



Johnston Carmichael LLP Transparency Report

Year ended 31 May 2024



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Regulatory context

Our Transparency Report has been prepared in accordance with the requirements of Article 13 from Regulation (EU) No 537/2014 and the amended Directive 2014/56/EU of the European Parliament and of the Council. This report covers the year ended 31 May 2024 and has been designed to explain our:

- › Legal structure and ownership;
- › Governance structures;
- › Quality control systems and assurance programmes and practices;
- › Leader to leader culture underpinned by supporting and developing our people.

These foundations are in place to maintain our independence and embed compliance with all applicable audit and ethical standards to deliver high quality services in all areas.

Section 1

Foreword



1.0 Foreword

Earlier this month we launched a new strategy to future proof our firm through to 2030.



While it is difficult to be certain of how the world will look in six months' time, never mind six years, what underpins our strategy is seeing our firm go from strength to strength. Put simply, this means ensuring our values of Doing the Right Thing, Standing in Other Peoples' Shoes, Remaining Relevant, and Leading our Future, alongside our culture of quality, and our leadership philosophy of enabling all our people to be leaders of their work and their learning, remain embedded in everything we do. This commitment is a constant that will transcend any of the changes we might see in what remains a volatile, complex world.

In our strategy we talk about creating enduring impact for our people, our clients, and the communities we serve. Using our values and culture to help guide the decisions we make, we will continue to promote a high-performance culture where a laser focus on quality is embedded across each Business Line and Support Function, recognising our role in serving the public interest and securing long-term sustainability.

This year, we maintained our momentum in monitoring, measurement, and continuous

1.0 Foreword

improvement of our quality regime. We have procured and are in the process of rolling out a Learning Management System which will offer access to bite-sized learning opportunities, including technical training, to our people when they need it. As part of our commitment to learning excellence, our Leadership Programme for Senior Managers, Directors, and Partners achieved accreditation under the internationally renowned Scottish Credit and Qualifications Framework as a Masters level qualification. We are refreshing the Key Performance Indicators we need to achieve for our business to continue being successful in the years ahead. And, following the appointment of two Non-Executive Directors to our Audit Board, we are about to embark on a Governance Review to ensure our reporting lines and committee structures are robust in providing the right level of scrutiny and challenge to ensure we are actively listening to our people, our clients, and the wider market, and adjusting our strategic course as required.

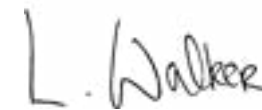
Our commitment to the communities in which we work remains constant. We renewed our grassroots partnership with Netball Scotland and launched a new partnership with England Netball which will focus on encouraging young girls into netball in the North-East, supporting the work we are doing in this area out of our

newly opened Newcastle office. We once again participated in the Kiltwalk initiative, supporting multiple charities that help good causes across Scotland. Further, we became a partner of the ICAS Foundation which gives people from disadvantaged backgrounds the encouragement and tools they need to start careers in accountancy. As part of this we are actively supporting students to achieve their career and life goals.

Our People and Culture Forum continues to go from strength to strength ensuring we have a transparent and inclusive culture in our firm where everyone is encouraged to excel regardless of where they come from or how they choose to live their lives. With 86% of our people (up from 72% in 2023) responding to our People Survey we maintained the progress we are making in improving our Employee Value Proposition.

We are committed to ensuring the continuous improvement we have made over the last 12 months is accelerated into 2025, underpinned by our values-led culture of quality.

It is with pleasure that we commend this report to you as further evidence of our commitment to comply with all applicable audit and ethical standards to deliver high quality services in all areas of our work.



Lynne Walker
Chief Executive



Mark Houston
Chair and Senior Partner

Section 2

Introduction



2.0 Introduction

As a Tier 2 firm, a classification used by the FRC based on firms' impact on the UK audit market, we are not only mindful of our role in protecting the public interest; we see this as a way to create enduring impact for our people, our clients, and the communities we serve.



We have regular engagement with both the FRC and ICAS, striving to work constructively with both to continually raise audit quality. We are pleased with our relationship with both parties and are fully committed to investing in our team and our infrastructure in a way that is proportionate for our firm and key stakeholders.

In anticipation of the firmwide strategy refresh, we reflected on our position in the market and progress against our strategy. We are delighted at what we have achieved in recent years but are clear that there can be no complacency. Favourable market conditions, combined with a high performing team, have led to significant growth. Our growth has been achieved against a clear framework around our ideal clients in terms of risk profile, commerciality and, above all else, our ability to deliver consistently quality audits.

It is important that we continue to invest in our people and infrastructure to solidify and, where appropriate, expand our position in the market. With this in mind, we have consulted with all of our Audit Business Line team members to seek

their input on how we can develop the Business Line in a way that rewards our people, our clients, and our investors. Our aim is to engage our full team in this process, recognising that many of our team will be our future leaders. Using this feedback, we will tailor our firmwide strategy into an executable plan for the Audit Business Line. This will run in tandem with our Strategic Quality Plan, a sub-set of our overall Business Line strategy that focuses specifically on audit quality. We are hugely excited at the possibilities these initiatives will offer us and will provide further detail in next year's Transparency Report around key initiatives and progress against them.

Investing in our specialists

We previously reported more than 80% growth in the team over a three-year period. We believe this growth was exceptional due to fundamental market shifts. We have always been mindful of the risks associated with over-trading, which is why we have significantly invested in our team. We have continued to develop our training and

2.0 Introduction

have placed a central focus on our Employee Value Proposition, the contract we enter into with our people to ensure all parties are delivering value. We have continued with our strategy to grow and develop our own people and, with the new Graduate and JC Futures intake, will soon have well over 250 dedicated Audit specialists.

We have continued to develop our sector teams, specifically in Financial Services and Energy, Infrastructure and Sustainability, the two sectors where we perform PIE audits. We have supplemented our team at a senior level and, where appropriate, will continue to add expertise. In particular, we have recruited specialists to deliver CASS audits, which we believe is a strong addition to our team to allow us to deliver complementary offerings to our Financial Services clients. Our Financial Reporting Advisory practice continues to go from strength to strength, giving us clearer separation between our audit and accounts preparation teams and ensuring we have the technical expertise required to advise on complex financial accounting matters.

We have also continued to invest in our Risk and Resilience team, by hiring additional IT assurance specialists. And finally, we reported previously that we recruited a culture specialist. We are delighted that the first phase of this

work has been completed, with our culture now defined and graded in a maturity matrix. Our team is actively working to further embed our culture, recognising that this is a project that will never be complete.

Quality management

We completed our first phase of ISQM 1 testing during the year, using the expertise of our Risk & Resilience team to help us assess our control environment. As expected, there are areas to work on. As with our work on culture, we do not expect there to be an end-point. We are striving for continual improvement and recognise this requires investment. We have continued to invest in our Audit Quality, Risk & Technical team. In particular, our Head of AQRT joined the partnership and the Audit Board in recognition of the strategic importance the firm attaches to audit quality. We have also made progress with our Root Cause Analysis, which we have found to be a valuable tool to properly identify areas for improvement. We have launched several initiatives as a result, including our Stepping Up to RI programme, which is used for both internal promotions and external hires to screen for potential quality issues, but also proactively offer support to successful candidates as they settle into the role.

Audit Firm Governance Code

We have also made significant progress in our compliance with the Audit Firm Governance Code. We have assessed this progress with a RAG rating assigned to each area. The most fundamental deficiency related to the lack of Independent Non-Executives. We are delighted to have appointed two Independent Non-Executives to our Audit Board. Both will provide independent challenge, not only at this level but at firmwide level through participating and / or chairing different parts of our governance structure, such as our Nominations Committee, Partner Assessment Committee and Audit Risk Committee. Our governance structure will continue to evolve, and we look forward to receiving input from our Independent Non-Executives as we strive to achieve best practice for a firm of our size and scale. We fully expect to see continuous improvement as we onboard our Independent Non-Executives and adapt aspects of our System of Quality Management based on their constructive challenge.

2.0 Introduction

I confirm, on behalf of the Board, that:

- › Our internal quality control systems are functioning effectively;
- › Our independence practices are appropriate and have been subject to an internal compliance review; and
- › We have policies and procedures in place to ensure that the continuing education of statutory auditors is as required by relevant law, regulation and professional standards.



Graham Marjoribanks
Vice Chair, Head of Audit

Section 3

The firm – about Johnston Carmichael



3.0 The firm – about Johnston Carmichael



Formed in
1936



Employees
852



Partners
72



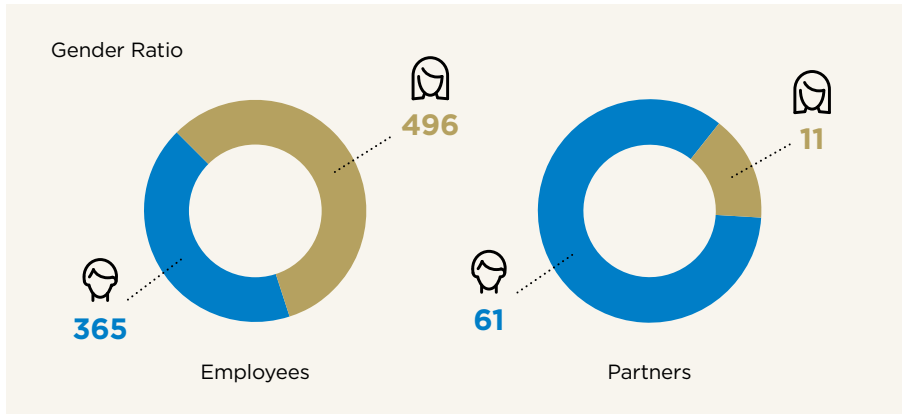
Clients
19,000



Specialist Services
8

Johnston Carmichael is an independent firm of accountants and business advisers. Our UK-wide presence directly connects us to the clients we support, as well as the communities where we work.

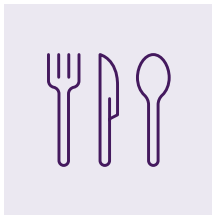
★ Top
20 ★
United Kingdom
Accountancy Firm



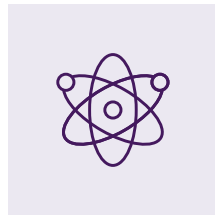
Johnston Carmichael recently won 'Best Private Client Tax Practice' at the Tolley's Tax Awards 2024



Financial Services



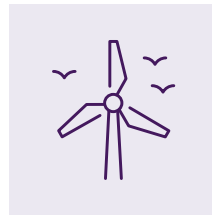
Food & Drink



Technology & Life Science



Rural



Energy, Infrastructure & Sustainability

£72.7m
Firm revenue FY 2023 - 2024

Member of the international network – Moore Global

3.0 The firm – about Johnston Carmichael

3.1 Legal structure

Johnston Carmichael is the trading name of Johnston Carmichael LLP, a Limited Liability Partnership registered in Scotland (SO303232). The registered office is at Bishop's Court, 29 Albyn Place, Aberdeen AB10 1YL.

Ownership

At the date of this report Johnston Carmichael LLP is owned by 54 equity partners and 18 non-equity partners. 14 partners hold the Responsible Individual Status (RI) as well as 11 employees.

Johnston Carmichael LLP has two active subsidiary companies:

- ▶ Johnston Carmichael Wealth Limited which provides financial planning advice
- ▶ Johnston Carmichael (Scotland) Limited is the service company of the group and the entity through which staff are employed.

3.2 Regulation

Johnston Carmichael is a full-service accountancy firm and amongst the range of services offered is registered to carry out the following work in the UK by the Institute of Chartered Accountants of Scotland (ICAS):

- ▶ Audit work and a limited range of investment business activities
- ▶ Licenced insolvency practitioner

Johnston Carmichael undertakes annual firmwide anti-money laundering and data protection training to ensure ongoing regulatory compliance with the standards set down by ICAS.

Johnston Carmichael Wealth Limited is authorised and regulated by the Financial Conduct Authority (FCA) under reference number 114322.

Johnston Carmichael (Scotland) Limited is a private limited company registered in Scotland (SC018019). The registered office is at Bishop's Court, 29 Albyn Place, Aberdeen AB10 1YL.

Section 4

International



4.0 International

Johnston Carmichael is a member firm of Moore Global Network Limited a global audit, accounting, and consulting network with 37,153 professionals spread across 114 countries.

Moore Global member and correspondent firms have a combined global revenue of \$4.533 billion. Membership is regulated by contractual agreement.

Moore's purpose is to help its people, its clients, and its communities thrive, and this includes each of its member firms. This closely aligns with our values at Johnston Carmichael. All firms within the network are independent businesses, but the network brings access to further specialist resources, support, expertise, and technology. Our shared resources enable firms to offer client solutions on a global scale, collaborate across sectors and service lines, and develop the next generation of leaders.

A strategic plan, led by the Moore Global Board, sets the goals for the network over the next two years. The key areas of focus are:

- Alignment of member firms with the same core values and quality obligations, including network review and learning and development programmes, and a focus on developing our future leaders;
- A global growth strategy supported by a business plan bringing clear, defined, and focused objectives;

- Delivering quality in everything we do;
- A focus on innovation to support member firms embrace technology;
- Offering increased value to our firms through collaboration, communication, and transparency; and
- The network-wide strategy, Social Ambition, to deliver positive social impact in all that we do

Like Johnston Carmichael, Moore Global has quality at the heart of its strategy with a focus on people development, quality systems, and building trusted relationships.

As with all network firms, Johnston Carmichael is bound by the Moore Global Network Agreement and subject to quality-related membership obligations which enable the network to achieve its Quality Objectives. These membership obligations are set out in the Moore Global Statement Of Professional Practice (SOPP). The obligations are designed to ensure that member firms act consistently and provide confidence to member firms that their own reputation will not be placed at risk as a result of the actions of others. This protects both the network as a whole and each individual member firm.

The Network Review Programme ('NRP') and all network resources support and reflect the Moore SOPP and monitor member firms' compliance with the SOPP.



37,000+

People



558

Offices



114

Countries

Section 5

Leadership and governance



5.0 Leadership and governance

The Board is responsible for overall governance, accountability and leadership of the firm as well as setting the firm strategy in line with our core values.

Overseeing the governance of the firm includes accountability for the effectiveness of the risk management arrangements and ensuring the firm acts in the public interest.

Five core committees report into the Board and are detailed fully on the next page. The underlying principles of our governance structure remain fixed since our last report, however the scope of some of the committees has evolved.

Board members >>



Lynne Walker
Chief Executive

CEO and Partner, Lynne joined Johnston Carmichael in 2005 and has over 19 years' experience working within our Audit and Business Advisory business lines. In 2018 she took on the role of Head of Business Advisory, overseeing effective operations and driving digital change across Johnston Carmichael's Business Advisory function, having previously worked in Audit as a Senior Statutory Auditor responsible for providing a high level of service to a portfolio of clients in both our Inverness and Elgin offices.

