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Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions

In the Matter of PricewaterhouseCoopers LLP,

Respondent.

PCAOB Release No. 105-2024-014

March 28, 2024

By this Order Instituting Disciplinary Proceedings, Making Findings, and Imposing Sanctions (“Order”), the Public Company Accounting Oversight Board (“Board” or “PCAOB”) is:

- (1) censuring PricewaterhouseCoopers LLP (“Respondent,” “PwC,” or the “Firm”);
- (2) imposing a civil money penalty in the amount of \$2,750,000 on Respondent; and
- (3) requiring the Firm to undertake certain remedial actions as described in Section IV of this Order.

The Board is imposing these sanctions on the basis of its findings that Respondent violated PCAOB quality control standards that required the Firm to establish and appropriately communicate policies and procedures to provide reasonable assurance that its personnel maintain independence (in fact and in appearance) in all required circumstances and consult, on a timely basis, concerning independence with individuals within or outside the firm, when appropriate.

I.

The Board deems it necessary and appropriate, for the protection of investors and to further the public interest in the preparation of informative, accurate, and independent audit reports, that disciplinary proceedings be, and hereby are, instituted against Respondent pursuant to Section 105(c) of the Sarbanes-Oxley Act of 2002, as amended (the “Act”), and PCAOB Rule 5200(a)(1).

II.

In anticipation of the institution of these proceedings, and pursuant to PCAOB Rule 5205, Respondent has submitted an Offer of Settlement (the “Offer”) that the Board has

determined to accept. Solely for the purpose of these proceedings and any other proceeding brought by or on behalf of the Board, or to which the Board is a party, and without admitting or denying the findings contained herein, except as to the Board's jurisdiction over Respondent and the subject matter of this proceeding, which is admitted, Respondent consents to the entry of this Order as set forth below.¹

III.

On the basis of Respondent's Offer, the Board finds that:

A. Respondent

1. PricewaterhouseCoopers LLP is a limited liability partnership organized under the laws of the state of Delaware, and headquartered in New York, New York. The Firm is licensed to practice public accounting in multiple jurisdictions, including the State of New York (Partnership ID No. 036148). The Firm is, and at all relevant times was, registered with the Board pursuant to Section 102 of the Act and PCAOB rules. At all relevant times, PwC served as the external auditor for an "issuer," as that term is defined by Section 2(a)(7) of the Act and PCAOB Rule 1001(i)(iii), referred to herein as "Issuer A."

B. Summary

2. This matter concerns PwC's failure to implement a system of quality control that provided reasonable assurance that its personnel maintain independence (in fact and in appearance) in all required circumstances.

3. Due to its size and substantial business activities beyond its provision of audit services, PwC can often face complex, unusual, or unfamiliar issues that may impact the Firm's independence, either in fact or appearance. Those issues can include circumstances which are not specifically addressed in applicable independence rules and standards, but which have the potential to impair independence and must be evaluated under the general standard of independence set forth in Rule 2-01(b) of Securities and Exchange Commission ("SEC" or "Commission") Regulation S-X ("Reg. S-X").² To mitigate the resulting risks to independence, the

¹ The findings herein are made pursuant to Respondent's Offer and are not binding on any other person or entity in this or any other proceeding.

² Rule 2-01(b) of Reg. S-X, 17 C.F.R. § 210.2-01(b), provides:

The Commission will not recognize an accountant as independent, with respect to an audit client, if the accountant is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the accountant is not, capable of

Firm maintains an Independence Office, which develops and provides guidance, training, and resources to PwC professionals on independence, and serves as a consultative resource for independence questions and issues.

4. However, during the period covered by the Order, the Firm’s quality control policies and procedures, and the Firm’s communications around those policies and procedures, failed to provide reasonable assurance that Firm personnel would timely consult with the Independence Office or other qualified individuals and/or refer to authoritative literature or other sources, when dealing with certain complex, unusual, or unfamiliar independence issues that warranted such steps. In particular, PwC’s quality control policies and procedures did not advise or require any Independence Office consultation prior to discussions with an audit client about the possibility of terminating the audit relationship to allow for consideration of potential joint business activities. Nor did they require such a consultation after such discussions took place. The Firm’s policies and procedures, as communicated, also failed to provide reasonable assurance that PwC professionals would timely and appropriately evaluate the impact of such discussions under Reg. S-X’s general standard of independence. As a result, the Firm’s quality control policies and procedures failed to provide reasonable assurance that Firm personnel would comply with the general standard of independence set forth in Reg. S-X Rule 2-01(b), and related obligations under PCAOB rules and standards addressing independence.³ The Firm, therefore, violated QC § 20, *System of Quality Control for a CPA Firm’s Accounting and Auditing Practice*.

