

Our focus on audit quality

2023 Mexico Audit Quality Report



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Opening message



2023 year in review



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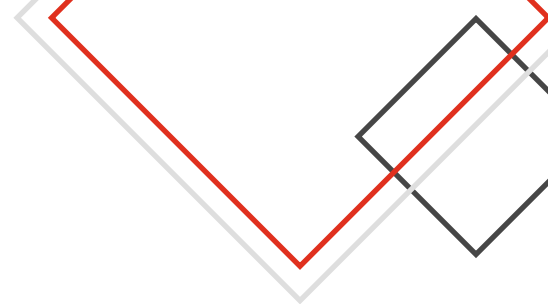
As we reflect on another year, we are reminded of how quickly things change for our people, our clients, and our firm. These changes — whether they present challenges or opportunities — are a reminder of the importance of remaining committed to a common purpose. Yet, as a firm and as individuals, we have remained steadfast in our purpose and our commitment to quality and transparency. While we continue making investments on our foundation for audit quality, we recognize that quality is a continuous process, and we are constantly seeking feedback to inform how we reinforce our foundation for audit quality and how we adapt our audit quality efforts to address possible issues. We also continuously assess the impacts of changes in the business environment, profession, workforce, and workplace to direct the actions we take today that affect the future of our people, our firm, our profession, and the capital markets.

Each year, the expectations of our stakeholders grow, and the demand for information and insights from auditors increases. This is reflected in the growing pace of regulation – including tax reporting requirements, reporting on nonfinancial disclosures to comply with environmental, social and governance (ESG) requirements, and auditing - which show no sign of slowing down.

We recognize and accept our responsibility to lead change to meet those expectations because **confidence in the role of auditors is critical**. Through our role in serving our clients, we help further the public interest by building trust in what matters to the capital markets.

We spend considerable time, effort, and resources in helping to shape the future of corporate reporting and auditing in a way that builds trust in the capital markets. We also continue to respond appropriately to prepare our people and clients for changes in the environment in which we operate. This includes upskilling our people in areas including artificial intelligence and sustainability. It also includes the significant investments made by the global network to develop a platform to power the next generation audit – continuing to harness the power of our award-winning technology to drive audit quality and efficiency while maintaining an appropriate focus on establishing practices and controls to manage associated risks.

To our stakeholders



In this report, you will read more about these investments, as well as our efforts to increase interest in the profession, enhance our people experience, engage with our stakeholders, and support our audit teams in delivering quality. You will also read about other important aspects of our audit quality progress over the past fiscal year, such as our internal and external inspection results, and how we address risks to independence and objectivity.

There is so much to look forward to in the years to come. We recently committed to a series of voluntary actions to invest in our profession over the next several years across five foundational areas – accountability, quality, independence, transparency, and engagement. This includes, but is certainly not limited to, undertaking efforts to provide greater transparency to our stakeholders around audit quality and conflicts of interest.

We are, as always, pleased to engage with you on our continued progress. **At PwC, we know that future success hinges on having trust in what matters.** Trust is vital to the health of our organization, our profession, and our communities. Because of this, audit quality is – and always will be – our number one priority.

On [page 44](#), read about the bold actions we are taking to lead the profession in enhancing confidence in the independent audit, and to deliver on the promise of the New Equation.



Ana Paula Jiménez
Senior Partner



Felipe Córdova
Trust Solutions Leader

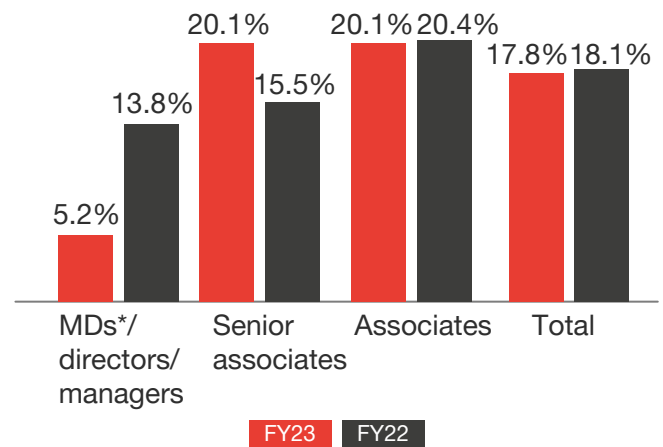


2023¹ Year in review

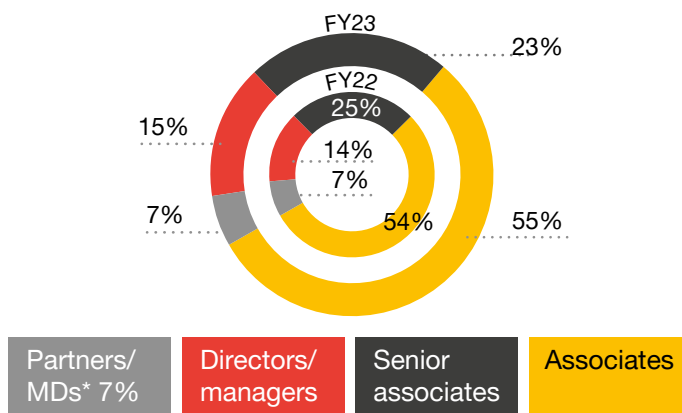
Total audit team members



Average annual voluntary turnover rate



Audit team members by level



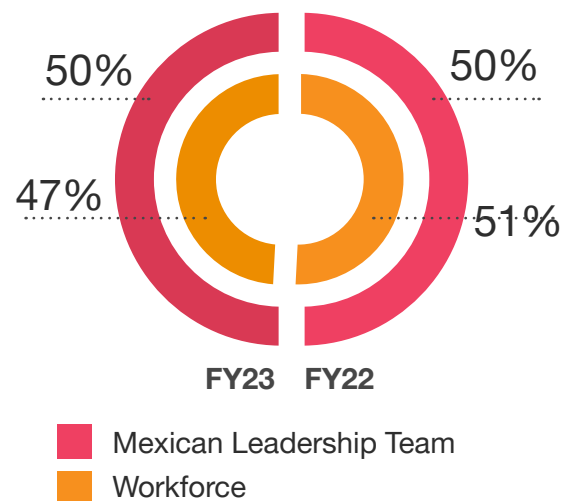
Audit partners' average years of experience at PwC



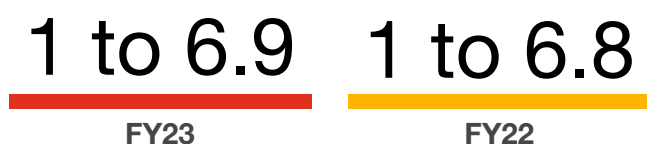
Percentage of audit hours provided by specialists



Percentage of our firm composed of women as of 1 July, 2023



Ratio of partners/MDs in technical support roles to total partners/MDs



*MDs= Managing directors

Leverage ratio of audit-related hours for audit team members

Partner to manager

1 to 3.4 1 to 3.8

FY23

FY22

Manager to staff

1 to 7.4 1 to 5.3

FY23

FY22



Audit team members utilized digital assets more than

5,000+
times in FY23

Compliance rate of audit engagements selected for internal inspection

75%

FY23

87%

FY22

Average training hours completed per audit professional

90

FY23

101

FY22

Number of audit engagements subject to internal inspections

16

FY23

15

FY22

Percentage of Public Interest Entity audit client financial statements that were not restated

100%

FY23

96.7%

FY22

*MDs= Managing directors

Our culture and values

Trust Solutions

Our global strategy – [The New Equation](#) – embodies our commitment to operate as a multidisciplinary firm. As part of The New Equation, we organized our operating model into two segments – Trust Solutions and Consulting Solutions – built around the ways in which we serve our clients, helping them as they seek to build trust and deliver sustained outcomes. Our multidisciplinary model is the foundation from which we build, and draw from, the deep technical knowledge and industry experience, diverse backgrounds and perspectives, and distinct skills of professionals across the firm to further our commitment to quality and benefit our people and stakeholders.

The PwC US [2023 Trust Survey](#) of business leaders, consumers, and employees found that **91%** of business executives say their ability to build and maintain trust improves the bottom line.

Trust is key to business success. Our Trust Solutions segment harnesses the power of our people and technology to deliver the audit, assurance, and tax services our reputation is built upon, as well as a growing range of services in other areas of reporting (e.g., digital assurance and transparency and sustainability reporting). As part of the largest Trust Solutions practice in the world, our audit professionals draw on our broad bench of non-audit specialists to enhance their own skills and gain unique perspectives. Further, by involving specialists from both segments of the firm in supporting audit teams

in performing risk assessment, designing and executing audit procedures, and evaluating audit evidence, our audit teams are able to more effectively focus audit effort and provide more value to management and the audit committee, especially during times of change or uncertainty. This ready access to specialists in areas such as climate, human capital, digital assets, cybersecurity, valuation, and tax will continue to support the quality of our work as the environment in which we and our clients operate becomes increasingly complex.

We committed with PwC US to [Tomorrow takes trust](#) a landmark program to embed trust-based principles into the core of today and tomorrow's businesses. This includes the [Trust Leadership Institute](#), a premiere leadership forum that brings together leading insights on personal, organizational, and societal trust. Business leaders in Mexico have access to this Institute.

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For a robust trust foundation, it should be embedded at every level of the organization with clear commitment from leadership.

—Ana Paula Jiménez

Our purpose and values

Our purpose is to build trust in society and solve important problems.

We expect our professionals to exhibit the core values underlying our purpose as these values define the expectations we have for working with each other and our clients:



As a firm, we continue to lean into our purpose to live our values. We are proud of what we have accomplished against the backdrop of uncertainty and complexity over the past few years — but we know there is more that needs to be done and we are committed to continuing this work. In the annual [PwC US Purpose & Inclusion Report](#) and our [PwC Mexico Diversity & Inclusion Snapshot](#), we share how we are investing in and progressing against our aspirations to help support diversity, equity, and inclusion within our organization; drive change in society and advance equity outside of our firm; embrace collaboration to solve significant societal challenges; and enable a more sustainable and equitable planet.

Tone at the top

We² are a purpose-led and values-driven organization, and the role the firm plays has always been underpinned by the need for trust and our ability to deliver quality services, valuable insights, and meaningful solutions. We look at tone at the top broadly, considering areas such as how we win new work, accept new clients, develop and share thought leadership, recruit and develop our people, and create an inclusive and respectful work environment.

The leaders of our firm recognize that our brand and professional reputation are built on delivering quality. As a result, topics such as audit quality, ethical behavior, and accountability are an ongoing focus of our leadership communications, which are used to reinforce our commitment to our purpose and values and the importance of audit quality to the success of our firm. For example, in practice-wide and firmwide webcasts and during career milestone events, our leaders share real-life experiences that illustrate and encourage expected behaviors. With each opportunity, our leaders reinforce the critical importance of ethical behavior to our purpose and brand, to our success as individuals and as a firm, and to the strength of the profession.

Key messages are communicated to our people by our Senior Partner and our leadership team and are reinforced by engagement partners.

“Audit quality” means that we consistently:

- comply with auditing standards;
- exercise professional skepticism;
- use our experience to identify and resolve issues timely; and
- apply a deep and broad understanding of our clients’ businesses and the financial environment in which they operate in identifying and responding to risks relevant to our audit.

Our audit quality principles are achieved through our audit quality practices and mean that we:

- ask tough questions;
- apply an objective and skeptical mindset;
- embrace the supervision and review process as a way to continuously improve;
- stay current on professional standards;
- have timely, meaningful exchanges with audit committees and management;
- plan our work and resolve issues in a timely and thorough fashion;
- remain alert for issues that need deeper analysis;
- act with professionalism; and
- recognize our role in the capital markets.



Ethics, independence, and objectivity

Demonstrating ethical behavior and acting with integrity and objectivity are critical to our business strategy and success. Our people are expected to make ethical decisions guided by our purpose and grounded in our values.

We recognize that we operate in a complex environment with competing demands and expectations and the potential for actual or perceived conflicts of interest. We strive to do the right thing whether we are dealing with clients, our stakeholders, or each other. We firmly believe, and we make it clear to our people, that no client, fee, or opportunity is worth compromising our values or independence.

Independence is a hallmark of our profession, and professionals across both segments of our firm understand the value of demonstrating objectivity in all of the services we provide.

