Shaping a better future

The British Standards Institution
Annual report and financial statements 2021

By Royal Charter

Companies House number ZC000202

Inspiring trust for a more resilient world

We would like to thank our many stakeholders, in particular the Chairs and members of BSI's standards development committees who give their time, experience and knowledge to the process of defining best practice standards.

We would also like to thank our partners across government, business, academia and consumer and societal groups as well as the international standards developing organizations, notably the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC), European Committee for Standardization (CEN), European Electrotechnical Committee for Standardization (CENELEC) and European Telecommunications Standards Institute (ETSI).

All of these partners enable BSI to perform its key role in society.

Stay up to date with our website
bsigroup.com

Strategic report

Corporate governance

Financial statements

Consolidated financial statements

Parent company financial statements

Cover image: BSI colleagues Akriti Oswal and Elena Khvorenkov discuss BSI's remote auditing capability, which employs drone technology to conduct spatial analysis.

Highlights

Financial highlights

Revenue
£585.6m
+9%
2020: £539.3m

Underlying Operating profit
£83.1m
+30%
2020: £64.1m

Net asset value
£327.6m
+36%
2020: £240.9m

Average headcount
5,518
+5%
2020: 5,237

Cash and deposits
£187.1m
+42%
2020: £132.1m

Standards highlights

During 2021, BSI:

Published
+2,400
new standards

Welcomed
+1,200
new committee members

Managed
+2,550
public consultations on our standards

to our total of
13,000
committee members

At a glance

We help the organizations we work with become stronger, more resilient, more sustainable and ultimately more trusted

Imparting our global expertise worldwide

BSI is an integrated global enterprise, serving stakeholders and clients, from globally recognized brands to small local companies. We operate in 195 countries across a range of industries.

At a glance continued

Our markets and opportunities

"2021 was a year of real forward momentum and BSI is now better placed than ever to fulfil our ambition to be a trusted agent of change for the clients and stakeholders we work with."

Revenue
£585.6m
+9%
2020: £539.3m

Underlying Operating profit
£83.1m
+30%
2020: £64.1m (restated)

Net asset value
£327.6m
+36%
2020: £240.9m (restated)

Knowledge Solutions
The core of our business is the knowledge that we create and impart to our clients as services or information solutions. We continue to build our reputation, shaping standards at national, regional and international levels and delivering standardization services and technical assistance projects worldwide.

Assurance Services
Independent assessment of the conformity of a process or product to a particular standard that enables an organization or a product to be trusted in a supply chain or by a consumer. We train our clients in world-class implementation and auditing techniques to ensure they maximize the benefits of standards.

Regulatory Services
Independent assessment of the conformity of a process or product, in the Medical Devices industry, to a particular standard to bring trusted life-saving technologies to market safely.

Consulting Services
We provide technical advisory services to help our clients ensure ongoing compliance with standards, regulations and best practice so that they are able to accelerate delivery of their business goals.

Our purpose in action

Making remote auditing possible, anywhere

BSI carried out the world's first immersive remote audit of a client's site in February 2020. By the end of that year, we had completed over 102,000 immersive audits, and during 2021 we delivered 141,000.

The BSI development team had tried and rejected more than 30 technical solutions to deliver remote audits before they were happy with the augmented reality (AR) platform that we now call the 'BSI Immersive Solution'.

That first historic audit took place in Wuhan, which in February 2020 was already seriously constrained by efforts to contain the spread of a mysterious new virus. With our auditors unable to travel to Wuhan, our team used the new platform to guide an on-site individual, equipped with smart wearable devices, around the client's premises. This enabled BSI to closely study high-quality images, spot any non-conformities and deliver instant feedback.

The remote audit capability could hardly have come at a better time for a world on the brink of lockdown. As soon as the widespread impact of the COVID-19 became clear, the benefits of this new approach were even more apparent. Without the ability to certify our clients' processes from afar, supply chains would have been disrupted, and availability of essential goods would have been constrained across the world.

BSI had in fact been working to develop a remote audit solution since 2018, recognizing the wide range of benefits that high-quality, remote auditing would offer our clients. We knew that to make immersive auditing successful, we had to develop technology that would work in multiple environments.

Client sites are globally dispersed and often hard to access including mines, oil rigs and remote factories that do not easily lend themselves to the use of standard technology.

Remote auditing also enables the same auditor to assess multiple client sites across the world without added journey time making it more sustainable and enhancing productivity. In addition, remote audit capability is an important step in making continual assurance a reality, delivering deeper insight and heightened predictive capabilities. It gives clients easy access to experts across multiple subject areas and supports more detailed reporting, including photos and video clips of non-compliance.

Crucially, remote audit achieves all of this without devaluing the expertise of our auditors, which remains essential to our delivery of excellent client service.

To meet our clients' needs, we have developed four levels of immersive technology, starting with live web streaming based on existing technology; mobile devices using BSI mobile device software that performs well in low bandwidth environments and includes new functionality to deliver a more interactive experience; the option to use hands-free, wearable devices – particularly useful in environments where mobile phones are not permitted; and aerial analytics based on satellite technology to ensure that our subject-matter experts can get as close to a facility as possible without actually being there.

Looking ahead, there are plenty of exciting new areas in development, including spatial solutions, audio, text and visual analytics. The work we are doing today will further extend our global lead in the immersive area, bringing us a truly tech-enabled workforce at the cutting edge of developments in tomorrow's digital and sustainable world.

Chairman's review

Resilience in extraordinary circumstances

"A year of remarkable achievement and a platform for a digital, sustainable future."

John Hirst
Chairman

Chairman's review continued

This was a truly landmark year for BSI, significant due to the sharpened focus on sustainability and digital transformation that are at the heart of our strategy because they are the most important challenges for our clients and stakeholders. It was also remarkable given the circumstances under which we began this transformation, with a global pandemic providing an object lesson in how to maximize the benefits of digital technology, and reduce the environmental impact of doing business, so I should begin by thanking the exceptional BSI team around the world for their commitment and resilience in extraordinary circumstances.

I am delighted with the progress we have made, building the platform we need to drive change as we focus more closely than ever on helping our clients tackle their challenges. The fact this was achieved under circumstances that forced our new CEO to delay meeting her team face-to-face for five months makes our performance all the more impressive.

The achievements I wish to highlight naturally include our exceptional financial performance, the excellent start to her tenure as CEO made by Susan Taylor Martin, and our successful recruitment of Sara Dickinson as our new Chief Financial Officer.

I believe 2021 will also be remembered for the work done to reinforce the position of BSI, and the global power of standards. We both cemented our position within the International Organization for Standardization (ISO) and assured our future position within the European Committee for Standardization (CEN) and the European Electrotechnical Committee for Standardization (CENELEC) standards systems.

However, and perhaps even more noteworthy is the way in which we built on the sustainability work started in 2020, leveraging the specialist expertise of Dame Polly Courtice following her appointment as advisor to the Board. This has enabled us to take a leading role on sustainability issues with ISO and underpinned our contribution to last September's United Nations COP26 summit in Glasgow.

Our growing ambition is to help clients shape their sustainability journeys, and accelerate our work on developing standards for a digital world.

Financing the future

Our exceptional financial performance in 2021 (see page 30 for details) provides us with a strong platform for future investment. Rather than distributing our profit, we use it to facilitate the improved services we have planned for 2022 and beyond.

While we are unlikely to deliver the same profitability in 2022, we are confident that continued strong sales and revenues will underpin our investment programme moving forward in a virtuous circle of cash generation and reinvestment.

The Board in 2021

The year was characterized by work on strategy, with a focus on exchanging, challenging and refining ideas to help us define our views of future needs and lay out the path towards meeting them for our clients and other key stakeholders.

This was achieved while supporting our new CEO and new Non-Executive Directors as they settled into their roles, with individuals stepping forward to take on responsibilities and fill gaps where necessary. For me, it has been enormously satisfying to see this in action, and I have been delighted with our progress as we have collectively built a far better understanding of the topics and issues at play.

As a result, we have formulated a clearer and more ambitious strategy than we have had in the past, and I am excited at the prospect of supporting its implementation through 2022 and beyond.

Our priorities for 2022

2022 will be a year of major investment in our technology platforms to make us more effective in key areas including client service and the development and delivery of standards.

When these improvements take place in parallel with a better understanding by organizations everywhere of what we can do for them, I believe we will get closer than ever before to fulfilling our immense potential.

I would like to thank all my colleagues, not only for making this possible but also for making BSI such a joyous place to work. We have a fantastic history, but I believe the future is even brighter.

John Hirst
Chairman
20 April 2022

An overview of how the Board has fulfilled its duty, as set out in Section 172 of the Companies Act 2006, to promote our long-term success, while considering the interests of our stakeholders and our impact on the community and environment, is explained on pages 80 to 83 of the Directors' report.

Chief Executive's review

2021 was a year of real forward momentum

"Our organization once again showed remarkable resilience, thanks to the extraordinary efforts of my colleagues, the trust placed in us by our clients and stakeholders, the commitment of our thousands of standards developers and the support of our accreditation and regulatory bodies."

Susan Taylor Martin
Chief Executive

Chief Executive's review continued

When I joined BSI in January 2021, I was struck by the calibre of the expertise across the organization and the passion our people have for helping our clients and stakeholders achieve their ambitions and effect positive change. At that time I also had a sense that BSI could have an even greater positive impact on the world. A year into my role, I now know that BSI has a tremendous opportunity ahead. By building on our expertise and reputation for integrity, and focusing on our clients' and stakeholders' greatest challenges, we can embed frameworks, practices and standards that create trust between consumers, companies and governments, fostering innovation and progress, ultimately making the world a better place.

Despite the continuing challenges of a COVID-restricted world, 2021 was a year of real momentum for BSI. Our organization once again showed remarkable resilience, thanks to the extraordinary efforts of my colleagues, the trust placed in us by our clients and stakeholders, the commitment of our thousands of standards developers, and the support of our accreditation and regulatory bodies. In addition, we strengthened our focus on our clients and stakeholders and the challenges they face, we sharpened our strategy, and accelerated our own digital transformation. As a result, BSI is now better placed than ever to fulfil our ambition to be a trusted agent of change for corporations and organizations.

Strong performance across our business divisions

2021 was an exceptional year for BSI in terms of financial performance, both in revenue growth and profitability, which enabled us to further strengthen our balance sheet. Our Group reported revenue increased 9% to £585.6m. On a constant currency basis underlying revenue was up 13%. Group Underlying Operating Profit (UOP) of £83.1m increased 30% over 2020. That growth in revenue demonstrates real momentum for the business – across every business division and every geography. We are aware, however, that our significant increase in profitability is due, in part, to continued COVID-19 restrictions which curtailed our ability to travel and boosted remote delivery of our services, while at the same time suppressing our ability to invest in the business at pace. Our robust financial performance now affords us the opportunity to invest in BSI for the long term, both in terms of building out our enterprise-wide capabilities to support our growth ambitions, and further investing in our digital infrastructure and capabilities which are fundamental to our future success.

Standards & Knowledge Solutions

BSI in its role as the UK National Standards Body continued to participate fully in the world of international standards. During the year we secured our membership of the European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC) which gives confidence to all our stakeholders and ensures that the UK can continue to contribute to advancing European and international standards which support the modern supply chain and global trade.

In 2021 we hosted the annual meeting of the International Organization for Standardization (ISO). At that meeting we gained the ISO members' approval for the London Declaration, an idea proposed and championed by BSI, to ensure that global standards support climate action and initiatives to achieve our climate goals. This will have a transformational impact given that standards underpin global business. On the same topic, BSI's presence at the United Nations COP26 climate summit highlighted how the consensus approach of international standards can be a game changer in terms of tackling global challenges. This year we substantially increased our focus on programmes to advance sustainability including formally engaging in the UN Framework Convention on Climate Change Voluntary Carbon Markets (VCM) and the UN's Our 2050 World initiatives.

Read more in our Director-General, Standards review

BSI has increased its engagement with the UK Government through the year, with a focus on our 'Sponsoring Department' the Department for Business, Energy and Industrial Strategy (BEIS), as well as the Department for Digital, Culture, Media and Sport (DCMS) and the Department for International Trade (DIT). We believe that standards are very powerful mechanism to accelerate real, practical change – whether that's the delivery of Net Zero, supporting digital transformation or enabling global trade.

Our Knowledge Solutions division, which helps both shape and share standards, delivered a steady financial performance alongside a sharp focus on its continued digital transformation across both our internal operations, and our client-facing platforms and propositions. Our revenue of £67.4m, which represents 11% of our total Group revenue, was up 3% over 2020. During 2021 we launched our new digital platform which will help people find the relevant standards more easily, as well as providing a modern e-commerce environment. We also continued to work with industry, standards committees and other stakeholders on standards that are machine applicable, readable and transferable (SMART). These new digital standards will ultimately transform the way that standards are used to deliver against business goals.

Read more in our Knowledge Solutions business review

Assurance Services

Our Assurance Services division grew revenue by 8% in 2021, 12% on a constant currency basis, to £284.7m or 49% of Group revenue. This division is all about providing assurance that organizations and products meet the appropriate standards and can therefore be trusted throughout a supply chain, and by the consumer. The strong financial performance last year was underpinned by a robust performance in our Assessment and System Certification business line; the mission-critical nature of these services, together with our market-leading approach to remote delivery, supported by our digital platform BSI Connect Plus, were all key factors in our success last year. Remote delivery was also fundamental to the recovery of our Training business this year, with 70% of our courses being delivered virtually. After a very strong 2020 boosted by the requirement for Personal Protective Equipment (PPE), our Product Certification business line continued to grow, albeit at a more normal rate. Of note in 2021 was our focus on sustainability, which included our first Circular Economy Kitemark and the certification of next generation hydrogen home appliances.

Read more in our Assurance Services business review

Chief Executive's review continued

Regulatory Services

Our Regulatory Services division delivered another year of exceptional growth. Revenue of £157.9m is up 10% on 2021, and up 16% on a constant currency basis, and this business now accounts for 27% of our Group revenue. Regulatory Services help our clients, medical device manufacturers, bring trusted, life-saving technologies to market in a timely and predictable manner. Our growth this year continues to be fuelled by the major regulatory change in the European medical devices market, from the Medical Devices Directive (MDD) to the new Medical Devices Regulation (MDR). The twelve-month deferral of that new regulation to the 26 May 2021 resulted in a huge growth in demand for renewals under the previous MDD regulatory scheme. Despite the significant additional demand, the Regulatory Services team successfully re-certified every one of our clients. Given the restrictions of the COVID pandemic, we continued to use our remote auditing capability. As we move on from a pandemic situation, we will combine both physical and remote audit capabilities in a new 'hybrid' model. During 2021, BSI was also re-designated as a full-service UK approved body and is currently the only organization with this full-scope designation.

Read more in our Regulatory Services business review

Consulting Services

2021 was a year of recovery across both the Cyber Security and Information Resilience (CSIR) and Environmental, Health, Safety, Sustainability and Security (EH3S) advisory businesses which make up our Consulting Services division. Revenue of £75.6m was up 11% on 2021, or 18% on a constant currency basis. The Consulting division represents 13% of our Group revenues. Both broad practice areas for our Consulting Services division, cyber security and environment/sustainability, are increasingly material challenges for our clients and therefore boosted demand for our technical expertise. This division also manages BSI Connect Screen, an integrated platform for supply chain risk management. Given the increasing problems with global supply chains we saw solid growth from this service during 2021 and we expect that growth to continue.

Read more in our Consulting Services business review

Accelerating BSI's Digital Transformation

The experience of the pandemic served to focus our minds even more keenly on the importance of our digital future and it reinforced the need for us to redouble our efforts on our own digital transformation programme and innovation agenda. It is imperative that as we transform to become a digital business, we take advantage of our exceptional performance in 2021 to invest in our data and our digital infrastructure, digital operations and skills, while strengthening our digital offerings for clients, including SMART standards, e-commerce and digital assurance.

In 2021 we continued to upgrade our IT systems and infrastructure as well as our Customer Relationship Management (CRM) platform. These investments are critical, multi-year investments in the future of BSI. In addition, during the year we substantially improved our information and cyber security position. We progressed with the delivery of new digital technology capabilities, organization and processes which will underpin our digital transformation, including the establishment of a new data integration platform, network segregation capability and our Security Operations Centre.

> "The experience of the pandemic reinforced the need for us to redouble our efforts on our own Digital Transformation programme and innovation agenda."

In addition to our continued investment in the foundational data and digital backbone of BSI, we expanded our innovation capability with the opening of two new Innovation Labs in Cambridge, UK and Singapore to add to our existing Lab in Phoenix, USA. Our innovation agenda is centred on experimenting with digital technologies to add value, and impact, to the services we deliver to our clients to help them achieve their business goals. Artificial Intelligence, Machine Learning, Augmented Reality/Virtual Reality, Internet of Things (IOT), Blockchain are all technologies that we are experimenting with in terms of our Assurance, Training and Supply Chain management offerings. Our labs provide us with unique opportunities to collaborate with clients and partners, identify and explore new ideas all aimed at helping our clients accelerate their own business change.

People and Culture

Every business is a people business, and that is particularly true for BSI; the quality of our people is our competitive advantage. We are very committed to making BSI a fantastic place to work and thrive. First and foremost that means creating an open, inclusive, collaborative and ultimately high-performing organization. This focus on building a healthy culture is foundational in terms of our success and an area where I will continue to invest a good deal of my time and energy.

Although we are making good progress on our Diversity, Inclusion and Wellbeing agenda, we know that we can do more. In 2021 we established a series of colleague affinity groups and continued to evolve our talent and People polices, and we plan to step up the pace in 2022 and beyond. One of the silver linings from the pandemic has been a greater understanding of, and focus on, mental health and wellbeing. Indeed, in 2021 we launched a best practice framework on workplace wellbeing, BSI's Prioritizing People Model, and we are aligning our internal approach to this. In addition, 2021 saw the publication of ISO 45003 on psychological health and safety management, and we are in the process of implementing it, starting with our UK laboratories.

Another consequence of the pandemic has been the practical realization that we can all work more flexibly. Going forward, we want to be able to combine the best of that flexibility, with the undeniable advantages of coming together in person to work with our clients and stakeholders to collaborate and solve problems as well as mentor and collaborate with one another.

Chief Executive's review continued

People and Culture continued

2021 was a particularly challenging year as the COVID-related restrictions continued to make serving clients more difficult and bringing the team together to collaborate impossible for much of the year. Indeed, it was five months before I could bring my Group Leadership Team together in person, and my first visit to a BSI office outside of the UK didn't happen until November. All of these issues, however, are trivial compared with the loss of two of our colleagues to COVID-19 during the year. We have obviously offered our support to their families and colleagues, although this cannot possibly dull the pain of their loss.

We have used technology to great effect, both internally and with clients, and the strong performance this year is a testament to the commitment and resilience of the team. The additional pressure of working with this patchwork of global travel and meeting restrictions across the globe has dented our colleague engagement, as it has for most organizations. However, given the remarkable pride our colleagues feel working for BSI, and the commitment they show to their clients and teammates, I feel confident that we can reverse the slight dip in engagement we saw last year as we are able to meet and engage with each other face-to-face at last.

Strategic Outlook

Our ambition is to generate a greater positive impact for the clients and stakeholders we work with. This year we sharpened our strategy to ensure that we are laser-focused on our clients' and stakeholders' most pressing challenges – their need to become more sustainable, and their need to transform their organizations for a digital future. Our expertise in Quality, Heath, Safety & Wellbeing and Supply Chain is foundational for us; we want to amplify our expertise in Sustainability and creating trust in a digital world, a concept that we call Digital Trust. By embracing our own digital future, and capitalizing on our unparalleled ability to convene innovators and practitioners to identify and operationalize standards, best practice and regulatory frameworks, we can help our clients and stakeholders innovate, accelerate the delivery of their goals and provide them with assurance that their organizations are sustainable, resilient and trustworthy.

As we finalised our Annual Report and Financial Statements, the geopolitical environment has been upended with the invasion of Ukraine by Russia. Thankfully, we have no presence in Ukraine, but we do have a small team in Russia and a larger team in nearby Poland. As I write, the situation is very fluid and we are assessing the actions we will need to take.

In 2021 the resilience of our teams and the underlying strength of our business model enabled us to deliver an exceptional financial performance. That performance now enables us to invest for the long term, both in terms of building out our enterprise-wide capabilities to support our growth ambitions, and investing in our digital infrastructure and capabilities which are fundamental to our future success.

I hope that when we look back on 2021, with all its challenges and opportunities, we will see this was a pivotal year for us, providing BSI with the platform for our next stage of transformation and growth.

Susan Taylor Martin
Chief Executive
20 April 2022

BSI is a participant in the United Nations Global Compact (UNGC), having been a signatory since 2018, and continues to support its principles. We do this by tackling sustainability issues in our direct operations, by using our position as the UK National Standards Body (NSB) to bring together thought leaders on these issues, and by helping our clients improve their performance in four principle areas of human rights, labour practices, environment and anti-corruption. Please see page 36 for details of where you can find further information on how BSI has progressed the UNGC agenda.

Director-General, Standards review

Maintaining the relevance of British Standards

Sergio Mujica, ISO Secretary-General; Eddy Njoroge, ISO President; and Scott Steedman, Director General, Standards, BSI.

"During ISO Week we gained member approval for the London Declaration, an idea proposed and championed by BSI to ensure global standards will support climate action and advance international initiatives to achieve climate goals."

A pivotal year for BSI

A number of significant events mark 2021 as a pivotal year for BSI. We hosted the annual meeting of the International Organization for Standardization (ISO Week) for the first time in 25 years, joined the COP26 summit in Glasgow, and worked to support our stakeholders through the end of the post-Brexit transition period. There has been a step change in the visibility of standards as an essential foundation of the UK's changing relationship with its trading partners. Standards are now seen as a key enabler of sustainability and innovation. And the ongoing COVID-19 pandemic forced us to develop and implement new ways of delivering our services.

We continued our work to improve the public understanding of the economic benefits of standards to the UK, commissioning an update to the 2015 report by the Centre for Economics and Business Research (CEBR). This new research showed that the impact of standards on the UK economy has grown further, equivalent to 23% of all GDP growth and 38% of productivity growth over the last ten years.

Director-General, Standards review continued

Working with government

Throughout the transition period following Brexit, BSI has worked closely with the UK Government Department for Business, Energy and Industrial Strategy (BEIS) to develop and deliver a new system for British Standards to support the delivery of regulation, replacing the former EU model. We have stepped up our engagement with many other governmental departments and bodies. This engagement included the Department for Digital, Culture, Media and Sport (DCMS) concerning the way standards can support digital transformation, build trust and confidence in the effective use of AI, and underpin a resilient telecoms infrastructure. We continue to work with the Department for International Trade (DIT) on the way standards can support the negotiations over new UK trade deals.

BSI was referenced in major Government strategies on Net Zero and Artificial Intelligence, as well as the UK's flagship foreign policy statement, the Integrated Review of Security, Defence, Development and Foreign Policy. The potential for standards and BSI's role was also recognized in the report of the Taskforce on Innovation, Growth and Regulatory Reform (TIGRR) on the potential for the UK to reshape its approach to regulation. We helped develop new competence standards for the construction sector, with the first standard being an overarching code of practice setting the core criteria for building safety competence, aimed at supporting the regulated roles defined in the new legislation and providing a framework for the accreditation of improved industry training and professional qualification practices.

Strengthening the UK voice in international standards development

BSI worked with its fellow members of the European regional standards organizations CEN and CENELEC and their members to revise their statutes, a process completed in June 2021 after five years of discussions and negotiations. The new statutes create three categories of full membership, including one respecting BSI's position as the National Standards Body of a non-EU country in the European region.

Following a successful audit in the summer, the General Assemblies of both CEN and CENELEC voted overwhelmingly in November to confirm BSI's continued membership from 1 January 2022, a decision which is consistent with the Trade and Cooperation Agreement (TCA) agreed between the UK and the EU.

Continued BSI membership of CEN and CENELEC provides clarity and confidence for all our stakeholders. It will help businesses to trade in a settled system and will support the UK's long-term contribution to European and international standards.

We worked closely with the International Electrotechnical Commission (IEC) to agree important governance reforms and the new strategic plan and to support the increased co-operation with ISO in standards development and the digitization of standards.

We continued to maintain a range of strategically important international relationships, including delivering the Commonwealth Standards Network that works to increase the use of international standards to support positive economic outcomes throughout the Commonwealth.

Our standards committees continued to work in a virtual environment while we trialled new formats of hybrid working. After a last-minute decision by the ISO Council we pivoted to host a fully virtual ISO General Assembly in September. It was the 75th anniversary year of the UN Conference held in London which agreed to set up ISO and we created a week of virtual events broadcast from a purpose-built studio in the QEII Conference Centre. With over 1,000 registered delegates from over 140 ISO members, it was the largest ISO General Assembly to date, with the lowest carbon footprint.

During ISO Week we celebrated 70 years of consumers participating in the development of BSI's standards. The election of BSI's Senior Consumer Policy Manager Sadie Dainton to chair ISO's main policy committee on consumers (COPOLCO) is recognition of her leadership and of the important role of BSI in promoting the consumer voice.

Accelerating sustainability action

An important theme at the United Nations COP26 climate summit was the need for a consensus approach to tackle global challenges, enabling rapid development and delivery of policy in parallel with regulatory and standards frameworks. We see growing recognition among all types of organizations of the urgent need to take climate action, driven in part by the competitive advantage Net Zero offers, and we aim to be an accelerator of change in this process.

During 2021, we were involved in many programmes to advance sustainability, including the VCM initiative, the UN's Our 2050 World initiatives and the Faraday battery challenge.

We played an important role in the Government-funded Connected and Automated Vehicle (CAV) initiative, delivered a suite of standards on energy-smart appliances, signed up to the Government's hydrogen heating programme and were involved in projects to accelerate the shift to zero-emission transport.

Above all, during ISO Week we gained the ISO members' approval for the London Declaration, an idea proposed and championed by BSI to ensure global standards will support climate action and advance international initiatives to achieve climate goals. This will have a potent, transformational impact across the international standards community. We are working with ISO, IEC, CEN and CENELEC to develop and promote an action plan to support its implementation.

Director-General, Standards review continued

"We gained the ISO members' approval for the London Declaration, an idea proposed and championed by BSI to ensure global standards."

Enabling innovation

Our role supporting innovation is widely recognized, not least by Innovate UK with whom we worked closely during the year. The importance of BSI and standards to innovation is recognized in the Government's UK Innovation Strategy and related initiatives including the Standards for the Fourth Industrial Revolution Action Plan and Innovate UK's Action Plan For Business Innovation, which acknowledges BSI's role as a partner organization.

We provided direct support to the cohort of Innovate UK EDGE Growth Advisers, who work with more than 5,000 innovative SMEs. This included training, web support and enquiry service, to accelerate the post-COVID recovery through increased awareness and use of standards.

We also continue to focus on innovation within our own offering, adapting our approach to provide a rapid service, essential in a fast-moving, increasingly digital environment. This is enabled by Publicly Available Specification (PAS), our existing fast-track standards process, and our new BSI Flex service with which we can provide standards within four weeks.

The future of flight and drones, unmanned aerial system detection, the use of recycled content in plastic packaging and the development with the Centre for Digital Built Britain (CDBB) of the Digital Twins hub are just some of the cutting edge projects BSI was involved in during 2021.

We also continued our pioneering work on SMART standards, which will play an essential role in a digital world. I was honoured to have the opportunity to chair the ISO SMART Steering Group, which is leading the digitization of standards as a key aspect of digital transformation. We believe this initiative will help accelerate the Net Zero transition by enabling clients seamlessly to use the elements they require to deliver their products and services.

Scott Steedman

Scott Steedman
Director-General, Standards

The changing role of standards

Our work is supported by many thousands of people who give their time and knowledge to the standards development process. I would like to thank them for their resilience and agility to work in new ways during the pandemic.

At BSI, our role is to support industry, government and society achieve their ambitions through improved business performance and better global outcomes. In a world of geo-political challenge, standards and conformity assessment are a common currency for enterprise. We see consensus standards as the key to creating a future global economy, the heart of a rules-based eco-system that enables global co-operation, trade and transition.

Our people

Our people are our competitive advantage

At BSI, the primary focus of our People team is to build, maintain and continuously improve our purposeful organization which makes a positive impact on the world.

The human aspect is particularly important. The work we do, promoting and sharing best practice, is all about human connections. We aim to harness the power of these within BSI, just as we do externally with the clients and stakeholders we work with.

We know that our people are our competitive advantage, and that we can support everybody to thrive by building a collaborative culture where our people are inspired and empowered to deliver our purpose. For this reason, we focus on providing a working environment that enables all our people to contribute and do their best work.

Our strategic project Imagine BSI sought the views of colleagues globally on our future ways of working through focus groups and surveys. This initiative has resulted in the development of the BSI flexible working framework, which will allow our people to combine the best of what we have learned over the last two years in relation to successful remote and flexible working, with our ability to bring people together with a purpose to achieve great outcomes, helping us become a more agile organization with an improved ability to adapt to external forces.

Enabling and celebrating Diversity, Inclusion and Wellbeing

Key areas of focus during 2021 have been Diversity, Inclusion and Wellbeing, with the aim of encouraging open conversations among our people and giving them the opportunity to share their perspectives on some of the most sensitive and personal aspects of their lives.

Our people continued

"Our vision is to be a home to bright, articulate individuals who want to make a difference for the greater good – and who value expertise, knowledge, evidence and facts."

Enabling and celebrating Diversity, Inclusion and Wellbeing continued

We actively sought to develop ways to help BSI become a more culturally diverse and inclusive organization. Initiatives included the establishment of several colleague Affinity groups, which support the evolution of our diversity-focused People policies. Examples include the creation of the Women's Network, which is behind the new Women in Leadership programme, and several LGBTQ+ ally groups that are working with leadership at the highest levels of our business.

We recognize that while there has been a positive progression over the last 12 months, we have further to go. It is essential that when recruiting for future talent we have diverse long and short lists, particularly at our most senior leadership levels including at Board-level. This is also a key factor when selecting search firms to help us fill such positions.

Promoting wellbeing was another important strand of our activities in 2021 as we continued to develop our wellbeing program, informed by our continuous listening strategy and colleague surveys. This included expanding our cohort of certified mental health first aiders and the implementation of a global service through our partners at International SOS providing our people with much needed support and alternative health advice at a time when local hospitals and facilities were unable to cope with demand in some of our locations.

A culture of enablement

Our culture is an important enabler of our mission to make a positive impact on the world. We recognize that leadership has a disproportionate impact on culture and in 2021, BSI started a multi-year culture shaping programme starting with our leaders. This supports our vision to attract and retain bright, articulate individuals who want to make a difference for the greater good – people who care deeply about expertise and who value knowledge, evidence and facts.

Attracting, developing and retaining talent

BSI's success is in large part reliant on the talent, expertise and commitment of our people. Attracting them and providing them with the opportunity to build meaningful and rewarding careers with us is a huge priority.

We need to make sure that our remuneration is in line with the market, and we need to provide our people with attractive, progressive and fulfilling careers where they can excel.

All our people now have a form of performance-based variable pay as part of their total remuneration package. This was enabled through a significant review and redesign of our Group Annual bonus where we harmonized our approach across the globe and introduced a standard application of our financial performance measures.

Our aim is to provide exceptional development opportunities, enabling all our people to expand their knowledge and gain from the breadth of experience to which working for BSI will expose them. This is particularly important given the challenging recruitment market which we operate.

We want BSI to be a great place to work, where people can build their careers and thrive. During 2021 we delivered a range of projects to help bring this to reality. This included an in-depth study into career mapping for leadership and technical roles resulting in the implementation of a new, more flexible framework for career development so our people can learn new skills in their areas of interest.

In 2022, our focus will be to deliver a clear articulation of our people value proposition.

Alison Sharp
Chief People Officer

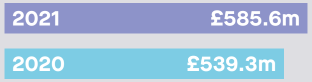
Key performance indicators

Tracking progress

Our key performance indicators are unchanged from 2019 with targets in line with our strategic plan.

Financial KPIs

1



Revenue[1]

£585.6m

+9%

2020: £539.3m

Target for 2024: £800m

Our revenue target for 2024 reflects our desire to achieve the scale that will enable us to maintain the relevance of BSI in a competitive marketplace. The target was set in 2019 reflecting expected growth rates in line with past years before the onset of COVID-19. It remains an aspirational goal despite the impact of the pandemic and reflects our ongoing investment in the business.

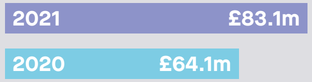
Achievements in 2021

Although 2021 continued to see the impact of the COVID-19 pandemic across BSI markets, the Group has delivered strong growth vs. 2020, with a 9% increase in revenue despite an adverse impact from exchange rates of 4%. Three of our business divisions delivered double-digit revenue growth (at constant exchange rates) for the year reflecting the strength of the underlying business.

Future focus

Our ambition is to continue our revenue growth trajectory. During the pandemic, we have continued to invest in our services and solutions, and our talented people across the business who will underpin our growth. We will continue to look for innovative solutions for our clients to help us achieve the required compound annual growth of 11% to achieve our 2024 target.

2



Underlying operating profit[2]

£83.1m

+30%

2020: £64.1m

Target for 2024: £100m

Our revenue growth will improve our profitability, on the solid base created by our continuing investment programme. We continue to look for ways to improve our efficiency and enhance our margins in our underlying business.

Achievements in 2021

Underlying operating profit reached a new record level of £83.1m in 2021, with our profit margins significantly ahead of historical levels. Our investment in innovation and new ways of working enabled the business to deliver solutions for our clients and continue to work efficiently, as a result of higher levels of remote working. The continued effect of COVID-19 also slowed some investments, lowering cost growth and helping the business to deliver higher profits.

Future focus

While we cannot predict with certainty the impact of COVID-19 in 2022, additional investment and the return to normal trading conditions may reduce short-term profitability. However, we will look to leverage our investments to deliver higher medium and long-term profits to achieve the 2024 target.

1 Underlying revenue at actual exchange rates.

2 Underlying operating profit at actual exchange rates.

Key performance indicators continued

Client-facing KPIs

2021	+58
2020	+58

3

Net Promoter Score[3]

+58

-%

2020: +58

Target for 2024: +53

We have achieved a high Net Promoter Score (NPS), indicating the propensity of our clients to keep working with us and to recommend others to do so.

Achievements in 2021

In 2021, we were pleased to see that our NPS remained at the high level achieved in 2020. This is higher than the 2024 target we set for ourselves. Although performing well, there are areas where there is still room for improvement.

Future focus

In Q4 2021, BSI launched the Client Metrics project to refresh the existing Voice of the Client (VoC) programme which is used to calculate the NPS. This project will result in new client metrics deployed across the whole of the organization from 2022 onwards, focusing on Client Satisfaction and Ease of Doing Business, in addition to NPS. The new metrics, together with the new VoC programme, will provide a more detailed view of our clients' experience with BSI and ensure our clients are always at the centre of our organization.

2021	£6,900
2020	£6,500

4

Average revenue per account[4]

£6,900

+6%

2020: £6,500

Target for 2024: £8,000

By developing our position as thought leaders and our partnerships at senior levels of our key accounts in our chosen sectors and domains, we expect our clients each to do more business with us and to benefit from a broader range of our service offering. The average revenue per account (ARPA) will help to indicate if we are being successful in this objective.

Achievements in 2021

2021 ARPA continues its upward trajectory and establishes a strong base from which to hit our 2024 target. This reflects the success of our strategy to work with key accounts across our countries and sectors to deliver greater value for clients.

Future focus

We will continue to implement our strategy of key account management across our expanded range of eight sectors, taking the relationship higher up our clients' organizations so that our client contacts understand and value the appropriate BSI portfolio of services and solutions.

3 Clients are asked one question: 'How likely are you to recommend BSI's services and solutions on a scale of zero to ten?' If they answer nine or ten, they are classed as a promoter, seven or eight a neutral and zero to six a detractor. NPS is the percentage of promoters minus the percentage of detractors.

4 Underlying revenue divided by the number of clients in the year.

Key performance indicators continued

Colleague-facing KPIs

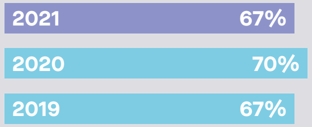
5

Colleague engagement index[5]

67%

-3%

2020: 70%



Target for 2024: 75%

We wish to engage our people through an inclusive, collaborative and rewarding culture. We aim to track our performance through regular colleague engagement surveys and by listening to our people for areas where we can improve our colleague experience.

Achievements in 2021

Last year we implemented our listening strategy focusing on the actions identified in our January 2021 engagement survey. 2021 was an unpredictable and challenging year for our colleagues and this is reflected in our recent engagement score from our January 2022 survey. This survey focused on Ways of Working. The key themes from the survey were that our colleagues feel productive and are able to do their best work despite the difficult circumstances the pandemic has brought about. Managers have also told us that they are confident their teams can deliver using a more flexible approach to ways of working. However, the continued COVID-19 restrictions and inability to meet face-to-face have impacted this year's engagement scores, as it has for many organizations.

Future focus

Our last two years of detailed engagement data now allows us to identify areas of the business where we can improve our engagement score by taking effective action. Using the data collected, we can target areas of the business where we need to build higher levels of engagement.

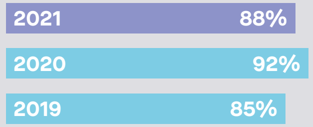
6

Colleague retention rate[6]

88%

-4%

2020: 92%



Target for 2024: 90%

We want to make BSI a great place to work, one where we have the right talent in the right roles and one where the work environment means that our people feel that they can develop their careers. The colleague retention rate gives a good indication that our people feel included, trusted and valued and that there is nowhere else they would rather be.

