




# 2013 *Transparency Report*



*September 2013*



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# Introduction

Buenos Aires, Argentina, September 2013

Welcome to the PwC Argentina<sup>(1)</sup> Transparency Report of activities for the year ended June 30, 2013 (referred hereinafter as our “2013 Transparency Report”) which is issued in accordance with Article 40(1) and 45(5) of the Directive on Statutory Audit 2006/43/EC which prescribes that certain information on our legal structure, independence and quality assurance has to be made publicly available.

We fully support these requirements for greater transparency, which is aligned with our Firm’s values.

The Leadership Team

## PwC Argentina

At PwC Argentina, 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 of our people in all of our activities and at all levels of our Firm, and also how we interact with other firms in the PwC International Network.

PwC Argentina operates as a *Sociedad de Responsabilidad Limitada* (SRL), a limited liability company under the laws of Argentina. We are registered with the *Inspección General de Justicia* under number 7645. We are also registered as auditors as per the rules and regulations of the *Comisión Nacional de Valores* (CNV), the Argentine National Securities and Exchange Commission, and of the *Banco Central de la República Argentina* (BCRA), the National Central Bank of Argentina.

PwC Argentina is owned by individuals practicing audit, tax or consulting services in Argentina, commonly referred to as partners who hold the voting rights. There are other companies in Argentina named PricewaterhouseCoopers, each of which is a separate and differentiated legal entity from the others, which provide non - audit services. These companies are members of the same international network as PwC Argentina.

The majority of PwC Argentina’s partners are registered auditors and also registered accountants with the applicable governing bodies of the accounting profession in Argentina. Some of the partners are also Certified Public Accountants licensed in New Hampshire, United States of America. The average number of partners during the year ended June 30, 2013 was 43.

Our Firm is registered with overseas regulators such as the Public Company Accounting Oversight Board (PCAOB) of the United States of America, the Professional Oversight Board (POB) of the United Kingdom and the Commission de Surveillance du Secteur Financier (CSSF) of Luxembourg.

PwC Argentina operates out of four offices located in four different provinces in Argentina. Our headquarters is located in the City of Buenos Aires. We had approximately 1333 people working with us during the year ended June 30, 2013.

## The PwC Global Network

“PwC” refers to the network of member firms of PricewaterhouseCoopers International Limited (“PwCIL”) and/or one or more of its member firms, each of which is a separate legal entity.

PwC member firms operate locally in countries around the world. Being a member of the PwC network means firms can use the PwC name and draw on certain resources, methodologies, knowledge and expertise within the PwC network. Each member firm also agrees to abide by certain common policies and maintain the standards of the PwC network. Each PwC member firm engages in quality control and compliance monitoring activities, covering the provision of services, ethics and business conduct, and the compliance with specific, strict standards for independence monitoring and protection.

PwCIL is an English private company limited by guarantee. PwCIL does not practise accountancy, provide services to clients or do business with third parties. PwCIL acts as a coordinating entity for PwC member firms in the PwC network. PwCIL develops and implements standards and policies and initiatives that create a common approach for member firms. PwCIL focuses on key areas like strategy, brand and risk and quality, including compliance with independence processes.

A member firm of PwCIL cannot act as agent of PwCIL or any other member firm, and it is only liable for its own acts or omissions and not those of PwCIL or any other member firm. PwCIL has no right or ability to control any member firm’s exercise of professional judgment. The governance bodies of PwCIL are:

- Global Board, who is responsible for the governance of PwCIL and for the oversight of the Network Leadership Team. The Board does not have an external role. Board members are elected by partners from all PwC member firms around the world every four years.

- Network Leadership team, which is responsible for setting the overall strategy for the PwC network and the standards to which the member firms agree to adhere.
- Strategy Council, which is made up of the leaders of the largest member firms of the network, agrees changes to the strategic direction of the network, in order to facilitate their consistent implementation.
- Network Executive Team, which reports to the network Leadership Team, coordinates the service lines and the key functional areas (such as Risk & Quality, Human Capital, Operations, Brand & Communication) across the network.