Ethics

Our purpose and values are the basis of the PwC Global Code of Conduct and its US and Mexico companions. Each provides a frame of reference that underpins the high standards of ethical behavior expected of all our people.

We empower everyone at PwC, regardless of their position or tenure, to act as an ethical leader. This is enabled by a clear tone from the top. Our senior leadership regularly sets the expectation that we act with integrity and deliver quality products and services. Our leaders serve as ethical role models, inspiring our people to put our purpose and values front and center— consistently sharing a clear vision of who we are and what we stand for. We also provide multiple ways for our people to ask questions, obtain policy guidance, or voice concerns, including a dedicated Compliance Resource Center for personal independence questions and an Ethics Helpline, through which concerns may be reported anonymously, if preferred.

We require our partners and employees to complete training on our policies, including integrity, independence, information security, record-keeping, and fair competition, during our required new hire, new manager, new partner, and annual training. Acceleration Center (AC) audit team members (see [page 23](#)) receive similar training appropriate to their role on an annual basis.

Compliance with these policies, and the laws that provide the foundation for such policies, is confirmed during our required annual compliance confirmation process. We monitor our compliance programs to confirm they are operating as designed and effective at meeting legal, regulatory, and firm requirements.

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We must be independent. It is central to all that we do, and our stakeholders expect and value it.

—Ricardo Moreno

Independence and objectivity

As auditors, our stakeholders expect us to be independent, in both fact and appearance, to support our ability to exercise professional skepticism and draw objective conclusions. Our independence policy is based on the International Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA code) and is supplemented to comply with the requirements of Mexican and US standard setters and regulators.

Our independence systems and processes:

- track the entities for which independence is required;
- enable assessments and approvals for providing permissible non-audit services;
- automate the recording of certain security transactions;
- facilitate the assessment and monitoring of joint business relationships;
- facilitate the evaluation, pre-approval, and monitoring of securities and other financial arrangements held by partners, employees, and others to whom independence rules apply;
- support independence-related consultations;
- document our professionals' annual confirmation of compliance; and
- our independence processes also facilitate confirming the independence of individual audit team members.

To further mitigate potential independence risk in the execution of non-audit services and to enhance audit committee pre-approval communications, our process for reviewing and authorizing certain non-audit services for Securities and Exchange Commission (SEC) issuer⁴ audit clients includes:

- the review and assessment of the scope of services for permissibility by an independence specialist;
- the review of the related audit committee pre-approval communications, when certain criteria are met; and
- the performance of pre-engagement independence coaching sessions and independence in-flight reviews for certain engagements.

To support the implementation of our processes and reinforce the individual behaviors necessary to maintaining independence, our audit team members are required to take training courses tailored to their level and the services they provide. Compliance with our independence policies is confirmed during our required annual compliance confirmation process.

In addition, accountability reflects our purpose and values, and is responsive to the heightened expectations of stakeholders. Accordingly, we have an accountability framework that identifies specific actions and behaviors that are expected of each partner and employee to comply with independence policies and regulatory requirements related to personal, service, and other relationships. The accountability process involves multiple discussions/coaching held with the partner/employee to reiterate the continued importance of maintaining independence, including additional training where needed. The framework includes consequences when exceptions occur, which may include financial impacts or impact on a partner/employee's continued service/employment with the firm. These are determined based on behaviors and circumstances that contribute to the firm's risk, including considering any recurring patterns or negative behavior. We remain focused on continually promoting awareness of the requirements and our policies, emphasizing the importance of compliance, and implementing processes, controls, and technology that facilitate compliance by our partners and staff.

Our overall independence compliance programs, including the policies, systems, processes, and controls described earlier, often go beyond regulatory requirements, as they are designed to reinforce our purpose and values as well as to mitigate the risk of violations of the relevant rules and regulations.

A team of dedicated professionals:

- maintains our independence policies, processes, and controls;
- develops our annual independence training; and
- serves as a resource for our people when questions arise.

In FY23, this team engaged in various independence-related consultations, and we continue to encourage a culture of more voluntary consultations with our independence specialists.



Our independence compliance programs periodically identify exceptions to our independence policies related to financial, service, and other relationships. These independence policy exceptions typically result from the inadvertent failure to follow the firm's processes. In some cases, they result from a service provided or relationship that existed during a period when the firm was not required to be independent or was subject to different independence requirements under which the service or relationship was not prohibited. For example, if management of a private audit client informs us of its decision to go public, in addition to evaluating the permissibility of ongoing services and relationships under the independence standards that apply to public companies, we assess the permissibility of previously completed services and relationships as appropriate under the independence standards.

When a potential independence policy exception is identified, the matter is analyzed carefully with the firm's independence specialists to determine whether an exception to independence rules or standards has occurred. If it is determined that such an exception has occurred, an analysis is completed to determine whether the firm remains objective and impartial. The nature of the exception, including its duration, the relevant mitigating factors, and the overall impact on the firm's objectivity and impartiality are communicated, in writing, and discussed with those charged with governance at our audit client so that we can obtain their perspective. If we or those charged with governance conclude we are not objective and impartial, we would not be able to continue the audit relationship. In certain situations, the firm and/or the firm's clients may consult with the regulator related to the matter.

We continue to review and make modifications, as appropriate, to our independence compliance programs or related guidance based, in part, on our analysis of exceptions identified.

Our [Personal Independence at PwC](#) is a public resource that explains the personal independence requirements applicable to PwC Mexico partners, employees, third-party contractors, and their immediate family members and what they need to do to comply and maintain personal independence.



Partner rotation

Partner rotation strikes a balance between bringing “fresh eyes” to the audit and maintaining a deep understanding of the client’s operations, in part, through industry knowledge and continuity of other team members. Our practice leaders use systems and processes to manage current and successor partners’ portfolios, including understanding their skills and capacity to maintain audit quality.

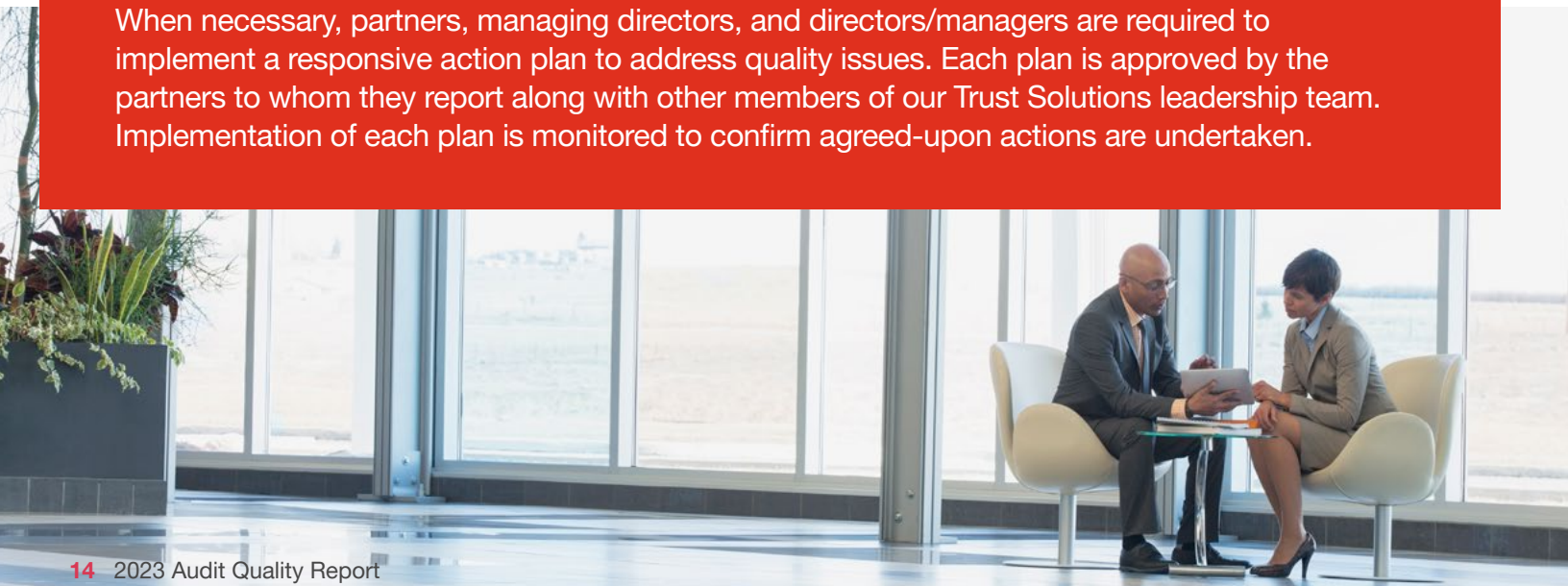
Public companies and financial entities lead audit partners and quality review partners are required to rotate off engagements every five years according to the National Banking and Securities Commission (CNBV by its Spanish acronym) requirements as well as to the SEC requirements for Foreign Private Issuers (FPI) and significant audit components³. We also have rotation policies (between 5 and 10 years) for auxiliary partners and partners on audit engagements not subject to the CNBV or SEC rotation requirements depending on the type of engagement.

Accountability and incentives

Partners are evaluated based on their contributions towards our strategic agenda and their individual goals, inclusive of quality and use of technology. All partners, including lead audit partners, quality review partners, auxiliary partners, and specialist partners are subject to our accountability program which considers the results of external and/or internal inspections in audit areas requiring their review. Partner accomplishments are measured based on the partner’s relative performance against established goals. Partners receive a share of the firm’s profits based on their level of responsibility, individual quality results, the firm’s performance, and the partner’s overall performance. Through audit quality teaming awards, we further recognize and incentivize partners who exhibit outstanding behaviors with respect to audit quality consistent with our strategy and values, for example, demonstrating preparedness for inspection and positive interactions during inspection, or managing particularly challenging matters, including delivering difficult messages in an exceptional manner. Our audit partners are not evaluated or compensated for selling non-audit services to audit clients.

Our nonpartner professionals are assessed against their annual strategic objectives as determined in the Staff Expectations Placemat, and the dimensions of the PwC Professional framework discussed on [page 24](#). They are eligible to participate in our annual performance bonus plan based, in part, on the achievement of quality goals and objectives.

When necessary, partners, managing directors, and directors/managers are required to implement a responsive action plan to address quality issues. Each plan is approved by the partners to whom they report along with other members of our Trust Solutions leadership team. Implementation of each plan is monitored to confirm agreed-upon actions are undertaken.



Our audit sectors

Our audit practice is divided into three major sectors or groups: (1) a group dedicated to serving financial services clients, (2) a group dedicated to serving nonfinancial services public clients, and (3) a group called Private Clients, dedicated to serving nonfinancial services private clients. The first two groups include SEC clients and clients considered significant audit components as well as clients that are public or financial entities in the Mexican market and/or other foreign public markets. Having teams dedicated to each type of client supports a consistent approach and collective team experience, facilitates knowledge sharing, and allows for uniform policies across each category of client. With this structure, we look to further drive audit quality, standardization, industry focus, and differentiation in the marketplace.

Read more about our Private Company Services at: www.pwc.com/mx/empresasprivadas

Considerations in undertaking an audit engagement

Our approval processes govern the acceptance of new audit clients and continuance of existing audit clients based on the audit team's responses to a series of questions, which, in aggregate, form the basis of the risk assessment. For the acceptance of new audit clients, our process requires approvals by lead audit partners, quality management partners, and market leadership. For existing client continuance assessments, the extent and level of approval depend on the nature of the client and results of the required risk assessment. Additionally, an event-driven reassessment of our relationship with the client is performed when certain events occur, or become known, that were not considered at the time of the latest assessment.

Our approval processes consider business, litigation, and reputational risks, as well as expectations with respect to our professional performance and are updated as needed to reflect evolving societal and economic circumstances. We consider that the basis for performing a quality audit includes the availability of resources with the right skills, experience, and capacity. We accept new or continue existing audit relationships only when supported by our assessment of risks and when we believe our audit procedures can be satisfactorily designed and executed. We consider:

- the applicable professional and regulatory standards as compared to our professional competence and capabilities;
- the integrity, conduct, and reputation of key management, board members, and significant shareholders;
- the nature of the company's operations, its industry, and applicable laws and regulations;
- the potential impact on independence, conflicts of interest, and/or relationships with other entities and whether there are circumstances that might impair our independence or objectivity as auditors of the company; and
- the timing and resource needs of the engagement, including any potential constraints that would affect our ability to comply with applicable standards.