Achievements in 2021

Like many organizations we have had higher attrition in 2021. Our exit survey data indicates that the key reasons for colleagues leaving are career opportunities, challenge and growth.

Future focus

Although it is difficult to meet all of our colleagues' career aspirations a key focus for 2022 will be to ensure we provide exciting and stretching careers in BSI. To aid this we have introduced a new global mobility policy and will be increasing our resources to enable a greater focus on career and talent development.

5 Percentage score given by our people for colleague engagement in our annual survey.

6 Percentage of colleagues who choose to stay with BSI during the year. 100% minus the voluntary attrition rate.

Leading the way in the Built Environment sector

BSI has long supported the global Built Environment sector to implement innovation through digital technology, standards development, training and assurance.

One area where we have helped to drive adoption of new technology is Building Information Management (BIM).

In 2021, we collaborated with the National Institute of Building Sciences (NIBS) in the United States, a body established by Congress in 1974 to ensure the Built Environment is safe, structurally sound and sustainable.

Today, NIBS is recognized across the United States as the guardian of best practice in building and construction. BSI and NIBS share a common purpose in helping the sector to achieve increased resilience through successful adoption of innovation within the Built Environment.

Our collaboration began with one key aim; to support the implementation of BIM in the Unites States. BIM uses the digital representation of built assets to support the planning, design, construction and maintenance of buildings and other structures.

Having developed the first standards globally for BIM implementation, BSI used these to support ISO with the development of the ISO 19650 series of international standards.

BSI's Global Built Environment Managing Director, Andy Butterfield, explains, 'Over the past decade we have helped support the sector to successfully implement innovation with BIM through shaping standards, developing training and providing assurance through the BIM Kitemark™'.

This journey, which started in the UK, has now extended across the globe as the adoption of the ISO standards has accelerated. Through our Assurance business, we have also awarded BIM certification in 21 countries, something that made us the natural partner for supporting the implementation of ISO 19650 in the US.

According to Keith Bryan, BSI's US Built Environment Director, 'Ultimately, this work will deliver synergy by bringing common standards across the UK and the US. That's a massive goal. We've also made an outstanding start to building awareness through our participation in events like the national Building Innovation conference held in September 2021, an opportunity to promote BSI's twin strategic focus areas of Digital Trust and Sustainability to a highly receptive and influential audience.'

The relationship with NIBS will enable and strengthen the existing collaboration between the United Kingdom and the United States, encouraging the sharing of knowledge and best practice to promote the use of standards across the Built Environment sector.

Discover why BSI is ready for the future **bsigroup.com**

Business review

Performance by business division

Business review continued

Knowledge Solutions

Revenue
£67.4m
2020: £65.3m

Growth
3%
2020: -2%
3% at constant exchange rates

Proportion of total revenue
11%
2020: 12%

The Knowledge Solutions business continues to operate in a market characterized by both stability and evolution. In the latter, the drivers of digitization and sustainability are accelerating changes in client content requirements, product and service propositions, client engagement and standards development.

During 2021, Knowledge Solutions delivered a steady financial performance alongside a sharp and continued focus on our strategy of digitization across our internal operations model and our client-facing platform and propositions, demonstrating the value and impact of standards, and supporting our stakeholders as they negotiate global economic, digital transformation, and sustainability challenges.

We continued to see the impact of COVID-19 in an uneven way across our business lines in the year. Strong growth was recorded in the sales of subscriptions to our core digital information products British Standards Online (BSOL) and Compliance Navigator. Our third-party distributors remain a key channel to a broader international market, and delivered an increase in royalty income in line with the broader Standards market growth. Standards ecommerce business benefited from the release of a new platform, despite COVID related publication delays impacting the release of new international standards. Further enhancements to the client journey and ecommerce platform functionality will be delivered in 2022.

Business review continued

The pandemic impacted revenue from the 'Standards Services' business lines, however, sales orders won in 2021 are a real barometer of growth to come in 2022, as business, government and funding bodies become increasingly confident in contracting new Services from us. These sales orders include significant contracts with a variety of existing and new partners, sponsors, and funding bodies, including Innovate UK, the World Health Organization and the Swedish Development Agency SIDA, supporting programmes that match our strategic sector focus areas of energy, health, sustainability, digital and built environment.

2021 saw significant progress in the delivery of a modern, scalable digital architecture and platform to support client and stakeholder content discovery, our e-commerce environment and the foundational platform for access to our subscriptions services. This will ultimately support digital tools, data services and workflow solutions.

Alongside this, the innovation team have been working with industry, standards committees, and other stakeholders to illustrate how standards that are machine applicable, readable and transferable (SMART) will change the way people use and think about standards. This work will inform how we develop our wider offerings into 2022 and beyond.

Whilst supporting our clients' digital journey, we maintained focus on the digitization of our processes and systems, with the successful delivery of our XML ingestion for inbound standards data from the international standards development organizations and its integration into our content management systems. Additionally, the digitization of our committee member experience and our standards development processes continues with the evaluation of new technology partners to evolve our environment.

Our sector and standards development teams are making significant headway supporting industry and government in the delivery of programmes related to solving key world challenges, such as the decarbonization of transport, the Clean Growth Strategy and Net Zero ambitions.

Shirley Bailey-Wood
Director, Knowledge Solutions

Business review continued

Assurance Services

Revenue

£284.7m

2020: £263.0m

Growth

8%

2020: -7%

12% at constant exchange rates

Proportion of total revenue

49%

2020: 49%

Our Assurance Services business serves clients in 195 countries. In 2021, we continued our growth journey with robust revenue growth and strong growth in profitability. We also demonstrated once again our resilience and agility by continuing to serve clients in a hybrid way and digitally transforming our services – something in which we continue to invest.

Assessment and System Certification Services

Our Assessment and System Certification business lines continued to be resilient and delivered revenue growth of +8% in 2021, 12% at constant currency, with healthy profitability due to enhanced productivity and reduced travel. The year saw significant growth in remote and hybrid audit, which represented over 45% of our annual audit work. We made strong progress in our Digital Assurance transformation including the launch of BSI Connect Plus; our solution for managing all audits, findings and actions in one place with powerful dashboards and reporting that enables clients to gain insight and drive performance improvement. We accelerated the deployment of Predictive Assurance by working closely with clients and partners, developing relevant data analytics and benchmarking solutions to help our clients become more sustainable, more resilient and to improve their performance. We continue to expand our presence in the wider assurance market through our Customized Assurance services where we have worked closely with our largest clients to improve the trust and resilience of their extended supply chains and their risk-based internal audit programmes delivering substantial revenue growth over 2021. Both Information Security, which we are now expanding under the banner Digital Trust, and Sustainability grew significantly in 2021 as a result of the increasing demand in our key markets.

Business review continued

Assessment and System Certification Services continued

We further expanded our Sustainability portfolio by launching BSI's Prioritizing People Model which sets out best practice for workplace wellbeing and the integrated elements that deliver a culture of trust, and support a resilient organization, including our mental health and wellbeing certification based on ISO 45003.

Product Certification Services

After a successful 2020, Product Certification continued its growth trajectory during 2021. We helped organizations maintain their access to the UK market by offering UKCA certification for their products issuing 1,700 UKCA certificates to new and existing clients. We are supporting the #NetZero journey, leading the certification for gas appliances designed to burn hydrogen, based on the principles enshrined in PAS 4444, the world's first safety standard for such appliances. We launched our first Circular Economy BSI Kitemark - part of our Sustainability Portfolio - designed to provide assurance that companies refurbishing or remanufacturing goods are following robust processes and producing safe and reliable goods.

We further enhanced our focus on Digital Trust, also expanding our Smart City Kitemark into the private sector resulting in the first Smart Communities Kitemark being awarded to a next-generation shopping plaza. The importance of innovation to our clients is demonstrated by the growth of the Innovation Kitemark globally.

Training Services

Training recovered in 2021 as clients strengthened investment in this area, having cut-back in 2020. Despite the continuing impact of the pandemic, over 70% of all courses were delivered remotely by year end due to our effective and consistent adoption of virtual, instructor-led, training across the globe.

We launched 20 On-Demand training courses and created a Single Source design approach to ensure course content is transferable between classroom, virtual and on-demand formats. We also released Blockchain Certificates for Qualifications, which enable delegates to share their certificates and qualifications for verification.

We are committed to driving transformation. The Global Training portfolio consists of 350 courses, with content increasingly focusing on Digital Trust and Sustainability. Other new courses are on topics such as the Circular Economy, Smart Cities, Carbon Net Zero and Greenhouse Gases.

Pietro Foschi
Director, Assurance Services

Business review continued

Regulatory Services

Revenue

£157.9m

2020: £143.0m

Growth

10%

2020: +20%

16% at constant exchange rates

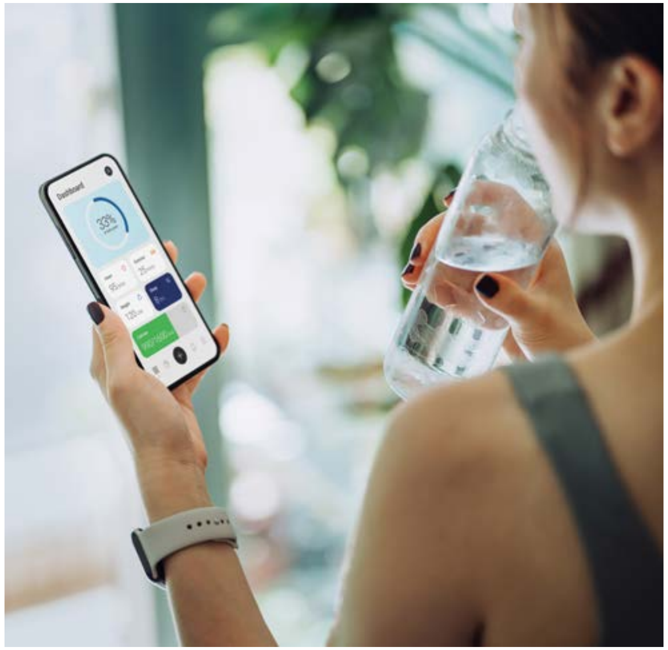
Proportion of total revenue

27%

2020: 26%

The Regulatory Services (RS) division provides professional services for the medical devices industry. The business comprises the certification of quality management systems and assessment of conformity of products prior to them being placed on various regulated markets. In addition, we now support pharmaceutical manufacturers in meeting the new requirements of European legislation covering devices combined with medicines.

As for every industry, 2021 was a challenging year for RS. However, we benefited from the investments that we had made in our staff and our training. We were particularly proud of the way we maintained the market-leading quality of our services, particularly our audits, during this time. In 2020, despite the COVID-19 pandemic, we were able to support our clients' requirements through the provision of remote audits. 2021 saw us continue to redefine the provision of audit services through the development of hybrid audits. Hybrid audits comprise a member of the audit team attending the audit site, with one or more auditors in support remotely. BSI was the first organization to obtain widespread approval from its regulators and accreditation bodies to offer hybrid audits to our clients. We will continue to offer physical audits and remote audits. The inclusion of hybrid audits allows us to provide our professional services to our clients more efficiently, ensuring uninterrupted market access and ultimately, contributing to improving the availability of life enhancing devices to patients.



Business review continued

With the date of application of the European Medical Device Regulation (MDR) being deferred for one year to May 2021, we saw a significant increase in demand for product conformity assessment activities. Manufacturers sought early renewal of certification issued under the Medical Device Directive (MDD), thus postponing the need to meet the requirements of the more onerous MDR. We managed the substantial workload to ensure that thousands of existing devices, as well as new devices, were recertified before the May 2021 deadline allowing a seamless transition for patients who rely on those devices.

Following Brexit, BSI was the first organization to be designated in the UK as an Approved Body for certifying medical devices under the new UK Conformity Assessed (UKCA) rules. As at the end of 2021, it remained the only Approved Body with a full scope designation for medical device conformity assessment in the UK.

BSI has continued to expand key global certification schemes such as the International Medical Device Regulatory Forum initiated Medical Device Single Audit Programme (MDSAP); approximately two-thirds of our audit activity combining both MDSAP with ISO 13485 management systems certification.

We continually work to improve our operations, with the goal of offering greater safety and confidence in the products and technologies we utilize. We believe we are ideally placed to help tailor consumer expectation under the various emerging statute-regulatory and peer-regulatory regimes (for example the European 'right to be informed' laws such as the General Data Protection Regulation and the new Artificial Intelligence Act). We are now planning to extend our scope to the opportunities for growth with AI.

Overall, 2021 marked another extremely successful year for the RS business division, which delivered strong, profitable revenue growth.

Manuela Gazzard
Director, Regulatory Services

Business review continued

Consulting Services

Revenue
£75.6m
2020: £68.0m

Growth
11%
2020: -14%
18% at constant exchange rates

Proportion of total revenue
13%
2020: 13%

Our Consulting Services division comprises two technical management consulting businesses – Environmental, Health, Safety, Sustainability and Security (EH3S) and Cyber security and Information Resilience (CSIR). We started the year strongly and continued to take advantage of operational and structural improvements, a focused marketing effort and increasing collaboration across the Group.

Due to COVID-19, in-person client meetings were not possible for a portion of the year. Notwithstanding, the business showed great agility in delivering work remotely and pivoting to new services. Overall revenue grew by 11%, 18% at constant exchange rates.

Having transformed into a single business across three continents, the CSIR business grew revenue by 3% year-on-year 6% at constant exchange rates and profits more than doubled at constant exchange rates. This reflected a renewed commercial focus and commitment to data-led decision making as well as leveraging the single operating platform.After the successful trading year for CSIR in 2021, a rebrand to Digital Trust Consulting was completed in February 2022. This rebrand was conducted to increase global brand resonance in alignment to the evolving group strategy.

During the second half of the year we introduced a variable resourcing model to offer a broader skillset and meet seasonal client demand. This leaner operating model has created a platform for further expansion of our CSIR business in 2022 and beyond. Whilst the global cyber security market continues to grow, we consider that further opportunity exists in all regions as businesses stabilize and find their way through the pandemic.

Business review continued

EH3S continued to show good revenue growth, with the average sales order size and with rates improving significantly through the year. Increased collaboration has meant 60% of our large accounts are now buying three or more services.

The launch of our Supply Chain Intelligence Report resulted in impressive global press coverage. Our Engineering News-Record (ENR) ranking rose from 179 to 159 and we were pleased to receive the Environment Business Journal Business Achievement Award for COVID Resilience. We are creating further awareness for our brand via sponsorships of industry events such as the P3 conference and our own BSI Connect Summit, plus increasingly sharing our expert led insights via different publication formats.

Looking ahead, our business is well positioned to address our clients' most pressing needs and support our BSI colleagues in the areas of Sustainability, Health, Safety and Wellbeing, Supply Chain and Digital Trust. COVID-19 and tight labour markets permitting, we are confident that the business will continue to grow in 2022 in line with our increasing business maturity.

Thorsten Querfurt
Director, Consulting Services

Financial review

Utilizing record profits to invest in a platform for our future strategy and growth

"Our robust performance provides us with the essential capacity to invest for the long-term delivery of our business."

Sara Dickinson
Chief Financial Officer

Financial review continued

Overview

I joined BSI on 24 January 2022 and so this, my first report as Chief Financial Officer, looks back at a year in which my predecessor, Craig Smith, stepped down after ten dedicated years.

Looking at our 2021 results, BSI achieved its highest ever revenues and profits and ended the year with a strong balance sheet. Going forward, we will be using this to invest for the long-term delivery of our business, proactively addressing changes in our clients' business models and leaning into our digital strategy, thus, ensuring we continue to fulfil our purpose and the responsibilities enshrined in our Royal Charter.

We have also seen significant change to our own operating model during the COVID-19 pandemic and by the start of 2021, we were already benefiting from the work undertaken in 2020 to implement new ways of working. Prior to the pandemic, less than 5% of our Assurance audits were carried out remotely. In 2021 this figure stood at over 50%. We hope to maintain some of this with continued investment and client collaboration solutions going forward.

Despite the ongoing impact of the global pandemic, therefore, the year's revenue, profitability and cash-generation picture was healthy. We saw a 9% increase in Group reported revenue to £585.6m and on a constant currency basis underlying revenue growth stood at 13% for the year. This, coupled with the operating model changes and COVID-19 related reductions in operating expenditure, enabled us to achieve an underlying operating profit for the year of £83.1m, up by 30% on the previous year.

As a result of this robust performance we are able to close out the year with a strong balance sheet including cash and fixed term deposits of £187.1m. This provides us with the essential capacity to invest for the long-term delivery of our business, as highlighted above.

There has also been a positive movement in our historical pension liability after significant contributions into the pension scheme since the triennial valuation in 2019. In 2021 under the year-end accounting basis the scheme is in surplus. This is a point in time valuation and does not represent a true cash surplus. Ongoing funding requirements will be discussed after a further triennial valuation by the trustees in 2022.

Revenue from our business divisions

At constant exchange rates, three of the Group's four business divisions delivered double-digit revenue growth during 2021, underlining the resilience in our business portfolio. This resulted in reported revenue of £585.6m - an increase of 9% over 2020 £539.3m, 13% on a constant currency basis reflecting the relative strength of Sterling.

Regulatory Services continued the recent strong growth trajectory, maintaining an annual reported growth rate of 10% (16% at constant currency basis). Performance in this area was driven by healthy demand in a market where we have significant expertise and our ability to pivot to new ways of working.

Our Assurance business division grew by 8% during 2021 (12% at constant currency). We saw robust performance in Systems Certification driven by the benefit from new remote delivery models. The Product Certification business also delivered solid growth, slightly behind 2020 when the need to test personal protective equipment (PPE) accelerated performance. Our Training business recovered in 2021 as clients strengthened investment in this area after cut-backs in 2020.

Our Consultancy business division reported revenue growth of 11% (18% at constant currency). This reflects our focus on specific client needs such as digital security, helping solve critical business issues.

The Knowledge Solutions business grew at a steady pace of 3% during the year, due to its business model being less impacted by immediate COVID-19 related constraints in 2020. Strategic investment made in the year in this division with the digital platform and e-commerce solution are intended to address long-term growth sustainability.

Further details of the performance of the divisions are given in the Business review on pages 21 to 29.

Underlying operating profit (UOP)

The necessary changes to our operating models, in partnership with our clients and our increased usage of technology, have streamlined our operations. This has led to a one-time improvement in our unit economics as well as our overall business resilience. At a Group level our gross profit margin increased from 50.1% in 2020, to 52.1% in 2021. With such a wide geographical spread and diverse blend of business divisions, we expect that short-term changes in business mix can have an impact on overall margins. The proportion of on-site and face-to face work and associated cost will increase again in 2022, as we work with the requirements of regulatory bodies and our clients to establish a new level of physical presence.

We were able to hold selling and distribution costs broadly flat as ongoing restrictions related to COVID-19 continued to impact regular business activities. Administrative expenses increased by 12% (2020: 6%), with expenditure in back office services and net foreign exchange losses, resulting from the repatriation of funds to the UK in line with our treasury policy. The ongoing impact of the pandemic also meant we saw restrictions on some planned investments. It will be essential for us to increase these investments going forward so we can effectively deliver on our strategy.

Financial review continued

Underlying operating profit (UOP) continued

The gross profit margins, combined with these levels of selling, distribution and administration costs, resulted in a reported UOP of £83.1m (2020: £64.1m). This gives rise to an UOP margin of 14.2%, higher than 2020 by 2.3ppt. These margins include the impact of applying a revised interpretation of IAS 38 issued by the IFRS Interpretations Committee (IFRIC) (see Note 27 of the financial statements for details).

While no exceptional items arose during 2021, as noted above, we have applied the revised interpretation of IAS38 published by the International Financial Reporting Interpretations Committee (IFRIC) in relation to Customisation and Configuration costs related to software as a service (SaaS). As a result of this change, we have reduced the intangible assets related to the provision of these services, resulting in a net charge to profit and loss in the current and prior years of £3.2m and £3.3m respectively, and a prior year adjustment to the brought forward assets on 1 January 2020 of £7.0m.

Exchange rates

As an international business, we are affected by movements in the exchange rates of other currencies, particularly our major trading currencies of the Australian Dollar, Chinese Renminbi, Euro, Japanese Yen and the US Dollar. We mitigate the effect of this by matching revenues and costs in these currencies wherever possible. Note 3 to the consolidated financial statements shows the analysis of potential translational exposure risk for the Group.

We translate our balance sheets into Sterling at year-end exchange rates. For our income statement we use a weighted average rate. The exchange rates we used for our major trading currencies in 2021 can be seen in the table on page 33.

Finance income and costs

We continued our practice of repatriating cash to the UK during 2021, but the prevailing low interest rate environment meant that finance income continued to be low, representing a minimal income of £0.3m (2020: £0.2m). We have no debt and so our finance costs related predominantly to the net interest cost on the liability of our UK defined benefit pension scheme of £0.4m (2020: £0.9m) and lease liabilities brought onto the balance sheet under IFRS 16 of £1.9m (2020: £2.2m). Profit before tax increased by 32% from £61.2m in 2020 to £81.0m in 2021.

Taxation

The Group effective tax rate (ETR) on profit before income tax in 2021 was 27.3%, (2020: 32.4% restated).

During the year, there were significant changes around the recognition of deferred tax assets as a result of improved operating conditions. These changes meant that we have been able to recognize deferred tax assets on accumulated past losses made in Germany and to access some accumulated losses in the USA, reducing the effective tax rate in 2021. The mix of the differing tax rates between the countries in which we make our profit can create fluctuations in the overall rate.

However, we also consider the ETR on UOP, which excludes the tax impact of the reported financing costs, exceptional items, prior year tax losses, UK tax rate changes and other prior year adjustments, to be a better indicator of the tax management of the operating businesses. Eliminating these effects, the ETR on UOP was 27.8% (2020: 26.8%).

Balance sheet and cash flow

The net asset value of the Group increased by £86.7m, from £240.9m (restated) to £327.6m. The main contributors to this were the retained profit for the year of £58.9m and the reserves element of the decrease in the deficit of the UK defined benefit pension scheme, offset by the effect of foreign exchange differences.

We experienced strong cash generation throughout the year with cash generated from operations, before contributions to the UK defined benefit pension scheme of £114.3m (2020: £105.7m). Cash outflows during the year included a contribution to the UK defined benefit pension scheme of £15.5m (2020: £27.1m). We saw a minor increase in debtor days during the period and experienced very few bad debts during the course of the pandemic. Receivables written off amounted to 0.2% of revenue at £1.1m (2020: £1.3m) with no material change in the relative ageing of our outstanding trade receivables.

In 2021 we were able to make some targeted investment in our information and communications technology infrastructure, particularly focusing on our client-facing programmes such as the BSI eShop website, our British Standards Online (BSOL) and Supply Chain Solutions™ offerings.

During 2022 and into the years ahead, the Group's investments in the technology that underpins our operations will continue to be a strategic focus as we implement major transformation programmes to secure our long-term future.

The Group's cash and fixed term deposits balance at the end of 2021 stood at £187.1m (2020: £132.1m), with no debt on the balance sheet. Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdraft facilities of £2.8m (2020: £2.8m), on an unsecured basis, at the end of 2021, although none were utilized. The Group is confident of being able to secure debt facilities should these be required. Counterparty credit risk with banks exists but we consider this to be low.

Financial review continued

Pensions

In our 2020 Annual Report, we highlighted our intention of eliminating our UK defined benefit pension scheme deficit by 30 June 2023. At the end of 2021, the IAS 19 accounting position showed a surplus of £19.3m, an improvement of £53.0m from the 2020 year-end position. We have recognized the value generated from the accounting valuation and would note this is a point in time value which could vary over time. Any actuarial surplus will remain in the pension scheme for the benefit of members until the point at which all benefits have been paid out or secured.

A contribution of £15.5m was made to the scheme during the year, in accordance with the schedule of contributions agreed with the Pension Trustee. This was lower than the prior year as the agreed contribution schedule starting in January 2020 included additional amounts to compensate for a gap in payments during 2019. There was a net interest cost of £0.4m (2020: £0.9m) and operating expenses of £0.6m (2020: £0.6m) recognized in the consolidated income statement. The discount rate used when calculating the liability of the pension scheme is determined by reference to market yields on high-quality corporate bonds. The discount rate used in 2021 was 2.0%, an increase of 0.60 percentage points on the rate used last year (2020: 1.4%). This accounted for the majority of the £37.0m revaluation decrease in the scheme obligations during the year. The range of possible market assumptions in the valuation of the assets and liabilities of the pension scheme is confirmed with our external advisors each year.

The Group remains committed to eliminating any pension scheme actuarial deficit and works closely with the Pension Trustee to do so. A triennial valuation of the scheme took place with an effective date of 31 March 2019 and a schedule of contributions was agreed with the Trustee that is expected to eliminate the deficit by 30 June 2023. This schedule required a contribution of £12.9m in January 2020 and then monthly contributions of £1.3m thereafter. A further triennial valuation will be undertaken in 2022.

In addition to the UK defined benefit pension scheme the Group operates small defined benefit pension schemes in Taiwan, Germany, Indonesia and the Philippines which provide benefits based on final pensionable salary and service. The net liability recognized on the balance sheet in relation to these schemes at 31 December 2021 was £2.7m (2020: £2.7m) and a contribution of £0.3m (2020: £0.2m) was paid into these schemes during 2021.

Treasury

A Banking Committee ensures that all treasury activities are conducted in accordance with the Group treasury policies maintained and updated by the Board. Treasury operations are subject to independent reviews and audits, both internal and external. The principal aim of these policies is to manage and monitor the Group's funding requirements, optimize net interest income after tax and manage financial risk arising from the international nature of the business of the Group, particularly in terms of interest rates and foreign exchange. Policy prohibits holding or issuing financial instruments for trading purposes so credit risk in this area is minimal.

Accounting policies

Details of all the principal accounting policies we use appear in Note 2 to the consolidated financial statements.

Sara Dickinson,
Chief Financial Officer

Exchange rate

	Year end 2021	Year end 2020	**Average 2021**	Average 2020
Australian Dollar	**1.86**	1.77	**1.84**	1.86
Chinese Renminbi	**8.58**	8.84	**8.86**	8.87
Euro	**1.19**	1.10	**1.17**	1.12
Japanese Yen	**155**	140	**152**	137
US Dollar	**1.35**	1.35	**1.38**	1.29

Financial review continued

Revenue
£585.6m
+9%

2021	£585.6m
2020	£539.3m
2019	£548.1m
2018	£511.9m
2017	£473.8m

Underlying operating profit margin
14.2%
+2.3ppt

2021	14.2%
2020	11.9% *
2019	10.6%
2018	12.1%
2017	12.6%

Net asset value
£327.6m
+36%

2021	£327.6m
2020	£240.9m *
2019	£202.2m
2018	£178.3m
2017	£210.3m

Underlying operating profit
£83.1m
+30%

2021	£83.1m
2020	£64.1m *
2019	£58.3m
2018	£61.8m
2017	£59.5m

Operating profit
£83.1m
+30%

2021	£83.1m
2020	£64.1m *
2019	£54.7m
2018	£56.5m
2017	£55.3m

Cash and deposits
£187.1m
+42%

2021	£187.1m
2020	£132.1m
2019	£85.1m
2018	£86.8m
2017	£67.8m

Gross profit margin
52.1%
+2.0ppt

2021	52.1%
2020	50.1% *
2019	46.3%
2018	46.9%
2017	46.6%

Profit for the year
£58.9m
+42%

2021	£58.9m
2020	£41.4m *
2019	£36.6m
2018	£39.0m
2017	£36.8m

UK defined benefit pension scheme surplus/(deficit)
£19.3m
+157%

2021	£19.3m
2020	(£33.7m)
2019	(£57.4m)
2018	(£71.7m)
2017	(£90.0m)

* Restated for a change in accounting policy, see Note 27 to the financial statements

Sustainability

Sustainability is one of the major disruptors of our time and is a strategic priority for BSI

Sustainability is closely aligned to BSI's purpose and therefore rightly at the top of BSI's management agenda. Sustainability is also a critical issue for all our clients, as well as regulators: our own research highlights Greenhouse Gas (GHG) emissions, water and waste management, sustainable infrastructure, and ethical supply chains and modern slavery as particularly critical.

Clients require a clear implementation roadmap for their Environmental, Social and Governance (ESG) strategies and advice on industry best practices and regulatory requirements in order to measure, achieve and report their sustainability targets. Our ability to convene stakeholders from across the whole sustainability ecosystem, lead the development and adoption of global standards and best practices, and offer integrated assurance and technical consulting services to businesses, governments, and NGOs, means that BSI is uniquely placed to have a significant role in addressing one of the most disruptive challenges of our time.

Our sustainability services are increasingly intertwined with our support to clients in their digital transformation programmes, another major disruption to businesses, societies, and communities. Digital technologies should be seen as an opportunity to address the sustainability challenges rather than a trade-off.

In our ambition to be both an enabler and an exemplar we have continued to structure and develop our efforts under four interconnected focus areas (pillars): Convening, Service Proposition, Capability and Operations.

Our efforts in 2021 resulted not only in a better defined and more joined up approach to the market but also saw us achieve some significant successes, details of which can be found in this report. 2022 will see further strategic definition and support in accelerating the transition to a more sustainable world underpinned by the UN Sustainable Development Goals (UNSDGs). This is overseen and supported by the Sustainability Committee, the report of which is set out on pages 65 and 66.

BSI supports the principles of the Task Force on Climate Related Financial Disclosures (TCFD) and we are preparing for full mandatory disclosure. Supporting the goals of the Paris climate agreement, TCFD was created by the Financial Stability Board to provide a framework for companies and other organizations to improve the reporting of climate-related risks and opportunities. The table below directs you to more information on BSI's alignment to TCFD recommended disclosures so far.

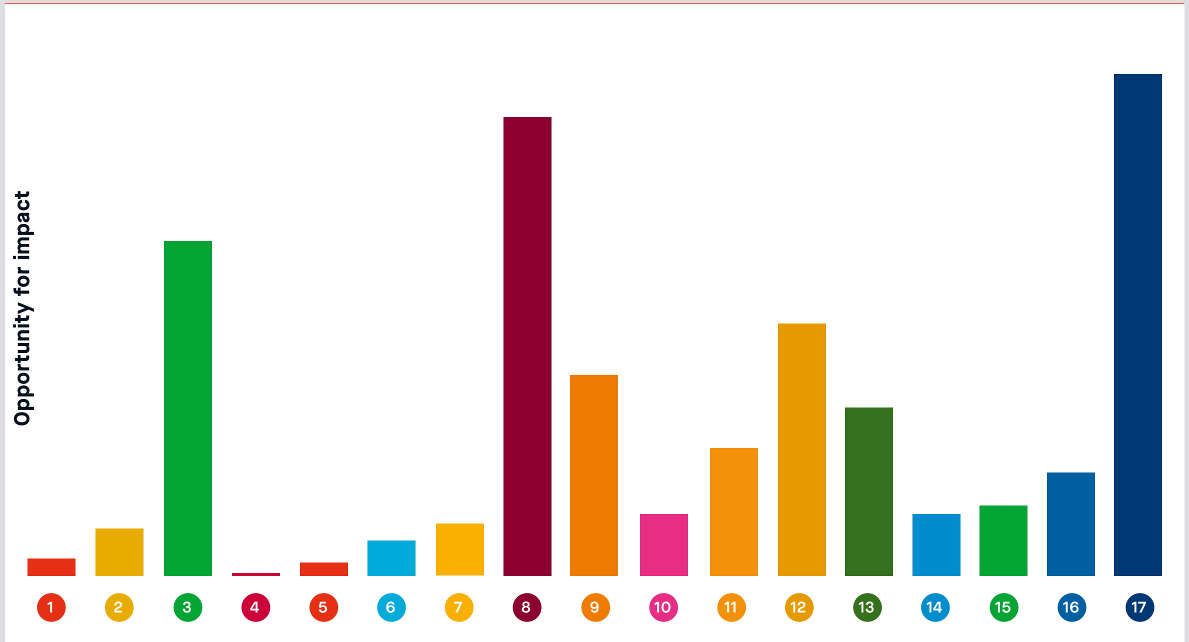
Governance	See page 56
Strategy	See page 11 and pages 37 to 39
Risk management	See pages 38 and 43
Metrics and targets	See pages 35 to 39

Sustainability continued

UN Sustainable Development Goals (UNSDGs)

To understand the impact of our offering of standards and solutions across each of our business divisions we review how these activities map to the targets set out by the UNSDGs. We have identified the goals most relevant for BSI and our purpose, taking into account our impact in these areas. These are:

- UNSDG 3 (Good Health and Wellbeing);
- UNSDG 8 (Decent Work and Economic Growth);
- UNSDG 9 (Industry, Innovation and Infrastructure);
- UNSDG 11 (Sustainable Cities and Communities);
- UNSDG 12 (Responsible Consumption and Production); and
- UNSDG 13 (Climate Action).



We are proud to support the Terra Carta from HRH The Prince of Wales's Sustainable Markets Initiative. The Terra Carta provides a roadmap to 2030, outlining ten areas for action for businesses to move towards an ambitious and sustainable future; one that will harness the power of nature combined with the transformative power, innovation and resources of the private sector.

A statement of our continued support of the United Nations Global Compact (UNGC), which we signed in 2018, is set out in the Chief Executive's review. The table below directs you to how BSI has progressed the UNGC agenda:

Human Rights	See pages 38 and 39 to understand how we support human rights through donations and charitable giving.
	See page 38 to understand how we've improved our supply chain sustainability this year.
Labour Practices	See pages 15 and 16 to understand how we promote inclusion and diversity in our operations.
Anti-Corruption	See pages 38 and 39 to understand BSI's approach to combatting corruption and bribery.
Environment	See page 37 to understand more about how we use our position as a standards body to benefit the environment.
	See page 38 to understand how we've been improving the environmental credentials of our office locations.

UNSDGs key:

1 No poverty
2 Zero hunger
3 Good health and well-being
4 Quality education
5 Gender equality
6 Clean water and sanitation
7 Affordable and clean energy
8 Decent work and economic growth
9 Industry, innovation and infrastructure
10 Reduced inequalities
11 Sustainable cities and communities
12 Responsible consumption and production
13 Climate action
14 Life below water
15 Life on land
16 Peace, justice and strong institutions
17 Partnerships for the goals

Sustainability continued

Convening: developing standards and best practice through consensus to accelerate transition to a more sustainable world.

BSI's ability and track record in bringing together the leading thinkers, innovators, practitioners, and influencers to identify and operationalize standards, best practices and regulatory frameworks helps to accelerate the global transition to greater sustainability. In 2021, BSI's convening expertise was evident in our presence at the COP26 Climate Conference where the need for a consensus-based approach to tackle global challenges emerged as a key theme.

BSI also hosted the annual meeting of the International Organization for Standardization for the first time in 25 years. This was the largest ISO annual meeting to date, with the lowest carbon footprint. The event culminated in the approval by ISO members of the London Declaration, a commitment to combat climate change through standards which was championed by BSI.

For further details of key initiatives undertaken in 2021, including the VCM, the UN's Our 2050 World initiatives, the Faraday battery challenge and The London Declaration, please see the Director-General, Standards review on pages 12 to 14.

Service proposition: supporting clients to reach their sustainability goals.

BSI plays a leading role in helping clients become more sustainable and more innovative by developing the next generation of standards, remote and immersive audits, customized audits, and world-leading consultancy and training solutions. Such approaches help organizations become better governed and more responsible by using anti-bribery, organizational governance, energy management solutions, and many others of our services to drive change. BSI continues to adapt and respond to our client needs and play our role to drive market transformation. See the Business review on pages 21 to 29 for more details.

BSI has increased its collaboration with experts on an international scale in new fields such as smart cities, green finance, Carbon Markets and Building Information Modelling. BSI now delivers a comprehensive sustainability service portfolio to clients, helping them raise their performance and enhance their competitiveness worldwide.

Companies with high sustainability or ESG ratings consistently outperform the market in the medium and long term.

Capability: building the skills and insight in internal and external teams. The sustainability-related practice of our Consulting Services division grew.

For clients and BSI colleagues alike, sustainability requires constant review and ongoing learning in order to develop solutions that can be applied at speed and scale.

In supporting our clients' sustainability initiatives, our Assurance Services teams intensified the training, education and qualification of the assessor and tutor teams, with a strong focus on upskilling in the areas of environmental management, GHG verification, carbon neutrality and from the broader governance perspective, anti-bribery. The sustainability-related practice our Consulting Services divisions grew by 24% and our Training teams engaged over 2,000 students on sustainability related courses and programmes.

From the perspective of our colleagues, the BSI Induction modules have been strengthened with additional content describing BSI's sustainability strategy along with the role colleagues play in the effective implementation of the strategy.

Using our experience as the NSB and the influence of the Knowledge Solutions' International Projects team, we see an increasing opportunity to engage in development and educational projects. BSI is proud to have managed the Standards Strand of the UK-China Business Environment Programme, which encompassed the objectives of the Chinese Government to improve the harmonization of standards setting in line with international standards.

Operations: seeking to be an exemplar in our own activities.

While our greatest impact on sustainable development is through the implementation of our standards and services in our client and stakeholder organizations, we understand the importance of ensuring that our own operations run as sustainably as possible, and our aim is to demonstrate best practice across the Group by implementing the solutions we offer to others.

