

Sustainability Report

Year ended 31 May 2025



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A message from our Head of Sustainability & ESG

Sustainability has become a non-negotiable aspect of modern business, no matter the sector. As a large professional services firm, developing meaningful sustainability practices is a priority to which we have committed ever-more effort.

Our 2025 Sustainability Report reinforces our collective dedication to Environmental, Social, and Governance principles.

At Johnston Carmichael we believe that sustainability and ESG are not just trends – they are fundamental to long-term business success. Our commitment to balancing people, planet, and profit is rooted in the understanding that responsible business practices drive resilience, trust, and growth.

The world is at a crossroads. Climate change, social inequality, and governance challenges demand urgent action, yet we also see growing scepticism around ESG – whether it's concerns about greenwashing, regulatory complexity, or even pushback against diversity and inclusion. These debates matter, but they should not distract from the core truth: businesses thrive when they create value for all stakeholders, not just shareholders.

For us, sustainability is about practical, measurable progress. It's about ensuring our people feel valued and empowered, reducing our environmental footprint in ways that align with Scotland's net-zero ambitions, and advising our clients on how to future-proof their operations. Profitability and responsibility are not opposing forces – they are interconnected. Companies that ignore ESG risks today will face greater costs tomorrow, whether through lost talent, regulatory penalties, or reputational damage.

We also recognise that authenticity is key. Greenwashing undermines trust, and performative gestures do more harm than good. That's why we focus on transparency, robust reporting, and real impact-backed by

the expertise you'd expect from a leading accounting firm.

The path to sustainable growth isn't always straightforward, but it is non-negotiable. By embedding ESG into everything we do, we're not just meeting expectations – we're helping shape a more inclusive, resilient, and prosperous future for our firm, our people, our clients, and our communities. Upholding the highest standards of governance is paramount to maintaining trust and credibility and by ensuring transparency, accountability, and ethical conduct in all our endeavours, we not only safeguard our reputation but also contribute to the broader culture of integrity within our industry.

Our net zero action plan



Our net zero action plan

Mission Statement

Our sustainability mission is crystal clear: To make sure that Johnston Carmichael thrives financially, ethically, and environmentally as we jointly stride towards a world with a net zero footprint.

Our Commitment

We recognise our responsibility to address climate change, and we commit to becoming a net-zero carbon emitter by 2045, in line with the Scottish Government’s long-term target. We have also set out short and medium term reduction targets based on our estate master plan. The plan aligns with international agreements such as the Paris Agreement and focuses on reducing greenhouse gas emissions across all aspects of the firm’s operations.

Our Plan

Carbon Footprint Assessment:

We will continue to conduct a thorough assessment of our current carbon footprint, including direct emissions (Scope 1) and indirect emissions from energy consumption (Scope 2) and will introduce in due course an assessment of our value chain activities (Scope 3). This assessment will provide a baseline for target setting and action planning.

Strategy and Goals:

The firm’s net zero plan includes the following key strategies and goals:

- **Emissions Reduction:**
We have an estate master plan to reduce our carbon emissions and overall environmental impact. The plan includes measures such as:
 - Energy efficiency improvements in office spaces and operations
 - Transition to renewable energy sources
 - Green building and office design enhancements
 - Implementation of energy-saving technologies and practices
- **Waste Reduction:**
We will minimise waste generation through recycling programs, reduced paper usage, and responsible waste disposal. We encourage virtual meetings and digital documentation to reduce resource consumption.
- **Transportation:**
We promote sustainable transportation options for employees, such as cycle to work, public transport, EV charging points and remote work to reduce commuting emissions.

Our net zero action plan

Client Education

We will provide our clients with sustainability advisory, reporting and ESG assurance services to help them embed ESG measures into their businesses and manage their carbon footprints.

Offset Programs

We will invest in high-quality carbon removal credits to neutralise any residual emission that cannot be eliminated through internal efforts.

Implementation:

We intend to set up a sustainability board within the governance structure of the firm to oversee execution of the Net Zero Plan.

Responsibilities will include setting strategy and monitoring progress.

Monitoring and Reporting:

Regular tracking of progress will be conducted using key performance indicators (KPIs). Annual sustainability reports will be published to communicate achievements, challenges, and future targets transparently.

People Engagement:

We will engage with our people to embed the Net Zero Plan by fostering a culture of sustainability. We encourage innovative ideas, recognise contributions, and provide training on eco-friendly practices.

Investment and Finance:

We will commit the necessary resources to fund the implementation of sustainable technologies and practices. We will explore financial incentives, grants, and opportunities to support the firm's transition to net zero.

Continuous Improvement:

We will continuously review and update our Net Zero Plan to incorporate emerging best practices, technologies, and regulatory changes. Flexibility and adaptability will ensure the plan's long-term success.

Our Net Zero Plan demonstrates our commitment to environmental responsibility, client value, and a sustainable future.



A message from our Chair

We recognise that we live and work in increasingly challenging times. Our firm is also growing exponentially, and we need to ensure that our infrastructure, operations, and support for our people can keep up. Key to this will be giving our people a balance between a supportive working environment, and a business fit for the future.

As we grow as a firm, we're focused on working with clients which match our skills and strategy. We must do this while helping our people to learn and grow in an environment that supports their wellbeing.

With sustainability enshrined in our purpose, we're clear on the future of JC and how we can build a business that can be a positive force in the UK business landscape for many years to come.

Highlights



Highlights

We have made significant progress on our decarbonisation journey, continued to invest in our people, and have strengthened our governance, vision and purpose – centred around our strategic pillars of People & Culture, Clients & Advisory, and Quality & Innovation.

