

Print

# 2011 *Transparency Report*

September 2011

**pwc**

PwC<sup>(1)</sup> Luxembourg is a member firm of PwC International Limited (“PwC IL”). The PwC network is the largest global professional services network with more than 175,000 people working in 154 countries. PwC is the brand under which each member firm operates and provides services. All PwC member firms are separate legal entities which deliver their services locally and internationally without engaging in any way PwC IL’s responsibility or liability.

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<sup>1</sup> “PwC” is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.

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## Introduction

### Luxembourg, September 2011

Welcome to the PwC Luxembourg<sup>2</sup> Transparency Report of activities for the year ended June 30, 2011 (“2011”) which has been drafted and made public in accordance with article 73 of the Law of 18 December 2009 on the audit profession transposing into Luxembourg laws the 8<sup>th</sup> Directive on statutory audits of annual accounts and consolidated accounts adopted by the European Union in 2006, which prescribes that certain information on our legal structure, independence and quality assurance has to be made publicly available.

We fully support the Law’s requirements for greater transparency.

*The Management Board*

## PwC Luxembourg

At PwC Luxembourg we are very much aware of the position of trust that we are granted by our clients and the market and we have implemented structures and standards to ensure the ongoing independence and integrity of all our people in all of our activities and at all levels of the firm, and also as how we interact with other firms in the PwC international network.

PricewaterhouseCoopers S.à r.l. (“PwC Luxembourg” or “the firm”) is a limited liability company by shares incorporated under Luxembourg law and is registered with the Luxembourg Trade and Companies Register under number B 65477 with a capital of EUR 516,950 and a total of shareholders’ equity of EUR 12,196,240 at 30 June 2011. It is owned by individuals practicing audit, tax or consulting in Luxembourg and by Luxfide S.à r.l., a limited liability company by shares incorporated under Luxembourg law and also registered as auditor (“cabinet de revision agréé”). Luxfide is exclusively owned by shareholders who are all individuals practicing audit, tax or consulting in Luxembourg. PwC Luxembourg is itself registered as auditor (and is a “cabinet de révision agréé”) as per the Law of 18 December 2009 on the audit profession. The majority of PwC Luxembourg’s shareholders are registered auditors (“réviseurs d’entreprises agréés”) and members of the IRE (Institut des Réviseurs d’Entreprises). The majority of the shareholders are also registered accountants (“experts-comptables”) and members of the OEC (Ordre des Experts Comptables).

The firm is also registered with the PCAOB (the Public Company Accounting Oversight Board) and with the JFSA (the Japan Financial Services Authority).

PwC Luxembourg has three fully owned subsidiaries which are PwC ACADEMY S.à r.l., PwC’s Accelerator and PwC TASC S.à r.l.

## The PwC Global Network

PwC Luxembourg is a member of the PricewaterhouseCoopers global network of separate and independent member firms operating locally in countries around the world. The member firms are linked together exclusively through membership in PricewaterhouseCoopers International Limited (PwCIL), a UK membership-based company. By joining PwC International, and becoming part of the PricewaterhouseCoopers global network, a member firm obtains the right to use the PricewaterhouseCoopers name and gains access to the common resources, methodologies, knowledge and expertise shared among the member firms. Each member firm also agrees to abide by PwC International’s common standards and policies. Each PricewaterhouseCoopers member firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and independence issues.

By working together, the PwC member firms form a robust and dynamic worldwide network. Hence, together we are able to serve a broad range of clients: from large, publicly-listed multinationals to small, private, domestic companies.

The PwC global network covers 154 countries and 757 cities with a total strength of more than 175,000 people.

The structure of the PwC network gives its member firms additional strengths: a deep understanding of local markets; the sense of individual responsibility and initiative that comes from having a stake in the practice and the ability to serve global clients with the same highest quality in standards wherever they operate.

PwCIL does not provide services to clients and no member firm acts as its agent. Its primary activities are to: identify broad market opportunities and develop associated strategies, strengthen PwC’s internal products, skills, and knowledge

networks, promote the PwC brand, and develop and work for the consistent application of common risk and quality standards by member firms, including compliance with independence processes. PwC International has no right or ability to control any member firm’s exercise of professional judgment. PwC International does not have any liability for the acts or omissions of any member firm.

