

Transparency Report 2022

Ernst & Young (Cambodia) Ltd.



Building a better
working world

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Message from our leader



Tran Dinh Cuong
Country Managing Partner
Ernst & Young (Cambodia)
Ltd.



Sinratana Lan
Office Managing Partner
Ernst & Young (Cambodia)
Ltd.

Welcome to the Transparency Report 2022 of Ernst & Young (Cambodia) Ltd. (EY Cambodia). We believe that how we advance audit quality, identify and mitigate risk, and maintain our independence as auditors should be transparent to stakeholders. This report is one of the ways in which we provide an update on what we are doing in these areas.

Executing high-quality audits continues to be the top priority, and at the heart of our ambition is to serve the public interest by independently assessing risk and identifying opportunities to enhance trust in business and the capital markets, in support of sustainable, long-term value creation. Auditors play a vital role in the functioning of capital markets by promoting transparency and supporting investor confidence. Companies, regulators and other stakeholders count on us to deliver excellence in every engagement.

We are focused on investing in tools to improve what we do, creating high-performing, diverse and inclusive teams, and building trust and confidence through the audits we perform. EY Cambodia's reputation is based on and grounded in providing high-quality professional audit services, objectively and ethically, to every company we audit.

The EY Cambodia Transparency Report 2022 covers the fiscal year ended 30 June 2022 as well as any more recent relevant events.

In this report, you can learn about our commitment to Sustainable Audit Quality (SAQ), including how we instill professional values, the performance of audits and internal quality control, as well as our independence practices and how we are creating long-term value for our people and society.

Our focus on delivering high-quality audits has remained paramount during this unprecedented period of disruption, with our purpose of Building a better working world as our guide.

We also include updates on our continuing commitment to sustainability, within the EY organization and for EY clients, as an important element in creating long-term value for all stakeholders. For example, EY Assurance services can help clients and the wider EY organization respond to investors and stakeholders who are seeking more robust and transparent nonfinancial information. Nonfinancial or environmental, social and governance (ESG) reporting will require measuring and reporting on metrics beyond the customary financial statement elements, the assurance over which could be important to delivering long-term value. The EY organization is also on its own sustainability journey, which included becoming carbon negative in 2021, following the achievement of carbon neutrality in 2020, and the ambition to be net zero by 2025. EY Cambodia is doing its part in achieving these goals.

EY purpose: Building a better working world

The EY organization is committed to doing its part in building a better working world.

The audits delivered by EY people help build trust and confidence in business and the capital markets. EY auditors serve the public interest by delivering high-quality, analytics-driven audits with independence, integrity, objectivity and professional skepticism. In so doing, the EY organization helps protect and promote sustainable and long-term value for stakeholders.

We remain focused on enhancing audit quality and upholding our independence, informed by several factors, including external and internal inspection results. Continuous improvement of audit quality requires us to challenge approaches to audit execution, and we concentrate on this by evaluating inspection findings and taking responsive actions.

The need for trust and confidence in financial reporting in the capital markets has never been greater, and auditors play an important role.

We encourage all EY stakeholders – including clients and their investors, audit committee members and regulators – to continue to engage with us on our strategy as well as any of the matters covered in this report.



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Country Managing Partner
Ernst & Young (Cambodia) Ltd.



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About us

About us



In Cambodia, Ernst & Young (Cambodia) Ltd. is single-member private limited company and is a member firm of Ernst & Young Global Limited, a UK company limited by guarantee (EYG). In this report, we refer to ourselves as “EY Cambodia,” “we,” “us” or “our.” EY refers collectively to the global organization of the member firms of EYG.

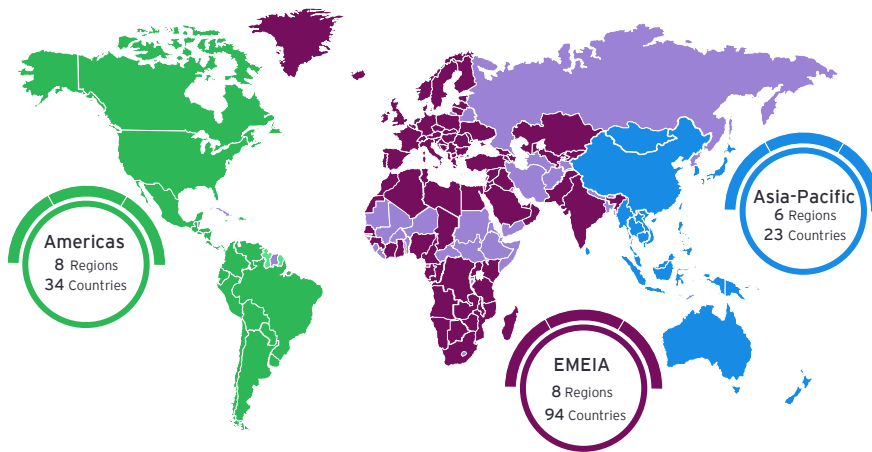
EYG member firms are grouped into three geographic Areas: Americas; Asia-Pacific; and Europe, Middle East, India and Africa (EMEIA). The Areas comprise multiple Regions. Regions are groupings of member firms along geographical lines (and in the case of the US member firm within that member firm) with the exception of the Financial Services Organization (FSO) Regions, which comprise the financial services activities of the relevant member firms within an Area.

EY Cambodia is part of the Asia-Pacific Area, which comprises member firms in 23 countries and is a member of Ernst & Young Asia-Pacific Limited (Asia-Pacific Limited). Within the Asia-Pacific Area, there are six Regions. EY Cambodia is part of the Asean Region.

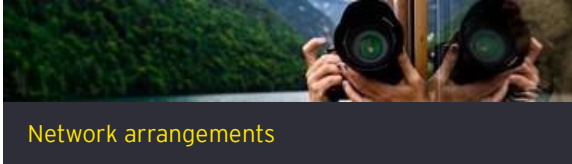
Asia-Pacific Limited, a Hong Kong company limited by guarantee, is the coordinating entity for the EYG member firms in the Asia-Pacific Area. Asia-Pacific Limited facilitates the coordination of these firms and cooperation between them, but it does not control them. Asia-Pacific Limited is a member firm of EYG, has no financial operations and does not provide any professional services.

Each Region elects a Regional Partner Forum (RPF), whose representatives advise and act as a sounding board to Regional leadership. The partner elected as Presiding Partner of the RPF also serves as the Region’s representative on the Global Governance Council (see page 5).

EY Areas, Regions and Countries*



*Figures reflect the completion of the separation of the Russian and Belarus EY member firms from the EY global organization



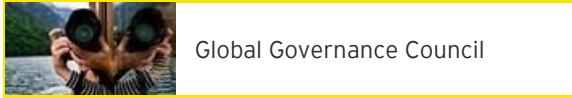
EY is a global leader in assurance, tax, strategy and transactions, and consulting services. Worldwide, over 350,000 people in member firms in more than 150 countries share a commitment to building a better working world, united by shared values and an unwavering commitment to quality, integrity and professional skepticism. In today's global market, the integrated EY approach is particularly important in the delivery of high-quality multinational audits, which can span nearly every country in the world.

This integrated approach enables EY member firms to develop and draw upon the range and depth of experience required to perform such diverse and complex audits.

EYG coordinates the various activities of the member firms and promotes cooperation among them. EYG does not provide services, but its objectives include the promotion of exceptional high-quality client service by member firms worldwide. Each member firm is a separate legal entity. Each member firm's obligations and responsibilities, as a member of EYG, are governed by the regulations of EYG and various other agreements.

The structure and principal bodies of the global organization, described below, reflect the principle that EY, as a global organization, has a common shared strategy.

At the same time, the network operates on a Regional level within the Areas. This operating model allows for greater focus on stakeholders in the Regions, permitting member firms to build stronger relationships with clients and others in each country, and be more responsive to local needs.



The Global Governance Council (GGC) is a key governance body of EYG. It comprises one or more representatives from each Region, other at-large representatives from any member firm and independent non-executives (INEs). The Regional representatives, who otherwise do not hold senior management roles, are elected by their RPFs for a three-year term, with the ability to be reappointed for one additional three-year term. The GGC advises EYG on policies, strategies, and the public interest aspects of its decision-making. The GGC approves, in some instances upon the recommendation of the Global Executive (GE), certain matters that could affect EY.



Up to six global INEs are appointed from outside EY. The global INEs are senior leaders from both the public and private sectors and reflect diverse geographic and professional backgrounds. They bring to the global organization, and the GGC, the significant benefit of their varied perspectives and depth of knowledge. The global INEs also form a majority of the Public Interest Sub-Committee (PIC) of the GGC. The role of the PIC includes public interest aspects of decision-making and dialogue with stakeholders, issues raised under whistleblowing policies and procedures, and engagement in quality and risk management discussions. The global INEs are nominated by a dedicated committee, approved by the GE and ratified by the GGC.



The GE brings together EY leadership functions, services and geographies. It is chaired by the Chairman and CEO of EYG, and includes its Global Managing Partners of Client Service and Business Enablement; the Area Managing Partners; the global functional leadership for Talent; the leaders of the global service lines – Assurance, Consulting, Strategy and Transactions, and Tax; and one EYG member firm partner on rotation.

The GE also includes the Global Vice Chair of Markets, the Global Vice Chair of Transformation, the Chief Client Technology Officer, the Chair of the Global Accounts Committee, the Chair of the Emerging Markets Committee, as well as a representative from the Emerging Markets practices.

The GE and the GGC approve nominations for the Chairman and CEO of EYG and ratify appointments of the Global Managing Partners. The GE also approves appointments of Global Vice Chairs. The GGC ratifies the appointments of any Global Vice Chair who serves as a member of the GE.

The GE's responsibilities include the promotion of global objectives and the development, approval and, where relevant, implementation of:

- ▶ Global strategies and plans
- ▶ Common standards, methodologies and policies to be promoted within member firms
- ▶ People initiatives, including criteria and processes for admission, evaluation, development, and reward and retirement of partners
- ▶ Quality improvement and protection programs
- ▶ Proposals regarding regulatory matters and public policy

- ▶ Policies and guidance relating to member firms' service of international clients, business development, and markets and branding
- ▶ EY development funds and investment priorities
- ▶ EYG's annual financial reports and budgets
- ▶ GGC recommendations on certain matters

The GE also has the power to mediate and adjudicate disputes between member firms.



GE committees

Established by the GE, and bringing together representatives from across the organization, the GE committees are responsible for making recommendations to the GE. In addition to the Global Audit Committee, examples of other committees include Assurance, Consulting, Tax, Strategy and Transactions, Global Markets and Investments, Global Accounts, Emerging Markets, Talent and Risk Management.



Global Practice Group

The Global Practice Group brings together the members of the GE, GE committees, Regional leaders and sector leaders. It seeks to promote a common understanding of EY strategic objectives and helps drive consistency of execution across the organization.



EYG member firms

Under the regulations of EYG, member firms commit themselves to pursue EY objectives, such as the provision of high-quality services worldwide. To that end, the member firms undertake the implementation of global strategies and plans, and work to maintain the prescribed scope of service capability. They are required to comply with common standards, methodologies and policies, including those regarding audit methodology, quality and risk management, independence, knowledge sharing, talent and technology.

Above all, EYG member firms commit to conducting their professional practices in accordance with applicable professional and ethical standards, and all applicable requirements of law. This commitment to integrity and doing the right thing is underpinned by the EY Global Code of Conduct and EY values (see page 13).

Besides adopting the regulations of EYG, member firms enter into several other agreements covering aspects of their membership in the EY organization,

such as the right and obligation to use the EY name and share knowledge among member firms.