Clients & Advisory

Named by the FRC as one of the ‘next five firms’ outside of the big 4, based on the number of listed audit clients. This brings us into the Tier 2 supervision regime.

Strengthened our audit governance with the appointment of two Independent Non-Executive Directors.

We launched our new purpose, vision and strategy in September 2024.

Quality & Innovation

10.2% reduction in absolute scope 1 and 2 GHG emissions (vs 2022)

547,074kWh energy savings in buildings and vehicles between 6 December 2019 and 5 December 2023

Implemented renewable energy solutions such as solar, invested in more efficient boilers, air source heat pumps, loft insulation, LED lighting and EV

People & Culture

9th year as Kiltwalk Gold sponsors

Launch of the Learning Hub housing all of the Firm’s professional learning initiatives and materials.

Supporters of Netball Scotland



A message from our Chief Executive

At Johnston Carmichael, we are proud to lead the ESG conversation from the front, embedding sustainability into the fabric of everything we do. In ensuring our own operations reflect the highest standards of responsibility, we are unwavering in our commitment to making a difference.

But our mission extends beyond compliance. It's about championing innovation, embracing change, and redefining success – not just in terms of financial performance, but in the positive impact we leave behind. Our

people, our planet, and our partnerships form the foundation of this vision. Together, we are shaping an organisation that prioritises purpose alongside profit.

This is not the work of one individual or one team. It requires every one of us – whether in the boardroom, on the frontlines with our clients, or working behind the scenes. It requires the same values that have always defined Johnston Carmichael: integrity, passion, and an unshakeable commitment to excellence.

By embedding ESG principles in our strategy, operations, and culture, we are not only meeting the demands of today but also setting the course for a brighter, more sustainable tomorrow.

Johnston Carmichael at a glance



The firm – about Johnston Carmichael



Formed in
1936



Employees
852



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
20
Firm in the
United Kingdom





Great Place To Work
Certified
MAR 2025 - MAR 2026
UK

Best WorkplacesTM
for Development



UK
2025



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







Financial Services



Food & Drink



Technology & Life Science



Rural



Energy, Infrastructure & Sustainability



£72.7mm
Firm revenue FY 2023 - 2024



MOORE

As a member of Moore, we're connected to a worldwide community of more than 34,000 professionals in 112 countries.

