UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

PASHA S. ANWAR, *et al.*, Plaintiffs, v. FAIRFIELD GREENWICH LIMITED, *et al.*, Defendant. This Document Relates To: All Actions	Master File No. 09-cv-118 (VM)

DECLARATION OF HOWARD L. VICKERY
IN SUPPORT OF PLAINTIFFS'
OPPOSITION TO MOTIONS TO DISMISS OF
PRICEWATERHOUSECOOPERS ACCOUNTANTS N.V.,
PRICEWATERHOUSECOOPERS LLP, AND
PRICEWATERHOUSECOOPERS INTERNATIONAL LIMITED

Exhibit 14

1 of 2

08

Global Annual Review

*connectedthinking

PRICEWATERHOUSECOOPERS

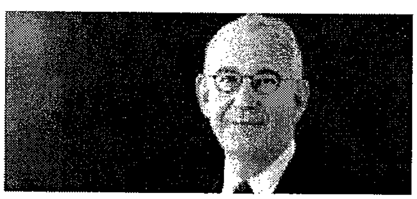
PricewaterhouseCoopers provides industry-focused assurance, tax, and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 155,000 people in 153 countries across our network share their thinking, experience, and solutions to develop fresh perspectives and practical advice.

In this Global Annual Review we look at issues that impact our clients around the world, and we examine our performance, our key network policies and standards, and our work in the global community during FY 2008.

In this Global Annual Review, the terms *PricewaterhouseCoopers, PwC, our* and *we* are used to refer to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), each of which is a separate and independent legal entity.

FY 2008 runs from 1 July 2007 to 30 June 2008.

Ten years of progress



Article by Samuel A DiPiazza Jr, CEO, PricewaterhouseCoopers International. Sam DiPiazza has served as CEO of PwC International Limited since 2002. Prior to that he led the PwC US firm as chairman and senior partner. He joined PwC in 1973 and became a partner in the US firm in 1979.

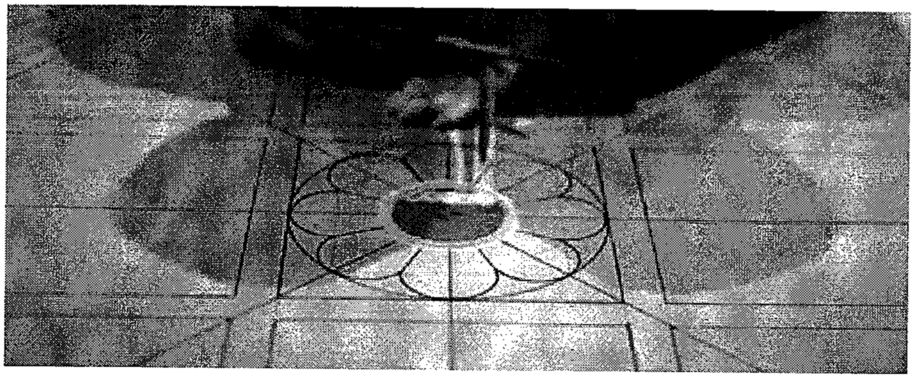
In the ten years since PricewaterhouseCoopers was formed, we have accomplished a huge amount, including growing our head count by some 40,000 people, expanding our reach into many exciting new markets, and more than doubling our global revenues to over 28 billion USD. But our most important achievement is that we have continued to work with clients and help them succeed through both buoyant and difficult economic times.

Our ability to help clients to succeed drives our own success. Our people and partners around the world should be proud that throughout all the changes, challenges, and opportunities of the past decade, PwC has emerged as the global leader in our profession.

This leadership applies not only in terms of size, but also in the strength and breadth of our network, the talent of our people, and the consistent quality of our service to clients.

Thriving in volatile times

The current unsettled global economy is now posing new challenges for our clients. So, in the coming year, it is especially important that we continue to help them achieve success by meeting and overcoming these challenges. As Dennis Nally points out in this Review, Assurance has a key role to play in maintaining order in troubled capital markets, with the audit playing a vital part in providing the confidence in financial data that is essential for effective market operation.



In the decade since the formation of PwC, our profession has successfully navigated change, weathered regulatory reactions to corporate scandals and failures, and adjusted to the shift from self-regulation to government oversight.

As the credit crunch developed, a discussion began on aspects of financial reporting, with some commentators trying to lay part of the blame for the recent turmoil in the financial markets on Fair Value "mark-to-market" accounting. We at PwC disagree. Inevitably, the adoption of Fair Value standards has required some adjustment by the markets, but I am in no doubt that Fair Value remains the best available method of accounting for often complex financial instruments.

Recent economic events have confirmed that the credit crunch is continuing to bite ever more deeply. Its impact is evident not only in the developed economies of the West, some of which are on the brink of recession, but also in developing markets, whose formerly soaring growth rates have now slowed. As events unfold, it remains difficult to predict the length of the current down cycle and the full extent of its impact. However, it is clear that companies with agility and the ability to adapt will be the best equipped to succeed in these challenging times.

The time has now come for us to build on the past decade's accomplishments and make the organisational changes that will sustain our network through the years ahead.

Adapting to new realities

As our clients have adapted and reshaped their businesses to meet the changing requirements and risks of new economic realities, so too has the accounting profession. In the decade since the formation of PwC, our profession has successfully navigated change, weathered regulatory reactions to corporate scandals and failures, and adjusted to the shift from self-regulation to government oversight. Reforms in the profession were needed—and by great measure most of the new regulations have been for the better.

During the past ten years, we have also helped to guide the emergence of a single set of International Financial Reporting Standards (IFRS) that meet the needs of global business. I have been closely involved in this issue as a Trustee of the International Accounting Standards Committee Foundation, the oversight body for the International Accounting Standards Board. PwC has long advocated a single set of global standards, and, with the US about to come on board with IFRS, this goal is well on the way to being realised.