5. The foregoing quality control deficiencies were illustrated in 2018 when numerous PwC leaders and partners failed to initiate an Independence Office consultation or conduct other appropriate independence analysis as PwC explored the possibility of terminating its audit relationship with a client, Issuer A—a supplier of software that PwC utilized (as a consumer) in a variety of both internal and client-facing business activities—to allow for a potential joint business relationship (“JBR”) with Issuer A.

6. On November 28, 2018, at the instruction of one of PwC’s national leaders for Assurance (“National-Level Assurance Leader”), two PwC partners—including the audit

exercising objective and impartial judgment on all issues encompassed within the accountant's engagement. In determining whether an accountant is independent, the Commission will consider all relevant circumstances, including all relationships between the accountant and the audit client, and not just those relating to reports filed with the Commission.

³ See, e.g., PCAOB Rule 3520, *Auditor Independence*; AS 1005.03-.06, *Independence*; ET § 101.01, *Independence*; ET § 101.02, *Interpretation of Rule 101*.

engagement partner for the then-ongoing integrated audit of Issuer A’s December 31, 2018 financial statements (“Audit Engagement Partner”)—met with Issuer A’s CEO and Issuer A’s President and discussed, among other things, the independence restrictions currently imposed on the parties and business opportunities that PwC and Issuer A could pursue in a JBR (the “November 28 Meeting”). PwC planned and conducted that meeting in response to a projection in a June 2018 “business case” document, prepared by members of PwC’s Tax group, showing that PwC could generate substantially more revenue from a JBR with Issuer A than it was earning as Issuer A’s auditor. Going into the meeting, PwC anticipated that Issuer A would be intrigued by a JBR. And, both during and after the meeting, Issuer A’s CEO expressed enthusiasm for a JBR with PwC, which the CEO understood might be worth tens of millions of dollars to Issuer A. PwC and Issuer A then immediately began exploring the possibility of transitioning Issuer A to another auditor, so that there would be no independence-related restrictions on the commercial relationships and business activities between PwC and Issuer A—a process which PwC refers to, internally, as “channel change”—which would free PwC and Issuer A to enter into a JBR. At the same time, however, PwC planned to continue performing the integrated audit of Issuer A’s financial statements and internal control over financial reporting for the year ended December 31, 2018 (“2018 Audit”) and also to perform a review of Issuer A’s Q1 2019 interim financial statements, while simultaneously arranging meetings with Issuer A’s CEO in follow-up to the November 28 Meeting.

7. Despite the risks to PwC’s independence stemming from the unusual facts and circumstances surrounding the November 28 Meeting, no PwC policy required any consultation to take place with PwC’s Independence Office, either before or after the November 28 Meeting. Nor did any written independence policy, procedure, or guidance provide reasonable assurance that PwC professionals would promptly reevaluate independence under the general standard of independence set forth in Rule 2-01(b) of Reg. S-X, in light of the unusual events surrounding the November 28 Meeting.

8. In fact, PwC professionals did not initiate any consultation with the Independence Office related to either the internal discussions about the potential JBR or the November 28 Meeting and its aftermath until January 2019, after the PCAOB’s Division of Enforcement and Investigations (“DEI”) began an inquiry into PwC’s independence from Issuer A. Only then, in response to a DEI document and information request, did PwC personnel finally consult with the Independence Office about the November 28 Meeting and related internal and external discussions, and their impact on whether PwC would appear independent to a reasonable investor.⁴ As a result of that consultation, PwC advised Issuer A in January 2019

⁴ In addition to the JBR-related discussions, the Independence Office also considered other PwC activities relating to Issuer A, including both internal and client-facing business activities, in order to

that, although the 2018 Audit was already underway, Issuer A should consider terminating PwC as its auditor, due to independence concerns. Issuer A then terminated PwC before PwC issued an audit report, and Issuer A retained a different independent public accountant to audit its 2018 financial statements.