Our expertise

Services



Audit



Business Advisory



Consulting



Corporate Finance



Payroll Services



Restructuring



Tax

Sectors



Energy, Infrastructure & Sustainability



Financial Services



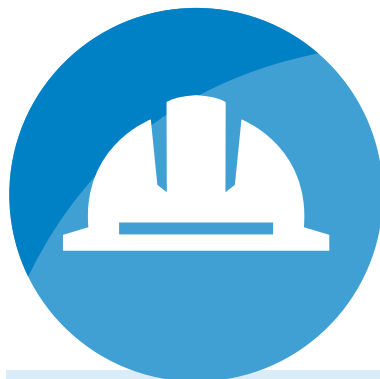
Food & Drink



Rural



Technology & Lifesciences



Construction & Property



Engineering & Manufacturing



Hospitality & Tourism

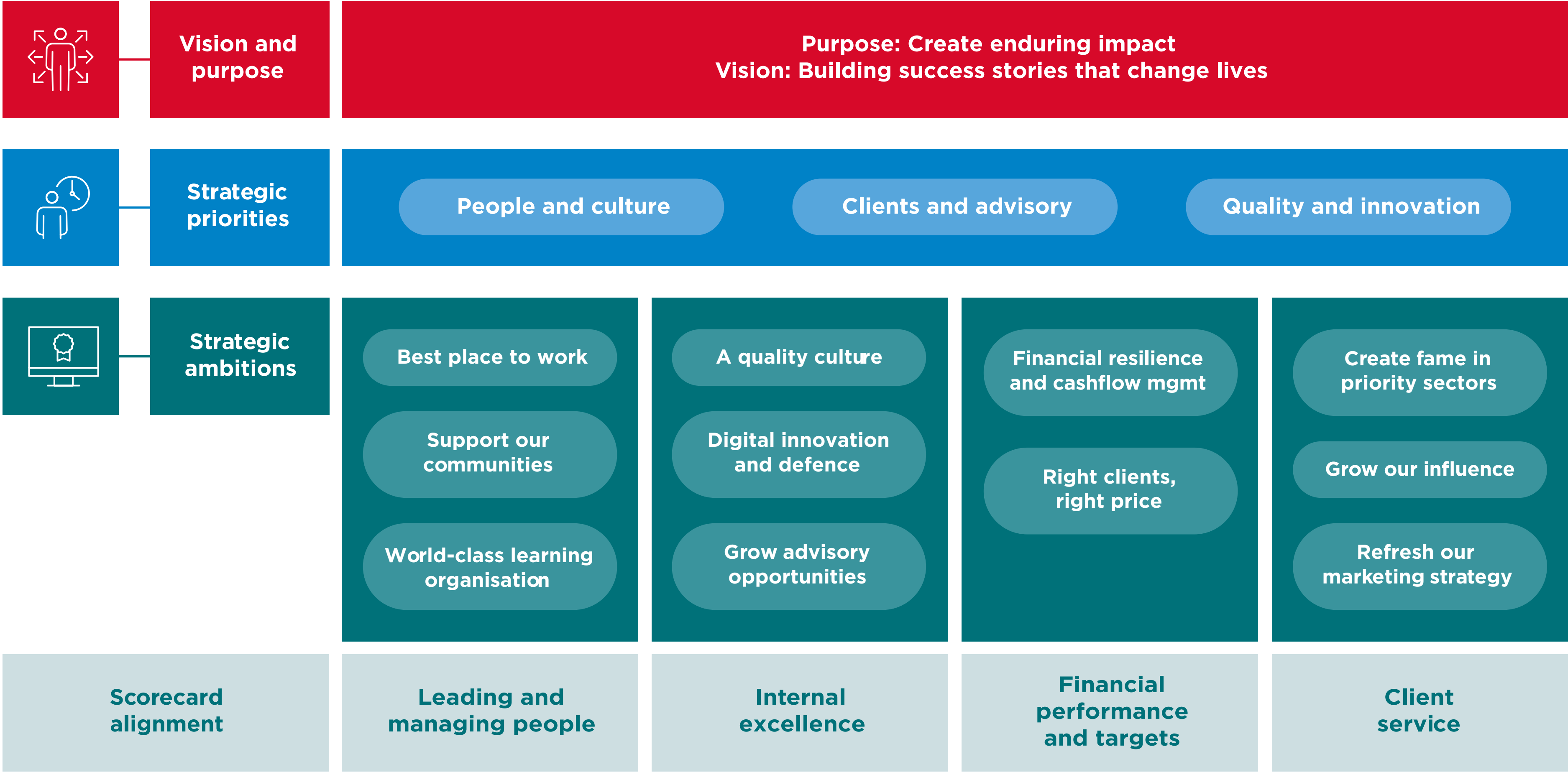


Medical & Healthcare



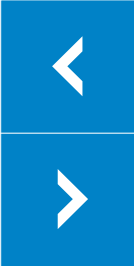
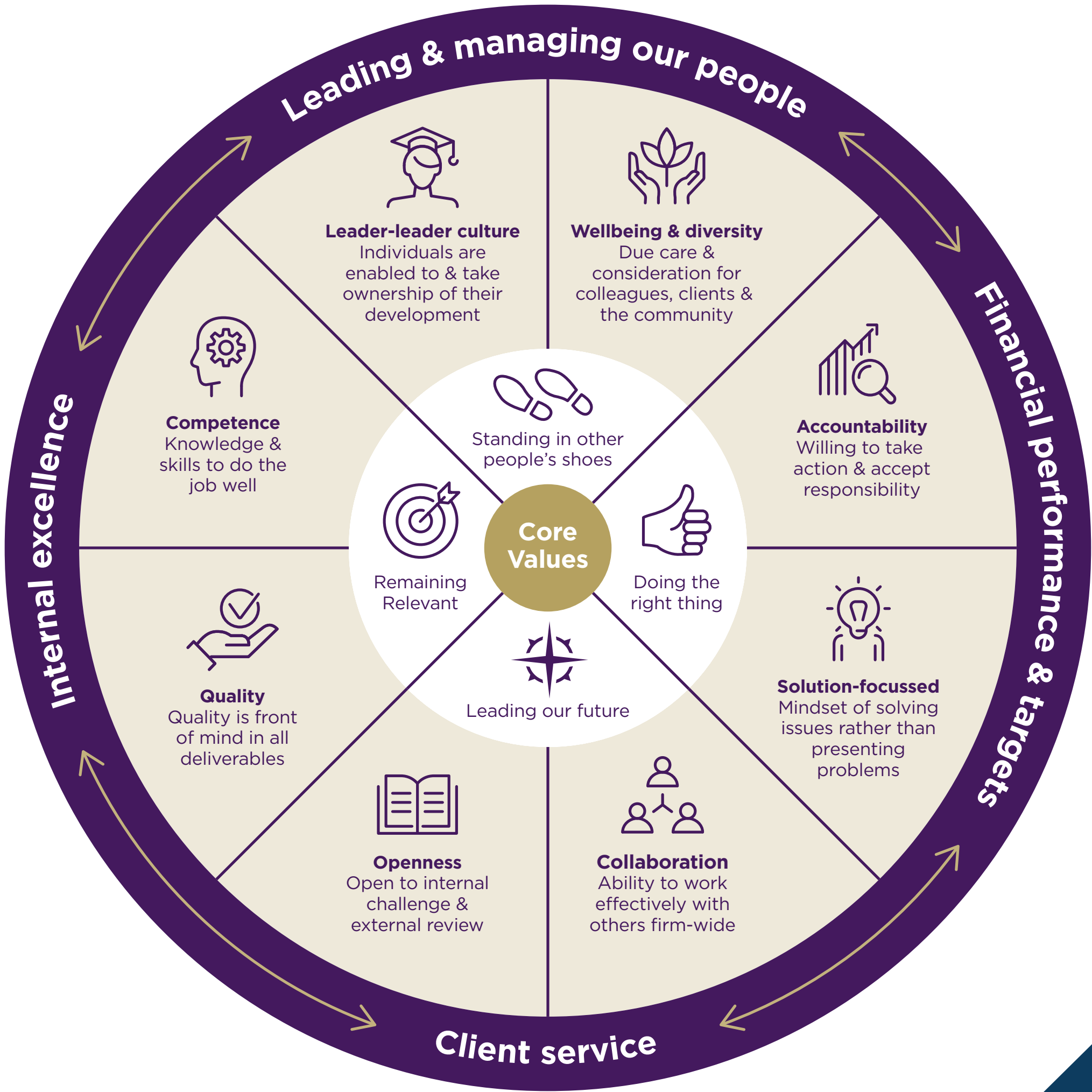
Professional Services