<sup>2</sup> PricewaterhouseCoopers S.à r.l. a Luxembourg company

*Together we are able to serve a broad range of clients: from large, publicly-listed multinationals to small, private, domestic companies.*

## Governance

PwC Luxembourg is governed by a Management Board (“Conseil de Gérance”) having the overall responsibility for the strategic, business, operational and financial management of the firm. The Management Board members are appointed by the shareholders meeting and the Management Board is composed of a majority of registered auditors. It sets and communicates its strategic priorities, which cascade into the firm’s business planning process. The contribution of each part of the firm is monitored through scorecard reporting. The Management Board also takes overall responsibility for the systems of internal control (which include controls relating to quality) and for reviewing and evaluating their effectiveness.

It is headed by a Managing Partner who is, as well as the members of the Board, elected every four years by the shareholders. Members of the Management Board for the period covered by this report are: Didier Mouget, Managing Partner, Pascal Rakovsky, Deputy Managing Partner, Rima Adas, Luc Henzig, Jean-François Kroonen, Valérie Piastrelli, Wim Piot and Marc Saluzzi.

The external auditor auditing PwC Luxembourg’s financial statements is BDO, a registered Luxembourg audit firm.

We also have an oversight body (The Supervisory Board) which is responsible for considering, reviewing and giving guidance on those matters that are, or may potentially be, of concern to the partners or the firm. The Supervisory Board provides the Managing Partner with guidance on matters of actual or potential concern to the partners and has an advisory role. Its members are elected, among and by the partners, for a term of four years.

PwC Luxembourg has adopted detailed policies and related rules regarding business conduct and ethics which are in compliance with all applicable professional standards. It strictly monitors compliance with all regulatory, professional and internal independence requirements related to financial interests, business and service relationships with clients and asks for annual confirmation of this from all relevant staff.

In addition, all staff hired by PwC Luxembourg is provided with the PwC Code of Conduct and is expected to live by the values expressed therein throughout the course of their professional careers. Annual written confirmation of this is required from each staff member in the firm.

*PwC Luxembourg has adopted detailed policies and related rules regarding business conduct and ethics which are in compliance with all applicable professional standards.*

*All staff hired by PwC Luxembourg is provided with the PwC Code of Conduct and is expected to live by the values expressed therein throughout the course of their professional careers.*

## Commitment to audit quality

Quality assurance is a constant priority at PwC Luxembourg.

We are committed to assuring the highest standards of quality at all times; from our client acceptance process right through to the execution and completion of our audit work. Prior to accepting a client mandate we carry out a rigorous vetting procedure to ensure that we only work with reputable companies or family businesses. This process asks questions about how the business is run and looks into topics like beneficial ownership and compliance with anti-money laundering legislation.

### Quality control system

Compliance with International Standards on Auditing ('ISA') requires the firm to have a system of quality control over its audit practice. These controls are embedded as part of the firm's day-to-day activities. The quality control system is in compliance with International Standard on Quality Control 1 (ISQC1)<sup>3</sup>, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, issued by the International Federation of Accountants (IFAC). The IFAC standards and requirements and, therefore, the firm's quality control system, encompass several elements of quality control.

The ISQC1 sets standards and provides guidance for firms that perform audits and reviews of historical financial information and other assurance related services engagements. Based on these standards, firms establish a quality control system that provides them with "assurance that the firm and its personnel comply with professional standards, regulatory and legal requirements, and that reports issued by the firm or engagement partners are appropriate in the circumstances."

### Audit methodology

The firm uses a consistent audit methodology and process for audit engagements in compliance with ISA. The methodology is enhanced as necessary to respond to the changing environment. All audit engagement partners and staff receive ongoing training in this methodology. To complement the Global policies and procedures, the firm has comprehensive policies and procedures governing our audit practice that are constantly updated to reflect new professional developments and our operating environment, and to address emerging issues, as well as the needs and concerns of the practice. These policies cover not only professional and regulatory standards, but also reflect the guidance that we provide to our professionals about how best to implement them. They are available in electronic files and databases, are regularly updated or supplemented for all current developments and are accessible to our people remotely at any time.