Lynne became a Partner in 2019, joined the firm's Board in 2021 and became Vice Chair in 2022.

In June 2024 Lynne was appointed CEO, taking over from Andrew Walker.



Mark Houston
Chair and Senior Partner

Mark is Senior Partner and Chair of Johnston Carmichael, acting for a number of our largest private clients, companies and groups across a range of industries and sectors. Mark joined the firm in 2006, making Partner in 2008 before being appointed to the Board in 2013. Mark became Chair in 2022, and in June 2024 was appointed to Senior Partner.

Mark has an extensive portfolio of clients and has a particular focus on advising entrepreneurs, high net worth individuals and the owner managed business sector.

Johnston Carmichael is an independent member firm of the international accountancy network Moore Global, and Mark sits on the European Board of member firms.

Mark plays an integral role in driving forward the firm's strategy.

5.0 Leadership and governance



Graham Marjoribanks
Vice-Chair, Head of Audit

Graham joined Johnston Carmichael in 2019 as Audit Partner and Head of Audit & Assurance. He has over 20 years' experience in Audit, having worked in a variety of roles across the UK and Canada.

Graham has held several volunteer board positions including Chair of ICAS Policy Leadership Board. Graham is a member of the ICAS Council.

In 2016, Graham was appointed by the First Minister as a Global Scot; a network of business leaders, entrepreneurs and executives with a connection to Scotland and a strong desire to see Scottish businesses succeed locally and internationally.

In June 2024, Graham was appointed Vice Chair, succeeding Lynne Walker.



Shaun Millican
Partner, Head of Business Advisory
Money Laundering Compliance Principal

Partner, Board member and Head of Business Advisory and Technology & Life Sciences, Shaun joined the firm in 2002 when the firm opened our Edinburgh office. He is well positioned in advising and assisting fast growing, entrepreneurial businesses to help them achieve their objectives. Solution oriented, Shaun is respected across the sector for working closely with founders and their leadership teams to provide hands on support and being their trusted adviser.

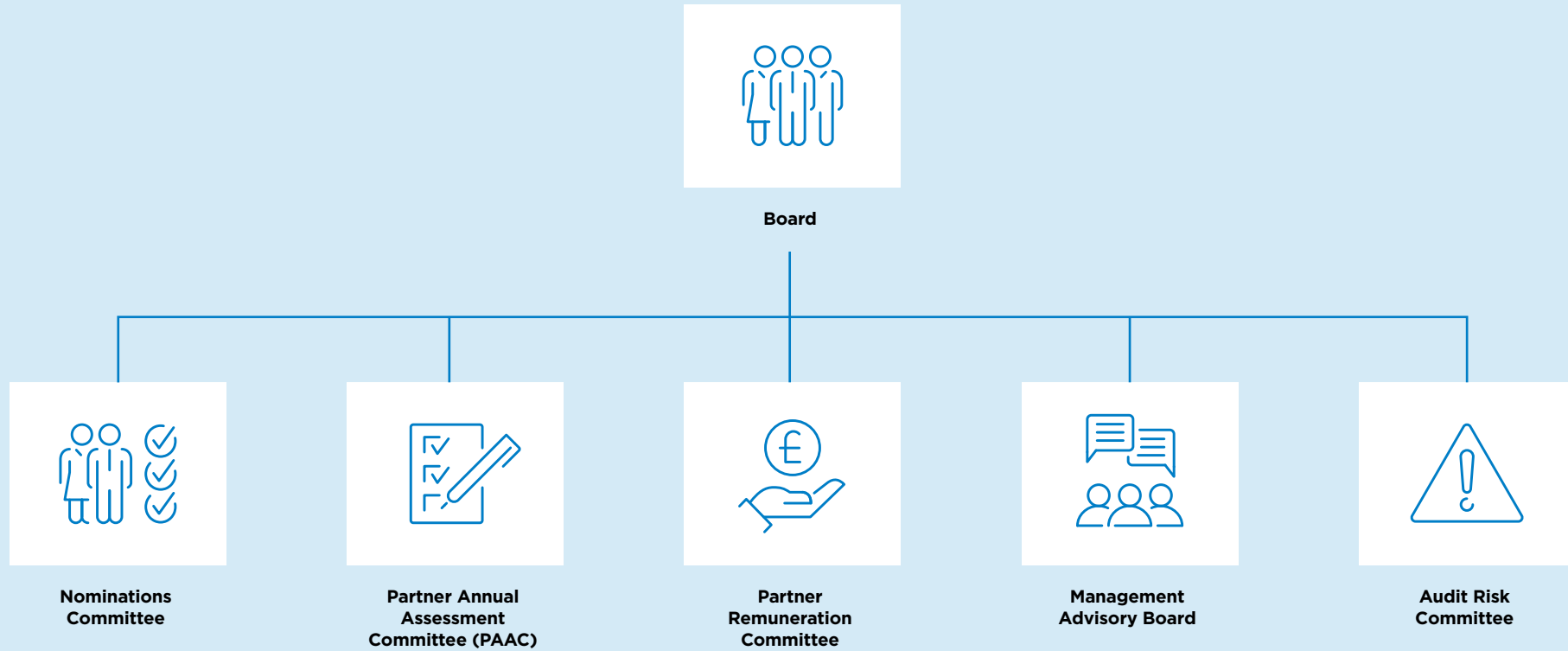
Shaun was appointed to the Board in 2021 and, became Head of Business Advisory in 2024 succeeding Lynne Walker.



Craig MacPherson
Business Advisory Partner

Partner in our Elgin office, Craig joined the firm in 1986 and became a CA student in 1989, qualifying in 1993. Craig became Partner in 2004 and was appointed to the Board in 2014. Craig manages a large portfolio of clients ranging from sole traders to large limited companies.

5.0 Leadership and governance



5.0 Leadership and governance

The Board remains ultimately accountable to the General Partnership through the mechanisms in force in the terms of the LLP Agreement which allow for a special majority to expel a member in breach of their duties. The Chief Financial Officer (CFO) and General Counsel (GC) both attend Board meetings in order to provide independent counsel and challenge from the equity Partners and

Designated Members against the risk of firm failure and from a broader governance and regulatory compliance perspective. The CFO and GC independently make recommendations on cash resilience, key risks, data protection and money laundering concerns, and professional indemnity matters. A Scheme of Delegation is in operation in conjunction with the system of budgetary control to implement financial

controls and financial management authorities and these additional controls complement the provisions as set out in the LLP Agreement.

The positions of Chair, Vice Chair and Chief Executive are elected by the Board as required when such a position becomes vacant, as set out in the LLP Agreement.

Board	Name	Details	Attendance at Board Meetings
Former Chief Executive	Andrew Walker	Appointed as Chief Executive 1st August 2019. Board member since 1 August 2008. Resigned as Chief Executive and Board member on 1 June 2024.	88% (owing to resignation)
Chief Executive	Lynne Walker	Appointed as Vice Chair 1 June 2022. Board member since September 2021. Resigned as Vice Chair and appointed as Chief Executive 1 June 2024.	100%
Chair	Mark Houston	Appointed as Chair 1 June 2022. Board member since 1 August 2013.	100%
Vice Chair	Graham Marjoribanks	Board member since 1 September 2021. Appointed as Vice Chair on 1 June 2024.	100%
Board member	Craig MacPherson	Board member since 1 August 2014.	100%
Board member	Shaun Millican	Board member since 1 September 2021.	100%

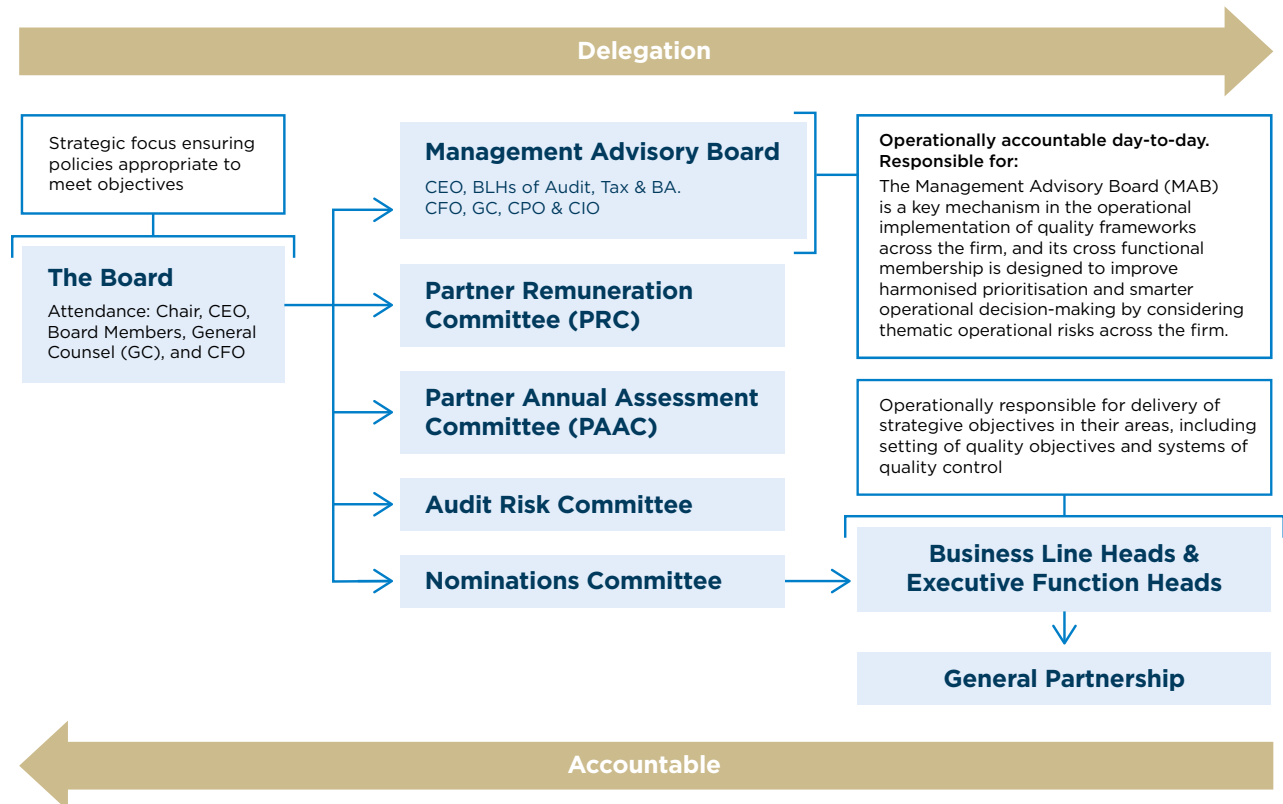
5.0 Leadership and governance

Each month a Governance, Risk and Compliance (GRC) dashboard and firmwide risk register is produced for the Board to ensure visibility of red rated risks. The dashboard provides a high-level overview of the number of strategic risks which have been highlighted on the firm risk register, a summary of Anti-Money Laundering risk assessments, suspicious activity reports and the number of quality assurance checks undertaken on money laundering client risk assessments, with any considerations which may require further analysis highlighted for the Board. The GRC team also produces a GRC cover paper for the Board. This cover paper includes an overview of the following areas: an analysis of the highest priority professional indemnity cases, analysis of quality assurance of Anti-Money Laundering risk assessments where the dashboard highlighted areas of concern for the Board, data protection breaches, and gifts and hospitality reports above the acceptable threshold. The firmwide risk register is included for consideration by the Board at all meetings with the specific risks, actions, and recommendations highlighted by the Management Advisory Committee for the Board's consideration as appropriate.

Key risks considered at firm level include an ongoing increased threat of cyber-attack, which has led to substantial investment in augmenting our managed end point detection, to maintaining the focus on ongoing mitigation

actions around quality across the firm and protection of our corporate reputation. The threat of cyber-attack was highlighted on last year's Transparency Report and the risk remains a principal risk to the Firm, requiring ongoing monitoring and investment to keep pace with the evolving challenges posed by cyber criminals who are developing increasingly

sophisticated means to do harm. Succession planning and key person dependency has also been highlighted to the Board for consideration along with a focus on ethics and risk management, which are seen as two critical components of robust corporate governance and robust organisational culture.



5.0 Leadership and governance

5.1 Audit Firm Governance Code

The Audit Firm Governance Code (2022) came into effect for the firm's year ended 31 May 2024 and we report this year under its strengthened provisions.

In Appendix 4 we set out our Statement of Compliance with the 2022 Code. However, our progress towards compliance with the Code is ongoing, and in line with the 'comply or explain' approach to reporting on the Code, we set out in Appendix 4 further explanations in relation to those principles and provisions with which we did not fully comply in the financial year to 31 May 2024.

5.0 Leadership and governance

5.2 Introducing our new Independent Non-Executives (INEs)

Following a rigorous search and selection process throughout most of the last year, two INEs, Michael Timar and Les Clifford, were appointed on 1 September this year. Both will sit on the reconstituted Audit Board and Les Clifford will act as its Chair.

These appointments represent a major step forward in the firm achieving compliance with the Audit Firm Governance Code.

Over the coming months we will be working with both INEs to reshape our governance structure and define their roles within it with greater precision and granularity. A key consideration in doing so will be to move us towards fuller compliance with those provisions within the Audit Firm Governance Code which are dependent on INE input and involvement (see further Appendix 4).



Michael Timar
Independent Non-Executive

Michael retired from PwC in 2023 following a 33-year career as an auditor, 21 of those as a Partner. He has been the Audit Partner for a number of listed companies, including FTSE 100 & 250 and NYSE listed, held several Audit Risk & Quality leadership roles, gained international experience in Switzerland, Russia and the US, and worked on IFRS interpretation and development. He has a broad range of industry experience with expertise in Power & Utilities, Oil & Gas, Energy Trading, Telecoms and Higher Education.

Michael is also a Lay Member of Court and member of the Audit & Risk Committee at the University of Strathclyde, Independent Chair of the Scottish Power Energy Retail Holdings Compliance Unit, and a member of the IASB Consultative Group for Rate Regulated Activities.



Les Clifford
Independent Non-Executive

As a former Global Client Service Partner at EY, Les has more than 40 years' experience within the profession working within many service lines at a local and global level. His primary role throughout this time was as an Assurance Partner focused on audit quality and client service for leading global companies in the manufacturing, retail, technology, hospitality and life sciences sectors. Les started his career in Edinburgh as a trainee CA, then moved newly qualified to EY where he became a partner in 1997. In addition to his client serving roles, he held various leadership positions including Office Managing Partner, Member of the UK's Assurance Leadership team, sector specific Leadership roles and Interim Country Managing Partner Switzerland.

Les is also an experienced non-executive director/trustee within the Charity sector having worked with purpose led charities for more than 15 years, primarily in the areas of education, health and young people. He has served as a main board trustee but also as Chair of Audit Committees and Finance Committees.

5.0 Leadership and governance



Board

Overall governance, accountability and leadership of the firm as well as setting the firm strategy in line with our core values.