Sustainability continued

Our climate impact

BSI has committed to achieving net zero emissions in our operations by 2030, progressively reducing our absolute emissions. While we work towards this goal we have committed to being carbon neutral in our operations since 2020, which is achieved through the use of carbon offsetting. BSI places a high priority on ensuring offsets are from independently audited projects, validated and verified to recognized global standards. Credits are transacted and retired according to industry best practice.

Compliance with our Sustainability Code as published on the BSI website is a pre-requisite for doing business with BSI. All carbon offsetting arrangements that BSI enters into are verified carbon trading companies that are audited annually and have established due diligence processes to ensure projects deliver tonne-for-tonne carbon reductions and their impacts are validated against the UN Sustainable Development Goals.

BSI is currently supporting ten carbon projects across the world to offset 100% of our scope 1, 2 and 3 emissions. One such project is the generation of renewable energy in the Los Llanos community in Villa Canales, Guatemala. 16 wind turbines with an installed capacity of 55.2 MW deliver approximately 135,600 MWh of renewable electricity to the grid each year. By replacing fossil-fuel power plants, this project avoids approximately 80,000 metric tonnes of CO_2 annually and supports local communities with infrastructure development and environmental education programmes.

In 2021, we identified ESG as principal risk, of which climate change risk is an integral part. We recognized that climate change represented a risk to both our operating effectiveness and our commercial viability. See the Principal Risk Register on page 44.

We also completed a risk assessment and identified the following physical risks to our operations. These arise from the tangible effects of climate change on our operations, infrastructure and workforce.

Risk	Impact	Mitigation
Access to BSI Facilities	Flooding, severe climate events or political upheaval may prevent colleagues from accessing BSI facilities	Business Continuity Plans; Site specific risk assessments; Colleague Working from Home and remote working technologies; Safe systems of works; Global communication and alert systems
Travel to client sites	Extreme weather events may disrupt travel to client sites	
Colleague health and welfare	Diseases, food poisoning, climate anxiety and other health and welfare hazards from climate change may adversely impact our colleagues	Safe systems of work; health insurances; colleague training; colleague engagement activities

We have committed to completing a full risk assessment in 2022 to identify the transitional risks and opportunities to the business from different climate scenarios in time for our full mandatory TCFD disclosure.

Climate related risks and mitigations are identified by members of the BSI Sustainability Group, confirmed by the Group Leadership Team and reviewed by the Sustainability Committee. Climate related risks are managed and recommendations for action are implemented by specific business owners in separate functions.

Our Global GHG emissions disclosures can be found on page 41.

Travel

Considering the breadth of our client-facing activities, business travel is a key activity we constantly need to manage. This is why our Group travel policy positions sustainability at the heart of travel decision-making. We have added a sustainability decision tree to help colleagues make the most sustainable decision for their travel whilst balancing other needs such as their safety and wellbeing.

Starting in June 2020, our UK car leasing policy also now further incentivizes the selection of electric, hybrid and plug-in hybrid vehicles, and we are looking to replicate this globally. Thanks to this programme in 2021 electric vehicles in BSI's fleet increased by over 400%. 68% of vehicles on order are electric vehicles and in 2022, 29% of our existing vehicle leases will be up for renewal, providing an opportunity for further sustainable choices. As leases come up for renewal every four years, more opportunities will be available to make the switch.

Our office locations

Over the past year, facilities in the UK were upgraded to include more sustainable measures. Over 20 EV Charge points were added in the Milton Keynes office, and four charging points were added in our Hemel Hempstead location. A desk booking system was implemented to improve the use of office space. Additional upgrades in 2021 include changing the lighting in the data centre in Chiswick to LED Lighting.

Our supply chain

We have conducted an in-depth review of our supply chain management and taken action to integrate sustainability further in our procurement process, using our own Supplier Compliance Manager tool to conduct due diligence. We encourage trade with small firms, voluntary and community organizations and social enterprises as they play an important role in contributing to their local economies.

The purchasing of goods or engagement of services at BSI must comply not only with applicable laws but also BSI's policies. These policies state BSI's values and commitment to topics such as ethics; anti-bribery and corruption; anti-trust and fair competition; information security; health and safety; human rights, slavery and labour practices; environment; and community involvement and development.

Further information about our approach to tackling modern slavery can be found in the Slavery and Human Trafficking Statement on the BSI website. These policies are promoted internally and communicated to our suppliers each year.

Sustainability continued

Case Study: WildHearts Office

BSI is partnering with a new stationery and office consumables provider, WildHearts Office, that puts people and the planet first. Staff in the UK will be able to make a difference to the world each time they purchase office supplies.

WildHearts Office is a UK office supplies provider that invests its profits in social and environmental initiatives. To date, WildHearts Office has transformed over 1.25 million lives through social initiatives ranging from equipping young people with key development and employability skills, to addressing gender inequality in the developing world.

The company's founding commitment of 'Business for Good' means it adheres to the Responsible Business agenda - from the products it sources, to how they are packaged, delivered and recycled. WildHearts Office is a carbon neutral company and offsets each delivery.

WildHearts companies address more than 50% of the UNSDGs.

Standards supporting sustainable development

With the ISO 14001 and ISO 45001 implementation project, BSI is implementing best practice environmental and health and safety management systems across the Group, with the goal of ultimately achieving certification across BSI Operations by end of 2022. At present we have an established Health and Safety Executive Management System at Group headquarters in the UK.

In 2021 we commenced our journey towards ISO 14001 and ISO 45001 compliance, having carried out a gap analysis within our offices globally, established HSE committees across all the regions in which we operate, and implemented local procedures, work instructions, and safe systems of work. Additionally, we have enhanced HSE training and communications for all colleagues and have scheduled internal audits to take place in early 2022, with a view to certification audits commencing soon after.

BSI maintains a strict zero tolerance policy towards bribery and corruption as communicated through the Group's Anti Bribery and Corruption (ABC) Policy and ABC training programme and is working towards alignment with best practices as set out in ISO 37001 (Anti-bribery management systems) and certification by end of 2023.

Colleague mental health and wellbeing

Colleague health and wellbeing remains a priority, along with our ambition to become a more diverse and inclusive organization. There has been a continued focus on resilience as well as mental and emotional wellbeing, acknowledging the challenges associated with COVID-19 and with remote and flexible working.

During World Mental Health Awareness week in October, we implemented numerous worldwide awareness campaigns and training sessions, headlined by Ruby Wax. Our Wellbeing Advisory Group, with representatives from across all our geographies and business divisions continues to provide input and feedback that help shape and inform our plans, along with the Pulse survey insights and wellbeing data that is available.

Please see the 'People' section on pages 15 and 16.

Our communities

Each year, BSI selects a global charitable giving theme from one of the UNSDGs, which guides our local charity partnerships and fundraising. Our theme for charitable giving in 2021 was UNSDG 3, Good Health and Wellbeing, and we are proud to have supported numerous colleagues across the globe who have raised funds for charities within this theme. BSI also continues to support colleagues' fundraising initiatives across the Group through our match-giving scheme.

We also offer BSI colleagues a volunteer day that can be claimed back from the business (read more on page 40). In 2021, over 100 BSI colleagues claimed volunteering time, contributing more than 850 hours to the causes they are passionate about.

BSI supports World Environment Day and hosts Global Community Day. World Environment Day is an event organized by the UN Environment Programme to encourage worldwide awareness and action for the protection of the environment. Global Community Day is a chance for our colleagues from around the world to get together and participate in activities for a good cause.

Looking ahead

In 2022, we will achieve global certification against ISO 14001 and ISO 45001. We will also work towards setting and publishing science-based targets and our 'net zero by 2030' target, maintaining our carbon neutrality and developing comprehensive plans to reduce our emissions and rely less on offsetting. We will also continue to support local charities globally under the chosen 2022 theme of 'No Poverty' (UNSDG 1) and have increased our charitable donations budget for 2022 by more than 36%.

Having now made progress in these areas as highlighted by a previous materiality assessment, we plan to undertake a new materiality assessment that will inform our sustainable operations plan in the next three years. We want to strengthen our own circular economy and biodiversity performance, look at how we manage our water, as well as increase our internal and external sustainability communication and engagement. This will continue to increase our own contribution towards the UNSDGs in 2022 and beyond.

Sustainability continued

Volunteering

1. The Lancaster team supported by both BSI and the local council, collecting litter in their local area. They enjoyed a great day out and are looking forward to repeating the activity in 2022.
2. Client managers in the UK taking part in an Alzheimer's Society funded project being run by University of Sussex.
3. Non-profit organization and care centre, Persatuan Kebajikan OKU Hati Berganda Selangor, looks after children with mild to severe disabilities. In 2021 BSI Malaysia supported them by supplying gift bags with food and hygiene essentials.

4/5. Regulatory Services colleagues collecting litter at the Lulworth Cove Estate on Jurassic Coast.

6. Colleagues at Powderham Marshes by the Essex estuary building barriers around flood control equipment to prevent accidental damage by livestock.
7. Malaysian colleagues supporting residents of Siri Jayanti Metta, an elderly care centre.
8. Regulatory Services colleagues undertaking renovation jobs at a local hospice in the Netherlands.
9. Volunteers from the Training Department of Beijing Office, BSI China, litter picking whilst hiking to publicize the concept of environmental protection and attract more volunteers to participate.

Sustainability continued

Global GHG emissions disclosure

Greenhouse Gas (GHG) Disclosures for 2021

The BSI GHG Emissions Calculations Methodology has been created in line with ISO 14064-1 and the GHG Verification standard. Our framework is additionally informed by the GHG Protocol Corporate Accounting and Reporting Standard and the latest UK Government guidance. We have adopted the 'operational control' approach to calculating our emissions and have used a combination of IEA and 'UK Government GHG Conversion Factors for Company Reporting – 2021' emission factors to calculate our carbon emissions across the globe. Emissions are reported as tCO_2e and electricity emissions have been reported as 'location-based'. For specific details on how we report our GHG emissions please refer to the BSI GHG Emissions Calculations Methodology **bsigroup.com/globalassets/localfiles/en-gb/sustainability/bsi-ghg-emissions-calculation-methodology-final.pdf**

We are constantly seeking to improve the way we collect and analyse our emissions data. In 2021 we sought independent, limited assurance from PricewaterhouseCoopers LLP (PwC) over selected emissions metrics.

Direct comparisons cannot be drawn between 2020 and 2021 data because there were a number of material omissions from 2020 data, which have been included in 2021. 2020 global scope 2 emissions only included the UK, France and Italy; whereas 2021 includes all BSI locations. Global scope 3 emissions for 2020 only included business travel emissions from air travel in our six largest operating countries (UK, USA, Japan, India, Australia and China), emissions from employee-owned vehicles in all BSI's operating locations and emissions from gas and electricity usage where BSI does not contract directly with utilities. For 2021, this was expanded to include fuel- and energy-related activities (scope 3 category 3) and business travel (scope 3 category 6) was expanded to include air travel for all countries, train travel and hotel stays. We will consider revisiting our 2020 data for the matters noted above in line with the restatement policy as outlined in our methodology document.

Our scope 3 emissions increased by 133% from 2020 to 2021. However, the two years are not directly comparable because in 2021 we expanded our scope 3 reporting to include additional scope 3 categories that were not included in 2020. In addition, business travel increased in 2021 due to the easing of travel restrictions and an increased need for business travel to client sites.

For 2021, BSI's total tCO_2e intensity ratio (for scopes 1, 2 and 3 combined) per million pounds of global revenue increased by 101% to 26.7 tCO_2e/£m revenue, compared to 2020, due to the reasons outlined above.

Business travel remains our main source of emissions due to the nature of BSI's activities travelling to work with our clients. Please refer to page 38 for measures we have taken to reduce emissions associated with our travel and office use. We have been carbon neutral in our operations since 2020 through the use of offsetting. We intend to retain this status going forward while we develop science-based targets and an energy reduction plan to achieve our 2030 net zero commitment, allowing us to progressively reduce our reliance on offsetting each year. Our 2021 emissions have been 100% offset through our offsetting partner Natural Capital Partners. For further information on our offsets and offsetting strategy please refer to page 38.

In 2020, BSI published our 'Business Ambition Commitment Letter' on setting science-based targets in line with the 1.5°C warming scenario. We are working towards setting and publishing science-based targets that demonstrate how we will achieve emissions reductions in line with the needs of the 1.5°C warming scenario and are developing comprehensive plans to enable our emissions reductions. For more information on how we are reducing our emissions from our global offices and business travel see page 38.

The following tables show our GHG emissions data for 2021, 2020 and 2019. Please note that due to material changes between the scope of reporting for 2021 and previous years, the figures are not directly comparable. We report our total emissions tonnage as well as an intensity ratio per million pounds of global revenue to enable year-on-year comparison.

Table 1: Global GHG emissions (tCO_2e)

	2021	2020°	2019°
Total Scope 1 emissions	689[A]	640	3,947
Total Scope 2 location-based emissions	605[A]	391	2,027
Scope 3 emissions from business travel by air and from BSI leased offices	4,146[A]	N/A	N/A
Total Scope 3 emissions	14,333	6,144	13,239
Total	15,627	7,175	19,213

Footnote for Table 1:
PwC carried out a limited assurance engagement on selected Global GHG emissions data for the year ending 31 December 2021 in accordance with International Standard on Assurance Engagements 3000 (revised) and 3410, issued by the International Auditing and Assurance Standards Board. A copy of PwC's report and our methodology is available via our website **bsigroup.com/en-GB/forms/pwcs-assurance-report/.** The figures that have been covered by this assurance process are indicated in the table above by the following symbol: A

Sustainability continued

Greenhouse Gas (GHG) Disclosures for 2021 continued

Table 2: Global intensity ratio (tCO_2e/£m revenue)

	2021	2020°	2019°
Total Scope 1 emissions	1.2	1.2	7.2
Total Scope 2 location-based emissions	1.0	0.7	3.7
Total Scope 3 emissions	24.5	11.4	24.2
Total	26.7	13.3	35.1

Footnote for Tables 1 & 2:

° 2020 and 2019 balances have not been restated. Any comparisons with 2020 and 2019 cannot be accurately made.

Definitions for Tables 1 & 2:

Total Scope 1 emissions: arise directly from sources that are owned or controlled by BSI, including fossil fuels burned on site and company owned or leased vehicles.

Total Scope 2 location-based emissions: arise indirectly from the off-site generation of electricity purchased by BSI.

2020 Scope 2 emissions consisted only of the following:

- UK, France and Italy location-based Scope 2 energy emissions.

Scope 3 emissions from business travel by air and from BSI leased offices: This is comprised of business travel emissions from air; and gas and electricity usage in BSI locations where we do not operationally control the utility.

Total Scope 3 emissions:

- Category 3 Fuel and energy-related activities: Emissions associated with the transmission and distribution of electricity (T&D) and the extraction and transportation of fuels (Well-to-tank) purchased directly by BSI.
- Category 6 Business Travel: Transportation of colleagues for business-related activities. This includes business travel in colleague owned vehicles, flights, rail, and hotel stays.
- Category 8 Upstream leased assets: Gas and electricity usage in BSI locations where we do not operationally control the utility and not already accounted for within Scope 1 and 2.

2020 Scope 3 emissions consisted only of the following:

- Category 6 Business Travel: emissions from air travel in our six largest operating countries (UK, USA, Japan, India, Australia and China) and from colleague-owned vehicles in all BSI's operating locations.
- Category 8 Upstream leased assets: gas and electricity usage where BSI does not contract directly with utilities.

We account for emissions from our significant scope 3 categories as defined in the GHG protocol where feasible to do so. We are constantly improving our data collection capability to bring our remaining emissions sources within the scope of our reporting.

Streamlined Energy and Carbon Reporting (SECR)

In compliance with SECR requirements for businesses operating in the UK, we report our UK-based carbon emissions and UK-based carbon intensity ratios. This is the second year we have reported our UK emissions in this way.

Table 3: Streamlined Energy and Carbon Reporting (SECR)

	2021		2020*	
	UK GHG emissions (tCO_2e)	UK intensity ratio (tCO_2e/£m revenue)	UK GHG emissions (tCO_2e)	UK intensity ratio (tCO_2e/£m revenue)
Scope 1	319	1.52	1,216	6.4
Scope 2 location-based	390	1.86	390	2.1
Scope 3	824	3.94	826	4.4
Total	1,533	7.32	2,432	12.4
Total energy use (kWh)	7,477,024		7,828,598	

Footnote

* To ensure accurate year on year comparison of our performance, we have restated our 2020 SECR balances. This is because previously published 2020 data included flight emissions data, which was not required to be disclosed under SECR.

Definitions:

Scope 1: Emissions associated with directly purchased fuel including transport fuels, natural gas, LPG & propane.

Scope 2: Emissions associated with directly purchased electricity.

Scope 3: Emissions associated with gas and electricity usage in BSI locations where we do not operationally control the utility and colleague-owned vehicles.

UK energy use (kWh): From on-site combustion, road transport and electricity use.

UK CO_2e intensity ratio (tCO_2e/£m gross UK revenue): total UK GHG emissions (tCO_2e) produced per gross UK revenue in £ million.

Not included: Emissions from air travel and other bottled gases.

Our Scope 1 UK based emissions have decreased in 2021 compared to 2020 due to a significant drop in company owned car mileage as well as a shift in our fleet from fossil fuel vehicles to electric vehicles. Our Scope 2 UK emissions have remained consistent despite a reduction in carbon intensity on the UK national grid as the electricity usage increased proportionally in 2021 compared to 2020. The majority of our UK-based Scope 2 emissions are the result of our UK laboratories which were fully operational during the pandemic as they provided an essential service.

Our Scope 3 UK have remained static between 2020 and 2021.

Energy efficiency actions taken in the year

In 2021 BSI undertook a number of activities to reduce energy usage and emissions. We improved energy efficiency at our offices by installing LED lighting in our data centre in Chiswick and implementing a desk-booking system. We also reduced emissions from travel by replacing existing fleet vehicles with electric vehicles (EVs), increasing the number of EVs in BSI's fleet by 400% and adding charging points to the Milton Keynes and the Hemel Hempstead locations. For further details on energy saving activities refer to page 38.

Principal risks and uncertainties

Insightful risk management

Risk management
The Board of BSI understands that effective risk management is an inherent part of the business process. The identification, evaluation and mitigation of risk are integrated into key business processes from strategic planning to day-to-day performance management as well as into information security, health, safety and environmental management. The Board also understands that it is responsible for the risk management system and for reviewing its effectiveness on an ongoing basis.

We have a continual and dynamic process for identifying, evaluating and managing the risks in the business, based on ISO 31000 (Risk Management). Risks identified are logged in risk registers within all business divisions, functions and countries.

Our management is accountable for managing risks within their area of responsibility and for sharing information relating to these risks with their colleagues in the spirit of collaboration. Risk management is a standing item on all key management meetings and our Group Internal Audit and Risk department ensures that regular reviews are undertaken at all levels within the business. The Board also formally reviews the risk management process, business continuity, crisis management and health, safety and environmental issues every year with the Group Internal Audit and Risk department and conducts a robust assessment of the principal risks. The Board considers the risk management system to be effective.

What we did in 2021
Throughout 2021 we have continued to conduct a programme of risk workshops, training and risk reviews, and we have initiated a Risk Transformation project, which includes an updated risk governance structure supported by an automated Enterprise Risk Management (ERM) tool. The Group Internal Audit and Risk team conducts all internal audits on a risk basis, and supplements audits with secondees from the business and subject matter experts, where appropriate. As in 2020, due to restrictions on travel as a result of the COVID-19 pandemic, for most of the year it was not possible to perform on-site audits, however, the team has been able to successfully conduct remote audits. The pandemic has meant that our offices have had to invoke their Business Continuity Plans, and we have been able to develop lessons learned from this practical testing.

What we will do in 2022
We will continue to implement the new risk governance structure, including quarterly Group Risk Committee meetings, at which our Principal Risk Register will be reviewed to ensure the risks are being managed within the Board-approved risk appetite. We will also report on emerging risks to ensure that underlying risk registers are regularly and systematically updated to reflect the external economic, political and social environment and the latest Group strategic plan initiatives.

We will implement the automated ERM tool as part of a programme of risk workshops, training and risk reviews at business division, geographical, functional and project levels to embed and enhance still further our management of risk globally.

Insurance
BSI maintains a global insurance programme covering all major insurable risks to the Group's business assets and operations worldwide. The insurance programme is regularly reviewed and new lines of cover are introduced as required.

Changes to principal risks during 2021
We regularly reviewed and updated our Principal Risk Register during 2021 and the latest version of this register is shown in this report. We have separated 'Regulatory compliance' from 'Accreditation compliance' to recognize the difference in granting of accreditation and designation, and the resulting risk profile. We have also separated 'Environmental, Social and Governance' risk from 'Health, Safety and Wellbeing' risk to recognize the increasing stakeholder expectations on environmental, social and governance obligations. We have added 'Macroeconomic uncertainty' due to the increased level of volatility in the global economy. We consider 'UK pension scheme' risk to have decreased sufficiently to be removed from the register now that the net liability has reduced to the current level. We consider 'Innovation' risk to be part of a broader 'Brand and reputation' risk.

We consider 'Change Management and Talent' risks to have increased due to the scale and complexity of transformation project being undertaken and the challenges in the pace of recruitment required to meet our strategic objectives. We consider 'Pandemic' risk to have decreased due to the reduced level of business disruption. Due to the crisis in Ukraine, we consider risks related to Macroeconomic Uncertainty and Information Security to have heightened.

Principal risks and uncertainties continued

Key No change Increased Decreased

Type of risk	Risk	2021 update	Mitigating actions
1 **Government policy**	Changes to government policy or relationships, in any of the jurisdictions in which we operate, could affect our ability to deliver our objectives, shape standards or provide services to clients.	No change	We engage with UK and other governments to ensure that our voice is heard during policy debates. Relationships are built with our stakeholders and standards bodies, so that they are aware of, and value, our contribution.
2 **NSB/Royal Charter status**	Our NSB and Royal Charter status are important as they allow us to do business independently and without external pressure. It is central to our purpose that we preserve this.	No change	We engage with stakeholders to ensure that we fulfil our NSB and Royal Charter obligations. A regulatory compliance framework is in place, including the Impartiality Code of Conduct, on which colleagues receive training. We run a governance regime that applies the principles of the UK Corporate Governance Code, where applicable, and actively review our compliance through Board and Executive Committees.
3 **Accreditation compliance**	A large percentage of global business is dependent on BSI maintaining accreditation or recognition with various accreditation bodies, recognition bodies and scheme owners. Loss of such accreditation or recognition may damage BSI's reputation, have serious business impact to such business and potentially trigger contractual claims.	No change	Continual dialogue is maintained with all of BSI's accreditation bodies, recognition bodies and scheme owners. BSI has a strict regulatory compliance framework, with dedicated officers to manage BSI's compliance, with various methods of reporting leading to that team, supported by continued training of all connected personnel, as well as having dedicated legal support qualified in the subject matter of this business. BSI monitors its compliance through audit, whistle-blowing hotline, third-party complaints procedure and contractual provision with third parties.
4 **Designation compliance**	The conduct of BSI's regulated businesses relies on statutory authority and accreditation in the relevant jurisdiction in which the Group company conducting such business is incorporated. Statutory authority is personal only to the relevant Group company. Loss of statutory authority would cause BSI to cease all associated trade. This would damage BSI's reputation, and expose BSI to contractual claims and third-party tortious liability.	No change	BSI maintains strong relations with the authorizing authority relevant to each Group company concerned. BSI has a strict regulatory compliance framework, with dedicated officers to manage BSI's compliance, with various methods of reporting leading to that team, supported by continued training to all connected personnel, as well as having dedicated legal support qualified in the subject matter of this business. BSI remains in close dialogue with clients within this business, particularly those with their own regulatory departments. BSI is a subject matter expert in the regulations governing this business and leads various trade associations that include its competitors, proposing interpretation and clarification of governing regulations.
5 **Financial and fiscal compliance**	There is an ongoing risk in any organization of our size and complexity that irregularities occur, due to human error or fraud, that could impact our financial results.	No change	We have strong reporting lines and policies and procedures in place. We have internal audit teams that perform risk-based audits, supported by an annual external audit of our financial results by PwC.
6 **Litigation risk**	Any breach of, or change to, legislation in a jurisdiction in which we trade could result in legal action against us. We could be held directly or indirectly liable for third-party claims arising at client sites or businesses.	No change	Our Legal team operates globally and maintains relationships with external law firms to ensure we are aware of forthcoming changes to legislation. Key colleagues receive relevant training and compliance policies and procedures are in place.

Principal risks and uncertainties continued

Key No change Increased Decreased

Type of risk	Risk	2021 update	Mitigating actions
7 Change management	The Group's ability to deliver key transformation projects on time and within budget is key to enabling our strategic ambitions. Failure to deliver such projects effectively and efficiently could result in significantly increased project costs and impede our ability to execute our strategic plans.	Increased	An annual strategic review is conducted with the Board and Group Leadership Team (GLT) where we review our strategy and our strategic programmes. Key strategic projects are reviewed and approved by the Board and GLT, as appropriate, with robust governance and detailed reporting of project KPIs and key milestones. Project governance and change management processes are in place to ensure the successful implementation of these plans.
8 Talent	An inability to develop, recruit or retain the right skills and diverse workforce in the Group could mean that business performance may suffer or opportunities are not exploited.	Increased	Talent initiatives are reviewed regularly. Succession planning is in place at all levels of the organization to underpin the change in management structure and regular gap analysis takes place.
9 Pandemic	The outbreak and continued duration of COVID-19 is a potential risk to the health, safety and wellbeing of our colleagues. COVID-19 related restrictions may inhibit our ability to service our clients.	Decreased	We closely monitor colleague health, safety and wellbeing and conformity with local regulatory requirements. We have implemented extensive hygiene control and prevention measures for our office and field-based people. Additionally, we regularly review our ways of working to promote a focus on the mental and emotional health and wellbeing of our people. We continue to deliver services to our clients remotely if required.

Principal risks and uncertainties continued

Key No change Increased Decreased

Type of risk	Risk	2021 update	Mitigating actions
10 Brand and reputation	Our brand and reputation ensures we are recognized as exemplars of trust, integrity and resilience in an increasingly digital and sustainable world. As technology and consumer behaviours continue to evolve, the power of our brand allows us to deliver mission critical solutions that result in trusted, more resilient organizations while demonstrating that we are also a trusted and resilient partner for our clients. It is important that we maintain the relevance of our brand and service offering to create greater trust between our clients, consumers, companies and governments while providing assurance, fostering progress and accelerating innovation to make the world a better place. Reputation risk could arise from the actions of a Group entity, colleague or a third party with whom we do business. Failure to uphold our high standards of conduct could adversely impact our reputation and ability to deliver our vision.	No change	Through continued investment in our brand, and our focus on strategic themes like sustainability, Digital Trust, innovation and partnerships with stakeholders, we continue to develop our position as trusted thought leaders. We expect our clients and wider society to benefit from the breadth of our service offering. We continue to reinforce our values, behaviours, policies and processes, taking robust action where necessary to protect our brand and reputation.
11 Information security	BSI is dependent on IT systems for day-to-day operations. Failure to protect against cyber breaches or other security incidents, whether from state-sponsored, criminal or other sources, could result in disruption or suspension of IT services, impacting our trading operations and loss of data. Failure to protect against inadvertent loss of our or our clients' or other stakeholders' information or personal data could result in BSI receiving fines, a loss of client confidence and adversely affect our or our stakeholders' reputation. The current geopolitical tensions have heightened this risk.	Increased	BSI has an ongoing cyber security improvement programme, which aims to mitigate the risks and operational disruption caused by cyber-attacks. This programme includes: • Global Security Operations Centre (SOC) providing 24×7×365 monitoring, detection, alerting and response. • Enhanced endpoint protection, encryption of data, network firewalls, web and email content protection. • Deployment of multi-factor authentication for remote access and cloud-based services plus ongoing cyber security awareness training for all colleagues. • Vulnerability and penetration testing for all external facing and business critical group services, applications and websites. • Implementation of SD-Wan and a zero trust network architecture. • Enhanced Information Security team capabilities complemented by third-party advisory services. • Increased scope of our global ISO 27001 certification.

Principal risks and uncertainties continued

Key No change Increased Decreased

Type of risk	Risk	2021 update	Mitigating actions
12 Health, safety and wellbeing	The health, safety and wellbeing of our colleagues is of the highest priority for the Group. Failure to protect our colleagues, contingent workers and other stakeholders from illness or injury arising due to our activities could adversely affect our reputation and result in financial costs. The mental and emotional wellbeing of our workforce is an increasing focus. The organization is working in a different way, which is impacting individuals physically as well as emotionally. The prolonged period of COVID-19 and the potential impact of further variants increases risks in this area.	No change	We have a Health and Safety Management System and are certified to ISO 45001 at our UK locations. We are rolling out compliance with certification to these standards globally. We are investing significantly in promoting the mental health and wellbeing of our colleagues.
13 Environmental, Social and Governance	ESG issues are becoming increasingly fundamental for all companies. Failure to meet stakeholder expectations on increasing environmental and/or social governance obligations could lead to reputational or commercial risk for the Group. This includes risks arising from increasing client expectations and social attitudes towards the environmental impact of our standards which may impact on our ability to market them. Additionally, efforts in this area may impact our ability to attract and retain talent, given increasing colleague focus on sustainability-related topics.	No change	We are a participant in the United Nations Global Compact and map our activities to the UNSDGs. We are carbon neutral and have a target to be net zero by 2030. We have an Environmental Management System and are certified to ISO 14001 at our Group headquarters. We are rolling out compliance with certification to these standards globally. We are defining our Group Sustainability Strategy and Plans, strengthening our internal sustainability performance and creating partnerships to foster collaboration. We have a climate risk register in place with active mitigation measures.
14 Macro-economic uncertainty	As a global business, changes to global economic conditions have the potential to impact us. BSI will need to adapt to changes that impact our ability to deliver services to our clients. This may arise in the form of inflationary pressures, exchange rate variations or geo-political conflict.	Increased	The breadth of BSI's service offering and its diversification across sectors and geographies provides a level of mitigation against the potential impact of economic downturns. The economic environment is monitored as part of our business planning and budgeting cycle. Throughout the year the Board also considers specific macro-economic events and any potential impact to BSI. Inflationary pressures are mitigated through pricing and cost management, and revenues and costs are matched by currency where possible.

Chairman's introduction

Committed to best practice in all areas of governance

John Hirst
Chairman

Consistent with BSI's overarching public-interest purpose, which we summarize as 'Inspiring trust for a resilient world', and our duty to our stakeholders, we are committed to demonstrating the highest standards of Corporate Governance. This is a responsibility by which everybody involved with BSI's governance policies and practices stands.

As a globally recognized expert in best practice, incorporated by Royal Charter and with a unique status as the UK National Standards Body, this commitment is directly in line with our commitment to our clients. The more successful we are in this, and the more we fuel the growth of our organization, the more we can benefit those who rely on our services and the standards we set.

We need to be structured and managed in a way that enables us to be efficient and profitable and thus strengthen our positive impact. While we are not a listed company, and as such are not required to apply the Financial Reporting Council (FRC) UK Corporate Governance Code 2018 (the 'Code'), we continue to comply with the requirements of the Code, so ensuring compliance with a world-class source of best practice.

Ultimate responsibility for governance lies with our Board of Directors, the majority of whom are Non-Executive Directors (NEDs) who can collectively call on a very broad range of experience across many business areas to provide the guidance that is required.

The Board is in turn supported by the Audit, Remuneration, Nominations and Sustainability Committees, all of which are chaired by NEDs, with NEDs also making up the majority of membership. We also have a Standards Policy and Strategy Committee, an advisory body that gathers and distils information for the Board on standardization matters.

I believe this strong core of governance at the heart of our organization has once again served BSI well as I reflect on a very busy and highly successful year, during which we have made every effort to preserve and strengthen the trust of all our stakeholders.

It is not possible to report on 2021 without to some degree reflecting on the COVID-19 pandemic and its continuing impact on working practices across BSI. We continued to follow a hybrid working structure during the year and managed to ensure efficiency by holding a number of COVID-secure meetings with virtual attendance by some members.

I am confident that this approach enabled us to maintain our habitual high standards of corporate governance. I also believe that moving forward it will continue to provide us with an effective way of working that will ensure governance continues to receive a very high level of consideration at BSI.

The BSI Code of Business Ethics (see bsigroup.com/codeofethics) continues to underpin our internal controls, financial management and governance framework. This sets out the ethical values and high standards of integrity that are embedded in our organization and that apply to every aspect of the way we operate.

John Hirst
Chairman
20 April 2022

Board of Directors

Our Board continues to maintain an appropriate balance of skills, knowledge and experience.

John Hirst CBE
Chairman

A N S

Skills and experience
John Hirst was appointed to the Board in October 2018 as Non-Executive Director and became Chairman in January 2019. John has a wealth of experience leading and transforming complex organizations. His early career was with ICI, beginning in finance before progressing into various leadership roles and serving on the Group leadership team as Chief Executive of the speciality chemicals division. He then became Group Chief Executive of Premier Farnell, a FTSE 250 electronics distribution company, and in 2007 he joined the UK's Met Office as Chief Executive until 2014.

Other appointments
John is Chairman of Anglian Water Services; the National Oceanography Centre; the epilepsy charity SUDEP Action; IMIS Global Limited; and SMi Drug Discovery and Trustee of Epilepsy Research UK.

Susan Taylor Martin
Chief Executive

N S

Skills and experience
Susan Taylor Martin joined the Board and was appointed Chief Executive in January 2021. Susan has led a range of information, publishing and software businesses, first at Reuters and then at Thomson Reuters. Most recently, as President of its Global Legal Business based in New York, she led the transformation of its online information service into an AI-enabled suite of digital and SaaS offerings. She has experience of the consumer, leisure and hospitality sector having been a Non-Executive Director of Whitbread PLC. She also possesses a strong network across a wide range of businesses, as former Chair of the London Council of the Confederation of British Industry.

Other appointments
Susan is Non-Executive Director of the University of Cambridge Press & Assessment Board.

Sara Dickinson
Chief Financial Officer

Skills and experience
Sara joined the Board and was appointed Chief Financial Officer in January 2022. Sara has over 25 years of financial experience as well as significant knowledge of scaling B2B businesses and digital transformation, most recently as Senior Vice President of Finance responsible for corporate finance functions at Expedia Group Inc, a global travel tech company, and as Chief Finance Officer of Expedia Partner Solutions, the worldwide B2B division within Expedia for four years prior to this. Sara has undertaken finance roles including Commercial Finance & FP&A Director at Costa Coffee, Group Financial Controller for Sage Group PLC and Vice President and European CFO of Orbitz WorldWide Inc.

Other appointments
Sara is Non-executive director of Aptitude Software Group PLC.

Committee membership

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- S Sustainability Committee (formerly known as the Social Responsibility Committee)
- SP Standards Policy and Strategy Committee
- ● Committee Chair

Board of Directors continued

Scott Steedman CBE FREng
Director-General, Standards
S SP

Skills and experience
Scott Steedman joined the Group in January 2012 and was appointed to the Board in October 2012. An engineer by profession, he started his career as a Fellow and Lecturer at the University of Cambridge before moving to industry where he spent over 20 years as a consultant working in the Built Environment sector. He was a Non-Executive Board Member of the Port of London Authority from 2009 to 2015 and served as Vice-President (Policy) for the European Committee for Standardization (CEN) from 2013 to 2017 and the International Organization for Standardization (ISO) from 2017 to 2021.

Other appointments
None.

Alison Wood
Senior Independent Director
A N R

Skills and experience
Alison Wood joined the Board in September 2014 as Non-Executive Director. She spent nearly 20 years at BAE Systems plc in a number of strategy and leadership roles, including that of Group Strategic Director, and was the Global Director of Strategy and Corporate Development at National Grid PLC from 2008 to 2013. She has held Non-Executive Director positions with BTG PLC, Thus Group PLC, e2v PLC and Cobham PLC.

Other appointments
Alison is Non-Executive Director and Chair of the Remuneration Committee at TT Electronics PLC, Capricorn Energy PLC and Oxford Instruments PLC and Chair of the Board and the Remuneration Committee at Galliford Try.

Stephen Page
Non-Executive Director
N R S SP

Skills and experience
Stephen Page joined the Board in September 2015 as Non-Executive Director. Stephen has a wealth of boardroom experience in the opportunities and risks of the digital age, as well as corporate risks such as cyber security and counterterrorism. At Accenture he held European and global leadership roles including worldwide Managing Director, Strategic IT Effectiveness. For the past sixteen years he has held a portfolio of board positions including TSB Banking Group, the National Crime Agency and The British Library.

Other appointments
Stephen is Senior Independent Director of Nominet UK, non-executive director of the British Army and member of the Independent Audit Committee of the Thames Valley Police.

Committee membership

- **A** Audit Committee
- **N** Nominations Committee
- **R** Remuneration Committee
- **S** Sustainability Committee (formerly known as the Social Responsibility Committee)
- **SP** Standards Policy and Strategy Committee
- Committee Chair

Board of Directors continued

Douglas Hurt FCA
Non-Executive Director

A N R

Skills and experience
Douglas Hurt joined the Board in November 2015 as Non-Executive Director. Douglas started his career at PwC, where he qualified as a Chartered Accountant. From there he joined the GlaxoSmithKline Group, where he held many senior roles including Managing Director, Glaxo Wellcome UK. In 2006 he joined IMI PLC and was Group Finance Director until February 2015.

Other appointments
Douglas is Senior Independent Director and Chair of the Audit Committee of Vesuvius PLC and Countryside Partnerships PLC. He is Non-Executive Director and Chair of the Audit Committee of Hikma Pharmaceuticals PLC.