Maintaining strong foundations

Within our own business, the quality and consistency of our performance around the world remain a key focus for PwC. We've made great strides in this area and are continuing to examine new ways to ensure our work is of the highest possible quality.

In this context, potentially disastrous liability claims remain a particular cause for concern. While we fully accept that auditors should be held accountable for their performance and pay their fair share of liability when they are at fault, we do not believe that they should face judicial actions that would penalise firms far beyond the level of their responsibility and put their very existence at risk. We are glad to see that this view is gaining ground. A system of proportionate liability has been introduced in the United Kingdom, and the European Commission has recommended reform of auditor liability.

A further touchstone for PwC during the past ten years is that we have continued—in the tradition of our predecessor firms—to lead the profession in developing a strongly aligned and regionalised network focused on providing the best service possible for clients. The time has now come for us to build on the past decade's accomplishments and make the organisational changes that will sustain our network through the years ahead.

Making structural changes

After a comprehensive review of the future needs of PwC and our clients, our firms around the world recently approved a new internal structure. This has created three major clusters of PwC firms—East, Central, and West—led by the senior partner of the leading national firm in each cluster, namely, China, the United Kingdom, and the United States.

At the same time, we have made changes to the leadership of the PwC global network. The network is now led by a new leadership team comprising myself as Chairman and CEO; Silas Yang, senior partner of PwC China; Ian Powell, senior partner of PwC UK; Dennis Nally, senior partner of PwC US, and Hans Wagener, senior partner of PwC Germany. Additionally, the standards each PwC member firm is obliged to follow have been updated and expanded to reflect the increasingly global nature of our services and the need for worldwide consistency across an ever-widening range of areas.

These changes build on our ten years of growth and reflect the increasingly connected global world in which our clients operate, and expect us to operate. Agility and speed are crucial to our clients'—and our own—future success. Our new structure will improve the integrated services we offer and more closely align our strategy around the world. At the same time, the changes we have implemented are rooted firmly in PwC's partnership culture. While all of our firms across the world will be more closely aligned and more responsive, they will continue to be locally owned and managed. This will preserve the entrepreneurial partnership culture that is the foundation of their success. The new structure will provide our people with an even broader range of career opportunities, along with the geographic mobility needed to maintain PwC's status as one of the most attractive organisations in which to build a career. And that broad international experience, combined with the deep industry knowledge, motivation, and passion of our people, is the key to delivering best-in-class client service.

We are making these changes for the most fundamental of reasons: to ensure that our organisation is positioned to provide clients with the distinctive, premier service they expect from our brand. Our clients rightly look to us to provide superb technical expertise wherever in the world they operate. But more than that, they want us to collaborate with them, to be able to see issues from their perspective, and to focus on helping them build value in their organisations. In short, they want us to bring both our heads and our hearts to work. And that is precisely what we do.

Our new structure will improve the integrated services we offer and more closely align our strategy around the world.

28.2 billion

total worldwide revenues in USD for PwC during FY 2008.

Focusing on performance

FY 2008 was another good year of financial performance for the PricewaterhouseCoopers network. Total worldwide revenues continued to rise, although at a somewhat slower rate than before, reflecting the spread of the economic slowdown across the world. Global gross revenues reached 28.2 billion USD, an increase of 8 per cent calculated at constant exchange rates. At variable exchange rates, revenue grew by 14 per cent.

At the local level, revenues remained strong across all major PwC firms, with some, particularly those in emerging economies, posting very impressive returns. Revenues were up 44 per cent in India, 21 per cent in Spain, and 20 per cent in the countries of Central and Eastern Europe. PwC's member firms grew by 23 per cent in China Hong Kong, and by 14 per cent in South America, while the fast-growing Middle East firms increased revenue by 47 per cent. Notably, PwC revenues in Japan grew by 27 per cent as our new member firm there began to make significant inroads into the market. Member firms in the US, the UK, and other mature economies also continued to grow, notwithstanding the challenge of worsening economic conditions.

Business improved in each of our lines of service. Global revenues were up 14 per cent for our Advisory business and 13 per cent for Tax. Combined, those two businesses now account for 51 per cent of PwC's global revenues. We expect that percentage will continue to increase over the next few years. Despite the challenging environment, changing regulatory requirements, and the stall in transactional activity brought about by the global credit crunch, our Assurance business also grew, albeit by a more modest 3 per cent. Further detail about our results in this and other lines of service can be found in the "Facts and Figures" section of this Review.

The sustained revenue growth of our member firms during the decade since PwC's formation underlines the wisdom of our merger and ongoing strategy, as well as our ability to attract the highest calibre people and our unfailing commitment to clients. It is a record of which we can be proud.

4 million

in USD was contributed by the PwC community to the United Nations Refugee Agency earlier this year.

Working with our communities

Just as we have worked hard to sustain our business and prepare it for the decades ahead, we have also sought to fulfil our responsibilities to the communities in which we operate. Ian Powell explores the issue of sustainability and its impact on business later in this Review.

We cannot succeed in societies that fail. For PwC, Corporate Responsibility means that wherever we do business, we always operate in the context of the communities within which we live and work. Our commitment to Corporate Responsibility is both broad based and collaborative. As public concern for the environment increases and the gap between rich and poor widens, business, government, and society now increasingly accept that they must work together to address critical challenges. As chairman of the World Business Council for Sustainable Development, I work with the CEOs of over 200 leading global companies to develop approaches that can satisfy expectations of continuing economic growth and development while at the same time meeting pressing social concerns.