Nominations Committee (Nom Com)

The Nominations Committee considers candidates proposed from across the firm for promotion to Director and Partner level. The Committee acts as the guardian of professional standards and ensuring that the leaders of the firm represent those capable of strengthening trust in the profession, ensuring the future sustainability of the firm, and with a keen focus on values-led leadership and contribution to the firm. A key area of focus for the Nominations Committee this year has been the adequacy of support for senior candidates which is appropriately tailored to the needs of the individual rather than one size fits all.



Partner Annual Assessment Committee (PAAC)

The Partner Annual Assessment Committee continues to gather rounded feedback on individual Partners including but not limited to; quality scores, complaints and PI matters, adherence to ethical and compliance procedures (including AML), risk management, stakeholder feedback, values and behaviours, and leadership activity. The PAAC acts as a calibration function on assessment to ensure performance evaluations are consistent across the firm. Outputs from PAAC can include action on demotion or reallocation of responsibility.



Partner Remuneration Committee (PRC)

Partners are remunerated from the distributable profits of the firm. Any over-distribution is recoverable from Partners. The PRC ultimately determines the final remuneration awarded to each Partner, considering the recommendations of the PAAC and assessing those findings against each element of the firm's Balanced Scorecard. Audit Partners are expressly excluded from having any objectives or reward from selling non-audit services and their performance assessment has a greater weighting attributed to audit quality alone. Following FRC feedback, this year, improvements were made to Committee minute-taking to provide greater evidence of the assessment of quality in remuneration decision making and to expressly address where remuneration had been reduced on account of identified quality concerns.

5.0 Leadership and governance



Management Advisory Board

The Management Advisory Board (MAB) is a key mechanism in the operational implementation of quality frameworks across the firm, and its cross functional membership is designed to improve harmonised prioritisation and smarter operational decision-making by considering thematic operational risks across the firm.

The MAB also consider the firmwide risk register, the output of which is gathered from quarterly Business Line and Support Function risk reviews. Any risks assessed as relevant for Board consideration are highlighted specifically for Board review at the next Board meeting with recommendations made as appropriate.



Audit Risk Committee

This Committee focuses on the Audit specific risks within the firm including matters of audit opinion, audit client acceptance and continuance and disengagement. The Terms of Reference of the Committee are currently being reviewed and its activities will be formalised as part of our Governance Review.

Section 6

Our culture



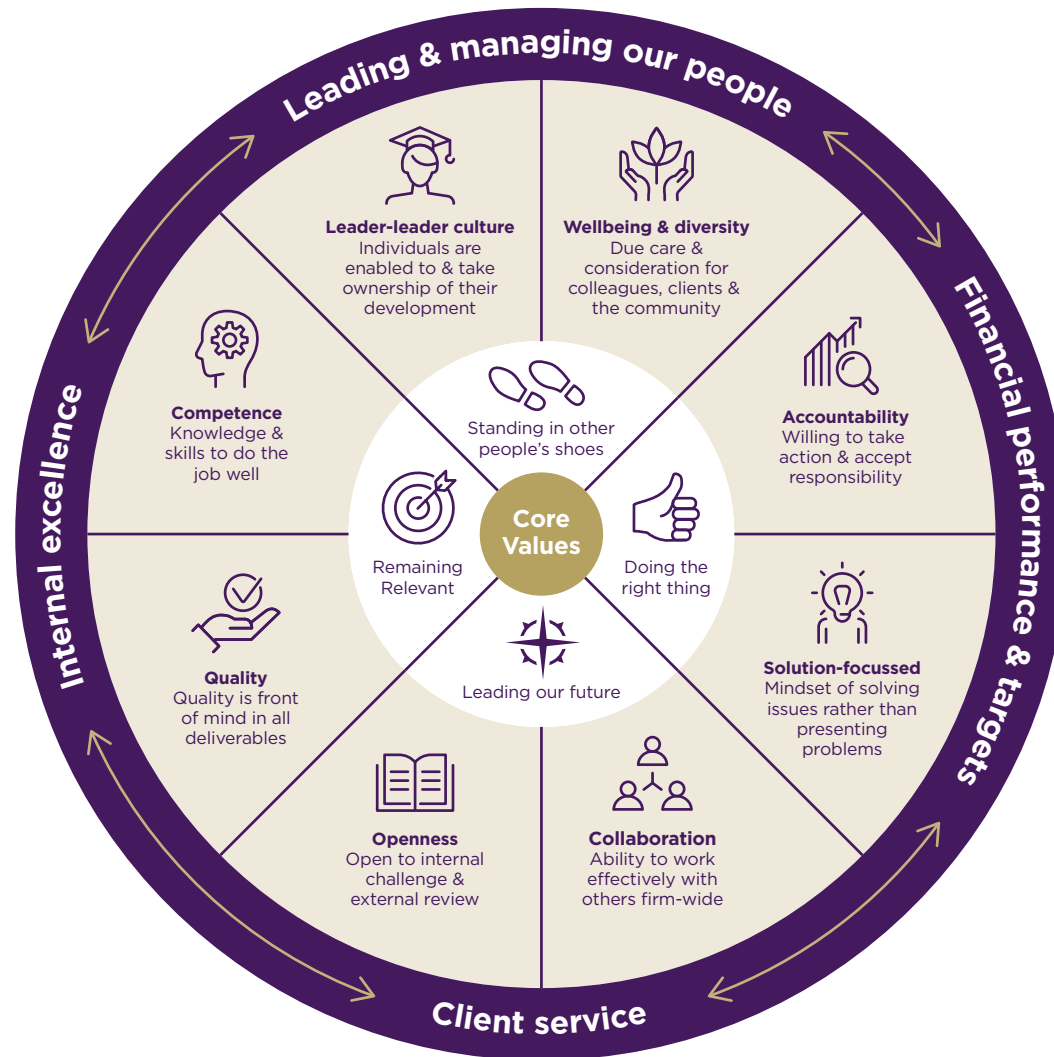
6.0 Our culture

Our Culture Framework encapsulates the key components that help shape our leader to leader culture. The framework was an outcome of the Culture Review we conducted in 2023, taking on board the views of our people through our annual People Survey, Culture Review survey, and focus groups.

In the centre of the wheel sit our values, which run like the lettering in a stick of rock through everything we do and the conversations we have in our firm. We are committed to Doing the Right Thing, even when no-one is looking, and Standing in Other People's Shoes to ensure we understand the needs and perspectives of our employees, our clients, and the communities in which we work.

Around the outside of the wheel are the four indicators of our Balanced Scorecard which are Leading and Managing People, Internal Excellence, Client Service and Financial Performance and Targets. We use these indicators as signposts for the performance management conversations we have with our people. And, within the wheel are eight segments outlining the behaviours and competencies we expect to see from all Partners and employees in our firm.

The Culture Framework allows us to have different conversations, whether about performance management, continuous



6.0 Our culture

improvement, client service etc, with our expectations as a business clearly mapped out and displayed for everyone.

Active listening is key to our approach to culture. We engage with our colleagues regularly to hear their views and ideas for change in our firm. Our People Survey 2023 had an engagement rate of 72% (69% in 2022) and in 2024 this improved to 86%. The Culture Review was another active listening initiative, and the Board reviewed the outcomes of this, alongside the outcomes of the People Survey, and developed an action plan to make further improvements to the way we run our business. Our People and Culture Forum is another key listening vehicle which filters employee suggestions for change upwards to Business Lines and Executive Teams and ultimately, if required, to the Board. We have an “Ask the Board” mailbox which allows colleagues to ask questions of our Chair of the Board or make suggestions for change, anonymously if desired. We also hold regular Pull Up a Chair town hall meetings where all colleagues are invited to hear about how change is being implemented across the firm.

As members of the Moore Global network, we have committed to its international Social Ambition strategy to deliver positive social impact. This strategy has aligned to our existing work in this area with our ESG Strategy

group and Corporate Social Responsibility subgroup of our People and Culture Forum. This Forum has an annual action plan against which progress on our governance, social, and environmental priorities are tracked and monitored.

Ethics and the understanding of what this means when applied day to day in our interactions with each other and our clients is a focus for development. Our in-house programme of learning opportunities for our people, JC Aspire, includes several workshops that aim to develop an understanding of ethical behaviour, how to appropriately challenge where this is not maintained, and how to provide constructive feedback on improving performance. Our in-house Leadership Programme for Senior Managers, Directors and Partners, now accredited to Masters level, also takes time to discuss ethical challenges and the practical application of ethical behaviour in our business, underpinned by our values. Mandatory annual training on AML, Data Protection and Information Security, and Health and Safety continues to be tailored in mixed media format to target areas of identified improvement. We have a published Code of Conduct that sets out clearly our expectations around professional behaviours within and outwith the workplace. In addition, we are in the final stages of developing a series of ethics

training sessions for the entire firm, designed to enhance awareness of the importance of ethical behaviour and how that translates to our day to day working lives. This will be rolled out over the next 12 months.

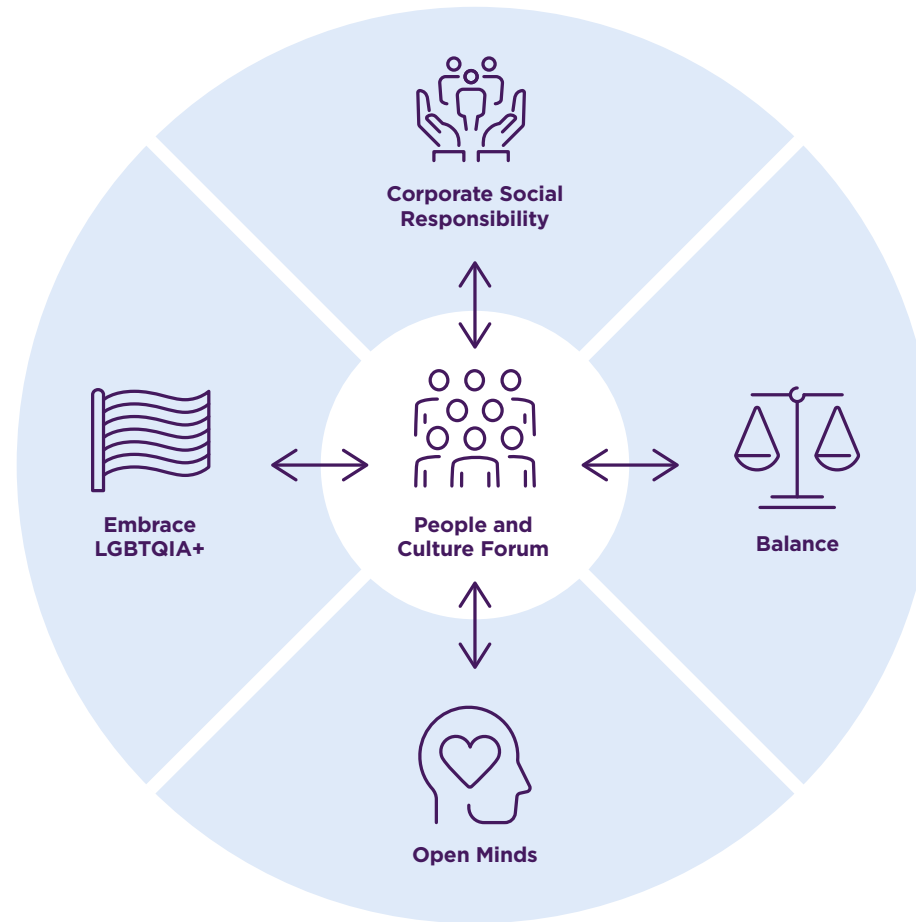
Developing and reinforcing the skills of personal integrity, professional judgment and professional scepticism in our people remains a key focus. Our Partner and employee induction process includes mandatory compliance training, designed to supplement existing Whistleblowing policies and embed ownership of risk management at an individual level, by empowering people, regardless of grade, to raise concerns and challenge where they see inappropriate behaviours or areas of concern. This is key to our espoused culture of everyone being enabled to be a leader of their work and their learning.

We are committed to supporting our people to find balance between work and life in the frenetic world in which we live. We encourage flexible working and operate a hybrid working environment where employees can agree with their line manager, based on business need, the days they spend in the office, and spend working from home. In order to manage this shift in our working patterns, we have again used our programme of learning opportunities to provide workshops on how to effectively manage hybrid working for all our people. We

6.0 Our culture

recognise, particularly for our graduates and school leavers, that it is important there is regular and meaningful interaction in-person between our people and this is requested and supported. As a flexible and diverse employer, we do have several people who work fully remotely and to date we have not seen this impact their productivity. We remain alert to the potential challenges; ensuring that all our people remain visible and connected, with equality of opportunity for future progression in the firm. This is an approach we continually monitor and discuss to ensure it meets our business needs and does not compromise our approach to quality.

We remain committed to ensuring our people are supported as much as possible to live mentally and physically healthy lives. Our Balance subgroup of the People and Culture Forum continues to implement a range of initiatives, from breathing workshops, to pet therapy, to considering how we can reduce email traffic while colleagues are on holiday. We remain members of the Mindful Business Charter and Neurodiversity in Business. We believe our approach to flexible working goes a long way to supporting our people to manage their lives appropriately, but we are under no illusion that we need to continue to monitor levels of stress and other mental and physical challenges in our workplace and will do so in the coming year.



6.0 Our culture

We continue to work to strengthen equity, diversity and inclusion in our workplaces, using a performance review approach based on our Balanced Scorecard and emphasising an ethos of meritocracy underpinned by our values. We actively encourage school leaver applications from a broad range of public sector schools and colleges in Scotland, using our Employee Value Proposition of flexible working to attract talent from all backgrounds and circumstances. Our support of the ICAS Foundation, which enables people from disadvantaged backgrounds to enter the accountancy profession, is another pillar in our approach. We continue to see improved diversity from a wider pool of talent in our firm although this remains challenging to monitor. However, we ask all new employees to complete our equality monitoring survey and will be rolling this out across the firm to try and gather more accurate data while acknowledging that, legally, this remains voluntary.



Section 7

Quality and risk management



7.0 Quality and risk management

		Likelihood				
		1 Highly Unlikely	2 Unlikely	3 Possible	4 Likely	5 Highly Likely
Impact	5 Major	Minimalist	Cautious	Open	Hungry	
	4 Significant				Minimalist	
	3 Moderate			Averse		Minimalist
	2 Minor	Minimalist				
	1 Negligible		Minimalist			

7.0 Quality and risk management

Our Governance, Risk and Compliance (GRC) function is headed up by our General Counsel and collectively is responsible for all matters relating to risk resilience, anti-money laundering compliance and data protection. There has been focus on effective risk management across the firm as a means of ensuring operational resilience since the inception of the function and this continues to be its focus. Risks are identified during quarterly Business Line and Support Function risk review meetings and are measured against a scale of impact and likelihood of occurrence in order to determine whether they are within, or outwith appetite and appropriate management measures put in place to bring risks within tolerance. The Board, working alongside Business Lines and Executive Teams, has spent significant time identifying the firm's risk appetite under each risk category in order to ensure that the risk framework is well communicated and understood in the wider firm. Each Business Line is responsible for maintaining a risk register with quarterly

progress meetings undertaken with the GRC Manager and General Counsel to provide independent challenge on identifying risks, implementing controls, and monitoring progress against mitigating actions. Reporting is provided on key red flag categorised risks and thematic issues arising across Business Lines and Executive Teams to the Board at every meeting. The other risks highlighted during the progress meetings with Business Lines and Executive Teams are also categorised by way of a traffic light system. Strategic risk assessment is undertaken initially as an exercise with the MAB, with recommendations and actions reported to the Board by the General Counsel at Board meetings as appropriate.