C. PwC Violated PCAOB Quality Control Standards

9. PCAOB rules require registered public accounting firms to comply with the Board's quality control standards.⁵ Those standards require that registered firms establish and maintain an adequate system of quality control.⁶ "A firm's system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide the firm with reasonable assurance of complying with professional standards. The nature, extent, and formality of a firm's quality control policies and procedures should be appropriately comprehensive and suitably designed in relation to the firm's size, the number of its offices, the degree of authority allowed its personnel and its offices, the knowledge and experience of its personnel, the nature and complexity of the firm's practice, and appropriate cost-benefit considerations."⁷

10. PCAOB standards provide that a firm should establish quality control policies and procedures to provide the firm with reasonable assurance that the work performed by engagement personnel meets applicable professional standards, regulatory requirements, and the firm's standards of quality.⁸ A firm's system of quality control should, among other things, include policies and procedures to provide the firm with reasonable assurance that personnel maintain independence (in fact and in appearance) in all required circumstances.⁹ "Policies and procedures should also be established to provide reasonable assurance that personnel refer to authoritative literature or other sources and consult, on a timely basis, with individuals within

evaluate the risk that PwC's independence could be considered impaired, in fact or appearance, based on the totality of the circumstances.

⁵ See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*; PCAOB Rule 3400T, *Interim Quality Control Standards*.

⁶ See QC § 20.01; see also QC § 20.03 ("A firm has a responsibility to ensure that its personnel comply with the professional standards applicable to its accounting and auditing practice. A system of quality control is broadly defined as a process to provide the firm with reasonable assurance that its personnel comply with applicable professional standards and the firm's standards of quality.").

⁷ QC § 20.04.

⁸ See QC § 20.17.

⁹ See QC § 20.09.

or outside the firm, when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues).”¹⁰

11. “A firm should communicate its quality control policies and procedures to its personnel in a manner that provides reasonable assurance that those policies and procedures are understood and complied with. The form and extent of such communications should be sufficiently comprehensive to provide the firm’s personnel with an understanding of the quality control policies and procedures applicable to them.”¹¹

12. As described below, PwC failed to establish and appropriately communicate policies and procedures to provide reasonable assurance that its personnel would: (1) maintain independence, including the appearance of independence, throughout the audit and professional engagement period, as required under the general standard of Rule 2-01(b) of Reg. S-X; and (2) timely consult and refer to authoritative literature and other sources about auditor independence, when appropriate.

i. Independence Requirements

13. PCAOB rules require that registered public accounting firms and their associated persons comply with all applicable auditing and related professional practice standards.¹² Among other requirements, registered public accounting firms and their associated persons must comply with the Board’s auditing and independence standards in connection with the preparation or issuance of an audit report.¹³

14. PCAOB Rule 3520 requires a registered public accounting firm and its associated persons to be independent of the firm’s audit client throughout the audit and professional engagement period.¹⁴ Rule 3520 “encompasses not only an obligation to satisfy the

¹⁰ QC § 20.19.

¹¹ QC § 20.23.

¹² See PCAOB Rule 3100, *Compliance with Auditing and Related Professional Practice Standards*.

¹³ See PCAOB Rule 3200, *Auditing Standards*; PCAOB Rule 3500T, *Interim Ethics and Independence Standards*.

¹⁴ See PCAOB Rule 3520; see also PCAOB Rule 3501(a)(iii), *Definitions of Terms Employed in Section 3, Part 5 of the Rules* (defining “audit and professional engagement period”); Reg. S-X Rule 2-01(f)(5), 17 C.F.R. § 210.2-01(f)(5) (defining the term “audit and professional engagement period”). Under PCAOB Rule 3501(a)(iii) and Reg. S-X Rule 2-01(f)(5), the “audit period” includes the period covered by any financial statements being audited or reviewed. The “professional engagement period” begins with the earlier of the agreement to perform audit or review services or the start of those procedures and ends

independence criteria applicable to the engagement set out in the rules and standards of the PCAOB, but also an obligation to satisfy all other independence criteria applicable to the engagement, including the independence criteria set out in the rules and regulations of the Commission under the federal securities laws.”¹⁵ PCAOB standards likewise require compliance with the Commission’s independence criteria and other applicable independence criteria.¹⁶

15. To be independent within the meaning of AS 1005, an auditor “must be without bias with respect to the client since otherwise he would lack that impartiality necessary for the dependability of his findings.”¹⁷ AS 1005 further states that auditors should not only be independent in fact, but should avoid situations that may lead outsiders to doubt their independence.¹⁸ Similarly, Rule 2-01(b) of Reg. S-X provides: “The Commission will not recognize an accountant as independent, with respect to an audit client, if the accountant is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the accountant is not, capable of exercising objective and impartial judgment on all issues encompassed within the accountant’s engagement.”¹⁹ ET § 101, which the Board adopted from the AICPA Code of Professional Conduct,²⁰ further provides that “[i]t is impossible to enumerate all circumstances in which the appearance of independence might be questioned.” That standard also states that “[m]embers should consider whether personal and business relationships between the member and the client or an individual associated with the

when the audit client or the accountant notifies the Commission that the client is no longer that auditor’s audit client.