Member firms are subject to reviews to evaluate adherence to EYG requirements and policies governing issues, such as independence, quality and risk management, audit methodology and HR. Member firms unable to meet quality commitments and other EYG membership requirements may be subject to termination from the EY organization.



Creating long-term value for society

At EY, we believe sustainability is everyone's business. EY, as an organization, is effecting change at scale by building alliances, forging collaboration and rallying every one and every part of the business to take part. EY continues to focus on creating, protecting and measuring long-term value across all four dimensions of the NextWave strategy – people value, client value, societal value and financial value. It is by integrating all of these dimensions that EY fulfils its purpose of *Building a better working world*.

From advising governments on how to build more sustainable and inclusive economies, to encouraging businesses to focus and report on their creation of long-term value for all stakeholders, EY services already play a vital role in this. However, more can and must be done as all stakeholders define their roles in this journey.

As a proud participant in the United Nations Global Compact (UNGC) since 2009, EY is committed to integrating the UNGC Ten Principles and the UN Sustainable Development Goals (SDGs) into EY strategy, culture and operations.

Among other things, this commitment is reflected in:



Corporate responsibility governance structures

Corporate responsibility across EY is coordinated by the EY Corporate Responsibility Governance Council (CRGC). This body includes members of the EY Global Executive, and provides senior leadership representation from across EY services lines, functions and geographic areas.



The EY social impact ambition

The global corporate responsibility program, [EY Ripples](#), brings together the global EY network with a goal of positively impacting one billion lives by 2030. To date, EY Ripples initiatives have cumulatively benefited more than 76 million people, aided by:

- ▶ A rigorous focus on three areas (supporting the next generation workforce, working with impact entrepreneurs, and accelerating environmental sustainability) where the distinctive skills, knowledge and experience of EY people can make the biggest difference.
- ▶ A collaboration with other like-minded organizations to build ecosystems that are capable of creating change at scale. For example, the TRANSFORM initiative with Unilever and the UK Foreign, Commonwealth and Development Office, which aims to change the lives of 150 million people across sub-Saharan Africa and South Asia by 2030, by tackling inequality.
- ▶ Further collaboration to create lasting positive social impact through activities such as the creation of a text-based learning program for underserved students. EY recently received the 2022 SAP Pinnacle Award for Social Impact, for this work.



Commitment to human rights

The GE recently signed a statement reaffirming its commitment to uphold and protect human rights. The commitment focuses on the rights of all EY people, the impact of client engagements, stakeholders in EY supply chains, and active inclusiveness. Over the past year, EY has focused on strong governance and reporting around this commitment.



The EY carbon ambition

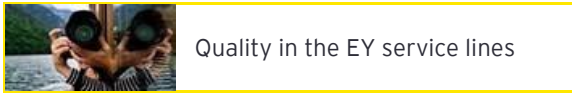
EY achieved carbon negative status in 2021 and aims to become net zero in 2025. EY endeavors to achieve this by significantly reducing absolute carbon emissions, and then removing or offsetting more than the remaining amount every year. To reach net zero by FY25, EY member firms plan to reduce absolute emissions by 40% across Scopes 1, 2 and 3 (versus an FY19 baseline), consistent with a 1.5°C science-based target approved by the Science Based Targets initiative (SBTi). Specific actions include:

- ▶ Reducing business travel emissions, with a target to achieve a 35% reduction by FY25 against the FY19 baseline
- ▶ Reducing overall office electricity usage, and procuring 100% renewable energy for remaining needs, earning RE100 membership by FY25
- ▶ Structuring electricity Power Purchase Agreements (PPAs) to introduce more renewable electricity than EY consumes into national grids
- ▶ Using nature-based solutions and carbon-reduction technologies to remove from the atmosphere or offset more carbon than emitted, every year
- ▶ Providing EY teams with tools to calculate, then work to reduce the amount of carbon emitted in carrying out client work
- ▶ Requiring 75% of EY suppliers, by spend, to set science-based targets by no later than FY25
- ▶ Investing in EY services and solutions that help clients create value from decarbonizing their businesses, and provide solutions to other sustainability challenges and opportunities



Commitment to Sustainable Audit Quality

Commitment to Sustainable Audit Quality



NextWave is the EY global strategy and ambition to deliver long-term value to clients, people and society. It has put EY in a strong position to adapt and innovate, while the EY purpose of *building a better working world* continues to inspire EY people not only to serve clients, but also to use EY knowledge, skills and experiences to support the communities in which we live and work. The insights and quality services EY member firms deliver help enhance trust in business and the capital markets in support of sustainable, long-term value creation.

For EY Assurance services, the NextWave strategy is informed by a recognition that markets are being reshaped profoundly by data and technology disruptions, climate change, demographics shifts and globalization, creating urgency for EY to respond to increasing demand for trust and confidence.

In response, EY continues to harness the inherent strengths of its member firms' greatest asset in delivering quality and building trust - EY people. By enhancing their skills and experiences, while also transforming the way EY teams work to put data and technology at the center of the assurance services they provide, they better deliver on the EY purpose of serving the public interest.

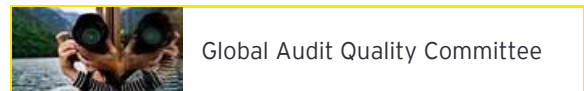
Through a data-first approach, enabled by analytics and digital tools, EY teams continue to deliver high-quality audits with independence, integrity, objectivity and professional skepticism. EY member firms provide their audit professionals with additional training and enablement to help detect fraud. The data-first approach and enhanced training elevates EY teams' experiences, so they can spend more time addressing risks and exercising professional judgment.

EY member firms remain future-focused as they transform, including ever more sophisticated data analytics, efficiently delivering greater insight and assurance in support of the high-quality audits that are valued by the companies that EY member firms audit and the capital markets.

By applying cutting-edge technologies, all while serving the public interest, our EY Assurance services people contribute meaningfully to the overall EY purpose of *Building a better working world*.

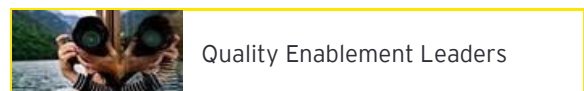
EYG member firms and their service lines are accountable for delivering high-quality engagements. EY member firms' service lines manage the overall process for quality reviews of completed engagements and input for the quality of in-process engagements, which helps achieve compliance with professional standards and EY policies.

The Global Vice Chair of Assurance coordinates member firms' compliance with EY policies and procedures for services provided by EY Assurance services.



The EY Global Audit Quality Committee (GAQC) is an important element of the culture of continuous improvement. It comprises senior leaders from across the EY organization with extensive, diverse and highly relevant experience. The GAQC advises EY Assurance leadership on the many aspects of the organization's business, operations, culture, talent strategy, governance and risk management that affect audit quality.

The committee develops innovative ideas and approaches to delivering high-quality audits and is a forum for sharing best practices of EY member firms. The committee also helps develop audit quality indicators (AQIs) and other forms of quality monitoring that feed into the continuous improvement cycle.



The EY Quality Enablement Leaders (QEL) network is a group of senior Assurance leaders around the world who drive improvements in audit quality by providing support to engagement teams.

Their responsibilities include: coaching teams on the adoption of audit standards and methodology; monitoring in-process engagements; supporting internal and external inspections; advising teams on remediating the root causes of significant audit deficiencies; driving practice and project management; supporting portfolio risk analyses; and implementing processes related to the EY system of quality management, including global AQIs.

Using EY Canvas and the related Milestones functionality (see page 18), as well as ever more sophisticated artificial intelligence (AI) tools, the QELs are able to build a picture of audit quality performance in real time. This, in turn, allows for positive and timely intervention, such as deploying additional resources (including subject-matter specialists), to support audit teams and the companies they audit.



Professional Practice

The Global Vice Chair of Professional Practice, referred to as the Global Professional Practice Director (PPD), is overseen by the Global Vice Chair of Assurance and works to establish global audit quality control policies and procedures. Each of the Area PPDs as well as the Global Delivery Service PPD is overseen by the Global PPD and the related Area Assurance Leader. This helps provide greater assurance to the objectivity of audit quality and consultation processes.

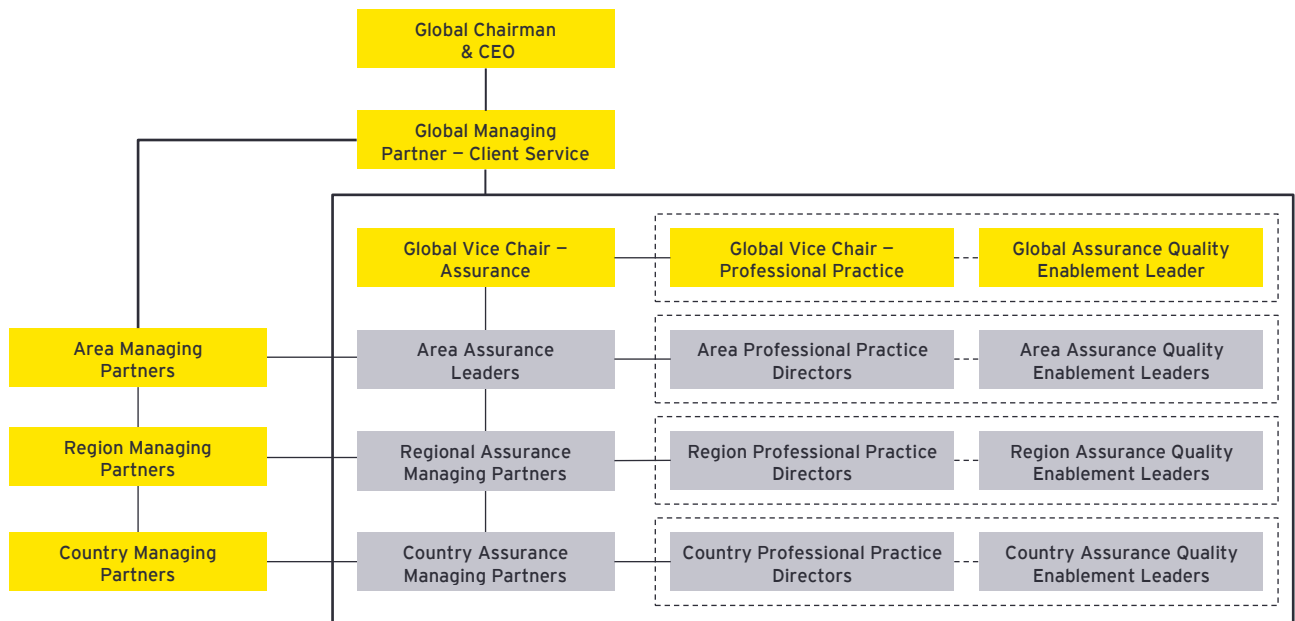
The Global PPD also leads and oversees the Global Professional Practice group. This is a global network of technical subject-matter professionals in accounting and auditing standards who are consulted on accounting, auditing and financial reporting matters; and perform various practice monitoring and risk management activities.

The Global PPD oversees the development of the EY Global Audit Methodology (EY GAM) and related audit policies and technologies so that they are consistent with relevant professional standards and regulatory requirements. The Global Professional Practice group also oversees the development of the guidance, training and monitoring programs, and processes used by member firm professionals to execute audits consistently and effectively. The Global, Area, Regional and Country PPDs, together with other professionals who work with them in each member firm, are knowledgeable about EY people, audited entities and processes. They are readily accessible for consultation with audit engagement teams.

Additional resources often augment the Global Professional Practice group, including networks of professionals focused on:

- ▶ Internal-control reporting and related aspects of the EY audit methodology
- ▶ Accounting, auditing and risk issues for specific topics, industries and sectors
- ▶ Event-specific issues involving areas of civil and political unrest; pandemics; or sovereign debt and related accounting, auditing, reporting and disclosure implications
- ▶ General engagement matters and how to work effectively with audit committees

Assurance governance*



* Illustrative to show global alignment; actual reporting lines may vary based on legal, regulatory and structural considerations.