<sup>1</sup> Pricewaterhouse & Co. S.R.L., an Argentine limited liability company, is referred to herein as PwC Argentina

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

## Governance

PwC Argentina is governed by a Leadership Team which is the executive group responsible for (a) planning, development, management and control of the Firm's operation, (b) for implementation and customization of the global strategies and policies, (c) for implementation of the policies and (d) for implementation of the recommendations made by the Firm's Oversight Board. Its main objective is therefore promoting maximisation of the value, leadership and prestige of PwC in Argentina and globally. The members of the Leadership Team are the Territory Senior Partner (who is also the chair), the Leaders of our current lines of service and any other partners that the chair determines as appropriate. The Leadership Team provides the necessary liaison between the global structure and the Firm. Each member works in coordination with the relevant global leaders and provides guidance for the adequate application of global and local strategies and policies. The Leadership Team implements all the mechanisms necessary for the adequate planning of the operations of the Firm (strategic plans and budgets) and the fair and equitable evaluation and compensation of the partners, taking into consideration the underlying objective of promoting the strength of PwC as a whole (corporate strength) and integration needs.

The Territory Senior Partner (TSP) has, jointly with the Leadership Team, the responsibility and the authority for conducting the Firm's affairs within the limits set by strategies and policies at global level. In conjunction with the other members of the Leadership Team, the TSP has the responsibility

and authority to ensure the proper integration of the Firm's lines of service, with the objective of enhancing leadership, and has joint management responsibility for support functions in coordination with the appropriate global leaders. The TSP is elected every four years by the partners and represents the Firm in all dealings with the PwC Global entities.

Currently, the members of our Leadership Team are: Javier Casas Rúa (Territory Senior Partner), Marcelo Pfaff, Martín Barbaína, Ricardo Tavieres, Jorge San Martín, Edgardo Sajón and Carlos Rivarola.

We also have an Oversight Board, which represents the Firm's partners in ensuring that the TSP and the Leadership Team are held accountable to the partners for their conduct of the Firm's affairs, including overseeing the implementation of the policies and strategic directions and operational matters. The partners elect its members for the term of three years.

PwC Argentina has adopted detailed policies and related rules regarding business ethics and 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.

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

*All people hired by PwC Argentina are provided with the PwC Code of Conduct and 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 Argentina. All firms of the PwC Network are members of, or otherwise connected to PwCIL. Each member firm is a separate legal entity. We, as a Member Firm, are obliged to abide by certain common audit and quality control standards and policies approved by PwCIL and to conduct risk and quality reviews. PwC Argentina's policies are based on these common standards and policies, which are supplemented to address local professional standards and regulatory requirements.

## Quality Control Standards

Compliance with International Standards on Auditing ("ISA") requires PwC Argentina to have a system of quality control over its auditing practice. These controls are embedded as part of PwC Argentina's day-to-day activities. The quality control system is in compliance with International Standards on Quality Control 1 (ISQC1), "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, PwC Argentina's quality control system, encompass the following six elements of quality control:

1. Leadership Responsibilities for Quality within the Firm
2. Ethical Requirements
3. Acceptance and Continuance of Client Relationships and Specific Engagements
4. Human Resources
5. Engagement Performance
6. Monitoring

### 1. Leadership Responsibilities for Quality within the Firm

PwC Argentina's leadership is committed to audit quality and has established a firm culture embracing high standards in independence and professional ethics. This leadership is embedded throughout the detailed policies endorsed by leadership, including ethical, human resources and engagement performance discussed below. It is also demonstrated by the dedication of resources to quality. There is a partner responsible for risk management and quality control relative to PwC Argentina's client service operations who reports directly to the TSP.

## 2. Ethical Requirements

*Integrity and Objectivity:* The reputation and success of PwC Argentina depend on the professionalism and integrity of each and every partner and employee. All PwC Argentina partners and staff are expected to uphold and comply with the standards developed by the PwC global network and PwC Argentina. PwC Argentina's management monitors compliance with these obligations by PwC Argentina's partners and staff.

Upon hiring or admittance, all staff and partners of PwC Argentina are provided with a copy of the PwC Global Code of Conduct. They are expected to live by the values expressed in the code in the course of their professional careers.

*Independence:* PwC Argentina has adopted the PwC Global policies and related rules regarding independence and compliance, complemented when necessary by more restrictive local professional and regulatory rules. PwC Argentina strictly monitors compliance with regulatory, professional, and PwC independence requirements related to financial interests in and business and service relationships with clients.