¹⁵ PCAOB Rule 3520, Note 1.

¹⁶ See AS 1005.05-.06; ET § 101.01.

¹⁷ AS 1005.02.

¹⁸ See AS 1005.03 (“It is of utmost importance to the profession that the general public maintain confidence in the independence of independent auditors. Public confidence would be impaired by evidence that independence was actually lacking, and it might also be impaired by the existence of circumstances which reasonable people might believe likely to influence independence. . . . Independent auditors should not only be independent in fact; they should avoid situations that may lead outsiders to doubt their independence.”).

¹⁹ Reg. S-X Rule 2-01(b).

²⁰ See PCAOB Rule 3500T.

client would lead a reasonable person aware of all the relevant facts to conclude that there is an unacceptable threat to the member's and the firm's independence."²¹

ii. Deficiencies in PwC's Independence Quality Control Policies and Procedures

16. PwC is one of the largest accounting firms in the world, and the nature of its practice, which includes substantial tax and advisory services, gives rise to independence risks that are less common for firms with less complexity. The Firm has established an Independence Office intended to address associated independence risks. That office, which is a key pillar in PwC's system of quality control, comprises independence-focused individuals with specialized knowledge, and is responsible for maintaining PwC's independence policies, processes, and controls, and for developing the Firm's independence training courses. The Independence Office is also intended to serve as a resource when independence-related questions arise, including by providing *ad hoc* guidance on an as-needed basis.

17. However, at the time of the events described below, PwC's quality control policies and procedures failed to provide reasonable assurance that its personnel referred to authoritative independence guidance or engaged in independence consultations, on a timely basis, in all appropriate circumstances. In particular, neither PwC's written independence policies and procedures, nor its communications and trainings around them, provided reasonable assurance that PwC personnel would refer to authoritative literature or other sources and promptly consult with knowledgeable individuals within or outside the Firm prior to engaging in discussions with audit clients about potential joint business activities prior to a JBR proposal, including commercially motivated "channel change" discussions. PwC also did not adequately communicate to its personnel in this context that, under applicable independence criteria, an accountant's appearance of independence could be impaired in situations not specifically addressed in, or prohibited by, an independence rule or standard, and that all relevant facts and circumstances, including all relationships between the accountant and the audit client, should be considered in such situations.

18. As a result, PwC's quality control policies and procedures did not provide the Firm with reasonable assurance that personnel maintain independence (in fact and in appearance) in all required circumstances, in violation of QC § 20.

²¹ ET § 101.02.

iii. PwC Professionals’ Failure to Timely Consult About the Internal Discussions and Interactions with Issuer A Regarding a Potential Channel Change and JBR

19. By the beginning of 2018, professionals within a PwC group specializing in the use of technology to improve tax reporting (the “Tax Sub-Group”) were making significant use of Issuer A’s software in a variety of the Firm’s client-facing activities. However, the Tax Sub-Group understood that there were certain marketplace activities that it could not engage in related to Issuer A and Issuer A’s software while PwC was Issuer A’s auditor.

20. In February 2018, a practice area leader in the Tax Sub-Group (“Tax Sub-Group Partner”) held a call with several PwC partners to explore whether there had been a “channel choice discussion” within PwC concerning Issuer A—i.e., whether PwC had considered if it would be preferable to sever the audit relationship with Issuer A, thereby removing independence-related restrictions on PwC’s business interactions with Issuer A.²² The call included the Issuer A Audit Engagement Partner and a PwC Assurance leader for the area covering Issuer A (“Local Assurance Leader”).

21. During the February 2018 call, the Tax Sub-Group Partner shared his thought that there could be a substantial benefit to PwC in forming an alliance with Issuer A and pursuing a joint go-to-market strategy, which he understood would first require that PwC terminate its audit relationship with Issuer A. The Tax Sub-Group Partner specifically raised the idea of pursuing a channel change with Issuer A to enable such an alliance. In response, the participants in the February 2018 call agreed that there was merit to internally exploring whether to change the relationship with Issuer A.