Risk Management

Risk Management (RM) coordinates organization-wide activities designed to help EY people meet global and local compliance responsibilities and support client-facing teams in delivering quality and exceptional client service. Responsibility for high-quality service and ownership of the risks associated with quality is placed with the member firms and their service lines.

Among other things, the Global RM Leader helps monitor the identification and mitigation of these risks, as well as other risks across the organization as part of the broader enterprise risk management (ERM) framework. The ERM priorities are communicated to member firms.

The Global RM Leader is responsible for establishing globally consistent risk management execution priorities and coordinating risk management across EY.

Member firm professionals are appointed to lead risk management initiatives (supported by other staff and professionals), including coordinating with the service lines on such matters.

As the world emerges from the effects of the COVID-19 pandemic, Global Risk Management has actively sought input from EY member firms on lessons learned from both crisis management and business continuity standpoints. This after action review process has generated significant changes to EY planning around its crisis response and management of crises at the member firm and global levels. The fundamental change is a higher degree of proactiveness especially in identifying emerging risks before they cause significant impact, and the prioritization of risks by each member firm. This allows EY Global Security team and Region Security Manager network to work directly with its member firm crisis management teams in preparing for the most likely threats by incorporating training and advanced stages of readiness into its crisis management networks.

Additionally, Global Risk Management has placed more focus on business resiliency in business continuity planning efforts in EY. A key component of this approach is the recognition that many crises do not just 'happen;' there are usually indicators of escalating factors as a crisis unfolds. This approach allows EY member firms to begin addressing mitigation of risks while continuing to carry on 'business as usual' at the very early stages of a potential business impact situation. The creation of 'escalation matrixes' around several ongoing and high chance geo-political events allowed EY member firm and Region Risk Management crisis management

teams to respond more rapidly and more effectively as events escalate. Additionally, these escalation matrixes and subsequent action item checklists go beyond traditional workforce life and safety issues by delving into factors that could impact a member firm's ability to effectively conduct business, e.g., disruption to banking systems or sustained cyber attacks against internet systems.

- ▶ These changes are allowing EY member firms to more effectively navigate significant crises via a prepared holistic approach.



Global Confidentiality Policy

Protecting confidential information is ingrained in the everyday activities of EYG member firms. Respect for intellectual capital and all other sensitive and restricted information is required by the EY Global Code of Conduct, which provides a clear set of principles to guide the behaviors expected of all those who work with EY. The Global Confidentiality Policy further details this approach to protect information and reflect ever-changing restrictions on the use of data. This policy provides added clarity for those who work with EY member firms and forms the fundamental broader guidance that includes key policies on conflicts of interest, personal data privacy and records retention. Other guidance includes:

- ▶ Social media guidance
- ▶ Information-handling requirements

In addition, the global policy on reporting fraud, illegal acts and other noncompliance with laws and regulations, and the EY Global Code of Conduct requires EY professionals to speak up on observing behavior that is believed to be a violation of a law or regulation, the applicable standard or the EY Global Code of Conduct. This includes unauthorized or improper disclosure of confidential information.



Global personal data protection policy

The global policy on personal data protection supports and builds upon provisions within the EY Global Code of Conduct, regarding respecting and protecting personal information, in accordance with applicable law, regulatory frameworks and professional standards. The principles within this global policy are based on the EU General Data Protection Regulation (GDPR) and other local regulations across the globe.



Cybersecurity

Managing the risk of major and complex cyberattacks is a part of conducting business for all organizations. While no systems are immune from the threat of cyberattacks, EY Cambodia is vigilant in the steps it takes to secure and protect client data.

The EY approach to cybersecurity is proactive and includes the implementation of technologies and processes necessary to manage and minimize cybersecurity risks across the globe. EY information security and data privacy programs, consistent with industry practices and applicable legal requirements, are designed to protect against unauthorized access to systems and data. There is a dedicated team of cybersecurity professionals, who constantly monitor and defend EY systems.

Beyond technical and process controls, all EY people are required to annually affirm in writing their understanding of the principles contained in the EY Global Code of Conduct and their commitment to abide by them. There are also required security awareness learning activities. Various policies outline the due care that must be taken with technology and data, including, but not limited to, the Global Information Security Policy, and a global policy on the acceptable use of technology. EY cybersecurity policies and processes recognize the importance of timely communication.

EY people receive regular and periodic communications, reminding them of their responsibilities outlined in these policies and of general security awareness practice.



Components of our audit quality control program

In the following sections, we describe the principal components of the audit quality control program, which EY Cambodia follows:

- ▶ Instilled professional values
- ▶ Internal quality control system
- ▶ Client acceptance and continuance
- ▶ Performance of audits
- ▶ Review and consultation
- ▶ Rotation and long association
- ▶ Audit quality reviews
- ▶ External quality assurance reviews
- ▶ Root cause analysis
- ▶ Compliance with legal requirements



Instilled professional values



Sustainable Audit Quality

Quality is the foundation of our work and is central to EY member firms' responsibility to provide confidence to the capital markets. This is reflected in the Sustainable Audit Quality (SAQ) program, which continues to be the highest priority for EY member firms' Assurance practices.

SAQ establishes a strong governance structure that enables each member firm to provide high-quality audits. It is implemented locally, and coordinated and overseen globally. The word "sustainable" in SAQ is used to demonstrate that this is not a one-off, short-term initiative, but an ongoing process of improvement.

SAQ also puts the implementation of the International Standards on Quality Management, namely ISQM 1 and ISQM 2, at EY in a strong position as:

- ▶ SAQ drives consistency and uniformity through various monitoring and remediation activities such as the Global Milestones Program and Global Root Cause Analysis process.
- ▶ SAQ sets out clear objectives and priorities for the distributed assurance leadership team to reinforce a consistent focus - examples of this include the Accountability Framework, Global Audit Quality Indicators and Action Plan response plans

There are six SAQ pillars: tone at the top; exceptional talent; simplification and innovation; audit technology and digital; enablement and quality support; and accountability. These pillars are supported by a foundation of serving the public interest.

Significant progress has been made through SAQ. EY member firms' internal and external inspection findings, globally, are improving, and there is greater consistency in execution. The trend in results also reflects the involvement of the QEL network and a focus on culture and behaviors.

EY has deployed leading technological tools that enhance the quality and value of EY audits, including the EY Canvas online audit platform, EY Helix analytics platform and EY Atlas research platform.

EY Canvas facilitates the use of the “Milestones” project management functionality, which helps audit teams stay on pace with their audit execution, and drive executive involvement. The EY Canvas Client Portal, which is a component of EY Canvas, magnifies its importance in having a secure and user-friendly platform in transmitting data between engagement teams and the entities audited, while effectively monitoring the pacing of the audit. The Milestones functionality allows EY member firms to identify delayed engagements, and through the QEL network around the globe, understand the reasons for the delays and take positive intervention to get the teams back on pace.

Additionally, EY Helix and the entire suite of data analytic tools represent key ways to address the risk of material fraud in audit execution. Increasing the required use of these tools provides a more robust response to audit risks associated with companies facing economic challenges. A broader adoption of these data analytic tools is set to occur this year.

EY Atlas is a cloud-based platform for accessing and searching for accounting and auditing content, including external standards, EY interpretations and thought leadership.

Current SAQ initiatives are focused on understanding, managing and mitigating risk. From an audit engagement perspective, there is a focus on supporting EY teams in understanding the business of the companies audited. By leveraging data and technology and executing enhanced engagement risk assessment, EY is continuing to drive quality audit execution. From an audit portfolio management perspective, EY is focused on enabling the QEL network with the necessary tools to monitor in-process engagements, identify teams that are off pace and provide positive intervention.

Audit quality is something that every team member must understand and be committed to implementing locally. SAQ is essential to all the EY goals and ambitions, and each country, Regional and Area leader has a role in achieving these goals.

The SAQ infrastructure demonstrates that audit quality is the single most important factor in our decision-making and the key measure on which our professional reputation stands.



Tone at the top

EY Cambodia’s leadership is responsible for setting the right tone at the top and demonstrating EY commitment to building a better working world through behavior and actions. While the tone at the top is vital, EY people also understand that quality and professional responsibility start with them and

that within their teams and communities, they are leaders too. EY shared values, which inspire EY people and guide them to do the right thing, and the EY commitment to quality are embedded in who we are and in everything we do.

The EY approach to business ethics and integrity is contained in the EY Global Code of Conduct and other policies and is embedded in the EY culture of consultation, training programs and internal communications. Senior leadership regularly reinforce the importance of performing quality work, complying with professional standards, adhering to EY policies and leading by example. In addition, EY member firms assess the quality of professional services provided as a key metric in evaluating and rewarding EY professionals.

The EY culture strongly supports collaboration and places special emphasis on the importance of consultation in dealing with complex or subjective accounting, auditing, reporting, regulatory and independence matters. We believe it is important to determine that engagement teams and the entities they audit correctly follow consultation advice, and we emphasize this when necessary.

The consistent stance of EY Cambodia has been that no client is more important than our professional reputation – the reputation of EY Cambodia and the reputation of each of our professionals.



Global Code of Conduct

We promote a culture of integrity among our professionals. The EY Global Code of Conduct provides a clear set of principles that guide our actions and our business conduct and are to be followed by all EY personnel. The EY Global Code of Conduct is divided into five categories:

1. Working with one another
2. Working with clients and others
3. Acting with professional integrity
4. Maintaining our objectivity and independence
5. Protecting data, information and intellectual capital

Through our procedures to monitor compliance with the EY Global Code of Conduct and through frequent communications, we strive to create an environment that encourages all personnel to act responsibly, including reporting misconduct without fear of retaliation.



Whistleblowing

The EY Ethics Hotline provides EY people, clients and others outside of the organization with a means to confidentially report activity that may involve unethical or improper behavior, and that may be in violation of professional standards or otherwise inconsistent with the EY shared values or Global Code of Conduct. Globally, the hotline is operated by an external organization that provides confidential and, if desired, anonymous hotline reporting.

When a report comes into the EY Ethics Hotline, either by phone or internet, it receives prompt attention. Depending on the content of the report, appropriate individuals from Risk Management, Talent, Legal or other functions are involved in addressing the report. The same procedures are followed for matters that are reported outside of the EY Ethics Hotline.



Diversity, equity and inclusiveness

EY has a long-standing commitment to diversity, equity and inclusiveness (DE&I). This commitment to building high-performing, diverse, equitable and inclusive teams is especially important in audit, where diverse perspectives drive professional skepticism and critical thinking. Greater diversity, equity and inclusive environments drive better decision-making, stimulate innovation and increase organizational agility.

EY has been on a DE&I journey for many years, and while substantial progress has been made, under the global NextWave strategy and ambition EY has committed to increasing DE&I progress throughout the organization. The Global Executive has made a visible commitment to EY people and to the market to accelerate DE&I at EY through signing the Global Executive Diversity, Equity and Inclusiveness Statement. Not only does this reinforce that DE&I is a key business lever, it ensures that EY member firms hold themselves accountable for progress, starting with the tone at the top.

EY also recently launched the Global Assurance DE&I baseline expectations model in the audit practice to accelerate progress. This includes a set of globally applicable baseline expectations for DE&I across all Assurance talent processes, and consists of ideas and initiatives for what can be done to advance DE&I within these processes.

There has been a particular focus on promoting gender diversity over recent years. 33% of new audit partners globally, promoted on 1 July 2022, were women and a strong pipeline of female leadership has been built, supported by 52.5% of all audit hires by member firms across the globe in 2021 being female.

