Trust and transparency in disruptive times
Message from our Chairman

Tim Ryan
For several years now, we at PwC have been talking to our clients about the trends that are shaping our world. These global trends not only impact business and the world economy, but they also are shaping how we live our lives and how our cities and communities work.

At the same time, trust is at a premium. There are trust gaps between business and customers, between citizens and governments. This matters because as we respond to rapid change, our ability to work together and address challenges begins with trust.

At PwC, we live our purpose in taking on these trends and making a difference.

Sometimes this means working to help our clients respond to the challenges of a fast-changing world. We’re helping organizations defend against cyber attacks, thinking through how the food industry can meet the challenges of building trust in our food supply, and enabling cities to create roadmaps for healthy and sustainable futures for their residents and economies. Through our core services – Advisory, Assurance, and Tax – we’re helping clients navigate regulatory complexity, strengthen trust and transparency, and run their businesses more effectively.

Sometimes this means contributing our time to make our society stronger, from providing young people the opportunity to build the financial literacy and leadership skills they need to navigate the world, to helping veterans make successful career transitions, to working with the United Nations to build an online platform to reach and empower women around the world.

We’re also looking at ourselves and how we operate, from how we use technology to how we develop professionals who can lead at work, helping take on the important issues facing business and society. We’re innovating across our services to help our clients adjust to the challenges of change and to find growth in the white space.

As US chairman and senior partner, I am inspired by the work of my colleagues every day. I am proud of the role we play in solving problems for business and society and building trust at a time when trust is scarce.

We’ll continue to adapt our approach and thinking as our social and economic environments continue to change. I’m excited about the potential we have to do even more.

Tim Ryan
US Chairman and Senior Partner
PwC LLP

“We’re innovating across our services to help our clients adjust to the challenges of change and to find growth in the white space.”
Stimulating **innovation** to drive **growth**

93% of executives indicate that organic growth through innovation will drive the greater proportion of their revenue growth.¹

61% of US CEOs believe new market entrants will disrupt their industries during the next few years.³
What skill is most in demand in a world of constant change?
Innovation: to stay ahead of disruption – or to be the disruptor; to fuel entrepreneurship; to design global-scale responses to widespread challenges; to take advantage of the opportunities arising from the explosion of technology and data. Although innovation is at the top of nearly every organization’s agenda, many don’t innovate effectively and at scale. Some make only safe bets, running the risk of being outpaced by their competitors. Others find it difficult to manage change, so ideas that challenge convention never come to fruition – or arrive too late.

The people of PwC have the skills to help leaders create paths toward innovation management, playing to their core values and strategic goals, spotting threats, and uncovering opportunities. With the right type of innovation, business leaders can cultivate mindsets that embolden foundational change, enabling them to build their businesses and advance disruptive technologies that can transform industries and improve lives. For example, the firm developed a platform called DeNovo to help financial services clients see where financial technology innovation is impacting their business. DeNovo cuts through the noise to explain which startups, technologies, trends, and new market entrants are relevant to a business and why.

Generation startup
Small businesses are the lifeblood of the American economy, and it doesn’t get any smaller than a typical startup. Against trying odds and big-time risks, a fresh generation of entrepreneurs, with a diversity of culture, experiences, and ideas, is proving that they have what it takes to innovate their way through a challenging economy. A new documentary, funded in part by the PwC Charitable Foundation, focuses on the trials, tribulations – and, sometimes, failures – of six young entrepreneurs who are looking for innovative solutions to address business and social challenges.

Innovative and resilient cities
Today’s world-class cities are the primary drivers of global social and economic growth, making it more important than ever to understand how they operate and what makes the great ones run smoothly. According to a wide range of data, the most successful 21st century cities share a suite of common characteristics: innovation and intellectual capital, technology readiness, sound transportation and infrastructure, healthcare, safety and security, and environmental sustainability. But most of all, the heart of a strong city revolves around its people and the city’s ability to balance social, environmental, and financial needs and opportunities. For seven consecutive years, PwC has produced our annual Cities of Opportunity report to communicate lessons learned from cities that are innovating for the future. Find out more about Cities of Opportunity.

Turning sprawl into economic success
Denver International Airport is the largest airport in North America, bigger, even, than the city of San Francisco. At 53 square miles, the airport has the opportunity to double its runways and facilities to serve 100 million passengers a year. It also owns 9,000 acres not needed for aviation purposes that can be developed for commercial use – making it one of the most compelling real estate opportunities in the world. This effort, referred to as DEN Real Estate, can generate non-aviation revenue, reduce airline operating costs, increase regional economic benefits, and attract new passengers, all of which should result in more flights to more cities. The Airport turned to PwC to develop a plan for a new kind of “city” built on and around the airport property – one that would provide a hub for commercial and urban development and position the greater Denver area as an incubator for technology and innovation.

