



Johnston Carmichael LLP Transparency Report

Year ended 31 May 2026

Published on 30 September 2026



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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 of the European Union.

This report covers the year ended 31 May 2026 and explains our:

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

These foundations support our independence, compliance with audit and ethical standards, and the delivery of high-quality services.

Section 1

Foreword

1 Foreword

As Johnston Carmichael marks its 90th year, we remain focused on maintaining the standards, values and quality that have shaped the firm while continuing to adapt to changing stakeholder expectations and the evolving regulatory environment.



Continued investment in our people, governance, systems and technology supports this objective. This is described throughout this Transparency Report, as well as a focus on governance, audit quality, and our public interest responsibilities as auditors and advisers.

Our people are central to delivering high-quality work. Further information on our culture and people framework is provided in [Sections 6](#) and [10](#).

We recognise the trust placed in us by clients, regulators, our people, and the wider community. This report supports that trust through transparency about our governance, quality framework, and performance.

As we look ahead, our priorities remain clear: supporting our people, strengthening governance and systems, and delivering high-quality work in the public interest. As we mark our 90th year, we remain focused on building a resilient and accountable firm for the future.

Mark Houston
Senior Partner and Chair

Lynne Walker
Chief Executive

30 September 2026

For and on behalf of Johnston Carmichael.

Section 2

Introduction



2 Introduction

The year has been one of continued development for our Audit Business Line (ABL) and a period of transition for the wider audit profession. Audit firms continue to operate in an environment of heightened scrutiny, increasing stakeholder expectations and rapid technological change.



The Financial Reporting Council (FRC) has introduced a revised supervisory model which leads with a greater focus on firms' systems of quality management, governance, and resilience. As one of the twelve largest firms within the supervisory framework, Johnston Carmichael recognises the public interest responsibilities that accompany that position.

Our response has been to focus on the fundamentals that underpin audit quality: effective governance, capable people, reliable systems, and a culture that supports professional challenge and continuous improvement. Quality remains central to our decision-making and continues to shape our priorities, investment, and governance oversight.

Governance and accountability

This year represented the first full reporting period under our revised audit governance model. The separation of governance oversight through the Audit Quality Board (AQB) and executive management through the Audit Executive Board (AEB) has clarified accountabilities and provided a more structured basis for challenge, escalation and oversight of audit quality, resilience, and public interest matters.

The contribution of our Independent Non-Executives (INEs) has been important in that model. Their experience and external perspective have strengthened challenge, informed governance development, and maintained our focus on quality in strategic decision-making.

2 Introduction

Quality by design

A recurring theme throughout this report is the concept of 'quality by design'. By this, we mean designing quality considerations into governance, methodology, technology, workflows and decision-making from the outset, rather than relying primarily on monitoring to identify issues after they arise.

This approach informs the development of our Audit Quality Plan, our ongoing System of Quality Management (SoQM) work, and the continued expansion of monitoring and remediation activity. Evidence from internal reviews, root cause analysis, regulatory engagement and quality indicators is used to determine priorities, allocate resources, and support improvement across the practice.

Technology and innovation

The ABL's most significant operational investment during the year was implementation of a new audit platform, discussed further in [Section 10.5](#).

Technology will never replace the scepticism, insight and judgement at the heart of a high-quality audit, but it can enhance effectiveness and allow our people to focus on the matters most important to audit quality.

Investing in our people

Delivering high-quality audits depends on having people with the capability, capacity and support to succeed. During the year, we continued to invest in recruitment, leadership development, technical training and succession planning, including our Stepping Up to Responsible Individual (RI) programme. We seek to create an environment that encourages professional scepticism, rigorous challenge, accountability and continuous improvement.

Looking forward

Our priorities remain clear: strengthening audit quality through continued investment in people, governance, systems and technology, while responding constructively to regulatory feedback and stakeholder expectations. While some areas remain subject to active remediation and development, we continued to make progress in audit quality oversight, governance, monitoring, technology and quality management. Inspection outcomes remained positive, providing a sound basis for continued improvement in 2026/27.

The positive progress described throughout this report is thanks to the commitment, professionalism and quality focus of colleagues across the firm.

Confirmatory statements

I confirm, on behalf of the Board, that, as required by Article 13 of Regulation (EU) No 537/2014 and the amended Directive 2014/56/EU of the European Parliament and of the Council:

- We have undertaken a review of the effectiveness of the system of internal control.
- Our internal quality control systems are functioning effectively.
- Our independence practices are appropriate and have been subject to an internal compliance review.
- We have policies and procedures in place to ensure that the continuing education of statutory auditors is undertaken in accordance with relevant law, regulation, and professional standards.



Graham Marjoribanks

Vice-Chair, Partner, and Head of Audit

30 September 2026

2 Introduction

2.2 Independent Non-Executives' report

In our second year of appointment, the firm has continued to develop its governance arrangements, audit quality framework and oversight of matters relevant to the Audit Firm Governance Code, and progress has been evident. The next phase is focused on embedding recent changes and demonstrating their sustained effectiveness over time.

Following the firm's governance review, our involvement has broadened providing us with greater visibility across governance, talent, performance, risk and public interest matters, and strengthening our ability to provide independent challenge across the firm.

Our primary responsibilities during 2025/26 were to provide oversight of the firm's procedures, policies and culture that:

- Promote audit quality;
- Safeguard the sustainability and overall resilience of the audit practice; and
- Ensure the firm takes account of public interest responsibilities, including in relation to PIEs, as part of its decision-making.

During the year, the AQB oversaw the implementation of enhanced monitoring metrics to evaluate engagement performance and quality, alongside further development of the root cause analysis programme. These metrics and other audit quality indicators showed an improving trajectory, although continued monitoring will be important. In our view, the metrics presented in this Transparency Report presents the progress made by the firm, the ABL, and its people, while also recognising areas where further work is required.

Of particular importance to us is the firm's culture and how it promotes and embeds the right behaviours with regards to quality and ethics, and we were pleased to see that this continues to be at the core of everything. We have observed an open and consultative culture, with a clear emphasis on doing the right thing.

We also note that, in its recent public report on the Annual Review of Audit Quality, the FRC stated that "the firm has maintained its strong focus on audit quality and made good progress in developing its SoQM in a manner appropriate to its circumstances. Further work is needed to develop certain key elements". We consider this to be a balanced assessment.

2 Introduction

During the year, significant changes were made to operational, business and audit processes, including new technologies such as the new audit platform and ERP system. The implementation of the firm's new audit platform was one of our primary areas of focus during the year, including oversight of the platform selection process, implementation plan, training and go-live processes.

Our participation in the governance committees described in [Section 5](#) provides additional insight and challenge across talent development, performance management, risk, ethics, and public interest matters.

Looking ahead, we will continue to focus on oversight of the firm's work to enhance audit quality and provide independent challenge in relation to key initiatives, including:

- The further deployment and embedding of the new audit platform, including how it is being utilised to deliver high-quality audits, effective execution, and the use of system information to inform quality enhancements and insights;
- Succession planning and the changing market dynamics for skills and talent; and
- Continued enhancement of the SoQM and the Audit Quality Plan.



A handwritten signature in black ink, appearing to read 'Les Clifford'.

Les Clifford

Independent
Non-Executive

30 September 2026



A handwritten signature in black ink, appearing to read 'Michael Timar'.

Michael Timar

Independent
Non-Executive

INE appointments are for an initial period of three years. INEs are required to complete and confirm an annual declaration of fitness and propriety for their roles, including matters relating to independence and conflicts of interest. Michael's remuneration is £50,000 per annum. Les' remuneration is £55,000 per annum, reflecting his role as Chair of the AQB.

Section 3

Our firm – about Johnston Carmichael

3 Our firm – about Johnston Carmichael



Formed in
1936



Employees
765



Partners
73



Clients
19,000

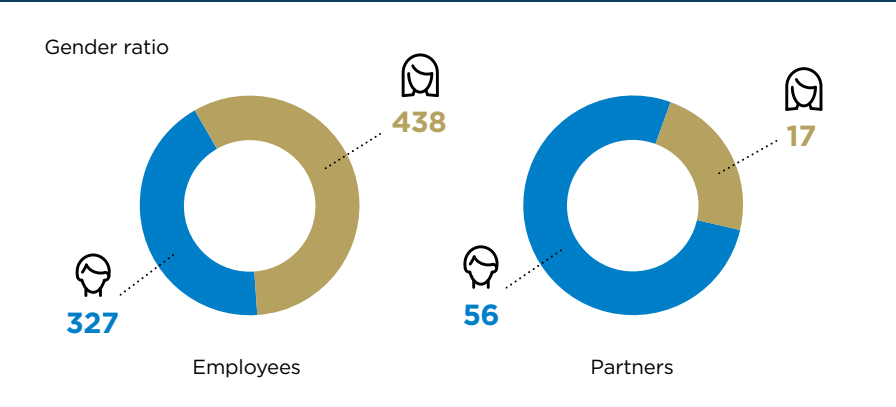


Specialist Services
7

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
10
UK accountancy firm
as part of Moore UK*

*Accountancy Age Top 50+50
Accountancy Firms 2025



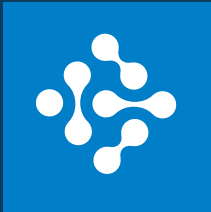
Great
Place
To
Work®
Certified
MAR 2026-MAR 2027
UK



Financial
Services



Food &
Drink



Technology &
Life Sciences



Rural



Energy,
Infrastructure &
Sustainability

£75.7m ↑ **4%**
Firm revenue FY 2024 - 2025 YoY

MOORE
Member of the
international network
- Moore Global

3 Our 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 31 May 2026, Johnston Carmichael LLP had 58 equity Partners and 15 non-equity Partners. Of these, 21 Partners held Responsible Individual (RI) status alongside 10 employees.

Johnston Carmichael LLP has one active subsidiary company:

- Johnston Carmichael (Scotland) Limited – the group's service company through which employees are engaged.

3.2 Regulation

Johnston Carmichael is registered with ICAS to undertake audit work, a limited range of exempt investment business activities, and insolvency work in the UK. The exempt investment business activities are carried out under a licence granted by ICAS as a Designated Professional Body. Johnston Carmichael also undertakes annual anti-money laundering and data protection training to support regulatory compliance.

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 International

Johnston Carmichael is a member firm of Moore Global Network Limited, a global audit, accounting, and consulting network with 37,054 professionals spread across 119 countries.

Moore Global member and correspondent firms have a combined global revenue of \$5.33 billion. Membership is regulated by contractual agreement.

Moore's purpose is to help its people, clients, and communities thrive, and this includes each of its member firms. Member firms are independent businesses, but the network allows them to access further specialist resources, support, expertise, and technology. 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.

These goals and key areas of focus in Moore Global's plan are:

- Aligning member firms with the same core values and quality obligations, including network review, learning and development programmes, and a focus on developing young leaders.
- Driving a global growth strategy supported by a business plan with clear, defined, and focused objectives.
- Delivering quality in all aspects of work across the network.
- Supporting member firms to embrace technology through a focus on innovation.
- Increasing value to member firms through collaboration, communication, and transparency.
- Advancing the network-wide strategy, Social Ambition, to deliver positive social impact in everything we do.



37,000+
people



568
offices



119
countries

Section 5

Leadership and governance

5 Leadership and governance

The Board has ultimate responsibility for the firm's governance, strategy, and accountability. Supporting committees provide oversight across governance, operations, risk, people, client service, transformation and sustainability, escalating significant matters to the Board where appropriate.

The Board is accountable to the General Partnership through the mechanisms set out in the LLP Agreement, including the ability for a special majority to expel a member in breach of their duties.

The positions of Chair, Vice-Chair, and Chief Executive Officer are elected by the Board as required when a vacancy arises, in accordance with the LLP Agreement.

Board members >>



Mark Houston
Senior Partner and Chair

Mark Houston is Senior Partner and Chair of Johnston Carmichael and provides strategic leadership and oversight of the firm.