### Consultation

Consultation is a key element to quality control. The firm has formal protocols setting out the circumstances under which consultation is mandatory. The firm is supported by technical experts who track new developments in accounting, auditing, tax, regulatory and other relevant areas and provide updates to the appropriate professional staff. Our consultative culture means that our engagement teams will regularly consult with experts and others beyond those that are formally required.

### Quality reviews

The work of PwC Luxembourg itself is subject to regular reviews. In our case these come from several sources: our own

internal review, the PwC global network's quality review, the CSSF<sup>4</sup> review as public supervisory authority for the Luxembourg audit profession and the Luxembourg IRE<sup>5</sup> review.

Via the PwC global network's quality review, one third of audit partners' work is reviewed every year by other audit practices in the PwC international network. In addition to this, at PwC Luxembourg we also perform internal reviews each year of the audit work of those partners who have fallen outside the scope of the global network's quality review.

Our last assurance quality reviews date back to July 2011 (ISQC1 - Network review), July 2011 (Network engagements review) to Winter 2010 (IRE Review) and to September 2011 onwards (CSSF review).

As stated by our Management Board "Quality assurance is, and will continue to be, embedded into our firm's structures, reviews, processes, management and organisation and we confirm the effectiveness and functioning of our internal quality control processes".

Our Audit Management Team has set up policies to be sure that we meet the requirements of all of the standards and reviews mentioned before; procedures to be certain of our compliance with policies; key controls to make sure that procedures are being followed; ongoing monitoring to ensure that these key controls remain effective and management reporting procedures that check that the entire quality control system is functioning properly.

<sup>3</sup> International Standard on Quality Control

<sup>4</sup> Commission de Surveillance du Secteur Financier

<sup>5</sup> Institut des Réviseurs d'entreprises

*"Quality assurance is, and will continue to be, embedded into our firm's structures, reviews, processes, management and organisation and we confirm the effectiveness and functioning of our internal quality control processes."*

# Independence

## Policies and guidance

The PwC's Global Independence Policy, which is based on the IFAC Code of Ethics and encompasses, where appropriate, the SEC/PCAOB regulations, sets out the minimum standards that should be observed and processes that should be followed in order to maintain independence from PwC's assurance clients. In Luxembourg, we supplement this policy as required by Luxembourg professional bodies and regulations.

The firm's policies and procedures also strictly monitor the scope of services that can be provided to audit clients so that they are consistent with Luxembourg law and other applicable principles. These require the consideration of the threats arising from the provision of non-audit services and the safeguards available to address those threats, thus preventing the provision of non-permitted services to audit clients.

The firm's independence policy is supported by practical guidance and is accessible on our intranet.

Conflicts of interest may prevent the firm from accepting an engagement. Any potential conflict issues identified are resolved in consultation with other parties, and the resolution of all matters is documented. If the engagement is accepted it may be necessary to apply specific procedures to manage the potential for a conflict of interest to arise or be perceived to arise and to ensure that the confidentiality of all clients' affairs is maintained. Such procedures might, for example, include establishing a strict segregation between engagement teams serving different clients in the same industry and making arrangements to monitor the operation of such dividers. If a potential conflict cannot be resolved the engagement is declined.

## Organisation

Several partners are empowered, together with a core team of independence specialists, to help them ensure the firm applies robust and consistent independence policies, procedures and tools.

## Training and confirmations

Annually, all partners and staff receive training on the firm's independence policy and related topics. Also, training is delivered to members of the practice on an as-needs-basis by the firm's independence specialists and risk and quality teams. All partners and staff are required to confirm on joining the firm and at least annually, thereafter, their compliance with all aspects of the firm's independence policy including their own personal independence. In addition, all partners and directors confirm that all non-audit services and business relationships for which they are responsible are in compliance with policy and that the firm's processes have been followed in accepting these engagements and relationships. These confirmations serve two primary purposes: to identify any threats to independence that may have arisen, and as a periodic reminder of the firm's independence policies and procedures.

## Independence Systems

PwC Luxembourg uses a number of global systems to assist us in complying with the firm's independence policies and procedures.