At PwC, we have recognised that if we can use our skills and expertise to address societal needs, we can help bring about real and lasting change. To this end, our Global Communities programme operates at a grassroots level in hundreds of communities and provides a vehicle for collaboration across our network.

Earlier this year, rather than celebrate our 10th anniversary with a series of internal events, we decided to do something more meaningful. We contacted the Office of the United Nations High Commissioner for Refugees (UNHCR), who helped us establish a unique programme called the "Power of 10". In the ten days leading up to our anniversary, the PwC community—embracing thousands of partners, staff, and firms in more than 100 countries—contributed over 4 million USD to the UN Refugee Agency to build and operate schools for some 20,000 of Darfur's refugee children. This represents the largest single corporate donation ever made to the UNHCR. The funds raised by PwC will be used to operate schools on a safe, sustainable basis at refugee camps in eastern Chad and will also provide children and teachers with a daily meal. We are committed to remaining connected to this programme and our people will monitor progress and provide assistance where needed.

The "Power of 10" programme will help the children of Darfur maintain their hope for a better life through education. And its success to date demonstrates what the PwC network can accomplish when our people work together. On a broader level, the unique partnership we have forged with UNHCR is evidence of what the public and private sectors can achieve through collaboration. Later in this Review, Silas Yang explores the breadth of PwC's community programmes around the world.

Supporting our people

In a business context, our people remain committed to meeting—and, more often than not, exceeding—the high demands and expectations of our clients around the world. We support that commitment through our continued investment in making PwC a great place to work, as well as by ensuring that our people can enjoy a fulfilling work-life balance. In one example of that spirit, five of our people competed in their chosen sports at the Beijing Olympics with the support of their local firm's leadership. Three of PwC's Olympians carried off medals—gold, silver, and bronze. There is more about PwC's involvement in the Olympics, as well as other matters relating to our people, later in this Review.

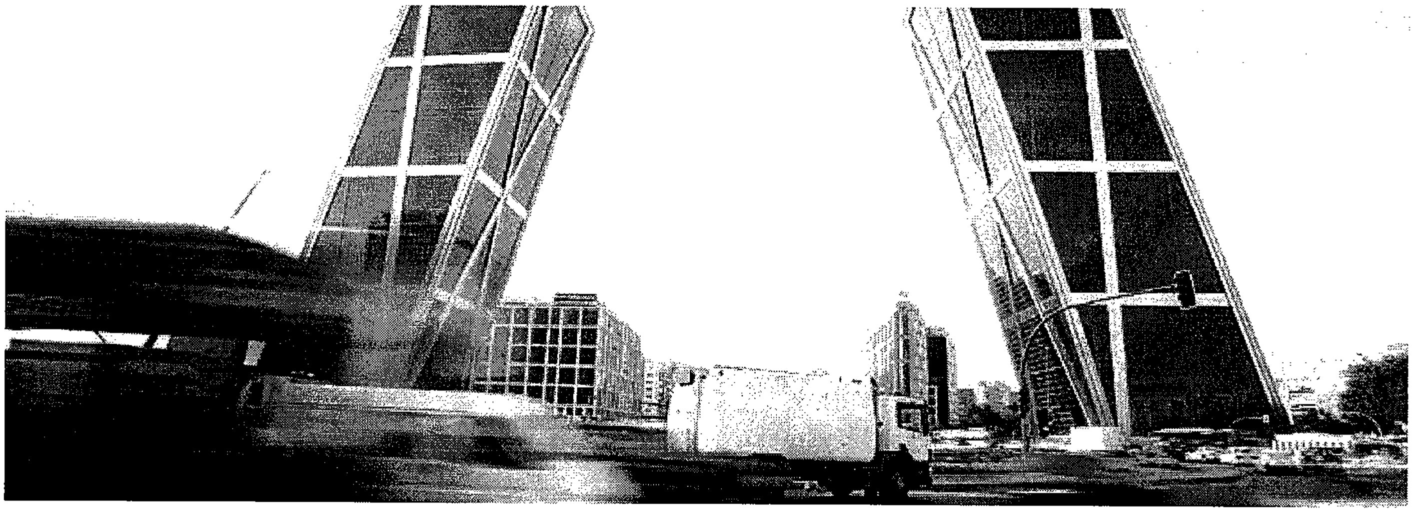
Looking ahead

Throughout the past ten years of challenge and change, PwC has built a strong, successful organisation while demonstrating that we can accomplish great things. Though we cannot predict with certainty what the future will bring, we have actively positioned ourselves to take advantage of whatever opportunities and challenges lie ahead. We have realigned our network so as to provide the best possible client service. We have significantly strengthened the relationships between our member firms. We have taken steps to enhance our profession-leading brand. And we have ensured that we can actively support the professional and personal development of our people, who, on a daily basis, deliver the distinctive PricewaterhouseCoopers experience.

We have accomplished a great deal in ten years. And with this robust foundation in place, I believe we are well prepared to sustain our position as the world's leading professional services firm in the decades ahead.

Samuel A DiPiazza Jr
31 October 2008

Throughout the past ten years of challenge and change, PwC has built a strong, successful organisation while demonstrating that we can accomplish great things.



Control. The sub-prime mortgage crisis and ensuing worldwide "credit crunch" have reinforced the importance of checks and balances, controls, and governance procedures.

Assurance in a time of change

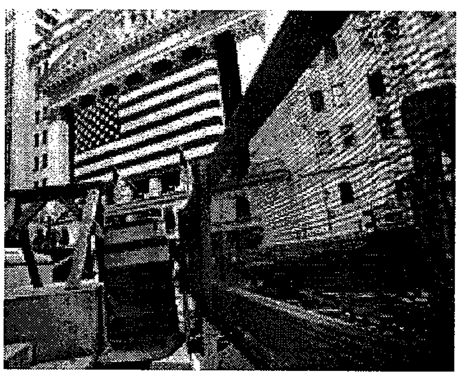
Article by Dennis Nally, Chairman and Senior Partner of PricewaterhouseCoopers US. Dennis Nally was elected to this position in 2002. Prior to that he served as managing partner of PwC US and Audit and Business Advisory Services leader for the Americas. He joined PwC in 1974 and became a partner in the US firm in 1985.

