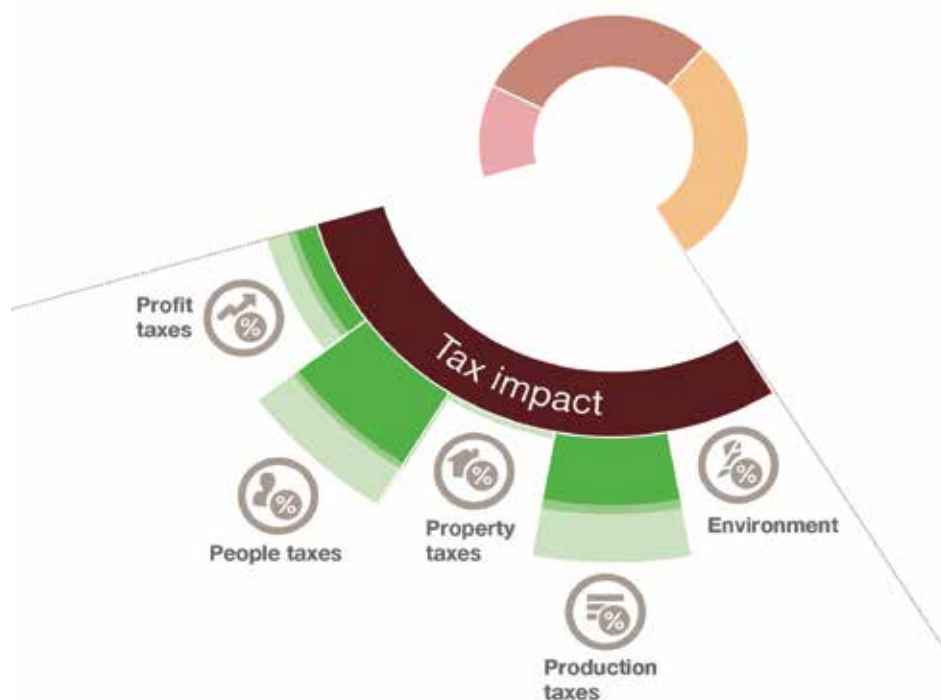
The largest proportion of our tax impact (59%) comes from the taxes we pay and collect on behalf of our Partners and staff.

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 €22.2 million (direct: €14 million, indirect: €1.1 million and induced: €7.1 million). This forms our largest contribution to the overall tax impact.

Furthermore, we estimated our direct, indirect and induced profit tax impact at about €8.4 million. This value is pretty much divided between our direct and induced impact as our indirect impact is approximately €0.8 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, our operations lead to indirect and induced impacts in terms of property taxes. This is mainly because by FY15 we transitioned from owning a number of properties to renting the majority of our premises. However, we estimate that this value is relatively small compared to the other tax payments our Firm drives: it is only 0.6% of the total tax impact.

## Production Taxes

Production taxes are the second largest element of our overall tax impact at about €21.2 million (direct: €11.3 million, indirect: €1.5 million and induced: €8.4 million). This includes the net VAT paid as a result of the services we provide.

# Our social impact

€4.2  
million

The TIMM framework assesses social impacts in the following areas: livelihoods, health and safety, empowerment and community cohesion. However, currently the availability of data in regards to the above is very limited so as to measure our impacts in a reliable manner.

Therefore, our assessment of our social impact considers only our contribution to enhancing our people's skills and qualifications through education.



## Education

As a leading professional services firm 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 our business. 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 FY15: we have excluded the impact of our summer intern programme. We are not currently able to put an exact value on our summer intern programme impact, the reason being that no method to analyse the data is available.

Investing in our people is key 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 the Firm and continue their careers elsewhere. In these cases, the qualifications they obtain at PwC help to increase their future earnings throughout their professional lives. This benefits the Cyprus economy. This element is included in the measurement of direct social impact: we estimate its value at €4.2 million for FY15.