Before agreeing to accept new or continue an existing audit engagement we also consider whether the amount of audit fees is commensurate with the expected level of effort. At times, we have made some difficult decisions to give up audit engagements when fees have not been sufficient to support a sustainable quality audit, and we will continue to do so.

Our role in the financial reporting ecosystem



In the Mexican financial reporting ecosystem, our main regulators are the CNBV for issuers and financial sector entities; the National Insurance and Bonding Commission (CNSF by its Spanish acronym) for insurance entities; the Tax Administration System (SAT by its Spanish acronym) for tax reports; and the SEC and the Public Company Accounting Oversight Board (PCAOB) for SEC issuer audit clients⁴.

Capital markets and the auditing profession benefit from a strong regulatory environment. For example, our regulators have investor protection as part of their mission. We believe a strong audit profession and regulatory environment facilitate transparency and instill confidence in the capital markets. As the capital markets continue to evolve, so does the profession and our role in the financial reporting ecosystem. Our role in the financial reporting ecosystem goes beyond the issuance of audit reports.

During FY23, we issued **over 60** audit reports that included key audit matters (KAMs) in accordance with International Standards on Auditing (ISAs) framework and 3 audit reports that included critical audit matters (CAMs) in accordance with the PCAOB's revised reporting standards. The requirement for auditors to communicate KAMs or CAMs is intended to be responsive to calls from investors to understand more about the auditor's judgments and have insight into the auditor's approach to an audit and related communications with the audit committee. Our experience has been that communicating KAMs or CAMs in our audit reports complements robust financial reporting by management and appropriate oversight of the financial reporting process by the audit committee.

As auditors, we provide value in several ways, including through the independent assessments and judgments we make when performing audits. This includes having the courage and integrity to ask difficult questions, challenge questionable accounting, and voice concerns. These actions are important to providing quality audits, which is our most important responsibility. As part of these actions, we are influencing our profession by promoting compliance with the respective accounting framework, and thereby reducing the number of qualified opinions we issue to our nonpublic engagements, as we believe this contributes to good governance practices that enhance the financial reporting ecosystem.

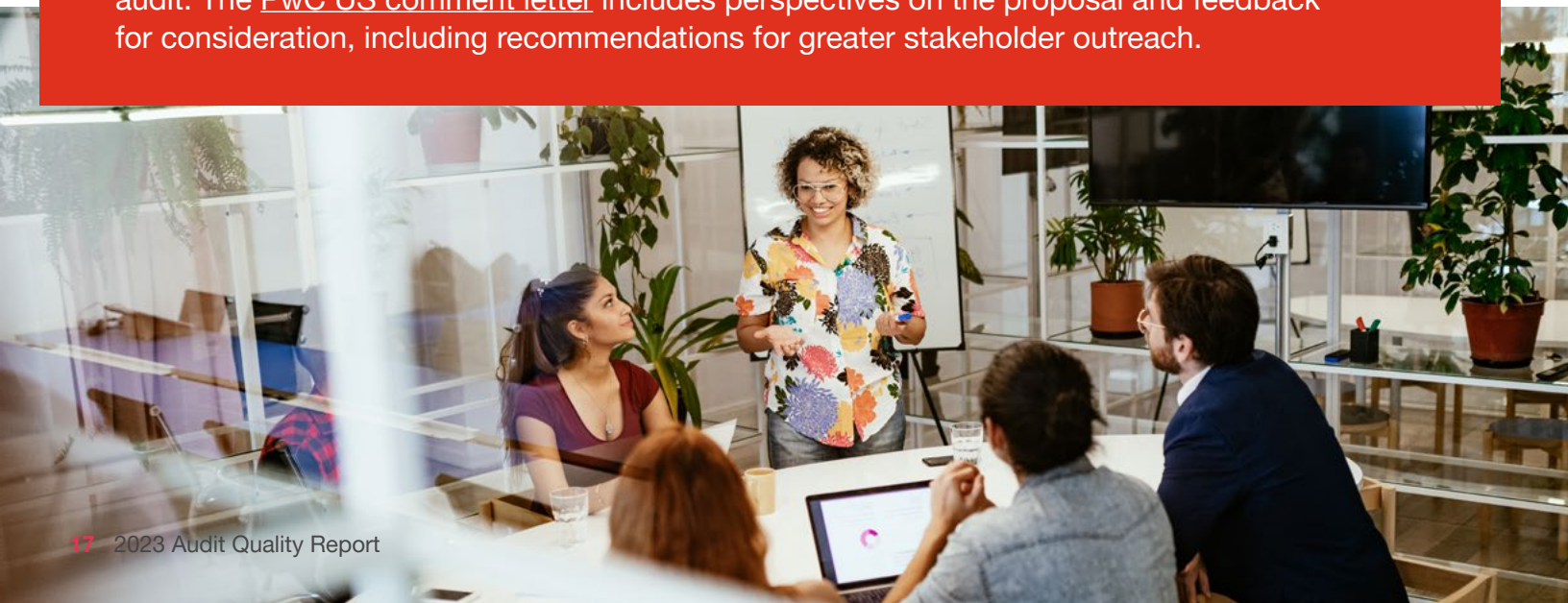


Active participation in regulatory and standard setting activities

Standard setters and policy makers in Mexico and across the globe have significantly increased the volume and scope of their activities over recent years. Given the ambitious strategic plans and agendas of relevant regulators and standard setters, this trend is likely to continue for years to come. We play an active role in initiatives designed to enhance the quality and usefulness of financial and nonfinancial information available to the capital markets, both as an individual firm and in collaboration with others by working with the Mexican Institute of Public Accountants (IMCP by its Spanish acronym) in the National Executive Committee through the Vice Presidency of Legislation (responsible for monitoring and issuing professional regulations in Mexico) and collaborating on Commissions such as: 1) the Auditing and Attestation Standards Commission (CONAA by its Spanish acronym), 2) the Financial Reporting Standards Commission (CONIF by its Spanish acronym), 3) the Quality Technical Commission, 4) the Tax Audit Report Commission and recently, 5) the Sustainability Reporting Standards Commission (CONIS by its Spanish acronym). In addition to our participation on the Mexican Board for the Research and Development of Financial Reporting Standards (CINIF by its Spanish acronym) Advisory Technical Committee, and others. Subject matter specialists in our firm contribute as leaders and members of those Commissions and other organizations working toward a similar purpose.

We monitor and evaluate the implications of new local and global financial reporting standards and regulations including, but not limited to, International Financial Reporting Standards (IFRS), Mexican Financial Reporting Standards (MFRS), and tax and regulatory topics. For example, in FY23, by participating in the Vice Presidency of the Tax Audit Report Commission, we collaborated with others in the profession to understand the implications of the obligation in the Mexican Federal Tax Code that requires certain companies to file a set of audited financial statements for tax purposes (tax report) to the SAT for calendar years ended on or after December 31, 2022.

From the global perspective, in July 2023, the PCAOB proposed rule changes related to an auditor's consideration of a company's potential noncompliance with laws and regulations, including fraud. As described in the [PwC US In depth](#), the changes, if adopted, would impact the scope of the audit by significantly expanding the auditor's objectives related to compliance beyond what has traditionally been addressed in a financial statement audit. The [PwC US comment letter](#) includes perspectives on the proposal and feedback for consideration, including recommendations for greater stakeholder outreach.



Thought leadership

Through presentations, client interactions, publications, videos, and webcasts, we foster quality reporting by keeping our audit teams, clients, and other stakeholders informed of standard-setting activity, tax and regulatory matters, and other developments.

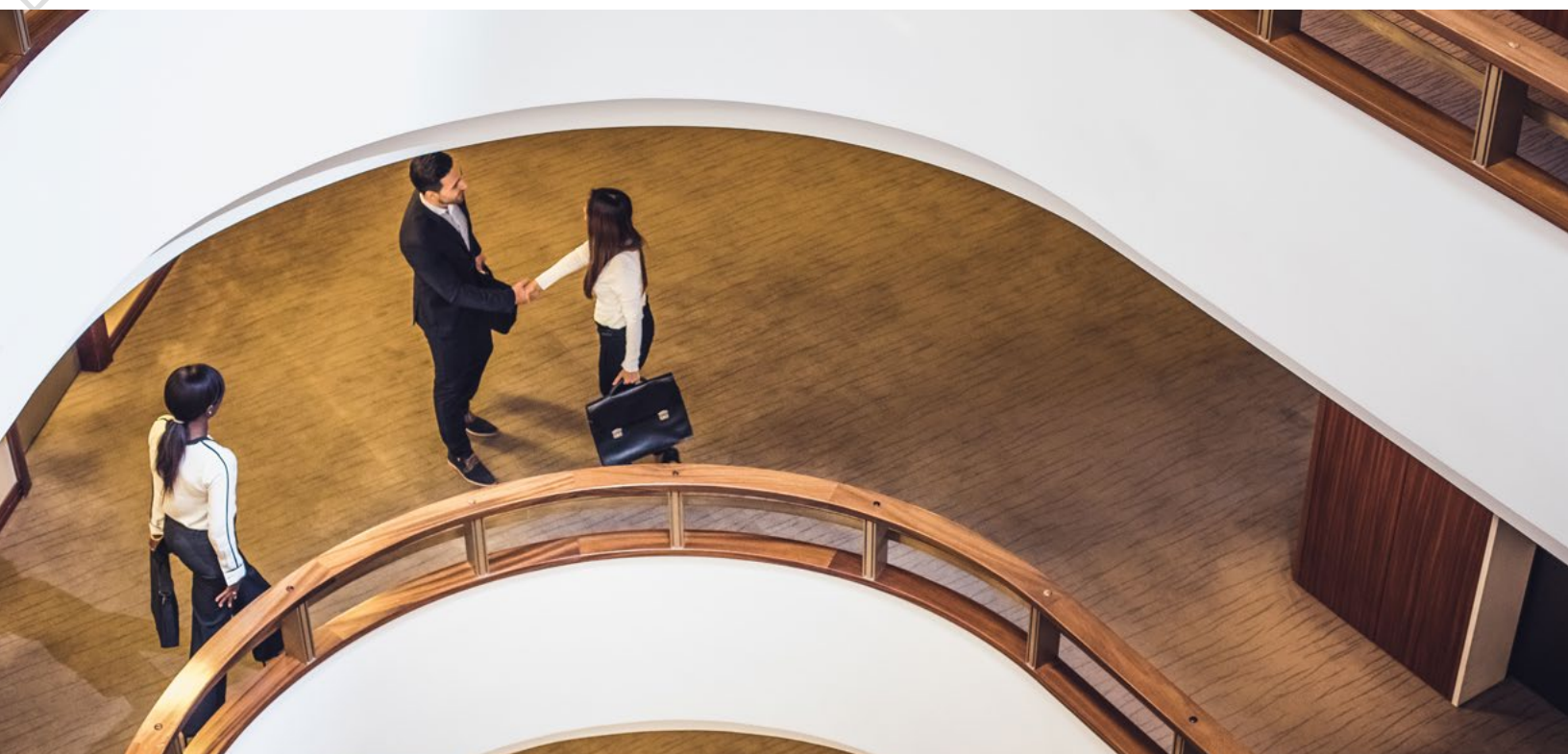
Through Consult@ble, our online paid subscription platform, we share technical training with clients regarding accounting, financial, and tax updates via e-learning courses, monthly webinars, virtual classrooms, and technical publications.

In FY23, our National Office released or updated publications covering a wide variety of topics, including:

- new standards or amendments to accounting standards (e.g., IFRS 17 Insurance contracts, including non-insurance companies), CNBV accounting principles, and regulatory reporting;
- ongoing accounting impacts related to labor reform in Mexico (e.g., extension of the minimum vacation period);
- insights on key accounting and reporting issues (e.g., Pillar Two under an OECD inclusive framework, accounting considerations rising from inflation and interest rates and ESG related matters, including global proposals and frameworks);
- other regulatory updates, such as the changes and implications regarding the tax reporting requirements.

Around **430** audit, accounting, tax, and regulatory communications and publications were shared internally with our partners and staff, which were viewed or downloaded **more than 36,700** times.

Please see [our website](#) for our publicly available content.



Stakeholder engagement

Our Governance Insights Center (GIC) in Mexico is focused on providing insights and perspectives to the boards of directors of our clients to help them tackle corporate governance issues. Its objective is to promote the culture of good corporate governance to the benefit of companies, the capital markets, and ultimately society, as good governance supports sustainable corporate success and economic growth.