Throughout economic cycles, quality is the bedrock of our assurance practice. And in times of economic uncertainty, confidence in quality matters more than ever.

In recent months, several factors—including today's complex and interrelated business environment, the sub-prime mortgage crisis and the ensuing global "credit crunch"—have combined to put the global financial system under severe strain. In doing so, these factors have reinforced the importance of effective checks and balances, controls, and governance procedures, necessary for the global banking system and capital markets to continue to operate in an orderly manner. Current economic uncertainty also underlines the value of high-quality audits, reflecting the pivotal role of audit firms in ensuring that crucial components of the system are working and reporting properly.

But as well as reaffirming auditors' importance, the downturn has also raised significant challenges for them. Delivering high quality in an uncertain economic environment can be a tough task for any auditor—and PricewaterhouseCoopers is no exception. We have had to make some difficult judgment calls, and the current volatility in the financial markets presents us with significant challenges. However, our professionals have the experience needed to meet and overcome those challenges by applying their objectivity and expertise.

At PwC we recognise that while Fair Value may not be perfect, it remains the best available method for the financial instruments to which it is currently applied.



In all of our audits, our ability to comply with auditing, accounting, and professional standards is a given—merely the expected performance baseline for everything we do. On top of this, we have to demonstrate high quality and add value in other ways—for example, by providing more than an opinion, and by drawing on our deep technical and industry expertise to carry out incisive, challenging audits and identify current and future risks that individual businesses face.

Financial reporting in context

A further effect of the credit crunch has been to highlight the importance of key stakeholders understanding the dynamics of the modern banking and capital markets system, including the role played by financial reporting. At root, financial reporting provides a mechanism for communicating historical business performance in accordance with accepted accounting and reporting standards. That performance is portrayed through a mixture of financial data and management commentary, a combination intended to provide comparable data as well as the bigger picture—a view of the wider context within which the business operates and of the risks it faces. The current reporting model does suffer from some limitations—financial reporting and associated corporate reporting are not perfect sciences—but it would be unrealistic to expect otherwise.

One aspect of the accounting system that is currently stimulating much lively debate is the use of Fair Value accounting. How can you arrive at Fair Value given the volatility triggered by a

crisis? Do market crises mean that market value is no longer Fair Value? These are the types of questions currently being posed—not only among financial reporting professionals, but also across the wider business community.

At PwC we recognise that while Fair Value may not be perfect, it remains the best available method for valuing the financial instruments to which it is currently applied. Fair Value makes the impact of market forces on financial performance more transparent—a benefit that investors appreciate. Although the credit crisis may have highlighted certain limitations of Fair Value reporting, it has also confirmed its advantages.

Sounding the warning bells

The impact of the credit crunch has been felt far beyond the global banking system, as the deep sense of insecurity in banking and financial services depresses the performance and outlook of other commercial and industrial sectors. At the same time, reductions in debt levels have resulted in sharp falls in the degree of leverage in many countries—and in some countries, declining economic indicators are sounding warning bells over potential impending recession. Businesses are feeling the impact in the shape of mounting pressure on cash flows, with rising numbers facing the very real prospect of insolvency.

As more players in the wider economy start to struggle, and as questions of 'going concern' become more frequent, more judgment calls will have to be made. Can we be completely sure that these decisions will be soundly based? When the audit is put to the test, will it prove to be the valued source of assurance that we firmly believe it to be?

We are absolutely confident that we can—and will—make such calls and get them right. There is a belief around the world that changes to the auditing profession in recent years have had a positive impact on the quality of work being done. We believe this view is justified. The profession is—and can be seen to be—in a more robust state than ever before to deal with the major challenges it faces.

Understanding context and risk To provide effective audit assurance, auditors need to help the users of accounts understand the context of reported financial results—which increasingly means understanding the risks faced by a business and the business's approach to managing risks. Fair Values, for example, are affected by risk, since markets adjust their pricing of assets to reflect their perception of the associated risks.

The financial instruments disclosures standard IFRS 7 requires companies to discuss related risks and their management of them. However, volumes of disclosure that appear to meet the letter of the Standard can potentially mask the real truth behind the detail. PricewaterhouseCoopers audit professionals work with companies to help make companies' reporting as clear as possible, so that users of companies' accounts can see and understand the bigger picture and the true risk position.

If regulatory change is to be made, it is vital that it be done in a considered way.

Audit: a valued source of reassurance

Given the advent of the current downturn, the profession's state of readiness is very good news. The independent professional audit remains an essential source of reassurance for investors. By providing a balanced, objective opinion on financial statements, auditors help build trust between companies and their stakeholders, including investors.

This trust depends on more than just numbers. Auditing today isn't only about compliance or merely following rules. It is about comprehensive and well-informed assessment of risk, based on a thorough understanding of an audit client's business, marketplace, and controls environment. And it requires the application of judgment and insight, drawing on both technical knowledge and commercial experience. Technology is an increasingly useful tool for collating, analysing, and benchmarking data, bringing the potential both to spot anomalies in accounts and to identify potential areas where business performance could be improved.