The goals for this new “aerotropolis” are scaled not in years but in decades. Airport administrators and city officials were looking for a long-term strategy that could be built up over the next 20 to 30 years, depending on the needs of the local economy. With a new commuter rail system already in place, downtown dwellers will be able to access the corridor of opportunities between the city center and the airport without adding traffic burdens.

At a time when urbanization continues to rise, local Denver officials recognized a pressing need for the public and private sectors to come together and plan for investments in connected, and more sustainable, infrastructure. In other words, they aspire to build a viable new community where people want to live and work as a destination unto itself – in a rather unexpected place.

Creating a roadmap for Los Angeles
As one of the world’s preeminent economic and cultural hubs, Los Angeles sought to continue its success by defining a vision for its future that ensured clean air, improved mobility, and a sustainable water supply for its residents. While the city had already been making efforts on a number of fronts, a single, unifying plan was needed to combine the resources and attention of all city stakeholders. In response, the mayor and his chief sustainability officer enlisted PwC’s help to craft an innovative plan equally focused on three areas – environment, economy, and equality – detailing near-term targets for 2017, long-term targets, and strategic/ priority initiatives that included enhancing food networks, transportation systems, and resilience and moved beyond more traditional city systems planning.

PwC worked on every step of the process, from topic selection to analysis, goal-setting to buy-in, drafting to launch. In the first year of implementation of the plan – known as the “pLAn” – Los Angeles reduced its water use by 19% and became the first major US city to raise the minimum wage to $15 an hour.
The transformative power of technology

Driverless cars navigating city streets. Drones delivering packages directly to customer doorsteps. Genetically engineered immune cells saving the lives of cancer patients. New industries built on emerging technologies seem to be born virtually overnight, and the transformative opportunities offered by digital technology are limited only by the human imagination. It doesn’t matter if an organization has a commercial or a social mission – or if it’s in a sector typically associated with cutting edge innovation; in today’s economy, every organization must, at some level, be a technology company.

As the pace of innovation continues to increase, the impact of digital technology on business is front and center for us at PwC. Leaders are hard-pressed to make sense of the technologies that have the ability to either disrupt or empower their industries. To stay relevant, companies need a comprehensive business and technology strategy that moves at the speed of the digital age and embraces disruption of traditional models.

In our most recent CEO survey, chief executives picked technology as the number one trend that will transform their businesses over the next five years. To help our clients make the most of these opportunities, PwC analyzed more than 150 technologies and picked eight that truly stand out as transformational, from 3D printing to computer-generated simulations that allow realistic viewer interactions. Forward-looking companies will turn these technologies into a strategic advantage. Focusing on them isn’t just a “nice-to-have” but a “must” for future survival. Through our strategic alliance with GE Digital, for example, we help organizations harness the power of the “Industrial Internet,” which brings together intelligent machines, advanced analytics, and people. Whether engaging at the strategic or operational level, PwC helps organizations create Industrial Internet solutions – based on the intersection of business, technology, and experience – to help drive better business outcomes. At the same time, we’re making sure PwC stays ahead of the curve by using technology in everything we do at our firm.

80% of CEOs say that mobile technologies and data analytics are key strands of their strategy. Future employees will need to be prepared to respond.

By 2020 the world will have more than 50 billion connected devices, or more than 6 per person.¹

61% of global executives and 78% of US executives are concerned about the speed of technological change in their industries.³
**Banking on a better world**

In many economies, individuals are “unbanked” – meaning that they have no bank account and no ability to participate in formal financial services. This curtails their entrepreneurial options while limiting the capacity of their communities for economic growth. Digital financial services (DFS) have emerged as a powerful tool for improving the lives of the poor by providing them with access to payments, savings, credit, and other financial services electronically, often by cell phone. PwC worked with a $25 billion philanthropic foundation to assist in the development of DFS strategies that can boost financial stability and help some of the world’s poorest people weather economic shocks more effectively. Extensive research by PwC led to what we call the DFS Playbook, a comprehensive collection of information that could help accelerate more widespread adoption of DFS.

**Gaming the cyber attackers**

Three out of four companies detected a cyber breach in 2014. These days, it’s no longer a question of if a company will face a cyber attack – but when. In response, PwC developed a solution to help companies learn the tricks of attackers and fight back. Game of Threats™ is an interactive, role-playing game that tests a company’s decision-making skills in a cyber crisis. One team tries to steal a company’s data; the other works to build defenses with only seconds to respond – just like in a real-world cyber attack. The game, and the post-game analysis provided by PwC, allows participants to gain critical insights into cybersecurity trends, defensive strategies, and business impacts of a breach so they can prepare for what seems to be an inevitable assault. On a similar theme, PwC recently provided cybersecurity expertise on a pro bono basis to a leading nonprofit that works with social entrepreneurs, helping it reduce the risk of disruptions and improving the organization’s global communication capabilities.