JC strategy framework

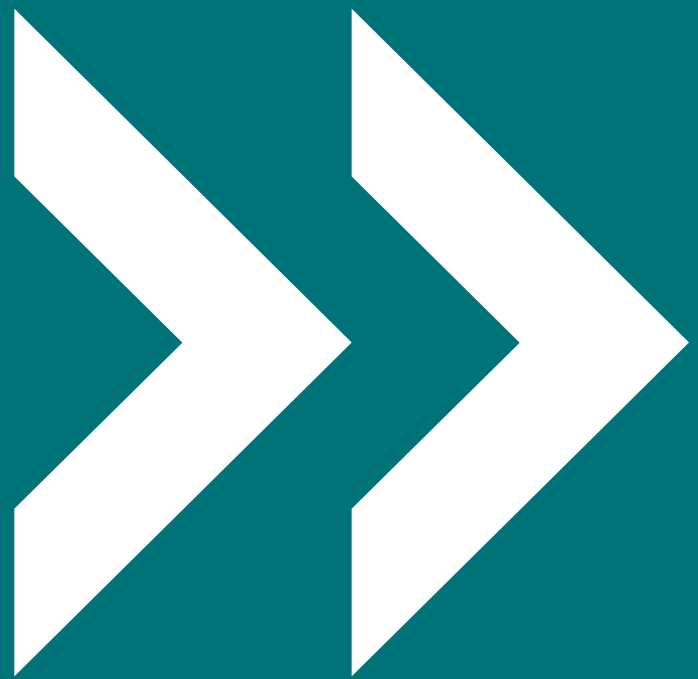


Our culture

Our culture is driven by our four core values. They drive our decisions and behaviours and they unite us as a firm.



We support the United Nations Sustainable Development Goals.



United Nations Sustainable Development Goals

The United Nations Sustainable Development Goals (SDGs) is described by the UN as a shared blueprint for peace and prosperity by 2030. Adopted by all UN Members States in 2015, the 17 goals address global challenges including poverty, inequality, climate change, environmental degradation, peace and justice.

UN SDG	UN indicators	Our contribution
3 Good Health & Well-Being	Ensure healthy lives and promote well-being for all at all ages.	We promote mental health awareness, provide health benefits, encouraging work-life balance, and support initiatives that enhance the well-being of our people. Our Employee Assistance Programme (EAP) offers wellbeing support and is available 24 hours, 7 days a week and 365 days of the year and we are members of the Mindful Business Charter.
4 Quality Education	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	We invest in continuous professional development, training programs, and educational opportunities for our people. This not only improves the skills of the workforce but also promotes lifelong learning. We celebrate, nurture and develop individuality. We want what is best for each other. So, we train, we coach, we mentor and we all grow – our own way.
5 Gender Equality	Achieve gender equality and empower all women and girls.	We implement policies that promote gender equality, such as equal pay, diversity and inclusion programs, and provide leadership opportunities for women. We have a Balanced Scorecard when we come to assess the performance of our people, so any promotion is solely determined by the individual's performance.
8 Decent Work & Economic Growth	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	We contribute to economic growth by providing financial and advisory services to businesses and individuals. We also play a role in creating decent work through employment opportunities within our firm.
9 Industry Innovation & Infrastructure	Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.	We support innovation and industry by advising on financial strategies, investment decisions, and infrastructure development projects.

United Nations Sustainable Development Goals

We have aligned our sustainability work with as many of the SDGs as possible. By doing so we are not only focusing on financial success but also on creating a positive social impact.

UN SDG	UN indicators	Our contribution
10 Reduced Inequalities	Ensure healthy lives and promote well-being for all at all ages.	We adopt inclusive hiring practices, ensuring diversity in recruitment, and promoting equity in career advancement opportunities.
12 Responsible Consumption & Production	Ensure sustainable consumption and production patterns.	We promote responsible consumption and production by advising clients on sustainable business practices, resource efficiency, and waste reduction within our ESG advisory service and assurance team.
13 Climate Action	Take urgent action to combat climate change and its impacts.	We promote climate action through our advisory services on carbon accounting, sustainability reporting, and advising clients on environmentally friendly business practices.
16 Peace, Justice and Strong Institutions	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	We contribute to strong institutions by promoting transparency, accountability, and good governance through our auditing, assurance, and advisory services.
17 Partnerships for the Goals	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.	We facilitate partnerships between businesses, governments, and civil society to achieve sustainable development objectives through collaborative initiatives and advisory services, such as PFI / PPP and infrastructure projects.

Why is sustainability important to us?





Why is sustainability important to us?

Climate change and energy transition, shifting from a linear to a circular economy, rising inequality, balancing economic and societal needs – these are the unprecedented global challenges we all face. Investors, banks, regulators, as well as consumers and employees, demand that businesses address these challenges.

And that is where our ESG strategy comes in. Through transparent environmental and social governance, we can demonstrate that we are accountable for our impact.

Investment decisions are increasingly influenced by ESG issues, highlighting its importance in securing debt and equity capital.

We believe sustainability is the moral compass which guides our decisions, while ESG is the reporting framework which measures our progress.

Our vision is to build success stories that change lives. To succeed in this vision, we must be an inclusive and diverse employer, reflecting the varied needs of our people and client base.

Environmental



Our commitment to environmental and sustainable development

Environmental responsibility is a fundamental part of our sustainable development commitments.