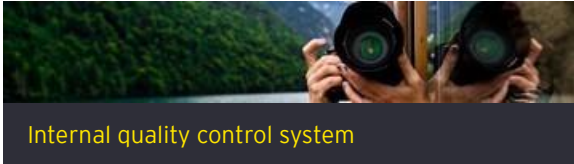
Inclusive organizations maximize the power of all differences. Employees need to feel they are working for an organization that not only values them as individuals, but also sees differences as strengths and values their contributions. Fostering this sense of belonging is critical to helping the EY organization attract the most talented individuals, and helping EY professionals stay motivated and engaged.

In the March 2022 employee listening survey, 73% of auditors said the EY Cambodia organization provides a work environment where they feel free to be themselves.

Leaders across EY make DE&I a priority and it is a key metric across all the organization's talent management programs. To enable greater accountability across the EY organization, the Global DE&I Tracker helps track progress with consistent diversity and inclusiveness metrics and reporting across the organization globally. EY also created the Global Social Equity Task Force (GSET) to develop cohesive action plans, specifically addressing inequity and discrimination, including racism. As a global organization, EY has an opportunity to address the impact of inequities and injustice, and push for progress within EY and beyond. EY commits to advancing social equity and inclusive growth and standing against injustice, bias, discrimination and racism. Social equity means that we aim for each person at EY Cambodia to have access to the resources and opportunities they need, given different starting points and different needs. It also means removing barriers to opportunities and inclusive experiences, that may lead to unequal outcomes. EY believes businesses have direct influence to address these gaps and build a better working world, through teaming, leadership and culture on teams, and the assignment and value of work, and how performance evaluation, advancement and appointment decisions are made.

Our values: who we are

- | | | |
|---|---|--|
| 1
People who demonstrate integrity, respect, teaming and inclusiveness | 2
People with energy, enthusiasm and the courage to lead | 3
People who build relationships based on doing the right thing |
|---|---|--|



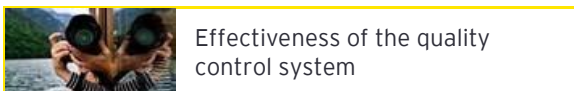
EY Cambodia's reputation for providing high-quality professional audit services independently, objectively and ethically is fundamental to our success as independent auditors. We continue to invest in initiatives to promote enhanced objectivity, independence and professional skepticism. These are fundamental attributes of a high-quality audit.

At EY Cambodia, our role as auditors is to provide assurance on the fair presentation of the financial statements of the companies audited. We bring together qualified teams to provide audit services, drawing on our broad experience across industry sectors and services. We continually strive to improve quality and risk management processes, so that the quality of our service is at a consistently high level.

In today's environment, characterized by continuing globalization, rapid movement of capital and the impact of technological changes, the quality of our audit services has never been more important. As part of NextWave, there is a continued and strong investment in the development and maintenance of the EY audit methodology, tools and other resources needed to support high-quality audits.

While the market and stakeholders continue to demand high-quality audits, they also demand an increasingly effective and efficient delivery of audit services. In addition to the investments mentioned, EY continues to seek ways to improve the effectiveness and efficiency of its audit methodology and processes, while improving audit quality.

EY works to understand where member firms' audit quality may not be up to their own expectations and those of stakeholders, including independent audit regulators. This includes seeking to learn from external and internal inspection activities, and to identify the root causes of adverse quality occurrences to enable a continual improvement of audit quality.



EY has designed and implemented a comprehensive set of global audit quality control policies and practices. These policies and practices meet the requirements of the International Standards on Quality Control issued by the International Auditing

and Assurance Standards Board (IAASB). EY Cambodia has adopted these global policies and procedures and has supplemented them as necessary to comply with local laws and professional guidelines, and to address specific business needs.

We also execute the EY Audit Quality Review (AQR) program to evaluate whether our system of audit quality control has operated effectively to provide reasonable assurance that EY Cambodia and our people comply with applicable professional standards, internal policies and regulatory requirements.

The results of the AQR program and external inspections are evaluated and communicated within EY Cambodia to provide the basis for continual improvement in audit quality, consistent with the highest standards in the profession.

The Global Executive has responsibility for the coordination of quality improvement implementation. As such, it reviews the results of the internal AQR program and external audit firm regulatory reviews, as well as any key actions designed to address areas for improvement.

The recent results of such monitoring, together with feedback from independent audit regulators, provide EY Cambodia with a basis to conclude that our internal control systems are designed appropriately and are operating effectively.



In September 2020, the IAASB approved a quality management standard that includes significant changes to the way professional accountancy firms manage quality. The International Standard on Quality Management 1 (ISQM 1) has now replaced the previous International Standard on Quality Control 1 (ISQC 1) and requires a more proactive and risk-based approach to managing quality at the firm level.

ISQM 1 requires firms to design, implement, monitor and evaluate the overall system of quality management (SQM), including annually concluding on the effectiveness of the SQM.

The standard includes more robust requirements for the governance, leadership and culture of professional accountancy firms, and introduces a risk assessment process to quality management in order to focus the firm's attention on mitigating risks that may have impact on engagement quality. It also requires more extensive monitoring of the SQM to identify deficiencies that require corrective actions and to provide the basis for evaluating the overall effectiveness of the SQM.

The standard outlines an integrated and iterative approach to the SQM based on the nature and circumstances of the firm and the engagements it performs. It also takes into consideration the changes in the practice and the different operating models of the firms (e.g., use of technology, network, and multidisciplinary firms).

The EY approach has been to implement an SQM that is consistently applied across the entire network of member firms to promote engagement quality and operating effectiveness. This is especially important in a global economy where many audits are transnational and involve the use of other EY member firms.

EY has developed consistent frameworks and enablement for implementing the SQM within EY Cambodia. For example, EY has established an approach to the required risk assessment process that includes input and feedback from across EY services lines, functions and geographic areas to develop global baseline minimums, including quality objectives (based on ISQM 1 requirements), and quality risks and responses (including key controls) assumed to be applicable to EYG member firms.

EYG member firms have the responsibility to evaluate the global baseline minimums (e.g., quality risks, policies, technologies and key controls), and determine if the global baselines need to be supplemented or adapted by the member firm to be appropriate for use (e.g., additional quality risks, if the policy needs to be amended to comply with local laws and regulations and additional key controls).

Utilizing this approach for ISQM 1 implementation, EY built on responses already in place in the current ISQC 1 framework to establish the SQM under ISQM 1.

In addition, frameworks for performing monitoring and remediation activities (such as identifying and evaluating deficiencies, performing root cause analysis and developing remediation plans) have been developed as well as a framework for performing the annual evaluation process. These frameworks are supported by IT applications to drive consistency in the implementation of SQM throughout the EYG member firms.

We believe that implementing ISQM 1 is useful to improving quality at the firm and engagement level because an effective SQM is foundational to achieving consistent engagement quality. In addition, it builds upon strong EY processes and controls to take quality to the next level; and is the next phase in the journey of continuous improvement, which started with the EY Sustainable Audit Quality program.

EY member firms are ultimately responsible for the design, execution and operation of their SQM, including the annual evaluation conclusion.

The standard required firms to implement an SQM by 15 December 2022. EY Cambodia implemented the new standard alongside the EY SQM transformation program. Key steps included:

- ▶ Reviewing global baseline quality objectives and quality risks to identify whether additional quality objectives and / or quality risks are needed
- ▶ Reviewing and understanding global resources (i.e., global policies and technologies) and their implementation or use by the country in its SQM
- ▶ Reviewing and customizing global baseline key controls
- ▶ Identifying and documenting EY Cambodia key controls
- ▶ Performing walkthroughs and sample testing
- ▶ Identifying enhancements to the existing quality control system to achieve compliance with the new standard



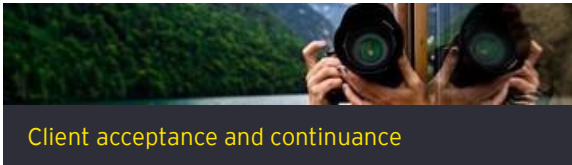
Audit quality indicators

Audit quality is not defined in professional standards, and stakeholders may have different views on how it should be measured. While no single reportable metric or set of metrics can be viewed as a sole indicator of audit quality, a set of metrics can be used to give an indication of audit quality.

Assurance leadership monitors the execution of the EY strategy and vision by local geographies through a combination of metrics or audit quality indicators (AQIs). These include: external and internal inspection results; Milestones performance; people surveys; and retention rates.

Elements monitored and measured through the AQI dashboard are consistent with the EY accountability framework and are subject to an annual review to ensure they remain relevant and responsive to quality initiatives.

The Global AQI dashboard helps to inform the leadership about whether particular actions are having the intended effect, to provide an early warning where intervention is warranted and to support the effectiveness of the overall EY SQM.



Client acceptance and continuance



Global policy on client and engagement acceptance

The EY global policy on client and engagement acceptance sets out principles for member firms to determine whether to accept a new client or a new engagement, or to continue with an existing client or engagement. These principles are fundamental to maintaining quality, managing risk, protecting EY people and meeting regulatory requirements. The objectives of the policy are to:

- ▶ Establish a rigorous process for evaluating risk and making decisions to accept or continue clients or engagements
- ▶ Meet applicable independence requirements
- ▶ Identify and deal appropriately with any conflicts of interest
- ▶ Identify and decline clients or engagements that pose excessive risk
- ▶ Require consultation with designated professionals to identify additional risk management procedures for specific high-risk factors
- ▶ Comply with legal, regulatory and professional requirements

In addition, the EY global policy on conflicts of interest defines global standards for addressing categories of potential conflicts of interest and a process for identifying them. It also includes provisions for mitigating potential conflicts of interest as quickly and efficiently as possible, using appropriate safeguards. Such safeguards may include obtaining client consent to act for another party where a conflict of interest may exist, establishing separate engagement teams to act for two or more parties, implementing appropriate separations between engagement teams or declining an engagement to avoid an identified conflict.

The EY global policy on conflicts of interest and associated guidance considers the increasing complexity of engagements and client relationships, and the need for speed and accuracy in responding to clients. They also align with the latest International Ethics Standards Board for Accountants (IESBA) standards.



Putting policy into practice

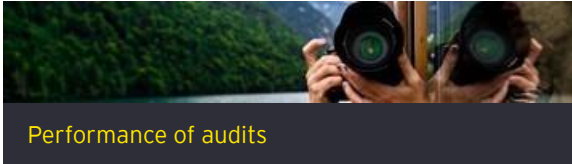
We use the EY Process for Acceptance of Clients and Engagements (PACE), an intranet-based system, for efficiently coordinating client and engagement acceptance and continuance activities in line with global, service line and member firm policies. PACE takes users through the acceptance and continuance requirements, and identifies the policies and references to professional standards needed to assess both business opportunities and associated risks.

As part of this process, we carefully consider the risk characteristics of a prospective client or engagement, and the results of due diligence procedures. Before taking on a new engagement or client, we determine whether we can commit sufficient resources to deliver quality service, especially in highly technical areas, and if the services the client wants are appropriate for us to provide. The approval process provides that new audit engagements may not be accepted without an approval by representatives from local or Regional PPD and Assurance Managing Partner (AMP) teams.

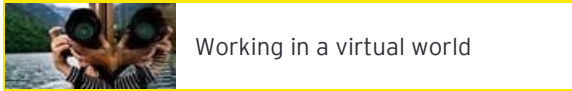
In the EY annual client and engagement continuance process, we review our service and ability to continue providing a quality service, and confirm that clients share EY Cambodia's commitment to quality and transparency in financial reporting. The lead audit engagement partner of each audit, together with our Assurance leadership, annually reviews our relationship with the audit client to determine whether continuance is appropriate.