**Making financial literacy more accessible**

What happens when you digitize financial curricula for students? You open up a whole new world of teaching resources. The Earn Your Future® (EYF®) Digital Lab, which offers a free suite of online, interactive resources for grades 3–12, enables teachers to use data analytics to better understand each student’s level of mastery – and pivot their lessons in real time to address educational gaps. Made possible by an investment from the PwC Charitable Foundation, the EYF Digital Lab uses custom videos, animations, and interactive activities to build real-world financial literacy skills in areas such as budgeting and managing money. Learn more about Earn Your Future Digital Lab.

**2 Billion**

people lacked access to financial services in 2014, according to the World Bank.

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4 PwC 2014 US State of Cybercrime
5 World Bank, The Global Findex Database 2014
Unlocking data potential

When a surplus of food or medicine occurs in one area and a shortage in another, it’s likely a problem of infrastructure or logistics. At its core, though, it’s a challenge involving information and data; by understanding where and when the shortages and surpluses occur, it becomes possible to design new and effective solutions.

Enormous amounts of data are now at the fingertips of all organizations, enabling executives to know more about their customers and clients, and their markets. But most business leaders tap into just a fraction of the data available to them, missing out on key insights that could inform strategic decision making. Leaders who master the potential of data and analytics to unlock opportunities see significant impacts on their organization’s performance – a key edge that PwC views as critical in today’s data driven business world.

With expertise in both data analytics and innovation, PwC helps clients discover the value of their data and create trust in it. By applying advanced algorithms and visualization techniques, we push clients to insights and actions that can improve their decision making and empower their people with the insights to embed data and analytics into the fabric of their business. Through these efforts, we help our clients solve some of the biggest business challenges of our day.

The vast amount of data being generated, whether medical, environmental, or educational, also offers the promise of insight into how to solve major societal challenges. At times, these challenges may not appear to connect directly to business. But through a responsible business lens, we leverage our firm’s resources to contribute to solutions while developing tools, strategies, and deeper understanding that is valuable to our clients’ businesses and to our own.
Estimates show that 23% of all digital data generated each year would be useful if tagged and analyzed. However, only 3% is tagged and 0.5% is analyzed.²

Analyzing data to enhance a museum experience
Professionals from PwC’s Advisory practice recently donated their time to examine the journey millions of visitors take through the largest science museum in the Western Hemisphere.¹ Chicago’s Museum of Science and Industry will use our assessment to improve customer analytics and enhance technical capabilities. The goal: meaningful enhancements to the visitor experience. See our virtual reality videos and learn how we’re making an impact.
In an ever more complex and interconnected world, organizations of all kinds must establish and maintain trust, taking a proactive, holistic approach to transparency.
Openness can help to serve as an antidote to the overload of information, misinformation, and scandals that continue to erode the public’s faith in institutions – but only if greater transparency points to reliable information.

For PwC, building trust in society and solving important problems is at the heart of who we are. We see trust as something that must constantly be earned – a journey, rather than a destination, that requires non-stop attention and a focus on the greater good. We help organizations across a range of sectors improve the internal controls, reporting mechanisms, and communication strategies that provide a solid foundation for transparency. Long recognized for our skills in handling information and assets properly, organizations, such as charitable funds established for victims of crimes and natural and other disasters, have turned to PwC for assistance. We hold ourselves to the same high standards, implementing robust governance, ethics, and accountability measures to help maintain integrity throughout our entire organization.

Setting new standards for cybersecurity

A popular search engine and web portal announces a data security breach, potentially impacting 500 million accounts. A prominent bank reveals that a cyberattack may have accessed information from 76 million customers. Hackers disrupt Internet service across America’s Eastern seaboard, bringing down dozens of websites. These examples barely scratch the surface in a time when cybersecurity ranks among the biggest concerns facing companies and governments.

Our firm has a history of helping to develop strategies for securing assets, and rules and guidelines for standard-setting entities. Now we’re adding another to the mix: the National Cybersecurity Center (NCC). PwC’s growing cybersecurity practice was asked to help the NCC come to fruition as the nation’s first center to provide real-time cyber support, education, and training to small- and medium-sized businesses, governments, and nonprofits, which typically don’t have the budgets to hire private cybersecurity firms.

PwC is helping get the NCC off the ground – through a pro bono engagement – so the organization can set cybersecurity standards and information-sharing protocols. This, in turn, will make it easier to distribute cybersecurity response information from one organization to another – and, ultimately, stop the attackers in their tracks.