Ian Lobley
Non-Executive Director

S A N

Skills and experience
Ian Lobley joined the Board as a Non-Executive Director in May 2019. Ian is a Managing Partner at 3i Group PLC, the FTSE 100 international investor. With over 30 years of experience in private equity, he has been an active investor in and board member of portfolio companies in many countries and sectors. He graduated in Chemical Engineering from the University of Birmingham and, prior to 3i, worked as an engineer for BOC Speciality Gases.

Other appointments
Ian is Non-Executive Director of 3i Infrastructure PLC, AES Engineering, Tato Holdings, Audley Travel and Cirtec Medical within 3i Group's global portfolio.

Tiffany Hall
Non-Executive Director

S N R

Skills and experience
Tiffany Hall joined the Board as a Non-Executive Director in April 2020. Tiffany has a strong background in marketing, sales, digital transformation and customer services. In her executive career, she served as Managing Director of BUPA Home Healthcare, Marketing Director at BUPA, Head of Marketing at British Airways, Head of Global Sales at British Airways and Chair of Airmiles and British Airways Holidays.

Other appointments
Tiffany is Non-Executive Director and Chair of the Remuneration Committee at B&M European Value Retail S.A., Non-Executive Director and chair of the Remuneration Committee at The Hut Group PLC and Non-Executive Director of Symington Family Estates.

Committee membership

- **A** Audit Committee
- **N** Nominations Committee
- **R** Remuneration Committee
- **S** Sustainability Committee (formerly known as the Social Responsibility Committee)
- **SP** Standards Policy and Strategy Committee
- Committee Chair

Board of Directors continued

Dame Polly Courtice DBE LVO DL
Board Advisor

S

Skills and experience
Polly Courtice joined the Board as Advisor in June 2020. Polly was Founder Director of the University of Cambridge Institute for Sustainability Leadership (1988-2021) and is a Director of Jupiter Green Investment Trust. She serves on sustainability advisory boards for several leading companies, including AstraZeneca and Nespresso. She is a member of the judging panel for the Queen's Award for Sustainable Development and serves on the Cambridgeshire and Peterborough Independent Commission on Climate. She has been a recipient of numerous awards for her contribution to sustainability.

Other appointments
Polly is Senior Independent Director at Anglian Water Services and is a Deputy Lieutenant for Cambridgeshire.

Committee membership

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- S Sustainability Committee (formerly known as the Social Responsibility Committee)
- SP Standards Policy and Strategy Committee
- Committee Chair

Board gender diversity

- Female **50%**
- Male **50%**

Board composition

- Executive **30%**
- Non-Executive **70%**

Board tenure

- <1 year **10%**
- 1–5 years **50%**
- >5 years **40%**

All percentages include the Board Advisor.

At 31 December 2021, the Board gender diversity was 44% female and 56% male, and the Board tenure was 44% over 5 years.

The Group Leadership Team

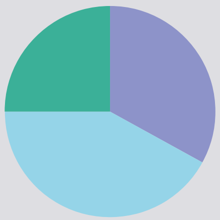
Our Group Leadership Team

Our Group Leadership Team has many years of experience successfully managing all aspects of complex global businesses.

Our Group Leadership Team reflects the structure of BSI. Chaired by the Chief Executive, it comprises the leaders of the four global business divisions, the Group Commercial Director, the Director-General, Standards, the Chief Strategy & Transformation Officer, and the heads of the global Finance, IT, Human Resources and Legal functions.

Group Leadership Team gender diversity

- Female **50%**
- Male **50%**



Group Leadership Team tenure

- <1 year **33%**
- 1–5 years **42%**
- >5 years **25%**

At 31 December 2021, the Leadership Team gender diversity was 43% female and 57% male, and the Leadership Team tenure was 43% over 5 years.

Susan Taylor Martin
Chief Executive

Sara Dickinson
Chief Financial Officer

Scott Steedman CBE
Director-General, Standards

Magdalena Duke
General Counsel

The Group Leadership Team continued

Shirley Bailey-Wood MBE
Director, Knowledge Solutions

Jonathan Chocqueel-Mangan
Chief Strategy & Transformation Officer

Pietro Foschi
Director, Assurance Services

Manuela Gazzard
Director, Regulatory Services

Harold Pradal
Chief Commercial Officer

Thorsten Querfurt
Director, Consulting Services

Darryl Salmons
Chief Information Officer

Alison Sharp
Chief People Officer

Corporate governance report

Governance framework

The Board of The British Standards Institution is committed to the highest standards of corporate governance, which it considers fundamental to the success of the business. The British Standards Institution is governed by its Royal Charter and Bye-laws. The Companies (Miscellaneous Reporting) Regulations 2018 require BSI to specify the governance regime it follows and in 2021 BSI continued to apply the FRC UK Corporate Governance Code 2018 (the 'Code'), wherever relevant to its constitution and operation as a Royal Charter Company without shareholders. In particular, the provisions of the Code relating to shareholders are not applicable to the Company. The Chairman is a member of the Audit Committee, as explained in the Audit Committee report on page 60 and although BSI does carry out stakeholder engagement it does not comply with the formal Code requirement to engage with the wider workforce about executive pay.

Directors are not subject to re-election at the AGM each year (Provision 18 of the Code) but must be re-elected at the AGM following their appointment. One-third, rounded down, of other Directors stand for re-election at each AGM, as required by the Bye-laws of the Company. An overview of how the Board has fulfilled its duty, set out in Section 172 of the Companies Act 2006, to promote the long-term success of the Group, considering the interests of the Group's stakeholders, including the impact of its activities on the community and environment, is set out on pages 80 to 83 of the Directors' report.

The role of the Board

The Board is the governing body of BSI and leads the organization through a framework of effective controls that enable risk to be assessed and managed. It sets the strategy of BSI in accordance with the Royal Charter and is collectively responsible for the long-term success of the Company in line with its purpose. It is also responsible for corporate governance and the overall financial performance of the Group. The Board establishes the Company's culture, values and ethics and ensures that the correct 'tone from the top' is set, with all Directors being required to ensure that BSI's public interest responsibility is fulfilled, in accordance with the Royal Charter. There is a formal schedule of matters reserved to the Board and other specific responsibilities are delegated to the Board's Committees, each of which has clear written terms of reference. The Matters Reserved to the Board and the terms of reference for the Audit, Remuneration, Nominations and Sustainability Committees are available on the Company's website at bsigroup.com.

The Board comprises six Non-Executive Directors and three Executive Directors. In addition, a Board Advisor is invited to all Board and Committee meetings.

The Board

Chairman

Role and responsibilities

- Leads and manages the Board. Sets the agenda, style and tone of discussions and promotes open debate, effective decision making and a unitary culture
- Ensures that the Group does business in a highly ethical way worldwide and that its Code of Business Ethics is maintained and observed
- Provides a sounding board for the Chief Executive and leads target setting and the appraisal of the Chief Executive

Non-Executive Directors

Role and responsibilities

- Contribute to the development of the organization's strategy
- Scrutinize and constructively challenge the performance of management in the execution of strategy
- Advise and contribute to Board debate based on their broad business experience and professional skills

Senior Independent Director

Role and responsibilities

- Provides a sounding board for the Chairman and appraises the performance of the Chairman in the Board evaluation process
- Acts as intermediary for other Directors if needed
- Deputizes for the Chairman if necessary

Group Chief Executive

Role and responsibilities

- Leads the Group Leadership Team and is accountable for the Group's performance, consistent with the strategy, controls, culture and risk appetite agreed by the Board
- Ensures that the flow of information to the Board is accurate, timely and clear
- Develops and maintains effective management systems and internal controls

Board Committees

The Board has established Committees to help ensure that BSI meets best practice in corporate governance. The Board delegates certain responsibilities to these Committees.

Standards Policy and Strategy Committee

Read Director-General, Standards review on pages 12 to 14

Sustainability Committee

Read report on pages 65 and 66

Audit Committee

Read report on pages 60 to 62

Nominations Committee

Read report on pages 63 and 64

Remuneration Committee

Read report on pages 67 to 79

Executive Committees

These Committees are responsible for the implementation of agreed strategy and the day-to-day operation of BSI. The Committees report to the Chief Executive.

Group Leadership Team

Banking and General Purpose Committee

Code of Conduct Oversight Committee

Information Security Committee

Risk Committee

Corporate governance report continued

Sustainability

Sustainability is embedded into BSI's Governance. The Board is collectively responsible for BSI's success, which includes how we navigate the opportunities and risks of sustainability and climate change.

Climate change risk is captured as part of Environmental, Social and Governance risk in the Principal Risk Register, which is reviewed annually by the Board.

The Board sets various policies relating to sustainability and climate change, including the Group Sustainability Code, which was developed with reference to:

- BS ISO 26000: Guidance on Social Responsibility;
- BS ISO 20400: Guidance on Sustainable Procurement;
- The UN Universal Declaration of Human Rights;
- The ILO Declaration on Fundamental Principles and Rights at Work;
- The UN Guiding Principles on Business and Human Rights;
- The International Labour Organization (ILO) Core Conventions;
- The UN Global Compact; and
- The Ethical Trading Initiative (ETI) Base Code, as well as the BSI Code of Business Ethics and relevant BSI internal policies.

The Sustainability Code sets the foundational principles from which we work and the expectations we place on our business partners.

The Board receives regular updates on progress against specific operational sustainability targets including climate mitigation in our own operations, community engagement and the development of sustainability related products and services across the Group.

The Board has a paid advisor, Dame Polly Courtice, the Founder Director of the University Cambridge Institute for Sustainability Leadership, who attends all Board meetings and supports discussions on sustainability, including providing specific training. Directors' understanding of sustainability issues is built into the annual Board Evaluation.

The Board's work on sustainability is supported by its sub-committees, including:

Sustainability Committee

The Sustainability Committee influences the shaping of BSI Group's sustainability strategy, policies, services and practices, acting as a champion for sustainability within BSI and encouraging BSI to raise its level of sustainability ambition. The Committee is chaired by Dame Polly Courtice, who founded the University of Cambridge Institute for Sustainability Leadership, and is Senior Independent Non-Executive Director at Anglian Water.

Remuneration Committee

The Remuneration Committee takes responsibility for overseeing sustainability related performance measures of the Chief Executive and Executive Directors.

Board meetings

The Board met a total of seven times during the year. In addition, the Board attended an annual Strategy Review meeting with the Group Leadership Team.

Directors are provided with meeting papers in advance of each Board or Committee meeting. If a Director is unable to attend a meeting, they are provided with the meeting papers to review and provide any comments to the Chairman or Committee Chair prior to the meeting.

Members of the Group Leadership Team and other senior management are regularly invited to attend Board meetings to present on their specific area of responsibility. Meetings between the Non-Executive Directors, in the absence of the Executive Directors, are scheduled at the end of each Board meeting to provide the Non-Executive Directors with an opportunity to continually assess the performance of management.

Board focus during 2021

The Board has an Annual Pattern of Work that ensures all matters for Board consideration are presented and considered in a timely manner.

During the year, the Board:

- discussed proposed investments;
- approved the annual budget;
- participated in a review of strategy with the Group Leadership Team;
- discussed colleague engagement;
- performed the annual review of the effectiveness of internal control, risk identification and mitigation;
- reviewed regular reports on legal and compliance matters;
- received updates from each of BSI's core business areas; and
- monitored the financial performance of the business.

Corporate governance report continued

Board meeting attendance

The attendance of Directors at Board meetings is indicated in the table below.

Attendance	Jan	Mar	May	Jun	Sep	Oct	Dec
Chairman							
John Hirst	●	●	●	●	●	●	●
Executive Directors							
Susan Taylor Martin[1]	●	●	●	●	●	●	●
Howard Kerr[2]	●						
Craig Smith[3]	●	●	●	●			
Scott Steedman	●	●	●	●	●	●	●
Non-Executive Directors							
Tiffany Hall	●	●	●	●	●	●	●
Douglas Hurt	●	●	●	●	●	●	●
Ian Lobley	●	●	●	●	●	●	●
Stephen Page	●	●	●	●	●	●	●
Alison Wood	●	●	●	●	●	●	●

● Attended

1 Appointed with effect from 20 January 2021.

2 Resigned with effect from 20 January 2021.

3 Resigned with effect from 31 July 2021.

Polly Courtice was appointed as a Board Advisor with effect from 1 June 2020 and is not a member of the Board but is invited to attend all Board and Committee meetings.

Board balance and independence

The Board continues to maintain an appropriate balance of skills, knowledge and experience.

The Board has determined that the Chairman was independent on his appointment and that all the Non-Executive Directors are considered independent for the purposes of the Code. BSI's Bye-laws require that the total number of Executive Directors may not exceed the total number of Non-Executive Directors. Accordingly, at least half the Board comprises Non-Executive Directors in accordance with the Code.

Alison Wood acts as Senior Independent Director and meets regularly with the Non-Executive Directors without the Chairman being present.

Re-election of Directors

In accordance with the Company's Bye-laws, Non-Executive Directors are required to submit themselves for re-election at the next Annual General Meeting following their first appointment by the Board. Additionally, one-third, rounded down, of the other Directors are required to retire by rotation and stand for re-election at each Annual General Meeting. The Bye-laws also require the Chairman to be elected annually by the Board. Details of Non-Executive Directors subject to re-election and rotation at the 2022 Annual General Meeting can be found on page 80.

Board evaluation

An evaluation process is carried out annually to support continuing improvement in the effectiveness of the Board and Board committees. This process is led by an external facilitator at three-year intervals. Cederas facilitated the external evaluation in 2020 and accordingly, the Board agreed that BSI should facilitate the review internally in 2021 with support from Independent Board Review, a division of Independent Audit Limited. This process was completed in December and concluded that the Board and its Committees were effective and working well and highlighted opportunities for improvement.

Corporate governance report continued

Board induction, training and development

Compliance training including training on BSI's Code of Business Ethics, Information Security and Anti-Bribery and Corruption is made available to all Directors. When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Group. Throughout their tenure, Directors are given access to the Group's operations and staff, and receive updates on relevant issues as appropriate, taking into account their individual qualifications and experience. This allows the Directors to function effectively with appropriate knowledge of the Group.

The Board is satisfied that each Director has sufficient time to devote to discharging his or her responsibilities as a Director of the Company.

Independent advice

The Directors may take independent professional advice, if necessary, at the Company's expense. None was taken in 2021.

Directors' conflicts

The Board has a formal process for the Directors to disclose any conflicts of interest and any decision of the Board to authorize a conflict of interest is only effective if it is agreed without the conflicted Director(s) voting or without their votes being counted. In making such a decision, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Group.

Internal controls

The Group has a robust and effective system of internal control supported by review and assurance processes. In accordance with the Group Risk Management Framework which sets out the risk appetite and robust risk assessment processes, BSI aims to support consistent, risk-informed decision making. The Board has overall responsibility for the Company's system of risk management and internal controls and the Board regularly reviews the Company's principal risks and its internal controls.

The risk management process is supported by our internal audit and compliance function reviewing the effectiveness of internal controls. Further information on internal controls and risk management can be found on page 62 of the Audit Committee report.

The principal risks and uncertainties the Group faced during the year are set out on pages 43 to 47 of the Strategic report.

Stakeholder engagement

In order for the Company to meet its responsibilities to stakeholders, the Board has to ensure effective engagement with them and encourage their participation. Details and examples of BSI's engagement with stakeholders is set out in the Section 172 statement on page 80 to 83 of the Directors' report.

By Order of the Board

John Hirst
Chairman
20 April 2022

Statement of Directors' responsibilities in respect of the financial statements

Susan Taylor Martin
Chief Executive

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under UK company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the profit of the Group and the state of affairs of the Group and the Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRS, as adopted by the European Union, have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and therefore for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and to disclose with reasonable accuracy, at any time, the financial position of the Group and parent company and enable the Directors to ensure that the financial statements comply with the Companies Act 2006.

The Directors of the parent company of the Group are responsible for the maintenance and ultimate integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Directors consider that the Annual report and financial statements, taken as a whole, is fair, balanced and clear and provides the information necessary to assess the Group and parent company's position and performance, business model and strategy.

Each of the Directors confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and parent company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Directors' responsibility statement

Each of the Directors, whose names and functions are listed in the Governance report, confirms that, to the best of their knowledge:

- the parent company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101, "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group's financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Chief Executive's review includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

By Order of the Board

Susan Taylor Martin
Chief Executive
20 April 2022

Report of the Audit Committee

Douglas Hurt
Chair of the Audit Committee

Committee attendance

The Committee met three times in the year ended 31 December 2021.

Attendance	Mar	Jun	Nov
Douglas Hurt	●	●	●
John Hirst	●	●	●
Ian Lobley	●	●	●
Alison Wood	●	●	●

● Attended

I am pleased to present the report of the Audit Committee for the year ended 31 December 2021. The report aims to provide an overview of how the Committee operates, an insight into the work of the Committee during the year and sets out the significant issues relating to the financial statements that the Committee considered and information about the Company's internal control and risk management systems.

At BSI, the Committee has primary responsibility for addressing the Group's financial risks and provides independent oversight of the adequacy of financial reporting and the effectiveness of internal control systems, ensuring that financial data is compliant with relevant accounting standards, fair, balanced and understandable. The Committee works with and is supported by the Chief Financial Officer and the Internal Audit team who do extensive assurance work across the business.

The ongoing pandemic made 2021 a challenging year, not just for our employees and our customers but for most of our stakeholders. During the year the Committee maintained its focus on reviewing the continued impact of remote working on the Group's control frameworks and approved any changes to the Internal Audit plan to accommodate remote auditing technologies where practical. Similarly, the implications of the impact of the pandemic on our businesses have been carefully considered in the Committee's assessment of the judgements made in the Group's financial statements.

Committee membership

The Committee currently comprises four independent Non-Executive Directors. John Hirst continues to be a member of the Committee, although, because he is Chairman of the Board, this is not in strict compliance with Provision 24 of the Code. It is considered that John's membership is of benefit to the Committee due to his experience as a Chartered Accountant and his attendance brings significant financial and business expertise.

During the year the following members served on the Committee:

Douglas Hurt (Chair)
John Hirst
Ian Lobley
Alison Wood

The Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Head of Tax and Treasury and the Head of Internal Audit and Risk, along with the external auditors, are invited by the Committee to attend its meetings as appropriate.

Douglas Hurt is a Chartered Accountant and was Finance Director of IMI plc for nine years until 2015 and also chairs the Audit Committees of Hikma Pharmaceuticals plc, Countryside Partnerships plc and Vesuvius plc and is deemed to have recent and relevant financial experience. The Committee as a whole also has broad experience in international B2B businesses and in many of the sectors in which BSI concentrates and as such is deemed to have relevant competence in the sector in which the company operates.

Key responsibilities of the Committee

- Monitor the integrity of the financial statements of the Company and the Group including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- review the content of the Annual Report to advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy;
- consider the remit of the Internal Audit function and monitor its effectiveness;
- review and approve the internal audit plan;
- review the Company's internal financial controls and internal controls and risk management systems;
- review whistleblowing procedures;
- conduct the tender process and make recommendations to the Board about the appointment, reappointment and removal of the external auditor;

Report of the Audit Committee continued

Key responsibilities of the Committee continued

- oversee the relationship with the external auditors and assess the effectiveness of the audit process and the independence, expertise and judgement of the external auditors;
- approve the remuneration and terms of engagement of the external auditor; and
- oversee the Company's policy on non-audit services from the external auditors.

The Committee receives any required information from management in a timely manner and in formats which are comprehensible and sufficient to fulfil its responsibilities.

Activities of the Committee

There is an annual work plan in place that specifies the key agenda items for each scheduled meeting of the Committee to ensure that all formal matters have been addressed. Items reviewed at Committee meetings in 2021 included the following:

- the Annual Report and the consolidated and parent company financial statements;
- internal audit reports and the results of completed audits;
- internal audit plan for 2021 and proposal for 2022;
- the Group's risk management framework and proposed enhancements;
- external auditor fees;
- matters relating to BSI's UK Defined Benefit Pension Scheme;
- treasury and tax, including the recognition of deferred tax assets;
- compliance with the financial obligations under the Memorandum of Understanding with the UK Government and with other project related financial reporting obligations;
- impairment assessments of goodwill, cash-generating unit (CGUs) and other intangible and tangible assets;
- consideration of reports from the external auditor, including the audit plan, the key audit risks and the auditor's assessment of the Group's key accounting judgements and disclosures; and
- a review of the effectiveness of the external audit.

Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with management and the external auditors, the appropriateness of the annual consolidated financial statements. The Committee focuses on:

- the acceptability of accounting policies and practices;
- material areas in which significant judgements have been applied or where significant issues have been discussed with the external auditor;
- an assessment of whether the Annual Report, taken as a whole, is fair, balanced and understandable; and
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements.

Accounting policies and practices

The Committee received a report from management in relation to:

- the identification of critical accounting judgements and key sources of estimation uncertainty;
- significant accounting policies; and
- reviewed disclosures of these in the 2021 Annual Report.

Following discussions with management and the external auditor, the Committee approved the disclosures.

Areas of risk

Areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2021 were:

- The Committee reviewed the assumptions used in the actuarial valuation of the UK defined benefit pension scheme and concurred that they were appropriate.
- The accounting requirements related to Software as a Service following the clarification issued by IFRIC in April 2021. The Committee considered the materiality of the accounting changes required and concurred that they should be treated as a prior year adjustment.

Fair, balanced and understandable

The Committee assessed whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Company's position and performance, business model and strategy. The Committee reviewed early drafts of the Annual Report to enable input and comment.

This work enabled the Committee to provide positive assurance to the Board to assist them in approving the 2021 Annual report and financial statements.

Internal audit

The Committee is responsible for the remit of the Internal Audit function and for monitoring the effectiveness of its work. The Internal Audit function focuses on assessing the effectiveness of the Group's internal controls and making recommendations where appropriate to strengthen and enhance them. It has an annual risk-based plan, which provides coverage of all locations at least every five years and more frequently for higher risk and larger businesses. This plan was approved by the Committee, but was regularly reviewed and, as with 2020, certain changes were made to reflect the risks posed by the pandemic to the control environment and with travel continuing to be problematic, to deliver audits through remote auditing. The Committee reviews all internal audit reports and follows up on the status of management actions relating to findings or observations identified by the Internal Audit team.

Report of the Audit Committee continued

External audit

Independence

There are a number of robust policies in place, all of which aim to safeguard the independence of the external auditors. There are no contractual obligations that restrict the Company's choice of external auditors. In 2013, in accordance with best practice, the Company undertook a re-tendering exercise for the selection of the auditors. A thorough review process was carried out and PwC were retained as the Company's external auditors but with a new team. In accordance with the Auditing Practices Board standards, the Lead Audit Partner at PwC is rotated every five years to ensure continuing independence. Owen Mackney, the current audit partner assumed this responsibility in 2018 and these 2021 financial statements will be his fourth year as the lead audit partner.

The Committee will undertake a tender exercise in 2022 to select a new external auditor who will shadow PwC during the 2022 year-end, and formally be appointed in 2023, as the Group's external auditors. PwC will not be invited to participate when the external audit contract is put out to tender given their tenure.

External auditors' effectiveness

The Committee reviews and monitors the effectiveness of the external audit process on an annual basis. An Auditors' Effectiveness Checklist, which examined the robustness of the audit process, quality of delivery, quality of reporting and quality of people and service, was completed by management and members of the committee.

The results were analysed and a full report was submitted for review by the Committee. The report as a whole was discussed with PwC, and the Committee concluded that PwC provided an effective, independent and objective audit. The Committee agreed to recommend to the Board the reappointment of PwC as the Group's external auditors and a resolution to this effect will be tabled at the 2022 Annual General Meeting.

Non-audit services

The fees paid to the external auditors for audit and non-audit work are set out in Note 7 of the financial statements. The ratio of audit work to non-audit work was 12.6:1.

Any proposed provision of non-audit work by the external auditors that is not immaterial is subject to thorough review by the Chief Financial Officer, in conjunction with the external auditors, to ensure there is no threat to the independence or objectivity of the external auditors and is then approved by the Committee, subject to a de minimis delegation to the Chief Financial Officer.

Internal control and risk management systems

During the year the Committee received regular reports from management reviewing the Group's principal risks and considered whether the mitigating actions were adequately addressing the risks to contain them within the Board's defined risk appetite. The Committee also reviewed the work of the internal audit function where it was assessing aspects of the Group's risk management framework. We received regular reports from the compliance function on the status of compliance training across the Group and details of whistleblowing reports received through the established hotline, ensuring that, where appropriate, the necessary investigations and corrective actions took place.

Areas of focus for 2022

For 2022, the Committee will monitor and oversee the effectiveness of BSI's risk management and internal control systems, including obtaining assurance that they are designed and continue to be implemented effectively. To reflect the increased oversight of risk management, the Committee is now known as Audit & Risk Committee with effect from 1 January 2022.

In addition, the Committee will:

- maintain its rigorous oversight over the Group's financial matters and the assurance provided by the external auditors that go to ensure the accuracy and reliability of BSI's financial information; and
- continue its work in ensuring that reporting on the Group's performance, business model and strategy is provided in a clear and informative way.

By Order of the Board

Douglas Hurt
Chair of the Audit Committee
20 April 2022

Report of the Nominations Committee

John Hirst
Chair of the Nominations Committee

Committee attendance

The Committee met once formally in the year ended 31 December 2021 and a number of unscheduled meetings and informal discussions were held during the Chief Financial Officer successor selection process.

Attendance	May
John Hirst (Chair)	●
Tiffany Hall	●
Douglas Hurt	●
Howard Kerr[1]	
Ian Lobley	●
Stephen Page	●
Alison Wood	●
Susan Taylor Martin[2]	●

● Attended

1 Resigned on 20 January 2021.

2 Appointed on 20 January 2021.

One of the main areas of focus for the Nominations Committee during 2021 was recruiting a new Chief Financial Officer to succeed Craig Smith on his exit after ten committed years in role. The Committee oversaw an independent and comprehensive search process, more information about which is set out below.

The effectiveness of the Committee's performance, considered as part of the externally facilitated Board evaluation process on page 57, noted that the Committee fulfils its role in ensuring the Board membership meets the current needs of the organization well, but that this requires constant attention and consideration of future requirements in line with BSI's strategy. The Committee's areas of focus for 2021 reflect this recommendation.

Committee membership

The Committee is established by the Board under its the terms of reference, reviewed annually. During the year ended 31 December 2021 the Committee comprised:

John Hirst
Tiffany Hall
Douglas Hurt
Howard Kerr (resigned 20 January 2021)
Susan Taylor Martin (appointed 20 January 2021)
Ian Lobley
Stephen Page
Alison Wood

The Chairman of the Board is also the Chair of the Committee.

Key responsibilities of the Committee

- Keep under review the Board's structure, size and composition and ensure it has the appropriate balance of skills, expertise and experience;
- give full consideration to succession planning for Directors and other senior executives in the course of its work;
- keep under review the leadership needs of the organization, both Executive and Non-Executive;
- assess the time commitment required from Non-Executive Directors; and
- keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates.

Report of the Nominations Committee continued

Activities of the Committee

An annual work plan is in place that specifies the key agenda items for each scheduled meeting of the Committee to ensure that all responsibilities of the Committee have been addressed.

During the year the main activities of the Committee were as follows:

- oversaw the appointments of Chief Financial Officer;
- discussed the inclusion and diversity of the Board's composition and operation;
- reviewed the Board Skills Matrix; and
- determined the Directors subject to re-election at the Annual General Meeting.

Chief Financial Officer succession

The Committee oversaw the search, led by the Chief Executive, and appointment of a new Chief Financial Officer to replace Craig Smith. The process, which was agreed in advance by the Committee, was thorough and inclusive. An extensive internal and external search was followed by an interview process which gave the Non-Executive Directors the opportunity to meet the shortlisted candidates.

Despite the inevitable disruption to physical meetings due to the ongoing COVID-19 pandemic, there was good communication with the Non-Executive Directors throughout the process and the Chief Executive received support from the Chairman, Chair of Audit and the Chief People Officer.

The Committee engaged Russell Reynolds Associates (which has no relevant connections with individual Directors) following a selection process based on objective criteria. Russell Reynolds Associates received the Hampton-Alexander Enhanced Code of Conduct for FTSE 350 accreditation in 2019, one of ten executive search firms that met the new performance criteria and best practice standards in gender-balanced selection for FTSE 350 boards.

The Chief Executive, Chairman and Non-Executive Directors met, by video conference and in person when possible, the shortlisted candidates who confirmed their interest in the role. Following the interviews, the Committee convened in September to discuss feedback on each candidate and was unanimous in its final selection and recommendation to the Board that Sara Dickinson be appointed as Chief Financial Officer of BSI on 24 January 2022.

Diversity

The Board recognizes the importance of diversity in the boardroom and seeks to recruit Directors with varied backgrounds, skills and experience.

The Committee carefully considers the benefits of diversity, including gender diversity, whilst ensuring that the obligation to recruit the best individual for relevant roles based on merit is fulfilled. At all times the Board and Committee comply with the Group Equality and Diversity Policy. The Board reports annually on diversity. The gender diversity statistics of the Board for the year ended 31 December 2021 and at the date of the Annual Report are presented on page 52.

Areas of focus for 2022

For 2022, the Committee will:

- review the recent appointment processes;
- take a long-term view on Board composition, diversity and succession planning in light of strategy; and
- review Board oversight of succession planning at Group Leadership Team level and beyond.

John Hirst
Chair of the Nominations Committee
20 April 2022

Report of the Sustainability Committee

Dame Polly Courtice DBE LVO DL
Chair of the Sustainability Committee

Committee attendance

The Committee met three times in the year ended 31 December 2021.

Attendance	Mar	Sep	Dec
Polly Courtice (Chair)	●	●	●
John Hirst	●	●	●
Susan Taylor Martin	●	●	●
Stephen Page	●	●	
Tiffany Hall[1]		●	●
Ian Lobley[2]		●	●

● Attended

1 Appointed September 2021

2 Appointed September 2021

Delivering BSI's purpose

Sustainability lies at the heart of BSI's purpose and mission – providing solutions that help to catalyze change and shape a better future for all. The Committee has overseen the continued development of sustainability as a Group focus area and the building of strategy across the four pillars of convening, proposition, operations and capability.

At a time when countries and companies globally are seeking to accelerate their transition to net zero and a more sustainable world, the role of standards is increasingly being recognized as pivotal. In the run-up to COP26 in Glasgow in November 2021, and at the summit itself, BSI was able to demonstrate to an international audience that voluntary, consensus-based standards are a key part of the systemic solution that is required.

BSI is now the standards partner for the VCM, the UN's Our 2050 World initiatives, and led the development of the London Declaration, a commitment to incorporating climate science and the voice of civil society into new and existing standards.

BSI's sustainability work is underpinned by the Group's ongoing commitment to the UNSDGs and our participant status of the UN Global Compact.

Full details of the progress made on sustainability can be seen in the Sustainability report on pages 35 to 42.

The Board's Sustainability Committee oversees the governance of sustainability, supporting and challenging the Group Leadership Team on its strategies and plans to ensure they are suitably ambitious and in line with our purpose. Support is provided by the central Group Sustainability Team.

Committee membership

The Committee is established by the Board under its terms of reference which are reviewed annually. During the year ended 31 December 2021 the Committee membership comprised:

Dame Polly Courtice (Chair – from September 2021)
John Hirst
Susan Taylor Martin
Stephen Page (Chair – to September 2021)
Tiffany Hall (from September 2021)
Ian Lobley (from September 2021)

Other members of the Board and the Group Leadership Team are invited by the Committee to attend its meetings as appropriate.

Dame Polly Courtice DBE, LVO took over as Chair in September 2021. Polly was Founder Director of the University of Cambridge Institute for Sustainability Leadership (CISL). She is Senior Independent Non-Executive Director at Anglian Water and a member of the Supervisory Board for Mercedes-Benz AG. She serves on the sustainability advisory boards for several leading companies including AstraZeneca and Nespresso.

The Committee has reviewed its effectiveness and clarified its priorities and scope, which was increased in 2019 from a focus on community engagement initiatives to a broader sustainability remit.

Key responsibilities

These include:

- influence the Group's sustainability strategy, policies, services and practices, acting as a champion for sustainability within BSI and encouraging BSI to raise its level of sustainability ambition;
- undertake horizon scanning and advise the Board on major and future sustainability trends, making recommendations on what is relevant to BSI;
- review and challenge performance against agreed sustainability targets and KPIs from data and information supplied from within the Group;
- keep under review, based on information supplied from within the Group, the Group Sustainability Code, the Group Procurement Policy, the Group Charitable Donations Policy and the Group Volunteering Policy;
- advise the Board, which is responsible for these policies, regarding responsibilities and procedures within the Group for ensuring compliance;
- on behalf of the Board, oversee charitable donations made by the Group;
- regularly review the Group's stakeholder identification and prioritization and make recommendations to the Board with regard to sustainability and responsible business; and
- approve the sustainability elements of the Annual report and financial statements, including the Group's Modern Slavery Statement and other formal sustainability reports, and present them to the Board for final approval prior to publication in the Group's Annual report and financial statements.

Report of the Sustainability Committee continued

Activities of the Committee

This year, specific attention has been paid to:

- integrating sustainability into BSI's core strategy;
- BSI's positioning into the UNFCCC COP26 meeting in Glasgow in November and the role standards play in enabling and accelerating the transition to sustainability;
- the work to ensure our own operations are following best practice through the global roll-out of ISO 14001, 45001 and 37001;
- improving the data collection and transparency of our GHG Reporting to underpin our commitment to Net Zero by 2030; and
- the continuing development of BSI's commercial sustainability proposition.

Charitable donations

The Committee continued to oversee BSI's charitable donations and volunteering policies. Following feedback from colleagues that they would prefer to support charities in their local communities, we chose to end our global charity partnership model in 2021. Instead, it was agreed colleagues would select a single global theme from one of the UNSDGs to unite behind through local initiatives.

Colleagues accordingly voted for SDG 3: Good Health and Wellbeing and each country selected a local charity partner to support within this theme.

The broader Group community contribution in 2021 is set out on page 39.

Committee priorities for 2022

The global climate emergency requires continued dramatic action and it is vital that we maintain pace. At the same time, BSI needs to support progress on wider sustainability challenges such as inequality and human rights transgressions, alongside emerging environmental challenges such as biodiversity loss and ecosystems decline. Because of this, the work of this Committee will only become more important, supporting and enabling BSI to lead in this area, to be a partner of organizations that seek to respond to these global challenges, and to ensure BSI is an exemplar of best practice.

The Committee will continue to advise the Board on major trends and influence the shape of the Group's strategy, policies, services and practices, encouraging BSI to continuously raise its level of sustainability ambition as is core to its purpose.

Polly Courtice
Chair of the Sustainability Committee
20 April 2022

Directors' remuneration report

Alison Wood
Chair of the Remuneration Committee

Context

In setting executive remuneration and advising on the reward structure for the wider organization, the Remuneration Committee aims to ensure alignment with the purpose of The British Standards Institution. The Committee seeks to ensure that overall remuneration levels are deemed appropriate with the ethos of a Royal Charter Company, and to align with best practice and good reward governance of listed companies, where appropriate.

Transparency in remuneration reporting is an important aspect of good governance. This report sets out the Committee's rationale for the performance and reward outcomes in 2021. It also describes the areas of focus for the Committee in 2022.

In 2021, the Committee continued to focus on the implementation of the executive remuneration framework set in 2020. The Committee aims to ensure there is a competitive remuneration package for all employees. Our Reward principles include:

- a variable pay structure that is global, and based on metrics which we report on regularly so that people can track performance in a quantifiable manner;
- a single group-wide annual bonus scheme to all employees with financial and personal measures, and to ensure as many people as possible are on the global plan; and
- an LTIP that is aligned to BSI's purpose through the inclusion of financial and non-financial measures.

In 2021, the Remuneration Committee was pleased to note the changes implemented by the Chief Executive to establish and implement a robust performance management system which is applied throughout the global organization. Further details are provided in the People section on pages 15 and 16.

Executive Remuneration Framework

The Group continued to experience an unprecedented business environment across 2021, and the Committee maintained its considered approach to executive remuneration, ensuring it is fully aligned with the delivery of BSI's purpose and strategy. It rigorously reviewed the 2021 incentive scheme outcomes to ensure they were appropriate given the wider employee and stakeholder context.

The Committee fully recognizes that the quality of the executive leadership team is a key element in the achievement of the Group's strategy. BSI's remuneration policy is, therefore, based upon the need to attract, retain and motivate Executive Directors with the necessary drive, leadership and management skills in a competitive international market for such individuals, while providing them with the incentive to deliver on challenging financial and non-financial targets.

Following last year's review of remuneration, we implemented several actions to strengthen the market competitiveness of our total reward package. We improved the position of Executive Directors' salaries to the median of their benchmark peer groups. To strengthen the competitiveness of total cash compensation to senior managers, we added c.800 employees to the annual company bonus scheme.

To reinforce consistency, and with the broader intent of fairness and application of meaningful increases moving from one grade to the next, we aligned the bonus and LTIP percentages for our senior manager levels. Lastly, the Committee agreed to harmonize the Group Leadership Team ("GLT") pension arrangements. The GLT are direct reports to the Chief Executive. New executives joining BSI from 2021 onwards receive a 11% matching pension contribution, down from the previous 15%. This harmonizes the pension arrangements at our most senior levels to those which apply to all management levels.

Executive Reward Outcomes in 2021

2021 was a year of exceptional performance, marked by a number of major achievements in delivery to meet our client and stakeholder requirements. Significant progress was made across our activities as a National Standards Body, and within our Regulatory services, Assurance services and Consulting services businesses as set out elsewhere in this report. The Group also delivered a robust financial performance, both in revenue growth and profitability which again, enabled us to further strengthen the balance sheet.