We continuously review our risk management framework to identify quality risk objectives for each Business Line and Support Function. The principal purpose of the quarterly risk review meetings is to ensure the quality risks are known, mitigated, and adequately managed

at a granular level within the firm with Business Line and Support Function Heads challenged to report on mitigating actions taken to address risks highlighted. As discussed previously, where risks identified at a Business Line or Support Function level are considered by the MAB to be a firm risk, whether as a quality risk or other area, these risks are called out on the firmwide risk register for the Board with recommended actions suggested for consideration. This is designed to apply the principles of ISQM 1 to business lines, beyond Audit alone, and ensure the focus on quality permeates through the whole firm. Currently an app is in development for tracking AML quality assurance processes across the firm. This will allow full visibility as well as providing a baseline quality score metric for individuals across the firm.

7.0 Quality and risk management



Risk:
Technology advancement and resources/audit software obsolescence

Mitigating action:

Last year, we noted the importance of monitoring the effectiveness of our software platforms to assist us with our digital by default agenda; this remains the case and we have progressed with our pilot project on a replacement audit platform. During the year we reframed this risk to recognise the wider impacts that the rapid pace of digital development and automation could have on audit quality. Our approach to this risk is multifaceted, including exploring data and automation tools and increasing our use of data analytics, where appropriate to do so.



Risk:
Implications of Audit reform

Mitigating action:

As indicated throughout this report, we are required to comply with the Audit Firm Governance Code. We were unable to fully progress with this until we appointed Independent Non-Executives; these appointments have now been made. While we will continue to work with our INEs to review the Code and refine our approach, we anticipate significantly downgrading this risk in next year's Transparency Report.



Risk:
Audit project management

Mitigating action:

We have identified poor project management at engagement level as a risk to audit quality. We have significantly invested in our team and are confident we have the right size and shape of team to consistently deliver quality audits. However, poor project management presents risks associated with unexpected peaks around certain deadlines. We have set expectations and provided training, tools and templates to our engagement teams. We are tracking results and will focus in on problematic areas and consider targeted remedies as appropriate.

Section 8

Audit team governance



8.0 Audit team governance

The Audit Board (formerly the Audit Leadership Group (ALG)) is responsible for providing independent oversight of the audit practice, with a focus on improving audit quality by ensuring that audit practitioners are focused on delivery of high-quality audits. The Audit Steering Committee is responsible for delivery of operational initiatives and is accountable to the Audit Board. Each member of the Audit Board acts as a sponsor for operational initiatives that promote audit quality.



Section 9

Audit quality



9.0 Audit quality

The over-arching quality objective for the Audit Business Line is to ensure effective quality audits that address risks and, in pursuit of this aim, the Audit Business Line has developed a Strategic Audit Quality Plan framework to achieve this. The framework sets out our Strategic Audit Quality objectives:



Objective:

Ensure effective high-quality audits that address risks.

Purpose:

To deliver consistently high-quality audits and assurance services that meet the needs of investors, stakeholders and the organisations we audit, and have regard to the public interest.

Objective:

Create a culture that engages, develops, and retains people.

Purpose:

To build a culture where everyone is a leader of their work, their learning and their career. To create a people-centred business that attracts and retains the best and most diverse talent through its positive, supportive, and high-performance culture, its enabling leadership philosophy, its best in class learning programme, its hybrid working practices, and its commitment to its values

Objective:

Strengthen and grow in our current industry sectors. Achieve and maintain outstanding client service. Expand our assurance offering.

Purpose:

To redefine our 'target client' and work with organisations that share our standards, values, and commitment to quality and governance. To develop products, services and insights to build trust in our chosen markets.

Objective:

Ensure longevity of our business through delivering sustainable strong margins.

Purpose:

To achieve a financial return that ensures the sustainability of the firm and enables us to continually invest in our people, technology, and quality infrastructure.

9.0 Audit quality

It then in turn identifies the quality priorities that are currently considered to be key to meeting these objectives and the projects and initiatives underway to deliver on these priorities.

9.1 Audit Quality Indicators

We continue to review our Audit Quality Indicators (AQIs), some of which remain under development while we build out the data in order to report on these consistently and accurately. Where the data availability allows for regular tracking and reporting these are reviewed and challenged at Audit Board meetings.

In other cases the availability of data means that the AQIs are monitored less frequently, and the firm currently has an ongoing project on reporting to address any data gaps and, importantly, allow us to automate data collection for our AQIs. This should in turn enable more frequent monitoring and reporting.

However, we are delighted to see continued improvement in certain AQIs, along with ensuring tone at the top throughout the business exists by reinforcing quality messages based on data. The insights gained in investigating and understanding the trends in our AQIs ensure that we identify the areas on which further focus is needed to drive continued improvement in quality.



9.0 Audit quality

Ref	Title	Details
1	Time spent - manager and RI	Manager hours on non-listed entities should be no less than 15% of overall hours budgeted and RI hours should be no less than 5% of overall hours budgeted. For listed entities, manager hours should be not less than 20% of overall hours budgeted and RI hours should be no less than 10% of overall hours budgeted.
2	Staff headcount	Staff headcount for each financial year is in line with budgeted head count.
3	Staff turnover	Staff turnover does not exceed targets agreed by Audit Board on an annual basis.
4	Utilisation	Audit Business Line employees are working no more than 2,100 hours p.a.
5	RI portfolio reviews	RI portfolio reviews do not exceed £1,500,000 of audit fee income.
6	Training	All qualified staff will receive a minimum of 40 hours of training p.a.
7	Training	90% of students pass case study work carried out as part of training courses. Where students have failed, support in areas needed is put in place within one month.
8	Milestones	Audit planning is signed off before fieldwork starts. Manager review takes place within two weeks of fieldwork completion. RI Review takes place within four weeks of fieldwork completion. Audit cycle completed within 12 weeks.
9	File close down	Audit files are closed down within 30 days of sign off.
10	Prior year adjustments	No prior year adjustment required due to error (ie other than relating to change of accounting policy or financial reporting standard.)
11	Monitoring of higher risk clients	RI portfolio is made up of less than 30% of higher risk clients.
12	Internal inspection results	No Audit files within the improvements required and significant improvements required categories.
13	External inspection results	External inspection concludes that there are no systemic or serious issues within the firm.
14	Ethics breaches	No ethical breaches recorded on audit files.
15	Internal 2nd RI reviews	2nd RI sign off completed before signing of financial statements.
16	RI quality ratings	Minimum of a grade '3' given for quality at Audit RI level.

9.0 Audit quality

The FRC will be publicly reporting specified AQIs for PIE Audit firms from June 2025 and in preparation for this they required us to collate and provide the relevant data in 2024 which will be provided as comparatives when the information is published next year. We have chosen to report this data as of our year end date, i.e. 31 May 2024. While there is overlap and similarity between the FRC's AQIs and our own there are some differences and we will, where appropriate, look to align these over the next year.

Following the initial collation exercise the FRC has shared anonymised data with us which enables us to benchmark ourselves against the cohort. The Audit Board will reflect on this analysis and factor the insights obtained into setting targets for our AQIs for the coming year.

9.2 ISQM 1

Annual evaluation

We were required to undertake our first formal evaluation of our System of Quality Management (SoQM) by 15 December 2023.

The 2023 evaluation took into consideration:

- Monitoring and testing of the operation of processes and controls in the final quarter of 2023

- Internal quality monitoring (cold file reviews) results
- Regulatory breach monitoring and reporting
- Moore Global network review programme
- External regulator reviews and engagement

The evaluation conclusion was signed off by the Head of Audit, as the individual assigned ultimate responsibility and accountability for the system of quality management, and approved by the Audit Board, on 15 December 2023.

As was anticipated in the first year following implementation, some deficiencies were identified, and we concluded that certain of these had a severe but not pervasive effect on the design, implementation and operation of the system of quality management. Our overall conclusion in line with ISQM 1 paragraph 54 was that, except for these deficiencies, the system of quality management provides the firm with reasonable assurance that the objectives of the system of quality management are being achieved.

Following on from the Annual Evaluation we have undertaken investigation, assessment, and remediation activities in response to the deficiencies identified. The findings were shared with the Board in December and with the wider Audit Business Line early in 2024, and we have

followed up with individual process owners to agree remediation actions. As these are implemented, our SoQM 'Objectives, Risks and Responses' documentation is being updated.

Our key SoQM activities since the annual evaluation have centred on:

Audit Quality Hub

We launched our Audit Quality Hub in the first quarter of 2024 – housed on our intranet, this brings together the documentation that the firm maintains to support its SoQM.

Acceptance and continuance deep dive monitoring

Our acceptance and continuance processes were given a major overhaul in 2023 to ensure they met the stringent requirements of ISQM 1. Since the final policy and procedures were launched towards the end of 2023 there was limited opportunity to test their implementation prior to the annual evaluation.

We therefore undertook a targeted monitoring exercise during the second quarter of 2024 which enabled us to identify a limited number of enhancements to be made to the processes. The findings from this exercise and the changes to the process were shared with the wider Business Line in July.

9.0 Audit quality

Monitoring programme 2024

Our aim is to move to a rolling programme of continuous monitoring of our SoQM to support the Annual Evaluation process. We have taken the learnings from the monitoring and testing performed in 2023 and developed a programme which identifies how frequently the testing will be performed; how and by whom; and the associated data and information requirements. In 2024 this programme is being put into effect over the second half of the year and will deliver all testing required to support the 2024 Annual Evaluation. Our intention is that from 2025 this monitoring activity will take place throughout the whole year.

Learning Management System

As noted in Section 10 below, the firm has invested in a new Learning Management System which will enable us to automate the monitoring of learning and development activities, as well as evaluate their effectiveness through learning checks and assessments.

9.3 Relevant ethical requirements and independence

The firm's Ethics Policy requires all members of staff to comply with the ICAS Code of Ethics. The firm also has a separate Ethics Policy applicable to all services to audit clients. All new

partners and staff are required to familiarise themselves with our ethics policies. In addition, ethics training is a mandatory element of our audit graduate induction training programme. Partners and employees are expected to always consider their independence and in particular prior to commencement of any work on an audit client. Partners, and certain other individuals, courtesy of their role, are prohibited from holding a direct financial interest or a material indirect financial interest in an audit client. Audit Partners and employees are also required to comply with the FRC's Ethical Standard which includes additional ethical considerations for teams involved with the audit of Public Interest Entities (PIEs).

In cases of doubt as to whether our audit independence, integrity or objectivity may, or might be perceived to be compromised, the firm's Ethics Partner or their Deputy is alerted for a risk consultation. The firm also has an Ethics Panel to allow consultation on complex or judgemental ethical matters. The Ethics Panel will typically be comprised of the Ethics Partner (or their Deputy), the Head of Audit, and the Head of GRC.

In addition to pre-employment vetting, all Partners and employees must complete a mandatory fit and proper questionnaire on joining the firm. The questionnaire contains a series of questions designed to identify

potential conflicts of independence, and assess risks to financial integrity, reliability, fitness and propriety of the employee in question. If any changes occur during the year Partners and staff are required to report such matters as and when they arise. This is supplemented by an annual fit and proper digital questionnaire process to ensure that all Partners and employees annually reconfirm any actual or potential ethical conflicts.

The Audit Board oversees that the rotation of key audit employees occurs at the appropriate time, on all of our PIEs and listed audit assignments.

9.4 Independence procedures

The firm's Partners and employees (including consultants and sub-contractors) are required to be aware of, and comply with, the ICAS Code of Ethics guidance on independence and the FRC's Ethical Standard. The firm considers independence under two headings: the Individual and the Assignment.

The firm's policies require that, for an audit client, the audit Responsible Individual (RI) must approve any proposed non-audit services before engagement and acceptance. In the event of any question over whether the non-audit service should be accepted, the firm's Ethics Partner (or their Deputy) is consulted.

9.0 Audit quality

The firm's audit methodology also requires that, on each audit engagement, the independence, integrity and objectivity of the assignment team and the firm is assessed at the planning and completion stages. This assessment includes re-evaluation of any non-audit services that the firm may be providing to an audit client.

As a Moore Global network member firm, we also update the network's conflict-checking database with details of all our transnational entities, including PIEs, other listed clients and any clients with a PIE or other listed entity in the group. We check this database before accepting any new services or clients.

This is accessible to all Moore firms and is used to help ensure we do not encounter independence issues.

Our rotation policy, compliant with current regulations, ensures that the audit assignment teams on our PIEs and listed audits will remain independent. Key team members are required to rotate. With our aim to promote audit quality we would not intentionally rotate the RI, Engagement Quality Reviewer and manager in the same reporting period. A central log of periods of involvement is maintained for all of our PIEs and listed audits, highlighting when rotations will occur. Approximately two years before a rotation is required to occur, potential replacements for key team members are

identified. Their training needs are considered and resolved before their involvement with the assignment commences. For our other clients, long association independence threat is mitigated by a maximum period of appointment for RIs of 10 years. An exemption is available whereby tenure may continue beyond 10 years but only with the approval of the Ethics Partner and not beyond a maximum 15-year period. This exemption is only expected to be used in exceptional circumstances such as on a specialist audit where an especially high level of technical knowledge is required to lead such an audit, provided that the Ethics Partner is satisfied that the long association risk is effectively mitigated.

9.5 Acceptance and continuance of client relationships and specific engagements

The firm has a detailed Client Take On (CTO) process that must be followed before accepting a new client. At the heart of this is a risk-based approach to knowing the client and consciously addressing and mitigating issues of concern within the firm's established risk appetite. The procedures have been designed to ensure that all staff follow the correct processes for client identification, independence / conflict assessments and to ensure that staff allocated

to the assignment have the relevant skills / specialist knowledge to perform their roles, and that the risk of accepting the engagement is deemed acceptable. This also acts to ensure compliance with the FRC Revised Ethical Standard 2019 as a review point in providing clients with non-audit services. Quality assurance sampling of completed risk assessments is undertaken monthly by the GRC team.

Assuming a client passes through the initial triage of CTO, the next stage of this acceptance criteria is ensuring work is appropriately priced, based on appropriately qualified personnel and adequate wider resource allocated, according to the risk level of the client. Whilst this presents its own challenges in a competitive marketplace, as a firm we will not compromise on quality, regardless of price. Risk assessments are reviewed by the client relationship manager on at least an annual basis in order to assess continuance.