We work hard to meet this responsibility, paying particular attention to:

- Meet or exceed the requirements of current environmental legislation and codes of practice.
- Promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner; encouraging greater use of electronic and digital communication methods, going paperless, reducing the number of emails sent unnecessarily and reducing our CO2 emissions.
- Communicate our environmental commitments to employees, clients, and suppliers, and encourage them to support it.
- Purchase supplies and products that do least damage to the environment, and where possible purchase goods and services locally to reduce CO2 emissions. Monitoring Scope 3 emissions from our supply chain will be a critical future addition to our ESG strategy.
- Re-using or re-cycling waste where possible.
- Minimise use of energy and other natural resources through water and energy-saving practices.
- Periodic review by the Board of our environmental performance.
- Fulfil our reporting obligations under the Streamlined Energy and Carbon Reporting rules as set out in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
- We have an EcoVadis risk rating of 'Good'.
- Comply with the Energy Savings Opportunity Scheme.
- Consider, where appropriate, switching to a renewable energy provider for our office electricity and gas supply – this is our single biggest contributor to CO2 emissions.

Office estate masterplan

A well-designed office fosters productivity by providing a comfortable, organised space that supports individual work and team collaboration. Additionally, secure and appropriately equipped facilities are vital to comply with regulations and safeguarding information when handling sensitive financial data.

The right premises contributes to a professional image, supports employee well-being, and builds strong client relationships, all of which are essential to providing high-quality services.

As our firm grows, therefore, we want to ensure that all our people have access to the kind of working environment which provides the chance to learn and develop.

During the year we reduced our office estate from 14 to 11 offices by creating regional hubs, balancing environmental, social and commercial considerations.

Having office hubs allows us to better serve our clients in a wider region, bringing together a range of skilled people and services.

Our carbon footprint

According to climate change scientists, it is becoming clear that the Paris Agreement target of limiting global warming to 1.5 degrees is now an impossible goal. This underlines the urgency with which businesses must play their part in reducing carbon emissions.

As part of our environmental accountability we engaged a specialist consultancy, GEP Environmental, to review the accuracy of our reporting for Scope 1, Scope 2 and Scope 3 (business travel only, not supply chain) greenhouse gas emissions. In addition, GEP also reviewed our report against the requirements set out in the UK's Streamlined Energy and Carbon Reporting legislation.



Key GHG emissions disclosures

The following energy and carbon information has been disclosed each financial year through SECR reporting in our annual audited accounts:

- Scope 1 and Scope 2 Greenhouse Gas (GHG) emissions reporting, including an intensity metric (e.g., emissions per employee/unit of floor area).
- Scope 3 GHG emissions from mileage claims by employees (Grey Fleet) and use of hire vehicles is also recommended as good practice.
- The annual quantity of energy consumed (kWh) from activities for which the organisation is responsible. This includes all electricity, gas, and transport energy use.

We are delighted to be able to highlight the reductions year on year in our emissions based on the successful implementation of our net zero strategy and estate masterplan.

		2023/24		2022/23		2021/22	
Scope	GHG Emissions Source	Energy Consumption (kWh)	Kg CO2e	Energy Consumption (kWh)	Kg CO2e	Energy Consumption (kWh)	Kg CO2e
Scope 1	Combustion of gas	453,927	83,023	520,798	95,269	631,996	115,760
Scope 2	Purchasing electricity, heat, steam and cooling	738,331	152,871	761,204	157,678	975,674	207,160
Scope 3	Emissions from business travel (hire car and grey fleet)	454,834	108,700	424,081	102,016	226,353	55,570
	Total Emissions / Energy (tCO2e)	1,647,092	344,594	1,706,083	354,963	1,834,023	378,490
	Intensity Ratio 1 tCO2e/kWh per £1m revenue	22,654	4,740	25,132	5,229	29,581	6,105
	Intensity Ratio 2 tCO2e/kWh per employee	1,970	412	2,099	437	2,420	499

Social





Message from our Chief People Officer

For us, the ‘Social’ of ESG is not about box ticking. It is a core part of our strategic ambition to build success stories that change lives within our firm and within the communities where we live and work.

‘Social’ represents our responsibility to promote fairness, equity, and inclusion in everything we do. It speaks to the wellbeing of our employees, the diversity of thought within our teams, and the ethical treatment of all individuals with whom we interact – whether colleagues, clients, communities, or suppliers.

As an accounting firm, we have a unique position of influence in society. The work we do can positively impact and change the lives of many, whether it’s advising clients on

sustainable practices, being an advocate for a values-led workplace culture, or supporting people from different backgrounds to develop their careers in our firm. We proactively help our people to be leaders of their work and their learning, and ethical ambassadors for positive change in society.

Together, we can ensure that our firm remains a place where all people are valued, where social responsibility drives our actions, and where our collective impact contributes to lasting, positive change across communities.

Training and education

People are fundamental to our organisation. We support the skills and development of our people through a training and education programme. Key training and support initiatives are set out below.

<p>LEADERSHIP</p> <p>—</p> <p>Our inhouse leadership programme is Masters-accredited and offers insightful and challenging leadership learning to our senior people.</p>	<p>JC ASPIRE</p> <p>—</p> <p>A series of learning experiences tailored to support our line managers become the best possible leaders of our people.</p>	<p>JC FUTURES</p> <p>—</p> <p>A 4-6 year training opportunity providing a direct pathway for school or college leavers to become fully qualified chartered accountants.</p>	<p>JC PATH</p> <p>—</p> <p>Our performance management system uses real time, continuous feedback to offer meaningful encouragement and development.</p>	<p>LEARN</p> <p>—</p> <p>This platform serves as a central hub for training, offering access to upcoming live training sessions and a variety of on-demand learning sessions.</p>
<p>EARLY CAREERS</p> <p>—</p> <p>We have a team and SharePoint site dedicated to supporting early careers with information on training, study materials and exams and study leave.</p>	<p>LINE MANAGER SUPPORT</p> <p>—</p> <p>Providing line managers with support and guidance on the successful leadership of their people.</p>	<p>MOORE AMBITION</p> <p>—</p> <p>Helps young managers take the next step towards senior leadership roles within their firms.</p>	<p>MOORE DYNAMIC GROWTH ACADEMY</p> <p>—</p> <p>18-month program building capacity from the inside, focusing on character as the foundation for outstanding leadership.</p>	<p>MOORE HARVARD EXECUTIVE LEADERSHIP PROGRAM</p> <p>—</p> <p>Leadership program for more experienced professionals.</p>