Appointed as Chair 1 June 2022.
Board member since 1 August 2013.

Attendance at Board meetings: 100%



Lynne Walker
CEO

Lynne Walker is Chief Executive and leads delivery of the firm's strategy, people, and operational priorities.

Appointed as Chief Executive 1 June 2024.
Board member since 1 September 2021.

Attendance at Board meetings: 100%

5 Leadership and governance

The Chief Operations Officer and Chief Legal Officer attend Board meetings to provide operational, governance and regulatory challenge. They advise on matters including financial resilience, compliance, data protection, anti-money laundering and professional indemnity risk. A Scheme of Delegation and budgetary control framework support decision-making and accountability.

The Governance, Risk and Compliance (GRC) team provides consolidated reporting to the Board on higher-priority risk and compliance matters, including professional indemnity, anti-money laundering, data protection, gifts and hospitality, and the firm-wide risk register. Matters requiring analysis, escalation or Board consideration are highlighted, with specific risks, actions and recommendations informed by the Audit & Risk Committee and the Operational Excellence Committee.

Further information on the composition and terms of reference for a number of committees is available in the [Governance section](#) of the firm's website.



Graham Marjoribanks
Vice-Chair, Partner, and Head of Audit Audit Quality Lead

Graham Marjoribanks is Vice-Chair and Head of Audit with responsibility for audit quality, governance, and public interest matters.

Appointed as Vice-Chair on 1 June 2024.
Board member since 1 September 2021.

Attendance at Board meetings: 100%



Shaun Millican
Partner and Head of Business Advisory

Shaun Millican is Head of Business Advisory and Money Laundering Compliance Principal.

Board member since 1 September 2021.

Attendance at Board meetings: 100%

Craig MacPherson
Business Advisory Partner

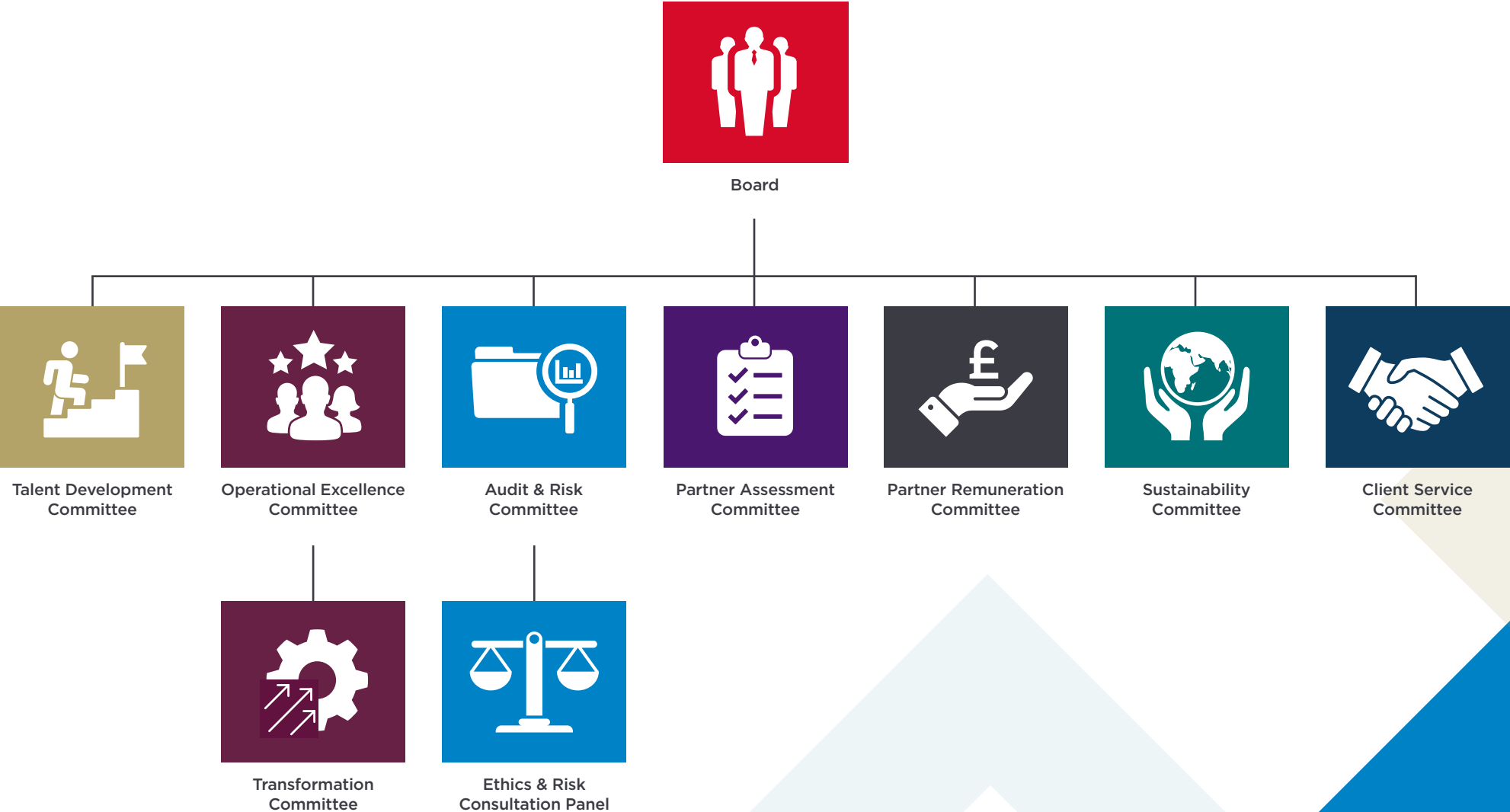
Craig MacPherson is a Business Advisory Partner and Board member.

Board member since 1 August 2014.

Attendance at Board meetings: 100%

5 Leadership and governance

Governance and management structures



5 Leadership and governance

Governance and management structures¹



Talent Development Committee (TDC)

The Talent Development Committee oversees Director and Partner promotions, succession planning and leadership development across the firm. It is chaired by Martin Osler, Chief People Officer, with Les Clifford serving as INE member. The committee meets as required throughout the year.



Operational Excellence Committee (OpEx)

The Operational Excellence Committee oversees operational effectiveness, implementation of quality frameworks and the monitoring of key operational risks and actions. It is chaired by Lesley Hopwood, Chief Operating Officer, and meets as required.



Transformation Committee (TC)

The Transformation Committee oversees significant change programmes across the firm, including major technology and business transformation initiatives. It is chaired by Lesley Hopwood and meets as required.



The Audit & Risk Committee (ARC)

The Audit & Risk Committee oversees the firm's external audit process, internal controls, and risk management framework.

The committee's role is to:

- Oversee the firm's process for preparation of the Annual Report and Accounts and the Transparency Report.
- Oversee the external audit process, including the independence, appointment, and reappointment of the external auditors.
- Provide review of and challenge to the firm's risk management processes, internal controls, and adherence to ethical standards and practices, thereby providing support to the Board with regards to their responsibilities for these matters.
- Oversee the firm's process for considering specific ethical, risk and public interest matters (see 'Ethics & Risk Consultation Panel' below).

The committee meets approximately quarterly and is chaired by INE Michael Timar.

¹Committee composition, bios and attendance can be found in Appendix 5

5 Leadership and governance



Ethics & Risk Consultation Panel (ERCP)

The Ethics & Risk Consultation Panel is a sub-committee of the Audit & Risk Committee and considers significant ethical, reputational, regulatory and public interest matters. It is chaired by Michael Timar and may escalate matters to the Board where appropriate.



The Partner Assessment Committee (PAC)

The Partner Assessment Committee calibrates Partner performance assessments and helps ensure consistent application of the firm's performance framework. It is chaired by Lynne Walker, with Les Clifford serving as INE member.



The Partner Remuneration Committee (PRC)

The Partner Remuneration Committee determines final Partner remuneration in line with the firm's distributable profits and the performance assessment process. The committee considers recommendations from the Partner Assessment Committee and applies the firm's Balanced Scorecard. There is separation between audit and non-audit incentives: Audit Partners are not assessed or rewarded for selling non-audit services, and their performance assessment places emphasis on audit quality. The committee is chaired by Mark Houston and meets annually, following the firm's financial year end.



Sustainability Committee (SC)

The Sustainability Committee oversees the firm's environmental, social and governance priorities and coordinates sustainability-related activity across the business. It is chaired by Martin Osler.



Client Service Committee (CSC)

The Client Service Committee oversees client experience, service development, and responsiveness to changing client needs. It is jointly chaired by Mark Houston and Emily Young, Chief Marketing Officer.

5 Leadership and governance

5.1 Audit Firm Governance Code

The diagram below summarises the firm’s compliance with the Audit Firm Governance Code. Further detail is included in Appendix 4.

- Compliant with the Code
- Partially compliant and / or work in progress following structural changes in FY 2026
- Not compliant with the Code

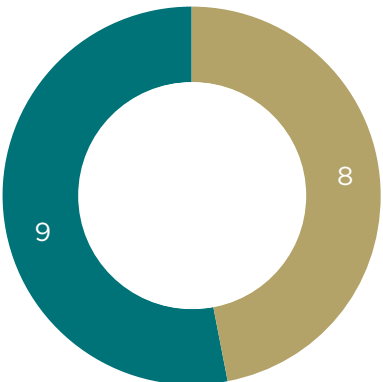
Principles – 2026 compliance



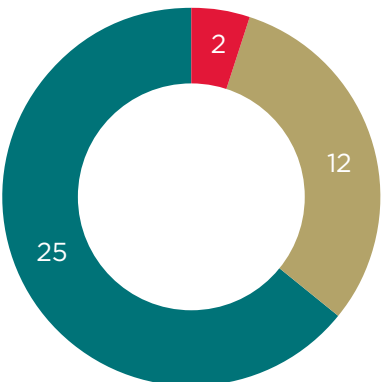
Principles – 2025 compliance



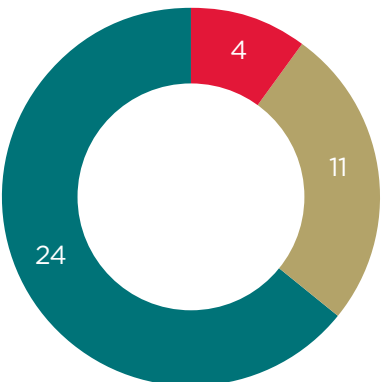
Principles – 2024 compliance



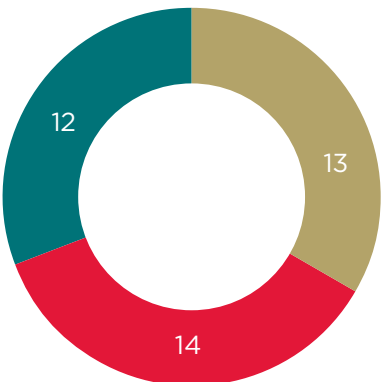
Provisions – 2026 compliance



Provisions – 2025 compliance



Provisions – 2024 compliance



5 Leadership and governance

5.2 Audit & Risk Committee Report

The committee, which comprises Michael Timar (Chair), Lesley Hopwood (Chief Operating Officer), Graham Marjoribanks (Head of Audit), Sally Hewish (Head of Audit Quality, Risk and Technical), David Ward (Tax Business Line Head) and Keith Hamilton (Chief Legal Officer), met five times during the period, with attendance by the external auditors, Price Bailey, the CIO and senior GRC employees where appropriate. The Chair also met privately with Price Bailey.

The key activities of ARC during the period were:

2025 and 2026 Transparency Reports – review prior to approval by the Board.

This included receiving papers on the ‘robust assessment of the principal risks’ and ‘annual review of the effectiveness of risk management and internal control systems’, assessing compliance of the reports with the disclosure requirements of the Audit Firm Governance Code, and challenging the firm’s summary of compliance with the Code.

2025 and 2026 Annual Reports & Accounts – review and challenge of significant financial reporting judgements.