In addition to the firmwide processes, where it is an audit engagement, an additional client risk assessment memorandum requires the team to evidence consideration of the specific audit risks the assignment poses, such as significant judgemental accounting issues and adequacy of resource to maintain the quality of audit. We have conducted an in-

9.0 Audit quality

depth review and refresh of the memorandum to map it against the requirements of ISQM 1. The revised memorandum is more granular to prompt articulation of the critical judgements taken when considering whether the audit engagement should be accepted. We have also produced a guidance document (APS 6A) to help prospective RIs ensure that the documentation is sufficient.

For PIEs and listed audit assignments the memorandum now also contains a pre-tender section to document the completion of conflict checks and approvals before the firm can participate in the tender process.

Conflict and independence checks are undertaken before the client can be accepted. For clients with an international presence, in addition to PIEs and listed companies, our conflict checks now also extend across the Moore network, as previously detailed under our independence procedures heading, earlier in this section.

The Head of Audit, or their delegate, reviews the memorandum, and confirms ultimate approval. For PIE and listed audit assignments, CTO approval is required from both the Head of Audit and the Audit Compliance Partner. In cases where the risk profile is considered particularly high, approval is required from the firm's Audit Risk Committee. In the past year

there have been occasions where work has been declined as the risk level was deemed outwith the firm's risk appetite.

Once the firm has accepted the new client, or a new instruction arises from an existing client, an engagement letter is issued which contains our standard terms and conditions, a description of the scope of engagement and details of the services we will perform. Work must not commence until the client has returned a signed engagement letter to us or has confirmed their acceptance of the specified terms and conditions.

During the year, we continued our risk review of our client portfolio with subsequent actions including repricing or disengagement. This process will continue throughout the new financial year. We have also initiated a more qualitative approach to risk management through consultation with our RIs to identify and mitigate risks within our client portfolio. This has been incorporated into our Risk Register process to ensure we capture risks, including within our key sectors, and identify the appropriate mitigating actions.

9.6 Audit software and methodology

In common with many other firms of a similar scale, we source our audit methodology from a third party, as delivered through an audit

platform licensed through a software provider. We are cognisant that as we move towards working with increasingly complex and / or higher risk audit clients, there is a need to continually assess whether this solution meets our needs, and we have continued to develop our suite of workpaper templates and guidance to supplement the predominantly check-list based approach in the audit software in order to help our auditors to evidence their critical thinking, judgements and challenge.

During 2024 we developed methodology guidance to support our audit teams in leveraging controls testing and the use of data analytics to build their audit evidence. It is evident that our current audit platform is limited in supporting such audit approaches and the need to invest in a more future fit software solution is becoming more pressing. We are actively engaged in evaluating alternative platforms to address this need.

Our investment in our growing IT Audit team further demonstrates our commitment to ensuring that we are able to keep pace with the changing technological environment within which we perform our audits. We will draw on this specialist IT expertise to develop a robust response to the challenges the rapid evolution of information systems and technology poses to the more traditional substantive audit approach.

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9.7 Resources

It is paramount that we retain our talented people and where required recruit talented replacements. There are inherent risks in ensuring our onboarding processes are robust, meet legal and Government guidelines, and give our people the best possible first impression of our firm.

We have an online onboarding process that ensures all required checks are completed. This also allows the employee to upload documents online, reducing cost and bureaucracy.

We have an experienced in-house recruitment team and a clear Employee Value Proposition based on a culture where we enable everyone to be a leader of their work and their learning, underpinned by an extensive and market competitive pay and benefits package. This ensures we attract and retain talent. For example, we had nearly 3,000 applications firmwide for our Early Careers positions this year, eventually hiring nearly 90 people, 54 in Audit. Furthermore, working closely with our Early Careers, Recruitment and Learning and Development teams we use a range of assessment methods during our interview selection process to ensure we gain a comprehensive overview of our candidates' skills and behaviours. We've covered this in more detail earlier in the report within our Culture section.

We know the audit recruitment market is challenging. There is a clear risk of hiring candidates that won't be able to deliver quality audit work, based on the size of the candidate pool compared to market needs. However, we have a preferred supplier list of recruitment agencies specialist in attracting audit talent. Our in-house recruitment team is well versed in navigating this market. We have tailored our approach to ensure that technical and non-technical skills are assessed prior to offers being sent out. Our commitment to flexible working and our work on CSR and ESG is also a key factor in retaining and attracting talent. For senior hires, the Head of Audit has regular check-ins to ensure team members are settling in and are aware of resources and support available to them.

9.8 Performance

9.8.1 Performance development reviews

The firm continued to embed its approach to performance reviews in the last year to emphasise learning and development as an ongoing process, stipulating five check-ins per year with a more formal Personal Development Review meeting – the objective being that the annual review process should be a continuation from the regular conversations happening between individuals and their line managers throughout the year.

Performance is measured against the Balanced Scorecard which sets out four performance indicators: Leading and Managing People, Internal Excellence, Client Service, and Financial Performance and Targets.

The ratings structure is narrative-based, reflecting descriptors that capture the extent of delivery against expectations for the role and the modelling of desired behaviours (Unsatisfactory, Growing, Successful Performance, and Exceeding Expectations).

Underpinning this approach is the Leading and Managing People indicator which is a non-negotiable in terms of ensuring we grow a supportive, feedback-focused culture where everyone is enabled to be a leader of their work and their learning.

Within the Audit Business Line the 'Internal Excellence' indicator is the lynchpin of audit quality and as such is given greater emphasis – an individual rated at less than 'successful performance' in this quadrant will have their overall rating capped accordingly. A 'successful performance' rating overall is the minimum prerequisite for eligibility for promotion and / or consideration for discretionary bonus payments.

9.0 Audit quality

9.8.2 Development

Stepping up to RI programme

Our programme for Senior Managers aspiring to become Responsible Individuals launched formally in the latter part of 2023. There are three stages to this process:

- A 12-18 month supported development programme to set them up for success in the role;
- A formal evaluation process which includes a technical interview and Panel approval prior to submission of their application to ICAS;
- A supervision period once RI status is approved.

Our first cohort underwent an accelerated version of the programme and were subjected to the evaluation process prior to gaining ICAS approval at the end of 2023.

9.9 Audit Quality, Risk & Technical (AQRT) team

We have continued to expand our reach within the public interest audit space, as well as working with increasingly complex, privately-held clients, and this continues to place increased demands on our central technical capabilities.

The team continues to grow to ensure we have the requisite skills, expertise and experience to help deliver the audit quality agenda.

Recruitment in the current audit market remains highly competitive, and permanent recruitment into technical roles is even more challenging within narrower pools of talent. Continuing to offer flexible practices such as remote working has secured us access to the wider UK market and beyond. This flexible approach enabled us to secure two new technical managers who joined us in the second half of 2023. We are currently actively seeking to recruit an additional technical Senior Manager, as well as looking to build out our quality monitoring capabilities, where we are seeking to bring in a Quality Monitoring Director to develop this key area as a standalone function.

Our first secondee from the audit practice came to the end of their time with us towards the end of 2023 and we welcomed a new secondee into the team. It is fully intended that this will become a rolling secondment programme, which will provide shorter term resourcing capacity but also develop the technical skills of those involved in the programme, who will return to operational roles with greater breadth and depth of technical expertise.

9.10 Resource management

The Resource Management (RM) team continues to be the centralised point of contact for the Audit Business Line for all planning and resourcing activities. The team champions a 'one Business Line' approach to enhance the flexibility of our resourcing activities and ensure the best, quality outcomes for our audit engagements. The team leads on the budgeting process for the Business Line, focussing on team structures, skill sets and capacity planning as well as financial metrics.

A high priority for the RM team in the last year was to assess and review technology options given the functionality limitations of the current system. This review was led by the RM Senior Manager and an Audit Partner to review current processes, practices, and strategy and to consider the potential impact of a new technology. This review is in the process of being completed for submission to the Board and will be evaluated based on our wider technology agenda, including potential integration with other key business systems.

The RM team also takes a key role in utilisation reporting and has made significant improvements to these processes. Utilisation data is collated and reviewed each month and line managers and Leadership Heads are made aware of highly utilised individuals to encourage

9.0 Audit quality

conversations and check-ins. These check-ins are tracked and reported to the Head of Audit on a quarterly basis. As a result, we have seen a significant improvement in our utilisation rates and have been able to tackle wellbeing or performance concerns with open conversations in a timelier manner.

The RM team has also taken on a review of skills sets within the Business Line in the last year, including aligning audit staff with specific sectors. This enables a holistic view of Business Line resourcing as well as identifying those staff with the best skills and experience fit for our audit engagements in our key sectors such as Financial Services, Energy, Infrastructure & Sustainability, Construction & Property, Food & Drink, and Technology & Life Sciences. The RM team is working closely with the Learning and Development team to ensure all skills and mapping are accurately recorded in order to be able to leverage the new Learning Management System, Learn, which was rolled out to the firm in September 2024.

9.11 Monitoring and remediation

9.11.1 Audit Quality Monitoring programme

Having relaunched our Internal Quality Monitoring cold file review process in 2022, with an extension in scope to include all active RIs in the calendar year, in 2023 we returned to a

rotational approach and subjected 10 of our 17 active RIs to a cold file review.

The rotational approach aims to ensure that all RIs will be reviewed at least once every three years. All RIs undertaking PIEs and listed audits continue to be reviewed on an annual basis. Any RI whose file does not achieve a 'pass' grade will be included in the review cycle for the following year and will not return to the rotational basis until they achieve a satisfactory outcome.

We use an internal grading system that aligns with the requirements of the Moore Global network, and map this to the system adopted by the FRC and ICAS in their reviews for comparability purposes. The review documentation is completed with the Moore Quality Management platform and summary reports produced for the RI's own record.

Feedback on the review programme's progress was provided to the Audit Board each quarter, which included proposed individual file grades for final moderation, together with common findings and recommended remediation.

Root cause analysis was performed on key findings arising from the reviews with an action plan developed to deliver required remediation. Findings were shared with the wider Audit Business Line in one of our monthly technical sessions.

The 2023 cycle was wholly outsourced, and we took the decision to use the same provider to deliver the 2024 cycle, which is currently in progress. It remains our intention to develop the capacity to be able to bring these reviews in-house as part of a wider quality monitoring function.

9.11.2 External monitoring

ICAS

Our last ICAS monitoring review was concluded in 2022 and as such we were not subject to a review in the years to 31 May 2023 or 2024.

We continued to focus on the remaining areas from their last review where we needed to deliver improvements, in particular in respect of the relaunch of our Internal Quality Monitoring (cold file reviews) programme and we were advised by ICAS that we could cease our regular reporting in this regard in July 2023.

ICAS have advised us that they will be undertaking a monitoring review later in 2024 and we have had a preliminary meeting with them to understand the scope of that review. We would expect to report on the outcome of that review in next year's Transparency Report.

9.0 Audit quality

FRC

Our PIE portfolio continues to grow – in the year to 31 May 2024 we issued 40 PIE audit opinions (2023: 35). With this growth comes enhanced regulator scrutiny and we were advised by the FRC towards the end of the last financial year that we had been reassessed as a Tier 2 category firm.

Audit Quality Review (AQR)

As a Tier 2 firm we are subject to more frequent file inspections by the FRC's AQR team, and they have advised us that we should expect on average six file reviews across a three-year cycle. During the last financial year they concluded two file reviews, one for each of the sectors in which our PIE portfolio sits, and we have taken the learnings and feedback from that process to develop actions for improvement.

Sector leads have fed back the findings and observations from the reviews in sector team briefings. We have developed and refreshed our standardised programmes and templates to be used across the sectors to ensure areas noted for improvement are addressed on all relevant engagements.

Supervision

Through the year we have continued to engage regularly with our FRC supervision team. We continue to view this engagement as a positive, enabling us to have a constructive dialogue with the regulator at an earlier stage on the actions we are taking to further improve our audit quality. In their Annual Supervision Letter (ASL) in December 2023 the FRC described the firm's relationship with them as 'constructive, co-operative and responsive' which is where we would want to be.

9.0 Audit quality

The ASL highlighted key areas of priority on which in their view the firm should be focused:

Priority	Progress to-date
Development of a Strategic Audit Quality Plan (SAQP)	Our SAQP framework is outlined in section 9.0 above. We will now be focusing on building this out to enable effective monitoring of key projects both at a granular 'task' level and to produce dashboard reporting that meets the needs of our stakeholders.
Root cause analysis (RCA)	<p>It is our intention to carve out a separate Quality Monitoring function to give additional focus to this key area of our SoQM. To this end we are currently recruiting for a Quality Monitoring Director to lead this key strategic quality initiative. Their remit will include responsibility for root cause analysis.</p> <p>As an interim measure we are drawing on resource from within the Audit Business Line to conduct RCA activities, however we accept that we need to invest further in this area to derive the value it can offer in terms of quality improvement insights.</p>
Cold file reviews	Cold file reviews would equally fall under the remit of the Quality Monitoring function, however until such time as we have the resource in place we will continue to outsource these reviews to ensure that we continue to meet our obligations under ISQM 1.
Audit Firm Governance Code 2022	Appendix 4 sets out details in respect of our compliance with the revised code. We have successfully recruited two INEs whose input will be critical to ensuring our full compliance with a number of provisions going forward.
ISQM 1 Annual Evaluation	Information in respect of our 2023 Annual Evaluation is set out in section 9.2 above.

9.0 Audit quality

9.11.3 PIE Auditor registration (PAR)

We have complied with our registration undertakings through the period and completed our first Annual Return in December, following which our continued firm registration was confirmed.

Following the retirement of one of our PIE RIs we successfully applied for a further RI to be registered, maintaining the cohort at six individuals.

9.11.4 Network monitoring

In October 2023 we were subject to our first network review since joining the Moore Global network. The scope of the review included:

- Engagement performance – i.e. cold file reviews and a reperformance of one of our own internal reviews.
- Assessment of ISQM design and implementation (excluding monitoring and evaluation).

There were no significant findings arising from the review.



Section 10

Learning and development



10.0 Learning and development

Our ambition is to be a world class learning organisation. In order to achieve this objective we are enhancing the services provided by our Learning and Development team to continue growing a culture where all our people are enabled to be leaders of their work and their learning.

In the past year we have enhanced our comprehensive programme focusing on developing leadership and growth mindset skills, known as our JC Aspire programme, including online and in person workshops, conferences, coaching and mentoring, and 360 review feedback. Additionally, our JC Academy programme which delivers technical training across our Business Lines and Executive Teams has been further enhanced. Our in-house Leadership Programme was accredited at Masters level under the internationally renowned Scottish Credit and Qualifications Framework. This year we are rolling out our new Learning Management System, offering on demand, bite-sized learning to our people.