22. Thereafter, with the help of the Tax Sub-Group’s leader (“Tax Sub-Group Leader”) and others, the Tax Sub-Group Partner drafted a document summarizing the business case for pursuing a channel change and JBR with Issuer A. That business case document laid out the key business drivers for considering a channel change and JBR with Issuer A at the conclusion of the year-end 2018 Audit. It included specific business activities that could be pursued through a JBR. It also estimated that the proposed channel change and JBR could enable PwC to generate revenues that were substantially higher than PwC’s audit revenues from Issuer A.

23. The Tax Sub-Group Leader and Tax Sub-Group Partner shared the business case document with the Audit Engagement Partner in July 2018. The Audit Engagement Partner then

²² Within PwC, audit clients subject to auditor independence restrictions are referred to as “channel 1” or “C1” clients. Clients not subject to such restrictions are referred to as “channel 2” or “C2” clients.

shared and discussed the business case document with various local and regional leaders in PwC's Assurance group, including the Local Assurance Leader. At about the same time, the Tax Sub-Group Leader also discussed the Tax Sub-Group's proposal with two members of the Firm's national leadership, including the National-Level Assurance Leader.

24. The Audit Engagement Partner, upon reviewing and forwarding the business case document to the Local Assurance Leader, indicated that Issuer A would likely be intrigued by the Tax group's proposal and open to having a channel change discussion. The Local Assurance Leader also shared that assessment with a regional PwC Assurance leader ("Regional Assurance Leader") and another local PwC leader, and noted to them that a channel change discussion concerning Issuer A was likely to reach high levels of Firm leadership.

25. In October 2018, the Tax Sub-Group Leader sent the National-Level Assurance Leader an updated version of the business case document for pursuing a JBR and channel change with Issuer A. The updated business case document noted that Issuer A was "aggressively pushing us to work with them in unique ways" and was "a fast growing company looking to partner with someone like us."

26. Following the receipt of the updated business case document, the National-Level Assurance Leader instructed the Audit Engagement Partner to arrange and participate in a meeting between Issuer A's CEO and a member of PwC's Tax group, in light of the Tax group's JBR and channel change proposal. The National-Level Assurance Leader gave that instruction in meetings that included the Regional Assurance Leader, Local Assurance Leader, Tax Sub-Group Leader, and Audit Engagement Partner. The National-Level Assurance Leader also instructed that PwC should not propose a channel change in the meeting, noting that it should be Issuer A's decision whether to terminate the audit relationship. However, the National-Level Assurance Leader indicated that the Audit Engagement Partner and Tax group representative should explain during the meeting with Issuer A's CEO both what PwC could and could not do while the audit relationship continued, and instructed that he wanted to be "[kept] in the loop as the discussions progress."

27. Based on the National-Level Assurance Leader's guidance, the Audit Engagement Partner then scheduled a meeting with Issuer A's CEO for November 28, 2018, which was a time when PwC would already be performing work on the 2018 Audit.

28. On November 28, 2018, the Audit Engagement Partner and the Tax Sub-Group Partner met with both Issuer A's CEO and Issuer A's President/Chief Revenue Officer. During the meeting, the Tax Sub-Group Partner described, among other things, PwC's use of Issuer A software, PwC's strategy to grow its business in areas that were relevant to Issuer A, and

certain marketplace opportunities and activities relating to Issuer A that PwC could not engage in while PwC remained Issuer A's auditor.

29. On December 10, 2018, the Audit Engagement Partner described in an email to the National-Level Assurance Leader, Regional Assurance Leader, Local Assurance Leader, Tax Sub-Group Leader, and Tax Sub-Group Partner, that the Issuer A representatives in the November 28 Meeting: (1) "were very receptive to the discussion and the conversation evolved very quickly," (2) "were very excited about the possibility of expanding their relationship with us," and (3) "directly asked . . . what the process looks like for auditor transition." The Audit Engagement Partner also described in that email that, in follow-up conversations with Issuer A representatives, the Audit Engagement Partner understood that Issuer A's CEO "'could hardly contain himself' after coming out of the meeting with us, and sees the opportunity as a 'tens of million of dollars [sic].'" Later that month, Issuer A's Audit Committee issued a request for proposal to audit firms, including PwC, to allow for consideration of a possible channel change.

30. Because the tax group's internal JBR proposal was the impetus for the November 28 Meeting, and such a JBR was impermissible under the independence rules and standards while PwC was Issuer A's auditor, there was a risk that the November 28 Meeting could lead to discussions that would cause a reasonable investor to doubt PwC's independence from Issuer A and conclude that PwC was not capable of exercising objective and impartial judgment on all issues encompassed within the ongoing 2018 Audit.