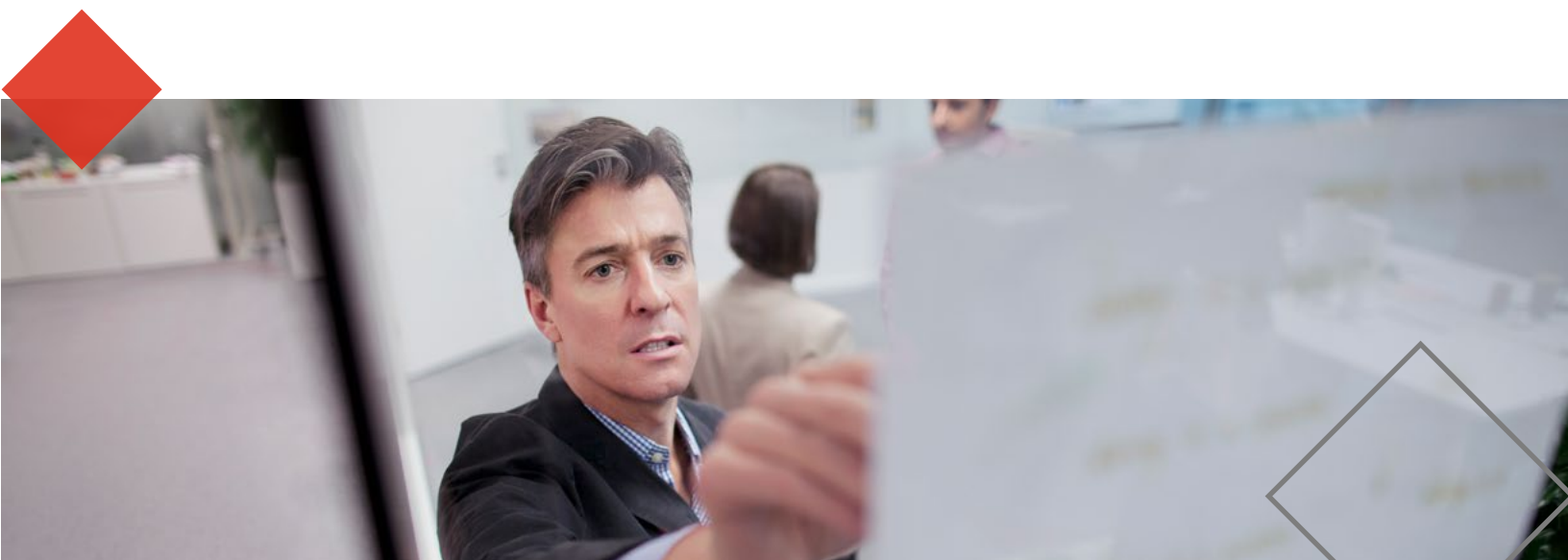
We share perspectives and insights with directors and investment professionals through various events and other mediums such as training sessions, webcasts, videos, and publications, so they can improve their oversight and investment decisions.

Our GIC, in coordination with its US counterpart:

- conducts individual board and committee educational sessions to enhance the board's understanding of contemporary issues, sharing our research, latest activities, and practical insights;
- provides, through webcasts and publications, the need-to-know highlights for audit committees to oversee financial reporting; and
- hosts events and attend meetings with clients to discuss the latest governance topics and foster sharing of effective practices among peers.

For more information, see [Governance Insights Center México](#).

While we engage in a wide variety of governance activities, we place a significant focus on the audit committee because it has the primary responsibility for oversight of an issuer's financial reporting process, as well as the appointment, performance, and independence of the external auditor. Through timely, meaningful exchanges, our audit teams obtain the perspectives of their clients' audit committees and fulfill their professional responsibilities to communicate certain items to them (see [page 42](#)). We encourage audit committees to ask candid questions and engage in an open dialogue to help foster an environment of accountability and to enhance audit quality. We also frequently share observations regarding other matters related to the audit committee's roles and practices, such as the company's management and governance of financial reporting.



Non-audit services

With the combination of our established understanding of our clients and the environments in which they operate and our range of capabilities, we are well positioned to deliver permissible trust solutions to our clients. These services, including tax compliance and reporting, digital assurance and transparency, and ESG reporting, address issues by which organizations are increasingly measured by stakeholders.

As described on [page 11](#), our protocols and monitoring processes are designed to address the risks to independence from providing permissible non-audit services to our audit clients that may impact our objectivity and impartiality, and often go beyond regulatory requirements. Further, we continuously assess whether a permissible service presents unnecessary risks, including related to our objectivity and, impartiality, and take action as appropriate to decline or cease the provision of such service. The majority of our non-audit services revenue comes from clients with whom we have no audit relationship.

The growth of data, technology, and the demand for information

The ability to produce, collect, process, and analyze an increasingly vast array of financial and nonfinancial data at faster speeds has shifted how investors measure a company's value and how companies track and report performance. It has dramatically accelerated the pace at which market participants make decisions and implement plans – further raising expectations regarding the availability and reliability of information. With this backdrop, the demand for information related to a company's ESG impact continues to intensify, and companies are turning to technology to help transform huge quantities of ESG data into investor-grade reporting. Our role in line with our purpose continues to evolve in response to these unprecedented changes.

Our audit teams have received training and guidance to assess and respond to related audit risks. For example, our audit teams have specific guidance and procedures to evaluate and document cybersecurity and climate-related risks, including illustrations of common risks and controls. They also have ready access to and support from our National Office, Digital Assurance & Transparency, and sustainability specialists.

Further, we are harnessing the power of data and technology in developing the next generation audit (see [page 45](#)).

With respect to artificial intelligence (AI) in particular, we have issued guidance and thought leadership to our teams regarding the new and emerging risks presented by the use of AI as compared to traditional automation solutions. In addition, we continue to explore how we can use other forms of AI within the firm, including in our audits, business operations and system of quality management. We recognize the significant change AI will bring to our clients and our audits, and we are investing in upskilling all of our people to offer them the capabilities they need for a world that is increasingly being shaped by AI.

We have provided thought leadership to aid our clients and other stakeholders. For example, in FY23, we published articles about [ESG](#) and the consideration of the different global proposals and frameworks, in addition to the importance of assurance over the information included in [ESG reports](#). Also, our subject-matter specialists shared insights and perspectives in forums ranging from conferences to individual client meetings, as appropriate, and we have provided our audit teams with materials and guidance to support timely and meaningful exchanges with our clients' audit committees. Our active participation with key stakeholder organizations means we are helping shape the future of corporate reporting. As companies face intensifying pressure to report ESG factors, such as climate impact, we have contributed to relevant reporting metrics through the PwC Network's representation on the Sustainability Accounting Standards Board (SASB) and on the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD).

We also continue to expand our capabilities and the industry-focused trust solutions we offer, delivering solutions using methodology specifically designed for ESG attestation engagements, which enhances the credibility of accurate and reliable ESG data. We have issued review and examination reports on select ESG data to provide additional confidence to the users of that data. We will continue to deliver new and expanded permissible ESG trust solutions in areas including sustainability and climate-related risks; diversity, equity, and inclusion; and supply chain integrity.

Even as we work to solve the problems of today, we are also looking to the future to prepare for the issues that will change the landscape of information used by the capital markets and find new and enhanced ways to build trust.

As a purpose-driven organization, we lead by example. For example, this year PwC US released its first [PwC US TCFD Report](#) which focuses on the risks climate poses to the PwC US and Mexico firms.

We also continue to take key steps on our own [ESG journey](#).

For more information, see our [ESG resources](#).



“

In order to make the required progress towards sustainability, we should all work together and take action.

—Felipe Córdova



Our people

A career performing audit work at PwC can be rigorous, challenging, complex and ever-changing. We are committed to delivering a meaningful experience that supports development for our people and the skills to serve their professional goals.

The pace of developments in standards and technology, combined with stakeholder expectations that are higher than ever, is transforming how we perform our audits and requires that we bring together an audit team of individuals with diverse skills, backgrounds, and perspectives. Our recruiting efforts reflect these needs, and we continue to adapt how and where we source talent.

Our hiring standards include a structured interview process with behavior-based questions built from The PwC Professional framework, an assessment of academic records, a review of relevant prior experience (if applicable), and background checks. In FY23, we hired **272** entry-level audit professionals and **16** experienced professionals to supplement our workforce.

The number of audit team members⁵ was **990** FY23, 944 in FY22, and 1,037 in FY21. Partners and managers⁶ comprise **22%** of the total for FY23 and approximately 21% for FY22 and 20% FY21.

During FY23, we started using PwC ACs. The ACs represent a global talent pool of people who work seamlessly with other team members to complete certain audit procedures for both public and nonpublic audits. By integrating AC audit team members, we can manage workloads to meet the needs of our clients, while also creating professional opportunities for our audit professionals to take on more challenging work earlier in their careers and provide value-add insights to our clients. AC audit team members are able to leverage their experience performing audit work on a wide range of clients performing certain audit procedures and project management-related tasks - freeing up time for other team members to focus on more complex or judgmental matters.

Our people experience

With our [My+ people strategy](#) (My+), we are working toward a future PwC where:

- there is increased emphasis on growth and development;
- rewards and benefits are customized;
- well-being is further stitched into our daily experiences; and
- there is flexibility to support our people as their lives and needs shift over time.

We aim to deliver a distinct experience for our people through My+. Attracting, retaining, and developing top talent is fundamental to our ability to deliver quality services and help build trust. Technology is at the core of our people strategy and supports a personalized experience with customizable learning, benefits, and well-being tools.

Investing in our individual leadership development is a critical component of our My+ strategy. My Feedback is a new tool that provides a simple way to give upward and peer feedback to help individuals improve the effectiveness of their people leadership skills. In addition, this year our people were offered a **Leaders in Action** series featuring distinguished thought leaders talking about the human dimensions of leadership and coaching—courage, inclusion, and resilience.

Professional growth and development

Throughout their career, our audit professionals are provided with career development opportunities, virtual and in-person classroom training, on-demand learning, as well as on-the-job real time coaching and development. Through our strategic deployment efforts, we assign our professionals to engagements across Trust Solutions, allowing us to meet the needs of our clients and create additional career development and mobility opportunities for our people.

The composition of our audit teams provides newer team members the opportunity to work with more seasoned team members, which promotes meaningful on-the-job training. Judgment is honed by observing how seasoned auditors approach issue identification, management, and resolution.

Audit partners' average years of experience at PwC:

28

FY23

28

FY22

28

FY21

To help provide a strong foundational start for all of our first-year associates, their formal training takes into consideration the evolving expectations of associates. This year we launched a reimagined first-year associate experience that enables our newest joiners to focus their first year at the firm on building their network and honing their skills through client and project work as they receive ongoing feedback and coaching without the pressure of a peer-relative performance assessment at year-end.

Achieving a professional credential supports our firm's commitment to quality through consistent examination and certification standards. Obtaining a Mexican CPA certification issued by the IMCP is an important element of our audit professionals' career progression and a prerequisite for admittance to our partnership. Our staff are incentivized to achieve their credential well before they are admitted to our partnership, through preparation courses, continuing education, and the firm's payment of the enrollment fees, in accordance with the firm's policies.

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Success is a team effort. Our leaders don't go it alone, knowing that committing to the development of their team will benefit all.

—Ana Paula Jiménez

Staff Expectations Placemat

Each year, based on strategic priorities, we establish a plan for each staff category that includes specific objectives and expected behaviors and metrics. The plan is incorporated into a Staff Expectations Placemat available to our people that establishes specific targets related to upskilling, training and development, project management, and ethics and independence compliance.

The PwC Professional framework

The *PwC Professional framework* is our global leadership development framework, which provides a single set of expectations across our segments, roles, and territories and helps us to fulfill our purpose, drive our strategy, and live our values and behaviors.


The *PwC Professional framework* assesses skills and competencies, which are expressed as observable behaviors across five dimensions. It also includes specific quality dimensions to guide our nonpartner audit professionals in building critical skills and behaviors related to delivering audit quality, such as professional skepticism, review and supervision, auditing skills, issues management, and accounting and technical knowledge. The performance of audit team members, excluding partners, are assessed against the dimensions of the *PwC Professional framework*.