Equality, diversity, inclusion and non-discrimination

Equality, diversity and inclusion objectives are delegated to the Chief People Officer to ensure that attraction and recruitment practices bring in a diverse range of talent and that performance management processes are fair, consistent and eliminate unconscious bias.

Part of our commitment to equality, diversity and inclusion is ensuring we have accurate data to inform our decision making. We encourage all employees to review and update their information on a confidential internal platform. In addition, we ask our people to complete a diversity monitoring survey.

Each year, we are required to publish our gender pay gap data.

We reflect on what our reporting tells us and outline our commitment to ensure our pay and promotion decisions are fair, evidence-based, and free from bias.

We need to retain and attract the best people, regardless of background. We have a policy on diversity and equality together with a training module which shows that we take this seriously. Our Balanced Scorecard models assesses the performance of our people, so any promotion is solely determined by the individual's performance.

Values, principles and norms of behaviour

As a firm of professional accountants, we are held to an industry standard of ethics. This pervades every aspect of our practice, underpins our values and is the foundation of the training we nurture in our people from day one and the standards against which our partnership candidates are evaluated.

Our Balanced Scorecard is used as a mechanism to evaluate performance, at the core of which is observance of our values and behaviours. At induction, each Johnston Carmichael employee undergoes training on mandated compliance and ethics with annual updates thereafter.

The firm adopts a “do the right thing” (even when no one is watching) approach. We have an in-house General Counsel and Ethics Partner available at all times for staff and Partners to seek advice and or to air concerns.

We train all staff in our code of conduct and make sure annual training is given on our whistleblowing procedures. Reporting concerns about unethical or unlawful behaviour, and organisational integrity can be reported anonymously via our Whistleblowing procedures. No reports were received in the last 12 months.



Office estate masterplan

- We re-located our Elgin office to new premises in July 2024. The new office is close to being carbon neutral with an EPC rating of A and includes rooftop solar PV, air source heat pump and electric vehicle charging points.
- We invested in more efficient gas condensing boilers at our offices in Aberdeen and Inverurie. Air source heat pumps are also in use at our Edinburgh, Inverness and Inverurie offices and a biomass boiler is used to heat the Forfar office.
- We identified 547,074kWh of energy savings between 6 December 2019 and 5 December 2023 from installing new boilers in Aberdeen and Edinburgh, using virtual meetings to replace client visits and replacing the majority of lighting with LEDs. This saving is equivalent to powering around 200 UK homes for a year.
- Scottish Gas is the electricity provider for all offices on a Zero Carbon Energy for Business tariff with the contract renewal due in February 2026. 74% of electricity is sourced from renewables and 26% is sourced from nuclear.
- Given the nature of our work it is not possible to go fully paperless. We recycled 38,000kg of confidential paper which was all re-processed into a tissue grade.
- We spent £16.4k on stationery in the reporting period; down 21.5% from £21k the previous year. We also used Lyreco for stationery deliveries with 97% of local UK deliveries using an electric vehicle.
- Rail travel accounted for 11,602.15kg CO₂ (11.6kg CO₂ equivalent per member of staff). This compares favourably with one of the Big 4 who reported 697,119kg CO₂ (38kg CO₂ equivalent per member of staff).

Supporting our people

The People Experience team provides a first-class support service to our People throughout their entire careers.





Message from the Head of our CSR committee

We see supporting our clients, communities, and people as a privilege as much as it is a responsibility.

We are dedicated to ensuring that our actions create positive outcomes. For our clients, this means delivering services that drive financial success and align with sustainable and ethical practices. For our communities, it means actively contributing to initiatives that address social challenges, foster economic development, and build a brighter future. And for our people, it means creating a workplace where everyone feels valued, supported, and empowered to thrive both personally and professionally.

Our CSR efforts are about making meaningful connections and fostering trust – whether it's through volunteering, sustainability programs, or creating opportunities for those who need it most. Together, we aim to leave a lasting legacy of integrity, innovation, and care in everything we do.

» Jenn Stewart — Head of CSR Committee



CSR dashboard

£27,500 FUNDS RAISED

86 CHARITIES SUPPORTED

66 STAFF MEMBERS IN CSR COMMITTEES FIRMWIDE

OUR PEOPLE GUEST LECTURING AT SCHOOLS AND COLLEGES

OUR PEOPLE GIVE UP THEIR TIME TO SIT ON CHARITY BOARDS AND SUPPORT LOCAL INITIATIVES

Some of our firm wide initiatives

—

Christmas jumper day for Save the Children

Wear it pink in support of Breast Cancer

Coffee Morning for MacMillan Cancer Support

Bake sale for British Heart Foundation

And some of our local ones

—

Bingo night

Dance

Table tennis tournament

Football and rugby sweepstake's

Cycle challenge

Halloween hunt

Making an impact

We have been Gold sponsors of the Kiltwalk since 2017, lacing up our boots and walking miles for local charities.