These included, in both years, the basis for recognition of deferred consideration

relating to the disposal of JC Wealth and in 2026, the treatment of costs related to the implementation of the firm’s new finance and HR system. Other ongoing areas of judgement and review included revenue recognition, work in progress valuation, debtor recoverability, professional indemnity provisions, and dilapidation provisions.

External audit – review and approval of the audit plan, audit fees, and engagement terms.

The committee also received a presentation from Price Bailey on audit findings and management letter points, confirmed their independence, and assessed the effectiveness of the external audit.

Risk management – the committee reviewed and challenged the firm’s risk register on an ongoing basis. It also received presentations on the risk management processes and the implementation of new risk management software.

Cyber security risk – the committee reviewed an initial self-assessment of compliance with the NCSC Cybersecurity Assessment Framework (CAF), received a presentation from the CIO on the cyber security risks facing the firm along with the security infrastructure and controls in place, and considered arrangements for external cyber assurance.

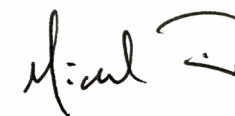
Other matters included reviewing

- (i) professional indemnity matters;
- (ii) whistleblowing processes and the outcomes of any investigations;
- (iii) reviewing any reports from Regulators that pertained to the remit of the Committee, together with any actions proposed by management.

Priorities for the coming year include further development of the internal controls framework, cyber assurance activity, and AI governance arrangements.

Ethics & Risk Consultation Panel

The ERCP met nine times during the period and considered client acceptance and continuance matters, whether to proceed with proposals for audit and other work, and a significant IT-related matter. In addition to panel members, the Senior Partner and Chair and CEO have both attended the ERCP in relation to specific matters.



Michael Timar

Independent Non-Executive

Section 6

Our culture

6 Our culture

Our culture is built around personal responsibility, quality, and continuous improvement. The firm's leader-leader philosophy, Culture Wheel (shown below) and Quality Starts With Me initiative reinforce the expectation that everyone contributes to the quality of our work, the experience of our people, and the long-term resilience of the firm.

Engagement and feedback

We encourage openness, feedback and constructive challenge through regular communication with our people, including direct engagement with leadership and the Board.

Our annual people survey remains an important mechanism for monitoring culture across the firm. We were accredited as a Great Place to Work for the second year running, and this year 82% of our people agreed that Johnston

Carmichael is a great place to work, compared with 78% last year. A number of the survey responses feed directly into the Firm Metrics which are published by the FRC and discussed in [Section 10.2](#) of this report. The survey also recorded high scores for leadership behaviour (86%), and justice (92%). We view these results alongside wider feedback, action plans, and ongoing monitoring of workload, resourcing and behaviours.

Feedback from our people informs decision-making across the firm. During the year this contributed to changes in pay and benefits, volunteering opportunities, wellbeing initiatives, and enhancements to performance review processes. The People and Culture Forum provides an additional employee-led channel for engagement and improvement.

Doing the right thing

In June 2025, we announced the winners of our first firm-wide Living Our Values (LOV) Awards, a peer-nominated programme that recognises colleagues who demonstrate our values through their actions and behaviours. Since launching, the awards have recognised 20 colleagues across the business.

One of these values is 'Doing the right thing', and our focus on ethics is central to this. We also maintain whistleblowing arrangements for colleagues who need to raise concerns. During the year, we completed one whistleblowing investigation.

6 Our culture

Developing leadership capability

Our masters-accredited Leadership Programme has supported more than 150 people in developing leadership capability across the firm. Distributed leadership remains a core theme of the programme and has helped support delivery of significant change initiatives during the year.

External recognition during the year provided further feedback on aspects of our culture. Our Great Place to Work survey results led to the firm being named among the UK’s Top 100 Workplaces for Development 2026 and UK’s Top 100 Workplaces for Women 2026. We were also recognised at The 5% Club UK National Employer “Earn & Learn” Awards 2025–26, reflecting the opportunities provided through early career pathways. We regard these outcomes as helpful indicators, rather than as conclusive evidence of culture, and continue to consider them alongside survey feedback and internal governance reviews.

We will continue to embed the Culture Wheel and leader-leader philosophy across the firm while monitoring feedback and taking action where improvement is required.



Section 7

Risk management and compliance

7 Risk management and compliance

Responsibility for risk resilience, anti-money laundering compliance, data protection and whistleblowing is led by the Chief Legal Officer through the Governance, Risk and Compliance function. This includes oversight of client acceptance and due diligence processes, ongoing client monitoring, and compliance with relevant legal and regulatory requirements. The Chief Legal Officer is also the firm's Money Laundering Reporting Officer, Data Protection Officer, and Whistleblowing Officer.

During the year, we also enhanced client onboarding and anti-money laundering processes through investment in new technology and workflow automation. This is intended to reduce manual effort, improve consistency, and support stronger overall risk management. As with any system change, continued monitoring will be important to ensure the process operates as intended and is applied consistently.

Business continuity

We periodically test our business continuity arrangements through scenario-based exercises. These demonstrated that the framework operates effectively while identifying opportunities to strengthen communication processes, supplier oversight, and third-party risk management.

Horizon scanning

The most recent FRC review of our risk management procedures highlighted risk horizon scanning as an area for further development. In response, the LLP Board's Terms of Reference were updated to include horizon scanning as a standing agenda item within Board strategy meetings. In addition, the Board undertook a dedicated standalone horizon scanning session, bringing together Board members and senior leaders from across the business, together with both INEs, to consider emerging risks and opportunities that could affect the firm, our clients, and the wider professional services sector.

Succession planning

Succession planning remains an important risk consideration, particularly in relation to key person dependency. During the year, governance structures and team arrangements were reviewed to support leadership development, knowledge sharing, and organisational resilience.

Risk management

Risk management remains a key area of focus. During the year, we strengthened our risk management framework, governance oversight, and reporting processes. These arrangements are supported by a culture that encourages colleagues to identify risks, raise concerns, and take responsibility for quality and compliance.

We have implemented a new risk management platform which has supported a refresh of business line and executive function risk review documentation, with the aim of improving ownership, accountability and visibility of risks assigned to individuals and teams. We have also enhanced risk management processes at business line, executive function and firm-wide levels.

In addition, we have designed and started the implementation of a formal principal risk controls testing programme. This assesses the design and operating effectiveness of the key controls that support the management of principal risks. Findings and actions will be reported through the firm's governance structure, with remediation progress monitored by management and the Board.

7 Risk management and compliance

Principal Risks

In line with provision 25 of the Audit Firm Governance Code, the firm defines a Principal Risk as a significant threat that could impact the firm's business model, future performance, solvency or liquidity.

The Governance, Risk and Compliance team prepares a comprehensive dashboard and firm-wide risk register for the Board which highlights the visibility and updates of any 'red-rated' risks, and provides a high-level overview of the strategic risks identified in the firm's risk registers.

On a quarterly basis, the firm's risk register is thoroughly discussed by the OpEx committee. During these meetings, the committee reviews and challenges the controls, actions, and their progress. Additionally, the OpEx committee takes the time to horizon scan at each of these meetings to anticipate and prepare for potential future risks.

Our Principal Risks are a sub-set of the firm's 'red-rated' risks and are summarised below. These require continuous monitoring, control and action to mitigate their potential impact. Through ongoing identification, review and challenge, we aim to manage these risks effectively and ensure the firm's resilience and sustainability.

7 Risk management and compliance



Principal Risk: **Regulatory and ethical compliance**

Non-adherence to the firm's Code of Conduct, regulatory requirements or ethical standards, or failure to recognise, anticipate and respond to significant regulatory change, could significantly adversely affect the firm's operations, reputation, and ability to meet stakeholder expectations.

Mitigating actions

To address this risk, the firm has governance and risk mitigation measures in place, including:

- Regular review of policies and procedures to ensure they remain current, effective, and aligned with legal, regulatory, and professional requirements.
- Ongoing monitoring and independent quality assurance activities to test compliance, identify control weaknesses, and drive remedial action where required.
- Mandatory compliance training, with completion rates recorded, monitored, and escalated to support consistent understanding of regulatory and ethical obligations across the firm.
- A whistleblowing policy that enables confidential reporting, supports appropriate investigation, and reinforces a culture in which concerns can be raised without fear of retaliation.
- Electronic non-audit services (eNAS) approval and gifts and hospitality reporting systems, supporting oversight, escalation, monitoring and documentation of potential conflicts and ethical matters.

- A monthly anti-money laundering compliance dashboard reviewed by the MLRO, enabling oversight of key indicators, exceptions, remediation activity, and emerging financial crime risks.
- Compliance, risk and assurance reporting prepared for the Board and Operational Executive review, incorporating key risk indicators, regulatory developments, controls testing outcomes, training compliance, incidents, remedial actions and emerging risks, supporting effective oversight and informed decision-making.

The firm also has an Ethics Partner and an Ethics & Risk Consultation Panel as described in this report.

For new and emerging regulation and legislation, the firm undertakes regular horizon scanning and engages, where appropriate, with regulators, professional bodies, and relevant government stakeholders. Material developments are assessed for business impact, assigned to accountable owners, and reported through relevant governance forums to support timely implementation and effective oversight.

7 Risk management and compliance



Principal Risk:

Cyber, information security and business continuity

There is a risk that a significant cyber incident, technology failure or loss of critical data could materially adversely impact our business operations, reputation and the services we provide to clients.

The cyber threat landscape continues to evolve rapidly, and while risk can be mitigated it cannot be eliminated entirely. A successful cyber-attack or significant data loss could result in operational disruption, regulatory consequences, and reputational damage.

During the year, the firm undertook a comprehensive review of its business continuity and operational resilience arrangements following engagement with the FRC. Recommendations arising from this review have either been implemented or are subject to formal action plans which are monitored through the firm's governance framework.

Mitigating actions

Some of the controls the firm has in place to mitigate this risk, include:

- IT policies and procedures over the areas covering access controls, data management, patching, vulnerability management, disaster recovery, business impact assessment, and business continuity planning.
- A quarterly risk review assessment process across business lines and executive functions, incorporating horizon scanning and assessment of emerging technology and cyber threats, including malicious uses of AI.
- A Data Protection Impact Assessment process for new and existing suppliers supporting the identification and mitigation of data protection risks.
- Independent cyber security assessments, penetration testing and vulnerability reviews to evaluate the effectiveness of key cyber controls and identify opportunities for improvement. As at the date of this report, an externally commissioned Cyber Assurance review engagement is also in progress. The findings and recommendations arising from this review will be considered as part of the firm's ongoing monitoring and mitigation of cyber risk.
- Mandatory training covering information security, data protection, and information management, including evolving cyber and data risks.
- The deployment of key security controls, including multi-factor authentication, endpoint protection, and monitoring capabilities.
- Maintenance of Cyber Essentials Plus certification.
- A Data Protection Officer who oversees data governance, compliance, and data protection strategy, including measures relating to data loss prevention and regulatory compliance.
- Periodic testing of business continuity and disaster recovery arrangements to assess operational resilience and ability to recover from significant disruptions.

The firm also continues to monitor risks and opportunities associated with the use of artificial intelligence. Governance arrangements are in place to assess emerging AI-related risks and threats whilst supporting the safe, responsible and controlled adoption of AI-enabled technologies across the business.

The Board reviews principal risks, associated controls and mitigation activities throughout the year.

Section 8

Audit Business Line governance

8 Audit Business Line governance

Our structure

The ABL operates a governance model that separates oversight through the Audit Quality Board, from executive management through the Audit Executive Board, supporting clear accountability, challenge, and escalation of audit quality matters.

The Audit Quality Board

The AQB oversees audit quality, resilience, and public interest matters within the ABL. Its role is to provide challenge and oversight of the audit quality framework, quality risks, and remediation activity.

The AQB meets every two months and includes ABL leaders and INEs, whose external perspective supports effective challenge and oversight.