31. Moreover, the substance of the conversations that did occur during the November 28 Meeting and follow-up discussions, as reported in the Audit Engagement Partner's December 10 summary, increased the risk that a reasonable investor with knowledge of all relevant facts and circumstances would have concluded that PwC was not capable of exercising objective and impartial judgment on all issues encompassed within the ongoing 2018 Audit.

32. Nevertheless, PwC's then-existing independence policies and procedures did not require an Independence Office consultation in these circumstances. More specifically, while PwC's then-existing policies required consultation with the Independence Office regarding any "proposed" JBR, they did not require any consultation before or after discussions about potential joint business activities with an audit client prior to a formal proposal. In the absence of such guidance, the PwC professionals discussed above did not initiate an Independence Office or similar consultation either before the November 28 Meeting or reasonably promptly after receiving the Audit Engagement Partner's summary of that meeting and the follow-up conversations with Issuer A. Nor did any of those PwC leaders or partners perform or cause PwC to perform a specific analysis of the implications of the November 28 Meeting and follow-

up conversations under the general standard of independence set forth in Rule 2-01(b) of Reg. S-X, either before or reasonably promptly after they occurred.

33. Instead, with the knowledge of each of the PwC leaders and partners identified in paragraph 29, above, PwC continued to perform the 2018 Audit, and was also planning to perform a review of Issuer A's interim financial statements for the first quarter of 2019. Some of those professionals also immediately began to plan follow-up meetings with Issuer A's CEO, that would have taken place while the 2018 Audit was ongoing.

34. The PwC leaders and partners did not initiate a consultation with the Independence Office, or perform an appropriate analysis of its independence from Issuer A in the wake of the November 28 Meeting, until DEI initiated its investigation. On January 4, 2019, DEI sent PwC a document and information request concerning PwC's independence from Issuer A, which caused the Firm to initiate a consultation with the Independence Office. During that consultation, the Independence Office learned about the Tax group proposal for a channel change and JBR, and the related November 28 Meeting, for the first time. The Independence Office then considered those circumstances, alongside PwC's other non-audit interactions with and involving Issuer A—including PwC's enterprise-wide license of Issuer A software, PwC's encouraging its staff to use Issuer A software, and PwC's use of Issuer A software in client-facing activities—and determined that there was a risk that a reasonable investor could conclude that PwC was not independent of Issuer A in 2018.

35. On January 17, 2019, PwC informed the Chair of Issuer A's Audit Committee that PwC was recommending that Issuer A's Audit Committee consider immediately replacing PwC as Issuer A's auditor. The following day, PwC made the same recommendation to the full Audit Committee. Shortly thereafter, the Audit Committee determined to terminate PwC as Issuer A's auditor.

36. The foregoing events related to Issuer A illustrate PwC's failure to establish or appropriately communicate policies and procedures that would provide reasonable assurance that its personnel would maintain independence, in fact and in appearance, in all required circumstances.

IV.

In view of the foregoing, and to protect the interests of investors and further the public interest in the preparation of informative, accurate, and independent audit reports, the Board determines it appropriate to impose the sanctions agreed to in PricewaterhouseCoopers LLP's Offer. In ordering sanctions, the Board took into consideration the Firm's cooperation, including the fact that the Firm voluntarily undertook certain remedial steps during the pendency of the

PCAOB's investigation, including (1) adopting additional policies and procedures relating to independence being maintained (in both fact and appearance) in connection with any channel change discussions between the Firm and an audit client and (2) providing supplemental training to audit, tax, and advisory professionals on independence risks, including those arising from the use of software and other products sold by audit clients.

Accordingly, it is hereby ORDERED, effective immediately, that:

- A. Pursuant to Section 105(c)(4)(E) of the Act and PCAOB Rule 5300(a)(5), PricewaterhouseCoopers LLP is hereby censured.
- B. Pursuant to Section 105(c)(4)(D) of the Act and PCAOB Rule 5300(a)(4), a civil money penalty in the amount of \$2,750,000 is imposed on PricewaterhouseCoopers LLP.
 1. All funds collected by the PCAOB as a result of the assessment of this civil money penalty will be used in accordance with Section 109(c)(2) of the Act.
 2. Respondent shall pay the civil money penalty within ten days of the issuance of this Order by (a) wire transfer in accordance with instructions furnished by PCAOB staff; or (b) United States Postal Service money order, bank money order, certified check, or bank cashier's check (i) made payable to the Public Company Accounting Oversight Board, (ii) delivered to the Office of Finance, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, and (iii) submitted under a cover letter, which identifies PricewaterhouseCoopers LLP as a respondent in these proceedings, sets forth the title and PCAOB release number of these proceedings, and states that payment is made pursuant to this Order, a copy of which cover letter and money order or check shall be sent to Office of the Secretary, Attention: Phoebe W. Brown, Secretary, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington, D.C. 20006.
 3. If timely payment is not made, additional interest shall accrue at the federal debt collection rate set for the current quarter pursuant to 31 U.S.C. § 3717. Payments shall be applied first to post-Order interest.

4. With respect to any civil money penalty amounts that Respondent shall pay pursuant to this Order, Respondent shall not, directly or indirectly, (a) seek or accept reimbursement or indemnification from any source including, but not limited to, any current or former affiliated firm or professional or any payment made pursuant to any insurance policy; (b) claim, assert, or apply for a tax deduction or tax credit in connection with any federal, state, local, or foreign tax; nor (c) seek or benefit by any offset or reduction of any award of compensatory damages, by the amount of any part of Respondent's payment of the civil money penalty pursuant to this Order, in any private action brought against Respondent based on substantially the same facts as set out in the findings in this Order.
 5. Respondent understands that failure to pay the civil money penalty described above may result in summary suspension of Respondent's registration, pursuant to PCAOB Rule 5304(a), following written notice to Respondent at the address on file with the PCAOB at the time of the issuance of this Order.
- C. Pursuant to Section 105(c)(4)(F)-(G) of the Act and PCAOB Rule 5300(a)(6) & (9), the Board orders that:
1. **Review by PricewaterhouseCoopers LLP.** Within 90 days of the entry of this Order, PricewaterhouseCoopers LLP shall establish, revise, or supplement, as necessary, its independence-related quality control policies and procedures to provide the Firm with reasonable assurance that (1) the Firm and its personnel maintain independence (in fact and in appearance) in all required circumstances; and (2) Firm personnel refer to authoritative literature or other sources and consult, on a timely basis, with individuals within or outside the Firm, when appropriate (for example, when dealing with complex, unusual, or unfamiliar issues). As part of that review and evaluation, the Firm shall consider and analyze, without limitation, whether its policies and procedures and related guidance that the Firm makes available to its professionals in searchable databases adequately address the topics described in paragraphs IV.C.2 and IV.C.3, below.
 2. **Communication of Quality Control Policies and Procedures.** Within 60 days of the completion of the undertaking described in paragraph IV.C.1, above, PricewaterhouseCoopers LLP shall:

- a. Communicate to all of the Firm’s professionals²³ any additions, revisions, or supplements to its independence-related quality control policies and procedures as a result of the undertaking described in paragraph IV.C.1, above, in a manner that provides reasonable assurance that those policies and procedures are understood and complied with;
- b. Communicate to all of the Firm’s professionals to emphasize and reinforce:
 1. That an auditor must be independent in both fact and appearance;
 2. That appearance of independence, within the meaning of Reg. S-X Rule 2-01(b), 17 C.F.R. § 210.2-01(b), is measured through a “reasonable investor” test, which is an objective standard, and the SEC will not recognize an accountant as independent, with respect to an audit client, if a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the accountant is not capable of exercising objective and impartial judgment on all issues encompassed within the accountant's engagement;
 3. That an auditor may violate independence rules, regulations, and standards set forth by the PCAOB and SEC if facts and circumstances would lead a reasonable investor to doubt the auditor’s independence from an audit client—even if the particular circumstance is not expressly addressed in, or prohibited by, a more specific independence-related rule, regulation, or standard;
 4. That, in determining whether an accountant is independent, the SEC will consider all relevant

²³ For purposes of the undertakings set forth in Section IV of this order, “professionals” shall mean any partner, principal, shareholder, or professional employee of the Firm, regardless of whether such person provides audit services.

circumstances, including all relationships between the accountant and the audit client, and not just those relating to reports filed with the SEC;

