Financial Reporting Council

[Edited for publication]

IN THE MATTER OF

THE EXECUTIVE COUNSEL TO THE FINANCIAL REPORTING COUNCIL

-and-

MR RICHARD ADAM

SETTLEMENT AGREEMENT

The Settlement Agreement (which includes the Particulars of Fact and Acts of Misconduct) is a document agreed between Mr Richard Adam and the Executive Counsel. It does not make findings against any persons or entities other than Mr Richard Adam and it would not be fair to treat any part of this document as constituting or evidencing an investigation into, or findings in respect of the conduct of, any other persons or entities.

1. This Settlement Agreement ("**Agreement**") is made on the twenty second day of December 2025 between Claudia Mortimore as the Deputy Executive Counsel of the Financial Reporting Council ("**FRC**"), of 13th Floor, 1 Harbour Exchange Square, London, E14 9GE ("**the Executive Counsel**") and Mr Richard Adam (together "**the Parties**"). The Agreement is evidenced by the signatures of the Parties.

2. The Particulars of Fact and Acts of Misconduct against Mr Adam[1] ("**the Particulars**"), as a Former Member of the Institute of Chartered Accountants in England and Wales ("**ICAEW**"), were prepared by the Executive Counsel and agreed by the Parties in accordance with the Accountancy Scheme ("**the Scheme**") and are annexed. The Agreement includes the Particulars.

3. The Parties recognise that the determination to be made in this case is a matter for the Tribunal member in accordance with paragraph 8(4)(ii) of the Scheme.

4. If the decision of the Tribunal member is to approve the Agreement, including the sanctions set out below, then the Agreement shall take effect from the next working

[1] The Particulars also set out the Misconduct of Mr Zafar Khan, as agreed by him. References to the Particulars in this Agreement are made in respect of the Misconduct attributed to Mr Adam within the Particulars.

day after the date on which the notice of the decision is sent to Mr Adam in accordance with paragraph 8(4)(iv) of the Scheme.

5. Terms used in this Agreement have the same meaning as set out in the Scheme effective from 1 January 2021 as re-issued on 30 March 2021, and the associated Sanctions Guidance dated March 2021 ("**the Sanctions Guidance**").

6. The Particulars relate to Mr Adam's conduct in his role as Group Finance Director of Carillion plc ("**Carillion**"), in connection with the preparation of accounting information relating to Carillion for the financial years from 2013 to 2016 inclusive, the provision of such information to Carillion's board of directors ("**the Board**") and external auditors, and Mr Adam's approval (as a member of the Board) of Carillion's financial statements for the 2013, 2014 and 2015 financial years. The relevant conduct is briefly outlined below and more fully detailed in the Particulars.

The Supplier A Transactions

7. In relation to certain transactions entered into by Carillion and Supplier A in 2013 and in 2016, Mr Adam was aware that there were risks that:

   a. amounts of (in total) £81 million to be paid by Supplier A to Carillion under the transactions could be recoverable by means of charges to be paid by Carillion to Supplier A;

   b. the Board and Carillion's auditors had received materially incomplete and/or inaccurate information about this aspect of the transactions; and

   c. the amounts received by Carillion from Supplier A were being or could be incorrectly reported and accounted for by Carillion as increasing revenue or reducing costs, and as increasing profit and net assets.

   By unreasonably taking those risks, including by his approval (as a member of the Board) of Carillion's 2013 financial statements, Mr Adam acted recklessly and failed to act with integrity.

Construction contracts

8. In relation to three of Carillion's most significant UK construction contracts, Mr Adam caused accounting information to be prepared where he knew there was a risk that the information did not comply with applicable international accounting requirements or with Carillion's policies, and gave an unrealistic view of the financial position and performance of those construction contracts. Mr Adam therefore knew that there were risks that:

   a. the Board would not have the information it required to prepare Carillion's financial statements, and Carillion's auditors would not have the information they required to audit those financial statements;

   b. the Board and Carillion's auditors could be misled as to the financial position and performance of the three contracts; and

c. Carillion's financial statements could be misleading, and investors and the market could be misled.

By unreasonably taking those risks, including by his approval (as a member of the Board) of Carillion's 2014 and 2015 financial statements, Mr Adam acted recklessly and failed to act with integrity.

The Early Payment Facility

9. The Early Payment Facility ("**EPF**") was a supply chain finance facility arranged by Carillion with a number of banks. The EPF enabled Carillion's suppliers to obtain early payment from the banks of amounts owed to them by Carillion, but also enabled Carillion to pay the amounts of the suppliers' invoices to the banks later than it would otherwise have had to pay the suppliers. By this means Carillion obtained a substantial cash flow benefit from its use of the EPF. In the period from 1 January 2014 to 31 December 2016, Mr Adam was aware that there were risks that:

   a. Carillion's auditors had not been provided with, and were unaware of material information concerning the operation of the EPF, which was required for the auditing of Carillion's financial statements; and

   b. the presentation in Carillion's financial statements of its liabilities to the banks under the EPF, which did not identify those liabilities as financial liabilities to banks, did not comply with applicable international accounting standards.

   By unreasonably taking those risks, including by his approval (as a member of the Board) of Carillion's 2014 and 2015 financial statements, Mr Adam acted recklessly and failed to act with integrity.