During the year, the AQB considered the outcomes of internal and external audit quality monitoring, both at engagement level and for the SoQM. It challenged root cause analysis findings, considered whether remediation plans were appropriate, and monitored progress against actions. The AQB also received reporting on significant quality-related initiatives.



Graham Marjoribanks
Vice-Chair, Partner, and
Head of Audit



Les Clifford
Independent
Non-Executive (Chair)



Sally Hewish
Partner and Head
of Audit Quality,
Risk and Technical



David McBain
Ethics Partner



Michael Timar
Independent
Non-Executive

8 Audit Business Line governance

Audit Executive Board

The AEB has responsibility for operational management of the ABL, including delivery of the strategy, implementation of agreed initiatives, and management of audit quality risks. It reports to the AQB on progress, risks and matters requiring oversight or escalation.

Each AEB member oversees a specific area of responsibility. During 2026, Caterina Zarzana joined the AEB as Head of Resource Management, reflecting the importance of workforce planning, capacity management and resourcing in supporting audit quality.



Graham Marjoribanks
Vice-Chair, Partner, and
Head of Audit



James Hamilton
Audit Partner
(Client Service)



Sally Hewish
Partner and Head
of Audit Quality,
Risk and Technical



Jenny Junnier
Audit Partner
(JC Academy)



Matthew Kaye
Audit Partner
(Innovation and
Transformation)



Grant Roger
Audit Partner
(Internal Excellence)



Irvine Spowart
Audit Partner (Financial
Performance and Targets)



Richard Sutherland
Financial Services
Audit and Assurance
Partner (Leading and
Managing our People)



Caterina Zarzana
Resource Planning
Senior Manager

Section 9

Ethics and independence

9 Ethics and independence

9.1 Ethics team >>

The Ethics team supports the firm's commitment to maintaining high standards of ethics and independence. They provide oversight, guidance and challenge on compliance with ethical standards, advise on complex ethical matters, support training and awareness, and monitor the effective operation of the firm's ethics and independence processes.



David McBain
Ethics Partner

David McBain is the firm's Ethics Partner and is responsible for oversight of ethics, independence, training and compliance with the FRC Ethical Standard and ICAS Code of Ethics. He also provides support and consultation on complex ethics matters across the firm.



Scott Jeffrey
Deputy Ethics Partner

Scott Jeffrey is the firm's Deputy Ethics Partner and supports delivery of the ethics programme, breach monitoring, training and ethics consultations across the firm.

9 Ethics and independence

9.2 Ethics framework

Our ethics framework establishes the standards, controls and escalation routes that support ethical decision-making and compliance with professional requirements.

Fit and Proper assessment

All new joiners complete onboarding confirmations relating to ethics and independence requirements. These confirmations are then renewed annually for all employees and include personal independence, compliance with CPD obligations, and adherence to the firm's policies on gifts, hospitality, financial interests, and outside appointments.

Ethics culture and training

Our ethics training programme is mandatory for all Partners and employees in the ABL, with some elements also mandated across the entire firm. It covers the FRC Ethical Standard, the ICAS Code of Ethics, our Ethics and Independence Policy, the identification and management of conflicts of interest, and the firm's whistleblowing procedures. Training is refreshed annually to reflect regulatory changes and monitoring findings.

In 2025, ethics training was updated to address thematic findings from our monitoring programme, including the consistent application of independence checks at the start of engagements. This is one way in which monitoring findings inform training and communication activity.

Ethics consultation and oversight

The Ethics Partner leads the firm's ethics and independence framework, supported by the Deputy Ethics Partner and the Ethics & Risk Consultation Panel. During 2026 the firm determined that the Panel, chaired by an INE, would provide an appropriate source of objective third-party challenge on complex ethics matters.

Breach monitoring

Breaches are recorded through a central reporting mechanism and reviewed by the Ethics Partner or Deputy Ethics Partner. Each breach is assessed for severity and for whether it requires immediate reporting to regulators under the FRC Ethical Standard.

9 Ethics and independence

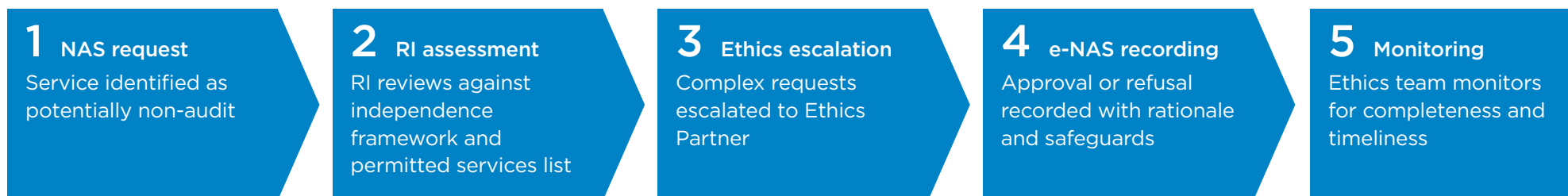
9.3 Independence procedures

Independence is fundamental to audit quality and public trust. Our independence framework is based on the requirements of the FRC Ethical Standard, the ICAS Code of Ethics and the Moore Global network's Standard Operating Policies and Procedures.

Non-Audit Services (NAS)

Our policy requires that all non-audit services proposed for audit clients are assessed against the permitted services list before approval is given, and that approval is obtained from the RI and, where required, the Ethics Partner, before any such service commences.

In August 2025, we implemented eNAS, our electronic non-audit services approval system. The system provides a structured workflow for recording, assessing and approving non-audit services before work commences, improves visibility of the approval pipeline, and provides a documented record of approvals, refusals, rationale and safeguards.



9 Ethics and independence

Partner rotation and Long-Term Association (LTA)

Our rotation policy reflects the requirements of the FRC Ethical Standard and applies to all RIs and Engagement Quality Reviewers (EQRs) across the firm’s audit portfolio. The table below sets out the specific tenure, cooling-off and cumulative association limits that apply in each scenario.

Role	Engagement type	Max tenure	Cooling-off
RI	PIE and listed entities	5 years	5 years
RI	Non-listed entities	10 years	2 years
EQR	PIE and listed entities	7 years	5 years
EQR	Non-listed entities	(a)	(a)

(a) The firm does not have definitive maximum tenure or cooling-off periods for EQRs for non-listed entities, although it is anticipated that tenure will not exceed 10 years, followed by a two-year cooling-off period.

Compliance is monitored through audit planning, reacceptance procedures and the firm’s Long-Term Association monitoring programme. Enhanced portfolio-wide monitoring remains under development and is discussed further in [Section 10.3](#).

Conflicts of interest

Client acceptance procedures require conflict checks to be completed before engagement acceptance, including mandatory Moore Global network conflict checks where required. Potential conflicts are identified, assessed and resolved before an engagement proceeds.

Our Ethics Practice Statements and Anti-Bribery Policy include provisions relating to gifts and hospitality, with more restrictive requirements for audit clients. These restrict the monetary value of gifts and hospitality that may be accepted from, or provided to, an individual during a calendar year. The thresholds are kept under review to support compliance with independence requirements and to reduce the risk that gifts or hospitality could impair, or be perceived to impair, independence.

Financial interests

All Partners and employees engaged on audit engagements are required to confirm annually, and at the commencement of any new engagement, that they hold no direct or material indirect financial interest in the audit client. Any exceptions are investigated and resolved by the Ethics team.

Section 10

Audit quality

10 Audit quality

Audit quality is central to the confidence placed in our audit work by clients, regulators and wider stakeholders. During the year we continued to strengthen the systems, processes and behaviours that support audit quality, while using monitoring, root cause analysis and remediation activity to drive continuous improvement.

The following metrics summarise key audit quality activity and outcomes during the year.

19

internal cold
file reviews

20

thematic reviews
First full year
Zero file failures

90%

remediation
effectiveness

*Plans prevented
recurrence of
deficiencies*

1

regulatory
inspection (FRC)

1

Moore Global
PSR

*All acceptable
outcomes*

Our SoQM annual evaluation was completed in December 2025. The firm reached a paragraph 54(b) conclusion under ISQM (UK) 1, as explained in [Section 10.3](#).

Quality by design – our focus for the year ahead

Our focus for the year ahead is to continue embedding quality requirements within systems, workflows and tools.

This section covers eight areas of our audit quality framework:

- **10.1 Audit Quality Plan:** Our Audit Quality priorities.
- **10.2 Audit Firm Metrics:** The ten FRC-required metrics for the year, with commentary on performance and trends.
- **10.3 SoQM:** Our ISQM (UK) 1 annual evaluation conclusion, deficiencies identified and the continuous improvement cycle.
- **10.4 Client acceptance and continuance:** Our risk-based approach to accepting and retaining audit engagements, and the new Client Acceptance Modulation project.
- **10.5 Audit software and methodology:** The successful go-live of our new audit platform, and how it is reshaping audit delivery.
- **10.6 Resources:** How we recruit, develop, and support our people, and the quality metrics embedded in our performance framework.
- **10.7 Monitoring and remediation:** Our multi-layered monitoring universe – what we did, what we found, and what we did about it.
- **10.8 External monitoring:** Our engagement with the FRC, ICAS and Moore Global, and the firm's regulatory position.

10 Audit quality

10.1 Audit Quality Plan

In 2026, the ABL refreshed its approach to audit quality through the Audit Quality Plan, taking a top-down and bottom-up approach to determining our audit quality priorities.

The Plan draws on data points from internal and external monitoring, root cause analysis, SoQM activity, audit quality indicators, regulatory feedback, firm-wide risk assessment, horizon scanning, and emerging risks.

Our key audit quality priorities and associated projects are:

1. Develop our sector specialist teams – this includes ensuring we have a strong pipeline of RIs and EQRs in growth areas.
2. Develop our audit support teams – this includes developing a Target Operating Model for Audit Quality, Risk and Technical (AQRT) and the Ethics function to ensure we embed the necessary resources ahead of growth.

3. Develop a consolidated audit quality insight framework that integrates root cause analysis findings, monitoring activity, audit quality indicators, regulatory feedback and other quality signals to identify emerging themes and support targeted remediation.

Additional priorities and focus areas are monitored throughout the year and may be revised in response to emerging risks, regulatory developments, monitoring outcomes and audit quality indicators. These currently include;

- Monitoring the effectiveness of audits conducted on new audit platform.
- Developing an evaluation framework around use of AI while maintaining audit quality.
- Embedding project management discipline through robust effectiveness measures and milestones.
- Improving key aspects of our client acceptance / continuance.
- Rolling out our SoQM framework for non-audit assurance engagements.

Each priority is supported by targeted projects designed to address recurring findings, regulatory feedback, emerging risks, and quality indicators

The AEB is responsible for delivery of the Audit Quality Plan, while the AQB provides oversight and challenge. Progress is monitored through quality indicators, monitoring outcomes, regulatory feedback and delivery against agreed priorities. The Plan is reviewed regularly to ensure it remains aligned to emerging risks and developments affecting audit quality.

10 Audit quality

10.2 Audit Firm Metrics

In July 2026, the FRC published the latest Audit Firm Metrics. These metrics provide comparable information on key aspects of audit firm performance and are intended to increase transparency across the profession.

At a glance

Ten quality metrics grouped into four themes

People and culture  Metrics 1, 7, 8, 10 > Survey results improved > Workload broadly stable > Attrition mixed > Diversity improved Status: Positive overall, with continued monitoring of workload	Inspection and monitoring outcomes  Metrics 2, 3, 4 > 76% RI internal review coverage > No internal inspection fail gradings > 100% satisfactory external AQR outcome Status: Improved	Partner / RI involvement and capacity  Metrics 5, 6 > RI / Partner involvement increased > Employees-to-RI ratio stable at 9:1 Status: Positive	Training and development  Metric 9 > Mandatory training hours increased > Completion remained very high Status: Positive
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10 Audit quality

The tables below set out each metric together with commentary on performance, trends and any resulting actions.