# *Our environmental impact*

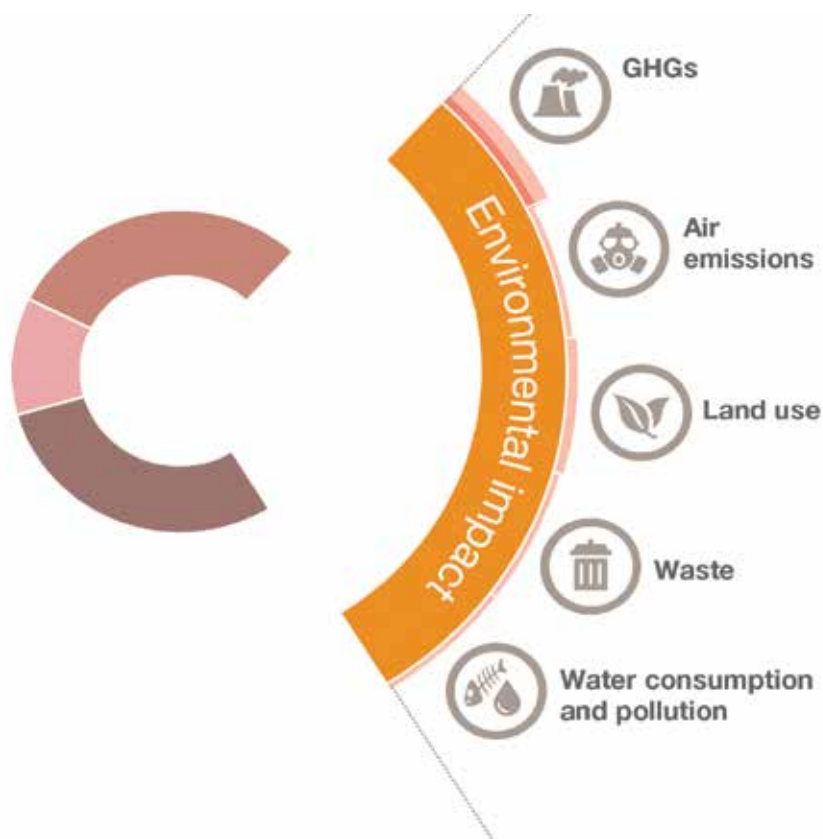
**€3.8  
million**

At PwC Cyprus, we take our environmental responsibilities seriously. As a responsible business, we seek continuously to minimise our environmental footprint by making our operations more environmentally efficient. Our actions are targeted at reducing our energy consumption, printing less coloured copies and reducing overall paper consumption. We also seek to measure and reduce our carbon footprint. We have estimated the value of our negative environmental impact at €3.8 million. This includes the direct, indirect and induced impacts.

Our total environmental impact is small compared to our other impacts, notably our overall economic contribution. Our direct environmental impact is €0.1 million, the indirect impact is €0.4 million and the induced impact is €3.3 million. The induced impact 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 Scopes 1, 2 and 3 were estimated using the emission factors and the different calculations provided by DEFRA as follows:

- **Scope 1:** petrol and diesel for company vehicles, diesel for heating and generators
- **Scope 2:** total electricity use from the national grid
- **Scope 3:** all other indirect emissions – business land travels by PwC Cyprus staff, flights and water supply. It is noted that commuting to and from work has not been included in scope 3 calculations.

The DEFRA 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 from DEFRA, used to calculate our scope 2 emissions is specific to Cyprus.

Over four fifths of our environmental impact is due to our GHGs and other air emissions (84.2% 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 (€3.2 million). Our direct GHG emissions are the result of energy consumption in our premises and business travel to our clients (€0.1 million).

### Land Use

Our land use direct impact is negligible; however, our induced impact is more significant (€0.3 million) making land use the second largest part of 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.

### Waste

Waste is the third largest of our environmental impacts (€0.2 million, 5% of our total environmental impact). Our direct impact is €3k, our indirect €0.02 million and our induced €0.2 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 reduce significantly 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, our suppliers that manage waste streams are licensed 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: €1k, indirect: €2k and induced: €0.1 million). In recent years we have reduced our direct water impact by installing motion sensor faucets and low-flow toilets. Also, the installation of dry urinals helped significantly to reduce the consumption of water in our buildings.

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