10. Mr Adam admits his Misconduct as set out in the Particulars.

Sanction

11. The Executive Counsel and Mr Adam have agreed the following terms of settlement:

   a. Exclusion from the ICAEW for a recommended period of 15 years. Any application for readmission after the expiry of that period shall not necessarily be approved, but shall be considered by the ICAEW on its merits.

   b. A Fine of £550,000 reduced to take into account a fine of £232,830 imposed by the Financial Conduct Authority ("**FCA**") in respect of related events (pursuant to paragraph 23 of the Sanctions Guidance). The resulting figure of £317,170 is discounted by 30% for settlement to £222,019 (pursuant to paragraphs 71 and 73 of the Sanctions Guidance). The Fine shall be paid within 24 months, in monthly instalments of no less than £9,250, with the first instalment to be paid not later than 28 days after the date when this Agreement takes effect.

   c. A Severe Reprimand.

12. In reaching this Agreement with Mr Adam, the Executive Counsel adopted the approach set out in paragraph 18 of the Sanctions Guidance, as follows:

Nature and Seriousness of the Misconduct

13. The Executive Counsel considers that the factors relevant to assessing the nature and seriousness of the Misconduct are:

    a. The Misconduct in this case is very serious. Mr Adam's Misconduct risked materially misleading members of the Board, Carillion's auditors and users of Carillion's financial statements.

    b. As Group Finance Director, Mr Adam led and had overall responsibility for Carillion's finance function. He signed Carillion's 2013, 2014 and 2015 financial statements on behalf of the Board and confirmed that they complied with applicable accounting standards, and that he had taken all reasonable steps to ascertain any relevant audit information and establish that the auditors were aware of it.

    c. Mr Adam's Misconduct contributed to a risk that other, less senior staff within Carillion would commit Misconduct.

    d. Whilst Mr Adam is likely to have benefited financially through performance bonuses set by reference to (among other things) the financial performance reported by Carillion, the extent of the benefit deriving from his Misconduct cannot be quantified, and Mr Adam's Misconduct was not financially motivated.

    e. The Misconduct involved a failure to comply with the Fundamental Principle of Integrity. The principle is critical to the role of an accountant, and to upholding trust and public confidence in the profession.

    f. The scale and significance of the Misconduct were very substantial. The Misconduct occurred over four financial years in respect of several areas of Carillion's business that were significant to its financial reporting.

    g. The Misconduct risked the loss of substantial sums of money, and risked adversely affecting a significant number of people in the UK given Carillion's position and status as a FTSE 250 listed company.

    h. By its nature, the Misconduct is likely to undermine confidence in financial reporting, the standards of conduct of Members, and the profession generally.

    i. Mr Adam acted recklessly. The Particulars contain no finding or admission that Mr Adam acted dishonestly or deliberately.

Identification of Sanction

14. Having assessed the seriousness of the Misconduct and considered the range of available sanctions, the Executive Counsel has determined that the sanctions set out at paragraph 11 above are appropriate.

15. Pursuant to paragraph 51 of the Sanctions Guidance, the Executive Counsel considers that Exclusion from the ICAEW is necessary in order to protect the public and safeguard the public interest given the likely damage to confidence in the standards of conduct, of Members and the profession, and because Mr Adam's Misconduct in this case is fundamentally incompatible with membership of the ICAEW. Any application for readmission after the expiry of the recommended period shall not necessarily be approved, but shall be considered by the ICAEW on its merits.

16. The Executive Counsel considers that, having regard to the circumstances of the case and the nature of the Misconduct, a Fine of £550,000, reduced to £317,170 to take into account a fine of £232,830 imposed by the FCA, is proportionate to the Misconduct and will act as an effective deterrent.

17. The Executive Counsel has also determined it is appropriate to impose a Severe Reprimand given the scale and gravity of the Misconduct.

18. The Executive Counsel has taken into account aggravating and mitigating factors set out below, to the extent that they have not already been taken into account in relation to the nature and seriousness of the Misconduct, and concluded that no adjustment is appropriate.

Aggravating and Mitigating Factors

19. The Executive Counsel considers that there are no aggravating factors that have not already been considered as part of the assessment of seriousness of the Misconduct.

20. The Executive Counsel has taken into account that, prior to the occurrence of this Misconduct, Mr Adam had a good regulatory and disciplinary record.

Deterrence

21. No adjustment for deterrence is required in this case.

Discount for Admissions and Settlement

22. Having taken into account the admissions made by Mr Adam, and in recognition of the benefits of reaching a settlement, the Executive Counsel has determined that a reduction of 30% to the Fine is appropriate.

Other Considerations

23. In accordance with paragraphs 35(c) and 42(a) of the Sanctions Guidance, the Executive Counsel has taken into account Mr Adam's financial resources (including his income and assets), and that there are no arrangements that would result in part or all of the Fine being paid or indemnified by insurers.

Costs

24. In accordance with paragraph 75 of the Sanctions Guidance, the Executive Counsel has taken into account Mr Adam's financial position and the impact of the

Fine; and that there are no arrangements that would result in part or all of any award of costs being paid or indemnified by insurers.

25. The Executive Counsel and Mr Adam have agreed that Mr Adam will make no contribution towards the Executive Counsel's costs of, and incidental to, the investigation.

Confidentiality

26. The Agreement and annex will remain confidential until publication in accordance with paragraph 8(6) of the Scheme.

[Redacted.] [22 December 2025]

………………………………………….. ………………………………..

Claudia Mortimore **Date**
Deputy Executive Counsel

[Redacted.] [22 December 2025]

…………………………………………… …………………………………..

Richard Adam **Date**