### These systems include:

- The Central Entity Service ('CES'), which contains information about corporate entities including public interest, audit clients and SEC restricted clients and their related securities. CES assists practice staff to determine the independence status of clients of the firm and securities before entering into a new non-audit engagement or business relationship. This system also feeds the Global Portfolio System ('GPS');
- The GPS facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers prior to acquisition and records their subsequent purchases and disposals. Where the firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security; and

- Authorisation for Services ('AFS') is a global system that facilitates the communication between a non-audit services engagement leader and the audit partner, documenting the potential independence threats of the service and proposed safeguards, and acting as a record of the audit partner's conclusion on the acceptability of the service.

PwC Luxembourg also has a number of local systems, which include, for example, a rotation tracking system that monitors compliance with the firm's audit rotation policies for engagement leaders and key partners.

## Monitoring

The firm has a comprehensive monitoring and testing programme, which is managed by a dedicated team and is subject to internal controls. There is also a:

- Central monitoring of independence key performance indicators including quality of AFS, and compliance with required engagement level independence procedures;
- Personal independence audits of a random selection of partners, directors and other staff;
- Annual self-assessment of the firm's adherence with the PwC network's risk management standards.

The results of the firm's monitoring are reported to the Management Board and provide assurance that the firm's policies and processes are being followed. The investigations of any identified violations of policies also serve to identify the need for improvements in the firm's systems and processes, and for additional guidance and training.

An internal review of the effectiveness of our independence is conducted annually, including for the period under review.

## Investing in People – Continuing Education

The firm has created and maintains up-to-date comprehensive online reference databases and materials. These cover all aspects of policies, procedures and methodologies, as well as containing a library of relevant Luxembourg and international accounting, auditing and ethical standards. To support and keep theoretical knowledge up-to-date, all partners and staff receive regular communications on technical and regulatory topics as they arise. We have internal technical alerts and newsletters. A Technical Team provides consultation support on all aspects of auditing, accounting and regulatory requirements. We have subject matter experts in specific industries. The firm's internal training curriculum provides a broad range of technical solutions as well as business and personal skills programs. Specialist industries also operate training programs.

We carefully assess the training needs of our people to be certain of a close match with our business needs and optimum cost efficiency. As a result, most of our training solutions concentrate on reinforcing the technical excellence of our people (accounting standards, risk management and audit methodology for example).

Behavioral skills were also fostered through initiatives such as the Business Culture. The Business Culture was set up to give our people the necessary support to stretch their relationships skills towards their clients and colleagues.

The soft skills curriculum also offers development centers to accelerate the personal growth and professional development of our people.

The firm also monitors compliance with Continuing Professional Development requirements including the completion of mandatory training programmes and ensures that our services are delivered to clients by individuals who have the right experience and – where required – are qualified under relevant legislative and other applicable requirements.

Our Management Board is fully supporting our training programmes and has confirmed that the above organisation and processes are appropriate and comply with all legal and professional standards.

## Financial Information

At PwC Luxembourg our clients are of many shapes and sizes and come from a broad spectrum of activities from the financial sector, including Banking, Asset Management and Insurance to industrial and commercial activities, from large multinationals to small family run enterprises and, of course, the public sector.

### *Our gross revenues by service lines can be broken down as follows:*

	June 2011 (EUR millions)
Statutory Audit	121
Other Assurance Services	25
Other Services	
• Tax	59
• Advisory	57
<b>Total</b>	<b>263</b>

Note: gross revenues are inclusive of expenses billed to clients; some services are mentioned in a different category than in our 2010 Annual Review.

A list of the public interest entities as defined by article 1 (19) of the Law of 18 December 2009 on the audit profession for which we carried out a statutory audit during the year ended 30 June 2011 can be found in the Appendix.

## Partners' remuneration

At PwC Luxembourg, our partners have a remuneration package which is made up of a fixed income amount (salary) and a variable bonus. Each partner is responsible for his or her own pension arrangements. The final amount to be allocated to the individual partners is decided by the Partners' Remuneration Committee (PRC) composed of representatives of both the Management Board and the Supervisory Board.