As a result of this review, certain audit engagements are identified as requiring additional oversight procedures during the audit (close monitoring), and some audit clients are discontinued. As with the client and engagement acceptance process, our PPD and AMP are involved in the continuance process and must agree for the continuance to occur.

The process for acceptance or continuance of clients and engagements includes consideration of the engagement team's assessment of risk factors across a broad range of categories such as industry, management's attitude, internal controls, audit complexity and related parties.



EY continuously invests in improving audit methodologies and tools, with the goal of performing the highest-quality audits in the profession. This investment reflects the EY commitment to building trust and confidence in the capital markets, and in economies the world over.



There are two types of consideration when delivering a high-quality audit in an increasingly virtual business environment. The first category includes how EY member firms work, how their people can work remotely in an effective way, and how that can impact their own risks. The second category covers how businesses continue to work in a virtual world, where transactions are carried out online, across borders, without the need for physical interaction.

EY Cambodia understands the risks that a virtual world can have on the way its people work; this incorporates concerns about mental health and wellbeing, and the need to establish an appropriate work/life balance for an individual. However, it is also understood that the businesses that EY Cambodia works with face similar issues. High turnover of staff can create risks, and evolving business practices can create new risks, which in turn requires an evolution in audit planning and practices.



EY is on a mission to become the most trusted global Assurance services provider, furthering the public interest by proactively addressing stakeholders' needs for trust and confidence in the capital markets. This will be supported through digitally-empowered teams and services that deliver leading-edge insights and value.

EY has invested in the EY Digital Audit, which includes leading-edge technology, data capture processes, and a data-driven, end-to-end, audit approach. The EY Digital Audit helps create higher audit quality through better focus on risks of material misstatement and higher quality audit evidence to respond to those risks.

The EY Digital technology focuses on three core areas: Connecting, Automating and Analyzing.

1. Connecting teams and companies
Connecting teams to one another and to the companies they audit creates a secure platform for a digital-first approach:

- ▶ EY Canvas
- ▶ EY Canvas Client Portal
- ▶ EY Canvas Mobile Application Suite
- ▶ EY Canvas Dashboard

2. Automating audit procedures and processes
By automating audit procedures and processes, EY teams reduce client burden and are able to focus on areas requiring judgment:

- ▶ Centralization: data capture
- ▶ Standardization: Global Delivery Services
- ▶ Automation: EY Smart Automation

3. Analyzing data, including with emerging technology

EY teams analyze data with advanced and emerging technologies, and build audit evidence to support conclusions:

- ▶ EY Helix data analyzer library
- ▶ Artificial intelligence
- ▶ EY Blockchain Analyzer
- ▶ Digital Global Audit Methodology

Connecting

EY Canvas, the global EY audit platform, lies at the heart of the audit and enables the provision of a high-quality audit. EY Canvas is cloud based and is built using state-of-the-art technology for web applications. This allows the provision of data security and the ability to evolve the software to respond to changes in the accounting profession and regulatory environment.

Through the use of profile questions, audit engagements in EY Canvas are automatically configured with information relevant to an entity's type (e.g., listed, public interest entity) and industry. This helps to keep audit plans customized and up-to-date, and provides direct linkage to audit guidance, professional standards and documentation templates. The majority of forms that enable audit documentation are integrated into EY Canvas, leveraging the profile questions to deliver the relevant audit procedures and related documentation requirements. EY Canvas is built with a user interface that allows the team to visualize risks and their relationship to the planned response and work performed in key areas. It also enables a linkage for group audit teams to communicate relevant information and instructions to component auditors so that group auditor can direct execution and monitor performance of the group audit.

EY Canvas includes the EY Canvas Client Portal to assist teams in communicating with clients and streamlining their client requests. Mobile applications are integrated with EY Canvas to help our people in their audit work – e.g., in monitoring the status of the

audit, capturing audit evidence securely and performing inventory observations.

Automating

Organizations see robotics as an opportunity to enhance individual processes using technology. The EY Digital Audit leverages the global connectivity of EY Canvas to deploy automation globally. This strategy builds on the powerful automation already embedded within EY Canvas through the advanced coding that powers the platform.

EY Smart Automation is the library of smart automation solutions that automate audit procedures and processes. EY Smart Automation is deployed through an automation hub directly integrated within EY Canvas. It maximizes the use of robotics and advanced automation techniques to automate administrative and repetitive tasks, including those traditionally executed manually. This, in turn, helps EY member firms' audit teams to focus their time on areas requiring their professional judgment and insight.

Analyzing

EY member firms' audit teams are making data analysis integral to their audits. The use of data and analysis is not about additive procedures or visualizations. It is about taking large populations of entity data and applying globally consistent technology (EY Helix) and methodology (EY Digital GAM) to audit that data, replacing or supplementing more traditional audit procedures, such as sampling.

EY Helix is a library of data analyzers, supported by specific audit programs and enablement. These data analyzers are transforming audits through the analysis of larger populations of audit-relevant data; identifying unusual patterns and trends in that data; and helping to direct audit effort.

Using the EY Helix library of data analyzers, EY audit teams can enhance their audit risk assessment, enabling the audit of higher-risk transactions, and assisting EY audit teams in asking better questions about audit findings and evaluating the outcomes.

There is a continued investment in new analyzers across a range of sectors and accounting areas to enhance the quality of audit procedures in these areas.



Audit methodology

Driving the application of this innovative technology is EY Digital GAM. Designed, based on extensive research with audit practitioners, this is the profession's first data-driven audit approach. All procedures, including risk assessment and substantive procedures start with a data-first mindset, by analyzing relevant financial and non-financial data and supplementing this with traditional

audit techniques such as inquiries, observations and inspection.

EY Digital GAM is one of a number of audit approaches available to audit teams to meet the needs of the wide range of entity types audited, and sits under the umbrella of EY GAM.

EY GAM provides a global framework for delivering high-quality audit services through the consistent application of thought processes, judgments and procedures in all audit engagements, regardless of the size. EY GAM also requires compliance with relevant ethical requirements, including independence from the audited entity. Making risk assessments; reconsidering and modifying them as appropriate; and using these assessments to determine the nature, timing and extent of audit procedures are fundamental to EY GAM. The methodology also emphasizes applying appropriate professional skepticism in the execution of audit procedures. EY GAM is based on International Standards on Auditing (ISAs) issued by International Auditing and Assurance Standard Board (IAASB), of which Cambodian regulator has fully adopted as its auditing standards.

Using an online tool, EY Atlas, an EY auditor is presented with EY GAM, organized by topic, and is designed to focus the audit strategy on the financial statement risks, and the design and execution of the appropriate audit response to those risks. EY GAM consists of two key components: requirements and guidance; and supporting forms and examples. The requirements and guidance reflect both auditing standards and EY policies. Examples in EY GAM supplement the requirements and guidance with leading practice illustrations.

EY GAM contains a number of audit approaches which are "profiled" within EY Atlas to present the relevant requirements and guidance, depending on the nature of the entity being audited – e.g., there are profiles for Digital GAM or Core GAM and further profiles to address listed entities and for those considered non-complex entities.

EY continues to develop the methodology to meet changes and revisions in auditing standards and changes within entities' financial reporting processes, such as the adoption of emerging technologies. Other enhancements have been made to address revised standards; emerging auditing issues and matters; implementation experiences; and external and internal inspection results. Recently, EY GAM was updated for the requirements of ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement* and a suite of enablement to implement the new and revised requirements was issued.

In addition, current and emerging developments are monitored, and timely audit planning and execution communications are issued. These emphasize areas noted during inspections as well as other key topics of interest to local audit regulators and the International Forum of Independent Audit Regulators (IFIAR).

With respect to the conflict in Ukraine, and related sanctions on Russia, we have issued accounting and auditing considerations when auditing entities that

are exposed to risk due to the recent events in these countries.



Certification of technology

With continued developments in technology used in the audit, EY has a robust certification process to ensure technology used in audit engagements is fit-for-purpose (i.e., that the solution meets its objectives and is appropriate for use in the audit circumstances, and that EY people have the appropriate competencies to use the solution).

Certification addresses a range of areas, including that the solution has a clear audit evidence objective, has been widely tested, that methodology and enablement is available to support appropriate application and effective learning is available to practitioners. There are also checks to ensure that data is securely maintained and that there is compliance with relevant data privacy requirements.



Formation of audit teams

The assignment of professionals to an audit engagement is made under the direction of our Assurance leadership. The factors considered when assigning people to audit teams include engagement size and complexity; engagement risk ratings; specialized industry knowledge and experience; timing of work; continuity; and opportunities for on-the-job training. For more complex engagements, consideration is given to whether specialized or additional expertise is needed to supplement or enhance the audit engagement team.

In many situations, internal specialists are assigned as part of the audit engagement team to assist in performing audit procedures and obtaining appropriate audit evidence. These professionals are used in situations requiring special skills or knowledge, such as tax, forensics, information systems, asset valuation and actuarial analysis.

When certain conditions exist, EY Cambodia's policies require the approval of the assignment of individuals to specific audit roles by our Assurance leadership and PPD. This is carried out, among other things, to make sure that the professionals leading audits of listed entities and other public-interest entities possess the appropriate competencies (e.g., the knowledge, skills and abilities) to fulfill their engagement responsibilities, and are in compliance with applicable auditor rotation regulations.



Fraud

As part of ongoing improvement efforts, there is recognition of the need to evolve how audits are performed to better address fraud. At a global level, EY is committed to leading the profession more widely to address stakeholders' questions about the auditor's role in fraud detection.

Companies have never been as data rich as they are today, providing new opportunities to detect material frauds through data mining, analysis and interpretation. Auditors are increasingly using data analytics to identify unusual transactions and patterns of transactions that might indicate a material fraud.

Technology is not a panacea, however, and professional judgment also comes into play. There is a responsibility for all involved, including management, boards, auditors and regulators, to focus more on corporate culture and behaviors to support fraud detection. Additional actions taken to address this important area of the audit, include:

- ▶ The use of data analytics for fraud testing in audits
- ▶ Using additional internal and external data and information to enable more nimble responses to external risk indicators, such as short selling and whistleblowers
- ▶ Utilizing electronic confirmations for audit evidence wherever possible
- ▶ Developing a proprietary fraud risk assessment framework for use with audit committees and those charged with governance
- ▶ Requiring the use of forensic specialists in the audit on a targeted-risk basis



Nonfinancial reporting

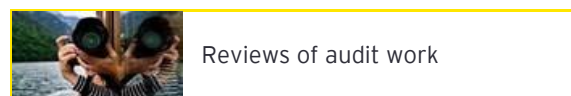
EY member firms provide assurance services on a wide range of nonfinancial information and reporting-related information. The EY Sustainability Assurance Methodology (EY SAM) is a global framework for the application of a consistent approach to all assurance engagements on ESG and sustainability information. EY SAM provides for the delivery of high-quality assurance services through the consistent application of thought processes, judgments and procedures in all engagements, regardless of the level of assurance required. EY SAM is also adaptable to the nature of both the ESG reporting, and the criteria applied by the reporting entity in producing that report.

The methodology emphasizes applying appropriate professional skepticism in the execution of procedures inclusive of the changing landscape in ESG reporting and criteria. EY SAM is based on the International Standards on Assurance Engagements (ISAEs) and is supplemented in EY Cambodia to comply with local assurance standards and regulatory or statutory requirements.

As part of our obligation for high-quality assurance services related to nonfinancial reporting, EY has developed guidance, training and monitoring programs, and processes used by member firm professionals to execute such services consistently and effectively. This includes the EY Climate Change and Sustainability Services - a dedicated team of sustainability professionals. Guidance has also been developed for audit engagement teams to assess the impact of climate risk on financial reporting under International Financial Reporting Standards (IFRS) or other financial reporting frameworks. The Global, Area and Regional PPDs, EY quality functions and IFRS desks, together with other finance and sustainability professionals, who work with teams in each member firm, are knowledgeable about the changing regulatory nonfinancial reporting landscape, EY people, clients and processes. They are readily accessible to support assurance engagement teams.