2021 Short-Term Bonus

Reflecting this year of strong performance, the Committee determined that the Executive bonus Scheme should pay at a Maximum for both the financial and personal elements for the Executive Directors. Further details are set out on pages 71 and 72 bonus targets. The Committee is satisfied that this is an appropriate outcome for 2021 given the overall strength and performance of the Group and the individual contributions of the Executive Directors. This outcome is in alignment with the outcome for the wider workforce bonus scheme.

Directors' remuneration report continued

Executive Reward Outcomes in 2021 continued

2019 LTIP

Our 2019 LTIP programme was designed as a three-year performance plan and the grants under this plan mature on 31st December 2021 and will be paid in 2022. This LTIP is the first grant applied to a wider population of senior leaders, beyond the GLT.

The Group did not achieve the necessary threshold Revenue target, and therefore there was no pay-out on this element. This accounted for 75% of the LTIP award. The Group Profit performance was above the maximum target level. Achieving maximum target on Group Profit represents 25% of the LTIP award. Further details are set on pages 72 and 73 LTIP targets.

The Committee determined that the partial vesting of this plan, at 25% of maximum, is an appropriate outcome given the overall achievement of the targets set in 2019. Furthermore, the Committee considered prior year levels of LTIP pay-out as shown in the table below and were satisfied that this partial vesting of the award was proportionate given the performance of the Group and the need to ensure that LTIP continues to maintain relevance for Executive Directors in driving long term value for the Group.

LTIP Vesting Rates against maximum

	LTIP vesting rates against maximum
2021	**25.0%**
2020	6.7%
2019	30.0%
2018	100.0%
2017	100.0%
2016	100.0%
2015	100.0%

Alignment with wider workforce remuneration

In assessing reward outcomes for the executive team in 2021, the Committee paid attention to the reward context for the wider BSI workforce and the impact on our other stakeholders. In particular, the Committee recognized that BSI had successfully rebased its business operations to adapt to the new remote ways of working, the Group grew headcount by approximately 8% in 2021 at a time when many other organizations were cutting headcount. In 2020 the Group ensured that all employees benefited from some form of variable pay and the success of BSI's performance in 2021 provided for variable pay plans to pay out. This results in strong bonus payments supporting plans to improve their competitive pay position and reinforced that personal performance matters. The wider workforce annual salary review took effect 1st April 2021 with an average increase of 2%. The Group also maintained its cash contribution into the Group's defined benefits schemes.

Executive Team Changes

Retirement of Chief Executive

Howard Kerr extended his departure date by one month at the request of the Board given the exceptional circumstances arising from the pandemic restrictions. He remained with the Group until 31st January 2021 and this allowed for an orderly transition to the new Chief Executive who commenced 1st January 2021.

Appointment of the new Chief Executive

The design of Susan Taylor Martin's, the new Chief Executive, reward package was reported in last year's Directors' Remuneration Report. Salary, benefits, annual bonus and LTIP targets were all positioned at median market levels. The pension arrangements were those which apply to the workforce at management level. The Committee was satisfied that the new Chief Executive's remuneration was fair and reasonable.

Appointment of the new Chief Financial Officer

In October 2021, the Committee approved the reward package as part of our offer of employment for our new Chief Financial Officer Sara Dickinson. Salary was positioned at median market levels, standard cash allowances, benefits and incentive plan eligibility was applied in line with her role grading. The pension allowance was provided at the same level applied to the broader management population. The Committee was satisfied that the new Chief Financial Officer's remuneration was fair and reasonable.

Discretionary decisions made in 2021

The Committee used its discretion with respect to the following decisions taken in 2021.

2019 LTIP

A waiver of the minimum revenue threshold for the 2019 LTIP award pay-out. The Committee believes this was appropriate given the prevailing circumstances, and in line with previous years. The Committee allowed charges related to corporate acquisitions to be excluded from consideration and removed the net impact of a change in accounting interpretation in relation to Software as a Service ("SaaS") contract assets.

Changes to Executive Team

During 2021, two Executive Director exits occurred; Howard Kerr, the former Chief Executive and Craig Smith, the former Group Finance Director. The Committee applied 'good leaver' treatment to unvested LTIPs in both cases. This allows pro rata vesting of LTIPs already granted in line with the rules for the plan at the scheduled LTIP payment and vesting amounts calculated based on the performance conditions of the respective LTIP awards. Craig Smith was employed until 31st July 2021 and 'good leaver' treatment also applied to his 2021 bonus providing for pro rata treatment to reflect the time he was employed during the plan year.

Chairman and Non Executive Director fees

Chairman and Non Executive Director fees are reviewed annually (see details on page 70). We have benchmarked our fees, and these are at the lower quartile as compared to equivalent listed peers. Our policy is to increase fees in line with the general UK workforce salary increases, if at all.

Agenda for 2022

The Committee undertook an effectiveness review at end of 2021, and this highlighted additional areas for improvement, which will be addressed. The primary focus in 2022 will continue to be an ongoing review of the Directors' Remuneration Policy, and the wider workforce remuneration strategy, ensuring we continue to make progress on gender pay gap. The Committee will continue to review BSI's progress in relation to the gender pay gap and Chief Executive pay ratios and ensure that the right steps are taken to achieve fairness in overall remuneration.

Looking forward into 2022, the global economic outlook shows signs of continuing inflationary pressure, the Committee will continue to monitor and address to ensure our overall remuneration remain competitive in a challenging global talent market.

Alison Wood

Alison Wood
Chair of the Remuneration Committee

Directors' remuneration report continued

Directors Remuneration Implementation Report 2021

The Remuneration Committee

The Committee is established by the Board under terms of reference that are annually reviewed, and which were most recently updated in December 2021. A copy of the Committee's terms of reference is available on the BSI Group website at bsigroup.com.

The key responsibilities of the Committee include:

- determining policy for the remuneration of the Group's Leadership Team which represents the Chief Executive and her direct leadership team, and other key staff, considering all factors the Committee deems necessary, including relevant legal and regulatory requirements;
- reviewing the continuing appropriateness and relevance of the remuneration policy;
- approving the design of, and determining targets for, any Director's performance related pay schemes operated by the Group and approving the total annual payments made under such schemes; and
- reviewing Executives' approach to establishing a baseline for wider workforce remuneration strategy.

The Committee is delegated by the Board to determine and oversee the operation of the Group's remuneration policy relating to senior management, excluding the Non-Executive Directors.

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties, including the Chairman of the Board, Chief Executive, Chief Financial Officer, Chief People Officer and Group Reward Director in connection with carrying out its duties. Executive Directors do not attend meetings in which their own remuneration is under consideration.

The Committee has access to specialist advice from consultants when required. Advisors are appointed for specific work, following a review of comparable firms, so that the Committee can be satisfied that their advice is objective and independent. Willis Towers Watson benchmark data continues to be deemed fit for purpose, providing benchmarking data to support the 2021 Executive salary review process.

During the year ended 31 December 2021 the Committee comprised:

Alison Wood (Chair)
Douglas Hurt
Stephen Page
Tiffany Hall

The Committee met five times in the year ended 31 December 2021. Four were scheduled meetings, and one was an additional meeting outside of the normal timetable.

Attendance	Mar	Mar	Sept	Sept	Dec
Alison Wood	●	●	●	●	●
Douglas Hurt	●	●	●	●	●
Stephen Page	●	●	●	●	●
Tiffany Hall	●	●	●		●

● Attended

Fees

Effective 1st May 2021 the Board fees were as follows:

Role	Annual fee
Chairman's fee	£169,000
Non Executive Director base fee	£42,823
Senior Independent Director, Committee Chair and board representative fee	£6,104

Aligning remuneration to the delivery of BSI's strategy

The Executive Directors are responsible for implementing the Group's strategy so that BSI can achieve its objectives. They must strike a careful balance between managing the Group to achieve excellent results while making the investments within the Group and the acquisitions that are required to secure longer-term goals and deliver on BSI's wider purpose and goals.

The two elements of variable pay within BSI's Executive Directors' remuneration arrangements reflect the balance between near-term and longer-term ambitions. The Annual Bonus Plan is designed to ensure that the Executive Directors focus on annual financial performance, primarily the achievement of Group Profit, which provide the Group with its financial strength, while not neglecting revenue growth and personal objectives.

The LTIP is designed to encourage the Executive Directors to take a longer term view, with challenging financial targets based on future revenue and profit objectives determined by the Board in line with the Group's long-term strategy, and two non-financial measures currently Employee Engagement and Client Satisfaction scores. Balancing these near-term and longer-term targets, and the effect each has on the other, helps ensure an appropriate balance of risk. The Committee keeps the variable pay targets under regular review to ensure that they properly reflect the aspirations of the strategic plan.

The Committee will continue to monitor the design and operation of the Group's variable pay elements to make sure they are effective in providing incentives to the Executive Directors to execute the Group's strategy successfully and to achieve the objectives set out in the strategic plan. It will also keep the fixed pay elements under review to make sure the Executive Directors remain a stable and motivated team as they work towards the achievement of the strategic plan.

Each year the Board sets targets for profit and revenue growth for both the Annual Bonus Plan and LTIP.

Directors' remuneration report continued

2021 remuneration

Single figure total (audited information)

Director	Salaries and fees		Taxable benefits		Pension benefits[1]		Variable pay receivable for 2021: Bonus		Variable pay receivable for 2021: LTIPs		Total Fixed Remuneration		Total Variable Remuneration		Total Remuneration	
	Year ended 31 Dec 2021 £'000	Year ended 31 Dec 2020 £'000	**Year ended 31 Dec 2021 £'000**	Year ended 31 Dec 2020 £'000	**Year ended 31 Dec 2021 £'000**	Year ended 31 Dec 2020 £'000	**Year ended 31 Dec 2021 £'000**	Year ended 31 Dec 2020 £'000	**Year ended 31 Dec 2021 £'000**	Year ended 31 Dec 2020 £'000	**Year ended 31 Dec 2021 £'000**	Year ended 31 Dec 2020 £'000	**Year ended 31 Dec 2021 £'000**	Year ended 31 Dec 2020 £'000	**Year ended 31 Dec 2021 £'000**	Year ended 31 Dec 2020 £'000
Executives																
Howard Kerr	**52**	508	**2**	28	**—**	—	**—**	516	**67**	17	**54**	536	**67**	533	**121**	1,069
Susan Taylor Martin	**531**	—	**2**	—	**—**	—	**705**	—	**—**	—	**533**	—	**705**	—	**1,238**	—
Craig Smith[2]	**426**	370	**166**	4	**—**	—	**149**	252	**48**	10	**592**	374	**197**	262	**789**	636
Scott Steedman	**344**	333	**2**	2	**5**	10	**264**	233	**52**	8	**351**	345	**316**	241	**667**	586
	1,353	1,211	**172**	34	**5**	10	**1,118**	1,001	**167**	35	**1,530**	1,255	**1,285**	1,036	**2,815**	2,291
Chairman																
John Hirst	**172**	166	**—**	—	**—**	—	**—**	—	**—**	—	**172**	166	**—**	—	**172**	166
Non-Executives																
Douglas Hurt	**52**	48	**—**	—	**—**	—	**—**	—	**—**	—	**52**	48	**—**	—	**52**	48
Ian Lobley	**43**	42	**—**	—	**—**	—	**—**	—	**—**	—	**43**	42	**—**	—	**43**	42
Stephen Page	**49**	48	**—**	—	**—**	—	**—**	—	**—**	—	**49**	48	**—**	—	**49**	48
Alison Wood	**55**	48	**—**	—	**—**	—	**—**	—	**—**	—	**55**	48	**—**	—	**55**	48
Tiffany Hall	**43**	30	**—**	—	**—**	—	**—**	—	**—**	—	**43**	30	**—**	—	**43**	30
Polly Courtice	**43**	—	**—**	—	**—**	—	**—**	—	**—**	—	**43**	—	**—**	—	**43**	—
Total	**1,810**	1,593	**172**	34	**5**	10	**1,118**	1,001	**167**	35	**1,987**	1,637	**1,285**	1,036	**3,272**	2,673

1 Contributions made by the Company outside of salary sacrifice arrangements.

2 Taxable benefits include a £165,000 'Loss-of-Office' payment.

Salaries and fees shown above are before any reduction in respect of salary sacrificed pension contributions made by the Company. None of the Directors waived emoluments in respect of the year ended 31 December 2021 (2020: none).

Directors' remuneration report continued

Fixed pay

Base salary during 2021

Per annum base salary	To 31 March 2021	From 1 April 2021
Howard Kerr	£443,000	–
Susan Taylor Martin	£470,000	£470,000
Craig Smith	£317,000	£323,000
Scott Steedman	£292,000	£298,000

Variable pay

Annual bonus for 2021

Annual bonuses for the year ended 31 December 2021 were provided under the Group Annual Bonus Plan to Susan Taylor Martin, Craig Smith and Scott Steedman, by the Committee, in accordance with the current Policy. Actual annual bonus amounts earned are based on salary and dependent upon the achievement of targets for Group Profit, revenue and personal objectives. For this purpose, Group Profit was defined as 'Underlying Operating Profit at budget exchange rates before the cost of Purposeful Investments (Board instructed expenditures, innovation, sustainability, 'Big Step Forward') and exchange differences arising from centralized funding and Group charges. Exceptional items will continue to be excluded from the calculation. Personal objectives are set and are measured by the Chairman for the Chief Executive and by the Chief Executive for the other Executive Directors; all are reviewed by the Committee.

The table below sets out the percentage of base salary upon which potential 2021 annual bonuses were based:

Base salary basis of annual bonuses	On-target Financial	On-target personal objectives	On-target award based on base salary	Maximum award possible as % of base salary
Susan Taylor Martin	75%	25%	60%	150%
Craig Smith	75%	25%	40%	100%
Scott Steedman	75%	25%	40%	100%

Actual Group Profit at Budget exchange rates achieved for 2021 was £100.4m (137% of Group Profit target). This is calculated as Underlying Operating Profit at actual exchange rates of £83.1m, adjusted by adding back stretch bonus charges of £5.2m, purposeful investments of £3.4m, exchange losses of £5.1m and net discretionary adjustments by the Committee of £3.6m, comprising charges related to corporate acquisitions and the net impact of a change in accounting interpretation in relation to SaaS contract assets. Actual revenue achieved for 2021 was £585.6m, increased by a £14.3m foreign exchange adjustment to £599.9m at budget exchange rates.

The target levels set for 2021 were Group Profit of £73.4m and Group Revenue of £580.0m at budgeted exchange rates. Group Profit is defined as Underlying Operating Profit ("UOP") at Budget exchange rates before the cost of Purposeful investments and exchange differences arising from centralized funding and Group charges.

2021 Annual Bonus Plan targets

£'000	Threshold	Target	Max	Actual
Group Revenue	£522.0m	£580.0m	–	£599.9m
Group Profit	£66.0m	£73.4m	£84.4m	£100.4m

Directors' remuneration report continued

Variable pay continued

Annual bonus for 2021 continued

2021 Annual Bonus Plan targets continued

The Remuneration Committee review the personal performance of Executive Directors as part of agreeing remuneration outcomes. It was agreed that Susan Taylor Martin and Scott Steedman had both exceeded the performance expectations set by the Board during 2021. In addition, the former Group Finance Director Craig Smith's mid-year departure followed standard good-leaver treatment for pro rata treatment of incentives.

Susan Taylor Martin had an impactful first year in her role. She led the work to assess and develop a refreshed, ambitious and integrated Group Strategy delivering a focused set of strategic options and a significant transformation programme. The Group Leadership Team capabilities were reviewed, and the team re-shaped with three key appointments made including our Chief Financial Officer, General Counsel and a Strategy & Transformation Director. The Commercial structure has been simplified and focused, including the delivery of a new pan-BSI Voice of the Customer 2.0 programme. A significantly upweighted UK Government engagement strategy is now being executed. A multi-year program to shape our culture and set the foundations for a high performance and client centric organization commenced, resulting in 350 of our most senior leaders across the globe participating in face-to-face and virtual 'Shaping our Future' workshops. Finally, changes were made to our variable pay plans to ensure every employee now has a form of variable pay aligned to clear performance metrics.

Scott Steedman delivered against three key priorities. The successful ISO general assembly and COP26 events were a testament to the determination, expertise and execution of Scott and his team. In addition, and even more critical, he delivered the CEN/CENELEC negotiation which has a positive impact on the future status of BSI. From a government perspective we have made good progress, although we have more to do. We delivered a real change in tempo and ambition with the work on the UN's Our 2050 World initiatives and our support on the governance of the Voluntary Carbon Markets Integrity Initiative. What we did was much bolder than anything we have done previously and we have started working with new players in a very different way.

The annual bonuses earned in respect of 2021 were:

	Actual Award*				
2021 annual bonus payments (unaudited information)	Actual award based on profit	Actual award based on revenue	Actual on-target award based on personal objectives	Total actual award	Total award
Susan Taylor Martin	111%	9%	30%	150%	£705,000
Craig Smith[1]	74%	2%	4%	80%	£148,751
Scott Steedman	63%	6%	20%	89%	£264,477

1 Craig Smith left BSI 31st July 2021 and his award received pro rata treatment as allowed in the plan rules.

Long Term Incentive Plan vesting in 2021 (audited information)

In 2019, Howard Kerr, Craig Smith and Scott Steedman were participants in the 2019 LTIP and were awarded Participation Units (PUs). This was done in accordance with the policy set out in the Annual Report 2017 Directors' remuneration report, with the proportion of those PUs vesting depending on the achievement of Group Profit for the LTIP and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2021. Group Profit for the LTIP was defined as Underlying Operating Profit before LTIP charges, the amortization of acquired intangibles and all foreign exchange adjustments, which may be adjusted for elements beyond the control of management or material post LTIP Award Date approved projects, at the discretion of the Remuneration Committee. Each vesting PU would provide £1.00.

For the LTIP awards made in 2019, the target levels for 2021 were Group Profit of £75.5m (25% PU allocation) and Group Revenue of £652.5m (75% PU Allocation) at 2019 budget exchange rates. These targets were subsequently increased to take account of an acquisition occurring in year 1 of the award, with final targets set at Group Profit of £76.5m and Group Revenue of £660.0m.

Directors' remuneration report continued

Variable pay continued

Long Term Incentive Plan vesting in 2021 (audited information) continued

2019 LTIP targets

£'000	Threshold	Target	Max	Actual
Group Revenue	£627.0m	£660.0m	£725.9m	£599.9m
Group Profit	£72.7m	£76.5m	£84.1m	£100.4m

In determining the outcome for the vesting, discretionary adjustments were agreed by the Committee in relation to a change in accounting interpretation relating to SaaS contracts (see page 98 of the financial statements) and charges related to corporate acquisitions. The Committee agreed to waive the minimum threshold requirement for Group Revenue and as a result vesting was allowed for the Group Profit element of the award. Under the LTIP rules, Group Profit of £96.2m was above threshold and represents 150% pay out of the Group Profit measure, which accounts for 25% of the total award.

The number of PUs vesting and the payments to be made were:

Long Term Incentive Plan vesting 2021	PUs awarded 2019	Vesting	Payment 2022*
Howard Kerr[1]	268,000	16.7%	£66,999
Craig Smith[2]	150,000	21.5%	£48,436
Scott Steedman	112,500	25.0%	£51,562

1,2 Howard Kerr and Craig Smith both exited BSI during 2021 and their awards reflect pro rata treatment of the 25% vesting.

Long Term Incentive Plan awarded in 2021 (audited information)

In 2021 the Executive Directors were awarded PUs under the LTIP. A proportion of those would vest, depending upon the achievement of Group Profit for the LTIP and Group Revenue targets for the third financial year after award, i.e. for the year ended 31 December 2023. Taking account of the work undertaken by the Board on the strategic plan and the revised forecast for 2020, it was agreed that the financial targets would be adjusted accordingly.

The PUs awarded under the LTIP in 2021 were:

2021 LTIP awards	% of salary	2021 Award	Vesting at threshold	Vesting at target	Vesting at maximum	End of performance period
Susan Taylor Martin	125%	587,500	25%	50%	100%	31 December 2023
Craig Smith[1]	80%	253,406	25%	50%	100%	31 December 2023
Scott Steedman	80%	233,996	25%	50%	100%	31 December 2023

1 Craig Smith exited BSI mid-plan and his award will be pro-rated in line with plan rules.

Total LTIP awards held

LTIP awards held	Howard Kerr	Susan Taylor Martin	Craig Smith	Scott Steedman	Vesting at threshold	Vesting at target	Vesting at maximum	End of performance period
Award for 2021	—	587,500	253,406	233,996	25%	50%	100%	31 December 2023
Award for 2020	284,750	—	155,000	142,500	25%	50%	100%	31 December 2022
Total held	284,750	587,500	408,406	376,496				

Directors' remuneration report continued

Pension contributions

The Company paid the equivalent of 11% of Susan Taylor Martin's base salary and 15% of Craig Smith's base salary as salary supplements in lieu of pension contributions. The Company paid a total of 15% of Scott Steedman's base salary into the BSI UK Pension Plan and as a salary supplement in lieu of pension contributions. Salary supplements were calculated as the equivalent cost to BSI, considering the National Insurance paid. The Committee has reviewed and aligned the executive pension arrangements with those of the wider management workforce.

Payments to past Directors (audited information)

Craig Smith received a £165,000 'Loss-of-Office' payment in 2021. No payments to past Directors were made in 2020.

Remuneration of the Chief Executive

Susan Taylor Martin

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Chief Executive Single Figure Remuneration Total (£'000)	**1,238**	–	–	–	–	–	–	–	–	–
Annual Bonus pay out against maximum	**100%**	–	–	–	–	–	–	–	–	–
LTIP vesting rates against maximum	**–**	–	–	–	–	–	–	–	–	–

Howard Kerr was Chief Executive from 2012 to 2020 inclusive. Susan Taylor Martin was Chief Executive from 2021.

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Chief Executive Single Figure Remuneration Total (£'000)	**119**	1,069	792	1,043	1,156	1,151	1,119	765	596	576
Annual Bonus pay out against maximum	**0%**	100%	49.70%	50%	92.20%	98.70%	97.80%	95.30%	50.50%	51%
LTIP vesting rates against maximum	**16.67%**	6.74%	30%	100%	100%	100%	100%	–	–	–

Chief Executive benefits and allowances

Category of remuneration	
Base Salary	Salary aligned with the market benchmark
Pension Cash	11% of salary aligned to the BSI management population
Car allowance	£13,992
Fuel allowance	£2,000
Bonus	Maximum bonus of 150%
LTIP	Maximum LTIP of 150%
Medical insurance	£1,777
Life Cover	8.5 x annual salary

Directors’ remuneration report continued

Chief Executive Pay ratio

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021[1]	Option B	13.79	10.35	7.98
2020[2]	Option B	15.44	11.24	8.95
2019	Option B	32:1	23:1	18:1

Notes:
1 2021 Median pay for BSI was £51,056.

2 Bonus and merit increase were delayed in 2020. As such, at the time of the snapshot date for the gender pay gap (5 April 2020) they had not been paid, which inevitably has had an impact on the Chief Executive ratio, showing a smaller gap.

Option B has been selected by BSI as the method to review pay data to determine the total Full Time Equivalent (FTE) employee population remuneration of all BSI’s UK employees; rank all those employees based on their total FTE remuneration from low to high; and identify the employees whose remuneration places them at the 25th, 50th (median) and 75th percentile points of this ranking.

Methodologies
- Option A: Calculates the pay of UK employees in the same way as for the Chief Executive and determining the lower quartile, median and upper quartile staff values from this sample.
- Option B: Uses gender pay gap data to determine the best equivalents for the quartile and median staff pay levels.
- Option C: Uses other available pay data to determine the same three statistics.

Chief Financial Officer

A new Chief Financial Officer was appointed, and her reward package approved. The design of the package had salary positioned at median market levels, she received the standard level allowances, benefits, bonus and LTIP targets. The pensions allowance aligned to that at our management level. The Committee was satisfied that the new Chief Financial Officer’s remuneration was fair and reasonable.

Our former Group Finance Director exited on 31 July 2021. His exit was in line with standard company policies including ‘good leaver’ status treatment on his 2021 bonus and LTIP award.

Statement of implementation of Directors’ remuneration policy

The Directors’ remuneration policy is set out in the Appendix to this report and took effect on 1 January 2017. It has been applied on an annual basis in each financial year since, including the year-ended 31 December 2021. It will be applied to remuneration awards made from 1 January 2022 and will be reviewed during 2022.

Relative importance of spend on pay

	% change	**2021**	2020
Employee expense	+5.1%	**£316.0m**	£300.8m
Revenue	+8.6%	**£585.6m**	£539.3m
UOP	+29.6%	**£83.1m**	£64.1m
Headcount	+8.9%	**5,373**	4,932

Directors' remuneration report continued

Notice Periods

Executive Directors have rolling contracts setting out notice periods as shown:

	Appointment commenced	Notice period provided for
Susan Taylor Martin	20 January 2021	12 months by either party
Scott Steedman	1 October 2012	6 months by either party

Details of Non-Executive Director letters of appointment:

	Date of original appointment	Role
John Hirst	15 October 2018	Chairman
Douglas Hurt	1 November 2015	Non-Executive Director
Ian Lobley	1 May 2019	Non-Executive Director
Stephen Page	1 September 2015	Non-Executive Director
Alison Wood	1 September 2014	Non-Executive Director
Tiffany Hall	14 April 2020	Non-Executive Director
Polly Courtice	1 June 2020	Board Adviser

Chairman and Non-Executive fees

The Non-Executive Director and Chairman's fees were reviewed by the Committee and it was agreed that they would increase in line with the wider workforce. The Base fee and Committee Chair fees increased by 2%, taking the Base fee to £42,823 and the Committee Chair fees to £6,104. The Chairman's fee increased by 1.88% to £169,000. All effective 1 May 2021.

Audited information

The Directors' remuneration report is unaudited with the exception of the sections marked to show that they contain audited information.

By Order of the Board

Alison Wood
Chair of the Remuneration Committee
20 April 2022

Directors' remuneration report continued

Appendix: BSI Directors' remuneration policy

The Committee aims to maintain a Directors' remuneration policy that is stable and clearly defined but which evolves, over the longer term, to remain relevant to the needs of the Group's business and to reflect the wider employment market. The policy establishes demanding performance targets that align the Group Annual Bonus Plan with shorter-term objectives and the LTIP with the Group's longer-term strategy and purpose. The Committee reviews the policy in advance of the remuneration policy year to ensure it is appropriate and effective in meeting these requirements.

Policy discretion

The Committee retains discretionary power regarding certain areas of Directors' remuneration. For variable pay, the Committee retains the discretion to adjust payments up or down in exceptional circumstances. If employment ceases during a vesting period LTIP awards will normally lapse in full; however, the Committee reserves the discretion to allow some or all PUs (a notional allocation for the purposes of the Plan with a theoretical value of £1.00), to subsist in appropriate circumstances. In addition, the Committee reserves the right to apply discretion in exceptional circumstances, as it sees fit, regarding payments on appointment and for termination payments.

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics
Salary and fees (Fixed) By attracting, retaining and motivating individuals of the quality required to further the interests of the Company.	The base salaries of Executive Directors are determined by reference to an individual's responsibility and performance and are reviewed annually. Consideration is given to remuneration in comparable organizations when appropriate and external benchmarking is carried out biennially. Executive Directors may, by agreement with the Board, serve as Non-Executive Directors of other companies and retain any fees paid for their services. Non-Executive Directors receive a fee for their services to the Company which is reviewed annually.	—	Not applicable.
Benefits (Fixed) By providing a benefits package appropriate to the role of the individual and competitive with similar organizations.	Benefits in kind for Executive Directors principally include, where appropriate, the provision of a company car or car allowance, and fuel allowance, annual leave, well-being allowance, as well as medical and life insurance. The Non-Executive Directors do not receive benefits in kind except reimbursement of the costs of travel to meetings at the Company's principal office and grossed-up tax thereon.	—	Not applicable.
Pension benefits (Fixed) By providing a cost-effective retirement benefit as part of an overall remuneration package.	For Executive Directors the Company makes contributions into defined contribution pension arrangements or provides a cash alternative.	—	Not applicable.
Bonuses (Variable) By providing Directors with incentive to align their performance to the delivery of the shorter-term goals of the business.	Awarded to Executive Directors subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives. Malus and Clawback are now fully in place. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate.	Maximum bonus for the Chief Executive is 150% of base salary, 100% of base salary for Executive Directors.	Award payments are dependent upon the achievement of targets (as set out on pages 71 and 72)

Directors' remuneration report continued

Appendix: BSI Directors' remuneration policy continued

Policy discretion continued

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics
LTIPs (Variable) By providing Directors with incentive to align their performance to the delivery of longer-term strategic aims and goals of the business and to retain senior executive talent.	These are awarded to Executive Directors subject to the fulfilment of longer-term criteria, determined with reference to BSI's objectives. The targets are established annually and amended if necessary. Awards are subject to malus and clawback provisions. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate. If employment ceases during the vesting period awards will normally lapse in full.	Maximum LTIP for the Chief Executive is 125% of base salary. 80% of base salary for Executive Directors.	Awards are made to Executive Directors by the Remuneration Committee. Award payments are dependent upon the achievement of targets. In 2021 additional non-financial measures were introduced along with traditional measures of Group Profit and revenue; the award will vest depending on the achievement of Group Profit and revenue growth targets for the third financial year after award. Awards made are on a discretionary basis.

Notes:

1 Performance conditions have been selected by the Committee to provide incentive for performance and are kept under review

2 Remuneration is intended to attract, retain and motivate individuals and is provided at a level appropriate to their role

Statement of principles for new Executive Director recruitment

The Committee oversees the setting, within the Directors' remuneration policy, of the total remuneration package of new Executive Directors. This comprises the fixed pay elements of base salary, benefits and pension plan contributions and the variable pay elements of Group annual bonus and Long-Term Incentive Plan awards, all of which are internally and externally benchmarked. The maximum level of variable pay is set within the Directors' remuneration policy.

Policy on notice periods

No Director has contractual rights for compensation on early termination beyond payment of the contractual notice period.

The Chairman is re-appointed by the Board each year upon the recommendation of the Nominations Committee. Except where indicated, the appointment of Non-Executive Directors is for periods of three years but is subject to re-appointment at AGMs in accordance with the Bye-laws. The Non-Executive Directors do not have service contracts.

Approach of the Company in setting Non-Executive Director fees

BSI is justifiably proud of the calibre of the Non-Executive Directors on its Board. In order to retain and, when the need arises, recruit Non-Executive Directors of high quality, the Company must ensure their remuneration recognizes the knowledge and experience they bring to the Board and their time commitment as well as being comparable with the fees paid in similar organizations. Their fees are determined by the Board (with the Non-Executive Directors not present) on the recommendation of the Chairman and Chief Executive. The Chairman's fee is determined by the Committee.

Directors’ remuneration report continued

Appendix: BSI Directors’ remuneration policy continued

Policy on termination payments

The Group may, at its absolute discretion, terminate the employment of Executive Directors by paying a sum equal to the salary and benefits to which they would have been entitled during their notice period. Alternatively, an individual may be asked to work some or all of the required contractual notice period. Ancillary payments such as those to cover out-placement consultancy may also be made.

Nothing would be payable in the event of termination for gross misconduct. Redundancy payments are made based on the local employment legislation and prevailing terms in force within the Group at that point in time. Compensation for any outstanding bonus payments is determined by reference to the terms of the individual’s current bonus letter. Non-Executive Directors have no right to any termination payments other than in the case of one month’s fee paid in lieu of notice. The Board is responsible for any such Non-Executive Director termination arrangements. The Committee, overseen by its Chairman, is responsible for the setting of any termination payments for the Chairman and Executive Directors and it reserves the right to apply discretion as it sees fit in relation to the above.

Consideration of employment conditions elsewhere in the Group

Salaries and benefits are regularly reviewed and compared to the general market (including FTSE 350 companies), economic indicators and competitor businesses. The survey data is compiled from both generic third-party surveys and specific, targeted research. In considering the salary levels for the Executive Directors, the Committee also considers the employment market conditions and the pay levels across the UK Group. Performance related annual increases for Executive Directors are consistent with those offered at all levels across the UK Group.

The Committee receives regular updates from the Chief People Officer regarding remuneration elsewhere in the Group and these are considered during the review of the Directors’ remuneration policy.

Directors' report

The Directors submit their report and audited financial statements for BSI and its subsidiaries for the year ended 31 December 2021.

It is the Directors' responsibility to prepare the Annual report and financial statements and they consider that the Annual report and financial statements 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

Strategic report

A description of the Company's business model and strategy is set out in the Strategic Report along with the factors likely to affect the Group's future development, performance and position. An overview of the principal risks and uncertainties faced by the Group is also provided in the Strategic report.

Statement of compliance

The Statement of compliance with the Code for the reporting period is contained in the Corporate governance report.

Information relating to matters addressed by the Audit, Remuneration and Nominations Committees, which operate within clearly defined terms of reference, are set out within the Audit, Remuneration and Nominations Committee reports.

In accordance with Section 414CB of the Companies Act 2006, all of the matters above are incorporated by reference into this Directors' report.

Research and development

The Group has capitalized £0.8m of development costs relating to new training courses and has not expensed any basic research or other development costs.

The Board

The members of the Board are as follows and, except where noted below, all held office throughout the year:

John Hirst
Howard Kerr (resigned 20 January 2021)
Susan Taylor Martin (appointed 20 January 2021)
Craig Smith (resigned 31 July 2021)
Scott Steedman
Tiffany Hall
Douglas Hurt
Ian Lobley
Stephen Page
Alison Wood

More information about the Directors can be found on pages 49 to 52.

The Directors may exercise all powers of the Company, subject to statute, relevant regulation and the restrictions set out in the Royal Charter and Bye-laws. The Bye-laws give the Directors the power to appoint additional or replacement Directors within the limits set out. The Company's Bye-law 8 requires Directors to submit themselves for re-election at the next Annual General Meeting following their appointment by the Board as a new Director. Sara Dickinson will therefore, be standing for election at the 2021 Annual General Meeting. In addition, under the Company's Bye-law 9, one-third (rounded down) of the Directors are required to retire by rotation and stand for re-election and Scott Steedman and Stephen Page will be standing for re-election at the 2022 Annual General Meeting.

Annual General Meeting

The 2021 Annual General Meeting will be held at 4.00pm on Thursday 19 May 2022 at 389 Chiswick High Road, London, W4 4AL, subject to any UK Government restrictions in place at the time, as well as online. The business to be considered at the meeting is set out in a separate Notice of Meeting dispatched to the members.

Independent auditors

PwC acted as auditors throughout the year. In accordance with Section 489 of the Companies Act 2006, a resolution proposing the re-appointment of PwC as the Company's auditors will be put to the 2022 Annual General Meeting.

Directors' and officers' liability

The Group has maintained directors' and officers' liability insurance cover, throughout the year, in respect of the acts or omissions of its Directors and continues to do so. Details of the policy are provided to new Directors on appointment. In common with other companies, the Group has made qualifying third-party indemnity provisions, for the benefit of its Directors, against liabilities incurred in the execution of their duties.

Section 172 statement

In the decisions taken during the year ended 31 December 2021, the Directors have acted in the way they consider to be in good faith, most likely to promote the success of the Company and its continuing reputation for high standards of business conduct, having regard to the stakeholders and matters set out in Section 172 of the UK Companies Act 2006.

Stakeholder engagement

In order for the Company to meet its responsibilities to stakeholders, the Board has to ensure effective engagement with them and encourage their participation. The Board follows a formal process to regularly consider the identification and prioritization of stakeholders and whether its relationships with key stakeholders are being managed appropriately. The Board ensures that it has effective engagement mechanisms in place to gain a clear understanding of the views of key stakeholders so that their interests and the matters set out in Section 172 of the Companies Act 2006 can be considered in Board discussions and decision-making.

Taking account of the interests of our stakeholders is at the centre of BSI's strategy and purpose. As such, examples of BSI engagement with our key stakeholders including members; colleagues; contractors; pensioners; clients; consumers; suppliers; standards makers and developers; accreditation bodies and regulators; governments around the world; professional bodies and academia; labour and environmental organizations globally; and local communities can be found throughout this Annual Report.