Above all, an audit represents much more than the final opinion based on it; it is actually an ongoing interaction between auditor and management. Who could be a better sounding board for the chief executive, chief financial officer, or

Consistency. The success of IFRS depends on each country adopting the standards in full, without 'cherry-picking' to suit national preferences.

audit committee chairman than the audit engagement leader? Audit professionals bring insights gained from working with many businesses across a diverse range of sectors, enabling them to place a specific business and its unique set of challenges in the context of the wider economic environment. This in turn enables auditors to provide a robust challenge for management—and, if management is savvy, they appreciate that such challenges help enhance the long-term strength of their businesses.

As both parties strive to realise these benefits, a critical success factor is the quality of dialogue between auditor and client, something that ultimately depends on the quality of people the audit profession can attract and retain. Talented individuals will continue to choose a career path in assurance, so long as they can see clear opportunities for personal and professional development—including the chance to test themselves in today's challenging commercial climate. They also want to operate in a principles-based environment, where they can apply their judgment in ways that add real value for clients rather than being restricted to delivering prescriptive compliance.

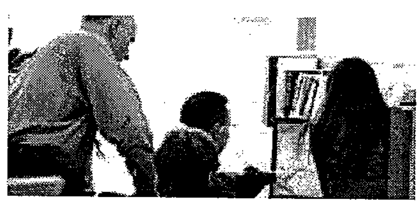
Changing world order

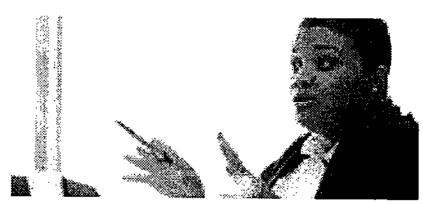
Looking forward, the challenges faced by the auditing profession will continue to escalate—not least because of the ongoing profound change in the world order, including potential financial regulation. Inevitably, like the corporate collapses of the early 2000s, the credit crunch will trigger a further wave of new and tighter regulatory requirements. However, if regulatory change is to be made, we believe it is vital that it be done in a considered way, and involve real thought and engagement with those who will have to make the new system work. Furthermore, the positive impact of this change would be even greater if we could seize the opportunity to sweep away all the baggage from the past and simplify and streamline existing regulation.

In the accounting and financial reporting arena, ongoing regulatory change has also manifested itself in the continuing adoption of International Financial Reporting Standards around the world. Already firmly established in Europe and Australasia, the standards are set to be adopted by further jurisdictions, including India, Japan, Canada, Brazil, and Korea by 2011. The US is moving in a similar direction, with the Securities and Exchange Commission having recently published its proposed road-map for mandatory IFRS adoption.

Global usage of a single, universally understood accounting language represents a major step forward for transparency, enabling investors to compare companies' performances more readily regardless of their regulatory jurisdiction. However, the success of IFRS in this respect depends on each country adopting the standards in full, without 'cherry-picking' the rules to suit its own national preferences and interests.

PwC moved early to recognise the importance of consistent IFRS adoption by creating Global Accounting Consulting Services (ACS). Based around a small central team in London and drawing on accounting experts from the many countries where IFRS is being adopted, Global ACS strengthens PwC's ability to deliver consistent technical advice anywhere it is needed around the world. This provides a highly responsive integrated





Audit professionals bring insights gained from working with business across a diverse range of sectors.

network within which the interpretation of international accounting standards is determined and urgent client needs are met. The result is high-quality accounting advice founded on consistent global interpretation—an offering that both supports and mirrors the twin goals of a single, international accounting language and cross-border transparency of corporate reporting to investors.

The structure of Global ACS enables a vast array of expertise and experience to be shared between technical experts and the actual preparers of accounts—engagement partners working directly with clients. It also facilitates the gathering of valuable insights for international standard setters, who may not always have up-to-date, first-hand knowledge of the complex structures and transactions used in today's organisations.

A further facet of the changing world order is the continued higher growth of emerging economies. What does this trend mean for global markets as a whole? One key effect of the rise of new commercial and economic powerhouses is to focus attention on the sustainability of traditional resource usage in developed economies. This attention now encompasses the security of some supplies previously taken for granted, such as energy and food. These concerns over sustainability are beginning to have an impact on our mainstream assurance business by changing the risk profiles of industries and the valuations placed on businesses.

A parallel trend in both developed and emerging economies is that serious questions are being raised about the traditional assumptions about the information needed to run businesses, about the scope and content of external reporting, and about the value that can be provided by the auditing profession. These questions have created a need to enhance the systems for gathering data and providing meaningful information, as well as the associated controls and governance structures.

Assurance beyond financial reporting Investors and management could gain significant reassurance from objective assessments of many factors directly affecting future performance, such as the potential impact of a corporate merger or the progress of a major IT systems implementation. Could a new business model have a transformational effect on operational results? What issues need to be considered before deciding to outsource or offshore a business function?

Assurance can take many forms, and the formal audit opinion is just one of them. Companies and their stakeholders appreciate benchmark data, diagnostic reports, and professional insights, all of which provide them with the means to interpret the business and its performance in a constantly changing environment.

Confident. We remain extremely optimistic about the future role of assurance and the value it adds for companies and their stakeholders.