Each nonpartner audit professional is aligned to a Development Team composed of a Relationship Leader, Career Coach, and Talent Consultant. Relationship Leaders play a primary role in the professional growth of our staff by providing mentoring and career support by continuing to review and discuss staff progression against the dimensions.

Diversity, equity, and inclusion (DEI)

PwC Mexico is made up of **more than 3,200 people** of different genders, nationalities, backgrounds, religions, ages, sexual orientations, and beliefs, which contribute to the unique richness of our organizational culture.






At the core of building trust and delivering sustained outcomes is our strategy to advance diversity, equity, and inclusion to further build on a culture of belonging. Bringing people with different experiences and educational and professional backgrounds together creates a strong diversity of thought and experience that enhances the quality and value of our work and improves the audit experience for our people and our clients. It starts with an inclusive workplace that drives equitable opportunity within the firm from recruitment to partnership - supporting all of our people so that every person has opportunities to grow to their full potential and achieve professional success in a way that's important to them.

We are proud of the progress we have made in continuing to attract diverse talent into the firm as well as our commitment to enhance the experience of our diverse professionals throughout their career journey. At the same time, we acknowledge that there is still more work to be done, and we continue to challenge ourselves to bring equity, trust, and purpose into every aspect of our business.

For more information about the firm's commitment to diversity, equity, and inclusion, refer to the [PwC US Purpose and Inclusion Report](#) and our [PwC Mexico Diversity & Inclusion Snapshot](#).

As a result of our efforts to promote an inclusive environment and best practices to attract diverse talent, in FY23 women comprised **47%** of our workforce. Our FY24 new partner class only included one woman, so we are working hard to close this gap through different leadership programs focused on women at different stages in their careers. The Mexican Leadership Team still has **50%** female representation.



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We take great pride in our progress becoming a diverse and inclusive firm, we recognize this goal as a journey and take actions and review them to offer our people the possibility to reach their full potential being who they are and the value they bring to our teams.

—Lázaro Peña, Purpose & Inclusion Leader

To learn more about PwC's purpose and inclusion strategy, as well as the awards and recognition we have received for our achievements in this area, please visit www.pwc.com/mx/es/acerca-nosotros/diversidad.html

Rewards, benefits, well-being, and flexibility

Our rewards strategy is designed to recognize the growth and impact of the individual, including their contributions to deliver quality and value and drive The New Equation. We took steps this year to refine our rewards strategy to support pay equity.

We offer an array of benefits – including retirement plans, life insurance plans, parental leave, vacation, and more - that are competitive and flexible, and provide our employees with choices to meet their needs at every stage of their life.

Through Be well, Work well – PwC's investment in well-being – we continue to offer enhanced tools and resources to help our employees feel empowered and supported to put their well-being first. We also rolled out new vacation tools to make it easier to plan and take uninterrupted time off.

Providing our people with the ability to meet their professional and personal commitments is a critical component of our people's experience. We offer flexible work options to meet individual needs along with the leading technologies, guidance, resources, and time to stay connected with colleagues and clients.

Under My+, we are reinforcing our culture of listening so that each of us continues to have meaningful and real-time opportunities to develop as leaders. We introduced Team Polling and Team Health Index tools to provide our partners with more visibility into the performance and perspectives of their teams - including data relating to workload, well-being, and the overall people experience. Equipped with this information, partners have more ability to assess who may need more support, action feedback timely, and help each team member have a rewarding experience.



Global People Survey

In Spring of 2023, the PwC Network administered our Global People Survey, which among other components, measures the pride, advocacy, commitment, and overall satisfaction of our people (a measurement we call our People Engagement Index (PEI)). Many internal and external factors have the potential to impact our PEI; market demand for our talent and our total rewards and benefit programs are two factors that impact the commitment and overall satisfaction of our people. Our PEI has a substantial influence on how we define and adjust our people initiatives.

Our PEI in FY23 for the Trust Solutions practice was **81%**. We believe this result reflects our continued commitment to the development and well-being of our people and our unwavering focus on our purpose and values.

Retention

Turnover in the public accounting profession is often high because as accounting standards and regulations change, accountants are in demand, and the development and experience we provide make our staff highly sought after in the external market. Our voluntary turnover can fluctuate based on several factors, including external market demand. The experience of our people can have a significant impact on turnover, and we remain focused and committed to realizing the full potential impact of our My+ strategy on our people experience.

Average annual voluntary turnover rate of audit team members by staff level

	FY23	FY22	FY21
Managers	5.2%	13.8%	6.6%
Senior associates	20.1%	15.5%	9.3%
Associates⁷	20.1%	20.4%	13.8%
Total	17.8%	18.1%	11.7%



Continuing education

Continuous learning is a fundamental aspect of our culture. Learning that occurs through on-the-job supervision, review, and mentoring is supplemented through participation in virtual and in-person classroom, and on-demand training programs. The way we deliver training continues to evolve through the restructuring and digitizing of content — both to make it more accessible and to align with what audit work is done, by whom, when, and how.

Our National Office Learning and Development Team collaborates closely with firm leadership so training is responsive to developments impacting our audits — including changes in the profession and our practice — and feedback obtained from:

- our National office on new accounting, regulatory, and auditing standards and financial reporting developments and on matters raised during our internal inspections process and consultations on accounting and auditing matters;
- specialists in particular areas or sectors;
- observations from the CNBV, PCAOB, and other regulators' inspections;
- surveys and focus groups with engagement team members; and
- other inputs related to monitoring quality.

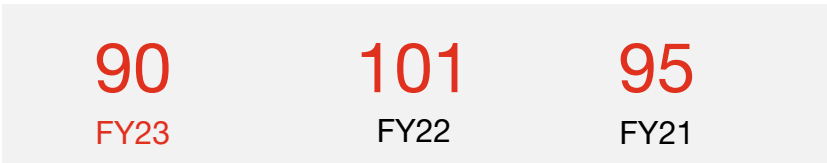
We take measures to reinforce the importance of learning to an individual's professional development, including providing our audit professionals with sufficient time to complete training courses specifically targeted to their role and experience level. These courses integrate auditing and accounting concepts, and use simulation-based elements, breakout sessions, and polling questions for a more effective learning experience. This year we introduced MyLearning, a simplified learning platform available to our people that aggregates required, recommended, and elective learning in one place, enabling more transparent access to skill development aligned to career goals.

Our partners, managing directors, and directors/managers also receive training related to new accounting standards and tax updates, when applicable. In addition, we offer audit team members training on nontechnical topics, such as project management, issues management, auditing while working remotely, and working in virtual teams. Some years ago, we began digitally upskilling our workforce, building digital IQ regarding data wrangling and visualization and automation. We continue to provide numerous learning tools to support the digital acumen of our audit teams, expand the use of digital solutions on audits, and foster a mindset of continual improvement and innovation and as described on [page 20](#), this year we have committed to an additional significant investment to upskill our people on AI.

Completion of required auditing, accounting, and annual independence, ethics, and compliance training is a component of individual performance. Required auditing and accounting training courses include a learning assessment, which requires the participant to earn a passing score to be granted credit for course completion to either meet the mandatory training requirements and/or earn Mexican CPE, as required. We take steps to communicate and continually reinforce the understanding that assessments are required to be completed on an individual basis.

The amount of required auditing and accounting training can vary from year to year based on a number of factors, including the issuance of new accounting and auditing standards, the nature and extent of changes in response to feedback obtained, as previously described, and the impact of our ongoing curriculum redesign, which includes the use of digital tools to deliver training more efficiently. Audit professionals who hold a Mexican CPA certification are required to achieve a minimum number of hours of continuing professional education to comply with the Continuing Professional Education (DPC by its Spanish acronym) Standard. Compliance with the DPC Standard is also required to maintain the SAT registration required to file audited tax reports. Failure to complete mandatory training can impact an audit professional's performance evaluation and compensation.

Average training hours completed per audit team member:



We continue to improve the learning experience, analyzing and prioritizing technical training and adjusting how and when we deliver training to our professionals to improve their experience and achieve learning objectives.





Assurance Quality Advisory Committee

The Assurance Quality Committee (AQC) consists of partners who have the collective experience and deep understanding of the regulatory environment applicable to entities in Mexico. The purpose of the AQC is to drive our quality strategy.

The AQC has been a valuable resource for our Trust Solutions leadership team over the course of FY23 — acting as a sounding board on our quality initiatives and monitoring programs, use of technology, our approach to ESG, ways to improve the cadence of the audit process, including the additional tools and resources that were required to comply with the obligation to file an audited tax report with the SAT for calendar years ending on or after December 31, 2022, and the role of the auditor in relation to fraud and going concern in an audit of financial statements in light of standard setter initiatives and related global interest.





Our audit approach

Performing audits in accordance with professional standards is an important way that we fulfill our purpose to build trust in society and solve important problems. Each year we issue audit reports on the financial statements of public and nonpublic companies. We conduct our audits following applicable auditing standards in order to obtain reasonable assurance regarding whether the financial statements are presented fairly, in all material respects. Although reasonable assurance is a high level of assurance, it is not a guarantee. An audit involves examining the underlying audit evidence, including information and reports provided by the company, on a test basis. In some circumstances, we also rely on — and for some companies, test and opine on — a company's internal control over financial reporting, which due to inherent limitations may or may not prevent or detect misstatements. We are proud of the important role that audit opinions play in the capital markets, and how they help us fulfill our broader purpose as a firm.

Rooted in our core values, [Tomorrow's audit, today](#) reflects our view of the future — people-led, enhanced by powerful technology, and digitally amplified. While technology is a key part of how we are reimagining and revolutionizing the audit experience, it's our people — with their unique blend of audit and digital acumen — that set us apart. Driven by a **quality-first, purpose-always** mindset, our people execute an audit approach that focuses on the following:

Simplification: We provide the resources and guidance our teams need to take out unnecessary complexity and focus on the areas of risk.

Standardization: Through the consistent adoption of our tools and guidance, we are able to appropriately scale and standardize.

Specialization: Our audit teams have relevant industry and technical knowledge, and they leverage specialists and consult with the National Office, when appropriate, to bring the right knowledge to the audit at the right time.

Automation: Our people are upskilled to understand and use our innovative technology and are empowered to create custom automations.

We have an ongoing process to assess our audit approach, including the technology and tools used by our teams, so that it continues to align with our strategy and drive audit quality.

FY23 Developments

Over the past year, we addressed various auditing, accounting, reporting and other practice matters, including the following.

- Updated our methodology and resources to reflect the changes and new requirements of the revised standards issued by the International Auditing and Assurance Standards Board (IAASB) related to engagement quality review, direction, supervision and review, and the related responsibilities of the engagement leader.
- Delivered training, guidance, and support to audit teams in reviewing the required exhibits and the new reporting and communication requirements related to the audited tax report.
- Delivered guidance and various resources to highlight accounting, reporting, and auditing considerations related to the uncertain economic environment, including the potential for:
 - new risks or changes to risks of material misstatement due to error or fraud, along with our audit procedures designed to address them;
 - changes in business processes and internal controls over financial reporting; and
 - changes in the identification and description of key audit matters and critical audit matters.
- Performed targeted reach-outs, facilitated by members of our Chief Auditor Network, to support audit teams in responding to topics they consider relevant to audits, including the impact of current economic events.
- Enhanced our guidance related to, for example:
 - auditing loan risk ratings, including assessing the homogeneity of the population;
 - auditing crypto-related assets and liabilities, specifically risk assessment and testing strategy considerations; and
 - considerations related to the enactment of OECD Pillar Two global minimum tax.
- Provided guidance designed to assist our teams in understanding AI and considering the audit impacts when AI is used in our clients' environments.



Our audit technology

We continue to build trust through innovative and business-driven products that are human-led and tech-powered, focused on the end-to-end audit experience and centered around Aura.

Aura, the PwC Network's cloud-based global audit platform, is used globally across all of our audits (**more than 100,000** auditors across the PwC Network use Aura), driving quality and consistency on a worldwide basis.

Exchanging quicker

+ Data acquisition

- Secure data extraction
- Secure document exchange
- Real-time audit status dashboards



Our **direct-feed data ingestion tools** can locally or remotely extract, compress, encrypt, and transfer data securely - data handoffs are eliminated, thereby reducing room for error. Our **digital document sharing tools** allow clients to quickly and securely share documents and deliverables.