Ref	Area	Metric description	Indicator	Measurement	2026 (2025)
1	People / culture survey results	Audit employees responses to certain annual people / culture survey questions	Percentage of favourable and unfavourable responses to the survey questions	Resources	
				Favourable:	54.0% (47.5%)
				Neutral:	31.0% (30.5%)
				Unfavourable:	15.0% (22.0%)
				Training and development	
				Favourable:	87.0% (82.0%)
				Neutral:	11.0% (14.0%)
				Unfavourable:	2.0% (4.0%)
				Commitment to audit quality	
				Favourable:	92.0% (87.0%)
				Neutral:	6.0% (8.0%)
				Unfavourable:	2.0% (4.0%)

This is our second year of achieving Great Place to Work accreditation. Survey responses showed improvements of more than five percentage points to selected questions, including the 92% favourable response in respect of commitment to audit quality, alongside a reduction in unfavourable responses. Survey results improved across all reported categories, including resourcing-related measures. Resourcing and workload remain areas that are actively monitored by leadership.

2	Internal quality review	Extent of review by firm's internal quality review teams	RIs who have been reviewed internally, as a percentage of RIs who have signed an audit opinion in the 12-month period covered	% of the RIs	76% (58%)
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Internal review coverage increased significantly during the year and is discussed further in [Section 10.7](#).

10 Audit quality

Ref	Area	Metric description	Indicator	Measurement (internal grading mapping)	2025 (2024)
3	Inspection results – internal	Results of internal inspections by the audit firm	Quality grading of audits internally reviewed (expressed as the percentage of number of audits reviewed during the period)	All audits	
				Good (grade 1):	11% (7%)
				Limited improvements (grades 2 and 3):	89% (79%)
				Improvements (grade 4):	Nil (7%)
				Significant improvements (grade 5):	0% (7%)
				PIE audits	
				Good (grade 1):	50% (20%)
				Limited improvements (grades 2 and 3):	50% (80%)
				Improvements (grade 4):	0% (0%)
				Significant improvements (grade 5):	0% (0%)
The firm uses a five-grade internal review system which is mapped to the four categories required by the FRC. No audits received a fail grading during the year. Grade 3 outcomes continue to be treated internally as near misses and remain an area of focus.					
4	Inspection results – external	Results of external inspections by the audit firm	Percentage of audits inspected, by quality grading	AQR	
				% of good and limited improvements required	100% (100%)
				% of improvements required	0% (0%)
				% of significant improvements required	0% (0%)

Public reporting by the FRC and ICAS on Johnston Carmichael remains limited. During the year, one audit file was inspected by the FRC and received a satisfactory outcome.

10 Audit quality

Ref	Area	Metric description	Indicator	Measurement	2025 (2024)
5	Partners' and RIs' involvement in audits	Extent of involvement in and / or supervision of audits by Partners and Partner-equivalents	Average hours spent on audits as a percentage of total audit hours by RIs and Partners	All audits	7% (6%)
				PIE audits	12% (10%)
6	Employees / Partners and RIs ratio	Capacity of Partners / RIs to supervise junior audit employees in the firm, and the level of professional support for Partners / Responsible Individuals	Average number of audit employees managed by a Partner / RI		9:1 (9 :1)
7	Employees workload	Number of hours worked per week, as a percentage of contracted hours	Average hours worked by group of grades in the audit practice, for busy period, as a percentage of weekly contracted hours	Partners & Directors: [% utilisation]	112% (113%)
				Managers & Senior Managers: [% utilisation]	103% (106%)
				Qualified, but below Managers: [% utilisation]	104% (104%)
				Unqualified: [% utilisation]	102% (101%)
8	Employees attrition	The rate at which employees leave the firm's audit practice	Average employees attrition rates by group of grades in the audit practice	Partners & Directors: [% attrition]	10% (7%)
				Managers & Senior Managers: [% attrition]	19% (12%)
				Qualified, but below Managers: [% attrition]	23% (44%)
				Unqualified: [% attrition]	7% (11%)

These metrics should be considered together as they are interrelated. Johnston Carmichael continues to operate a Partner and RI-led model, reflected in a lower employee-to-RI ratio than some firms. Workforce planning remains under review as technology, audit delivery models and future skills requirements continue to evolve.

10 Audit quality

Ref	Area	Metric description	Indicator	Measurement	2025 (2024)
9	Training	To demonstrate the level of investment in training offered to Partners and employees	Average number of planned mandatory training hours per person, and percentage of completion rates, by group of grades	Partners & Directors [Number of hours] [% completion rate]	32 (28) 99% (98%)
				Managers & Senior Managers [Number of hours] [% completion rate]	33 (28) 99% (99%)
				Qualified, but below Managers [Number of hours] [% completion rate]	34 (34) 100% (97%)
				Unqualified [Number of hours] [% completion rate]	40 (23) 99% (97%)

Mandatory training completion rates remained very high. The increase in training hours primarily reflects investment in implementation of the new audit platform.

10	Diversity	Gender and ethnic diversity of the firm's audit partnership	Percentage of individuals in the audit partnership, by gender and ethnicity	[% of women audit Partners]	13% (10%)
				[% of ethnic minority audit Partners]	7% (5%)

We remain committed to improving diversity in the firm's leadership. The metrics above show improvement during the year. As at 31 May 2026, the firm had five female Audit Partners, representing 22% of total Audit Partners. Women also comprised 25% of the AEB and 20% of the AQB. As at the date of publication of this report 13 of the firm's 28 audit RIs (i.e. 40%) are women.

10 Audit quality

10.3 SoQM

Our SoQM is the framework through which we identify quality risks, design responses, monitor effectiveness and drive continuous improvement across the ABL in accordance with ISQM (UK) 1.

Our 2025 annual evaluation concluded, in accordance with paragraph 54(b) of ISQM (UK) 1, that except for the matters identified, the SoQM provides reasonable assurance that its objectives are being achieved. Six key observations were identified: two individual deficiencies and four thematic deficiencies. Each was assessed as low in severity and not pervasive. No audit opinions were affected, and the evaluation did not identify evidence of systemic failure across the SoQM.

Why paragraph 54(b)?

A paragraph 54(b) conclusion was considered appropriate because of the thematic nature of certain findings relating to acceptance procedures, AML documentation, and ethical requirements. All deficiencies were assessed as low severity and not pervasive, with remediation plans in place. No audit opinions were affected and no systemic failure was identified.

10 Audit quality

Assessment by ISQM component

The table below summarises the assessment of each ISQM (UK) 1 component in 2025 compared with 2024. Components showing deficiencies are subject to active remediation, as described in [Section 10.7](#).

ISQM Component	2024 Scoping decision	2024 Assessment	2025 Scoping decision	2025 Assessment
Leadership and governance	In scope	Operating effectively	In scope	Operating effectively
Firm risk assessment	In scope	Deficiency noted	In scope	Operating effectively
Acceptance and continuance	In scope	Thematic deficiency noted	In scope	Deficiency and thematic deficiency noted
Ethical requirements	In scope	Deficiency and thematic deficiency noted	In scope	Thematic deficiency noted
Engagement performance	In scope	Deficiency noted	In scope	Deficiency and thematic deficiency noted
Information and communication	In scope	Operating effectively	In scope	Operating effectively
Resources and network requirements	Partially in scope	Deficiency noted	In scope	Operating effectively
Monitoring and remediation	Not in scope	Deficiency noted	In scope	Operating effectively

10 Audit quality

Deficiencies identified in 2025

The two deficiencies and four thematic deficiencies identified in 2025 are summarised below. The common theme was not policy design, but operational execution, including workflow discipline, documentation, and consistency of application.

Deficiency	Type	Component
Professional clearance	Individual	Acceptance and continuance
Service provider evaluation timeliness	Individual	Engagement performance
Client acceptance and continuance documentation	Thematic	Acceptance and continuance
AML documentation and Quality Assurance monitoring	Thematic	Acceptance and continuance
Long-Term Association documentation & RI monitoring	Thematic	Ethical requirements
Project management & Workflow discipline	Thematic	Engagement performance
Resources and network requirements	Partially in scope	Deficiency noted
Monitoring and remediation	Not in scope	Deficiency noted

Remediation effectiveness

A key measure of SoQM maturity is whether remediation actions are effective in reducing recurrence. In 2025, we assessed the effectiveness of prior-year remediation plans. 90% were assessed as having operated

effectively, demonstrating that remediation activity is generally preventing recurrence of identified issues. The remaining plans have been refreshed and strengthened through targeted workflow redesign.

Two remediation plans were assessed as not fully effective, relating to AML documentation and client acceptance documentation. Enhanced remediation plans for these issues focusing on workflow redesign are now in place.

Continuous improvement and the year ahead

Priorities for the year ahead include strengthening workflow discipline, extending Long-Term Association monitoring, embedding client acceptance controls and continuing to integrate quality requirements into systems and workflows.

ISQM (UK) 1 – Statement of compliance

Johnston Carmichael LLP confirms that the annual evaluation of the SoQM for the period ending 30 September 2025 was completed on 15 December 2025 and presented to, and ratified by, the AQB, including the INEs. The conclusion, in accordance with paragraph 54(b) of ISQM (UK) 1, is that except for the deficiencies described above, the SoQM provides reasonable assurance that its objectives are being achieved. Remediation plans are in place for all deficiencies identified.

Looking ahead

During the year, the firm continued development of its Non-Audit Assurance Service Quality Control Framework, which is expected to become operational in late 2026. Monitoring activity is expected to commence in 2027.

10 Audit quality

10.4 Client acceptance and continuance

Client acceptance and continuance decisions are critical to audit quality. Our framework is designed to ensure we undertake engagements only where we can deliver a high-quality audit, maintain independence and appropriately consider public interest factors.

Our approach

All new audit appointments and continuance decisions are subject to structured assessment through our Client Take-On procedures. This includes consideration of client integrity, governance, financial position, independence, capability, capacity, and reputational factors. Higher-risk matters are escalated through the firm's governance framework, including the Ethics & Risk Consultation Panel where appropriate.

Our acceptance process incorporates, when required, a mandatory Moore Global conflict check, AML due diligence, and a professional clearance process for all new appointments where a predecessor auditor exists.

Learning from monitoring

As discussed in [Section 10.3](#), the 2025 SoQM evaluation identified weaknesses in documentation associated with client acceptance and continuance procedures rather than concerns over the underlying acceptance decisions themselves.

Looking ahead: The Client Acceptance Modulation project

In response to these findings, we are developing a Client Acceptance Module within our client lifecycle management platform to strengthen workflow integration, documentation, and oversight.

10.5 Audit software and methodology

January 2026 marked the successful implementation of our new audit platform following a two-year programme of preparation and deployment. The investment is intended to strengthen audit quality through greater consistency, workflow discipline and use of technology-enabled audit techniques.

Governance and support

Governance arrangements were established to support implementation and provide ongoing support to audit teams during transition.

What the new audit platform delivers for audit quality

The platform brings enhanced structure to audit delivery and responds to quality themes identified through our monitoring programme. Guided workflows direct teams through the methodology step by step, reducing the risk of documentation weaknesses and supporting more consistent performance of procedures across engagements.

The implementation included additional emphasis on audit planning, reflecting the firm's view that higher-quality planning supports stronger audit execution and documentation.

10 Audit quality

Post-implementation – embedding and monitoring

Monitoring activity has been adapted to assess how the platform is being embedded across the engagement portfolio and to identify opportunities for further support and improvement. In-flight reviews have been introduced for selected first-time engagements delivered using the new audit platform, enabling the Audit Quality Monitoring and Remediation (AQMR) team to observe how the methodology is being applied and support where needed.

Training and support activities continue to evolve as the platform becomes embedded across the ABL.

An AI-enabled audit

We continue to evaluate AI-enabled audit tools where they have the potential to enhance audit quality and efficiency. Adoption is subject to appropriate governance, quality, and ethical safeguards.

10.6 Resources

Delivering high-quality audits depends on having people with the skills, judgement and capacity to perform effectively. Recruitment, development and workforce planning remain important components of the firm's audit quality strategy.