Directors' report continued

Stakeholder engagement continued

Examples of BSI's key engagement activities in 2021 include:

Key stakeholder or key stakeholder concern	Key engagement	Further information including outcomes
Workforce	The Group communicates and engages with our people using a variety of channels blending in-person, virtual and electronic communication. Underpinning this is a people-centred, inclusive and collaborative culture. Diversity, Inclusion and Wellbeing have been a key focus during 2021, with BSI's goal being to encourage conversations and share perspectives. BSI's future focused, strategic project 'Imagine BSI' was launched in 2021, canvassing the views of a wide range of colleague participants through workshops and focus group sessions. The effectiveness of BSI's engagement strategies is tracked through our colleague engagement survey.	Further details of the Group's engagement with its workforce are set out on pages 15 and 16.
The UK Government	Detailed and varied engagement with government remains a high priority across BSI. Following Brexit, BSI has played an essential role in helping the UK Government seamlessly deliver a new system to support regulatory policy outside the EU. To do so, BSI has worked closely with many governmental departments and bodies, including the National Health Service (NHS), the Medicines and Healthcare products Regulatory Agency (MHRA), the Healthcare Safety Investigation Branch (HSIB), the Department for Digital, Culture, Media and Sport (DCMS) and the Department for Business, Energy and Industrial Strategy (BEIS).	For further information please see pages 12 to 14.
Subscribing members	BSI's first 'hybrid' AGM took place at BSI's headquarters in London and online on Tuesday 18 May 2021. All Subscribing members were given the opportunity to elect to attend in person or online and all BSI colleagues and a wide group of other stakeholders had the opportunity to join the meeting remotely. Stakeholders were given the opportunity to ask questions of the Board during the meeting and this opportunity was well received by stakeholders as evidenced by the broad range of questions received. A full recording of the AGM is available on BSI's website.	For more information about BSI's engagement with Subscribing Members please see pages 32 to 34.
Clients and key accounts	BSI engages regularly through a variety of means including direct communication between clients and Global Account Directors (a role implemented in 2021 to specifically address the concerns and interests of key account clients), BSI's programme of events, vendor performance scores, client surveys and training academies. BSI continues to work with clients to co-create new solutions and to use its ability to convene, for example gathering sustainability leaders of healthcare companies in a roundtable to share challenges and best practices.	
Standard makers and developers	Stakeholder participation is critical to BSI's standards development activities. BSI engages with standards makers and developers through a variety of channels including the BSI Education podcast, now rebranded as The Standards Show, a quarterly newsletter and a programme of standards conferences. The 2021 standards conference in November was held online and in person with more than 100 participants physically present at the conference and a further 200 joining online. The event hosted keynotes from the outgoing ICE President Rachel Skinner and sessions focused on climate change, biodiversity, sustainability, social value and social responsibility. A key stakeholder engagement mechanism for the Board is BSI's Standards Policy and Strategy Committee (SPSC) which is responsible for reporting to the Board on the shaping of Standards. The SPSC encourages the participation of stakeholders in standardization; provides advice on active stakeholder involvement in committees; identifies priority areas and new solutions to meet stakeholder needs; and monitors for changes in business or society which could impact the National Standards Body. SPSC seeks active communication with stakeholders to understand their views.	More information about stakeholder engagement in BSI's role as NSB can be found on pages 32 to 34.

Directors' report continued

Stakeholder engagement continued

Key stakeholder or key stakeholder concern	Key engagement	Further information including outcomes
Standards development organizations	BSI continues its leading role in the International Organization for Standardization (ISO). A major focus was ISO Week 2021, including the ISO General Assembly, hosted by BSI in London. BSI engaged closely with the ISO Secretary General, the ISO President and the other officers over the plans for the event which was held remotely in September. Most of the ISO officers including the President, President-elect and Secretary-General attended in person, and the event was broadcast to ISO's members around the world. The virtual attendance was the largest ever for an ISO Week. In November it was confirmed by the European Committee for Standardization (CEN) & the European Electrotechnical Committee for Standardization (CENELEC's) members that BSI's membership of the organizations will continue. In June the General Assemblies had approved new statutes, which created a new category of membership for countries outside the EEA, such as the UK. After a successful audit of BSI's capabilities and commitment to the European system, members overwhelmingly supported BSI's continued membership. International Electrotechnical Commission (IEC) members approved changes to the organization's governance which BSI championed in the Governance Task Force. The changes will see former advisory bodies replaced with new governance committees led by the IEC's national members. BSI will be represented on the key bodies to continue to influence the direction of the IEC. Preparations are underway to host the IEC General Meeting (GM) in the UK in 2024. The GM brings together national standards bodies and standards makers as the policy and governance committees as well as several of the largest Technical Committees.	For further information about BSI's engagement with standards development organizations please see page 13.
Accreditation bodies and competent authorities	BSI enjoys formal relations with governmental and non-governmental authorities around the world. It holds accreditation for all its certification businesses, wherever located. This ranges from international accreditation for key services to the more specific, local, accreditation to meet the requirements of domestic specialisms. BSI is also designated as both a Notified Body in Europe and an Approved Body in the UK (it was the first to hold this UK designation for medical devices). In 2021, BSI has worked closely with accreditation bodies and regulators to find new ways of delivering our services, with a particular focus on delivering services remotely. In this regard, Regulatory Services obtained consent from multiple regulators around the world to establish a system of 'hybrid' audit. This permits teams of experts to attend audits at any site remotely, the audit being led by an audit manager who attends the site physically. Regulatory Services has worked closely with the US, Australian, Japanese, Canadian and Brazilian regulators to assist with the establishment of a data platform in the Medical Device Single Audit Programme. BSI has assisted the European Commission in providing clarity to key regulatory requirements set out in European legislation.	
Consumers and UK industry	In 2021 the BSI Consumer team delivered four projects to support the further development of the BSI Consumer and Public Interest Network (CPIN), including expanding CPIN membership and the development of a protocol to identify consumer-relevant standards. CPIN has undertaken a number of activities, for example, a stakeholder roundtable on community face coverings, including representatives from Which?, Royal National Institute for Deaf People, National Deaf Children's Society and other European stakeholders to form robust consumer positions on the national Flex Standard and European work in this area. BSI works closely with various industry bodies, leading development in practice and research concerning new ways of auditing, the employment of new technologies in audit programmes and client interaction. UK industry bodies are represented on standards committees and on the Standards Policy and Strategy Committee (SPSC).	
Pensioners	The Board regularly engages with members of BSI's Defined Benefit Pension Scheme through various direct and indirect channels, including regular communication with trustees and attendance by Directors at trustee meetings.	

Directors' report continued

Stakeholder engagement continued

Key stakeholder or key stakeholder concern	Key engagement	Further information including outcomes
Diversity, Inclusion and Wellbeing	The Group believes that Diversity, Inclusion and Wellbeing enable delivery of our purpose. To benefit from a diverse workforce, we apply role-related and objective criteria to select and develop talent and we focus on building an inclusive environment where everyone feels able to participate and achieve their potential. The Group is committed to providing a work environment free from harassment and discrimination. We endeavour to treat each individual fairly in relation to job applications, training, promotion and career development. The Board receives an overview of Diversity and Inclusion at BSI and approves the Group Equality and Diversity Policy annually.	More information can be found on pages 15 and 16.
Sustainability	Sustainability is a major priority area for BSI and its clients. We are using our expertise in convening to set the agenda, using consensus standards to define best practice and supporting others to apply this best practice and assessing their performance. We are working towards continuous improvement in our own sustainability performance, demonstrating commitment to our purpose, fulfilling our role credibly and striving to meet the expectations of our internal and external stakeholders.	A review of the Group's sustainability activities during the year is set out in the Sustainability review on pages 35 to 42. A report from the Sustainability Committee Chair is on pages 65 and 66.

Donations

The Company made no political donations during the year (2020: £nil).

Principal risks and uncertainties

The principal risks and uncertainties facing the business are detailed on pages 43 to 47.

Financial instruments

Details of the use and materiality of financial instruments are provided in Notes 3 and 23 to the consolidated financial statements.

Directors' interests

Apart from service contracts or Non-Executive Directors' letters of appointment there was no contract with the Group, during or at the end of the financial year, in which a Director is or was materially interested and which is or was significant in relation to the Group's business during the period under review. No Director has any beneficial interest in the Company.

Streamlined Energy and Carbon Reporting

BSI also publishes an annual Streamlined Energy and Carbon Reporting (SECR) disclosure in line with UK Government expectations. This details our UK-based scope 1, 2 and 3 emissions. Please refer to page 42 for our SECR disclosure table and commentary.

Going concern

Over the course of 2021, the Group has recorded a record level of revenue and experienced improved profit margins significantly above historic percentages, resulting in very strong cash generation. The Group has ended the year with no debt and £187.1m in cash and deposits, an increase of £55.0m in the year and £102.0m over the last two financial years. The Group's financial performance during 2021, and throughout the COVID-19 pandemic, has been extremely resilient.

The business operates in a broad spread of markets, geographies and sectors, with a large and varied client base. The efficient collection of trade receivables has continued across the year and has not been affected materially by the COVID-19 crisis, with receivables written off during the year totalling £1.1m, an decrease of £0.2m from 2020, representing less than 0.2% of revenue.

The Board maintains an effective risk management system and takes reasonable steps to manage the risks faced by the business. This includes managing and mitigating any liquidity risks that may arise, through a number of key controls, including a robust business planning cycle, formal cash management and thorough financial reporting.

The Group's planning cycle comprises two in-year forecasts, a budget and a long-term five year strategic plan. These processes generate income statement and cash flow projections for assessment by Group management and the Board. Each forecast is analyzed to ensure key assumptions are valid and appropriate for the business, assisted by comparisons against prior forecasts, the previous year and actual results, so as to understand the drivers of the changes, their future impact on the business and allow management to take action where appropriate to manage risks.

Directors' report continued

Going concern continued

The Budget for 2022, shows trading is expected to continue the recent trend of revenue growth, high levels of profitability and strong cash generation. Early trading in 2022 to date has been in line with these expectations and our current cash position has been maintained at the year-end level. Cash is expected to continue at similarly high levels throughout the remainder of 2022 and out to beyond March 2023, despite significant proposed discretionary investments. Our experience of the pandemic through 2020 and 2021 has proved that, as a business, we have been able to adapt to new ways of working, to mitigate any significant revenue reduction through careful cost and cash management, and to continue to operate without resort to external funding. Sensitivity analysis, applying what the Directors assume to be severe but plausible downside scenarios, involving loss of key revenue streams in each of our divisions, have been performed on our forecast cash flows and in all scenarios the Group maintains a net positive cash position for the next 12 months and that the Company does not need to take advantage of any external funding. A reverse stress test was also reviewed to understand how severe trading loss would have to be to breach our cash and deposit reserves.

The Group also operates a formal cash management policy, ensuring the safeguarding of cash by early repatriation of balances to the UK to avoid foreign exchange risks, and investing the Group's cash balances with key relationship banks, managing any counterparty risks. Through weekly and monthly reporting, the Group Chief Financial Officer, with Group Finance and Group Treasury, monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs in all markets. These rolling forecasts enable full visibility of the expected Group cash flow together with the Group's liquidity reserve, comprising cash and cash equivalents and undrawn borrowing facilities.

As a result of the financial position, controls in place and current financial performance, the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future following the approval of this Annual Report. Accordingly, the Directors have adopted the going concern basis in preparing the Company's and the Group's financial statements.

Viability statement

The Directors have considered the ongoing viability of the Group. The preparation of this viability statement includes an assessment of the Group's long-term prospects and ability to meet future commitments and liabilities as they fall due over our long-term plan period of five years.

Assessment of viability

Each year, the Directors agree a strategic plan for the business. The 2022 to 2026 strategic plan, prepared in late 2021, was based on the expected economic environment across all our markets over the plan period. The plan was based on the Group's updated strategic objectives and initiatives as agreed by the Board, reflecting the risk appetite also set by the Board. BSI has a long history of underlying revenue growth, operating profit stability and investing short-term profits for the long-term benefit of the business. The latest strategic plan showed a continuation of these trends.

The viability assessment has been undertaken in line with the Group's planning horizon of five years, which takes account of the relative maturity of the business, represents a period over which our principal risks might develop and aligns to the Group's investment planning periods.

The Directors have reviewed the strategic plan for the Group and taken into consideration the current financial position of the Group to undertake the viability assessment. The current cash position has continued to grow throughout recent financial periods, reaching £187.1m at the current year end. On the back of strong profitability from our operating streams, cash is expected to continue at a similar high level throughout the remainder of 2022, despite significant transformation investment during the year, and each year beyond 2022 is forecast to be cash generative in isolation.

The Group's performance through the pandemic and ability to remain cash generating has proved that the business is able to mitigate revenue reduction through careful cost and cash management. In addition, we have undertaken scenarios estimating the impact of other severe, but plausible, scenarios on the strategic plan, with the proposed scenarios modelled in line with our principal risks.

The scenarios modelled as materialising over the period, which take into account possible mitigating actions available to management were any risk to materialize, were as follows:

1. Standards are no longer proprietary and are made available at nil charge.
2. The Regulatory Services business suffers a material device failure and associated loss of business.
3. Our Assurance business suffers a loss of a significant accreditation, leading to suspension in key markets.
4. Cyber threat – An external cyber-attack or ransomware leads to a suspension of business for a period of time and additional GDPR fine.

In addition to assessing the financial performance, the Group continues to take action to improve our organizational resilience. We operate a program to assess our risks and ensure we prepare for, respond to and adapt to incremental change and disruption, enabling the Group to survive and prosper into the future. Our principal risks and associated mitigating actions are reviewed on pages 43 to 47 of this Annual Report.

Conclusion

The Board assessed the prospects and viability of the Group considering the Group's strategy and business model, and the principal risks to the Group's future performance, liquidity and reputation. As a result of the review of the strategic plan up to the end of 2026 and an assessment of the impact of scenarios on that plan, in addition to our current strong financial position, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due for at least that period of time.

By Order of the Board

Susan Taylor Martin
Chief Executive
20 April 2022

Independent auditors' report

to the Board of Directors of The British Standards Institution

Report on the audit of the financial statements

Opinion

In our opinion:

- The British Standards Institution's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent company balance sheet as at 31 December 2021; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We performed an audit of the complete financial information of the BSI Standards Limited, BSI Assurance UK Limited, BSI Group America Inc. and BSI Group The Netherlands B.V. operations due to their financial significance to the group, together with the global head office group function.
- We performed specified audit procedures at six further reporting locations with the group engagement team directly performing these audit procedures over BSI Professional Services (UK) Limited, BSI Professional Services (Ireland) Limited, BSI Group India Private Limited, BSI Group Deutschland GmbH, PT.BSI Group Indonesia and BSI Services Malaysia Sdn Bhd. Local teams were instructed to perform work over the Dubai branch of BSI Management Systems Ltd and BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China.
- The total scope of work performed across both complete audits and specified audit procedures accounted for 66.7% of the group's external revenues and the work over complete audits of financial statements accounted for 79.9% of the group's profit before income tax.

Key audit matters

- Actuarial assumptions, inputs, calculations and judgements applied to the defined benefit pension scheme assets and liabilities (group and parent company).
- Capitalisation of costs associated with software as a service arrangements (group and parent company).

Materiality

- Overall group materiality: £4,045,000 (2020: £3,225,000) based on 5% of profit before income tax.
- Overall parent company materiality: £3,640,000 (2020: £2,900,000) based on 0.79% of total assets (The materiality level has been capped in consideration of the overall group materiality level).
- Performance materiality: £3,033,000 (2020: £2,400,000) (group) and £2,730,000 (2020: £2,175,000) (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Independent auditors' report continued

to the Board of Directors of The British Standards Institution

Our audit approach continued

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The capitalisation of costs associated with software as a service arrangement (SaaS) is a new key audit matter this year. Consideration of goodwill and acquired intangible assets for impairment, which was a key audit matter last year, is no longer included as a result of the improved performance of the Environmental, Health, Safety, Sustainability and Security (EH3S) and Cyber Security Information Resilience (CSIR) cash generating units, and the reduced sensitivity to changes in the assumptions of the impairment model. The impact of COVID-19 is also no longer included as the business has proved to be resilient during the pandemic. The associated risks are assessed to be lower in the current year, and therefore the relative audit effort in respect of these areas has reduced, driving the change in key audit matter assessment. The key audit matter in respect of the defined benefit pension scheme has been revised this year to also include the judgement associated with recognising the scheme surplus, together with risks from previous year relating to assessing actuarial assumptions, inputs and calculations of the scheme liabilities.

Key audit matter	How our audit addressed the key audit matter
Assessing actuarial assumptions, inputs, calculations of scheme liabilities and the judgements applied in the recognition of the defined benefit pension scheme surplus (group and parent company) **Refer to note 15 on page 117 of the consolidated financial statements.** The group operates a UK defined benefit pension plan with a net retirement benefit surplus of £19.3m, which is significant in the context of the overall balance sheet of the group and of the parent company. The valuation of the defined benefit obligation related to the UK pension scheme is sensitive to changes in assumptions and requires technical expertise in applying appropriate assumptions. In respect of the valuation of the defined benefit obligations the key assumptions include discount rates, RPI and CPI inflation rates and mortality rates. The Directors engage actuarial experts to assist them in identifying appropriate assumptions to apply to the valuation of the defined benefit obligation. Given the magnitude of the defined benefit obligation, changes in assumptions could potentially result in material changes to the liability recognised. In addition, during the financial year the defined benefit scheme moved from an accounting net deficit to a net surplus position. In assessing the group and parent company's ability to recognise the net surplus position there is subjectivity in the judgement over the right to any surplus position as the pension scheme trust deed is silent on the treatment of any surplus in the situation of gradual settlement.	To address this risk, we have performed procedures over the report issued to the Directors by the actuary. We have engaged our actuarial experts to assist in the assessment of the methodology and assumptions underpinning the valuation of the defined benefit obligation and annuity assets. The following procedures have been performed: • review of the methodology applied by the actuary, assessing its appropriateness and consistency with prior periods; • assessing the reasonableness of the assumptions around discount rates, mortality and inflation rates by comparing them to our independently developed benchmarks; and • recalculation of the liabilities and annuity assets to ensure the reasonableness of the impact of changes in the assumptions referred to above during the period. In assessing the ability of the group and the parent company to recognise the net surplus our procedures included: • review of the Scheme rules; • review of the Company's legal expert's assessment; • consultation with our own accounting specialists and involvement of PwC legal experts; • consideration of the judgements made by management in accordance with the relevant accounting standards and interpretations; and • considered the associated tax implications. All assumptions, methodologies, valuations and judgements subject to our procedures were supported by the work performed.

Independent auditors’ report continued

to the Board of Directors of The British Standards Institution

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Capitalisation of costs associated with software as a service arrangements (group and parent company) **Refer to note 27 on page 128 of the consolidated financial statements.** Management has reassessed the application of its accounting policies following the clarification issued by the IFRS Interpretations Committee (‘IFRIC’), which was ratified by the International Accounting Standards Board (‘IASB’) in April 2021, in respect of the accounting for configuration and customisation costs related to SaaS arrangements. The unadjusted opening net book value of intangible assets as at 1 January 2020 was £38m. Following management’s updated assessment a significant portion of the assets which had previously been capitalised have now been expensed. An adjustment of £10.3m was recorded as a restatement to the prior period intangibles and expensed in the prior period, with a further £3.2m of related costs being expensed during the current period. The impact on the financial statements is significant in the context of the intangible assets.	To address this risk, we have performed the following audit procedures over the impact assessment and supporting documentation prepared by management: • reviewed management’s approach and accounting paper to ensure the clarifications to the interpretation of the accounting standard have been applied appropriately; • understood the process employed by management to ensure the completeness of the asset population identified; • testing of the underlying data used in the calculations by management to ensure the categorisation split between capitalised and expensed costs is appropriate, and to ensure the methodology set out by management has been applied consistently; • checked the mathematical accuracy of management’s supporting calculations of the current year and prior period’s impact; • considered the associated tax implications and provided challenge to management to ensure these were appropriately reflected within the tax computations and final accounts; and • reviewed the disclosures in the financial statements. Based on the work performed we concluded that the updated accounting policy has been applied appropriately in the current year and the associated restatement of the prior period financial information has been accurately performed and disclosed in both the group and the parent company financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group is managed on a business stream basis however, it’s legal entity structure is based on geographical location. In line with prior years, we have scoped our audit at a legal entity level. The significant components for the purposes of our audit were BSI Assurance UK Limited, BSI Standards Limited, BSI Group America Inc. and BSI Group The Netherlands B.V.; a full scope audit was performed for these components. We also brought smaller components into scope for specified procedures to gain comfort over specific accounts; these were BSI Professional Services (UK) Limited, BSI Professional Services (Ireland) Limited, BSI Group India Private Limited, BSI Group Deutschland GmbH, PT.BSI Group Indonesia and BSI Services Malaysia Sdn Bhd, the Dubai branch of BSI Management Systems Ltd and BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China.

Independent auditors' report continued

to the Board of Directors of The British Standards Institution

Our audit approach continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – parent company
Overall materiality	£4,045,000 (2020: £3,225,000).	£3,640,000 (2020: £2,900,000).
How we determined it	Based on 5% of profit before tax	0.79% of total assets (The materiality level has been capped in consideration of the overall group materiality level)
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for profit-oriented entities, as we consider this to be the most appropriate given the nature of the group. We believe that the profit before tax provides us with a consistent year on year basis for determining materiality. Forecast profit before tax was used as a benchmark for materiality calculated at the planning stage and communicated to the Audit Committee in November 2021. This has subsequently been updated at the year end based on the final profit before tax for the year ended 31 December 2021. The benchmark applied to determine materiality has remained consistent with prior year being 5% of profit before tax. In addition, given BSI voluntarily applies governance processes which are broadly consistent with those of a listed public interest entity, we have concluded, together with the Audit Committee, that it is appropriate to apply a rule of thumb to the materiality benchmark consistent with that applicable for a listed group.	The parent company's operations are that of a holding company; holding the group's pension scheme and investments in subsidiaries and acting as a group-wide corporate centre. The parent company is not profit focussed and as such a performance based benchmark is not considered appropriate. We consider the parent company's investment in subsidiaries and the group pension scheme to be the most significant balances and we have therefore identified total assets as the most appropriate benchmark on which to base materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £273,000 and £3,640,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to £3,033,000 (2020: £2,400,000) for the group financial statements and £2,730,000 (2020: £2,175,000) for the parent company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £404,500 (group audit) (2020: £322,500) and £364,000 (parent company audit) (2020: £290,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report continued

to the Board of Directors of The British Standards Institution

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed cash flow forecasts prepared by management covering the 21 month period ending 31 December 2023.
- We have inquired with management as to the assumptions behind the going concern assessment and understood the process undertaken to perform the going concern assessment.
- We have assessed the reasonableness of the assumptions made in the cash flow forecasts prepared by management, considered management's historical accuracy of forecasting and checked the mathematical accuracy of the cash flow forecast.
- We have reviewed the downside scenarios prepared by management and considered the appropriateness of the severity of the assumptions applied in the context of our knowledge of the external trading environment, business developments and historic performance.
- We have considered external factors, reviewed the minutes of meetings and other reports such as internal audit reports and risk reports to assess if there is any information which would be contrary to the assessment presented by management.
- We have reviewed the latest available management accounts to identify if there are any unusual balances or trends, or indication of issues in the performance of the group and parent company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Independent auditors' report continued

to the Board of Directors of The British Standards Institution

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the audit committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditors' report continued

to the Board of Directors of The British Standards Institution

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the accreditation compliance including the Notified Body status and with the International Organization for Standardization (ISO), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, tax legislations in the jurisdictions in which the Company operates, Employment law and Data protection regulation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journals outside the normal course of business and management bias in assumptions and judgements of significant estimates in order to manipulate the Company's performance profit measures and other key performance indicators to meet remuneration targets. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Obtaining an understanding of the legal and regulatory frameworks applicable to the group, including those relating to the reporting framework, the relevant tax compliance regulations and the EU General Data Protection Regulation (GDPR).
- Inquiring with management, Internal audit and legal counsel to understand how the business complies with key frameworks. These inquiries were corroborated through review of Board minutes, internal audit reports and papers provided to the Audit Committee. The Audit Committee meetings were also attended by PwC.
- We considered performance targets, and the influence of these targets on efforts made by management to manage revenue and profit.
- At a Group level our procedures involved using: Computer Assisted Audit Techniques (CAATS) to analyse all journals recorded centrally or at all in scope locations to identify certain unusual, unexpected or significantly material journals for specific follow up and testing.
- Challenging and testing assumptions and judgements made in significant accounting estimates for possible management bias.
- As required by ISA 240, an element of unpredictability was incorporated into our audit testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's directors as a body in accordance with the Royal Charter and Bye-laws, and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report continued

to the Board of Directors of The British Standards Institution

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The parent company voluntarily prepares a Directors' remuneration report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' remuneration report specified by the Companies Act 2006 to be audited as if the parent company were a quoted company.

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
21 April 2022

Consolidated income statement

for the year ended 31 December 2021

	Note	**2021 £m**	2020 restated* £m
Revenue	5, 6	**585.6**	539.3
Cost of sales		**(280.4)**	(269.0)
Gross profit		**305.2**	270.3
Selling and distribution expenses		**(71.4)**	(72.2)
Administrative expenses		**(150.7)**	(134.0)
Operating profit	5, 7	**83.1**	64.1
Finance income	10	**0.3**	0.2
Finance costs	10	**(2.4)**	(3.1)
Profit before income tax		**81.0**	61.2
Income tax expense	11	**(22.1)**	(19.8)
Profit for the year		**58.9**	41.4

* See Note 27 for details regarding the change in accounting policy.

All amounts in the consolidated income statement relate to continuing operations.

The accompanying notes on pages 98 to 129 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 £m	2020 restated* £m
Profit for the year		**58.9**	41.4
Other comprehensive income/(loss)			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations, net of taxes	15b	**30.9**	(0.8)
Tax charged relating to UK tax losses		**(0.9)**	—
		30.0	(0.8)
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		**(2.2)**	(1.4)
		(2.2)	(1.4)
Total other comprehensive income/(loss) for the year, net of taxes		**27.8**	(2.2)
Total comprehensive income for the year		**86.7**	39.2

* See Note 27 for details regarding the change in accounting policy.

The accompanying notes on pages 98 to 129 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Note	Retained earnings £m	Translation reserve £m	Total £m
At 1 January 2020 as previously reported		204.4	3.0	207.4
Change in accounting policy (net of tax)*	27	(5.7)	—	(5.7)
Restated balance at 1 January 2020*		198.7	3.0	201.7
Profit for the year (restated*)		41.4	—	41.4
Re-measurements of post-employment benefit obligations, net of taxes	15b	(0.8)	—	(0.8)
Currency translation differences		—	(1.4)	(1.4)
At 31 December 2020		**239.3**	**1.6**	**240.9**
At 31 December 2020 as previously reported		**247.7**	**1.6**	**249.3**
Change in accounting policy (net of tax)*	27	**(8.4)**	**—**	**(8.4)**
Restated balance at 31 December 2020*		**239.3**	**1.6**	**240.9**
Profit for the year		**58.9**	**—**	**58.9**
Re-measurements of post-employment benefit obligations, net of taxes	15b	**30.9**	**—**	**30.9**
Tax charged relating to UK tax losses		**(0.9)**	**—**	**(0.9)**
Currency translation differences		**—**	**(2.2)**	**(2.2)**
At 31 December 2021		**328.2**	**(0.6)**	**327.6**

* See Note 27 for details regarding the change in accounting policy.

The accompanying notes on pages 98 to 129 form an integral part of the consolidated financial statements.

Retained earnings

Retained earnings are used to record the changes in retained profit/(accumulated loss), actuarial gains/(losses) relating to retirement benefit obligations and the corresponding deferred tax.

Translation reserve

The translation reserve is used to record the foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and net investment and cash flow hedges.

Consolidated balance sheet

as at 31 December 2021

	Note	2021 £m	2020 restated* £m	1 January 2020 restated* £m
Assets				
Non-current assets				
Property, plant and equipment	12	**24.2**	24.5	26.6
Goodwill	13	**71.3**	71.9	71.9
Intangible assets	13	**28.1**	27.7	28.5
Right-of-use assets	14	**29.6**	33.0	37.8
Net retirement benefit surplus	15	**19.3**	—	—
Deferred tax assets	16	**5.7**	13.4	17.7
Trade and other receivables	17	**10.7**	9.3	8.3
Contract costs	18	**16.9**	16.0	15.6
Total non-current assets		**205.8**	195.8	206.4
Current assets				
Inventories	19	**0.1**	0.1	0.1
Trade and other receivables	17	**148.1**	140.5	138.6
Current tax assets		**3.1**	3.0	5.5
Fixed-term deposits	20a	**10.0**	—	15.0
Cash and cash equivalents	20b	**177.1**	132.1	70.1
Total current assets		**338.4**	275.7	229.3
Total assets		**544.2**	471.5	435.7

	Note	2021 £m	2020 restated* £m	1 January 2020 restated* £m
Liabilities				
Non-current liabilities				
Deferred tax liabilities	16	**(7.5)**	(4.8)	(6.3)
Net retirement benefit obligations	15	**(2.7)**	(36.4)	(59.6)
Provisions for liabilities and charges	21	**(2.8)**	(2.5)	(2.4)
Trade and other payables	22	**(9.6)**	(8.9)	(10.3)
Lease liabilities	14	**(30.3)**	(35.8)	(39.1)
Total non-current liabilities		**(52.9)**	(88.4)	(117.7)
Current liabilities				
Trade and other payables	22	**(144.9)**	(125.3)	(100.3)
Lease liabilities	14	**(10.1)**	(9.2)	(11.3)
Current tax payables		**(8.4)**	(7.3)	(4.4)
Provisions for liabilities and charges	21	**(0.3)**	(0.4)	(0.3)
Total current liabilities		**(163.7)**	(142.2)	(116.3)
Total liabilities		**(216.6)**	(230.6)	(234.0)
Net assets		**327.6**	240.9	201.7
Reserves				
Retained earnings		**328.2**	239.3	198.7
Translation reserve		**(0.6)**	1.6	3.0
Total reserves		**327.6**	240.9	201.7

* The balance sheet as at 1 January 2020 has been presented as the Group has applied the impact of a change in accounting policy retrospectively and this had a material effect on the balance sheet at the beginning of the preceding period. See Note 27 for details regarding the change in accounting policy.

The accompanying notes on pages 98 to 129 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 93 to 97 were approved by the Board of Directors on 20 April 2022 and were signed on its behalf by:

Sara Dickinson
Chief Financial Officer
20 April 2022

Consolidated statement of cash flows

for the year ended 31 December 2021

	Note	2021 £m	2020 restated* £m
Cash flows from operating activities			
Profit before income tax		**81.0**	61.2
Adjustments for:			
– Depreciation of property, plant and equipment	7	**5.3**	5.7
– Loss on disposal of tangible assets	7	**—**	0.1
– Loss on disposal of intangible assets	7	**0.4**	—
– Amortization of intangible assets	7	**6.4**	6.4
– Impairment of intangible assets	7	**—**	0.6
– Depreciation of right-of-use assets	7	**8.7**	9.0
– Gain on disposal of right-of-use assets	7	**—**	(0.6)
– (Reversal of)/loss allowance on trade receivables	7	**(0.2)**	1.4
– Bad debts written off to income statement directly	7	**1.0**	1.1
– Finance income	10	**(0.3)**	(0.2)
– Finance costs	10	**2.4**	3.1
– Retirement benefit charges	15b	**0.8**	1.0
– Net capitalization of contract costs	18	**(1.1)**	(0.5)
Changes in working capital (excluding the exchange differences on consolidation):			
– Increase in trade and other receivables		**(11.4)**	(6.5)
– Increase in trade and other payables		**21.4**	23.9
– Increase in provisions for liabilities and charges		**0.2**	0.2
Retirement benefit payments	15b	**(15.8)**	(27.3)
Cash generated from operations		**98.8**	78.6
Interest received		**0.3**	0.2
Interest elements of lease payments	14	**(1.9)**	(2.2)
Income tax paid		**(18.9)**	(11.2)
Net cash generated from operating activities		**78.3**	65.4

	Note	2021 £m	2020 restated* £m
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**(5.1)**	(4.3)
Purchases of intangible assets	13	**(7.8)**	(6.3)
(Purchase)/maturity of fixed-term deposits	20a	**(10.0)**	15.0
Net cash (used in)/generated from investing activities		**(22.9)**	4.4
Cash flow from financing activity			
Principal elements of lease payments	14	**(10.0)**	(8.9)
Net cash used in financing activity		**(10.0)**	(8.9)
Net increase in cash and cash equivalents		**45.4**	60.9
Opening cash and cash equivalents		**132.1**	70.1
Exchange (loss)/gain on cash and cash equivalents		**(0.4)**	1.1
Closing cash and cash equivalents	20b	**177.1**	132.1

* See Note 27 for details regarding the change in accounting policy.

The accompanying notes on pages 98 to 129 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2021

1. Corporate information

The British Standards Institution is the ultimate parent company of the BSI Group and is a company incorporated by Royal Charter in the United Kingdom and domiciled in the United Kingdom. The address of its registered office is 389 Chiswick High Road, London W4 4AL.

The principal activities of The British Standards Institution (the 'Company') and its subsidiaries (together the 'Group') are the development and sale of private, national and international standards; second and third-party certification of management systems; testing and certification services both for products and services; provision of performance management software solutions; a range of training services in support of standards implementation and business best practice; and business consultancy services.

The consolidated financial statements were approved by the Board of Directors on 20 April 2022.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidated financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Directors have reviewed the Budget and strategic plan for the Group and taken into consideration the business performance through the past financial year and the ability of the Group to remain cash generating. The current cash position is significantly higher than it was twelve months ago and has continued to increase throughout the financial years included in these financial statements. Cash is expected to continue at a similar high level throughout the remainder of 2022 and each year of the strategic plan beyond this is forecast to be cash-generative in isolation. The Group's experience of operating in 2020 and 2021 during the pandemic has proved that as a business, we have been able to adapt to new ways of working, to mitigate any significant revenue reduction through careful cost and cash management, and to continue to operate without resort to external funding. As a result of this analysis, the Group continues to adopt the going concern basis in preparing its financial statements. In assessing the Group's viability the Directors have considered the sensitivity of the assumptions within its longer-term plans. Further details on the review of the going concern and viability of the Group are disclosed on pages 83 and 84.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The consolidated financial statements are presented in British Pounds Sterling (£) and all values are rounded to the nearest £100,000 except when otherwise indicated.

b. Changes in accounting policy and disclosures

The Group has made a voluntary change in accounting policy to de-recognize assets related to Software as a Service (SaaS) arrangements from the balance sheet and expense the costs through the income statement in the year in which they were incurred. This change resulted in retrospective restatement of prior year financial statements and disclosure in the notes. The details of accounting policy under this change are disclosed in Note 2g and the impact of related changes is disclosed in Note 27.

A number of amendments and interpretations to standards are effective from 1 January 2021 but they do not have a significant effect on the consolidated financial statements of the Group.

c. Basis of consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control.

De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders gives the Group power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date and classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value, with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2. Principal accounting policies continued

c. Basis of consolidation continued

ii. Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii. Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

d. Segment reporting

Included in these financial statements are the results segmented by business streams and governance/support functions, in line with the management information provided internally to the Board. The Board constitutes the chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments. Segment information is shown in Note 5.

e. Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in British Pounds Sterling, which is the Group's presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

iii. Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences are recognized in other comprehensive income.

f. Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and assets under construction are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings	5–50 years
Leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal factors that the Group takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2h).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within administrative expenses in the income statement.

g. Intangible assets

i. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or group of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2. Principal accounting policies continued

g. Intangible assets continued

ii. Computer software

Acquired computer software and licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over three to five years, or the length of the licence as appropriate.

Costs incurred in customising, configuring and implementing a Software as a Service (SaaS) arrangement are expensed in the year in which they are incurred.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs include the employee costs incurred on software development.

The application and infrastructure development costs of product delivery websites are also capitalized where the same criteria can be met. These assets are amortized on a straight-line basis over three or five years.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

iii. Acquired intangible assets

On the acquisition of a subsidiary undertaking, fair values are attributed to the acquired identifiable tangible and intangible assets, liabilities and contingent liabilities.

Acquired intangibles include customer relationships, intellectual property, customer order backlog, computer software and the value of sellers' non-compete agreements. These are capitalized based on valuations using discounted cash flow analysis and amortized on a straight-line basis over their estimated useful economic lives. The estimated useful life of these intangible assets is one to fifteen years.

iv. Internally generated product development costs

Product development costs, which include costs incurred on developing training courses, are capitalized only when specific criteria for capitalization, as set out in IAS 38, "Intangible Assets", are met including consideration of probable future economic benefit. Capitalized product development costs are amortized over the asset's estimated useful life of three to five years on a straight-line basis.

h. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready for use – are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

i. Inventories

Inventories which comprise hard copy publications held for sale and training materials are stated at the lower of cost and net realizable value. Cost is determined on a first-in-first-out basis and includes transport and handling costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventory.

j. Financial assets

i. Classifications

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within one year; otherwise, they are classified as non-current.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than one year after the end of the reporting period as these are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'fixed-term deposits' and 'cash and cash equivalents' in the balance sheet (Notes 17 and 20).

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2. Principal accounting policies continued

k. Impairment of financial assets

The Group assesses, at each balance sheet date, whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables; see Note 3b for further details.

l. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

m. Derivative financial instruments and hedging activities

Derivatives are used to manage the Group's economic exposure to financial risks. The Group principally makes use of net investment hedges and forward currency contracts (cash flow hedge) to manage currency exposure risk on overseas operations and committed payments and does not hold or issue any other derivative financial instruments.

Derivatives are recognized initially at fair value. Subsequently, the gain or loss on re-measurement to fair value is recognized immediately to the income statement unless the derivative qualifies for hedge accounting treatment, in which case any gain or loss is taken to reserves.

The Group designates its derivatives as either:

i. hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge);

ii. hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or

iii. hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

i. Cash flow hedge

The fair value of forward currency contracts is based on forward foreign exchange market rates at the balance sheet date.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

ii. Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that is reported in equity is immediately transferred to the income statement.

n. Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less loss allowance.

o. Fixed-term deposits

Fixed-term deposits are liquid investments with original maturities of over three months.

p. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

Bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management, are shown within borrowings in current liabilities on the consolidated balance sheet but are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

q. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2. Principal accounting policies continued

r. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

s. Provision for liabilities and charges

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

t. Employee benefits

i. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than one year after the balance sheet date are discounted to their present value.

ii. Bonus plans

The Group recognizes a liability and an expense for bonuses where it is anticipated that there is a reasonable probability that a payment will be made.

iii. Long Term Incentive Plan

The Group has a Long Term Incentive Plan as referred to in the report of the Remuneration Committee. The costs of the plan are accrued and charged to the income statement over the period of the plan so as to accrue, on a pro-rata basis, the anticipated incentive payments that may vest.

u. Retirement benefit obligations

i. Defined benefit pension schemes

The Group operates a funded defined benefit scheme in the UK, administered by independent Trustees. The scheme is closed to new entrants and closed to future accrual of pension.