Aura

Analyzing deeper

+ Risk assessment

- Data-driven risk analysis
- Guided scoping of accounts
- Multilocation analysis



Our **visualization, analytics, and auditing tools** are designed to enhance our risk assessment process and to support the different phases of the audit - from planning, to execution, through completion.

Our audit teams use sophisticated tools to securely extract or receive key pieces of client data for assessment and analysis in Aura. They can easily navigate between visualization dashboards and detailed data schedules, facilitating a data-driven risk assessment and prompting more focused audit analysis and testing. For example, audit teams can access specialized tools to analyze full journal entry data sets to identify patterns and journals with specific characteristics.

Our existing tools are designed to support the application of leading audit practices. As the data and technology used by our clients continues to change, we continue to expand our capabilities, harnessing the power of data to further enhance our audit quality.

The PwC US central innovation and technology team, through frequent interactions with and feedback from our Your Tomorrow Adoption Network, develops the technological advances and innovations adopted for our audits in Mexico. In FY23 we continued the advancement and enhancement of functionalities in various solutions to drive quality and improve the experience. We also began migrating our underlying applications to a new platform that better aligns with our future technology vision (see [page 45](#)).

In addition, we improved the project management dashboards and quality checks in Aura – making it easier for our teams to prioritize and monitor the status of audit-related tasks and identify where updates to audit documentation are needed — and offered new tools that facilitate streamlined and efficient processing of external audit confirmations, including preparing, sending, monitoring and receiving electronic and paper responses.

By combining their digital skills, technical knowledge and professional judgment with our leading technology and world-class methodology, our audit teams deliver quality audits and end-to-end digital experience at scale. When needed, local professionals in our Your Tomorrow Adoption Network, composed of **28** audit team members and Data Assurance & Transparency specialists with advanced digital skills and training, are available to support our audit teams in identifying and adopting the most impactful tools and automations for their engagements.

People-led innovation

Our digitally skilled audit teams build on our base data analysis and other technological capabilities to dig deeper into their client's data, surfacing audit-related matters, and providing relevant perspectives and insights. Our teams can also tap into the proficiency of our digital support professionals to aid in the development and enhancement of automation solutions. These automations reduce time-intensive routine tasks, allowing more time for performing analysis.

Digital Lab, our unique technology-sharing platform, has been integral to our innovation journey centralizing automations, learning, and digital communities. Digital Lab allows our audit team members to find, enhance, and share digital assets to enhance efficiency and audit quality. Our audit team members utilized digital assets **more than 5,000 times** in FY23.



Data security

Our standards of behavior emphasize the importance of integrity and require our people to protect the confidentiality of client data and information. Our information security policies outline controls every staff member and partner must comply with in using or building technologies to support the audit. We use security technology and processes so confidential data is shared only on a need-to-know basis. Our Security Operations Center is tasked with monitoring and managing the global security systems that establish the security of firm and client assets and data. Teams of highly skilled professionals are focused on threat detection and response around the globe.

Our audit teams

We are committed to putting the right people with the right skill sets in the right place at the right time. In assigning our audit team members, we leverage our talent sourcing platform, which provides visibility into their experiences and interests. Our audit teams are composed of individuals who bring the right blend of technical capabilities and industry knowledge to deliver quality and value to our clients. In a complex, increasingly digitized business environment, this often means considering the convergence of industries, and our agile approach to assigning audit team members allows us to leverage our broad bench of audit professionals across industries to meet our clients' audit needs.

Leverage ratio of audit-related hours for audit team members

	FY23	FY22	FY21
Partner to managers	1 to 3.4	1 to 3.8	1 to 3.1
Manager to staff	1 to 7.4	1 to 5.3	1 to 7.1

Acceleration Centers

We continue to reimagine the end-to-end audit experience by allowing audit teams to assign more routine audit activities to staff located in centralized ACs. While the use of AC staff to date has been limited relative to our total audit hours, over time we have seen increased adoption of this model with three primary benefits.

During FY23 the use of PwC ACs represented approximately 3% of our total audit hours.

- First, it has increased standardization and enhanced quality as work is performed consistently by individuals who are focused on specific aspects of our audits.
- Second, our audit teams are afforded additional time to focus on more challenging aspects of our audits, learn more about our clients' businesses, and further develop working relationships with audit committees and management teams that are so vital to audit quality.
- Third, it has provided better experience for our people as they seek to develop professionally.

We expect that this will positively contribute to our goal of retaining high-performing professionals.

Quality review partners

Quality Review Partners (QRPs) and QRP assistants are a component of our quality control system. Individuals serving in these roles must have the requisite technical knowledge, training, experience, and time to perform the role effectively. All QRPs and QRP assistants are required to take specific, relevant training before assuming their role.

QRPs and, for certain engagements, QRP assistants are involved in the most important aspects of the audit, including reviewing the audit plan, considering the firm's independence, evaluating the significant risks of material misstatement in the financial statements and our responses to those risks, and reviewing certain accounting, auditing, and financial reporting and disclosure matters.

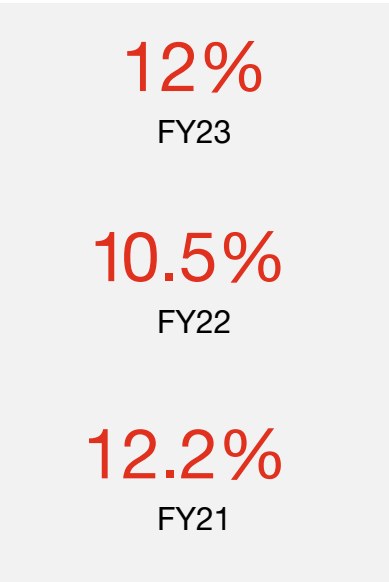


Other resources

Specialists

Our audit teams utilize our broad network of multidisciplinary specialists to better understand our clients’ businesses, identify and address relevant risks, stay informed on developing matters, and obtain insights related to the audit. Our teams combine experience across a broad range of capabilities to address various accounting and auditing areas, for example, the potential impact of complex income tax matters; valuation processes related to the use of fair value in financial reporting and impairment calculations; information technology innovations; cybersecurity threats; and forensic investigations.

Percentage of audit hours provided by specialists:



To conduct quality audits, audit teams must reason through difficult accounting and financial reporting issues and reach appropriate judgments and conclusions. While accounting standards provide specific guidance for many situations, there are other situations that require interpretation and significant judgment. One of our core values is working together, and this is a key part of the process we follow. When difficult matters arise, the audit partner is expected to leverage the full quality support network of the firm. This includes, among others, our National Office, Chief Auditor Network, Assurance Quality Management Network, the QRP, and partners who lead the audit practice.

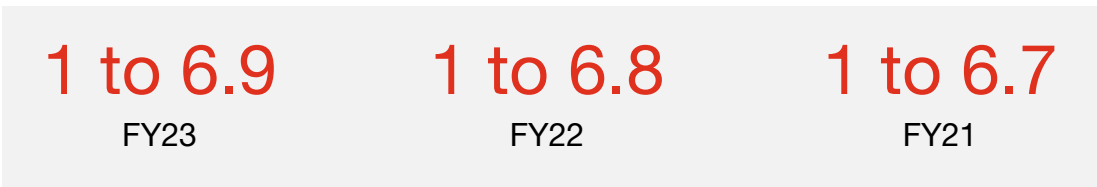
The National Office

Our National Office comprises technical accounting, auditing, and regulatory and reporting specialists who work collaboratively with the US National Office as well as the Global Network. For example, for technical content we actively participate in knowledge sharing with the Global Corporate Reporting Services Network to drive consistency throughout our IFRS and ESG practices. Our National Office specialists play a vital role in keeping our policies and guidance in these areas current. Our policies identify matters that require National Office consultation and are updated as appropriate.

Additionally, audit teams are encouraged to voluntarily consult with the National Office whenever they believe they could benefit from National Office insights. In FY23, our National Office conducted hundreds of consultations with our audit teams on various topics ranging from the accounting and auditing impact of the uncertain economic environment to the application of accounting standards and audit methodology to client-specific facts and circumstances.

In the event an audit partner initially has a different viewpoint than our National Office, a resolution process provides guidance for elevating the discussion until agreement can be reached.

Ratio of partners/managing directors serving in technical support roles⁸ to the total number of audit partners/managing directors:



The ratio of our partners/managing directors serving in technical support roles to the total number of audit partners/managing directors is based on our periodic evaluation of our technical support resource needs and leverage model and is intended to ensure that sufficient, quality technical resources are available for our audit teams. This ratio also reflects the resources needed to prepare guidance, policies, and publications to address new accounting and auditing standards or other developments impacting financial reporting.

“ Our National Office is there to support our teams and clients in addressing complex matters, and never have to go it alone.

—Michelle Orozco



Chief Auditor Network

Our Chief Auditor Network provides our audit teams on-the-ground support focused on advancing audit quality. They leverage their detailed knowledge of our methodology and their industry-specific auditing experience to:

- support the design of effective and efficient audit approaches, reinforcing key learning points from audit training and guidance and matters noted during inspection cycles,
- contribute to market and industry group meetings focused on audit quality topics and serve as instructors for many of our audit related training courses, and
- provide advice on auditing methodology matters through review of certain aspects of selected audit engagements before those audits are completed and through facilitating targeted workshops with audit teams as they plan their audit procedures.

In addition, the Chief Auditor Network executes pre-issuance review programs such as Assurance Quality Reviews (AQRs), performs targeted reach-outs to audit teams on specific audit quality related topics, engages in informal consultations with engagement teams, supports both internal and external inspection processes, assists with National Office projects, promotes local implementation of firm-wide audit quality initiatives, and provides additional support to market leadership on audit quality initiatives. Through these activities, the Chief Auditor Network is able to support audit teams in enhancing audit quality and provide leaders with insights on overall audit quality trends.



Quality Management Network

Our Quality Management Network is comprised of experienced audit partners serving in local, regional, and national roles in support of our audit practice. Quality Management audit professionals are responsible for the design, development, and implementation of our quality management policies and guidance.

The design of our Quality Management Network allows the Quality Management partners to provide support to audit partners and teams as they navigate complex issues with our clients and other stakeholders. A Quality Management partner is assigned to each audit partner and assists in assessing risks (including whether to undertake or continue an audit engagement) and applying the firm’s quality management policies. Audit teams are required to consult with Quality Management on a variety of topics, including specific circumstances related to the determination of materiality, evaluation of errors, potential illegal acts, going concern considerations, principal auditor considerations, and other matters. Given the levels of collective experience, audit teams are encouraged to consult with Quality Management when they become aware of complex matters to evaluate the risks, consider the potential impact, and gather insight even when consultation may not be required.

Percentage of Public Interest Entity⁹ audit client financial statements that were not restated:

100%

FY23
(0 restated)

96.7%

FY22
(3 restated)

98.8%

FY21
(1 restated)



Our audit process

Our top-down, risk-based audit starts with obtaining an understanding of the company's industry and business, financial systems, processes, and internal controls. We combine deep, dynamic, tech-enabled analysis with the digital skills, industry and technical knowledge, and the professional judgment of our people to obtain this understanding.

Using data either obtained via **automated data extraction** or provided by our client via our **digital document sharing tools**, and with the knowledge obtained in understanding the business, our audit teams analyze data and transactions to identify risks inherent in the financial statements, with the help of our **visualization, analytics, and auditing tools**.

This robust risk assessment influences the controls we select for testing and guides our substantive audit response. It begins in the planning phase of the audit and continues through the issuance of our report. **Aura** enables sequential and intuitive audit plan development and risk assessment through each phase of the audit, leveraging embedded industry-specific content that drives consistency in execution. With Aura, our audit teams are able to develop a more precise audit plan that specifies risk levels, controls reliance, and substantive testing. The timely involvement of more experienced audit professionals, including partners, during planning and risk assessment facilitates the appropriate consideration of materiality, audit risk, and planned response. Establishing audit planning milestones supports our audit teams in better allocating and managing resources and avoiding late surprises by performing audit work earlier in the audit cycle.

When we audit the financial statements of a company with operations in multiple locations or business units (i.e., components), our audit approach, including the nature, timing, and extent of our involvement in the work of component auditors, is influenced by our understanding of and reliance on the component auditors, the significance of the component, and identified significant risks of material misstatement to the group financial statements. We expect all components of our audits to meet applicable professional standards and satisfy our own quality objectives, and to that end, we continually refine how we use the work of component auditors and the level of our involvement in their work. Our global digital collaboration tools also streamline, standardize, and automate real-time communication and collaboration between group and component audit teams. This includes secure document exchange, enhanced status tracking, and issue management capabilities between group and component audit teams.



