

2 November 2023

Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email: fpa.sen@aph.gov.au

Dear Committee Secretary

Please find below responses to the questions on notice taken during the public hearing of the Inquiry into management and assurance of integrity by consulting services on 12 October 2023, along with answers to two further written questions on notice received from Senator Barbara Pocock on 18 October 2023.

Yours sincerely,

Luke Sayers AM
Executive Chairman

1. On what terms did you leave PwC?

Mr Sayers completed the maximum allowable two terms (of four years each, eight years total, from April 2012 to March 2020) as CEO of PwC Australia. At the conclusion of his final term, he made the decision to voluntarily retire from the PwC partnership. The terms of his separation from the PwC partnership were the standard arrangements applying to PwC partners on their voluntary retirement from the partnership, in line with the PwC Partnership Deed (including confidentiality obligations).

2. Why were you not given access to the PwC retirement scheme?

Like all partners, Mr Sayers is not eligible for the PwC retirement scheme until he reaches the age of 55.

Questions on notice taken during the public hearing of the Inquiry into management and assurance of integrity by consulting services (12 October 2023)

Public hearing question 1

Senator BARBARA POCOCK: What penalty did you pay?

Mr Sayers: It was a financial penalty. I can't remember the size of the penalty. The investment was—

Senator O'NEILL: Was it so small that it did not hurt your pocket, Mr Sayers?

Mr Sayers: I can't recollect, Senator.

Senator BARBARA POCOCK: Could you take that on notice. We'd be interested to know.

Mr Sayers: Certainly.

In 2018, the investments by nine partners in AVP were reviewed and assessed as contrary to PwC's independence policy. Mr Sayers' investment was \$50,000. For Mr Sayers the specific amount of the penalty was \$180,000.

Subsequent to these events, PwC reviewed and clarified its policy on personal financial investments, updating the independence policy and then issuing a dedicated partner personal investment policy that was developed in 2018 and came into effect in 2019.

Public hearing question 2

Senator O'NEILL: It doesn't matter. I am telling you what he said, and I am telling you the truth. It is right here. It is on the public record. That is what he said. So Dr Switkowski has recorded it. He has mentioned you. He was your friend. You say he has integrity, but you don't agree with the fact that he has blamed the CEO—which is you and Mr Seymour—for the cultural problems with PwC. You don't accept that. Is that what you are telling me?

Mr Sayers: Again, if you can refer me to the specifics of where he blames. This is a large—

Senator O'NEILL: Please take that on notice, and, if you want to respond, do that.

Mr Sayers refers the Committee to his opening statement on 12 October 2023, as well as his further comments on the Switkowski Report in the public hearing on 12 October 2023.

Mr Sayers further notes the Switkowski Report Executive Summary details seven themes reflected in the findings of the Report, in what Dr Switkowski described as a “current state” review, not limited to culture but including governance, structure and strategic priorities:

1. Lack of independence and external 'voices' within the ultimate governing body
2. Excessive power conferred on the CEO
3. Disproportionate focus on revenue growth and market leadership as the strategic imperatives
4. Decentralised business model without sufficient visibility of the enterprise view
5. Complexity and fragmentation contributing to ineffective structures and processes
6. Unclear responsibilities and accountabilities creating gaps and risks
7. Overly collegial culture inhibiting constructive challenge

Public hearing question 3

Senator O'NEILL: Okay. Could you take on notice the values that you implemented, by your record, in PwC and the values that you are operating at Sayers and compare and contrast for me which ones you have kept and which ones you have left?

PwC's global values introduced at the time Mr Sayers was CEO and remaining current at the firm are: Act with integrity, Make a difference, Care, Work together, and Reimagine the possible.

During Mr Sayers tenure, these values were part of a balanced scorecard approach, with partners and staff evaluated against these values, other non-financial metrics, and financial metrics.

Mr Sayers wishes to provide more information around the development of the Australian firm and global values. The Australian firm had run an extensive and well-received firm-wide consultation with its 8,000 or so employees to come up with Australian firm values. Many elements of that consultation and engagement process were subsequently used by the global firm which drew on the Australian experience in its decision and approach to refresh the global values. PwC Australia was required to adopt the new global values, expressed in

language that reflected extensive engagement that now included its global colleagues. One of the values ('Care') was identical, and others were aligned in substance but used language more resonant globally.

Sayers Group was founded on the principles of integrity; trust and transparency; respect and inclusion in the workplace; and quality client outcomes delivering lasting, positive change.

Sayers Group values are expressed in the following statement: "with trusted *relationships at the heart* of everything we do, our people *do what they say* and stand up for what's right. At Sayers we value *progress over perfection* and our team lead with a free and open mind. Our people are expected to *be good and do good*.