Recruitment and resourcing

We continue to grow the ABL in a managed way, seeking to align portfolio growth with the capacity and capability required to deliver high-quality audits. RI portfolios have been mapped through to 2030 and, at an aggregate level, do not indicate significant capability gaps. In our specialist sector teams, we have made a number of external hires in anticipation of our higher growth expectations in these areas. Longer-term workforce planning continues to consider the impact of technology on future workforce requirements.

We continue to admit new RIs into the portfolio, both through our internal development pathway and through direct hire. All new RIs enter a structured supervision period to support consistency in methodology, culture, and quality expectations. We also recognise the value that experienced external hires bring, including relevant expertise and perspectives from previous roles.

Stepping Up to RI

Our Stepping Up to RI programme prepares high-performing Senior Managers for admission to the register of RIs. The programme provides structured mentoring from an experienced RI, supervised file responsibility across a portfolio of engagements, and exposure to the governance and quality management responsibilities that come with RI status. It supports the long-term quality and resilience of the ABL.

10 Audit quality

Performance framework

Our performance framework emphasises regular feedback, coaching and accountability throughout the year. The framework uses a Balanced Scorecard approach structured around four pillars, as shown below. The Internal Excellence pillar carries a specific quality weighting and acts as a gateway for progression and reward.

Client Service  > Client satisfaction > Service quality > Relationship outcomes	Internal Excellence  > Audit quality > File review results > Methodology compliance *Quality anchor	Leading and Managing People  > Development > Engagement > Wellbeing > Team contribution	Financial Performance  > Productivity > Recovery > Billing discipline > Outcomes
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The Internal Excellence pillar carries a specific quality anchor: individuals who do not demonstrate strong quality behaviours, as evidenced through file review results, methodology compliance and quality monitoring feedback, cannot progress or receive recognition or reward regardless of performance elsewhere. Quality performance acts as a gateway within the framework.

The quality gateway incorporates a range of performance, monitoring and audit quality measures, including an audit quality RAG rating.

Quality Starts With Me

As described in [Section 6](#), Quality Starts With Me also supports participation in monitoring and quality-improvement activities. During 2025,

more than 90 individuals from across the ABL contributed to testing, thematic reviews and other quality initiatives.

Participation in quality-related initiatives is recognised within the performance framework through the Internal Excellence pillar.

10 Audit quality

10.7 Monitoring and remediation

Monitoring provides evidence of whether quality processes and behaviours are operating effectively and forms a core component of the firm’s quality framework. The outcomes of this activity inform root cause analysis, remediation, and ongoing improvement.

What we did – The 2025 monitoring ecosystem

Our monitoring universe encompasses five distinct activities, each providing a different lens on audit quality. Together, they provide a broader evidence base than any single review type could provide on its own. The scale of activity in 2025 was significant and was subject to AQMR and AQB oversight.

Cold file reviews

19 cold file reviews were completed in the 2025 cycle (compared with 11 in 2024). This represented 76% RI coverage across the ABL. No files were graded as requiring improvement or significant improvement required. The grading distribution improved year-on-year as shown in the table below. This indicates an improving trend in audit quality outcomes, including the elimination of grades 4 and 5 reviews during the year. Increasing the proportion of grade 1 and grade 2 outcomes remains a priority.



Internal

225

SoQM activities tested

19

findings

2

deficiencies

4

thematic deficiencies

Internal

19

cold file reviews

20

thematic reviews

76%

RI coverage

Zero

file failures

External

1

regulatory inspection (FRC)

1

Moore Global PSR

All

acceptable outcomes

RCA Programme

46

Root Cause Analysis meetings

20

remediation plans

90%

prior-year remediation plans effective

Together, these activities provide a comprehensive evidence base for assessing audit quality and informing remediation priorities.

10 Audit quality

JC Grading system	2024 Count	2024 %	2025 Count	2025 %	Movement
1 - Good	1	9%	2	11%	Increase in this category
2 - Minor improvements required	2	18%	4	21%	Increase in this category
3 - Limited improvements required	6	55%	13	68%	Increase in this category, but our goal is to move more outcomes into grade 1 or grade 2.
4 - Improvement required	1	9%	0	0%	No files graded in this category
5 - Significant improvements required	1	9%	0	0%	No files graded in this category

The most consistent themes related to documentation quality, particularly the linkage between risk assessment and audit procedures performed, controls documentation and the evidencing of professional scepticism. These findings are consistent with themes from our thematic reviews and external inspections. They indicate that, while audit work is generally being performed well, the audit file does not always provide a sufficiently clear evidence trail to support the work performed and judgements made.

Thematic reviews

2025 was the first full year of thematic review activity. These reviews provide insight into firm-wide quality themes, behaviours, and potential systemic issues that may not be visible from individual file reviews alone.

In-flight reviews

In-flight reviews provide an additional monitoring tool by assessing selected engagements while audit work is still in progress, enabling earlier identification of issues and support for engagement teams.

SoQM response activity testing

225 SoQM response activities were tested during the monitoring cycle across all ISQM components. Testing was led by AQMR and supported by participants from the Quality Starts With Me initiative. The six identified deficiencies were as discussed in [Section 10.3](#).

Root Cause Analysis Programme

46 Root Cause Analysis meetings were held during the 2025 monitoring cycle. Root Cause Analysis is now fully embedded within the monitoring framework and is applied to deficiencies, thematic findings and selected engagement-level issues. Outcomes inform remediation, methodology development and training activity.

10 Audit quality

What We Found – Themes from the 2025 cycle

Three cross-cutting themes emerged across monitoring activity. These related primarily to workflow integration, ownership clarity and operational execution rather than weaknesses in underlying policy design.

Theme	What we found	Root cause	Response	Remediation response
1 Client acceptance and continuance	Documentation not consistently updated when circumstances changed. Acceptance treated as a one-time sign-off.	Workflow fragmentation and memory-dependent follow-up – not a policy gap.	Client Acceptance Modulation project. Workflow redesign with system-enforced checkpoints.	Remediation activity focuses on redesigning acceptance and continuance workflows, embedding system checkpoints, clarifying ownership, and strengthening documentation standards.
2 Ethical Requirements – Long-Term Association & RI monitoring (non-PIE and non-Listed portfolio)	Incomplete long association documentation. No centralised RI-association monitoring for non-PIE and non-listed engagements.	Monitoring infrastructure gap. PIE monitoring effective, the remainder of the portfolio lacked the equivalent oversight.	Central RI monitoring mechanism in development. Enhanced LTA templates rolled out across teams.	Remediation activity focuses on extending portfolio-wide monitoring, standardising documentation, and strengthening governance reporting for Long-Term Association requirements.
3 Project management and workflow discipline	Across a number of causal factors, project management discipline appears as a recurring theme.	Controls exist but not operating with sufficient discipline, timeliness, or system enforcement.	12-week audit cycle repositioned as escalation trigger. Threshold-based controls introduced. Audit platform workflows reinforcing discipline.	Remediation activity focuses on strengthening workflow discipline, escalation processes, accountability, and timely completion of key quality controls.

Looking ahead

During the year we continued to strengthen monitoring, reporting and accountability across the quality framework. Our focus remains on embedding quality requirements within systems, workflows and day-to-day decision-making.

10 Audit quality

10.8 External monitoring

Monitoring results, regulatory inspection outcomes and network reviews all indicated positive overall quality outcomes during the year, while continuing to identify areas for improvement and remediation.

External monitoring by the FRC, ICAS and Moore Global provides independent challenge and informs our continuous improvement activities. We maintain constructive engagement with regulators and use inspection findings, supervisory feedback and network reviews to strengthen audit quality and governance.

FRC supervision

Johnston Carmichael is subject to direct supervision by the FRC as a PIE registered auditor.

PIE auditor registration

Johnston Carmichael is registered as a Public Interest Entity auditor and complies with the enhanced regulatory, transparency and governance obligations associated with that status. All registration obligations were met throughout the year.

Audit Firm Governance Code compliance – continued progress

The number of provisions of the Audit Firm Governance Code 2022 with which the firm is non-compliant reduced from 4 in 2025 to 2 in 2026 (as noted on page 21). The remaining areas are kept under active review and are reported in the Audit Firm Governance Code compliance appendix to this report. This represents progress against the prior year, while the remaining areas continue to be kept under review. We are committed to implementing governance measures that are appropriate for the size and complexity of the firm.

FRC Audit Quality Review

Findings from the FRC's inspection programme continue to inform remediation activity, training priorities and methodology development.

Moore Global Professional Standards Review

As part of the Moore Global Professional Standards Review programme, the firm underwent review of its ISQM (UK) 1 framework, network compliance arrangements and selected audit files. The firm achieved a Grade 1 assessment across all SoQM components, while both audit files reviewed received a grading of minor improvements required.

Looking ahead

Priorities for the year ahead include responding to FRC supervisory priorities, continuing progress towards full Audit Firm Governance Code compliance, and preparing for the next cycle of regulatory review activity. Feedback from regulators and Moore Global will continue to inform our quality improvement programme.

Section 11

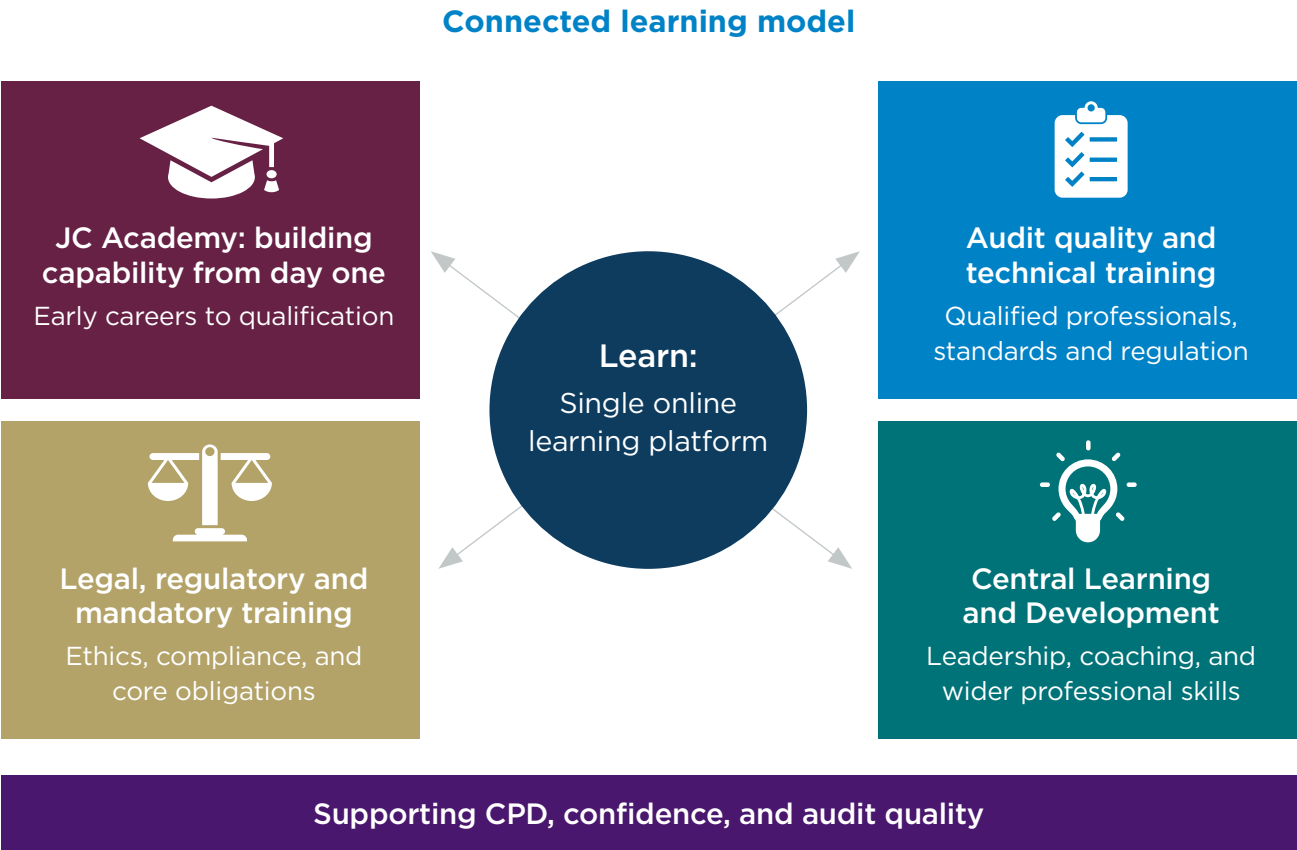
Learning and development

11 Learning and development

Learning and development supports professional competence, confidence, and audit quality. Our learning framework combines technical, regulatory, leadership and mandatory training delivered through specialist teams across the firm.