Additionally, EY has enhanced quality control related processes to address such aspects as the engagement acceptance process, training and accreditation requirements, and resource assignments specifically related to attestation services over nonfinancial reporting matters.

EY provides input to a number of public and private initiatives to improve the quality, comparability and consistency of nonfinancial reporting, including climate risk. These activities take place at a global, Regional and national level. Examples include drafting ESG metrics and ESG reporting proposals for the Embankment Project on Inclusive Capitalism (EPIC) and the World Economic Forum's International Business Council (WEF-IBC). EY also makes resources available to standard-setters in the area of sustainability reporting, including the development of the Taskforce on Nature-related Financial Disclosures (TNFD) framework.



EY policies describe the requirements for timely and direct senior professional participation, as well as the level of review required for the work performed. Supervisory members of an audit team perform a detailed review of the audit documentation for technical accuracy and completeness. Senior audit executives and engagement partners perform a second-level review to determine the adequacy of the audit work as a whole and the related accounting and financial statement presentation. Where appropriate, and based on risk, a tax professional reviews the significant tax and other relevant working papers. For listed and certain other companies, an engagement quality reviewer (described below in Engagement quality reviews) reviews important areas of accounting, financial reporting and audit execution, as well as the financial statements of the audited company and the auditor's report.

The nature, timing and extent of the reviews of audit work depend on many factors, including:

- ▶ Risk, materiality, subjectivity and complexity of the subject matter
- ▶ Ability and experience of audit team members preparing the audit documentation
- ▶ Level of the reviewer's direct participation in the audit work
- ▶ Extent of consultation employed

EY policies also describe the roles and responsibilities of each audit engagement team member for managing, directing and supervising the audit, as well as the requirements for documenting their work and conclusions.



EY consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues. As the environment in which EY member firms work has become more complex and globally connected, the EY culture of consultation has become even more important to help member firms reach the appropriate conclusions for entities that they audit on a timely basis. Consultation requirements and related policies are designed to involve the right resources, so that audit teams reach appropriate conclusions.

The EY culture of consultation enables engagement teams to deliver seamless, consistent and high-quality services that meet the needs of audited entities, their governance bodies and all stakeholders.

For complex and sensitive matters, there is a formal process requiring consultation outside of the audit engagement team with other personnel who have more experience or specialized knowledge, primarily Professional Practice and Independence personnel. In the interests of objectivity and professional skepticism, EY policies require members of Professional Practice, Independence and certain others to withdraw from a consultation if they currently serve, or have recently served, the entity to which the consultation relates. In these circumstances, other appropriately qualified individuals would be assigned.

EY policies also require that all consultations are documented, including written concurrence from the person or persons consulted, to demonstrate their understanding of the matter and its resolution.



Engagement quality reviews

EY engagement quality review policies address audit and assurance engagements. Engagement quality reviewers are experienced professionals with significant subject-matter knowledge. They are independent of the engagement team and provide an objective evaluation of the significant judgments the engagement team made, and the conclusions reached in formulating the auditor's report. The performance of an engagement quality review, however, does not reduce the responsibilities of the partner in charge of the engagement for the engagement and its performance. In no circumstances may the responsibility of the engagement quality reviewer be delegated to another individual.

Certain policies and practices related to the assignment and eligibility of professionals to serve as engagement quality reviewers, as well as related accreditation and training requirements, and enablement to support execution of the reviews is being modified to conform with the requirements of International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*.

The engagement quality review spans the entire engagement cycle, including planning, risk assessment, audit strategy and execution. Policies and procedures for the performance and documentation of engagement quality reviews provide specific guidelines on the nature, timing and extent of the procedures to be performed, and the required documentation evidencing their completion. In all circumstances, the engagement quality review is completed before the date of the auditor's or assurance report.

For audits, engagement quality reviews are performed by audit partners in compliance with professional standards for audits of all listed companies, certain public-interest entities and those considered to need close monitoring. The Country AMP (or Country Audit Leader) and Country PPD approves all the required audit engagement quality review assignments.



Audit engagement team resolution process for differences of professional opinion

EY has a collaborative culture that encourages and expects people to speak up, without fear of reprisal, if a difference of professional opinion arises or if they are uncomfortable about a matter relating to an engagement. Policies and procedures are designed to empower members of an audit engagement team to raise any disagreements relating to significant accounting, auditing or reporting matters.

These policies are made clear to people as they join EY, and we continue to promote a culture that reinforces a person's responsibility and authority to make their own views heard and seek out the views of others.

Differences of professional opinion that arise during an audit are generally resolved at the audit engagement team level. However, if any person involved in the discussion of an issue is not satisfied with the decision, they refer it to the next level of authority until an agreement is reached or a final decision is made, including consultation with Professional Practice if required.

Furthermore, if the engagement quality reviewer makes recommendations that the engagement partner does not accept or the matter is not resolved to the reviewer's satisfaction, the auditor's report is not issued until the matter is resolved.

Differences of professional opinion that are resolved through consultation with Professional Practice are appropriately documented.



Rotation and long association

EY supports mandatory audit partner rotation to help reinforce auditor independence. EY Cambodia complies with the audit partner rotation requirements of the IESBA Code, and the independence requirements including firm and audit partner rotation under Cambodian Law on Accounting and Auditing, regulations issued by the Accounting and Auditing Regulator (ACAR) and National Bank of Cambodia (NBC), Cambodia listing rules by the Securities and Exchange Regulator of Cambodia (SERC), as well as the U.S. Securities and Exchange Commission (SEC) and others of which more restrictive rules are required.

EY Cambodia supports firm and audit partner rotation because it provides a fresh perspective and promotes independence from company management, while retaining expertise and knowledge of the business. Audit partner rotation, combined with independence requirements, enhanced systems of internal quality controls and independent audit oversight, helps strengthen independence and objectivity, and is an important safeguard of audit quality.

For PIEs, the EY Global Independence Policy requires the lead engagement partner, the engagement quality reviewer and other audit partners who make key decisions or judgments on matters significant to the audit, (together, the key audit partners), to be rotated after seven years. For a new PIE, (including a newly listed company), key audit partners may remain in place for an additional two years before rotating off the team if they have served the company for six or more years prior to the listing.

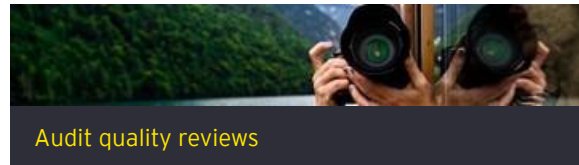
Upon completing the maximum service period for rotation, a key audit partner may not lead or coordinate professional services to the PIE audit client until after completing a cooling-off period. This period is five years for a lead audit engagement partner, three years for an engagement quality reviewer and two years for other partners, subject to rotation.

Where the required cooling-off period for the lead audit engagement partner established by the local legislative body or regulator is less than five years, the higher of that cooling-off period or three years may be substituted for the otherwise required five-year cooling-off period. This jurisdictional exception for the lead audit engagement partner may only be applied for audit periods beginning prior to 15 December 2023.

In addition to the key audit partner rotation requirements applicable to PIE audit clients, EY has established a long association safeguards framework. This is consistent with the requirements of the IESBA Code and includes consideration of the threats to independence created by the involvement of professionals over a long period of time and a safeguards framework to address such threats.

Furthermore, EY Cambodia follows local rotation requirements applicable to different types of entities.

We employ tools to effectively monitor compliance with internal rotation, and requirements for audit partners and other professionals who have had a long association with the audit client. There is also a process for rotation planning and decision-making that involves consultation with, and approvals by, our PPD.



The EY Global AQR program is the cornerstone of the EY process to monitor audit quality. EY Cambodia executes the Global AQR program, reports results and develops responsive action plans. The primary goal of the program is to determine whether systems of quality controls, including those of EY Cambodia, are appropriately designed and followed in the execution of audit engagements to provide reasonable assurance of compliance with policies and procedures, professional standards and regulatory requirements. The Global AQR program complies with requirements and guidelines in the ISQC 1, as amended, and is supplemented, where necessary, to comply with Cambodia professional standards and regulatory requirements. It also aids EY Cambodia's continual efforts to identify areas where we can improve our performance or enhance our policies and procedures.

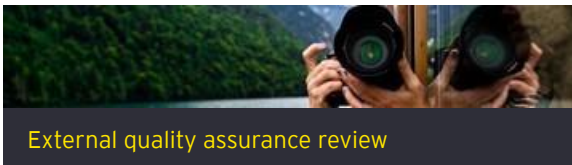
Executed annually, the program is coordinated and monitored by representatives of the Global PPD network, with oversight by the Global Assurance leadership.

The engagements reviewed each year are selected on a risk-based approach, emphasizing audit engagements that are large, complex or of significant public interest, including elements of unpredictability. The Global AQR program includes detailed risk-focused file reviews covering a large sample of listed and non-listed audit engagements, and public interest entities and non-public interest entities, to measure compliance with internal policies and procedures; EY GAM requirements; and relevant local professional standards and regulatory requirements. It also includes reviews of a sample of non-audit assurance engagements performed by audit engagement teams. These measure compliance with the relevant professional standards, and internal policies and procedures that should be applied in executing non-audit assurance services. In addition, practice-level reviews are performed to assess compliance with quality control policies and procedures in the functional areas set out in ISQC 1.

The Global AQR program complements external practice monitoring and inspection activities, such as inspection programs executed by audit regulators and external peer reviews. It also informs us of our compliance with regulatory requirements, professional standards, and policies and procedures.

AQR reviewers and team leaders are selected for their skills and professional competence in accounting and auditing, as well as their industry specialization. They have often participated in the Global AQR program for a number of years and are highly skilled in the execution of the program. Team leaders and reviewers are independent of the engagements and teams they are reviewing, and are normally assigned to inspections outside of their home location.

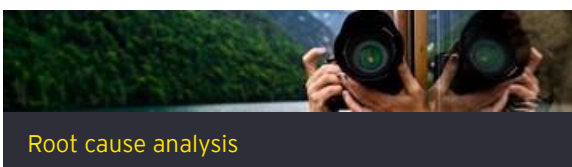
The results of the AQR process are summarized globally (including for Areas and Regions), along with any key areas where the results indicate that continued improvements are required. Summarized results are shared within the network. Measures to resolve audit quality matters noted from the Global AQR program, regulatory inspections and peer reviews are addressed by Assurance leadership and our PPD. These programs provide important practice monitoring feedback for our continuing quality improvement efforts.



EY Cambodia's audit practice and our registered statutory auditor is subject to regular inspection by ACAR. As part of its inspection, the regulator evaluates and reviews firm's quality control systems and selected engagements.

The last quality assurance inspection by ACAR took place in 2022. The outcome of the last inspection is not available to the public. The outcome of the last inspection is satisfactory and that EY Cambodia continues to be registered to conduct statutory audit work in Cambodia.

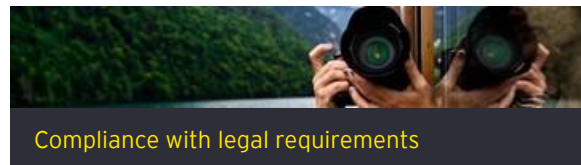
We respect and benefit from the ACAR inspection process. We thoroughly evaluate the points raised during the inspection in order to identify areas where we can improve audit quality. Together with the AQR process, external inspections provide valuable insights into the quality of EY audits. These insights enable us to effectively execute high-quality audits. Visit www.acar.gov.kh for information on ACAR.