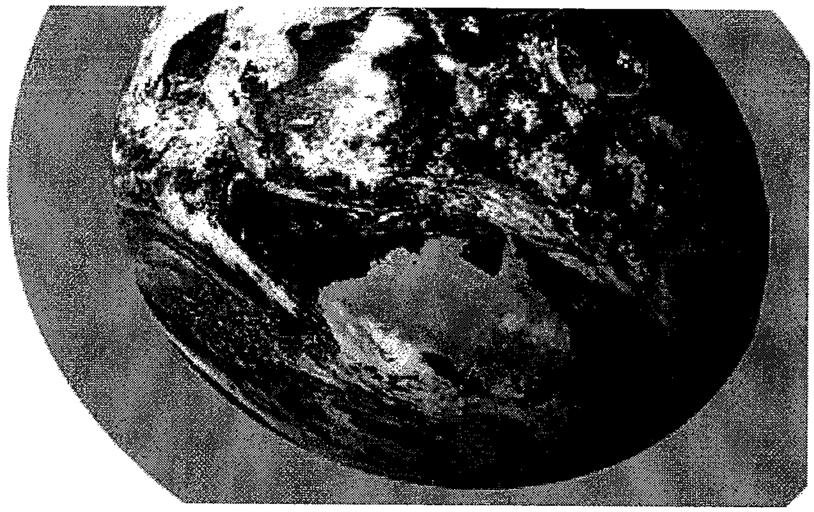
A broader assurance role

As assurance providers, our role clearly extends beyond 'pure' financial reporting and regulatory audit. Business leaders, shareholders, and other stakeholders are becoming more and more aware of and concerned about sustainability—the impact that shortages in key resources, whether energy, water, raw materials, or people, could have on business operations. They are also increasingly interested in the reporting of an organisation's impact on the environment around it, including such aspects as climate change, fair trade, labour rights, and community involvement.

Reports on such topics may involve the inclusion of non-financial key performance indicators. To make these indicators credible and to encourage readers to rely on them, they warrant objective external assessment. So the traditional skills of the auditor have real value here. By applying our professional expertise to broader, non-financial types of assurance engagement, PwC can help management enhance organisational performance and provide investors and other stakeholders with the types of relevant and reliable information they seek.

A future of new opportunities

Change can sometimes be challenging, but it is invariably stimulating, encouraging creative thinking and new ways of looking at the world, at business, and at assurance. The past year has been a challenging period for both PwC and many of our clients. Nevertheless, the experience of the past 12 months has given us good cause to remain extremely optimistic about the future role of assurance and the value it adds for companies and their stakeholders.



Big. The sheer scale of the sustainability challenge has moved it to the top of the corporate agenda and into every function and business unit.

Sustainability: A perfect storm for change

Article by Ian Powell, Chairman and Senior Partner of PricewaterhouseCoopers UK. Ian Powell was elected to this position in July 2008. Prior to that he served as head of PwC UK's Advisory business. He joined PwC in 1977 and became a partner in the UK firm in 1991.

The way executives think—and the way businesses operate—is being fundamentally reshaped by a concept that entered the public consciousness just a few years ago: *Sustainability.* At its most basic level, sustainability is the process of improving the quality of life for all people while living within our planet's environmental limits.

The sheer scale of the sustainability challenge—which ranges from international efforts to reverse the current trajectory of carbon emissions to transforming the way we live, govern, and do business in a resource constrained world—has moved sustainability to the top of the corporate agenda and into every function and business unit. External reporting requirements along with internal financial and strategic objectives have driven environmental and social performance issues out of their traditional corporate silos.

At the same time, sustainability issues are higher on the consumer agenda than ever before. According to a recent study commissioned by PwC in the UK to measure consumer awareness and concern about sustainability, more than 60 per cent of respondents indicated that sustainability issues such as climate change, poverty, and food and water shortages were the most important issues facing the world. In addition, the explosion of media coverage along with consumers feeling the impact of sharply higher prices for food, fuel, and utilities have served to raise awareness.

Forward-looking executives recognise that addressing the sustainability challenge is not simply an act of altruism or clever public relations.

This awareness and concern is motivating action and changing behaviour, particularly in regard to purchasing habits. Consumers are increasingly buying more sustainable products and would buy even more but are put off by the price premium associated with sustainable goods, by confusion about the social and environmental trade-offs of buying sustainable products, and by the lack of availability of sustainable alternatives.

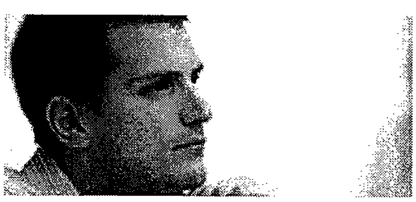
Forward-looking executives recognise that addressing the sustainability challenge is not simply an act of altruism or clever public relations. Rather, they understand that the future commercial viability of their businesses may depend on how well they understand and respond to sustainability's many challenges. In fact, 53 per cent of executives surveyed by the Economist Intelligence Unit report that sustainability policies are in place and are overseen by the CEO of their organisation or the board of directors. The business case for investing in sustainable business models is becoming increasingly clear to all organisations and not just to those operating in green niches.

Internal implications

In an age of rising commodity and raw materials costs, it is economically viable to act. The commercial logic for assessing and minimising energy, carbon, water, and commodity usage is simple: using fewer materials costs less. Underlying structural changes in the world economy—such as continued growth in the economies of Brazil, Russia, India, and China—mean competition for resources is intensifying, and resource scarcity is likely to become a greater issue in the future.

Leading companies are taking action now to reduce the levels of resources they use and invest in technology that can reduce energy consumption and emit less hazardous—and potentially taxable—emissions. What's more, as costs continue to rise, the payback period for such capital investment is reduced. The best organisations are

The economic case for sustainability From both cost and revenue perspectives, it's evident that being sustainable pays. The era of cheap and readily available raw materials and energy has gone. Physical supplies are running out faster than previously predicted, competition for remaining resources is intensifying, and in the medium term, we are likely to see changing weather patterns leading to volatile output levels. In addition, the regulatory burden has increased and is likely to continue. Organisations that predict and react to this regulatory environment will benefit and in some cases, will be able to shape regulations to their advantage and to the detriment of competitors.



60%

is the percentage of respondents in a recent study by PwC in the UK who indicated that sustainability issues were the most important issues facing the world.

investigating which technology investments can reduce their cost and their regulatory exposure. Truly pioneering companies are adopting innovative solutions to secure the quantity and quality of materials they need to manufacture and operate. From a supply chain perspective, this has resulted in organisations forging better links with farmers, growers, non-governmental organisations, and other external certification bodies.