Our JC Academy offering continues to grow and evolve, continuing to support our Audit team in the development of their careers from Associate through to Supervisor. Our offering has been enhanced in the current year, taking feedback from previous courses delivered and updates in technical matters, to continue to evolve our material and methods

of presentation. For example, our participants requested more in-person sessions so they could connect with their peers in other offices and we have taken this onboard and now run the majority of our training in one venue to allow the teams to meet and interact.

We continue to work this year with an external firm as we freshen up our courses, including the redesign of our graduate intake scheme and our planning and completion courses. This was undertaken in order to ensure a more practical course could be offered, allowing students the chance to prepare in a training environment for some of the situations they will experience in their day to day roles.

Feedback from courses provided continues to be strong with students gaining benefit from their attendance and taking away skills and behaviours they will use in their everyday work. We monitor this via post course feedback and assessments, including liaising with line managers of those attendees who may have struggled with some elements of the course to ensure that all key learning objectives have been achieved.

The JC Academy team has expanded in the current year, welcoming members from across the different sector specialisms in Audit. This allows us to provide specific training to those colleagues working in financial services,

funds or pension audits as well as those in our corporate team.

Whilst the original remit of JC Academy was based on delivering training to our auditors through to supervisor level we are evolving our offering, based on feedback, to develop courses in the coming year for those moving to Assistant Manager, and also to assist in supporting experienced hires into the firm.

The importance of training is embedded into all we do, with buy in from all levels of the Audit team, in supporting colleagues to attend training and recognising the importance of ensuring our team get the most from these training days.

10.1 CPD

All our people are expected to keep their Continuing Professional Development (CPD) up to date as part of their professional practice obligations and this is monitored via the firm's objective setting and performance management processes, in line with ICAS requirements. In November 2023 we introduced more detailed CPD guidance to assist our people with meeting their CPD requirements. This guidance sets out the minimum expected CPD hours for our qualified team with extended requirements in place for certain individuals including our Audit RIs. A discrete training log

10.0 Learning and development

is available digitally to allow for ease of capture. All individuals working within Audit who hold a professional qualification are required to complete a formalised CPD plan. A template form is available for this purpose and requires sign-off by the individual's line manager before being lodged centrally for monitoring purposes.

In Audit, as a baseline, all staff are trained against International Education Standard 7 and our internal training ensures that all RIs meet the requirements of International Education Standard 8.

We have continued to take a hybrid approach to learning, combining the advantages of online learning, with the flexibility that this can bring and the opportunity to deliver 'on demand' training to individuals at the point in time when they need it, with the opportunity to work and learn collaboratively that in-person sessions can provide.

10.2 Talking Technical

Our monthly Talking Technical sessions continued through the last financial year. Topics covered have included:

- Going concern
- Financial instruments
- Cold file review findings

- Breach reporting
- ISQM 1 evaluation – key findings
- Controls testing refresher
- Materiality and evaluation of misstatements
- Use of experts
- Service organisations and use of controls reports
- ISA 600 revised

10.3 Autumn Forum 2023

The Autumn Forum in October 2023 was again delivered in person in each of our four key Audit locations of Inverness, Aberdeen, Glasgow and Edinburgh over the course of a week. It was our opportunity to introduce the new and refreshed methodology and guidance we had developed to support our Audit teams in leveraging controls testing and the use of data analytics to build their audit evidence.

10.4 Spring Forum 2024

The format for our Spring Forum was a half day online session in which we delivered a deeper dive into the impact of ISA 315 (revised) on the approach to IT in the audit. This was delivered by our specialist IT Audit team and drilled into application / automated controls as well as general IT controls. It introduced new

and refreshed templates to be used by Audit teams in documenting their understanding of the entity's use of IT. This provided further support to our Audit teams in implementing the methodology changes that had been introduced at the Autumn Forum.

10.5 Specialist training

We continued to deliver our quarterly dedicated learning to our auditors working on PIEs and listed company engagements. In the period to 31 May 2024, we held three events which, as well as general technical updates, publications and messages from the regulators, have covered areas such as:

- Fair, balanced and understandable - what makes a good Annual Report
- What makes a good... Smaller PIE audit firm
- Reflections on an AQR review
- FRC investigations – insights from the lawyers
- FRC Inspection findings – Tier 2 & 3 firms
- Client acceptance and continuance

Other sector specific training has included:

Financial Services - In September 2023 the Financial Services team delivered a whole team in-person training day to provide an overview

10.0 Learning and development

and update on the sector and its specific audit considerations. Additionally a half day training session was delivered specifically in relation to CASS audits in January 2024. A further day's training was delivered in May 2024 which focused on valuations, controls testing and walkthroughs and journals testing. The pensions team held two half day sessions in July 2023 to cover sector specific considerations in respect of audit reports, disclosures and going concern, as well as topical sector areas such as annuity buy-ins and buy-outs, and the audit of schemes in the Pension Protection Fund.

Energy, Infrastructure & Sustainability - A PFI training day was held in November 2023 with technical content including financial models, debt (senior and subordinated), lifecycle, revenue recognition, derivatives, ISA 315 and controls.



Section 11

Corporate and social responsibility



11. Corporate and social responsibility

Our vision – to build success stories that change lives – goes beyond the confines of our offices across the UK. We're in the fortunate position of being able to help others and we are proud to have already made significant strides in doing this. Our people support our communities in a variety of ways, either directly through our skills and talents, providing practical support, pro-bono and educational work or through actively fundraising and building awareness of causes close to their hearts. CSR really isn't just a word at Johnston Carmichael, our communities, in which we all rely, are a key focus in our strategy.

- Gold sponsors of the Kiltwalk, 2024 is our 9th year sponsoring
- Netball Scotland partnership – providing sponsorship and volunteer work
- England Netball - providing sponsorship and volunteer work
- ICAS Foundation – providing sponsorship, mentoring and wider support and career opportunities.

Over the last year we have helped to create impact for our communities across the UK in a variety of ways:

Firmwide partnerships

Kiltwalk

- Our support helps makes these events a reality, creating impact for 3,660 charities, raising £47.5 million.

Netball Scotland

- Part of our funding went towards supporting 10 local netball clubs across Scotland, allowing them to waive kit and registration fees for the year.
- Three new national development officers have been hired to help encourage young people into the sport resulting in a 18.5% membership increased across Scotland.

England Netball

- We began our partnership at the start of 2024 and we're looking forward to helping create impact for local clubs across Newcastle.

ICAS Foundation

- We continue to support the ICAS Foundation, both through raising funds and providing mentoring and wider support to the students and the Foundation team.

Our CSR committees in action locally

Our teams come together to raise funds and create awareness for a variety of good causes across the UK. Some stand out examples this year have included:

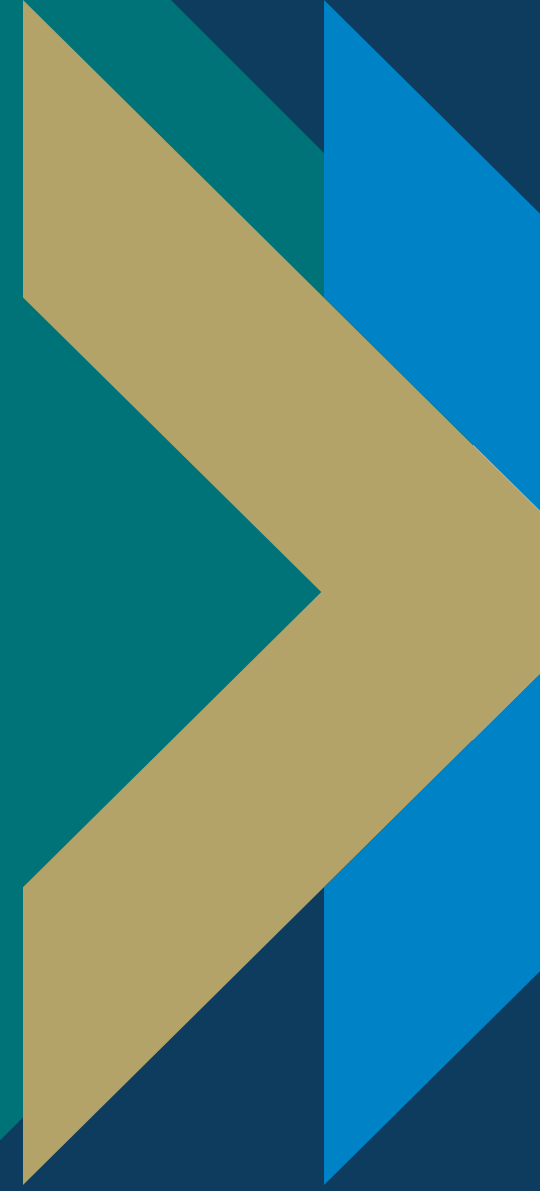
- CHAS - Hairy Highland Coo Trail – Perth & Kinross
- Great Glen Challenge - Raising funds for RSABI
- Macmillan coffee mornings
- Bake sales – raising funds for British Heart Foundation
- Red Nose Day – raising funds for Comic Relief
- Clothes drive for our Open Mind Group - donating interview-ready clothing to support job seekers in our communities across the UK

Sustainability

We remain vigilant of minimising the environmental impact of our corporate activities and this has served as an important guiding principle of our future office footprint, how we minimise unnecessary business travel, achieve energy efficiency and reduce wastage as a firm. This has also informed some of our charitable activities over the course of this year. You can find a copy of our ESG report on our website.



Appendix 1



Appendix 1

Public Interest Entities (PIE)

During the year to 31 May 2024, the firm expressed an opinion on the financial statements of the following entities that currently meet the definition of a PIE:

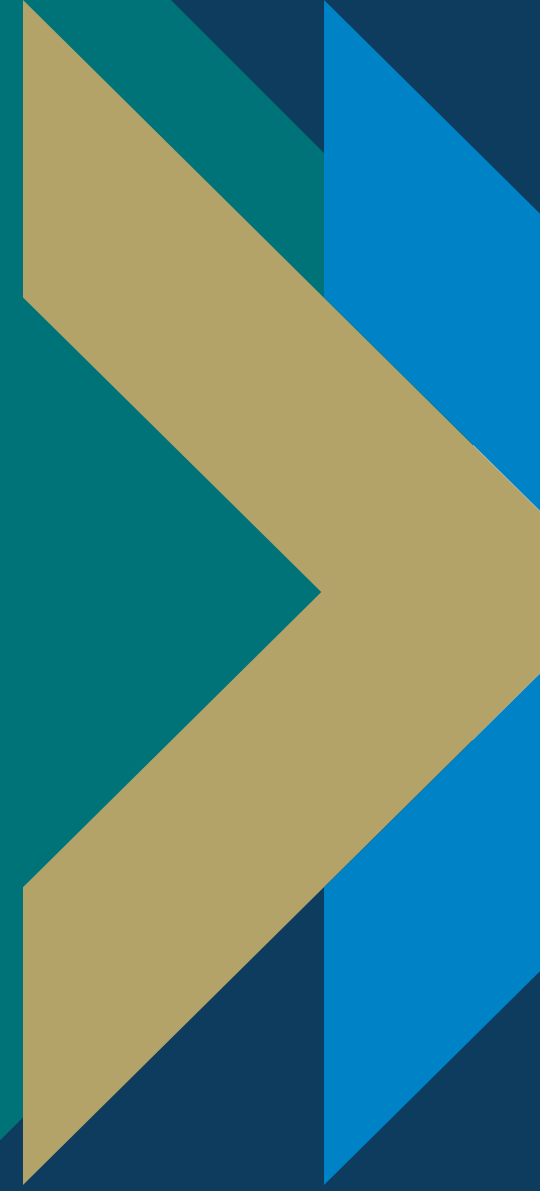
- › abrdn Japan Investment Trust plc
- › abrdn New Dawn Investment Trust plc
- › Aberforth Smaller Companies Trust plc
- › Albion Development VCT PLC
- › Albion Technology & General VCT PLC
- › Amey Roads NI Financial plc
- › Annes Gate Property plc
- › Artemis Alpha Trust plc
- › Baillie Gifford Shin Nippon plc
- › By Chelmer plc
- › Catalyst Healthcare (Manchester) Financing plc
- › Catalyst Healthcare (Romford) Financing plc
- › Catalyst Higher Education (Sheffield) plc
- › CC Japan Income & Growth Trust plc
- › Chelverton UK Dividend Trust plc
- › Consort Healthcare (Blackburn) Funding plc
- › Consort Healthcare (Mid Yorkshire) Funding plc
- › Criterion Healthcare plc
- › Discovery Education plc
- › Dudley Summit plc
- › Dunedin Enterprise Investment Trust plc
- › Exchequer Partnership plc
- › Exchequer Partnership (No 2) plc
- › Global Opportunities Trust plc
- › Healthcare Support (North Staffs) Finance plc
- › HpC Kings College Hospital (issuer) plc
- › InspirED Education (South Lanarkshire) plc
- › JP Morgan Japan Small Cap Growth & Income plc
- › Kings Arms Yard VCT PLC
- › Maven Income and Growth VCT 3 plc
- › Maven Income and Growth VCT 4 plc
- › Maven Income and Growth VCT 5 plc
- › Maven Income and Growth VCT plc
- › Mid Wynd International Investment Trust plc
- › Peterborough (Progress Health) plc
- › RMPA Services plc
- › Summit Finance (Wishaw) plc
- › SVM UK Emerging Fund plc
- › The Scottish Oriental Smaller Companies Trust plc
- › Unicorn AIM VCT plc
- › Worcestershire Hospital SPC plc

Appendix 1

We had also been appointed as auditor to the following entities as at 31 May 2024 and will express our audit opinion on these in the year to 31 May 2025:

- › abrdn Equity Income Trust Plc
- › Aberforth Geared Value and Income Trust plc
- › Albion Enterprise VCT PLC
- › Albion Venture Capital Trust PLC
- › Alpha Schools (Highland) Project PLC
- › Consort Healthcare (Salford) plc
- › Consort Healthcare (Tameside) plc
- › Crown Place VCT PLC
- › Highway Management (City) Finance plc
- › Keystone Positive Change Investment Trust plc
- › Majedie Investments PLC
- › New Star Investment
- › SDV 2025 ZDP plc
- › Strategic Equity Capital plc

Appendix 2



Appendix 2

Financial Information (Group)

	Year ended 31 May 2024	Year ended 31 May 2023	Year ended 31 May 2022	Year ended 31 May 2021	Year ended 31 May 2020	Year ended 31 May 2019
	£000	£000	£000	£000	£000	£000
Revenue from audit work for PIEs and subsidiaries of PIEs	2,794	2,774	1,547	890	457	311
Revenue from audit work for other clients	18,370	14,864	13,157	10,287	8,933	8,237
Revenue from non-audit services for audit clients	7,131	6,952	5,506	5,738	6,724	5,717
Revenue from non-audit services for non-audit clients	44,406	43,300	41,682	37,668	35,277	35,022
Total	72,701	67,890	61,892	54,583	51,391	49,287