The firm’s learning framework supports colleagues throughout their careers, from professional qualification through to leadership development. It includes audit quality and technical training, regulatory and compliance learning, leadership development and broader professional skills programmes.

Learn is the firm’s central learning platform, providing access to training materials, CPD records and mandatory learning programmes, while supporting monitoring of training completion and knowledge assessments.



11 Learning and development

Meeting professional CPD obligations

In Audit, all employees are trained against International Education Standard 7 as a baseline. Our internal training supports RIs in meeting the requirements of International Education Standard 8.

All professionally qualified individuals in the ABL are required to complete an annual CPD plan. This includes a forward-looking development plan at the start of the year and a retrospective assessment of effectiveness at year end. Plans are reviewed by line managers and submitted for central monitoring.

CPD guidance and documentation were refreshed during the year in response to monitoring activity and regulatory feedback, supporting improved alignment with IES 8 requirements.

Key highlights for 2025/26

- Two days of ABL-wide audit platform implementation training, delivered in person by the dedicated learning team and supported by the SuperUser cohort.
- A programme of FRS 102 revised learning events to prepare auditors for changes effective from 1 January 2026.
- New feedback sessions from the AQMR team highlighting key themes, learnings, and remediation from monitoring activities.
- A dedicated EQR curriculum for current and new Engagement Quality Reviewers.
- A PIE and Listed company audit curriculum within Learn, creating targeted mandatory learning programmes for those working on PIE and listed audit engagements.
- Leveraging a new course for Audit Assistant Managers to build a peer support network for those in the earlier stages of their management career

Appendix 1



Appendix 1

Public Interest Entities (PIE)

During the year to 31 May 2026, the firm expressed an opinion on the financial statements of the following entities that currently meet the definition of a PIE:

- Aberdeen Equity Income Trust PLC
- Aberforth Geared Value and Income Trust PLC
- Aberforth Smaller Companies Trust PLC
- Aberdeen UK Smaller Companies Growth Trust PLC
- Albion Crown VCT PLC
- Albion Enterprise VCT PLC
- Albion Technology & General VCT PLC
- Alpha Schools (Highland) Project PLC
- Amey Roads NI Financial PLC
- Annes Gate Property PLC
- Baglan Moor Healthcare PLC
- Baillie Gifford Shin Nippon 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
- Consort Healthcare (Salford) PLC
- Consort Healthcare (Tameside) PLC
- Criterion Healthcare PLC
- Discovery Education PLC
- Dudley Summit PLC
- Exchequer Partnership PLC
- Exchequer Partnership (No 2) PLC
- Global Opportunities Trust PLC
- Gresham House Income and Growth 2 VCT PLC (formerly Mobeus Income & Growth VCT PLC)
- Gresham House Income and Growth VCT PLC (formerly The Income & Growth VCT PLC)
- Healthcare Support (North Staffs) Finance PLC
- Highway Management (City) Finance PLC
- HpC Kings College Hospital (issuer) PLC
- InspirED Education (South Lanarkshire) PLC
- Majedie Investments 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
- Mobius Investment Trust PLC
- Peterborough (Progress Health) PLC
- RMPA Services PLC
- Strategic Equity Capital PLC
- Summit Finance (Wishaw) PLC
- The Scottish Oriental Smaller Companies Trust PLC
- Unicorn AIM VCT PLC
- Worcestershire Hospital SPC PLC

We had also been appointed as auditor to the following entities as at 31 May 2026 and will express our audit opinion on these in the year to 31 May 2027:

- By Chelmer PLC
- International Biotechnology Trust PLC
- Northern 2 VCT PLC
- Northern 3 VCT PLC
- Northern Venture Trust PLC
- Schroder British Opportunities Trust PLC
- TR Property Income Trust PLC

Appendix 2



Appendix 2

Financial Information

	Year ended 31 May 2026 (unaudited)	Year ended 31 May 2025	Year ended 31 May 2024	Year ended 31 May 2023	Year ended 31 May 2022
	£000	£000	£000	£000	£000
Revenue from audit work for PIEs and subsidiaries of PIEs	3,523	3,152	2,794	2,774	1,547
Revenue from audit work for other clients	21,263	19,952	18,370	14,864	13,157
Revenue from non-audit services for audit clients	7,257	7,218	7,131	6,952	5,506
Revenue from non-audit services for non-audit clients	44,215	45,354	44,406	43,300	41,682
Total	76,258	75,676	72,701	67,890	61,892

Appendix 3



Appendix 3

Firms located in EU/EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2025-31/12/2025

Country	Town	Firm Name
Austria	Amstetten	Inter Wirtschaftsprüfungs GmbH
Austria	Dornbirn	Dr. Rümmele Steuerberatung und Wirtschaftsprüfung GmbH & Co KG (RTG)
Austria	Graz	MOORE BG&P Wirtschaftsprüfung GmbH
Austria	Innsbruck	Moore SKP
Austria	Linz	Moore SKZ Wirtschaftsprüfung GmbH
Austria	Salzburg	Moore Salzburg GmbH
Austria	Vienna	Kroiss & Partner
Austria	Vienna	MOORE CENTURION Wirtschaftsprüfungs und Steuerberatungs GmbH
Belgium	Brussels	Moore Belgium
Bulgaria	Sofia	Moore Bulgaria Audit OOD
Croatia	Varaždin	Moore Revidens d.o.o
Croatia	Zagreb	Moore Audit Croatia
Cyprus	Limassol	Moore Limassol Limited
Cyprus	Nicosia	Moore Stylianou & Co
Czech Republic	Prague	Moore Czech Republic
Denmark	Søborg	Inforevision
Finland	Tampere	Moore Idman Oy
France	Dijon	ECA
France	Lyon	Novances
France	Marseille	Odycé
France	Niort	Groupe Y
France	Paris	Coffra
Germany	Augsburg	SONNTAG
Germany	Dortmund	Moore Westfalen AG

* Member Firm left during 2025

Total statutory audit fee turnover as at 31/12/25 in Euros €258 million

Appendix 3

Firms located in EU/EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2025-31/12/2025

Country	Town	Firm Name
Germany	Duisburg	Moore Rhein-Ruhr GmbH
Germany	Frankfurt am Main	Moore Frankfurt AG
Germany	Hamburg	Moore BRL GmbH
Germany	Hannover	Schweinert & Peters PartGmbH
Germany	Kassel	Moore Ludewig AG
Germany	Mannheim	Moore Treuhand Kurpfalz GmbH
Germany	Munich	Moore INTARIA GmbH
Germany	Stuttgart	BW Partner
Gibraltar	Waterport	Moore Stephens Limited
Greece	Piraeus	Moore Greece
Hungary	Budapest	Moore Hungary
Ireland	Dublin	Moore Ireland
Ireland	Limerick	Moore *
Italy	Bologna	Uniaudit s.r.l.
Italy	Bolzano	Bureau Plattner
Italy	Milan	Reviprof S.p.A. *
Italy	Milan	Moore Professionisti Associati Srl Stp
Italy	Padova	DF Audit S.p.A.
Italy	Reggio Emilia	Axis S.r.l
Italy	Rome	Armodia Professionisti Associati
Latvia	Riga	Vilson SIA
Lithuania	Vilnius	Moore Mackonis UAB
Luxembourg	Livange	Moore Audit SA
Malta	Birkirkara	Moore Malta

* Member Firm left during 2025

Total statutory audit fee turnover as at 31/12/25 in Euros €258 million

Appendix 3

Firms located in EU/EEA member states that performed statutory audits and were members of Moore Global during the period 01/01/2025-31/12/2025

Country	Town	Firm Name
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 Assurance & Advisory
Romania	Bucharest	Moore Audit One SRL
Slovakia	Bratislava	Moore BDR s. r. o.
Spain	Bilbao	MOORE AMS AUDITORES, S.L.
Spain	Madrid	Moore Corporativa, S.L
Spain	Marbella	Moore SP SL
Spain	Oviedo	Moore Fidelitas Auditores SL
Spain	Palma de Mallorca	Moore Auditoria y Sistemas S.L.P.
Spain	Sevilla	MOORE SP AUDITORES, S.L.
Spain	Valencia	Moore Ibergrup SAP
Spain	Zaragoza	Moore LP SL
Sweden	Gothenburg	Moore KLN AB
Sweden	Gothenburg	Moore Ranby AB
Sweden	Stockholm	Moore Allegretto AB

* Member Firm left during 2025

Total statutory audit fee turnover as at 31/12/25
in Euros €258 million

Appendix 4



Appendix 4

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

We are fully compliant with the Code’s Principles and set out below our ‘comply or explain’ analysis of where we are in our journey towards fuller compliance with its Provisions.

Leadership

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Principles	How we have complied
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.	The current management and governance structures are set out in Section 5 .
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.	Following the completion of the firm’s governance structures, including terms of reference of management and advisory committees last year, the revised structures are now established and embedded.
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 (and ANEs).	In addition to their roles on the AQB, INEs also participate in Partner Assessment Committee, Talent Development Committee, Audit & Risk Committee and Ethics & Risk Consultation Panel.
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.	Profiles are set out in Section 5 .
E The Management of a firm should ensure that members of its governance structures, including owners, INEs and ANEs, are supplied with information in a timely manner and in a form and of a quality appropriate to enable them to discharge their duties.	Information is provided to the Board to enable it to fulfil its responsibilities, principally by the members of the CEO’s office (Chief Legal Officer, Chief Operating Officer, Chief People Officer, Chief Information Officer, Chief Marketing Officer, Facilities Manager, and Head of Business Support). INEs have confirmed that they have been provided with all information they require to discharge their responsibilities.

Appendix 4

Leadership

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Provisions	How we have complied
1 A firm should establish a Board or equivalent governance structure to oversee the activities of Management.	Following the completion of the firm's governance structure reviews last year, including terms of reference of management and advisory committees, the revised structures are now established and embedded.
2 At least half a firm's Board should be selected from among partners who do not have significant management responsibilities within the firm.	Three of the five members of the Board have management responsibilities. Consideration is ongoing as to the most effective model going forwards.
3 The chair of the Board should not also chair parts of the Management structure or be the managing partner.	The Chair of the Board has no management responsibilities.
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.	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. Further information on governance structures including remit, responsibilities and Terms of Reference is available on the firm's website.
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.	Partner assessment and remuneration committees consider performance and reward for all Partners by reference to Partner Performance Principles, as set out in Section 5 . Consideration of the model as mentioned under provision 2 above will include mechanisms to ensure effective challenge of management.

Appendix 4

Leadership

Key:

Compliant with the Code

Partially compliant and / or work in progress following structural changes in FY 2025

Not compliant with the Code

Provisions	How we have complied
6 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.	Following the approval of proposed Governance effectiveness measures, Board and Committee member evaluations and effectiveness reviews will be established.
7 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.	Following the approval of proposed Governance effectiveness measures, Board and Committee member evaluations and effectiveness reviews will be established.
8 Management should ensure that, wherever possible and so far as the law allows, members of governance structures and INEs and ANEs have access to the same information as is available to Management.	INEs have access to the same information as other members of the relevant Boards and Committees on which they sit, and have confirmed that they have been provided with all information they require to discharge their responsibilities.
9 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.	Section 5 sets out the composition and remit of the relevant Boards and Committees, including appointment and reappointment. The Board remains ultimately accountable to the General Partnership throughout the mechanisms set out in the LLP Agreement.