The Group's net obligation or surplus in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the scheme up to 30 April 2010 (the date the scheme closed to the accrual of benefits). That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The valuation of the Group's net obligation or surplus is performed by an independent qualified actuary as appointed by the Group. Pension scheme assets are measured using market values for quoted assets. The MetLife Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 15b. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent duration and currency to the liability.

The income statement charge is split between an operating charge and a net finance charge. The operating charge relates to administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme using that same discount rate, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

ii. Defined contribution pension schemes

The Group pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts. The contributions are recognized as employee benefit expense when they are due.

v. Revenue

Revenue is measured based on the consideration specified in a contract with a customer net of value added tax, returns, rebates, discounts and amounts collected on behalf of third parties and after eliminating inter-company revenue within the Group. The Group recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

For detailed description of the revenue by activity and the associated recognition principles, see Note 6.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

2. Principal accounting policies continued

w. Incremental costs of obtaining contracts

Incremental costs of obtaining contacts, such as sales commissions, are capitalized and amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. If the expected amortization period is one year or less, then the costs are expensed when incurred.

x. Exceptional items

The Group presents as exceptional items on the face of the consolidated income statement those items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow users of the consolidated financial statements to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

y. Borrowing costs

Borrowing costs are recognized as an expense when incurred.

z. Leases

Each lease is recognized as a right-of-use asset with a corresponding liability for the full lease term at the date at which the leased asset is available for use by the Group.

The Group assesses at contract inception whether a contract is, or contains, a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in the section 'Impairment of non-financial assets' in Note 2(h).

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (for example, changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

iii. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

iv. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases, being those leases that have a lease term of one year or less from the commencement date and do not contain a purchase option. The Group also applies the recognition exemption to leases of which the underlying asset is of low value, comprising assets below the Group's capitalization threshold. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

aa. Other income

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. As part of an overall risk management programme, the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Financial risk management

Financial risk factors

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, credit risk and investment of excess liquidity. Operating within these guidelines, Group Treasury identifies, evaluates and, where appropriate, hedges financial risks in close co-operation with the Group's operating units.

a. Market risk – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro, the Australian Dollar, the Chinese Renminbi and the Japanese Yen. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. Group companies are required to hedge material foreign exchange risk exposure with Group Treasury. To manage their foreign exchange risk arising from known future commercial transactions and material recognized assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. The Group buys or sells currencies forward so as to hedge exchange risk on relevant transactional activities.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. The Group does not seek to hedge these net assets and recognizes that an element of balance sheet volatility is inherent in managing foreign operations.

The following table details the sensitivity of the Group's operating profit to movements in the major currencies in which it operates. This analysis considers the impact of the British Pound Sterling strengthening by 10% against the most significant foreign currencies used by operating units in the Group. The example movement of 10% has been selected in order to demonstrate that operating profit is not particularly sensitive to exchange rate fluctuations. The average movement in each currency during the previous three annual reporting periods is shown for comparison.

Currency	**2021 average exchange rate**	**Absolute average exchange rate movement***	**Adverse impact on operating profit of 10% rate movement**	2020 average exchange rate	Absolute average exchange rate movement*	Adverse impact on operating profit of 10% rate movement
Australian Dollar	**1.84**	**1.6%**	**£0.1m**	1.86	3.2%	£0.2m
Chinese Renminbi	**8.86**	**0.1%**	**£0.2m**	8.87	0.4%	£0.2m
Euro	**1.17**	**2.2%**	**£2.1m**	1.12	1.1%	£1.4m
Japanese Yen	**152**	**5.8%**	**£0.3m**	137	2.4%	£0.3m
US Dollar	**1.38**	**3.7%**	**£2.0m**	1.29	2.2%	£1.7m

* These movements indicate the absolute average exchange rate movement over the last three years to indicate volatility, whether positive or negative.

A similar strengthening of 10% in the British Pound Sterling against all of the currencies in which the Group has exposure would result in an adverse operating profit impact of £5.4m.

b. Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Group considers its exposure to credit risk at 31 December to be as follows:

	2021 £m	2020 £m
Cash and cash equivalents and fixed-term deposits (Note 20)	**187.1**	132.1
Trade receivables (Note 17)	**95.1**	91.4
Other receivables (Note 17)	**63.7**	58.4
Total credit risk	**345.9**	281.9

i. Risk management

The Group's credit risk from banking institutions is considered to be low. The majority of funds are held in the UK with four relationship banks (HSBC, NatWest, Barclays and Lloyds), with counterparty limits operated in accordance with Board policies. Furthermore, we have a global banking arrangement with HSBC resulting in most overseas funds being held with it. All counterparties are reviewed on an ongoing basis for financial strength.

Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. New customers are reviewed for creditworthiness with credit terms amended as appropriate. The majority of the Group's trade receivables are due for payment within 30–60 days. Concentrations of credit risk with respect to trade receivables are limited as the Group's customer base is large and unrelated, and, where appropriate, individual accounts receivable are provided against. Due to this, management believes there is no further credit risk provision required in excess of the normal loss allowance on trade receivables.

ii. Impairment of financial assets

The Group's trade receivables arising from all revenue are subject to the expected credit loss model. While cash and cash equivalents and other contract assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of trade receivables over a period of 24 months to 31 December 2021 or 31 December 2020, respectively, and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on economic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2021 and 31 December 2020 was determined as follows for trade receivables (Note 17):

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

3. Financial risk management continued

Financial risk factors continued

b. Credit risk continued

ii. Impairment of financial assets continued

At 31 December 2021	Current	More than 30 days past due	More than 90 days past due	More than 150 days past due	Total
Expected loss rate	**0.6%**	**2.6%**	**8.7%**	**44.0%**	**3.5%**
Gross carrying amount – trade receivables (£m)	**80.1**	**10.2**	**2.9**	**5.3**	**98.5**
Loss allowance (£m)	**0.5**	**0.3**	**0.3**	**2.3**	**3.4**

At 31 December 2020	Current	More than 30 days past due	More than 90 days past due	More than 150 days past due	Total
Expected loss rate	0.3%	2.3%	7.8%	47.5%	3.9%
Gross carrying amount – trade receivables (£m)	73.6	12.0	3.6	5.9	95.1
Loss allowance (£m)	0.3	0.3	0.3	2.8	3.7

The reconciliation of the closing loss allowance on trade receivables to the opening loss allowance is shown in Note 17.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage with the Company, and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

c. Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance and Group Treasury monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining undrawn committed borrowing facilities at all times.

Surplus cash held by the operating entities over and above the balances required for working capital management is transferred to Group Treasury. Group Treasury invests surplus cash in interest-bearing current accounts, term deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held no money market funds but held other liquid assets of £187.1m that are expected to readily generate cash inflows for managing liquidity risk.

Prudent liquidity risk management implies the maintenance of sufficient cash and cash equivalents, the availability of funding through committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by maintaining availability under committed credit lines. These credit lines were unused at the year-end.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As the majority of the "Trade and other payables excluding deferred income" are short term in nature, their fair values approximate to their carrying values as the impact of discounting is not significant. The Group did not hold any net-settled derivative financial liabilities at 31 December 2021 and 2020.

At 31 December 2021	Less than 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income (Note 22)	**104.7**	**0.4**	**9.0**
Lease liabilities	**11.4**	**29.2**	**4.9**

At 31 December 2020	Less than 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income (Note 22)	89.8	1.5	7.4
Lease liabilities	11.0	29.0	7.6

4. Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2h. For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as Cash-Generating Units (CGUs). Goodwill is allocated to the Group's CGUs identified according to business stream operating segments. Impairment testing requires management to judge whether the carrying value of the CGUs' can be supported by value-in-use calculations, based on the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of uncertain matters including management's expectations of:

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

4. Critical accounting estimates and judgements continued

a. Impairment of goodwill continued

- growth in adjusted EBITDA, calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads;
- timing and amount of future capital expenditure, including an allocation of corporate capital expenditure;
- long-term growth rates; and
- appropriate discount rates to reflect the risks involved.

Management prepares five-year forecasts for the Group's operations, which are used to estimate the value in use of the Group's cash-generating units (CGUs). A long-term growth rate into perpetuity has been determined for the CGUs based on a weighted average of rates obtained from the International Monetary Fund's World Economic Outlook Database for the countries in which the Group operates. The rate for each country is calculated based on the lower of:

- the average growth rates predicted for the five years 2022–2026;
- the predicted rate for 2026, which is the final year of the Group's five-year forecast; and
- the average growth rate of the past five years combined with the predicted rates for the five years 2022–2026.

Discount rates applied to the cash flow forecasts are pre-tax, derived using the capital asset pricing model and obtained from an independent third-party company with expertise in this area.

Further details of key assumptions and a sensitivity analysis are disclosed in Note 13.

b. Deferred tax assets

Deferred tax assets are recognized for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits shown in the latest approved financial projections, together with future tax planning strategies.

The deferred tax assets recognized and not recognized are detailed in Note 16.

c. Retirement benefit surplus/obligations

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary.

The liabilities allow for indexation of benefits in line with the Consumer Prices Index (CPI).

After review of the Trust deeds and rules of the pension scheme, the Directors have recognized the pension surplus as at 31 December 2021. In recognizing the surplus, we are being consistent in our accounting treatment, recognizing the accounting value generated using the principal assumptions set out below. The Directors have recognized the economic benefit considered to arise from either a reduction to future contributions or a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members and beneficiaries have left the plan.

The next triennial actuarial valuation will be performed as at 31 March 2022, at which date the Company and the Trustees will review how any remaining funding deficit will be closed and over what period. Any actuarial surplus at that time will remain in the pension scheme for the benefit of members until the point at which all benefits have been paid out or secured.

The principal assumptions and a sensitivity analysis are detailed in Note 15b.

d. Incremental costs of obtaining contracts

Management judgement is required to determine the period of benefit from contracts, which is either the contract period or a calculated estimate of an average customer life based on historical data.

The incremental costs of obtaining contracts are disclosed in Note 18.

e. Determining the lease term of contracts with extension and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend or terminate the lease – that is, it considers all relevant factors that create an economic incentive for it to exercise either the extension or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend or to terminate (for example construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

f. Leases – estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

To estimate the IBR, the Group obtains from an external international banking institution or other local banks indicative borrowing rates on hypothetical borrowing transactions. The amount to be borrowed in each case would be based on the total undiscounted future cash flows under a lease, in the same currency as required by the lease agreement, with a repayment profile that mirrors the timing of the expected lease payments. The borrowing would be without any security and backed up only by the strength of the individual entity's latest available financial statements (or management accounts if the local entity does not have statutory reporting obligation). Once decided, the IBR will remain unchanged unless there are modifications in lease terms or changes in the assessment of an option to purchase the underlying asset.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

5. Segment information

Included in these financial statements are the results segmented by business streams and governance/support functions, in line with the management information provided internally to the Board. The Board constitutes the chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments.

The business streams reported are:

- Knowledge – comprises Standards Development, Services and Information Solution businesses.
- Assurance Services – comprises Systems Certification, Product Certification and Training businesses.
- Regulatory Services – comprises Systems Certification and Product Certification into the Medical Devices industry.
- Consulting Services – comprises two businesses, an Environment, Health, Safety, Sustainability and Security (EH3S) consultancy and a Cyber Security and Information Resilience (CSIR) consultancy.

Governance and support functions comprise those functions responsible for directional oversight and policy framework creation and compliance for the Group as well as support functions to the business streams, mainly Commercial and Sector Management, Finance, Information Technology, People, Facilities and Legal. These are not allocated to business streams.

The performance of these business stream segments is measured at operating profit and that treatment is reported here. This measure excludes the financing costs and actuarial adjustments of the UK defined benefit pension scheme, finance income, finance costs and income tax expenses.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2021 and 31 December 2020 is as follows:

2021	**Knowledge £m**	**Assurance Services £m**	**Regulatory Services £m**	**Consulting Services £m**	**Governance/ support functions £m**	**Total £m**
Revenue	**67.4**	**284.7**	**157.9**	**75.6**	**—**	**585.6**
Operating profit	**28.8**	**94.6**	**72.6**	**16.2**	**(129.1)**	**83.1**
Depreciation and amortization	**(1.3)**	**(3.4)**	**(0.5)**	**(0.2)**	**(15.0)**	**(20.4)**
Finance income	**—**	**—**	**—**	**—**	**0.3**	**0.3**
Finance costs	**—**	**—**	**—**	**—**	**(2.4)**	**(2.4)**
Income tax expense	**—**	**—**	**—**	**—**	**(22.1)**	**(22.1)**

2020	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Governance/ support functions £m	Total £m
Revenue	65.3	263.0	143.0	68.0	—	539.3
Operating profit (restated*)	29.0	78.7	65.3	9.2	(118.1)	64.1
Depreciation and amortization (restated*)	(1.1)	(3.3)	(0.5)	(0.2)	(16.0)	(21.1)
Finance income	—	—	—	—	0.2	0.2
Finance costs	—	—	—	—	(3.1)	(3.1)
Income tax expense (restated*)	—	—	—	—	(19.8)	(19.8)

* See Note 27 for details regarding the change in accounting policy.

The chief operating decision-maker is provided with the Group balance sheet. No segmental balance sheet is reported, because the business streams, as the primary segments, do not manage the balance sheet.

A reconciliation of operating profit to profit before income tax is provided as follows:

	2021 £m	2020 restated* £m
Operating profit	**83.1**	64.1
Finance income	**0.3**	0.2
Finance costs	**(2.4)**	(3.1)
Profit before income tax	**81.0**	61.2

As the Group transacts with a large number of diversified customers, there are no cumulative revenue transactions amounting to 10% or more of total external revenue derived from any single external customer (2020: none).

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

6. Revenue

a. Nature of goods and services

The following is a description of the principal activities, separated by reportable segments, from which the Group generates its revenue. For more information about reportable segments see Note 5.

i. Knowledge

The Group's Knowledge business stream comprises Standards Development, Services and Information Solutions businesses.

The main sources of external revenue and basis for revenue recognition in this segment are set out below:

- Document revenue
  Document revenue originates from the sale of publications in hard and/or soft copy. Revenue is recognized at a point in time when control of the goods passes to the customer.
- Subscription revenue
  Subscription revenue mainly derives from providing access to BSI's intellectual property and support services, during the subscription period, e.g. BSI's digital information services, access to published standards information. In addition, BSI membership is sold as an annual subscription which gives access to newsletters, advisory and support services, discounts on BSI products and invitations to events and seminars.

Where there is an ongoing performance obligation for BSI to maintain the intellectual property being accessed, e.g. to keep it up to date and maintain its value to the client, revenue is recognized over the duration of the subscription period. Where there are no further performance obligations for BSI after granting a licence, revenue is recognized at the time the licence is granted.

- Copyright and royalties
  Copyright revenue relates to the grant of a licence to use Knowledge intellectual property over the licence period, e.g. to use all or part of a specific publication in a client document. Copyright revenues are recognized at the time the right-to-use licence is granted. Royalty revenue derives from the grant of licences allowing access to Knowledge intellectual property based on client usage. Revenue is recognized on the basis of usage or over the licence period depending on the contract.
- Services (commissioned content, research, advisory, consultancy and technical assistance)
  Standards Services activity within Knowledge arises from contracts which vary in length, some of which are over a year in duration. Revenue is recognized as set out in the contract: contracts are a mixture of time and material-based contracts where revenue is recognized over time and contracts where revenue is recognized when the right to consideration is established based on delivery of the whole project or when project milestones have been achieved.

ii. Assurance Services

The Group's Assurance Services business stream comprises Systems Certification, Product Certification and Training businesses.

Assessment and certification services

These incorporate a number of more discrete services, the main constituents of which are:

- Application fee
  This covers administration and planning costs up to the date of the certification review and for advancing the client's application to the point of assessment. The fee is non-refundable and payable upon submission of the client's signed acceptance of the proposal, with a very specific starter pack being sent out to the client after committing to the assessment process. Revenue is recognized when this activity is delivered.
- Annual management fee (AMF)
  The AMF grants access to a number of BSI's assessment and certification tools (e.g. BSI Connect Portal), ongoing planning and information. BSI has an ongoing obligation to maintain the information and services being provided over the certification cycle that the AMF relates to. Revenue is recognized over the certification cycle that the AMF relates to.
- Assessment and certification
  These contracts are time and materials based, generally delivered by a number of audit visits (on site and/or remote assessments) by appropriately qualified staff, each over the course of a few days. Revenue is recognized over the period of delivery.

Product testing and certification

- Kitemark licence fee
  The annual Kitemark licence once granted does not require any further obligation on BSI over the licence period. Revenue is recognized at the point the licence is granted.
- Provision of testing services
  This is to assess whether a product conforms to required specifications. Depending on the individual contract, revenue may be recognized on a percentage of work completed or across the duration of the testing period.
- Provision of certification of conformity services (Notified and Approved Body)
  This is to assess and certify whether a product conforms to required schemes, regulations or directives. Revenue is recognized over the period of the testing to achieve certification based on work completed and across any period of ongoing testing and certification activities post initial certification. Revenue from an additional AMF for ongoing management of the certification cycle is recognized evenly over a twelve-month period.

Training services

The revenue-generating activity comprises the delivery of both public and bespoke/in-house training courses and conferences utilizing both classroom and web/digital formats. Revenue is recognized on delivery of the training other than for on-demand digital products where revenue is recognized on sale.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

6. Revenue continued

a. Nature of goods and services continued

iii. Regulatory Services

The Group's Regulatory Services business stream comprises Systems Certification and Product Certification into the Medical Devices industry.

- Regulatory assessment and certification services and the discrete constituent services within these are as set out above under 'Assurance Services – assessment and certification services'.

  In summary, revenue for the application fee is recognized once a client order has been processed and the starter pack issued; the revenue for the annual management fee is recognized over its annual period; and the revenue for assessment and certification services is recognized over the period of delivery of the services.

- CE marking – document and technical file reviews
  This comprises the audit review of document and technical files and delivering a conclusion as to whether the requirements of the relative directives or regulations are met. Revenue is recognized over the review period.

iv. Consulting Services

The Group's Consulting Services business stream comprises two businesses, an Environment, Health, Safety, Sustainability and Security (EH3S) consultancy and a Cyber Security and Information Resilience (CSIR) consultancy.

- Environment, Health, Safety, Sustainability and Security (EH3S) and Cyber Security and Information Resilience (CSIR). Revenue is generally recognized for services such as consulting, digital advisory and data governance reviews, penetration testing and reviewing client systems on a time and materials basis.

  Revenue is recognized on a contract-by-contract basis for services that involve the granting of software licences or the sale of software. Immediate recognition of the revenue is appropriate where BSI has no ongoing performance obligations following transfer of software or the granting of a licence. Revenue is spread over the duration of ongoing performance obligations arising under all other contracts.

Training revenue is recognized when the training is delivered.

- Supply chain services
  Supply chain services include grants of licences to access BSI's Connect Screen supply chain related content, consulting and training services and the provisioning of software as service. The business's BSI Connect Screen supply chain tools are typically sold as an annual license and revenue is recognized evenly over the license period.

- Other consulting
  Revenue is recognized over time where the contract relates to a time and materials type of contract, or when project milestones are achieved, where the contract indicates that best represents the transfer of value and control to the client.

b. Disaggregation of revenue

In the following table, revenue is disaggregated by business segment (see Note 5), primary geographical market and timing of revenue recognition.

2021	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
Primary geographical markets					
EMEA	**67.2**	**129.2**	**52.5**	**13.2**	**262.1**
Americas	**—**	**45.5**	**91.9**	**61.0**	**198.4**
Asia Pacific	**0.2**	**110.0**	**13.5**	**1.4**	**125.1**
Revenue from external customers	**67.4**	**284.7**	**157.9**	**75.6**	**585.6**
Timing of revenue recognition					
At a point in time	**29.6**	**263.1**	**143.5**	**4.6**	**440.8**
Over time	**37.8**	**21.6**	**14.4**	**71.0**	**144.8**
	67.4	**284.7**	**157.9**	**75.6**	**585.6**

2020	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
Primary geographical markets					
EMEA	65.0	120.3	43.6	11.7	240.6
Americas	—	42.1	87.1	54.8	184.0
Asia Pacific	0.3	100.6	12.3	1.5	114.7
Revenue from external customers	65.3	263.0	143.0	68.0	539.3
Timing of revenue recognition					
At a point in time	28.1	239.9	117.5	4.7	390.2
Over time	37.2	23.1	25.5	63.3	149.1
	65.3	263.0	143.0	68.0	539.3

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

6. Revenue continued

c. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31 December 2021 £m	31 December 2020 £m
Receivables, included in 'Trade and other receivables' (Note 17)	**98.5**	95.1
Contract assets, included in 'Contract costs' (Note 18) and 'Trade and other receivables' (Note 17)	**50.2**	49.6
Contract liabilities, included in 'Trade and other payables' (Note 22)	**(40.4)**	(35.5)

Significant changes in the contract assets and the contract liabilities balances are as follows:

	2021	
	Contract assets £m	**Contract liabilities £m**
Revenue recognized that was included in the contract liability balance at the beginning of the period	**—**	**35.5**
Increases due to cash received, excluding amounts recognized as revenue during the period	**—**	**(40.4)**
Costs recognized that were included in the contract asset balance at the beginning of the period	**(4.5)**	**—**
Increases due to cash paid, excluding amounts recognized as costs during the period	**5.6**	**—**

	2020	
	Contract assets £m	Contract liabilities £m
Revenue recognized that was included in the contract liability balance at the beginning of the period	—	29.9
Increases due to cash received, excluding amounts recognized as revenue during the period	—	(35.5)
Costs recognized that were included in the contract asset balance at the beginning of the period	(4.3)	—
Increases due to cash paid, excluding amounts recognized as costs during the period	4.8	—

7. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Note	2021 £m	2020 restated* £m
Employee expense	8	**316.0**	300.8
Depreciation of property, plant and equipment	12	**5.3**	5.7
Loss on disposal of tangible assets	12	**—**	0.1
Amortization of intangible assets	13	**6.4**	6.4
Loss on disposal of intangible assets	13	**0.4**	—
Impairment of intangible assets	13	**—**	0.6
Depreciation of right-of-use assets	14	**8.7**	9.0
Gain on disposal of right-of-use assets	14	**—**	(0.6)
(Reversal of)/loss allowance on trade receivables	17	**(0.2)**	1.4
Bad debts written off to income statement directly		**1.0**	1.1
Other exchange losses/(gains)		**0.5**	(0.2)
Expense relating to short-term and low-value leases		**0.1**	0.7
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		**0.6**	0.5
Fees payable to the Group's auditors and their associates for other services:			
– The audit of the Company's subsidiaries pursuant to legislation		**0.1**	0.1
– Other advisory services		**0.1**	—

* See Note 27 for details regarding the change in accounting policy.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

8. Employee expense

	Note	2021 £m	2020 £m
Wages and salaries (including termination benefits of £2.5m (2020: £3.0m)		**265.7**	253.3
Social security costs		**28.8**	30.8
Long Term Incentive Plan (LTIP) expense		**1.9**	(0.1)
Other pension costs – defined contribution plans	15a	**19.6**	16.8
Employee expense charged in arriving at operating profit	7	**316.0**	300.8
Net pension finance costs	10	**0.5**	0.9
Total employee expense charged in arriving at profit before income tax		**316.5**	301.7

The monthly average number of full-time equivalent individuals (including Board members) employed by the Group during the year was:

	2021 Number	2020 Number
Employees		
Production, assessment, training and laboratory	**3,174**	3,025
Sales and distribution	**926**	935
Administration	**945**	876
Total employees	**5,045**	4,836
External resource	**473**	401
Total headcount	**5,518**	5,237

External resource comprises assessors, tutors and consultants operating under a services agreement to provide the capacity, geographic presence or specialist knowledge locally to deliver BSI's services to its clients.

9. Directors' emoluments

The emoluments of the Executive and Non-Executive Board members during the year are disclosed in the Directors' remuneration report on pages 67 to 79.

10. Finance income and costs

	2021 £m	2020 £m
Bank interest receivable on cash, short and fixed-term deposits	**0.3**	0.2
Finance income	**0.3**	0.2
Net interest on the net defined benefit pension obligation (Note 8):		
– UK (Note 15b i)	**(0.4)**	(0.9)
– Non-UK (Note 15b ii)	**(0.1)**	–
Interest on lease liabilities (Note 14)	**(1.9)**	(2.2)
Finance costs	**(2.4)**	(3.1)

11. Income tax expense

	2021 £m	2020 restated* £m
Current tax		
UK tax current year	**5.1**	4.3
UK tax prior years	**–**	(0.2)
Foreign tax current year	**17.9**	15.9
Foreign tax prior years	**0.5**	0.3
Total current tax	**23.5**	20.3
Deferred tax (Note 16)		
Origination and reversal of temporary differences	**(1.3)**	–
Prior year deferred tax adjustments	**0.7**	(0.4)
Tax adjustments arising from change in UK tax rates	**(0.8)**	(0.1)
Total deferred tax	**(1.4)**	(0.5)
Total income tax expense	**22.1**	19.8

* See Note 27 for details regarding the change in accounting policy.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

11. Income tax expense continued

The tax on the Group's profit before tax is higher (2020: higher) than the UK statutory tax rate of 19.0% (2020: 19.0%) applicable to profits of the consolidated entities as follows:

	2021 £m	2020 restated* £m
Profit before income tax	**81.0**	61.2
Tax calculated at the UK statutory tax rate of 19.0% (2020: 19.0%)	**15.4**	11.6
Effects of:		
– Net expenses not deductible for tax purposes	**2.3**	2.3
– Tax losses and other temporary differences for which no deferred income tax asset was recognized	**–**	3.3
– Higher tax rates on overseas earnings	**4.0**	3.0
– Tax impact of increase in UK tax rates	**(0.8)**	(0.1)
Adjustments to tax charge in respect of previous periods:		
– UK	**0.6**	(0.2)
– Foreign	**0.6**	(0.1)
Total income tax expense	**22.1**	19.8

* See Note 27 for details regarding the change in accounting policy.

The Group effective tax rate (ETR) on profits before tax and goodwill impairment for the year is 27.3% (2020: 32.4%). The ETR at 27.3% comprises a current year tax charge of 25.8% and a net prior year tax charge of 1.5% arising from net under-provided UK and foreign tax.

The ETR for the Group's underlying business operations for the current year is 27.8% (2020: 26.8%), after removing the tax impact of non-operational exceptional and finance costs, the recognition of tax losses, the UK tax rate increase and prior years' items.

The ETR at 27.3% is further reconciled from the UK statutory tax rate of 19.0% by additional higher overseas Group taxes of 4.9%, prior years' tax charge of 1.5%, the net ETR increase of 2.9% for Group tax permanent and temporary differences and the credit impact of the increase in UK tax rates of 1.0%.

The Finance Act 2021, which received Royal Assent on 10 June 2021, increased the corporation tax rate from 19% to 25% from 1 April 2023. Where deferred tax assets and liabilities are expected to unwind after 1 April 2023, they have been revalued to reflect the rate change.

12. Property, plant and equipment

	Land and buildings				
	Freehold £m	Leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2020	11.9	10.8	1.2	34.1	58.0
Additions	–	0.4	2.6	1.3	4.3
Disposals	–	–	–	(1.4)	(1.4)
Reclassifications	0.3	0.1	(1.7)	1.3	–
Exchange differences	–	–	(0.1)	(0.2)	(0.3)
At 31 December 2020	**12.2**	**11.3**	**2.0**	**35.1**	**60.6**
Additions	**–**	**0.1**	**3.7**	**1.3**	**5.1**
Disposals	**–**	**(0.1)**	**–**	**(2.3)**	**(2.4)**
Reclassifications	**0.3**	**0.1**	**(2.2)**	**1.8**	**–**
Reclassifications with Goodwill and intangible assets (Note 13)	**–**	**–**	**(0.9)**	**0.6**	**(0.3)**
Exchange differences	**–**	**–**	**–**	**(0.3)**	**(0.3)**
At 31 December 2021	**12.5**	**11.4**	**2.6**	**36.2**	**62.7**
Accumulated depreciation and impairment					
At 1 January 2020	(3.7)	(4.8)	–	(22.9)	(31.4)
Charge for the year (Note 7)	(0.5)	(1.1)	–	(4.1)	(5.7)
Disposals	–	–	–	1.3	1.3
Exchange differences	–	–	–	(0.3)	(0.3)
At 31 December 2020	**(4.2)**	**(5.9)**	**–**	**(26.0)**	**(36.1)**
Charge for the year (Note 7)	**(0.5)**	**(1.1)**	**–**	**(3.7)**	**(5.3)**
Disposals	**–**	**0.1**	**–**	**2.3**	**2.4**
Reclassifications with Goodwill and intangible assets (Note 13)	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Exchange differences	**–**	**–**	**–**	**0.9**	**0.9**
At 31 December 2021	**(4.7)**	**(6.9)**	**–**	**(26.9)**	**(38.5)**
Net book value at 31 December 2021	**7.8**	**4.5**	**2.6**	**9.3**	**24.2**
Net book value at 31 December 2020	8.0	5.4	2.0	9.1	24.5

Depreciation charges are included within administrative expenses in the income statement. Depreciation is not charged on assets under construction.

Capital commitments in respect of property, plant and equipment
Capital expenditure of £0.5m (2020: £0.4m) has been contracted for but not provided for in the consolidated financial statements.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

13. Goodwill and intangible assets

	Goodwill £m	Computer software: Externally acquired £m	Computer software: Internally generated £m	Customer relationships and other acquired intangible assets £m	Internally generated product development costs £m	Total £m
Cost						
At 1 January 2020 as previously reported	78.3	30.8	16.9	33.0	4.9	163.9
Change in accounting policy*	—	(10.7)	—	—	—	(10.7)
Restated balance at 1 January 2020*	78.3	20.1	16.9	33.0	4.9	153.2
Additions (restated*)	—	2.6	2.8	—	0.9	6.3
Disposals	—	—	—	—	(0.2)	(0.2)
Exchange differences	—	—	0.1	—	—	0.1
At 31 December 2020	**78.3**	**22.7**	**19.8**	**33.0**	**5.6**	**159.4**
At 31 December 2020 as previously reported	**78.3**	**38.8**	**19.8**	**33.0**	**5.6**	**175.5**
Change in accounting policy*	**—**	**(16.1)**	**—**	**—**	**—**	**(16.1)**
Restated balance at 31 December 2020*	**78.3**	**22.7**	**19.8**	**33.0**	**5.6**	**159.4**
Additions**	**0.3**	**5.9**	**0.1**	**0.7**	**0.8**	**7.8**
Disposals	**—**	**—**	**(0.1)**	**—**	**(1.0)**	**(1.1)**
Reclassifications	**—**	**0.6**	**(0.6)**	**—**	**—**	**—**
Reclassifications with Property, plant and equipment (Note 12)	**—**	**(0.6)**	**0.9**	**—**	**—**	**0.3**
Exchange differences	**(0.9)**	**(0.1)**	**—**	**(0.5)**	**—**	**(1.5)**
At 31 December 2021	**77.7**	**28.5**	**20.1**	**33.2**	**5.4**	**164.9**

	Goodwill £m	Computer software: Externally acquired £m	Computer software: Internally generated £m	Customer relationships and other acquired intangible assets £m	Internally generated product development costs £m	Total £m
Accumulated amortization and impairment						
At 1 January 2020 as previously reported	(6.4)	(15.2)	(15.0)	(16.7)	(3.2)	(56.5)
Change in accounting policy*	—	3.7	—	—	—	3.7
Restated balance at 1 January 2020*	(6.4)	(11.5)	(15.0)	(16.7)	(3.2)	(52.8)
Charge for the year (Note 7) (restated*)	—	(1.8)	(1.2)	(2.6)	(0.8)	(6.4)
Disposals	—	—	—	—	0.2	0.2
Impairment loss (Note 7)	—	(0.4)	(0.2)	—	—	(0.6)
Exchange differences	—	—	0.1	(0.3)	—	(0.2)
At 31 December 2020	**(6.4)**	**(13.7)**	**(16.3)**	**(19.6)**	**(3.8)**	**(59.8)**
At 31 December 2020 as previously reported	**(6.4)**	**(19.5)**	**(16.3)**	**(19.6)**	**(3.8)**	**(65.6)**
Change in accounting policy*	**—**	**5.8**	**—**	**—**	**—**	**5.8**
Restated balance at 31 December 2020*	**(6.4)**	**(13.7)**	**(16.3)**	**(19.6)**	**(3.8)**	**(59.8)**
Charge for the year (Note 7)	**—**	**(2.4)**	**(0.9)**	**(2.2)**	**(0.9)**	**(6.4)**
Disposals	**—**	**—**	**—**	**—**	**0.7**	**0.7**
Reclassifications with Property, plant and equipment (Note 12)	**—**	**0.4**	**—**	**—**	**—**	**0.4**
Exchange differences	**—**	**(0.1)**	**—**	**(0.3)**	**—**	**(0.4)**
At 31 December 2021	**(6.4)**	**(15.8)**	**(17.2)**	**(22.1)**	**(4.0)**	**(65.5)**
Net book value at 31 December 2021	**71.3**	**12.7**	**2.9**	**11.1**	**1.4**	**99.4**
Net book value at 31 December 2020 (restated*)	71.9	9.0	3.5	13.4	1.8	99.6

* See Note 27 for details regarding the change in accounting policy.

** The additions in 'Goodwill' and 'Customer relationships and other acquired intangible assets' during the year relates to the acquisition of the assets of Q-Audit Pty Ltd and Q-Audit Limited (collectively referred to as 'Q-Audit'), a JAS-ANZ accredited healthcare auditing body based in Sydney, Australia, and Auckland, New Zealand on 1 February 2021. Q-Audit is made up of a team of experts who work with qualified external resources to support clients across Australia and New Zealand and predominantly certifies health service companies.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

13. Goodwill and intangible assets continued

Customer relationships and other acquired intangible assets consist of intangible assets externally acquired. Capitalized training course development costs are captured under internally generated product development costs.

Amortization charges are included within cost of sales or administrative expenses in the consolidated income statement, as appropriate.

Capital commitments in respect of computer software

£0.1m (2020: £nil) capital expenditure has been contracted for but not provided for in the consolidated financial statements.

Impairment tests for goodwill

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as Cash-Generating Units (CGUs). Goodwill is allocated to the Group's CGUs identified according to business stream operating segments.

The carrying value of each stream CGU has been determined by allocating all Group net operating assets, goodwill and other acquired intangibles to the appropriate stream. Where assets are used in the operation of more than one stream CGU, values have been allocated on the most appropriate pro-rated basis.

Year ended 31 December 2021

An operating segment-level summary of the goodwill allocation is presented below:

	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
2021	**5.3**	**28.1**	**0.4**	**37.5**	**71.3**

There are seven CGUs in total, spread across the four primary operating segments. Management considers it appropriate to disclose the details of these CGUs in line with the primary operating segments. The recoverable amount of each CGU within the aggregation of units in the table above is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering five years (2020: five years), based on a subset of the financial budgets and strategic plans approved by the Board, unless more specific and recent projections exist. Cash flows beyond the five-year period are extrapolated using a long-term growth rate for the CGUs based on a weighted average of rates obtained from the International Monetary Fund's World Economic Outlook Database for the countries in which the Group operates. The rate for each country is calculated based on the lower of:

- the average growth rates predicted for the five years 2022–2026;
- the predicted rate for 2026, which is the final year of the Group's five-year forecast; and
- the average growth rate of the past five years combined with the predicted rates for the five years 2022–2026.

Discount rates applied to the cash flow forecasts are pre-tax, derived using the capital asset pricing model and obtained from an independent third-party company with expertise in this area.

The following table sets out the key assumptions for the aggregated units:

	Knowledge %	Assurance Services %	Regulatory Services %	Consulting Services %
2021				
Revenue (% annual growth rate across the five-year plan)	**5.4**	**7.2–10.0**	**7.6**	**9.7–25.6**
Adjusted EBITDA margin (average % across the five-year plan)*	**32.6**	**14.7–25.0**	**36.8**	**15.5–23.1**
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	**4.6**	**8.5–13.5**	**5.7**	**18.6–55.9**
Long-term growth rate (%)	**1.5**	**1.3–1.5**	**1.4**	**1.5–1.7**
Pre-tax discount rate (%)	**17.7**	**16.3–17.4**	**14.8**	**13.0–16.2**

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

The impairment tests arrived at a range of headroom for the CGUs tested.

Significant estimate: impact of possible changes in key assumptions

The principal assumptions on which the impairment tests are performed are detailed above. The Group also undertakes sensitivity analysis tests on the key assumptions for each individual CGU and provided disclosure of all reasonably possible or foreseeable changes in the key assumptions that would cause the difference between the carrying value and the recoverable amount to be materially reduced to warrant further review and disclosure.

Result of the impairment tests

Management considers that no charge for impairment should be reported in the 2021 consolidated financial statements (2020: £nil) based on the impairment and the sensitivity analysis tests undertaken.