## 3. Acceptance and Continuance of Client Relationships and Specific Engagements

PwC Argentina has implemented a process to identify acceptable clients based on the PwC global network's proprietary decision support systems for audit client acceptance and retention (called Acceptance and Continuance ("A&C")). A&C facilitates a determination by the engagement team, business management and risk management specialists of whether the risks related to an existing client or a potential client are manageable, and whether or not PwC should be associated with the particular client and its management.

## 4. Human Resources

PwC Argentina partners and staff regularly receive a thorough orientation to the culture, values and core attributes of PwC – Quality, Trust, Teamwork, Excellence and Leadership. PwC Argentina aims to recruit only high quality staff that can operate as accounting and other experts in support of audits and who share in PwC Argentina's strong sense of responsibility for auditing. Candidates are considered according to multiple criteria, including their academic achievement.

*Professional Development:* Training and development is an ongoing process. Training starts when a person is hired and continues throughout his or her career. Our staff participates in a variety of local

and regional and international formal training courses and they will also be trained through on the job coaching and supervision.

*Supervision and Direction:* Each engagement partner is responsible, in consultation with others as appropriate, for staffing engagements with partners and staff who have the professional competence and experience required in the circumstances. Further, each engagement partner is ultimately responsible for determining the extent of direction, supervision and review of the work of more junior staff to whom work is delegated.

## 5. Engagement Performance

*Consistent Global Methodology:* PwC Argentina uses a consistent audit methodology and process for audit engagements. The methodology is enhanced as necessary to respond to the changing environment. All audit engagement partners and staff receive ongoing training in this methodology.

*Comprehensive Policies and Procedures:* To complement the Global policies and procedures, PwC Argentina has comprehensive policies and procedures governing local accounting and auditing practice that are constantly updated to reflect new professional developments and 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 PwC provides to its 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 remotely at any time.

*Risk and Quality (R&Q):* Consultation is a key element to quality control. PwC Argentina has formal protocols setting out the circumstances under which consultation is mandatory. PwC Argentina is supported by a Technical Department that will track new developments in accounting and auditing 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.

## 6. Monitoring

PwC Argentina is responsible for monitoring the effectiveness of its Assurance quality control systems which includes carrying out, or arranging to be carried out on its behalf, independent reviews both at the leadership and management level of the Assurance

practice's systems and procedures (known as Quality Management Review – QMR) and at the individual engagement level (known as Engagement Compliance Reviews) collectively referred to as the “Quality Review” process. The independent Quality Management Review are undertaken at least every three years and updated during the intervening period and Engagement Compliance Reviews are undertaken so that significant risk-based engagements are reviewed at least twice every six years. All assurance partners must have at least one of their engagements reviewed every five years. The Quality Review process also involves testing of the effectiveness of PwC Argentina's quality controls in other functional areas such as hiring, training, advancement and independence.

Quality monitoring is an integral part of the PwC Argentina's continuous improvement program. PwC Argentina constantly evaluates inputs from formal programs such as this and a variety of informal sources in an on-going

effort to improve policies, procedures and the consistency of the quality of work. Instances of failure to meet performance standards are treated seriously and the partner responsible is counselled to improve performance and appropriate steps are taken to fully encourage improvement including, where appropriate, the imposition of financial penalties or limitation of signing authority. Our Leadership Team believes that the quality control environment described above complies with all applicable regulations and provides a reasonable basis for believing that audits carried out by the Firm consistently meet the required quality standards.

### *External Inspections*

Our Firm is eligible to undertake statutory audit work of financial institutions, insurance companies and public companies by virtue of its authorisation by the Banco Central de la República Argentina (BCRA), the Superintendencia de Seguros de la Nación and the Comisión

Nacional de Valores (CNV), respectively. Each year, as part of its monitoring responsibilities, the BCRA undertakes inspections of the financial institutions under its scrutiny. Under this inspection programme, the BCRA may conduct reviews of the working papers of those who perform an external control over the financial institutions, including their statutory auditors. Up to the date of this Transparency Report, the CNV has not set up an external inspection programme over statutory auditors.

As described above, PwC Argentina is registered with the PCAOB, POB and the CSSF.

None of these regulators with the exception of the PCAOB have undertaken inspections of our audit work.

The PCAOB has conducted three inspections of our Firm to date, in 2006, 2009 and 2012. The 2006 and 2009 inspections have concluded satisfactorily. The PCAOB has not issued yet a report on the 2012 inspection of our Firm.