We have supported Netball Scotland since 2022 to help drive the sport across Scotland and promoting the sport for social interaction, confidence and improving mental health and mindset, and we have a similar partnership in place with England Netball to raise awareness of the support in the North-East of England.

We are committed to nurturing and maintaining the health and wellbeing of our people and are signatories of the Mindful Business Charter.

In 2022 we formed a People and Culture Forum to continue making positive change at Johnston Carmichael aligned with our core values.

 Mindful
Business
Charter



Governance





Message from our General Counsel

The critical importance of strong governance, effective risk management, and robust compliance practices are more than protective mechanisms; they are enablers of sustainable growth, stakeholder trust, and long-term success.

Governance, risk, and compliance (GRC) touch every aspect of what we do. They underpin our ability to deliver exceptional service to clients, safeguard our reputation, and operate ethically and efficiently. As advisers, it's our responsibility to lead by example and to ensure our clients understand how critical GRC is in creating value and resilience.

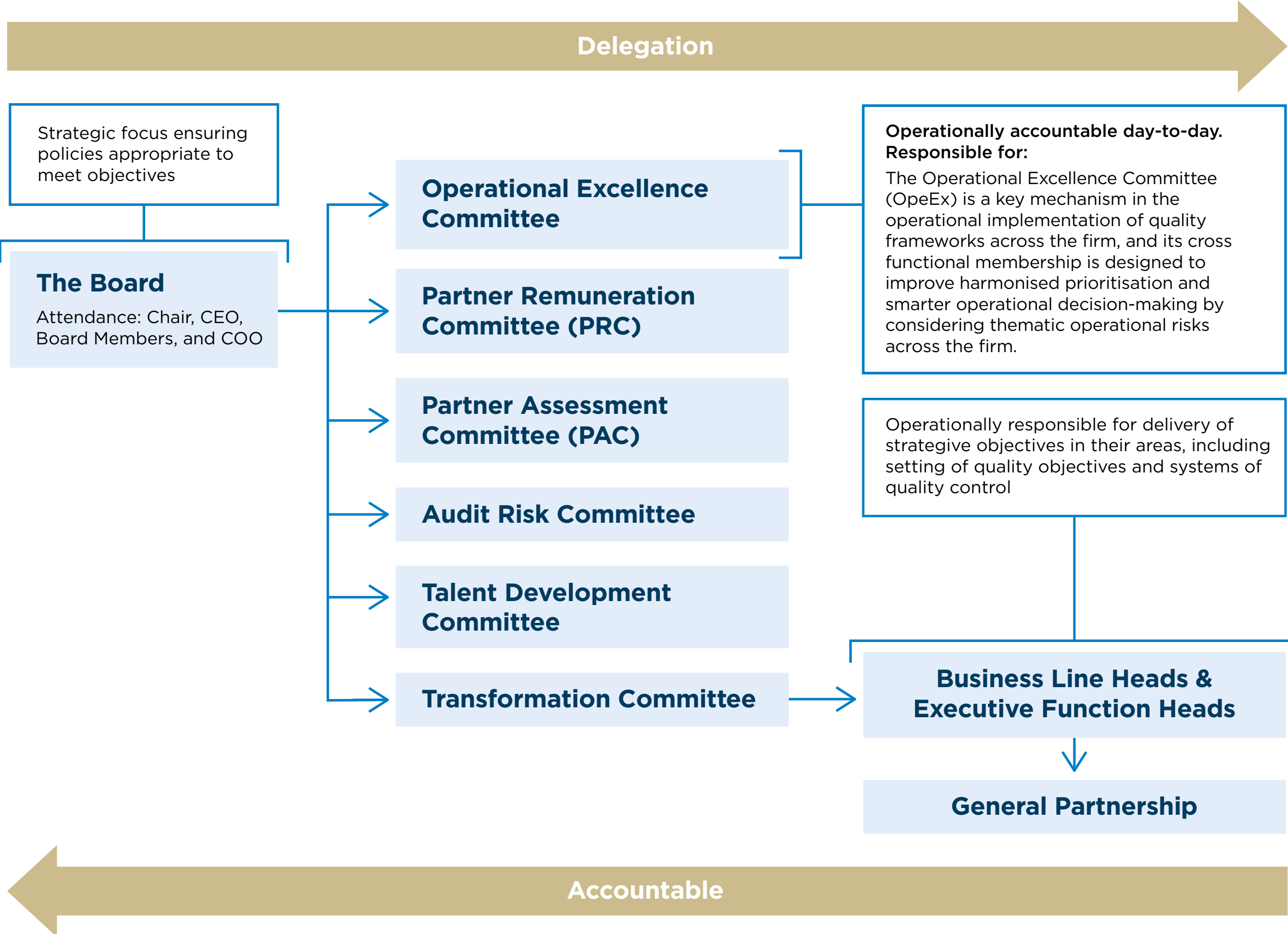
Governance structure

The Board remains ultimately accountable to the General Partnership through the mechanisms in force in the terms of the LLP Agreement.

The Chief Operating Officer (COO) and General Counsel (GC) both attend Board meetings in order to provide independent counsel and challenge from the equity Partners and Designated Members against the risk of firm failure and from a broader governance and regulatory compliance perspective.

The COO and GC independently make recommendations on cash resilience, key risks, data protection and money laundering concerns, and professional indemnity matters. A Scheme of Delegation is in operation in conjunction with the system of budgetary control to implement financial controls and financial management authorities and these additional controls complement the provisions set out in the LLP Agreement.