Producers and retailers that are investing directly in suppliers and farmers are finding real strategic advantage. This collaborative model delivers the continuity and consistency of supply that are essential to meet the commercial needs of a business. In addition, it brings real benefits to farmers and producers and enhances corporate reputation. This model is as relevant to relationships with farmers in the developed world as it is to developing-world suppliers.

Successful organisations also incorporate sustainability into their human resource strategies. Acting in a sustainable way is key to recruiting, retaining, and developing staff. Historically, this has been most applicable to knowledge-based industries such as financial and professional services. However, retailers and consumer goods companies are now using their sustainability credentials to attract and motivate staff across all functions. Being green helps you get, and hold on to, the best talent.

Green. Heightened awareness of ethical and environmental issues has irreversibly changed consumer perceptions of brands and products.

External implications

In the face of increasing competition and consumer interest, retailers and consumer goods companies are using sustainability to support their brand and develop range and price propositions that generate competitive advantage. From both retail and consumer goods perspectives, what is clear is that greenwashing no longer works. Consumers are smarter, better informed, and more discerning. In today's tighter economic climate, consumers want to understand why a price premium exists, so they can make an educated choice on which products best fit their emotional, ethical, and functional needs.

From a consumer goods perspective, sustainability has consequences for product formulation, innovation, and portfolio composition, in addition to branding. Heightened awareness of ethical and environmental issues has irreversibly changed consumer perceptions of brands and products. Typically,

Consumer goods companies are finding legitimate commercial

Change. The drive for sustainable brands and product portfolios has resulted in new entrants but has also driven increased merger, acquisition, and disposal activity.

more packaging, more-powerful ingredients, and more flavour variants have equated to a "better" product. With higher raw material costs and with retailers increasingly selecting products for their green attributes, consumer goods companies are finding legitimate commercial advantages to modifying existing products and creating new ones.

For example, concentrated laundry products use less packaging and raw materials, take up less shelf space, and are easier for consumers to carry.

This win-win situation illustrates how sustainability is driving change across the production, retail, and consumption stages of the value chain and how a category can fundamentally change in a short period of time.

The drive for sustainable brands and product portfolios has resulted in new entrants but has also driven increased merger, acquisition, and disposal activity. Unilever and Ben & Jerry's, PepsiCo and PJ's, Cadbury's and Green & Blacks, and Danone and Stoneyfield Farm are all examples of recent transactions where sustainability has been one of the key drivers of the acquisition. In each case, the acquirer was seeking to either engender a particular category with social, environmental, or ethical attributes or integrate operational capabilities into its existing business. This will likely continue as established players jostle with each other to ensure their product and brand portfolios are relevant to future consumer tastes and demands. Organisations that develop a unique position will continue to prosper.

What is clear is that there is competitive advantage to be gained from looking at internal and external strategy through a sustainability lens. However, it is unwise to just focus on external factors, such as brand. Consumers will not tolerate companies that make platitudes to sustainability, and such actions may well be harmful. Companies that want to succeed commercially must approach sustainability strategically and with conviction, determination, and transparency.

advantages to modifying existing products and creating new ones.

PwC: Part of the sustainability solution With more than a decade of sustainability experience and over 700 global sustainability practitioners, PwC is playing a leading role helping businesses and governments face the challenges—and opportunities—created by the sustainability agenda. The complexity and commercial implications of sustainability require not only the skills and expertise of our sustainability experts but also the breadth and depth of PwC's global network: economists, tax advisors, supply chain experts, strategists, due diligence teams, auditors, change management leaders, and sector experts. In addition to our client services, we play an active role in many of the world's leading organisations working toward solutions—among them, the World Business Council for Sustainable Development.

Where next?

The majority of retail and consumer goods businesses have developed some form of response to the issues of sustainability. The minimum requirement today is to deliver compliance and risk management. However, responses are becoming more sophisticated and have begun to address the issues on a tactical basis to deliver cost reduction or optimise resource use.

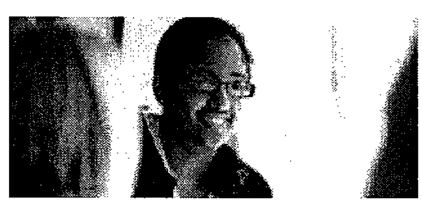
Further opportunity lies in strategically using sustainability as a source of defendable competitive advantage. Brand value, customer and employee loyalty, higher top-line and margin growth, cost savings, and supply advantages may be some of the potential benefits.

The pace of change is accelerating as a better understanding of the issues and of ways to extract value from sustainability strategies develops. In addition, regulation is forcing action. The minimum requirement today will move rapidly, and the bar is being raised. It is better to lead this development than to risk being left behind as others—including regulators and consumers—set the pace.

The forces converging on consumer and retail businesses are, in combination, extremely powerful. Their confluence is creating a perfect storm that cannot be ignored. The emerging combination of consumer empowerment and awareness, pressure on resources, and government action are set to transform the retail and consumer environments.

This is not an issue that is going to disappear. Like the growth of online retail, it is a game-changing trend. The leaders are making market interventions and decisions that have consequences for all.

Consumers as catalysts: The long-standing perception that sustainability attributes have to raise cost may ultimately be true for some products that are more costly to produce. However, environmentally friendly attributes such as low carbon, reduced packaging, less waste, and reduced resource use should actually reduce cost. This will change the sustainability price equation. As consumer awareness of this increases, sustainable products could become the more affordable alternatives.