In 2022, both the IAASB and the PCAOB released changes to their auditing standards to strengthen requirements that apply to audits involving component auditors. For example, the changes add specificity to the expectations for the group auditor's supervision and review of the work of component auditors and new requirements related to two-way communications and engagement leader oversight. The changes go into effect for calendar year-end 2024 audits, and we are in the process of enhancing our policies, guidance, tools, and working practices applicable to group audits, as well as developing related training for our audit teams.

Smart dashboards show the progress of the audit more quickly. Our audit teams leverage our **real-time project management dashboards** to drive further transparency regarding status and automatically flag and track outstanding items and issues identified through the audit for more immediate attention and resolution.

Throughout the audit, we stay connected with our clients to anticipate and resolve complex issues and discuss relevant emerging topics and data trends. When applicable, we also communicate with audit committees on a timely basis.

Audit committees have an important role, being charged with oversight of the appointment, performance, and independence of auditors as required by the Circular Única de Auditores Externos or CUAE, that sets the obligations and responsibilities to be fulfilled by the audit committees and external auditors of public companies (issuers) and financial sector entities. Through timely, meaningful exchanges, we obtain the audit committee's perspectives and fulfill our professional responsibilities to communicate certain items to them, as well as provide all necessary information as required by the CUAE.

We encourage audit committees to ask us candid questions and engage in an open dialogue to help foster an environment of accountability. For issuers and financial sector entity audits, our communications occur several times during the year.

Examples of topics we commonly discuss with the audit committee include:

- our independence, including, when applicable, the potential effects of proposed non-audit services;
- our role and the roles of management and the audit committee;
- the audit committee's views about fraud risks in the company;
- our audit approach, including our risk assessment process, consideration of fraud risks, and results;
- the scope of our audit, including multi-location considerations, when applicable;
- our client service team, including specialists and audit component teams of subsidiaries of global clients;

- our planned use of the work of others;
- our timeline and communication plan;
- audit fees;
- management's accounting policies and practices, including adoption of new accounting standards and significant transactions;
- audit observations and insights related to relevant trending topics, including economic developments and new laws and regulations affecting the company;
- the quality of the company's financial reporting;
- our compliance with the applicable quality control standards;
- audit results, including areas of significant estimates and judgments;
- and firm PCAOB inspection results related to FPI clients;

Our audit teams comply with the auditor obligations of the CUAE to timely provide the audit committees of our audit clients with:

- if applicable, a report of irregularities or aspects that are identified during the course of the audit that could affect the stability, liquidity, solvency, or business continuity of the issuers or financial sector entities, based on their professional judgment;
- a declaration of independence and summary of observations, which need to be delivered no later than 120 days for financial sector entities, or 5 months for issuers, after the company's year-end;
- a consent letter to include the auditor's report in the annual report; and
- a communication to be delivered before the audit report is issued on matters related to the audit performed, including significant aspects identified by the external auditor, such as risks of material misstatement, results of control testing, quality of the information received, significant deficiencies, nature and amount of adjustments, as well as general audit information, such as the names of the external auditor and the specialists involved, level of materiality, quality of the information received, among other matters.

To learn more about the CUAE, visit www.pwc.com/mx/circularunica



Looking to the future

As the world evolves, assurance will continue to be one of the most important tools to help build confidence in the quality of information used by market participants. In fact, PwC's recent investor survey shows stakeholders trust reported information more if it's subject to an independent audit. At PwC, we are taking steps to deliver on the promise of the New Equation – combining people and technology to inspire and lead the profession and further build trust in the capital markets.

Taking action to lead the profession

Our role as auditors is to build trust in information that drives the capital markets—its accuracy, reliability, and consistency. As the needs and expectations of users of independent audits continue to evolve and information flows grow increasingly complex, PwC is committing to a series of bold actions in the following areas over the next several years that will further enhance confidence in the independent audit.

Accountability – we will implement tangible measures to demonstrate to our stakeholders that leaders of our firm are accountable for audit quality, which will include firm leadership compensation at risk and public leadership certifications on our system of quality management.

Quality – we will execute a series of initiatives to enhance confidence in audit quality with a focus on fraud and going concern and to explore enhancements to the audit report through more expressive content.

Independence – we will cease the provision of certain types of permitted “pure” consulting services that would typically fall under the “other” category in the proxy statement for our SEC-registered audit clients. We are not changing our approach to other types of permissible services that typically fall within the audit, audit-related, or tax buckets of the proxy statement.

Transparency – we will continue to increase the level of transparency over key aspects of audit quality performance, including enhancing our audit quality report and communicating information related to our policies and practices with respect to potential conflicts of interest.

Engagement – we will execute a series of initiatives to enhance engagement with key sets of stakeholders, including potential talent, audit committees and investors, including investing time to raise awareness of careers in accounting.

We are approaching these actions in phases – starting with accountability – and expect that each will evolve over time as we consider standard setting and regulatory developments and emerging practice matters.

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Working together with the US firm, we are focused on the thoughtful development and implementation of meaningful actions for the progression of our profession.

— Ana Paula Jiménez

Expanding our technology platforms to power PwC's audit capabilities

As part of The New Equation strategy, the PwC Global Network is investing \$1 billion in our audit tools, technologies, and methodologies globally to further standardize, simplify, and automate our audit work to drive quality and enable our teams to deliver a faster and better experience for our clients. With the benefit of a first-of-its-kind relationship with Microsoft, we will leverage the latest cognitive technologies such as generative AI. This is another step on our innovation journey that included the digital upskilling of all of our people and the building of a culture of human-led and tech-powered innovation that has helped shape the profession.

Through this multi-year, tech-enabled transformation of our assurance business, we will redefine how our audit is executed and experienced. It's about more than just technology. The program is underpinned by a human-centered design approach. Individuals across the PwC Network are focused on developing the next wave of innovation. This team leverages internal and external learnings from our community of solvers to focus on the needs of our stakeholders and identify new ways for our people to work with one another and with clients to enhance quality.

We are designing, developing, and deploying new ways of securely ingesting and using data to identify risks, detect anomalies, and surface insights, with built in digital checks that enhance audit quality. Intuitive, guided experiences and workflows will help our people and clients complete the right tasks at the right time, adapting and scaling in response to the needs and complexities of each engagement.

A new cloud-based platform will not only support our people in providing efficient, robust, and independent assurance across financial and nonfinancial information, helping to build trust in what matters to our stakeholders, but will also serve as a virtual meeting place where our people can come together to collaborate and work, and where we can meet our clients to share information, updates, and insights. It will redefine how we digitally enable the ways we work and elevate the experience for our people and our clients in the process. It will accelerate the pace of innovation, enabling us to be responsive to the needs of stakeholders while focusing relentlessly on maintaining audit quality.

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The practice of our profession as accountants and auditors today demands the use of cutting-edge technologies to enrich the analysis of information and the application of skepticism and professional judgment.

—Felipe Córdova

In June 2023, PwC won the [Digital Innovation of the Year Award](#) at the International Accounting Forum and Awards for progress in the use of emerging AI tools across our Network.



Our approach to quality management

Global Network

“PwC” is the brand under which the member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide professional services. Together, these firms form the “PwC Network.” “PwC” is often used to refer either to individual firms within the PwC Network or to several or all of them collectively. In many parts of the world, accounting firms are required by law to be locally owned and independent. The PwC Network is not a global partnership, a single firm, or a multinational corporation. The PwC Network consists of firms that are separate legal entities.

PricewaterhouseCoopers International Limited

Firms in the PwC Network are members in, or have other connections to PwCIL, an English private company limited by guarantee. PwCIL does not practice accountancy or provide services to clients. Rather its purpose is to act as a coordinating entity for member firms in the PwC Network. Focusing on key areas such as strategy, brand, and risk and quality, PwCIL coordinates the development and implementation of policies and initiatives to achieve a common and coordinated approach amongst individual member firms where appropriate. Member firms of PwCIL can use the PwC name and draw on the resources and methodologies of the PwC Network. In addition, member firms may draw upon the resources of other member firms and/ or secure the provision of professional services by other member firms and/or other entities. In return, member firms are bound to abide by certain common policies and to maintain the standards of the PwC Network as put forward by PwCIL.

The PwC Network is not one international partnership. A member firm cannot act as an agent of PwCIL or any other member firm, cannot obligate PwCIL or any other member firm, and is liable only for its own acts or omissions and not those of PwCIL or any other member firm. Similarly, PwCIL cannot act as an agent of any member firm, cannot obligate any member firm, and is liable only for its own acts or omissions. PwCIL has no right or ability to control any member firm’s exercise of professional judgment.

The governance bodies of PwCIL are:

- The Global Board, which is responsible for the governance of PwCIL, the oversight of the Network Leadership Team, and the approval of Network standards. The Board does not have an external role. The Board is composed of 20 members. Two are appointed as external, independent directors, and the other 18 Board members are elected by partners from member firms around the world every four years.
- The 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.
- The Strategy Council, which is made up of the leaders of the largest member firms and regions of the Network, agrees on the strategic direction of the Network, and facilitates alignment for the execution of strategy.
- The Global Leadership Team, which is appointed by and reports to the Network Leadership Team and the Chairman of the PwC Network. Its members are responsible for leading teams drawn from member firms to coordinate activities across all areas of our business.


Quality across the PwC Network

Quality audits across the PwC Network are vital to the firm's brand. The PwC Network has established a Quality Management for Service Excellence (QMSE) framework which integrates quality management into how each member firm runs its business, manages risk, and supports engagement teams in performing quality work.

The QMSE framework introduces an overall quality objective that is focused on member firms, including ACs, having the necessary capabilities and deploying its people to consistently use its methodologies, processes, and technology to deliver quality audits in an effective and efficient manner. To help member firms achieve this objective, the PwC Network invests significant resources into the continuous enhancement of quality across the Network, including maintaining a strong quality infrastructure, supported by skilled, experienced individuals and underlying tools and technology at both the Network and member firm level. The PwC Network's Global Assurance Quality organization aims to support member firms in promoting and monitoring quality by making available practical tools and guidance.

Each member firm designs, implements, and operates its own system of quality management to achieve the overall quality objective and a series of underlying quality management objectives set forth in the QMSE framework. In addition, each member firm is responsible for monitoring its system of quality management, including an ongoing assessment aimed at evaluating whether the policies and procedures that constitute the member firm's system of quality management are designed appropriately and operate effectively to provide reasonable assurance that the overall quality objective is achieved.





The PwC Network coordinates an inspection program to periodically review certain elements of the member firm's system of quality management as well as the member firm leadership's own assessment of the effectiveness of its system of quality management and determination of whether the overall quality objective is achieved.

In addition, each member firm executes risk-focused reviews of completed engagements covering, on a periodic basis, individuals in the member firm who are authorized to sign audit or non-audit assurance or related services reports. These reviews assess whether an engagement was performed in compliance with applicable professional standards and engagement-related policies and procedures. These reviews are planned and executed, and findings are assessed, using guidance and a range of checklists and tools developed at the Network level. The results of these reviews are reported to member firm leadership, who are responsible for analyzing the results of the inspections along with the findings identified from all sources of information, performing root cause analysis, and implementing remedial actions as necessary. PwC Mexico partners receive information about the results of the Network inspection program to consider, when applicable, in planning and performing their audit work.

Our system of quality management

The CUAE includes the minimum quality control standards to be observed by audit firms for the provision of audit services related to the clients supervised by the CNBV. The CUAE requires compliance with the International and Mexican Standards on Quality Control as well as pre-existing regulations for auditors of financial sector entities. To monitor compliance and effectiveness of the established programs, the CNBV carries out reviews of selected audit firms and certain engagements audited by those firms.

Our system of quality management is designed to meet the requirements of relevant quality control standards of the IAASB and PCAOB and the PwC Network's QMSE framework. The evolution of our system of quality management aligns to the enhancements prescribed by International Standard on Quality Management 1 (which we implemented as of the December 15, 2022 effective date), which has positioned us well to adapt to future regulatory developments, such as the new quality control standard proposed by the PCAOB in November 2022 and expected to be finalized in 2024. The CUAE considers that auditors serving engagements of issuers must adopt the national or international quality control standards in force once they become effective.