Appendix 4

People, values and behaviour

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  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.	The firm's purpose is clearly set out in our Strategic Ambition and its values are articulated through our 'Culture Wheel' which is included within Section 6.
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.	Openness is encouraged through the firm's feedback and communication mechanisms as discussed in more detail in Section 6.
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.	The firm has a clear performance management framework and a published Code of Conduct which sets out the expected behaviours of its people.

Appendix 4

People, values and behaviour

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025



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.	The firm's purpose is clearly set out in our Strategic Ambition and its values are articulated through our 'Culture Wheel' which is included within Section 6.
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.	The firm has published its Code of Conduct on its website. INEs have visibility over conduct-related matters through representation on the Talent Development Committee, and ARC which deals with investigations /whistleblowing. A formalised mapping of the Code of Conduct to the Committees and the INE roles will be documented to ensure that there is an understanding of the totality and that mechanisms are in place to ensure INEs have oversight of all major breaches.
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.	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.	The firm has published its Code of Conduct on its website, which includes consideration of inclusion and diversity.
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.	A series of proposed Governance effectiveness measures has been developed and, following approval by the Board, the firm expects to be able to report on performance against these in next year's Transparency Report.
15 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 ANEs should be involved in the review as it relates to the audit practice. 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.	The firm has INE representation on the Talent Development Committee, and this will continue to be an area of further focus in the coming year. The INE having primary responsibility for engaging with the firm's people meets with the CPO and the team responsible for the People Survey to discuss outcomes and planned actions. INEs will have oversight of the firm's evaluation of and action plan in response to the results of the FRC Firm Culture Survey due to take place in Autumn 2026.

Appendix 4

People, values and behaviour

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025



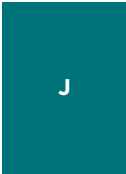
Not compliant with the Code

Provisions	How we have complied
16 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.	Whistleblowing policy and process is in place. Whistleblowing reports are received by the Audit & Risk Committee, which is chaired by an INE.
17 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 ANEs should be involved in this process.	The firm has INE representation on the Talent Development Committee, and this will continue to be an area of further focus in the coming year.
18 INEs and ANEs 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.	Les Clifford is designated as having primary responsibility for engaging with the firm's people. Principal engagement mechanism is the People Survey (Great Place to Work). INEs will have oversight of the firm's evaluation of and action plan in response to the results of the FRC Firm Culture Survey due to take place in Autumn 2026.
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.	Appropriate disclosures have been made in Section 6 in relation to people engagement and Section 7 in relation to risk management.

Appendix 4

Operations and resilience

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Principles	How we have complied
 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.	Section 7 sets out information regarding the firm’s approach to Risk Management. Audit firm metrics as well as results of quality monitoring provide feedback on the effectiveness of its policies in relation to audit quality.
 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.	Section 7 sets out information regarding the firm’s approach to Risk Management, including the principal risks. The Audit & Risk Committee provides review of and challenge to the firm’s risk management processes, internal controls, and the firm’s adherence to ethical standards and practices, thereby providing support to the Board with regards to their responsibilities for these matters.
 A firm should communicate with its regulators in an open, co-operative and transparent manner.	The firm has an open and constructive relationship with its FRC supervision team as further set out in Section 10.8 External Monitoring and Remediation.
 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.	As set out in Section 10 ‘Audit Quality’, the firm has an effective System of Quality management in which policies, procedures and controls are designed, operated and monitored to ensure audit quality, independence, and effectiveness.

Appendix 4

Operations and resilience

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025



Not compliant with the Code

Provisions	How we have complied
20	A firm should assist the FRC and its successor bodies to discharge its duties by sharing information openly.
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.
22	A firm should develop robust datasets and effective management information to support monitoring of the effectiveness of its activities, including by INEs (and ANEs), and its ability to furnish the regulator with information.
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.
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.
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, ANEs) should be involved in this assessment.

Appendix 4

Operations and resilience

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

Provisions	How we have complied
26 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.	As set out in this Appendix.
27 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.	An extended audit report was issued by the firm's auditors for FY 2025 with the same planned for 2026.
28 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.	The Transparency Report has been drawn up to reflect principles and objectives of the Code. The Audit & Risk Committee has been operational throughout the full year – its remit is clearly set out in its Terms of Reference and it has a formal schedule of matters to be addressed at its meetings. In making its recommendation to the Board to approve the Transparency Report, the Audit & Risk Committee considered papers addressing the firm's principal risks; an overview of risk management and internal control systems (including governance, financial, operational and compliance controls); and whether the report in its entirety is fair, balanced, and understandable. All member firms of the Moore Global Network are required to comply with the Statement of Professional Practise (SOPP). The SOPP sets out the minimum professional obligations that each firm is required to comply with in the delivery of audit and other professional services to ensure consistency, quality, and compliance with relevant legal and regulatory requirements across all member firms. No risks to the resilience of the UK firm have been identified arising from its membership of the network.

Appendix 4

INEs		
Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code		
Principles	How we have complied	
M	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.	Two INEs are appointed to the Audit Quality Board. This is considered to be appropriate for a firm of our size and structure in combination with their involvement with other governance bodies and committees as set out in Section 5 .
N	INEs (and ANEs) 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.	The remit of the INEs includes bringing a public interest lens to their engagement with the firm's governance and management bodies.
O	INEs (and ANEs) 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.	INEs were appointed in September 2024 with full consideration given during the selection process to bringing appropriate skills and experience to the roles. They have demonstrated their objectivity and independent mindsets in their engagements with the firm's leadership, and commanded respect for their challenge and insight.
P	INEs (and ANEs) should have sufficient time to meet their responsibilities. INEs (and ANEs) 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 INE resigns, to report this resignation publicly	INEs have appropriate rights of access to information and to the firm's leadership. No fundamental disagreements have arisen.
Q	INEs (and ANEs) should have an open dialogue with the regulator.	INEs have unfettered access to the FRC supervisor and participate in FRC engagement opportunities such as roundtables as well as private meetings.

Appendix 4

INEs

Key: Compliant with the Code Partially compliant and / or work in progress following structural changes in FY 2025 Not compliant with the Code

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.	Two INEs are appointed to the Audit Quality Board. This is considered to be appropriate for a firm of our size and structure in combination with their involvement with other governance bodies and committees as set out in Section 5. While a formal public interest committee has not been constituted, the INEs meet regularly as a private group and will consider any matters of public interest in this forum.
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.	INEs meet regularly as a private group. Details of governance bodies of which INEs are members are set out in Section 5. ToRs for these bodies are published on the firm's website.
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.	INEs do not sit on the main LLP Board however between them, in addition to their positions on the AQB, they also have roles on Partner Assessment Committee, Talent Development Committee and the Audit & Risk Committee and the Ethics & Risk Consultation Panel, which provides them with breadth of visibility across the business.

Appendix 4

INEs

Key:



Compliant with the Code



Partially compliant and / or work in progress following structural changes in FY 2025



Not compliant with the Code

Provisions

How we have complied

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 (and ANEs), 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' (and ANEs') 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.	Given recency of appointment of the INEs this has not yet been established but will be put in place to allow for sufficient lead times as the INEs reach the end of their tenure, or should it be an appropriate time to appoint further INEs.
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.	INEs have access to information on network activities to the extent these are shared in the relevant Boards and Committees in which they participate. Further consideration to be given to the extent of any direct engagement.
34	INEs should have regular contact with the Ethics Partner, who should under the ethical standards have direct access to them.	INEs meet regularly with the Ethics Partner through their membership on the Audit Quality Board. INEs have private access to the Ethics Partner on request (and vice versa).
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.	Profile of the INEs has been raised through development of the Governance section on the firm's website and the inclusion of an Independent Non-Executives report in this Transparency Report. Opportunities and appropriate forums for direct engagement are under active consideration.
36	Firms should agree with each INE (and ANE) a contract for services setting out their rights and duties. INEs (and ANEs) should be appointed for specific terms and have a maximum tenure of nine years in total.	Terms agreed and contracts signed.
37	The firm should provide each INE (and ANE) 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 or ANE judges such advice necessary to discharge their duties.	INEs have confirmed that they have been provided with the resources necessary to fulfil their responsibilities.

Appendix 4

INEs

Key:  Compliant with the Code  Partially compliant and / or work in progress following structural changes in FY 2025  Not compliant with the Code

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 /or ANEs) and members of the firm’s Management and/or governance structures.	Disclosed on the ‘ Our Johnston Carmichael Board ’ page of the firm’s website.
39	An INE (and / or ANE) should alert the regulator as soon as possible to their concerns in the following circumstances: ➤ the INE or ANE believes the firm is acting contrary to the public interest; or ➤ the INE or ANE believes the firm is endangering the objectives of this Code; or ➤ the INE or ANE initiates the procedure for fundamental disagreements.	Only applicable should these circumstances arise – INEs consider there to be a shared understanding with the Board as to the process they would follow.

Appendix 5



Appendix 5

Governance and management structures composition and meeting attendance

Name	Role	Committee participation and meeting attendance																	
		Talent Development Committee		Operational Excellence Committee		Transformation Committee		Audit & Risk Committee		Ethics & Risk Consultation Panel*		Partner Assessment Committee		Partner Remuneration Committee		Sustainability Committee		Client Service Committee	
Partners																			
Lynne Walker	Chief Executive Officer	Y	100%	Y	100%							Chair	100%	Y	100%				
Mark Houston	Senior Partner and Chair													Chair	100%			Joint Chair	100%
Graham Marjoribanks	Head of Audit and Vice Chair	Y	100%	Y	100%			Y	100%	Y	100%	Y	100%	Y	100%				
Shaun Millican	Head of Business Advisory													Y	100%				
Craig McPherson	Business Advisory													Y	100%				
Martin Osler	Chief People Officer	Chair	100%	Y	100%							Y	100%			Chair	100%		
Lesley Hopwood	Chief Operating Officer	Y	100%	Chair	100%	Chair	100%	Y	100%	Y	33%	Y	100%						
Keith Hamilton	Chief Legal Officer	Y	100%					Y	50%	Y	67%	Y	100%			Y	100%		
John McAuslin	Head of Specialist Tax	Y	100%																
David Ward	Head of Tax			Y	100%			Y	100%	Y	100%								
Sally Hewish	Head of Audit Quality, Risk and Technical							Y	100%	Y	67%								
Mark Stewart	Head of Energy, Infrastructure and Sustainability															Y	71%		
Jenn Stewart	Head of CSR															Y	71%		
James Hamilton	Audit Partner																	Y	100%
Scott Dunbar	Business Advisory Partner																	Y	100%
Alex Docherty	Head of Private Client Tax																	Y	100%
Paul Shields	Audit Partner																	Y	100%

Appendix 5

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		Talent Development Committee		Operational Excellence Committee		Transformation Committee		Audit & Risk Committee		Ethics & Risk Consultation Panel*		Partner Assessment Committee		Partner Remuneration Committee		Sustainability Committee		Client Service Committee	
Non-partners																			
Les Clifford	Independent Non-Executive	Y	100%									Y	100%						
Michael Timar	Independent Non-Executive							Chair	100%	Chair	100%								
Kirsty Yuill	Deputy Head of Business Advisory			Y	100%														
Ruth Canham	Quality and Risk Director			Y	100%														
Andre Boyle	Chief Technology Officer					Y	100%									Y	50%		
John Slavin	Head of Projects					Y	100%												
Alison Cooper	Head of Business Support					Y	100%									Y	71%		
Scott Fraser	Financial Controller															Y	71%		
Emily Young	Chief Marketing Officer																	Joint Chair	100%

*The Ethics & Risk Consultation Panel is an ad-hoc panel which is called on request and requiring three members in attendance to be quorate



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