*“Quality assurance is, and will continue to be, embedded into our firm's processes, management, people and organisation and we actively monitor the effectiveness and functioning of our internal quality control processes.”*



# Independence

## Organisation

PwC Argentina has a designated partner Sergio Testoni, (known as the “Partner Responsible for Independence” or “PRI”) with appropriate seniority and standing, who is responsible for providing appropriate support and processes such that partners and staff are knowledgeable about independence matters and that they take the actions required of them by the firm’s independence policies and supporting guidance. A small team of independence specialists supports the partner.

## Policies and guidance

The PwC Network Independence Policy, which is based on the International Ethics Standards Board for Accountants (‘IESBA’) Code of Ethics for Professional Accountants, contains minimum standards with which PwC member firms have agreed to comply, including processes that are to be followed to maintain independence from clients, when necessary.

The independence requirements of the United States Securities and Exchange Commission and those of the Public Accounting Oversight Board of the United States are, in certain instances, more restrictive than the firm’s policy. Given the reach of these requirements and their impact on PwC Network Firms, the policy identifies key areas where these requirements are more restrictive.

PwC Argentina supplements the PwC Network Independence Policy as required by the Argentine professional standards and of their regulators.

The Firm’s independence policy covers, among others, the following areas:

- Personal and firm independence, including policies and guidance on the holding of financial interests and other financial arrangements, e.g. bank accounts and loans by partners, staff, the firm and its pension schemes;
- Non-audit services and fee arrangements. The policy is supported by Statements of Permitted Services (‘SOPS’), which provide practical guidance on the application of the policy in respect of non-audit services to assurance clients; and
- Business relationships, including policies and guidance on joint business relationships (such as joint ventures and joint marketing) and on purchasing of goods and services acquired in the normal course of business.

## Training and confirmations

PwC Argentina provides all partners and staff with annual or on-going training in independence matters. Additionally, PwC Argentina’s independence specialists and

risk and quality teams deliver face-to-face training to members of the practice on an as-needed basis.

PwC Argentina requires all partners and staff, upon joining and at least annually thereafter, to confirm their compliance with all aspects of PwC Argentina independence policy, including their own personal independence. In addition all partners confirm that all non-audit services and business relationships for which they are responsible comply with policy and that PwC Argentina 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 to provide a periodic reminder of PwC Argentina’s independence policies and procedures. These annual confirmations are supplemented by periodic and ad-hoc engagement level confirmations for PwC Argentina’s public clients.

## Independence Systems

As a member of the PwC Network, the Firm has access to a number of global systems that assist PwC member firms and their personnel in complying with 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 in determining the independence status of clients of the firm before entering into a new non-audit engagement or business relationship. This system also feeds the Global Portfolio System (‘GPS’);
- The GPS that facilitates the pre-clearance of publicly traded securities by all partners, directors and practice managers before acquisition and records their subsequent purchases and disposals. Where a member firm wins a new audit client, this system automatically informs those holding securities in this client of the requirement to sell the security where required; and
- Authorisation for Services (‘AFS’) which is a global system that facilitates communication between a non-audit services engagement leader and the audit engagement leader, documenting the potential independence threats of the service and proposed safeguards, and acts as a record of the audit partner’s conclusion on the acceptability of the service.

PwC Argentina also has a number of local systems, which include, for example, a rotation tracking system that monitors compliance with our Firm’s audit rotation

policies for engagement leaders and key partners.

## Internal reviews of independence procedures and practices

Our independence procedures and practices are subject to internal review on an on-going basis. This is achieved through a monitoring and testing programme, which includes the following:

- Quality control reviews of engagements to confirm compliance with risk management processes, including independence;
- Personal independence compliance testing of a random selection of partners, directors and managers;
- Compliance testing of independence controls and processes; and
- Annual assessment of our Firm’s adherence with the PwC Network’s independence risk management standard.

In addition, policies and guidance are reviewed and revised when changes arise such as updates to laws and regulations, when PwC Network policies and guidance change or as a result of the above reviews and of our monitoring and testing programme.

The results of our Firm’s monitoring are reported to our Leadership Team to provide assurance that our Firm’s policies and processes are being followed. The investigations of any identified violations of policies also serve to assess the need for improvements in our Firm’s systems and processes and for additional guidance and training.

An internal review of the effectiveness of our independence processes is conducted annually

## Disciplinary policy

PwC member firms are required to have disciplinary mechanisms to promote compliance with independence policies and processes and to report and address any violations of independence requirements. A partner or staff member may be subject to a fine or other disciplinary action for a violation of independence policy.