Leveraging technology and data, we take a proactive, risk-based approach to designing and operating our system of quality management to achieve our quality objectives. Our system operates in a continual and iterative manner and is designed to be responsive and resilient to changes in the nature and circumstances of the firm and developments in the auditing environment and the regulatory landscape. We also continue to invest in and reimagine our system of quality management to capitalize on the rapid technological change and changing business environment, including harnessing data and using technology to monitor audit quality on a real-time basis.

Our system of quality management identifies risks and includes controls in the following areas:

- Organizational structure, including tone at the top and leadership's responsibility related to quality
- Practice environment, including assessment of internal and external risks
- Acceptance and continuance of clients and engagements
- Independence, integrity, and objectivity
- Personnel management, including training, assignment, and evaluation
- Engagement partner and QRP assignments
- Engagement performance, including technology used in our audits and review and supervision
- Participation by Network firms
- Monitoring, including internal inspections and root cause analyses of findings
- Administration, including design and maintenance of quality management policies and procedures

Our firm's monitoring includes an ongoing assessment aimed at evaluating that our system of quality management over our audit practice is designed appropriately and operating effectively to provide reasonable assurance that the quality objectives prescribed by the relevant quality control standards and the PwC Network's QMSE framework have been achieved. Annually, this is evaluated by the Quality Management Network. Refer to [page 51](#) for a description of our internal inspection process and factors contributing to our most recent compliance rate.



Monitoring

Pre-issuance reviews

One way we monitor quality is to review audit work on certain audit engagements prior to the issuance of their respective audit report. Our pre-issuance reviews, which include the AQRs performed by the Chief Auditor Network, Interoffice Instructions Reviews (IIR) performed by the Audit Methodology Group, and the Continuous Quality Assurance program (CQA) monitored by the Quality Management Network, provide audit teams with timely feedback, which can be incorporated into their audit prior to the completion of fieldwork and the results are considered as part of our continuous improvement process.

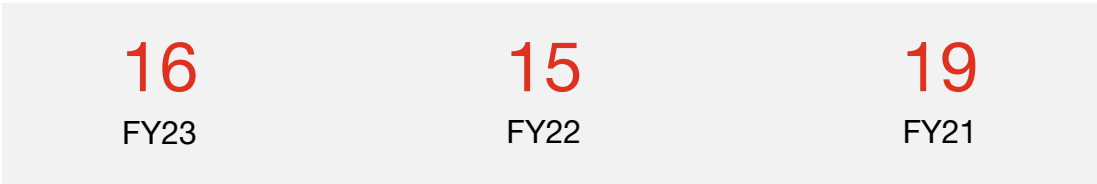
In FY23, our Quality Management Network, the Audit Methodology Group within the National Office, and the Chief Auditor Network combined performed **42 pre-issuance reviews**¹⁰ (48 performed in FY22).



Internal inspections

Our internal inspections program assesses audit engagements' compliance with firm policies, procedures, and applicable professional and regulatory standards. The selected engagements are inspected subsequent to the issuance of their respective audit report.

Number of audit engagements subject to internal inspection:



Under the firm's internal inspections program, audit engagement partners are generally selected for inspection at least once every five years. Overall, the engagement selection process results in a sample of audit engagements that is representative of our audit practice (e.g., sector, geography, size) and meets or exceeds the requirements set forth in the applicable quality control professional standards.

The PwC US Inspections group oversees the internal inspections program, including its design and execution. The group monitors audit quality, drives consistency in our inspections process, and delivers insights into areas for continued focus. This group, along with support from US and other network audit professionals and specialists (if applicable) with relevant industry or technical experience, executes the annual inspections. **More than 20** partners and professional staff participated as reviewers in 2023 internal inspections of 2022 audit engagements.

The PwC US Inspections group prepares a report, which is reviewed by our AQC, to communicate inspections observations and results to the audit practice.

Compliance rate of audit engagements selected for internal inspection:



From these internal inspections, our Quality Management Network reviews observations raised, performs a root cause analysis, and works with other groups in the National Office and firm leadership to identify actions we could take to continue to enhance quality.

Insufficient review and supervision, professional skepticism, leverage of resources, and technical knowledge specific to complex accounting and/or auditing areas are factors that were present in certain of the inspected engagements that contributed to noncompliance. In response to our current year inspection results, we have implemented a Quality Improvement Plan that includes increased support to partners and QRPs, improved assignment of client portfolio, enhanced pre-issuance quality inspections and increased guidance and training related to complex auditing and accounting areas, all reinforced by our leadership team's accountability and tone at the top.

External inspections

The CUAЕ requires audit firms to have in place a quality evaluation program aligned with the International and Mexican Quality Control Standards and, as mentioned before, the CNBV has the authority to perform reviews or inspections.

Our CNBV and PCAOB reviews inspections of our public issuers and financial sector entities provide a data point for audit quality and represent an important check on our internal monitoring and assessment processes.

The PCAOB performs inspections at least once every three years. Our last inspection from the PCAOB was in July 2023, with respect to selected 2022 year-end SEC issuer audits. The PCAOB has not issued its report on this inspection.

The most recent inspection report on our audit practice is dated February 28, 2022 (our “2020 Inspection Report”). It describes the results of the PCAOB’s 2020 inspection of three (or approximately 4%) of our 2019 year-end SEC issuer audits.

As the PCAOB has stated publicly, the audits they select and the portions of those audits they review are not done to identify a representative sample statistic that can be extrapolated accurately to a portfolio of audits. As a result, the findings cannot be used to draw conclusions about the frequency of deficiencies throughout the firm’s portfolio. The PCAOB’s approach is designed to be weighted towards targeting items of interest to their regulatory purposes. There are inherent differences in the purpose and methods used by the PCAOB to select audits for inspection compared to those used for our internal inspections.

Part I of the PCAOB report

Part I, which is the public portion of the PCAOB inspection report, contains an overview of the inspection procedures and observations on the engagements inspected.

Part I.A includes discussion of deficiencies identified by the PCAOB in its inspection of issuer audits. The PCAOB’s 2020 inspection of our 2019 year-end SEC issuer audits included 1 issuer audit in Part I.A, reflecting an improvement in the inspection results and the positive impact of the investments we have made in audit quality.

We continue to focus on further improving the consistency in the execution of:

- auditing internal control over financial reporting, including identifying and testing controls related to significant estimates; and
- the sufficiency of substantive procedures to test the estimates.

Part I.B of the PCAOB inspection report includes information on deficiencies that do not relate directly to the sufficiency or appropriateness of evidence the firm obtained to support its opinion(s), but nevertheless address other deficiencies related to compliance with PCAOB standards or rules. No deficiencies were identified in Part I.B of our 2020 Inspection Report.

Beginning with our 2023 inspection report, a new Part I.C will be added to discuss instances of potential noncompliance with SEC rules or instances of noncompliance with PCAOB rules related to maintaining independence. This includes instance(s) of noncompliance identified by the PCAOB and instance(s) of noncompliance identified by the firm, specifically by our independence compliance programs described on [page 11](#). Each instance of noncompliance is further analyzed, as described on [page 13](#), to conclude whether our impartiality or objectivity was impaired.

Part II of the PCAOB report

Part II of the inspection report reflects observations identified during the PCAOB's review of certain practices, policies, and processes related to our system of quality control, including observations developed from the engagement-specific findings reported in Part I. The Sarbanes-Oxley Act mandates that Part II not be made public if a firm addresses the quality control observations to the PCAOB's satisfaction within 12 months of the date of the inspection report. The PCAOB determined that it is satisfied with the actions we took to address observations contained in Part II of our 2020 Inspection Report.



Analyses of quality drivers

We perform analyses of audits with and without deficiencies identified through internal and external inspections. A team of reviewers that is independent of the engagement team identifies and considers factors relevant to technical knowledge, supervision and review, professional skepticism, engagement resources, and training, among others, related to other elements of our system of quality management that may have contributed to audit quality. These potential causal factors are identified by evaluating data for the engagement and certain members of the engagement team, performing interviews, and reviewing audit working papers and relevant guidance.

In addition, we compare and contrast the data for audits with and without deficiencies to identify whether certain factors appear to correlate to audit quality. Examples of this data include the hours incurred on the audit, whether key engagement team members are in the same geographic location as the client, the number of years that key engagement team members have been on the engagement, the number of other audits the engagement partners are involved in, whether the engagement was subject to a pre-issuance review, and the timing of when the audit work was planned and performed. Our goal is to understand how audits without deficiencies may differ from those with deficiencies.

The potential causes we identify through our analyses are used to identify enhancements that may be useful to implement across all or certain elements of our practice and further improve our system of quality management.



Continuous learning and improvement process

Our continuous learning and improvement process is an ongoing process designed to identify opportunities for enhancement in a timely manner through various channels, including monitoring the results of consultations with our National Office, pre-issuance reviews, and internal and external inspections, as well as our analyses of quality drivers.

As part of this process, we rapidly respond, developing and implementing actions to address the opportunities identified. The enhanced guidance and tools and the additional communications, training, targeted workshops, and reach-outs described throughout this report reflect our commitment to advance audit quality as our number one priority.

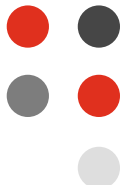


Governance structure

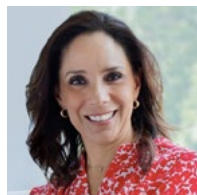


Governance structure of the firm

The firm's Senior Partner manages the firm. The Senior Partner has appointed a Leadership Team to assist with managing the firm and discharging the responsibilities of the Senior Partner, which include establishing and determining the effectiveness of the firm's system of internal control, including controls relating to the quality of the firm's audit services.



Leadership Team members as of July 1, 2023—PwC Mexico



Ana Paula Jiménez**
Senior Partner



Felipe Cordova
Trust Solutions Leader



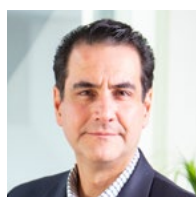
Eduardo Reyes
Consulting Solutions Leader



Mariana López Rodríguez
Marketing & Sales Leader



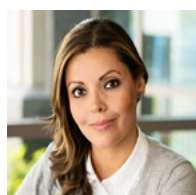
Gabriel Hernández
General Counsel



Ricardo Moreno
Independence Leader



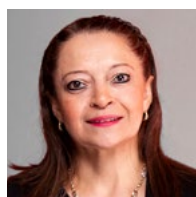
Víctor Hugo Gallegos
Risk and Quality Leader



Elidé Athié
Ethics & Compliance Leader



Michelle Orozco
National Quality Office Leader



Martha Elena González
Human Capital Leader
& Partner Affairs



Marta Milewska
Tax and Legal Services Leader



Lázaro Peña
Corporate, Social
Responsibility
and Diversity & Inclusion

***Also, a member of the PwC Network's Strategy Council*

We recognize that quality is an ongoing journey and there are always opportunities to do more. We will continue to listen to our stakeholders' views about what they need and share our perspectives. As the world around us continues to change, we will continue our focus on audit quality.

Endnotes

1. Our fiscal year ends June 30th.
2. References to the firm, our, we, and PwC in this document relate to PricewaterhouseCoopers, S.C. or PwC Mexico. The scope of this document pertains solely to the PwC Mexico firm registered with the PCAOB and supervised by the CNBV. This report was prepared to provide our stakeholders with relevant information related to our Mexican operations.
3. “Significant audit component” refers to an audit component of a Foreign Private Issuer (FPI) listed in the US that is of individual financial significance to the group, or that, due to its specific nature or circumstances, is likely to cause significant risk(s) of material misstatement to the group financial statements.
4. “SEC issuer” audit clients refer to FPIs and significant audit components, and other referred work related to public entities in the US.
5. “Audit team members” refers to our core audit partners and staff. Specialists and AC staff are excluded.
6. “Managers” includes managers, senior managers, directors, and managing directors.
7. “Associates” includes audit professionals who are still attending university in their undergraduate programs and work on a shorter schedule.
8. Technical support roles exclude quality management professionals (see [page 40](#)) and dedicated independence professionals (see [page 12](#)).
9. “Public Interest Entity” refers to issuers and financial sector entities supervised by the CNBV.
10. Engagements selected to participate in the pre-issuance reviews are based on engagement risk profile, timing of last review for the partner, and selection unpredictability, among other criteria. The list of engagements selected for review is approved by the AQC.