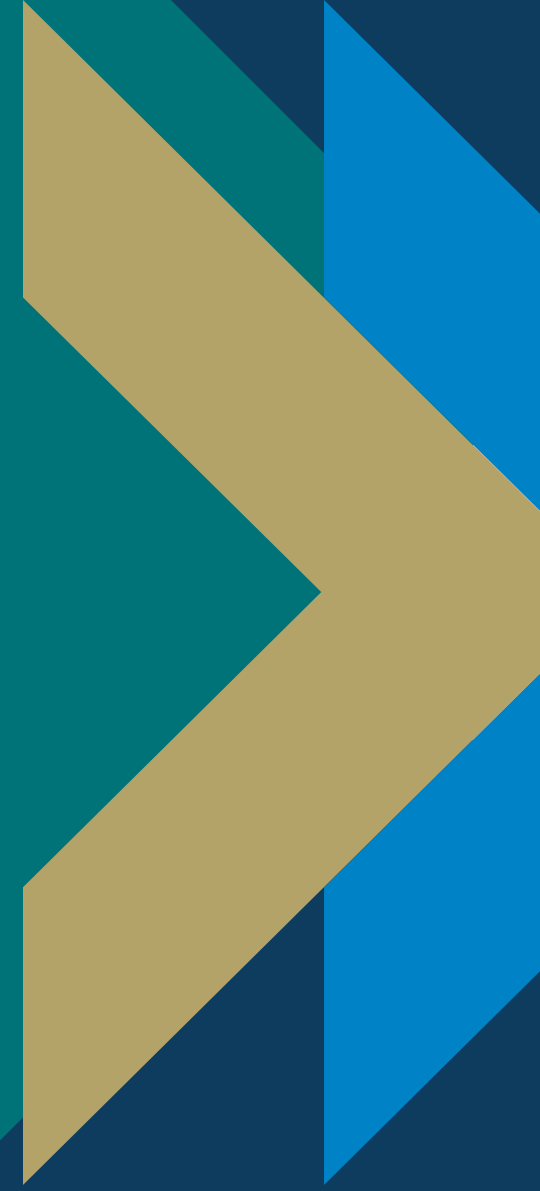
Modern Slavery Statement

The firm's ongoing commitment to ethical operating practices including the prevention of modern slavery in our business and our supply chains continues via our due diligence of new

suppliers and annual modern slavery attestation from existing suppliers. We have revised our internal training programmes to ensure that the links between modern slavery and our Anti-Money Laundering obligations are well

understood as part of our professional role in the eradication of financial crime. The firm most recent Modern Slavery Statement can be found on our website. <https://johnstoncarmichael.com/modern-slavery-statement>.

Appendix 3



Appendix 3

Firms located in EU/EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2023-31/12/2023.

Country	Town	Firm Name
Austria	Amstetten	Inter Wirtschaftsprüfungs GmbH
Austria	Graz	MOORE BG&P Wirtschaftsprüfung GmbH
Austria	Salzburg	Moore Salzburg GmbH
Austria	Salzburg	Moore Interaudit Wirtschaftsprüfung GmbH
Austria	Vienna	Kroiss & Partner
Austria	Linz	Moore SKZ Wirtschaftsprüfung GmbH
Austria	Innsbruck	Moore SSK
Belgium	Brussels	Moore Belgium
Bulgaria	Sofia	Moore Bulgaria Audit OOD
Croatia	Zagreb	Moore Audit Zagreb
Croatia	Varaždin	Moore Revidens d.o.o
Cyprus	Limassol	Moore Limassol Limited
Cyprus	Nicosia	Moore Stylianou & Co
Czech Republic	Prague	Moore Czech Republic
Denmark	Copenhagen	Moore Denmark*
Denmark	Søborg	Inforevision
Finland	Tampere	Moore Idman Oy

*Member firm left the network during 2023.

Total statutory audit fee turnover as at 31/12/23 in Euros €170 million.

Appendix 3

Firms located in EU/EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2023-31/12/2023.

Country	Town	Firm Name
France	Paris	Coffra
Germany	Stuttgart	BW Partner
Germany	Hannover	Schweinert & Peters PartGmbB
Germany	Frankfurt am Main	Moore Frankfurt AG
Germany	Munich	Moore INTARIA GmbH
Germany	Kassel	Moore Ludewig AG
Germany	Duisburg	Moore Rhein-Ruhr GmbH
Germany	Mannheim	Moore Treuhand Kurpfalz GmbH
Germany	Dortmund	Moore Westfalen AG
Germany	Augsburg	SONNTAG
Germany	Hamburg	Moore BRL GmbH
Gibraltar	Waterport	Moore Stephens Limited
Greece	Piraeus	Moore
Hungary	Budapest	Moore Hungary
Ireland	Dublin	Moore
Ireland	Limerick	Moore
Italy	Reggio Emilia	Axis S.r.l

*Member firm left the network during 2023.

Total statutory audit fee turnover as at 31/12/23 in Euros €170 million.

Appendix 3

Firms located in EU/EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2023-31/12/2023.

Country	Town	Firm Name
Italy	Reggio Emilia	Axis S.r.l
Italy	Bolzano	Bureau Plattner
Italy	Padova	DF Audit S.p.A.
Italy	Milan	Moore Professionisti Associati Srl StplItaly
Italy	Milan	Reviprof S.p.A.
Italy	Bologna	Uniaudit s.r.l.
Latvia	Riga	Vilson SIA
Lithuania	Vilnius	Moore Mackonis UAB
Luxembourg	Livange	Moore Audit SA
Malta	Birkirkara	Moore
Netherlands	Amsterdam	Moore MKW BV
Netherlands	Rotterdam	Moore DRV
Norway	Oslo	Moore AS
Poland	Gdańsk	Moore Polska
Portugal	Lisbon	Moore Stephens & Associados SROC
Romania	Bucharest	Moore Audit One SRL
Romania	Bucharest	Moore Assurance & Advisory

*Member firm left the network during 2023.

Total statutory audit fee turnover as at 31/12/23 in Euros €170 million.

Appendix 3

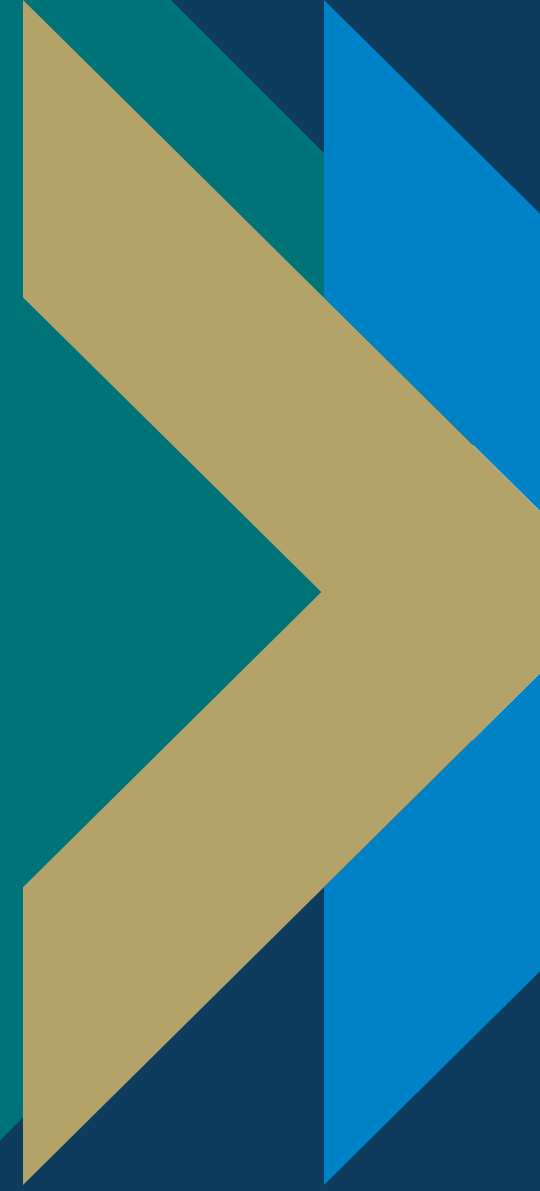
Firms located in EU/EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2023-31/12/2023.

Country	Town	Firm Name
Slovakia	Bratislava	BDR s.r.o
Spain	Bilbao	Moore AMS AUDITORES S.L
Spain	Oviedo	Moore Fidelitas Auditores SL
Spain	Sevilla	Moore SP AUDITORES, S.L.
Spain	Valencia	Moore Ibergrup SAP
Spain	Zaragoza	Moore LP SL
Spain	Barcelona	Moore Addveris Auditores y Consultores, S.L.P
Spain	Madrid	Moore Corporativa, S.L
Sweden	Gothenburg	Moore KLN AB
Sweden	Gothenburg	Moore Ranby AB
Sweden	Stockholm	Moore Allegretto AB

*Member firm left the network during 2023.

Total statutory audit fee turnover as at 31/12/23 in Euros €170 million.

Appendix 4






Appendix 4

We set out below how we have complied with the Audit Firm Governance Code 2022.

As explained in Section 5 of this report, our progress towards compliance with the revised Audit Firm Governance Code is ongoing. We have recently appointed two Independent Non-Executives (“INE”) to the Audit Board. Over the coming months we will be working with both INEs to reshape our governance structure and define their roles within it with greater precision and granularity. A key consideration in doing so will be to move us towards fuller compliance with those provisions within the Audit Firm Governance Code which are dependent on INE input and involvement, as noted below*.

Key:

-  Compliant with the Code
-  Partially compliant and/or subject to change following review due to recent structural changes
-  Not compliant with the Code

Appendix 4

Leadership

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Principles	How we have complied
<p>A A firm's management and governance structures should promote the long-term sustainability of the firm. To this end, the Management of a firm should be accountable to the firm's owners.</p>	<p>The current management and governance structures are set out in Section 5, including recent changes to the Main Board.</p>
<p>B A firm's governance arrangements should provide checks and balances on individual power and support effective challenge of Management. There should be a clear division of responsibilities between a firm's governance structures and its Management. No one individual or small group of individuals should have unfettered powers of decision.</p>	<p>Following recent changes to Board membership a review is planned of the Firm's governance structures, including terms of reference of management and advisory committees.</p>
<p>C A firm's Management should demonstrate its commitment to the public interest through their pursuit of the purpose of this Code and regular dialogue with the INEs. Management should embrace the input and challenge from the INEs.</p>	<p>Following recent appointment of INEs to Audit Board and changes to Main Board membership further consideration is to be given to extent of INE participation at Main Board level as part of the review of the Firm's governance structures.</p>
<p>D The members of a firm's Management and governance structures should have appropriate experience, knowledge, influence and authority within the firm, and sufficient time, to fulfil their assigned responsibilities.</p>	<p>See profiles set out in Section 5.</p>
<p>E The Management of a firm should ensure that members of its governance structures, including owners and INEs are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.</p>	<p>Information is provided to the Board to enable it to fulfil its responsibilities, principally by the members of the CEOs office (General Counsel, Chief Financial Officer, Chief People Officer, Chief Information Officer, Head of Marketing, Facilities Manager, and Head of Business Support). *INE dependent principle.</p>

Appendix 4

Leadership

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Provisions	How we have complied
<p>1 A firm should establish a Board or equivalent governance structure to oversee the activities of Management.</p>	<p>Following recent changes to Main Board membership a review is planned of the Firm's <u>governance structures</u>, including terms of reference of management and advisory committees.</p>
<p>2 At least half a firm's Board should be selected from among partners who do not have significant management responsibilities within the firm.</p>	<p>Following recent changes to the Main Board, 3 of the 5 members have management responsibilities. Further consideration is to be given to extent of INE participation at Main Board level as part of the review of the Firm's <u>governance structures</u>.</p>
<p>3 The chair of the Board should not also chair parts of the Management structure or be the managing partner.</p>	<p>The <u>Chair of the Board</u> has no management responsibilities.</p>
<p>4 A firm's Management and Board should have a clear understanding of their authority, accountabilities and responsibilities. The Board should have clearly defined terms of reference, with matters specifically reserved for its decision, detailing in particular its role in relation to firm strategy, risk, culture and other matters relating to the purpose of this Code. Management should have terms of reference that include clear authority over the whole firm and matters relating to the purpose of this Code. Terms of reference should be disclosed on the firm's website. Terms of reference for international management and governance structures taking decisions that apply to the UK should be disclosed on the UK firm's website in the same way as for UK-based structures.</p>	<p>The Board ToR state that the Board ultimately oversees the governance, accountability and leadership of the firm. The Board has specific responsibility for reviewing the effectiveness of risk management and internal control. The Vice Chair and Head of Audit is the designated member responsible for Audit Quality. Planned review of governance structures to reconsider division of responsibilities and Terms of Reference.</p>
<p>5 A firm should establish arrangements for determining remuneration and progression matters for members of the Board which support and promote effective challenge of Management.</p>	<p>With the recent Board changes and imminent appointment of INEs, we recognise the importance of revisiting our <u>governance structure</u>. Considering the most effective manner to ensure the appropriate degree of challenge of management will factor into this review. See also information re partner assessment and remuneration committees as set out in <u>Section 5</u>.</p>

Appendix 4

Leadership

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Provisions	How we have complied
<p>6</p> <p>The individual members of a firm's governance structures and Management should be subject to formal, rigorous and ongoing performance evaluation and, at regular intervals, members should be subject to re-election or re-selection.</p>	<p>No formal performance evaluation or re-election process however this was considered as part of the recent Board changes.</p> <p>Board evaluations and effectiveness reviews are to be considered as part of the planned review of governance structures.</p>
<p>7</p> <p>There should be a formal annual evaluation of the performance of the Board and any committees, plus the public interest body. A firm should consider having a regular externally-facilitated board evaluation at least every three years.</p>	<p>There is currently no formal process of evaluation for the Board – this is to be considered as part of the planned review of governance structures.</p>
<p>8</p> <p>Management should ensure that, wherever possible and so far as the law allows, members of governance structures and INEs have access to the same information as is available to Management.</p>	<p>INEs are recently appointed and discussions ongoing as to their information needs in order to fulfil their roles.</p> <p>*INE dependent provision.</p>
<p>9</p> <p>A firm should disclose in its annual transparency report: a) the names and job titles of all members of the firm's governance structures and its Management; b) a description of how they are elected or appointed and their terms, length of service, meeting attendance in the year, and relevant biographical details; c) a description of how its governance structures and Management operate, their duties, the types of decisions they take and how they contribute to achieving the Code's purpose. If elements of the Management and/or governance of the firm rest at an international level and decisions are taken outside the UK, it should specifically set out how management and oversight is undertaken at that level and the Code's purpose achieved in the UK; and d) an explanation of the controls it has in place on individual powers of decision and to support effective challenge by Board members, how these are intended to operate and how they work in practice.</p>	<p>Refer to Leadership and Governance section.</p>

Appendix 4

People, values and behaviour

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Principles

How we have complied

F

A firm is responsible for its purpose and values and for establishing and promoting an appropriate culture, that supports the consistent performance of high-quality audit, the firm's role in serving the public interest and the long-term sustainability of the firm.