# Investing in People

## Continuing Education

Our Firm has created and maintains up-to-date comprehensive online reference databases and materials, which are accessible by all assurance practice partners and staff. These cover audit policy, procedure and methodology, and include a library of relevant Argentine and international accounting, auditing and ethical standards. To support and keep staff and partners' knowledge up to date, partners and staff receive regular communications on technical and regulatory topics as they arise through internal technical alerts and newsletters. Partners, managers and staff participate in at least four update technical meetings a year covering several aspects of technical and regulatory topics. A Technical Team provides consultation support on all aspects of auditing, accounting and regulatory requirements. We have subject matter experts in specialist industries.

Our Firm's internal training curriculum provides a broad range of technical solutions as well as business and personal skills programmes. There are also specialised training programmes available for those with clients in specialist industries.

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, industry and audit methodology for example).

## Our School of Business

We generate value for our clients through the contribution of our people. That is why it is strategic to enhance the quality and quantity of available talents, providing them appropriate technical training, empirical and ethical formation for those who are working as entrepreneurs and managers of business.

As part of our celebrations to commemorate our 100th birthday in Argentina in 2013 we launched our School of Business. We have sealed strategic alliances with some of the country's top prestigious universities focused on developing a series of internal programmes for our professionals aimed at diverse topics including but not limited to business development, strategy, management and generating results, creativity and innovation, ethics and corporate governance, team management, negotiation, networking, commercial management, among others. Our School of Business also hosts a series of monthly conferences and a research space.

This initiative seeks to give our people a fresh and innovative look at the current world of business, offering them a series of tools that will strengthen their managerial and leadership abilities, and permit them to address work each day with a new approach and a closer look beyond the merely technical. Through our School of

Business programmes we seek to align and integrate our technical training matrix currently with new programmes designed for personal development. Our soft skills curriculum is packed with a wealth of choices for personal-managerial development to strengthen management and leadership profiles for our talent.

We also monitor compliance with the continuing professional development requirements of our Firm, including the completion of mandatory training programmes and ensure that our services are delivered to clients by individuals who have the right experience and experience and – where required – are qualified under relevant legislative and other applicable requirements.

Our Leadership Team is committed to our training programmes and ensures that the above organisation and processes are appropriate and comply with all legal and professional standards.

*We are very enthusiastic about this new challenge – our major goal is to find our potential in the talent that lies within each of us and thus create value for our clients and the world we live in.”*

## Financial Information

At PwC Argentina our wide range and size of clients come from a broad spectrum of activities, the financial sector, including banking, asset management and insurance, to industrial and commercial activities, from large multinationals to small family-run businesses and, of course, the public and institutional sectors.

Our gross revenues for audit services represent approximately 53% of our Firm's total gross revenues. Tax, advisory and other assurance services represent approximately 21%, 23% and 3% of our Firm's total gross revenues, respectively.

A list of the public interest entities defined as those incorporated outside of the EU that have transferable securities listed on a EU regulated market for which we carried out a statutory audit during the year ended June 30, 2013 can be found in the Appendix. These clients represented approximately 1% of our Firm's total gross revenues from audit services for the year ended June 30, 2013.

## Partners' Remuneration

At PwC Argentina, our partners are remunerated solely out of the profits of our Firm. The final allocation and distribution of profit to individual partners is made once their performance has been assessed and the annual financial statements have been approved. Each partner's remuneration comprises three interrelated profit-dependent components, namely responsibility, performance and seniority.

Each partner's performance income is determined by assessing achievements against an individually tailored balanced scorecard of objectives based on the partner's role and responsibilities. Under no circumstances are partners rewarded for selling non-audit services to audit clients.

## Appendix

During the period covered by this Transparency Report, PwC Argentina has signed the audit opinion for the following clients:

| <i>Company Name</i>    | <i>Type of Transferable Security</i> | <i>EU Regulated Market</i> |
|------------------------|--------------------------------------|----------------------------|
| Banco Hipotecario S.A. | Fixed Rate Bonds                     | Luxembourg Stock Exchange  |
| Mortgage Trust BHN III | Fixed and Floating Rate Bonds        | Luxembourg Stock Exchange  |
| Grupo Clarín S.A.      | Depository Receipts                  | London Stock Exchange      |