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



Leadership and governance



Board

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



Talent Development Committee

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



Partner Assessment Committee (PAC)

The Partner Assessment Committee continues to gather rounded feedback on individual Partners including but not limited to; quality scores,

complaints and PI matters, adherence to ethical and compliance procedures (including AML), risk management, stakeholder feedback, values and behaviours, and leadership activity. The PAAC acts as a calibration function on assessment to ensure performance evaluations are consistent across the firm. Outputs from PAAC can include action on demotion or reallocation of responsibility.



Partner Remuneration Committee (PRC)

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



Operational Excellence Committee

The Operational Excellence Committee is a key mechanism in the operational implementation of quality frameworks across the firm, and its cross functional membership is designed to improve harmonised prioritisation and smarter operational decision-making by considering thematic operational risks across the firm.

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



Audit & Risk Committee

The role of the Committee is to act as an oversight over the firm's risk management functions and to review the external audit process.



Introducing our new Independent Non- Executives (INEs)

Following a rigorous search and selection process throughout most of the last year, two INEs, Michael Timar and Les Clifford, were appointed on 1 September 2024. Both will sit on the reconstituted Audit Quality Board and Les Clifford will act as its Chair. These appointments represent a major step forward in the firm achieving compliance with the Audit Firm Governance Code. Over the coming months we will be working with both INEs to reshape our governance structure and define their roles within it with greater precision and granularity. A key consideration in doing so will be to move us towards fuller compliance with those provisions within the Audit Firm Governance Code which are dependent on INE input and involvement.



Transformation Committee

The Transformation Committee provides oversight and governance of the firm's project portfolio ensuring projects are aligned with the firm's strategic ambitions. The Committee ensures effective decision making, prioritisation, resource management and risk mitigation in respect of projects.

Governance, risk and compliance

The Gifts & Hospitality register records all instances of gifts and hospitality received from, and offered to, clients, suppliers and other companies we engage with.	Gifts & Hospitality	Anti Money Laundering	We have a duty to determine the risk of money laundering by each of our clients and we provide detailed guidance and materials to enable our people to complete risk assessments and gather evidence.
Our guidance covers the common causes of client dissatisfaction and the best ways to avoid them as well as outlining the new process for reporting and managing issues when they arise.	Complaints and PI	UK Sanctions	The Firm, all Partners and staff need to know about the sanctions regime in order to make sure we unwittingly avoid providing services to a designated person or in any other way breach the legislation or regulations.
The Firm takes its commitment to identifying and reporting instances or suspicions of modern slavery seriously. This is a key component of our Corporate Social Responsibility agenda.	Modern Slavery	Policies & Processes	We provide a list of core policies that apply across the firm to all employees in one, easy to access location. These are reviewed on an annual basis.
At Johnston Carmichael, we are committed to conducting our business with honesty and integrity, and we expect all staff to maintain high standards and do the right thing.	Whistleblowing	Forms & Reporting	We provide details of all of our reporting and notification forms in one, easy to access location.
Everyone is responsible for ensuring the client and employee personal data we have access to is used carefully and stored securely following a strict set of principles and in accordance with UK GDPR.	Data Protection	Fit & Proper	The ICAS Code of Ethics applies to all members of ICAS, affiliates, students, employees of a member firm or an affiliate, and member firms where relevant.



Message from our Chief Information Officer

Cyber security and artificial intelligence (AI) are strategic imperatives for our firm and the clients we serve. Cyber security safeguards the integrity, confidentiality, and availability of sensitive financial data, which is the cornerstone of trust in our industry. With increasing threats and sophisticated attacks, we continuously adapt our defences, ensuring the resilience of our people, systems, and processes.

At the same time, artificial intelligence is transforming the accounting profession, enhancing efficiency, accuracy, and the ability to derive actionable insights from vast datasets. AI enables us to provide deeper value to our clients through predictive analytics, fraud detection, and the automation of routine tasks.

However, as we embrace AI, we must do so responsibly. This means prioritising ethical considerations, transparency, and security. By aligning advanced AI with robust cyber security practices, we will future-proof our firm while strengthening the trust of our clients and stakeholders.

Developing a resilient IT strategy

Developing a resilient IT strategy which integrates cyber security and artificial intelligence (AI) into our everyday working practices is business-critical. Our strategy involves several key components:

Comprehensive risk assessment and regulatory compliance

- **Cyber security:** Conduct thorough risk assessments to identify vulnerabilities and ensure compliance with relevant regulations such as GDPR and the UK's Data Protection Act.
- **AI Implementation:** Assess ethical considerations and legal implications of AI deployment, ensuring adherence to standards and regulations.

Robust infrastructure and data protection

- **Cyber security Measures:** Implement multi-factor authentication, encryption, and regular security audits to protect sensitive financial data.
- **AI Systems Security:** Ensure AI tools are secure and do not introduce new vulnerabilities into the system.

Integration of AI for operational efficiency

- **Process Automation:** Utilise AI to automate repetitive tasks, enhancing efficiency and reducing human error.
- **Advanced Analytics:** Employ AI for predictive analytics and fraud detection to improve decision-making processes.

Employee training and awareness

- **Cyber security Training:** Regularly educate employees on cyber security best practices to mitigate risks such as phishing and social engineering attacks.
- **AI Literacy:** Train staff on the effective use of AI tools and address ethical considerations.

Data governance and quality management

- **Data Policies:** Establish clear data governance policies to ensure data integrity and quality.
- **AI Data Management:** Ensure data used for AI is accurate and free from biases to maintain the reliability of AI outputs.

Where sharp minds meet



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