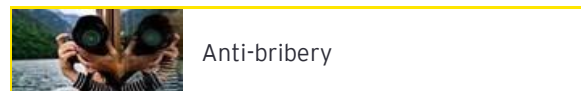
Root cause analysis is a central part of the EY quality improvement framework, providing an in-depth assessment of the root causes that underlie an audit's favorable or unfavorable inspection outcome. This enables the identification of the key factors that can impact audit quality and the taking of responsive

actions. The EY Global Root Cause Process is designed to drive consistency in execution and timeliness of completion as well as execution of responsive action plans, actively monitored.

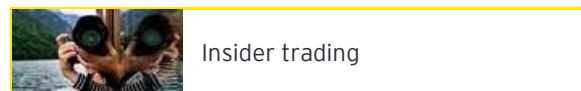
EY Cambodia's audit practice identifies and evaluates various conditions and events that may have contributed to the favorable or unfavorable outcome. Responsive action plans are developed to address the root causes for significant engagement-related findings. EY Cambodia's audit practice reviews the nature and prevalence of findings and root causes to determine if systemic issues exist, and if so, further action plans are developed. EY Global Remediation Taskforce is responsible for addressing the most serious pervasive findings and root causes across the network and implementing responsive action plans on a larger scale.



The EY Global Code of Conduct provides clear guidance about EY actions and business conduct. EY Cambodia complies with applicable laws and regulations, and EY values underpin our commitment to doing the right thing. This important commitment is supported by a number of policies and procedures, explained in the paragraphs below.



The EY Global Anti-bribery Policy provides EY people with direction on certain unethical and illegal activities. It emphasizes the obligation to comply with anti-bribery laws and provides a definition of what constitutes bribery. It also identifies reporting responsibilities when bribery is discovered. In recognition of the growing global impact of bribery and corruption, efforts have been sustained to continue to embed anti-bribery measures across EY.



Securities trading is governed by many laws and regulations, and EY personnel are obliged to comply with applicable laws and regulations regarding insider trading. This means EY personnel are prohibited from trading in securities, while in possession of material non-public information.

The EY Global Insider Trading Policy reaffirms the obligation of EY people not to trade in securities when in possession of insider information, provides detail on what constitutes insider information, and identifies with whom EY people should consult if they have questions regarding their responsibilities.



Economic and trade sanctions

It is important that we are aware of the ever-changing situation with respect to international economic and trade sanctions. EY monitors sanctions issued in multiple geographies both at the point when business relationships are accepted and as they continue. Guidance is provided to EY people on impacted relationships and activities.



Anti-money laundering (AML)

EY Cambodia is classified as an obliged entity under applicable AML regulations. Consistent with the EY Global guidance on AML, EY Cambodia has implemented policies and procedures designed to meet these obligations, including Know Your Client procedures, risk assessments and suspicious activity reporting. EY people are trained on their responsibilities under the regulations, and provided guidance on who to consult when they have questions.



Data protection

The EY global policy on personal data protection sets out the principles to be applied to the collection, use and protection of personal data, including personal data relating to current, past and prospective personnel, clients, suppliers and business associates. This policy is consistent with the strict requirements of the European Union's GDPR, and other applicable laws and regulations concerning data protection and privacy. EY also has binding corporate rules approved by UK and EU regulators in place to facilitate the movement of personal data within the EY network.

Furthermore, we have a policy to address our specific Cambodia data privacy requirements and business needs.



Document retention

EY global and related local policies on records and information retention and disposition apply to all engagements and personnel. These policies address document preservation whenever any person becomes aware of any actual or reasonably anticipated claim, litigation, investigation, subpoena or other government proceedings involving us or one of our clients that may relate to our work. It also addresses Cambodia legal requirements, applicable to the creation and maintenance of working papers, relevant to the work performed.



Independence practices

Independence practices

The EY Global Independence Policy requires EY Cambodia and our people to comply with the independence standards applicable to specific engagements, e.g., the IESBA Code of Ethics and independence requirements of our Cambodia law and regulations.

We consider and evaluate independence with regard to various aspects, including our financial relationships and those of our people; employment relationships; business relationships; the permissibility of services we provide to audit clients; applicable firm and partner rotation requirements; fee arrangements; audit committee pre-approval, where applicable; and partner remuneration and compensation.

Failure to comply with applicable independence requirements will factor into decisions relating to a person's promotion and compensation, and may lead to other disciplinary measures, including separation from EY Cambodia.

EY Cambodia has implemented EY global applications, tools and processes to support us, our professionals and other employees in complying with independence policies.



EY Global Independence Policy

The EY Global Independence Policy contains the independence requirements for member firms, professionals and other personnel. It is a robust policy predicated on the IESBA Code and supplemented by more stringent requirements in jurisdictions, where prescribed, by the local legislative body, regulator or standard-setting body. The policy also contains guidance designed to facilitate an understanding and the application of the independence rules. The EY Global Independence Policy is readily accessible and easily searchable on the EY intranet.



Global Independence System (GIS)

The GIS is an intranet-based tool that helps EY professionals identify the entities from which independence is required and the independence restrictions that apply. Most often, these are listed audit clients and their affiliates, but they can also be other types of attest or assurance clients. The tool includes family-tree data relating to affiliates of listed audit clients, and is updated by client-serving engagement teams. The entity data includes

notations that indicate the independence rules that apply to each entity, helping our people determine the type of services that can be provided or other interests or relationships that can be entered into.



Global Monitoring System (GMS)

The GMS is another important global tool that assists in identifying proscribed securities and other impermissible financial interests. Professionals ranked as manager and above are required to enter details about all securities they hold, or those held by their immediate family, into the GMS. When a proscribed security is entered or if a security they hold becomes proscribed, professionals receive a notice and are required to dispose of the security. Identified exceptions are reported through an independence incident reporting system for regulatory matters.

GMS also facilitates annual and quarterly confirmation of compliance with independence policies, as described below.



Independence compliance

EY has established several processes and programs aimed at monitoring the compliance with independence requirements of EY member firms and their people. These include the following activities, programs and processes.



Independence confirmation

Annually, EY Cambodia is included in an Area-wide process to confirm compliance with the EY Global Independence Policy and process requirements, and to report identified exceptions, if any.

All EY professionals, and certain others, based on their role or function, are required to confirm compliance with independence policies and procedures at least once a year. All partners are required to confirm compliance quarterly.



Independence compliance reviews

EY conducts internal procedures to assess member firm compliance with independence matters. These reviews include aspects of compliance related to non-audit services, business relationships with the companies we audit and financial relationships of member firms.



Personal independence compliance testing

Each year, the EY Global Independence team establishes a program for testing compliance with personal independence confirmation requirements and with reporting of information into GMS. For the 2022 testing cycle, EY Cambodia tested three executives.



Non-audit services

EY monitors compliance with professional standards, laws and regulations governing the provision of non-audit services to audit clients through a variety of mechanisms. These include the use of tools, such as PACE (see page 17) and the Service Offering Reference Tool (SORT) (see below), and training and required procedures completed during the performance of audits and internal inspection processes. There is also a process in place for the review and approval of certain non-audit services in advance of accepting the engagement.



Global independence learning

EY develops and deploys a variety of independence learning programs. All EY professionals and certain other personnel are required to participate in annual independence learning to help maintain independence from the companies EY member firms audit.

The goal is to help EY people understand their responsibilities and to enable each of them, and their member firms, to be free from interests that might be regarded as incompatible with objectivity, integrity and impartiality in serving an audit client.

The annual independence learning program covers independence requirements, focusing on recent changes to policy, as well as recurring themes and topics of importance. Timely completion of annual independence learning is required and is monitored closely.

In addition to the annual learning program, independence awareness is promoted through events and materials, including new-hire programs, milestone programs and core service line curricula.



Service Offering Reference Tool (SORT)

SORT serves as the master list of approved EY services. We assess and monitor our portfolio of services on an ongoing basis to confirm that they are permitted by professional standards, laws and regulations, and to make sure that we have the right methodologies, procedures and processes in place as new service offerings are developed. We restrict services from being provided that could present undue independence or other risks.

SORT further provides EY people with information about EY service offerings. It includes guidance on which services can be delivered to audit and non-audit clients, as well as independence and other risk management issues and considerations.



Business Relationships Independence Data Gathering and Evaluation (BRIDGE)

EY people are required to use BRIDGE in many circumstances to identify, evaluate and obtain advance approval of a potential business relationship with an audit client, thereby supporting our compliance with independence requirements.



Audit committees and oversight of independence

We recognize the important role audit committees and similar corporate governance bodies undertake in the oversight of auditor independence. Empowered and independent audit committees perform a vital role on behalf of shareholders in protecting independence and preventing conflicts of interest. We are committed to robust and regular communication with audit committees or those charged with governance. Through the EY quality review programs, we monitor and test compliance with EY standards for audit committee communications, as well as the pre-approval of non-audit services, where applicable.



Investing in
exceptional
talent and
continuing
education

Investing in exceptional talent and continuing education



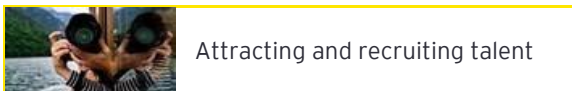
The continuing EY commitment to investing in talent will drive further advances in audit quality, creating real value and insights for companies that are audited by EY teams. Even during a period of unparalleled disruption, EY member firms have continued to invest time and resources, so that they can draw out the very best in their people.

The shift to remote working at the start of the COVID-19 pandemic accelerated a trend that was already in place in the auditing profession. Auditors are moving to more flexible ways of working based on the requirements of the audited entity, the audit firm and the individual.

This changing working environment has accelerated the need for auditors to make greater use of available technology, to have an agile mindset that embraces change and disruption, and to operate effectively in teams.

There has also been an increased focus during the pandemic on how teams work together and on improving communication. As part of this, we are using the power of the global EY network to share best practice ideas across key themes – onboarding, smart ways of working, wellbeing, coaching and mentoring, and engaging and enhancing team experiences.

In addition, the organization has taken action to address emerging risks, through both training and a focus on increasing awareness of these risks. Common themes that teams need to focus on are communicated throughout the organization.

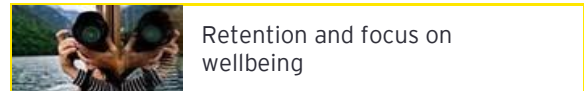


Competition for talented people with the relevant skills has never been higher and finding the next generation of high-quality auditors is a top priority. We put a great deal of effort into keeping our network of recruiters around the world up to speed with current trends and hot topics in audit so that they are armed with the information to talk to candidates. We are also exploring several innovations in recruitment that have the potential to make us more attractive to diverse audiences and improve the candidate experience.

In order to recruit people who fit with the organization's culture, it is important to take into account not just technical excellence, but also other attributes – communication skills, high ethical standards and the ability to collaborate in high-performing teams. All joiners are expected to live up to high standards of integrity, and to have strong business acumen and leadership potential.

Workforce planning is an important enabler as EY seeks to understand, anticipate and lead the changes that will impact the profession. Planning tools enable the business to model different assumptions and identify the actions needed on both a short- and long-term basis.

The tools help to connect the different talent initiatives, starting with recruitment – identifying the number of people and the skills required – and then linking to career development. This knowledge enables the EY organization to offer meaningful career progression and opportunities.



Having recruited the talent, retaining it within the business is a key contributor to the delivery of high-quality audits. Retention can vary based on external drivers such as market conditions. However, there is one factor that is globally consistent: employee expectations.

The issue of work-life balance is becoming increasingly important for EY people. People are now far more focused on getting the balance right between their professional and personal lives. An increasingly important talent priority has, therefore, been a focus on wellbeing and improving the day-to-day experience of EY people. The better the organization can support people's wellbeing, the more likely it is to provide them with compelling reasons to continue their career journey within the EY network.