- 55% of CEOs surveyed by PwC in 2016 were concerned about the lack of trust in business today – compared with 37% three years earlier.  
- 24% of consumers said their trust in companies’ ability to protect their personal data had declined over the past 12 months.  
- 46% of companies surveyed are investing in new security needs related to evolving business models.
In today’s world, businesses and their employees must evolve the way they work, both internally and externally. Cultivating employees with a skillset that is truly adapted to the 21st century is a crucial driver of success.

We view the future of human capital as transformational rather than transactional; in other words, the skills we develop in the workplace also have a place in the wider world, helping to solve important societal issues. PwC’s Human Capital teams enable organizations to expand their talent strategies so they can keep pace with their business needs and fill the skills gaps that we see across all types of industries.

Whether we are advising clients on human resource transformation in the face of changing demographics, delivering more innovative and interactive tools for employee learning and engagement, or developing models of diversity and inclusion that will attract talent and cultivate a more inclusive culture, PwC helps our clients find ways to align their human resource strategy with their overall business strategy so they can be more successful.

Of course, as a firm whose “product” is our people, talent innovation must start at home, which is why we have prioritized employee engagement and leadership development in our own organization. We also recognize that having an overriding purpose is key to success for both businesses and employees in today’s interconnected world.
Earn Your Future®
The statistics are more than alarming – our nation’s young people do not have the financial acumen needed for 21st century success. At PwC, we knew we had the skills and the talents to take a leadership position and actually do something that would make a difference for individuals, their communities, and the economy as a whole. Our Earn Your Future (EYF) commitment has leveraged our best assets – the talent and time of our partners and staff1 – to develop the financial skills of young people and their educators. The five-year commitment empowered our people with the time, resources, and opportunities to volunteer in our nation’s classrooms and teach financial skills. By September 2016, our partners and staff had volunteered nearly 1 million service hours to EYF – just shy of our 2020 commitment, and the firm had contributed more than $95 million. Read more about our EYF journey.

Empowering Women
PwC saw an opportunity to help UN Women in its mission to economically empower women globally. With our design and technology expertise, a PwC team, including some of our brightest interns, helped launch a redesigned and rebranded website, empowerwomen.org. What started as a pro bono effort quickly grew into a trusted partnership as we help the UN Women’s Economic Empowerment initiative expand into a bigger global movement that is equipping women and girls with the online tools they need to promote learning, collaboration, and innovation.

3/4
More than three-quarters of educators who teach financial literacy indicate a need for more appropriate curriculum resources.4

Top 100
Military Friendly Employers since 2011 (G.I. Jobs)

Our commitment to veterans
PwC values leaders who possess a broad set of skills, which is why we established our Veterans Affinity Network to help harness the talents and capabilities of our people who have served in the US military. We support the recruitment and retention of individuals who answered the call to serve our country. In 2015, we appointed our first veterans’ advocacy and recruiting leader, who is helping us implement an enhanced model for attracting, hiring, and retaining veterans and veteran spouses.

The PwC Charitable Foundation, Inc., also aims to help US veterans when they leave active service and find themselves facing a range of barriers, from lack of access to affordable education to challenges in preparing themselves for civilian jobs. Overall, the Foundation has committed $5 million by 2019 to support veterans and their families. Learn more about the Foundation’s commitments.

Half
of today’s teens are financially illiterate.2

46%
of teens do not know how to create a budget, and nearly 50% of teens are unsure of how to use a credit card effectively.3

1 Partners includes both partners and principals
2 PwC 2015 Corporate Responsibility report
3 PwC 2015 Earn Your Future Fact sheet
4 PwC 2016 Bridging the Financial Literacy Gap: Empowering teachers to support the next generation
Our performance

We set goals to innovate, build, and deliver solutions to societal challenges that are important to the clients we serve, the people we employ, and the communities in which we live and operate. We have met some of our goals, are on track for the others, and are looking ahead to how we can continue and amplify the impact of our work. Learn more about our commitments and performance in our online report.

Pro Bono
Strategically leveraging our expertise

✅ Achieved
$30.1M in pro bono services delivered in FY16 through fee-waived engagements, loaned staff, or board seat participation

Engagement
Deploying our greatest asset – our people

💰 On track
89% participation in at least one CR activity
41% participation in more than one CR activity

Carbon reduction
Mitigating our climate impacts

💰 On track
32% reduction of absolute GHG emissions, compared to FY07 baseline

PwC Charitable Foundation
Investing in breakthrough solutions for underserved populations

✅ Achieved
$56.3M in cumulative grantmaking and investments through FY16

Earn Your Future®
Developing financial skills

✅ Achieved
$97.5M in financial contributions
961,000 service hours
3.9M students and educators reached – 1.4M more than our original target

1 By October 2016, we exceeded 1 million service hours, achieving all three of our EYF goals nine months early.
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