5. That a registered public accounting firm and its associated persons must be independent of the firm's audit client throughout the audit and professional engagement period, and that the determination of compliance with independence requirements is not limited to preliminary engagement activities and should be reevaluated with changes in circumstances; and
 6. That, as part of the policies and procedures that the Firm has adopted in response to QC § 20.19, it is the Firm's policy to encourage consultations with the Independence Office when complex, unusual, or unfamiliar circumstances arise that may bear on a reasonable investor's evaluation of auditor independence.
3. **Training of Current Professionals.** PricewaterhouseCoopers LLP shall ensure that each of its professionals receives 4 hours of additional training on auditor independence within 12 months of the completion of the undertaking described in paragraph IV.C.1, above, which must include this order as a required reading material and include each of the following topics:
- a. The requirement, pursuant to PCAOB Rule 3520, *Auditor Independence*, that both a registered firm and its associated persons be independent of the firm's audit client throughout the audit and professional engagement period and satisfy all independence criteria applicable to the engagement, including the independence criteria set out in the rules and standards of the PCAOB, and in the rules and regulations of the Commission under the federal securities laws;
 - b. The general standard of independence set forth in Reg. S-X, Rule 2-01(b), 17 C.F.R. § 210.2-01(b);

- c. The obligations of auditors to avoid situations that may lead outsiders to doubt their independence from an audit client, pursuant to AS 1005.03, *Independence*;
- d. The obligations of auditors, pursuant to ET § 101.02, *Interpretation of Rule 101*, to consider whether personal and business relationships with a client or an individual associated with the client would lead a reasonable person aware of all the relevant facts to conclude that there is an unacceptable threat to auditor independence; and
- e. The policies and procedures that the Firm has adopted to provide the Firm with reasonable assurance that personnel maintain independence (in fact and in appearance) in all required circumstances, including:
 - 1. Key factors that the Firm has identified that should be considered in evaluating whether the Firm has maintained the appearance of independence;
 - 2. Authoritative literature and other resources available to Firm professionals concerning auditor independence, and how and where to access that literature and those resources;
 - 3. The role of, and services provided by, the Firm's Independence Office, including the consultative services available from and provided by the Independence Office;
 - 4. The process for initiating an Independence Office consultation;
 - 5. Firm policies and procedures for ensuring that independence is not impaired by any proposal to form new relationships with an audit client, including any required consultations prior to communicating with an audit client about potential changes to the Firm's relationships with that client;

6. Steps Firm personnel can take if they believe that other professional staff are engaged in or planning activities for which an Independence Office consultation is warranted, but has not taken place; and
7. How Firm personnel can raise concerns about whether the Firm or its professionals have violated, or may in the future violate, independence rules or standards, including that:
 - a. Individuals may raise concerns anonymously through PwC's Ethics Helpline; and
 - b. The Firm will protect individuals from retaliation for raising good-faith concerns, even if the concerns are ultimately unsubstantiated.
4. **Future Independence Training.** For a period of five years following the date of this Order, PricewaterhouseCoopers LLP shall ensure that each professional it hires after the date of this Order receives 4 hours of training on auditor independence within the time period set forth for the completion of the undertakings in paragraph IV.C.3, above, or within 60 days of being hired, whichever is later, including training covering the topics described in paragraph IV.C.3, above.
5. **Certification.** Respondent shall certify in writing to the Director of the Division of Enforcement and Investigations, Public Company Accounting Oversight Board, 1666 K Street, N.W., Washington D.C. 20006, the Firm's compliance with paragraphs IV.C.1 through IV.C.3, as follows: (a) within 60 days after completing the undertakings in paragraph IV.C.2, the Firm will certify compliance with paragraphs IV.C.1 and IV.C.2, and (b) within 60 days after completing the undertakings in paragraph IV.C.3, the Firm will certify compliance with paragraph IV.C.3. The certification of the Firm's compliance with paragraph IV.C.1 shall include copies of the policies, procedures, and related guidance, including any supplements or amendments thereto, that PwC is relying upon to satisfy that undertaking. The certification of the Firm's compliance with paragraph IV.C.2 shall include copies of

the communications sent to the Firm's professionals to comply with those undertakings. The certification of the Firm's compliance with paragraph IV.C.3 shall include copies of any written materials or recordings used in the trainings conducted to comply with those undertakings.

6. For good cause shown, the PCAOB staff may extend any of the procedural dates relating to these undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered the last day.
7. Respondent understands that the failure to satisfy these undertakings may constitute a violation of PCAOB Rule 5000 that could provide a basis for the imposition of additional sanctions in a subsequent disciplinary proceeding.

ISSUED BY THE BOARD.

/s/ Phoebe W. Brown

Phoebe W. Brown
Secretary

March 28, 2024