Each Sayers Group employee receives the values and expected behaviors (reflecting the principles above) as part of their induction, and a balanced scorecard approach applies, with values being part of performance evaluation.

Public hearing question 4

Senator BARBARA POCOCK: Can you supply to us on notice the policy you have in relation to internal investments by partners of the kind that we discussed that now exist in PwC? Do you have the same kind of policy around internal investment?

Mr Sayers: Yes, we do, and I am happy to provide that on notice.

The investment policies of Sayers Group are comparable to other entities (including many professional services firms, investment banks, private equity funds etc.) who are involved in providing advice to and, from time to time, investment in clients.

Sayers Group partners can invest in clients in limited circumstances, where conflicts would not or are unlikely to arise. These investments are strictly governed by our procedures and complying with all applicable laws and regulations.

As a reminder, Sayers Group does not provide tax or legal advice, accounting, audit or government lobbying services to clients. While this does not eliminate all conflict risk, it helps reduce some inherent potential conflict situations that could otherwise arise.

Before an investment is made (by a Sayers employee along with Sayers Group) we must ensure the following (among other things):

- treating clients fairly and with integrity across all business activities;
- complying with all applicable laws and regulations;
- acting, at all times, in the interests of the issuer client;
- acting in accordance with an issuer client's instructions on pricing and allocation, including in respect of the type, number and profile of investor the issuer client is looking to attract;
- prioritising the issuer client's interests, which prohibits Sayers Group from putting its own interest, the interest of investors or the interest of a person connected or associated with Sayers Group, ahead of the issuer client, or inappropriately favouring one investor over another; and
- ensuring fair and equal treatment amongst its partners and directors.

Public hearing questions 5 & 6

Mr Sayers: Can I name which partners in the bare trust or my partners?

Senator O'NEILL: Give me both.

Mr Sayers: Partners of Sayers: Sammy Kumar, Peter Mastos, Richard Shackcloth, Will Broughton, Zac Haines, Russell Howcroft, Kate Keenan—

Senator O'NEILL: If you are having any trouble with your recollection there and would like to continue to provide those on notice, I would appreciate that background.

CHAIR: It's like leaving a cousin out. Perhaps provide us with an answer on notice.

Mr Sayers: Sorry, Senator. I thought you wanted to know. I will provide it on notice.

There are approximately 80 Sayers Group employees, and 20 of those employees are Sayers Group partners. These senior leaders use the title of partner, but as Sayers Group and its subsidiaries are companies governed by the Corporations Law, they are technically employees:

- Ben Larkey
- Bianca Meek
- Caitrin Dunn
- Francois Doucet
- Genevieve Reynolds
- James Collins
- John Pickering
- Justin Papps
- Kate Keenan
- Leon Cooper
- Luke Sayers
- Peter Mastos
- Richard Shackcloth
- Ridhish Arora
- Russel Howcroft
- Sammy Kumar
- Shaun Bauer
- Tom Considine
- William Broughton
- Zac Haines

Participants in the Sayers Group Holdings PL bare trust (some of these individuals hold their equity via family trusts or investment vehicles on behalf of the individuals named):

Two recent changes are relevant to the bare trust. Mr Cormann relinquished his equity and is therefore no longer in the trust. Mr Cormann's equity was originally allocated in the anticipation that he may join Sayers Group as a Partner, an outcome that did not eventuate. Separately, McLaren Strategic Ventures, a listed Sayers Group investor, also held equity as consideration for a planned partnership in a joint business venture which Sayers has recently decided not to pursue, so that equity will also be relinquished.

Public hearing question 7

Senator O'NEILL: The work that charities do is quite remarkable, and there are reasons why they are not allowed to endorse poll candidates, and that was the breach. Nonetheless, I acknowledge the really important work that your wife has done in that role. Did you or any person under your direction initiate or receive any communication of any type with then Treasurer, Mr Josh Frydenberg, or any individual associated with him, relating to the Peter Collins PwC matter or any related matter?

Mr Sayers: No, I did not.

Senator O'NEILL: Did you receive any communications about your LPP claim when you were at odds with the ATO?

Mr Sayers: No, I did not.

Senator O'NEILL: Can you take that question on notice and provide any further information you can, including documentation—any correspondence in regard to any communications that you had with Mr Frydenberg.

Mr Sayers: I am happy to do that. But Josh is a personal friend and no, I did not.

Mr Sayers refers the committee to his answers provided during the Senate hearing, and has no documentation.

Public hearing question 8

Senator O'NEILL: There is a document about ethics and probity in procurement that would apply to you currently, Mr Sayers, in your role as the head of the Sayers consultancy group. Are you aware of that document?

Mr Sayers: No, I'm not, but I am happy to take it on notice.