Retailers as catalysts: Competition among retailers adds to the pressure wave. We have seen tactical responses, but there remains an opportunity for a consumer champion to bring sustainability into the mainstream. Satisfying demand and removing barriers require leveraging scale: creating the market by encouraging suppliers to develop more sustainable products, reducing price premiums, and allocating greater shelf space and promotion spend. This is not just about addressing price, accessibility, and availability. Although these are significant challenges, credibility and trust need to be established to enable better communication of sustainability messages.

Producers as catalysts: The role as innovator to create supply and build availability is crucial. Greening of long-established and powerful brands presents a number of major challenges. However, the opportunity for innovation and new products in this space is high.

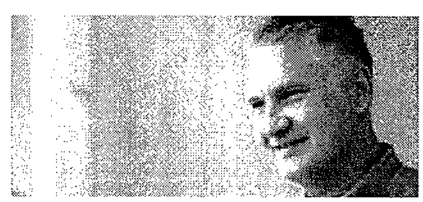
There has been significant growth in numerous categories driven by new entrants. While many of these remain niche, momentum is building and private label/store brand development has been growing. We are witnessing success stories from established operators acquiring and developing 'sustainable from birth' brands.

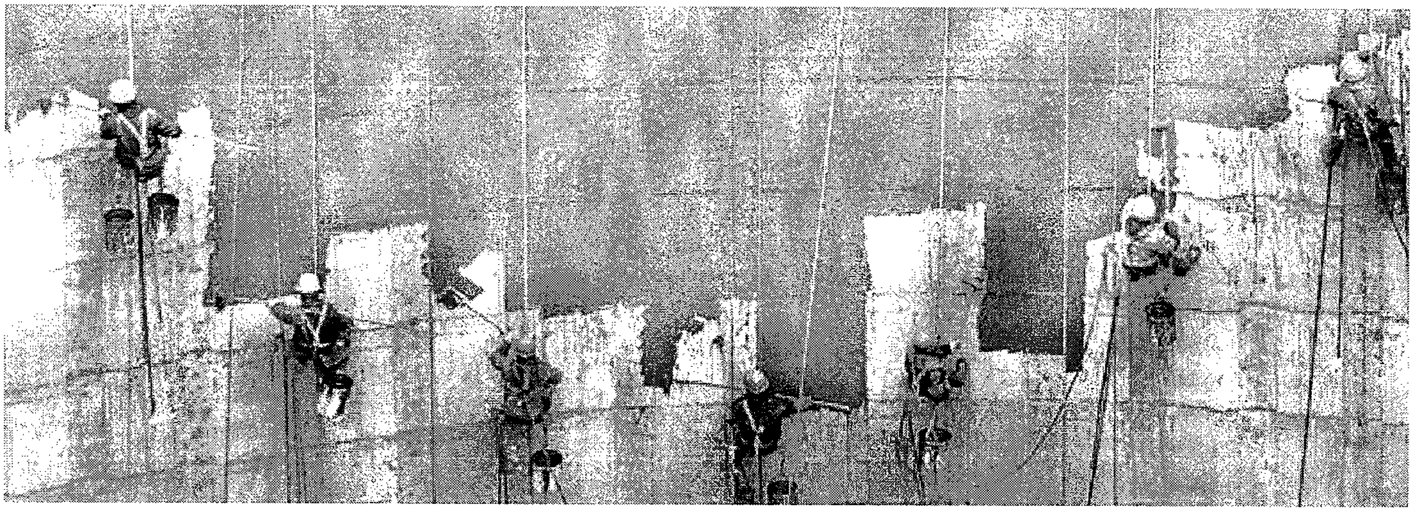
Suppliers also have a role in creating greater trust and understanding among the mainstream. Leading brands have the power to change and influence behaviours.

Regulators as catalysts: Governments are influencing sustainable consumption by using tax and regulation, incentivising the good and penalising the bad. This is not just about waste and land-fill taxes or carbon emission legislation. Protectionism in the face of scarcity and potential changes in international trade instruments (duty and import agreements) have implications for continuity and cost of supply.

Regardless of market position or scepticism of the science, consumer awareness, competitor action, resource scarcity, and regulation changes mean all organisations need to develop strategic responses to sustainability issues. It is essential that credible and transparent sustainable solutions be developed and embedded in the strategic decision-making process. Sustainability is now a business imperative.

Further opportunity lies in strategically using sustainability as a source of defendable competitive advantage.





Commitment. Many people today believe business has a positive responsibility to operate in ways that benefit society and foster its well-being.

Corporate responsibility: PwC in the wider world

Article by Silas SS Yang, Chairman of the regional Asia Board of PricewaterhouseCoopers. Silas Yang was elected senior partner of PwC's Hong Kong firm in 2001 and the following year became chairman and senior partner of PwC China and Hong Kong. He joined PwC in 1983 and became a partner in the Hong Kong firm in 1989.

No organisation should pursue commercial success at the expense of the community or wider society in which it operates. But there is a rising groundswell of opinion that the private sector's obligations go beyond avoiding doing harm—or even being willing to do good deeds every now and then. Indeed, many people today believe business has a positive responsibility to operate in ways that benefit society and foster its well-being on a sustained and sustainable basis.

This point of view has been expressed under various banners including "triple bottom line," "sustainable business", or simply "corporate responsibility". But whatever term is used, the underlying concept is here to stay. Companies around the world now speak of the business case for corporate responsibility, recognising that it is good for business, and are voicing their intention and increasingly taking concrete action to integrate corporate responsibility into everything they do.

What does corporate responsibility actually encompass?

In practice, corporate responsibilty (CR) often embraces ambitions that are both grand and modest—everything from carbon neutrality to employee appreciation days. Clearly, CR's meaning and scope are still evolving. But it is fair to say that in its fullest sense, CR requires a level of commitment that goes well beyond agreeing to paint a school