The PRC assesses partners' performance based on two components: a firm component depending on the results at firm's level and an individual component

depending on the responsibilities and contribution of each partner. Each partner's income is determined by assessing achievements against an individually tailored balanced scorecard of objectives. These objectives include ensuring the firm delivers quality services and maintains independence. Under no circumstances are audit partners rewarded for selling non-audit services to audit clients.

## Appendix

List of public interest entities as defined by article 1 (19) of the Law of 18 December 2009 on the audit profession for which we carried out a statutory audit during the year ended 30 June 2011.

Company Name	
Alceda Star S.A.	Integrale Luxembourg S.A.
Alfa Diversified Payment Rights Finance Company S.A.	J.P. Morgan Bank Luxembourg S.A.
Allegro Investment Corporation S.A.	Kaupthing Life & Pension Luxembourg S.A.
Alosa Finance S.A.	La Luxembourgeoise Société Anonyme d'Assurances
Altraplan Luxembourg S.A.	La Luxembourgeoise-Vie S.A. d'Assurances
AXA Assurances Luxembourg S.A.	Landesbank Berlin International S.A.
AXA Assurances Vie Luxembourg S.A.	LBBW Luxembourg S.A.
Axa Luxembourg S.A.	Lifemark S.A.
Bâloise Assurances IARD S.A.	Luxonen S.A.
Bâloise Assurances Luxembourg S.A.	Merrill Lynch S.A.
Bâloise Europe Vie S.A.	Metro International S.A.
Bâloise Vie Luxembourg S.A.	Michelin Luxembourg S.C.S.
Banca Popolare dell'Emilia Romagna (Europe) International S.A.	Millicom International Cellular S.A.
Banco Bradesco Europa S.A.	Nordic Employers' Mutual Insurance Association
Banco Itaú Europa Luxembourg S.A.	Novartis Finance S.A.
Bank Leumi (Luxembourg) S.A.	Orco Germany S.A.
Banque Carnegie Luxembourg S.A.	Orco Property Group S.A.
Banque et Caisse d'Epargne de l'Etat Luxembourg	PayPal (Europe) S.à r.l. et Cie, S.C.A.
Banque Havilland S.A.	Pictet & Cie (Europe) S.A.
Banque Privée Edmond de Rothschild Europe	Prinus Invest S.A.
Banque Transatlantique Luxembourg S.A.	Private Estate Life S.A.
BGL BNP Paribas S.A.	Private VCL S.A.
Brown Brothers Harriman (Luxembourg) S.C.A.	RBC Dexia Investor Services Bank S.A.
CALI Europe	Reinet Investments S.C.A.
Clariant Finance (Luxembourg) S.A.	RTL Group S.A.
CMI Insurance (Luxembourg) S.A.	Skandinaviska Enskilda Banken S.A.
COLT Group S.A.	StaGe Mezzanine S.à r.l.
Commerzbank International S.A. Luxembourg	Sunrise Communications Holdings S.A.
Compagnie de Banque Privée Quilvest S.A.	Sunrise Communications International S.A.
DekaBank Deutsche Girozentrale Luxembourg S.A.	Swap Enhanced Asset Linked Securities (SEALS) S.A.
Deutsche Postbank International S.A.	Swiss Life (Luxembourg) S.A.
EFG Bank (Luxembourg) S.A.	Swiss Life Assurance Solutions S.A.
Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg	Swiss Life Insurance Solutions S.A.
Eurobank EFG Private Bank Luxembourg S.A.	Swiss Life Products (Luxembourg) S.A.
Euroclear Finance 2 S.A.	Swiss Re International SE
EUROHYPO Europäische Hypothekenbank S.A.	Telecom Italia Capital S.A.
Finmeccanica Finance S.A.	Telecom Italia Finance S.A.
Fortuna Banque s.c.	Tenaris S.A.
Frankfurter Volksbank International S.A.	The West of England Ship Owners Mutual Insurance Association (Luxembourg)
Freie Internationale Sparkasse S.A.	VCL Multi-Compartment S.A.
Gaz Capital S.A.	VCL N° 9 S.A.
H.E.A.T. Mezzanine S.A.	VCL N°10 S.A.
IdB Holdings S.A.	WGZ BANK Luxembourg S.A.
IKB International S.A.	Zurich Eurolife S.A.