Senator O'NEILL: It has some directions here about agencies and the relevant APS values and codes that would apply to contractors. Are you aware of any of that?

Mr Sayers: I'm sure my team who work with the federal government here are aware of that, yes.

Senator O'NEILL: But, as the CEO, are you taking a similar approach to that which you took with PwC, which seems to be pretty hands off and above the fray, from your evidence?

CHAIR: Senator O'Neill, if you are to refer to a document, it would be reasonable—

Senator O'NEILL: It's a public document, from the Department of Finance. I am happy for it to be tabled.

CHAIR: I think putting the document in front of Mr Sayers and then asking whether he's aware of it would be a fair thing to do.

Senator O'NEILL: You might want to answer that question on notice.

Mr Sayers confirms that Sayers Group Partners and staff working with Federal Government clients are well aware of the Ethics and Probity in Procurement documentation and act in compliance with it. Mr Sayers is across the document.

Public hearing question 9

Mr Sayers: We had done nine to 12 months of detailed work looking at all of the potential risks across the firm and some strategic choices or options that could be made to minimise the inherent conflict within the professional services model. There was a team of leaders from Australia that went to New York.

Senator O'NEILL: Can you provide the names on notice, because I know the chair's going to wind me up very shortly?

Mr Sayers: Yes.

Mr Sayers travelled to Hong Kong on 23 October 2018 to present to the PwC Global Network Leadership Team on the issues and considerations that gave rise to Project Kookaburra. He subsequently travelled to the United States to give a formal, documented presentation recommending the separation and sale of the consulting business to the PwC Global Network Leadership Team on 15 January 2019.

In attendance at the 2019 meeting were a number of key executives from PwC Australia including Neil Plumridge, Meredith Beattie, Andrew Wellington and Sammy Kumar. Two PwC Asia Pacific CEO's were in attendance - Mark Averill (New Zealand) and Sri Nair (Malaysia).

In attendance from the PwC Global Network Leadership Team:

- Bob Moritz (Global Chair)
- Tim Ryan (Americas CEO)
- Kevin Ellis (UK CEO)
- Raymund Chao (China CEO)

- Harold Kayser (Germany CEO)
- Dana McIlwain (Network Managing Partner)

There may have been other PwC personnel at this meeting, but Mr Sayers does not have access to records to confirm these personnel, nor access to any of the documents presented.

Further, we refer to the following exchange and provide the timeline below relevant to the timing of Project Kookaburra.

Senator O'NEILL: You were proposing to float the consultancy section, if I understood your evidence earlier—both the government and the private sector consultancy sections of PwC. You undertook significant work to advance a proposition that you took to the global group, including the global network leadership team. Is that correct?

Mr Sayers: Yes. Just to be clear, I wasn't trying to float.

Senator O'NEILL: An idea?

Mr Sayers: We had done nine to 12 months of detailed work looking at all of the potential risks across the firm and some strategic choices or options that could be made to minimise the inherent conflict within the professional services model. There was a team of leaders from Australia that went to New York.

Senator O'NEILL: Was it \$1 billion that was the value estimated for that part of the business?

Mr Sayers: Look, it's four years ago. I don't recollect the quantum or the size, but it was a large, significant business, and the valuation of the business back in 2019 was significant.

Senator O'NEILL: The documents that relate to that and minutes of meetings that indicate who was informed would still be with PwC—is that correct?

Mr Sayers: I would imagine so.

Senator O'NEILL: This occurred prior to submission 27 to the audit inquiry, in which PwC put in its written evidence that such a break-up was not a good idea and should never occur. Mr Sayers, that makes me very much question the interactions of PwC with the Senate under your leadership. This was going on in one part of the business, and the public documentation to the Senate was a denial that such a thing should ever occur, because it would make the business basically unable to operate. It wouldn't be able to retain talent or do the proper things that you do in audit, which is what we heard here again today. That makes me question everything that you've been telling me today, because those two things are completely at odds.

Project Kookaburra analysis and discussions took place from mid-June 2018 to March 2019. This was when the Global Network Leadership Team (chaired by Bob Moritz, Global

Chairman) rejected the proposal to separate and sell the consulting business. Therefore, PwC Australia's stance was to follow the existing Global firm model and structure.

The Parliamentary Joint Committee (PJC) inquiry into the Regulation of Auditing commenced in August 2019. As well as stating its position that "PwC Australia does not support operational separation of the Big 4 firms in the Australian market", PwC's submission included a number of initiatives such as an external Audit oversight Board. The submission was finalised in late September 2019, and submitted in October 2019. PwC partner Matt Graham appeared before the PJC Inquiry on 9 December 2019.

The above timeline shows clearly that approval was not given to sell the Consulting business in March 2019, and PwC Australia did not mislead the PJC.

ENDS