Refer to [Section 6 Our Culture](#).

G

A firm should foster and maintain a culture of openness which encourages people to consult, challenge, contribute ideas and share problems, knowledge and experience in order to achieve quality work in a way that takes the public interest into consideration.

Refer to [Section 6 Our Culture](#).

H

A firm should apply policies and procedures for managing people across the whole firm that support its commitment to the purpose and Principles of this Code.

Refer to [Section 6 Our Culture](#).

The firm has published its Code of Conduct on its website.

Appendix 4

People, values and behaviour

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Provisions	How we have complied
10 A firm's Board and Management should establish the firm's purpose and values and satisfy themselves that its purpose, values and culture are aligned. If a firm's purpose and values are established at an international level, the firm should ensure it has the ability to influence that decision-making process and the ability to tailor the output for the UK.	Refer to Section 6 Our Culture .
11 A firm should have a code of conduct which it discloses on its website and requires everyone in the firm to apply. The Board and INEs should oversee compliance with it.	Refer to Section 6 Our Culture . The firm has published its Code of Conduct on its website. *INE dependent provision.
12 A firm should promote the desired culture and a commitment to quality work, professional judgement and values, serving the public interest and compliance with professional standards and applicable legal and regulatory requirements, in particular through the right tone at the top and the firm's policies and procedures.	Refer to Section 6 Our Culture . The firm has published its Code of Conduct on its website.
13 A firm should establish policies and procedures to promote inclusion and encourage people to speak up and challenge without fear of reprisal, particularly on matters relating to this Code and the firm's values and culture.	Refer to Section 6 Our Culture . The firm has published its Code of Conduct on its website.
14 A firm should introduce meaningful key performance indicators on the performance of its governance system, and report on performance against these in its transparency reports.	AQIs are in place and reported to FRC Board now needs to consider a suite of metrics that capture our approach to strategy and governance that can be cascaded throughout the Firm. This will be considered as part of the review of governance structures

Appendix 4

People, values and behaviour

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Provisions	How we have complied
<p>15</p> <p>A firm should assess and monitor culture. It should conduct a regular review of the effectiveness of the firm's systems for the promotion and embedding of an appropriate cultures underpinned by sound values and behaviour across the firm, and in audit in particular. INEs should be involved in this review and where a firm has implemented operational separation, the INEs should be involved in the review as it relates to the audit practice.</p> <p>Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the purpose of this Code, it should take corrective action.</p>	<p>Refer to Section 6 Our Culture.</p> <p>*INE dependent provision.</p>
<p>16</p> <p>A firm should establish mechanisms for delivering meaningful engagement with its people. This should include arrangements for people to raise concerns in confidence and anonymously and to report, without fear, concerns about the firm's culture, commitment to quality work, the public interest and/or professional judgement and values. The INEs should be satisfied that there is an effective whistleblowing policy and procedure in place and should monitor issues raised under that process.</p>	<p>Whistleblowing policy and process is in place.</p> <p>*INE dependent provision.</p>
<p>17</p> <p>INEs should be involved in reviewing people management policies and procedures, including remuneration and incentive structures, recruitment and promotion processes, training and development activities, and diversity and inclusion, to ensure that the public interest is protected. They should monitor the firm's success at attracting and managing talent, particularly in the audit practice. Where operational separation is in place the INEs should be involved in this process.</p>	<p>*INE dependent provision.</p> <p>People management policies and processes will need to be adapted to incorporate INE involvement as appropriate.</p>
<p>18</p> <p>INEs should use a range of data and engagement mechanisms to understand the views of colleagues throughout the firm and to communicate about their own roles and the purpose of this Code. One INE should be designated as having primary responsibility for engaging with the firm's people.</p>	<p>*INE dependent provision.</p> <p>Communication channels, mechanisms and protocols will need to be established for INE engagement with the members of the Audit Business Line.</p>

Appendix 4

People, values and behaviour

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Provisions

How we have complied

19

A firm should disclose in its annual transparency report a description of how: a) it engages with its people and how the interests of its people have been taken into account in decision making; and b) opportunities and risks to the future success of the business have been considered and addressed, its approach to attracting and managing talent, the sustainability of the firm's business model and how its culture, in particular in the audit practice, contributes to meeting the purpose of this Code.

AQIs are in place and reported to FRC.

Board now needs to consider a suite of metrics that capture our approach to strategy and governance that can be cascaded throughout the Firm. This will be considered as part of the review of governance structures.

Appendix 4

Operations and resilience

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Principles

How we have complied

I	A firm should promote a commitment to consistent high-quality audits and firm resilience in the way it operates. To these ends, a firm should collect and assess management information to evaluate the effectiveness of its policies and procedures and to enhance its operational decision-making.	See Section 9.1 Audit Quality Indicators .
J	A firm should establish policies and procedures to identify, assess and manage risk, embed the internal control framework and determine the nature and extent of the principal risks the firm is willing to take while working to meet the purpose of this Code.	See Section 7.0 Quality and Risk Management .
K	A firm should communicate with its regulators in an open, co-operative and transparent manner.	See Section 9.11.2 External Monitoring .
L	A firm should establish policies and procedures to ensure the independence and effectiveness of internal and external audit activities and to monitor the quality of external reporting.	Draft terms of reference have been drawn up to reconstitute the Risk Committee as a 'Risk and Audit' committee – to be finalised in discussion with new INEs.

Appendix 4

Operations and resilience

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Provisions	How we have complied
<p>20 A firm should assist the FRC and its successor bodies to discharge its duties by sharing information openly.</p>	<p>See Section 9.11.2 External Monitoring.</p>
<p>21 A firm should take action to address areas of concern identified by regulators in relation to the firm's audit work, leadership and governance, culture, management information, risk management and internal control systems.</p>	<p>See Section 9.11.2 External Monitoring.</p>
<p>22 A firm should develop robust datasets and effective management information to support monitoring of the effectiveness of its activities, including by INEs, and its ability to furnish the regulator with information.</p>	<p>See Section 9.1 Audit Quality Indicators. Ongoing programme to review potential for automation and streamlining for collation of data to improve efficiency and timeliness of reporting.</p>
<p>23 A firm should establish an audit committee and disclose on its website its terms of reference and information on its membership. Its terms of reference should set out clearly its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors. Where a firm's audit committee sits at an international level, information about the committee and its work should be disclosed by the UK firm as if it were based in the UK.</p>	<p>Draft terms of reference have been drawn up to reconstitute the Risk Committee as a 'Risk and Audit' committee – to be finalised in discussion with new INE.</p>
<p>24 A firm should monitor its risk management and internal control systems, and, at least annually, conduct a review of their effectiveness. INEs should be involved in the review which should cover all significant controls, including financial, operational and compliance controls and risk management systems.</p>	<p>See Section 7.0 Quality and Risk Management. *INE dependent provision.</p>
<p>25 A firm should carry out a robust assessment of the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity. This should reference specifically the sustainability of the audit practice in the UK. INEs (and in firms with operational separation) should be involved in this assessment.</p>	<p>See Section 7.0 Quality and Risk Management. *INE dependent provision.</p>

Appendix 4

Operations and resilience

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Provisions	How we have complied
<p>26</p> <p>A firm should publicly report how it has applied the Principles of this Code, and make a statement on its compliance with its Provisions or give a detailed explanation for any non-compliance, i.e. why the firm has not complied with the Provision, the alternative arrangements in place and how these work to achieve the desired outcome (Principle) and the purpose of this Code.</p>	<p>As set out in this appendix.</p>
<p>27</p> <p>A firm should explain who is responsible for preparing the financial statements and the firm's auditors should make a statement about their reporting responsibilities in the form of an extended audit report as required by International Auditing Standards (UK) 700/701.</p>	<p>Under discussion with the auditors.</p>
<p>28</p> <p>The transparency report should be fair, balanced and understandable in its entirety. A firm should disclose in its transparency report: a) a commentary on its performance, position and prospects; b) how it has worked to meet the legal and regulatory framework within which it operates; c) a description of the work of the firm's audit committee and how it has discharged its duties; d) confirmation that it has performed a review of the effectiveness of the system of internal control, a summary of the process it has applied and the necessary actions that have been or are being taken to remedy any significant failings or weaknesses identified from that review; e) a description of the process it has applied to deal with material internal control aspects of any significant problems disclosed in its financial statements or management commentary; f) an assessment of the principal risks facing the firm and explanation of how they are being managed or mitigated; and g) a description of how it interacts with the firm's global network, and the benefits and risks of these arrangements, with reference to the purpose of this Code. This should include an assessment of any risks to the resilience of the UK firm arising from the network and any action taken to mitigate those risks.</p>	<p>Transparency Report has been drawn up to reflect principles and objectives of the Code.</p>

Appendix 4

INEs

Key: ■ Compliant with the Code ■ Partially compliant and/or subject to change following review due to recent structural changes ■ Not compliant with the Code

Principles	How we have complied
<p>M</p> <p>A firm should appoint INEs to the governance structure who through their involvement collectively enhance the firm's performance in meeting the purpose of this Code. INEs should be positioned so that they can observe, challenge and influence decision-making in the firm.</p>	<p>2 INEs appointed to Audit Board, this is considered to be appropriate for a firm of our size and structure.</p> <p><u>NEs.</u></p>
<p>N</p> <p>INEs should provide constructive challenge and specialist advice with a focus on the public interest. They should assess and promote the public interest in firm operations and activities as they relate to the purpose of this Code, forming their own views on where the public interest lies.</p>	<p>*INE dependent provision.</p> <p>INEs appointed but not yet fully engaged.</p>
<p>O</p> <p>INEs should maintain and demonstrate objectivity and an independent mindset throughout their tenure. Collectively they should enhance public confidence by virtue of their independence, number, stature, diverse skillsets, backgrounds, experience and expertise. They should have a combination of relevant skills, knowledge and experience, including of audit and a regulated sector. They owe a duty of care to the firm and should command the respect of the firm's owners.</p>	<p>*INE dependent provision.</p> <p>INEs appointed but not yet fully engaged.</p> <p>Objectivity and independence was assessed during the recruitment process.</p>
<p>P</p> <p>INEs should have sufficient time to meet their responsibilities. INEs should have rights consistent with discharging their responsibilities effectively, including a right of access to relevant information and people to the extent permitted by law or regulation, and a right, individually or collectively, to report a fundamental disagreement regarding the firm to its owners and, where ultimately this cannot be resolved and the independent non-executive resigns, to report this resignation publicly</p>	<p>*INE dependent provision.</p> <p>INEs appointed but not yet fully engaged.</p> <p>Terms including time commitments agreed.</p>
<p>Q</p> <p>INEs should have an open dialogue with the regulator.</p>	<p>*INE dependent provision.</p> <p>INEs appointed but not yet fully engaged.</p> <p>Both INEs have met with the FRC in pre-appointment meetings.</p>

Appendix 4

INEs

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Provisions

How we have complied

29

INEs should number at least three, be in the majority on a body chaired by an INE that oversees public interest matters and be embedded in other relevant governance structures within the firm as members or formal attendees with participation rights. If a firm considers that having three INEs is unnecessary given its size or the number of public interest entities it audits, it should explain this in its transparency report and ensure a minimum of two at all times. At least one INE should have competence in accounting and/or auditing, gained for example from a role on an audit committee, in a company's finance function or at an audit firm.

2 INEs appointed to Audit Board, this is considered to be appropriate for a firm of our size and structure.

30

INEs should meet regularly as a private group to discuss matters relating to their remit. Where a firm adopts an international approach to its management and/or governance it should have at least three INEs with specific responsibility and relevant experience to focus on the UK business and to take part in governance arrangements for this jurisdiction. The firm should disclose on its website the terms of reference and composition of any governance structures whose membership includes INEs, whether in the UK or another jurisdiction.

*INE dependent provision.
INEs appointed but not yet fully engaged.

31

INEs should have full visibility of the entirety of the business. They should assess the impact of firm strategy, culture, senior appointments, financial performance and position, operational policies and procedures including client management processes, and global network initiatives on the firm and the audit practice in particular. They should pay particular attention to and report in the transparency report on how they have worked to address: risks to audit quality; the public interest in a firm's activities and how it is taken into account; and risks to the operational and financial resilience of the firm.

*INE dependent provision.
INEs appointed but not yet fully engaged.

Appendix 4

INEs

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Provisions	How we have complied
<p>32 A firm should establish a nomination committee, with participation from at least one INE, to lead the process for appointments and re-appointments of INEs, to conduct a regular assessment of gaps in the diversity of their skills and experience and to ensure a succession plan is in place. The nomination committee should assess the time commitment for the role and, when making new appointments, should take into account other demands on INEs' time. Prior to appointment, significant commitments should be disclosed with an indication of the time involved. Additional external appointments should not be undertaken without prior consultation with the nomination committee.</p>	<p>*INE dependent provision. INEs appointed but not yet fully engaged.</p>
<p>33 A firm should provide access for INEs to relevant information on the activities of the global network such that they can monitor the impact of the network on the operations and resilience of the UK firm and the public interest in the UK.</p>	<p>*INE dependent provision. INEs appointed but not yet fully engaged.</p>
<p>34 INEs should have regular contact with the Ethics Partner, who should under the ethical standards have direct access to them.</p>	<p>Introductions to Ethics partner included in Induction programme for INEs. Ethics partner is a member of the Audit Board.</p>
<p>35 INEs should have dialogue with audit committees and investors to build their understanding of the user experience of audit and to develop a collective view of the way in which their firm operates in practice.</p>	<p>Draft terms of reference have been drawn up to reconstitute the Risk Committee as a 'Risk and Audit' committee - to be finalised in discussion with new INEs.</p>
<p>36 Firms should agree with each INE a contract for services setting out their rights and duties. INEs should be appointed for specific terms and have a maximum tenure of nine years in total.</p>	<p>Terms agreed and contracts signed.</p>
<p>37 The firm should provide each INE with the resources necessary to undertake their duties including appropriate induction, training and development, indemnity insurance and access to independent professional advice at the firm's expense where an INE judges such advice necessary to discharge their duties.</p>	<p>*INE dependent provision. INEs appointed but not yet fully engaged.</p>

Appendix 4

INEs

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Provisions

How we have complied

38

The firm should establish, and disclose on its website, well defined and clear escalation procedures compatible with Principle P, for dealing with any fundamental disagreement that cannot otherwise be resolved between the INEs and members of the firm's Management and/or governance structures.

*INE dependent provision.
INE appointed but not yet fully engaged.

39

An INE should alert the regulator as soon as possible to their concerns in the following circumstances: - the INE believes the firm is acting contrary to the public interest; or - the INE believes the firm is endangering the objectives of this Code; or - the INE initiates the procedure for fundamental disagreements.

INE dependent provision.
INEs appointed but not yet fully engaged.



Where sharp minds meet