The recently launched EY Global Wellbeing Strategy has as its overarching goal to embed a wellbeing culture through the commitment of leadership and the provision of appropriate resources and opportunities to achieve optimal health and performance. The aim is to increase job satisfaction, help people take care of themselves and be more effective.

Additionally, new entrants to the world of work are less likely to stay at the same organization for their entire careers. Boosting retention, therefore, now means focusing more on the journey than the destination.

As part of this commitment, there is a stronger focus on experience management, scheduling auditors onto engagements, where they can find opportunities to expand their knowledge, as part of longer-term career progression.



Personalized careers with diverse experiences

As the workforce becomes more diverse in terms of background, skill sets and education, aspirations also change. With more people with specialized skills entering the organization, EY member firms are creating a more varied, flexible and agile set of career paths for professionals that are based on a future-focused service delivery model.

New entrants to the workforce may have different career hopes, so they are being provided with the necessary tools and processes to manage their progression. A more individualized career structure is vital in attracting new talent and in helping to develop and retain the existing workforce.

Promotions focus on people's skills, not the number of years in post. For example, the EY organization is introducing more "agile promotions," where career progression takes place when an individual is ready rather than at set times in the year.

We are seeing great success through these redesigned career paths. In the March 2022 employee listening survey, 89% of respondents agreed that at EY Cambodia, there are diverse career paths to help them build the career that is right for them (up 6% from 2021).



Performance management

EY has a performance management framework that connects people's career, development and performance. Through ongoing feedback, counselor insights and development conversations, it aligns individuals with the EY strategy and enables a focus on the future. An individual's dashboard provides a snapshot of performance against the Transformative Leadership dimensions, including quality, risk management and technical excellence, and assesses performance against their peers. Feedback received during an annual cycle is aggregated and used as an input to compensation and reward programs.

At the center of the framework are conversations between counselee and counselor, covering topics such as diverse career journeys, applying emerging

technology, experiencing new teams, and learning. These conversations help to identify opportunities for further development and to build future-focused skills.

The performance management framework extends to partners, principals, executive directors and directors, and applies to all EYG member firms around the world. It reinforces the global business agenda by continuing to link performance to wider goals and values. The process includes goal setting, ongoing feedback, personal development planning and an annual performance review, all tied to partners' recognition and reward. Documenting partners' goals and performance is the cornerstone of the evaluation process. A member firm partner's goals are required to reflect various global and local priorities across six metrics, the most important one being quality.



Engagement

Employee engagement is a vital sign of success in building the right culture. Audit professionals want to feel that their employer cares about their progress and job satisfaction. Understanding the ambitions, concerns and pressures faced by EY people makes it possible to provide a better environment in which they can flourish.

Engagement levels are regularly monitored through a variety of channels, and the March 2022 employee listening survey showed that 72% of audit professionals had a favorable attitude in terms of engagement, a figure that continues to rise.

Listening to the views and concerns of EY people is a key element in increasing engagement. The EY professionals listening strategy gives our people a voice at every step of their EY experience, so that we know what they need and what EY can do to help build exceptional experiences. Understanding the evolving perspectives and experiences of EY people is essential to delivering our employer value proposition - The Exceptional EY Experience. It's Yours To Build.

The EY People Pulse survey is run three times per year to gather feedback on key elements that drive engagement and retention. Each survey focuses on different strategic drivers (Careers, Learning and skills, etc.) and includes other relevant topics.

The EY Team Experience survey is another critical element of our employee listening strategy, aimed at improving and unifying the day-to-day experience for our engagement teams. Eligible team members provide feedback on their experience of an engagement across a variety of questions, rated on a five-point scale. This feedback provides actionable insights and pathways for tangible change at the engagement team level.

For discussion of wider issues, the Global Voices network was established in 2021. A group of 200 high-performing people from all levels and all Assurance sub-service lines provide feedback on, or contribute ideas to, a range of different strategic priorities. It effectively works as a “shadow board,” providing valuable perspectives and insights, and helping to shape strategy. The initiative also provides an opportunity for senior leadership to detail their vision of the future and then allow that to cascade throughout the organization.



The Audit Academy

As the EY Digital Audit continues to evolve, it is important to complement the auditor’s core skills with an evolving range of new capabilities. Every year, the content and focus of the Audit Academy are adjusted to address new technologies and strategic priorities that promote audit quality. Any changes are agreed by Assurance leadership, following recommendations from the EY Global Assurance Learning Steering Committee.

Inspection and quality review findings are reviewed regularly to assess and address root causes, and the conclusions are then fed into the Audit Academy curriculum to enhance and strengthen continual learning.

Teams can be sure that they are receiving world-class and globally consistent core learning. Whether that involves focusing on changes in regulation, mastering emerging technologies or embedding data analytics into existing audit practices, the Audit Academy has the resources in place to support every need. Moreover, the Audit Academy encourages and empowers individuals to apply professional skepticism, think critically and deliver exceptional client service.

In response to the COVID-19 pandemic, the Audit Academy now delivers a blend of on-demand learning and simulation or case study-based learning that can be deployed either physically or virtually.



Professional development

To encourage the building of new skills, the EY Badges program enables professionals to gain future-focused skills in three distinct pillars: technology, leadership and business. Subjects covered in the program include analytics, transformative leadership, sustainability, artificial intelligence, blockchain, robotic process automation, innovation, cybersecurity and digital skills, as well as certain sector capabilities that are in high demand. New badges are added regularly as the program evolves.

Badges are awarded based on globally consistent criteria and act as a digital credential that the recipient can include on their CV, wherever their career may subsequently take them, to demonstrate what they have learned as part of their EY experience. EY was the first professional services organization to offer such a program, with takeup increasing as more team members recognize the importance of managing their own skills portfolio.

As of 30 June 2022, 37,500 EY Badges had been awarded to current audit professionals around the globe, including 13,100 in analytics and data strategy alone. In addition more than 13,000 EY Badges have been awarded to people who have since left EY. This is a significant achievement given that EY Badges is a self-directed learning initiative that supplements a substantial program of core mandatory training for auditors.

Allied to EY Badges is the EY Tech MBA, an online qualification awarded by Hult International Business School, a triple-accredited university. This is the first time that an organization of EY size has offered such a qualification to all its people. Following the success of the EY Tech MBA, also in association with Hult, EY has launched Masters’ in Business Analytics and Sustainability. Both are the first qualifications of their kind, and both are available free of charge to all EY people.

In total, during the financial year to 30 June 2022, EY audit professionals around the globe undertook 8.2m hours of learning (compared with 8.5m hours for the previous year), averaging 86.5 hours each.

In the March 2022 employee listening survey, 98% of respondents said that EY Cambodia provides them with learning opportunities that build the skills they need to be successful (an increase of 8% on March 2021) and 96% said that what they are learning at EY Cambodia is helping them to achieve their career aspirations (up 8% from 2021).

There are also a variety of learning programs that have been developed specifically for member firm partners. These are available to all member firm partners worldwide and cover topics including Transformative Leadership, Disruptive Technology, and Sustainability. These are supplemented by high-stretch, immersive programs for select groups of Partners on topics such as Client Leadership and Disruptive Technology, and there are also regular learning programs on audit-specific topics such as fraud.

Where an EYG member firm audits and reviews International Financial Reporting Standards (IFRS) financial statements, relevant team members undertake learning to become IFRS-accredited.

EY Cambodia requires audit professionals to obtain at least 20 hours of continuing professional education each year and at least 120 hours over a three-year period. Of these hours, 40% (eight hours each year and 48 hours over a three-year period) must cover technical subjects related to accounting and auditing.

In June 2022, the US Securities and Exchange Commission (SEC) announced a settled order against Ernst & Young LLP, US (“EY US”) concerning conduct that was discovered in an extensive internal investigation and voluntarily shared with the Public Company Accounting Oversight Board (PCAOB). The order refers to incidents in the past of inappropriate and unacceptable answer sharing on continuing professional education and, by some individuals, on the ethics exams required to earn or maintain a Certified Public Accountant (CPA) license. EY US’s response to this unacceptable behavior has been thorough, extensive and effective. EY US has reinforced the EY commitment that all EY people act with integrity and ethics through training, communications, ongoing monitoring and discipline.



Mobility

In an organization that spreads across more than 150 jurisdictions, the opportunities to experience work and life are equally widespread. People join EY for exceptional experiences, including geographical mobility. Mandatory firm rotation and an increased desire for variety and flexibility mean that it is now even more important to have the right people in the right place at the right time, and enough people with enough time to execute audit engagements.

Inevitably, travel restrictions during the pandemic have meant that many cross-border experiences had to be paused. However, in September 2021, legacy mobility programs were streamlined into one new

offering – Mobility4U – which provides assurance professionals with a single point of entry to locate global opportunities. Both physical and virtual assignments are covered, including job swaps, where individuals can exchange roles with an EY peer on either a long- or short-term basis. In the March 2022 employee listening survey, 96% of respondents at EY Cambodia said they feel they have access to the work experiences they need to build their career.



Knowledge and internal communications

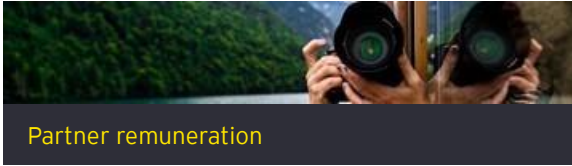
In addition to professional development and performance management, we understand the importance of providing audit teams with up-to-date information to help them perform their professional responsibilities. There is significant EY investment in knowledge and communication networks to enable the rapid dissemination of information to help people collaborate and share best practices. This has been of increasing importance to address emerging risks arising as a result of the pandemic. Some EY resources and tools include:

- ▶ EY Atlas, which includes local and international accounting and auditing standards, as well as interpretive guidance
- ▶ Publications such as International GAAP, IFRS developments and illustrative financial statements
- ▶ Global Accounting and Auditing News – a weekly update covering assurance and independence policies, developments from standard-setters and regulators, as well as internal commentary thereon
- ▶ Practice alerts and webcasts, covering a range of global and country-specific matters, designed for continuous improvement in member firms’ Assurance practices



Revenue and remuneration

Revenue and remuneration



Quality is at the center of the EY strategy and is a key component of EY performance management systems. EY Cambodia partners are evaluated and compensated based on criteria that include specific quality and risk management indicators. Equally, when EY Cambodia partners do not adhere to quality standards, remedial actions are taken. These may include performance monitoring, compensation adjustment, additional training, additional supervision or reassignment – or, in instances of repeated or particularly serious non-compliance, separation from EY.

EY policies prohibit evaluating and compensating lead audit engagement partners and other key audit partners on an engagement based on the sale of non-assurance services to companies they audit. This reinforces to EY partners their professional obligation to maintain independence and objectivity.

Specific quality and risk performance measures have been developed to account for:

- ▶ Providing technical excellence
- ▶ Living the EY values as demonstrated by behaviors and attitude

- ▶ Demonstrating knowledge of, and leadership in, quality and risk management
- ▶ Complying with policies and procedures
- ▶ Complying with laws, regulations and professional duties

The EY partner compensation philosophy calls for meaningfully differentiated rewards based on a partner's level of performance, as measured within the context of the performance management framework. Partners are assessed annually on their performance in delivering high quality, exceptional client service and people engagement, alongside financial and market metrics.

We operate under a system that requires quality to be a significant consideration in a partner's overall year-end rating.

To recognize different market values for different skills and roles, and to attract and retain high-performing individuals, the following factors are also considered when we determine our partners' total reward:

- ▶ Experience
- ▶ Role and responsibility
- ▶ Long-term potential

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APAC No. 02170801

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