Year ended 31 December 2020

An operating segment-level summary of the goodwill allocation was presented below:

	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
2020	5.3	28.5	0.4	37.7	71.9

There were seven CGUs in total, spread across the four primary operating segments. Management considered it appropriate to disclose the details of these CGUs in line with the primary operating segments. The recoverable amount of each CGU within the aggregation of units in the table above was determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering five years, based on a subset of the financial budgets and strategic plans approved by the Board, unless more specific and recent projections exist. Cash flows beyond the five-year period were extrapolated using a long-term growth rate for the CGUs based on a weighted average of rates obtained from the International Monetary Fund's World Economic Outlook Database for the countries in which the Group operates. The rate for each country was calculated based on the lower of:

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

13. Goodwill and intangible assets continued

Year ended 31 December 2020 continued

- the average growth rates predicted for the five years 2021–2025;
- the predicted rate for 2025, which is the final year of the Group's five-year forecast; and
- the average growth rate of the past five years combined with the predicted rates for the five years 2021–2025.

Discount rates applied to the cash flow forecasts are pre-tax, derived using the capital asset pricing model and obtained from an independent third-party company with expertise in this area.

The following table sets out the key assumptions for the aggregated units:

	Knowledge %	Assurance Services %	Regulatory Services %	Consulting Services %
2020				
Revenue (% annual growth rate across the five-year plan)	5.8	3.6–13.0	12.9	8.4–9.8
Adjusted EBITDA margin (average % across the five-year plan)*	31.6	12.1–20.8	33.5	7.7–10.3
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	5.1	(1.1)–64.8	11.0	8.9–135.7
Long-term growth rate (%)	1.6	2.3–3.1	1.8	1.8–1.9
Pre-tax discount rate (%)	10.5	10.8–12.3	10.7	10.2

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

The impairment tests arrived at a range of headroom for the CGUs tested.

Significant estimate: impact of possible changes in key assumptions

The principal assumptions on which the impairment tests were performed are detailed above. The Group also undertook sensitivity analysis tests on the key assumptions for each individual CGU and believes that there were no reasonably possible or foreseeable changes in the key assumptions that would cause the difference between the carrying value and the recoverable amount to be materially reduced to warrant further review and disclosure.

Result of the impairment tests

Management considered that no charge for impairment should be reported in the 2020 consolidated financial statements based on the impairment and the sensitivity analysis tests undertaken.

14. Right-of-use assets and lease liabilities

The Group has lease contracts for properties, motor vehicles and other equipment used in its operations. Leases of properties generally have lease terms between two and fifteen years, while motor vehicles and other equipment generally have lease terms between two and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and sub-leasing the leased assets.

There are several lease contracts that include extension and termination options and variable lease payments.

The Group also has certain property leases with lease terms of one year or less and leases of other equipment with low-value underlying assets. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Properties £m	Motor vehicles £m	Other equipment £m	Total £m
Cost				
At 1 January 2020	61.1	7.7	0.2	69.0
Additions	4.4	1.2	–	5.6
Disposals	(4.2)	(1.0)	–	(5.2)
Exchange differences	0.1	0.1	–	0.2
At 31 December 2020	**61.4**	**8.0**	**0.2**	**69.6**
Additions	**4.8**	**1.7**	**–**	**6.5**
Disposals	**(4.8)**	**(1.9)**	**–**	**(6.7)**
Exchange differences	**(1.0)**	**(0.3)**	**–**	**(1.3)**
At 31 December 2021	**60.4**	**7.5**	**0.2**	**68.1**
Accumulated amortization and impairment				
At 1 January 2020	(28.2)	(2.9)	(0.1)	(31.2)
Charge for the year (Note 7)	(6.9)	(2.0)	(0.1)	(9.0)
Disposals	2.7	1.0	–	3.7
Exchange differences	–	(0.1)	–	(0.1)
At 31 December 2020	**(32.4)**	**(4.0)**	**(0.2)**	**(36.6)**
Charge for the year (Note 7)	**(6.5)**	**(2.2)**	**–**	**(8.7)**
Disposals	**4.3**	**1.9**	**–**	**6.2**
Exchange differences	**0.3**	**0.3**	**–**	**0.6**
At 31 December 2021	**(34.3)**	**(4.0)**	**(0.2)**	**(38.5)**
Net book value at 31 December 2021	**26.1**	**3.5**	**–**	**29.6**
Net book value at 31 December 2020	29.0	4.0	–	33.0

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

14. Right-of-use assets and lease liabilities continued

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2021 £m	2020 £m
At 1 January	**(45.0)**	(50.4)
Additions	**(6.5)**	(5.6)
Disposals	**0.5**	2.1
Accretion of interest (Note 10)	**(1.9)**	(2.2)
Payments	**11.9**	11.1
Exchange differences	**0.6**	—
At 31 December	**(40.4)**	(45.0)
Current	**(10.1)**	(9.2)
Non-current	**(30.3)**	(35.8)

The following are amounts recognized in the consolidated income statement:

	2021 £m	2020 £m
Properties	**6.5**	6.9
Motor vehicles	**2.2**	2.0
Other equipment	**—**	0.1
Depreciation of right-of-use assets	**8.7**	9.0
Interest expense (included in finance costs)	**1.9**	2.2
Expense relating to short-term and low-value leases	**0.1**	0.7
Total amount recognized in consolidated income statement	**10.7**	11.9

The total cash outflow for right-of-use asset leases in 2021 was £11.9m (2020: £11.1m).

15. Net retirement benefit obligations

The Group operates the following retirement benefit schemes:

a. Defined contribution schemes

The Group offers a group personal pension plan to all new UK employees. The associated costs for the year were £12.7m (2020: £11.5m). This includes salary sacrificed contributions.

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the year totalling £6.9m (2020: £5.3m).

b. Defined benefit schemes

i. UK defined benefit plan

The Group operates a defined benefit plan in the UK (the 'Plan') which provides benefits linked to salary on retirement or earlier date of leaving service. The Plan closed to new entrants and future accrual as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The Plan operates under the regulatory framework of the Pensions Act 2004. The Trustees have the primary responsibility for governance of the Plan. The Trustees comprise representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and Plan assets are held in a Trust which is governed by UK regulation.

The risks to which the Plan exposes the Group are as follows:

- Asset volatility – if Plan assets do not move in line with Plan liabilities then a deficit may arise. The Trustees hold a buy-in policy which broadly immunizes around £74m (2020: £83m) of the liabilities to changes in market conditions. The valuation of the buy-in policy is linked to movements in RPI while the valuation of pension liabilities is linked to movements in CPI. The Trustees monitor the appropriateness of the Plan's investment strategy, in consultation with the Company, on an ongoing basis.
- Inflation risk – a significant proportion of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).
- Longevity – increases in life expectancy will increase the period over which the benefits are expected to be payable, which increases the value placed on the Plan's liabilities.

A valuation of the UK defined benefit plan was carried out under the Statutory Funding Objective as at 31 March 2019. This revealed an ongoing funding level of 83% (31 March 2016: 80%). The Group subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2019. It requires contributions from the Group to improve the funding level of the Plan and to cover the expenses of running the Plan. The Group agreed to pay total contributions of £66.5m over the period from 1 April 2019 to 31 August 2024, replacing the previous annual contribution of £13.5m payable in March with monthly contributions payable from February 2020. As a result, the contributions to the retirement benefit plan for the year ended 31 December 2021 were £15.5m (2020: £27.1m, comprising the monthly payments and a one-off contribution of £12.9m in January 2020).

Contributions in respect of future service benefits ceased on 30 April 2010.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

15. Net retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Balance sheet

The amounts recognized in the balance sheet on an accounting basis are determined as follows:

	2021 £m	2020 £m
Present value of defined benefit obligations	**(428.6)**	(475.4)
Fair value of plan assets	**447.9**	441.7
Net asset/(liability) in the balance sheet	**19.3**	(33.7)

After review of the Trust deeds and rules of the pension scheme, the Directors have recognized the pension surplus as at 31 December 2021. In recognizing the surplus, we are being consistent in our accounting treatment, recognizing the accounting value generated using the principal assumptions set out below. The Directors have recognized the economic benefit considered to arise from either a reduction to future contributions or a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members and beneficiaries have left the plan.

The next triennial actuarial valuation will be performed as at 31 March 2022, at which date the Company and the Trustees will review how any remaining funding deficit will be closed and over what period. Any actuarial surplus at that time will remain in the pension scheme for the benefit of members until the point at which all benefits have been paid out or secured.

The movement in the defined benefit obligation over the year was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2020	(436.3)	378.9	(57.4)
Amounts (charged)/credited to the income statement:			
– Administration expenses	–	(0.6)	(0.6)
– Interest (expense)/income (Note 10)	(8.6)	7.7	(0.9)
	(8.6)	7.1	(1.5)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	–	44.1	44.1
– Loss from change in demographic assumptions	(1.9)	–	(1.9)
– Loss from change in financial assumptions	(45.9)	–	(45.9)
– Experience gains	1.8	–	1.8
	(46.0)	44.1	(1.9)
Contributions: Employers	–	27.1	27.1
Payments from plans: Disbursements	15.5	(15.5)	–
	15.5	11.6	27.1
At 31 December 2020	**(475.4)**	**441.7**	**(33.7)**
Amounts (charged)/credited to the income statement:			
– Administration expenses	**–**	**(0.6)**	**(0.6)**
– Interest (expense)/income (Note 10)	**(6.6)**	**6.2**	**(0.4)**
	(6.6)	**5.6**	**(1.0)**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	**–**	**1.5**	**1.5**
– Gain from change in demographic assumptions	**0.4**	**–**	**0.4**
– Gain from change in financial assumptions	**31.6**	**–**	**31.6**
– Experience gains	**5.0**	**–**	**5.0**
	37.0	**1.5**	**38.5**
Contributions: Employers	**–**	**15.5**	**15.5**
Payments from plans: Disbursements	**16.4**	**(16.4)**	**–**
	16.4	**(0.9)**	**15.5**
At 31 December 2021	**(428.6)**	**447.9**	**19.3**

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

15. Net retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Assumptions

The principal actuarial assumptions used were as follows:

	2021 % p.a.	2020 % p.a.
Rate of increase in salaries	**4.90**	4.00
Rate of revaluation in deferment	**3.00**	2.20
Pension increase rate:		
– RPI (min. 3%, max. 5%)	**3.65**	3.55
– CPI (min. 3%, max. 5%)	**3.45**	3.25
Discount rate	**2.00**	1.40
Inflation assumption – RPI	**3.30**	3.00
Inflation assumption – CPI	**2.75**	2.20

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics. Life expectancy at age 65 for a member currently aged 45 is 23.5 (2020: 23.5) years (men) or 26.0 (2020: 25.9) years (women). Life expectancy for a member currently aged 65 is 22.2 (2020: 22.1) years (men) or 24.6 (2020: 24.5) years (women).

The discount rate at 31 December 2021 was based on the Aon GBP Single Agency AA Curve which uses a dataset of all bonds rated AA by at least one of the main ratings agencies (31 December 2020: Aon GBP Single Agency AA Curve which uses a dataset of all bonds rated AA by at least one of the main ratings agencies).

Plan assets are comprised as follows:

	Value at 31 December 2021		Value at 31 December 2020	
	£m		£m	
Schroders Diversified Growth Fund	**20.5**	**5%**	148.9	34%
Absolute Return Strategies Fund	**—**	**—**	77.1	17%
M&G Credit Fund	**20.5**	**5%**	19.9	5%
LGIM Future World Global Equity	**73.2**	**16%**	—	—
Insight Short Dated Buy & Maintain Credit	**60.0**	**13%**	—	—
Schroders Liability-Driven Investments	**62.5**	**14%**	61.4	14%
Schroders Sterling Liquidity Plus	**110.9**	**25%**	23.2	5%
Alcentra Credit Fund	**18.3**	**4%**	15.2	3%
Cash	**8.4**	**2%**	13.0	3%
MetLife Annuity Policy	**73.6**	**16%**	83.0	19%
Total fair value of assets	**447.9**	**100%**	441.7	100%

The plan assets are unquoted at fund level, except for cash which is quoted.

The weighted average duration of the defined benefit obligation is sixteen years (2020: sixteen years).

Sensitivity analysis

The sensitivity of the net defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in present value of surplus at 31 December 2021		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	**0.25% p.a.**	**14.8**	**(16.2)**
Inflation rate*	**0.25% p.a.**	**(3.8)**	**3.8**
Salary escalation	**0.25%**	**(0.4)**	
Life expectancy	**1 year**	**(12.0)**	

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors).

ii. Other defined benefit schemes

The Group operates defined benefit pension schemes in Taiwan, Germany, Indonesia and the Philippines which provide benefits based on final pensionable salary and service. There are no assets associated with these schemes. The movement in the defined benefit obligation for schemes over the year are as follows:

	2021 £m	2020 £m
At 1 January	**(2.7)**	(2.2)
Charged to the income statement		
– service costs	**(0.2)**	(0.4)
– interest expense (Note 10)	**(0.1)**	—
Charged directly to reserves	**—**	(0.2)
Contributions	**0.3**	0.2
Exchange differences	**—**	(0.1)
At 31 December	**(2.7)**	(2.7)

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

15. Net retirement benefit obligations continued

b. Defined benefit schemes continued

iii. Re-measurements of post-employment benefit obligations recognized in the consolidated statement of comprehensive income

	2021 £m	2020 £m
Gain/(loss) on re-measurements of net retirement benefit surplus/(obligations)		
– UK	**38.5**	(1.9)
– Overseas	**—**	(0.2)
	38.5	(2.1)
Tax on re-measurements of net retirement benefit surplus/(obligations)		
– Deferred tax charge (Note 16)	**(11.2)**	(3.5)
– Current tax credit	**3.6**	4.8
Re-measurements of net retirement benefit surplus/(obligations), net of taxes	**30.9**	(0.8)

16. Deferred tax

	2021 £m	2020 restated* £m
Deferred tax assets:		
Gross deferred tax assets	**20.3**	26.0
Offset of balances within the same tax jurisdiction	**(14.6)**	(12.6)
Net deferred tax assets	**5.7**	13.4
– To be recovered after more than twelve months	**2.8**	8.6
– To be recovered within twelve months	**2.9**	4.8
Deferred tax liabilities:		
Gross deferred tax liabilities	**(22.1)**	(17.4)
Offset of balances within the same tax jurisdiction	**14.6**	12.6
Net deferred tax liabilities	**(7.5)**	(4.8)
– To be incurred after more than twelve months	**(7.1)**	(4.5)
– To be incurred within twelve months	**(0.4)**	(0.3)
Net deferred tax (liabilities)/assets	**(1.8)**	8.6

Movement on the net deferred tax account

	2021 £m	2020 restated* £m
At 1 January as previously reported	**6.7**	10.1
Change in accounting policy*	**1.9**	1.3
Restated balance at 1 January*	**8.6**	11.4
Credited to the income statement (Note 11)	**1.4**	0.5
Tax charged to equity relating to retirement benefit obligations	**(11.2)**	(3.5)
Tax (charged)/credited to equity relating to UK tax losses	**(0.9)**	0.9
Exchange differences	**0.3**	(0.7)
At 31 December	**(1.8)**	8.6

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

16. Deferred tax continued

Gross movement on the deferred tax account

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred tax assets	Accelerated capital allowances £m	Pension £m	Losses £m	Leases £m	Other temporary differences £m	Total £m
At 1 January 2020 as previously reported	2.2	10.0	1.6	10.8	6.1	30.7
Change in accounting policy*	1.3	—	—	—	—	1.3
Restated balance at 1 January 2020*	3.5	10.0	1.6	10.8	6.1	32.0
Credited/(charged) to the income statement (restated*)	0.6	—	(1.1)	(1.6)	(1.2)	(3.3)
(Charged)/credited directly to reserves	—	(3.5)	0.9	—	—	(2.6)
Exchange differences	—	(0.1)	(0.2)	—	0.2	(0.1)
At 31 December 2020	**4.1**	**6.4**	**1.2**	**9.2**	**5.1**	**26.0**
At 31 December 2020 as previously reported	**2.2**	**6.4**	**1.2**	**9.2**	**5.1**	**24.1**
Change in accounting policy*	**1.9**	**—**	**—**	**—**	**—**	**1.9**
Restated balance at 31 December 2020*	**4.1**	**6.4**	**1.2**	**9.2**	**5.1**	**26.0**
(Charged)/credited to the income statement	**(0.6)**	**—**	**1.2**	**(0.1)**	**1.0**	**1.5**
Charged directly to reserves	**—**	**(6.4)**	**(0.9)**	**—**	**—**	**(7.3)**
Exchange differences	**0.1**	**—**	**—**	**—**	**—**	**0.1**
At 31 December 2021	**3.6**	**—**	**1.5**	**9.1**	**6.1**	**20.3**

Deferred tax liabilities	Capitalized contract costs £m	Pension £m	Leases £m	Other temporary differences £m	Total £m
At 1 January 2020	(3.5)	—	(9.3)	(7.8)	(20.6)
Credited to the income statement	0.1	—	2.5	1.2	3.8
Exchange differences	(0.2)	—	(0.2)	(0.2)	(0.6)
At 31 December 2020	**(3.6)**	**—**	**(7.0)**	**(6.8)**	**(17.4)**
(Charged)/credited to the income statement	**(0.7)**	**—**	**0.3**	**0.3**	**(0.1)**
Charged directly to reserves	**—**	**(4.8)**	**—**	**—**	**(4.8)**
Exchange differences	**0.1**	**—**	**0.1**	**—**	**0.2**
At 31 December 2021	**(4.2)**	**(4.8)**	**(6.6)**	**(6.5)**	**(22.1)**

* See Note 27 for details regarding the change in accounting policy.

The deferred tax charged directly to equity during the period was £11.2m (2020: charge of £3.5m), which related to the retirement benefit obligation and a charge to release the UK tax losses £0.9m (2020: credit £0.9m).

There is no recognition in the consolidated financial statements of deferred tax on temporary differences associated with investments in subsidiaries as there is control by BSI over the dividend policies of its subsidiaries.

The carrying amount of deferred tax assets is recognized to the extent that the realization of the related tax benefit through future profits is probable.

The Group continues not to recognize deferred tax assets of £2.9m (2020: £5.3m) in respect of prior years' cumulative tax losses and other temporary differences amounting to £11.1m (2020: £18.8m) that can be carried forward against future taxable income. The USA Professional Services businesses continue not to meet the tests required for deferred tax asset recognition. The German business has recognized, in full, a deferred tax asset for prior years' accumulated losses based on its future taxable profit projections. There are no unrecognized losses in the current year.

Subsidiary companies across the Group hold undistributed earnings of £13.4m (2020: £10.0m) which, if paid out as dividends, would be subject to withholding tax in the hands of the recipient company. An assessable temporary difference exists, but no deferred tax liability has been recognized as the Group is able to control the timing of distributions and there are no current plans to distribute these profits.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

17. Trade and other receivables

	2021 £m	2020 £m
Trade receivables	**98.5**	95.1
Less: loss allowance (Note 3b)	**(3.4)**	(3.7)
Trade receivables – net	**95.1**	91.4
Other receivables	**15.9**	15.5
Prepayments	**14.5**	9.3
Accrued income	**33.3**	33.6
Total trade and other receivables	**158.8**	149.8
Less non-current portion:		
– Other receivables	**(10.7)**	(9.3)
Current portion of trade and other receivables	**148.1**	140.5

Trade and other receivables are non-interest bearing and are generally on 30–60 day (2020: 30–60 day) terms.

As the majority of the receivables are short term in nature, the fair values of trade and other receivables approximate to their carrying values as the impact of discounting is not significant.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021 £m	2020 £m
British Pounds Sterling	**46.9**	39.8
US Dollars	**58.0**	57.3
Euros	**16.3**	14.8
Chinese Renminbi	**5.3**	6.4
Japanese Yen	**5.1**	5.7
Australian Dollars	**3.1**	3.8
Other currencies	**24.1**	22.0
Total trade and other receivables	**158.8**	149.8

Movements on the Group loss allowance on trade receivables are as follows:

	2021 £m	2020 £m
At 1 January	**3.7**	2.5
Increase in loss allowance recognized in profit or loss during the year	**0.1**	1.6
Receivables written off during the year as uncollectable	**(0.1)**	(0.2)
Unused amounts reversed	**(0.3)**	(0.2)
At 31 December	**3.4**	3.7

The creation and release of the loss allowance on receivables have been included within administrative expenses in the income statement. Receivables are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold collateral as security.

18. Contract costs

Incremental costs of obtaining contacts, such as sales commissions, are capitalized and amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates (i.e. over the estimated period of benefit). Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the assets that the Group otherwise would have recognized is one year or less.

Movements on the contract costs balance are as follows:

	2021 £m	2020 £m
At 1 January	**16.0**	15.6
Capitalization during the year	**6.2**	5.4
Amortization during the year	**(5.1)**	(4.9)
Exchange differences	**(0.2)**	(0.1)
At 31 December	**16.9**	16.0

19. Inventories

	2021 £m	2020 £m
Consumables	**0.1**	0.1
Total inventories	**0.1**	0.1

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

20. Fixed-term deposits and cash and cash equivalents

a. Fixed-term deposits

The Group has invested £10.0m of cash in a fixed-term bank deposit as at 31 December 2021 (2020: £nil), subject to a notice period of 95 days. This is classified within the consolidated statement of cash flows under investing activities as it does not fall within the definition of cash and cash equivalents. In the consolidated balance sheet, this fixed-term deposit is shown within current assets.

b. Cash and cash equivalents

	2021 £m	2020 £m
Cash at bank and in hand, representing cash and cash equivalents	**177.1**	132.1

The Group held bank overdraft facilities of £2.8m (2020: £2.8m), on an unsecured basis, although none were in use at 31 December 2021 (2020: £nil). The balance above corresponds to cash and cash equivalents for the purposes of the cash flow statement.

c. Additional information on fixed-term deposits and cash and cash equivalents

The fair value of cash and short-term deposits at 31 December 2021 was £187.1m (2020: £132.1m). The maximum exposure to credit risk at the reporting date is the fair value of cash and short-term deposits mentioned above.

The interest rate risk profile and currency profile of cash and cash equivalents and fixed-term deposits were:

	2021				2020			
	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Currency								
British Pounds Sterling	—	57.8	71.0	128.8	—	30.2	55.9	86.1
Chinese Renminbi	—	16.3	—	16.3	—	13.4	—	13.4
US Dollars	—	0.6	15.3	15.9	—	0.2	7.6	7.8
Euros	0.5	0.2	5.0	5.7	0.2	0.3	6.5	7.0
Australian Dollars	—	—	4.7	4.7	—	—	6.0	6.0
Japanese Yen	1.9	—	0.2	2.1	1.8	—	0.1	1.9
Other currencies	1.5	0.1	12.0	13.6	2.1	—	7.8	9.9
Total	**3.9**	**75.0**	**108.2**	**187.1**	4.1	44.1	83.9	132.1

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

21. Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2020	1.4	1.3	2.7
Charged to the income statement	—	0.3	0.3
Amount utilized in the period	—	(0.1)	(0.1)
At 31 December 2020	**1.4**	**1.5**	**2.9**
Charged to the income statement	**—**	**0.2**	**0.2**
At 31 December 2021	**1.4**	**1.7**	**3.1**

The property provisions are held against dilapidations. The Group has used either the known position or a best estimate of the Group's potential exposure to calculate the potential cost to BSI Group over the remaining lease periods.

Other provisions relate to amounts required to cover end-of-service indemnities pursuant to the United Arab Emirates Federal Labour Law and other employment-related provisions.

Provisions are recognized at the best estimate of the expenditure required to settle the Group's liability.

Analysis of total provisions:

	2021 £m	2020 £m
Non-current	**2.8**	2.5
Current	**0.3**	0.4
Total provisions for liabilities and charges	**3.1**	2.9

Cash outflows associated with these provisions are uncertain but the majority are expected to materialize between three and five years. Given the uncertainty over timing of the eventual outflows they have not been discounted.

22. Trade and other payables

	2021 £m	2020 £m
Trade payables	**12.8**	9.3
VAT and sales taxes	**3.8**	6.4
Other taxes and social security	**6.7**	5.4
Other payables	**15.0**	16.2
Accruals	**75.8**	61.4
Deferred income	**40.4**	35.5
Total trade and other payables	**154.5**	134.2
Less non-current portion:		
– Trade and other payables	**(9.4)**	(8.9)
– Deferred income	**(0.2)**	—
Current portion of trade and other payables	**144.9**	125.3

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2021 £m	2020 £m
British Pounds Sterling	**61.7**	51.2
US Dollars	**33.1**	28.1
Euros	**15.3**	14.4
Chinese Renminbi	**15.4**	15.2
Japanese Yen	**3.8**	4.6
Australian Dollars	**4.5**	3.8
Other currencies	**20.7**	16.9
Total trade and other payables	**154.5**	134.2

Trade payables are non-interest bearing and are generally on 30–60 day (2020: 30–60 day) terms. Other payables are non-interest bearing and are generally on 30–90 day (2020: 30–90 day) terms.

As the majority of payables are short term in nature, the fair values of trade and other payables approximate to their carrying values as the impact of discounting is not significant.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

23. Financial assets

a. Financial assets by category

At 31 December 2021	Other financial assets £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments and accrued income (Note 17)	**111.0**
Fixed-term deposits (Note 20a)	**10.0**
Cash and cash equivalents (Note 20b)	**177.1**
Total	**298.1**

At 31 December 2021	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 22)	**114.1**
Lease liabilities (Note 14)	**40.4**
Total	**154.5**

At 31 December 2020	Other financial assets £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments and accrued income (Note 17)	106.9
Cash and cash equivalents (Note 20b)	132.1
Total	239.0

At 31 December 2020	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 22)	98.7
Lease liabilities (Note 14)	45.0
Total	143.7

b. Credit quality of financial assets

The Directors consider the credit risk associated with fully performing financial assets to be immaterial to the Group.

24. Contingent liabilities

In the normal course of its business the Group faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Group.

In relation to the acquisition or establishment of new businesses in overseas jurisdictions, the Group follows the requirements of local laws, regulations and conventions in the relevant jurisdictions. These may require the creation of structures or arrangements with vendors or local partners or other third parties whereby the Group assumes contingent liabilities of such parties which may or may not materialize. Taking into account experience to date, the Board has made provisions where appropriate.

In the normal course of its business, the Group from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Group.

25. Related party transactions

Transactions with related parties have been determined in accordance with IAS 24 and are disclosed below:

a. Pension scheme Trustees

Transactions with the pension scheme Trustees are disclosed in Note 15.

b. Key management

Key management of the Group includes the Directors (Executive and Non-Executive) and other members of the Executive Committee. Emoluments of the Directors are disclosed in the Directors' remuneration report on pages 67 to 79. Emoluments paid to other members of the Executive Committee for employee services are shown in the table below:

	2021 £m	2020 £m
Salaries and short-term benefits	**3.2**	3.3
Terminations and post-employment benefits	**0.2**	—
Other long-term benefits	**0.2**	—
Total emoluments	**3.6**	3.3

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

26. Interests in Group undertakings

Name	Registered office address	Country of incorporation or registration	Proportion held*	Activity
AirCert GmbH	Maria-Merian-Strasse 8, 85521, Ottobrunn, Germany	Germany	100%	Business services
British Standards Institution Group Iberia S.A.U.	Calle Juan Esplandiu, 15 3a plta, 28007, Madrid, Spain	Spain	100%	Business services
British Standards Institution Group Middle East WLC***	4605 Palm Tower B, West Bay, Doha, PO Box 27774, Qatar	Qatar	49%	Business services
BSI America Professional Services Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	Business services
App Sec Consulting, Inc.	6110 Hellyer Avenue, Suite 100, San Jose, CA, 95138, United States	USA	100%	Business services
BSI Services and Solutions (West) Inc.	2150 North First Street, Suite 450, San Jose, CA, 95131, United States	USA	100%	Business services
BSI Services and Solutions East Inc.	1187 Main Avenue, Suite 2B, Clifton, NJ, 07011, United States	USA	100%	Business services
BSI Services and Solutions (NYC) Inc.	80 State Street, Albany, NY, 12207, United States	USA	100%	Business services
BSI Assurance UK Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Brasil Sistemas de Gestao Ltda	Av. Pres. Juscelino Kubitschek, 1327 – 20° andar 04543-011 – São Paulo, Brasil	Brazil	100%	Business services
BSI Canada Professional Services Inc.	44 Chipman Hill Suite 1000, Saint John New Brunswick, E2L 2A9, Canada	Canada	100%	Business services
BSI Certification and Technical Training (Beijing) Limited	Room 2002, No. 24A Jianguomenwai Street, Chaoyang District, Beijing, 100004, China	China	100%	Business services
BSI Professional Services (Ireland) Limited (formerly known as BSI Cybersecurity and Information Resilience (Ireland) Limited)	Corrig Court, Corrig Road, Sandyford Industrial Estate, Dublin, D18C6K1, Ireland	Ireland	100%	Business services
BSI Professional Services UK Ltd (formerly known as BSI Cybersecurity and Information Resilience (UK) Limited)	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Group (Thailand) Co., Ltd	127/25 Panjathani Tower, 24th Floor, Nonsee Road, Chongnonsee, Yannawa, Bangkok, 10120, Thailand	Thailand	100%	Business services
BSI Group America Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	Business services
BSI Group ANZ Holdings Pty Ltd	Level 1, Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	Holding company
BSI Group ANZ Pty Limited	Level 23, 35 Castlereagh Street, Sydney, NSW 2000, Australia	Australia	100%	Business services
BSI Group Assurance Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Group Australia Holdings PTY Limited	Level 1, 54 Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	Holding company
BSI Group Canada Inc.	Brookfield Place, 181 Bay Street, Suite 1800, Toronto, M5J 2T9, Canada	Canada	100%	Business services
BSI Group Deutschland GmbH	Eastgate, Hanauer Landstrasse 115, 60314, Frankfurt a.m., Germany	Germany	100%	Business services
BSI Group Eurasia Belgelendirrme Hizmetleri Limited Sirketi	Degirmen Sk No: 16 Ar Plaza, A-Blok Kat: 6 Ofis: 61–62, Kozyatagi – Kadikoy, Erenkoy, Istanbul, Turkey	Turkey	100%	Business services
BSI Group France Sarl***	76 route de la Demi-Lune Les Collines de l'Arche Bat. Opera E, 7ème étage 92057 Paris La Defense Cedex, France	France	98%	Business services

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

26. Interests in Group undertakings continued

Name	Registered office address	Country of incorporation or registration	Proportion held*	Activity
BSI Group Holdings The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, Netherlands	The Netherlands	100%	Holding company
BSI Group India Private Limited	A-2 Mira Corporate Suites, Plot 1 & 2, Ishwar Nagar, Mathura Road, New Delhi, 110020, India	India	100%	Business services
BSI Group Italia S.R.L.	Via Gustavo Fara, 35 20124, Milano, Italy	Italy	100%	Business services
BSI Group Japan K.K	Ocean Gate Minato Mirai 3F 3-7-1 Minato Mirai, Nishiku Yokohama, Kanagawa 220-012, Japan	Japan	100%	Business services
BSI Group Korea Limited	Insa-dong, Tdehwa Bldgo, 8th Floor, 29 Insa-dong, 5-gil, Jongo-gu, Seoul, South Korea	South Korea	100%	Business services
BSI Group KSA	Office No. 4, Rawana Plaza, 7925 Uthman ibn Affan, Al Taawun, Riyadh 12478 – 4080, Saudi Arabia	Saudi Arabia	100%	Business services
BSI Group Mexico S dr RL de CV	Av. Paseo de la Reforma 505, Piso 50, 06500 Ciudad de México, CDMX, Mexico	Mexico	100%	Business services
BSI Group New Zealand Limited	Gannaway Mercer Ltd, Chartered Accountants, 11a Wynyard Street, Devonport, Auckland 0624, New Zealand	New Zealand	100%	Business services
BSI Group Nordics AB	c/o Hummelkläppen i Stockholm AB, Villagatan 19, 114 32 Stockholm, Sweden	Sweden	100%	Business services
BSI Group Polska Spolka z o.o.	UL Krolewska, nr. 16, Lok, Kod 00-103, Poczta, Warszawa, Poland	Poland	100%	Business services
BSI Group Singapore Pte Limited	77 Robinson Road, Unit #28-01 & #28-03, 068896, Singapore	Singapore	100%	Business services
BSI Group South Africa (Pty) Limited***	De Haviland Crescent Nr. 5, Ill Villaggio Nr. 12, Persequor, Pretoria, South Africa	South Africa	74%	Business services
BSI Group The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, Netherlands	The Netherlands	100%	Business services
BSI Healthcare Saudi Arabia LLC	SFDA Building, 2nd Floor Office, 854 Al Olaya Street, Riyadh, Al Ghadheer Area, Saudi Arabia	Saudi Arabia	100%	Business services
BSI International Projects Sarl	76 route de la Demi-Lune Les Collines de l'Arche Bat. Opera E, 7ème étage 92057 Paris La Defense Cedex, France	France	100%	Business services
BSI Limited**	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Management Systems Certification (Beijing) Co. Ltd	Room 2008, East Ocean Centre, No. 24A Jianguomenwai Street, Beijing, 100004, China	China	100%	Business services
BSI Management Systems CIS LLC	Panfilova str. 19/4, Khimki, 141407, Moscow reg., Russian Federation	Russia	100%	Business services
BSI Management Systems Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Management Systems Ltd – Abu Dhabi Branch	Suite 1303 13th Floor, Al Niyadi Building Airport Road, Abu Dhabi, United Arab Emirates	United Arab Emirates	100%	Business services
BSI Management Systems Ltd - Dubai Branch	Suite 208 Sultan Business Centre P.O. Box: 26444, Dubai, United Arab Emirates	United Arab Emirates	100%	Business services
BSI Pacific Limited	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	Business services

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

26. Interests in Group undertakings continued

Name	Registered office address	Country of incorporation or registration	Proportion held*	Activity
BSI Pacific Limited – Taiwan Branch	2nd Floor, No.37, Ji Hu Road, Nei Hu District, Taipei, Taiwan	Taiwan	100%	Business services
BSI Pension Trust Limited**	389 Chiswick High Road, London W4 4AL, England	England	100%	Pension plan trustee
BSI Professional Services Asia Pacific Limited	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	Business services
BSI Professional Services EMEA Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Professional Services Holdings Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Professional Services Japan Co., Limited	Ocean Gate Minato Mirai 3F 3-7-1 Minato Mirai, Nishiku Yokohama, Kanagawa 220-012, Japan	Japan	100%	Business services
BSI Services (Asia Pacific) Sdn Bhd	Suite 25.01, Level 25, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	100%	Business services
BSI Services (Singapore) Pte Ltd	331 North Bridge Road #12-03, Odeon Towers, 188720, Singapore	Singapore	100%	Business services
BSI Services Holdings Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Services Malaysia Sdn Bhd	56, Jalan Kempas Utama 2/2 Taman Kempas Utama, 81300 Johor, Malaysia	Malaysia	100%	Business services
BSI Standards Holdings Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Standards Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Vietnam Co., Ltd	Suite 1106, 11F/L Citilight Tower, 45 Vo Thi Sau Street, Dakao Ward, District 1, Ho Chi Minh City, Vietnam	Vietnam	100%	Business services
Hypercat Alliance Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
Neville-Clarke (M) Sdn Bhd***	Level 15-2 Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	30%	Business services
Neville-Clarke (Singapore) Pte Ltd	331 North Bridge Road, #12-03 Odeon Towers, 188720, Singapore	Singapore	100%	Business services
Neville-Clarke International Sdn Bhd	Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	100%	Business services
Neville-Clarke International Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Group Philippines, Inc***	Unit 2408, The Orient Square, Emerald Avenue, Ortigas Center, Pasig City, The Philippines	The Philippines	>99%	Business services
PT BSI Group Indonesia	Talavera Office Park, Jl. TB. Simatupang Kav.2, Talaver 2 Suite, 20 Floor, Jakarta 12430, Indonesia	Indonesia	100%	Business services
PT Neville-Clarke Indonesia	Talavera Office Park, Jl. TB Simatupang Kav.2, Talavera 2 Suite 20 Floor, Jakarta 12430, Indonesia	Indonesia	100%	Business services

* Percentage of ordinary share capital.

** Companies directly owned by The British Standards Institution.

*** The non-controlling shareholders have no residual interest in the companies' assets; therefore, the Group consolidates 100% of the companies' assets and results.

All the above subsidiaries are controlled by the Group and are accounted for by acquisition accounting.

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

27. Change in accounting policy

Prior to 1 January 2021, the Group has capitalized costs incurred in implementing Software as a Service (SaaS) arrangements as intangible assets, which was in line with applicable accounting practice at that time. These costs were mainly related to undertaking and implementing the configuration and customization of the software to required specification and the capitalized costs were amortized on a straight-line basis over three to five years, or the length of the licence as appropriate.

In March 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision where it was concluded that the configuration and customization costs incurred in implementing a SaaS arrangement should be expensed because customers do not control the software but only receive the right to access the cloud provider's software and as a result the costs do not meet the recognition criteria of an asset under IAS38. This was ratified by the International Accounting Standards Board (IASB) in April 2021.

Considering the agenda decision on SaaS by IFRIC, the Group has made a voluntary change in accounting policy to de-recognize assets related to SaaS arrangements from the balance sheet and expense the costs through the income statement in the year in which they were incurred. This change resulted in retrospective restatement of prior year financial statements and disclosure in the notes. The details of the significant changes and quantitative impact of the changes are set out below.

The impact of the voluntary change in accounting policy on the Group's consolidated financial statements for the prior periods is summarized in the tables below.

Consolidated balance sheet (extract)

	31 December 2020 as previously reported £m	Adjustments £m	**31 December 2020 (restated) £m**	1 January 2020 as previously reported £m	Adjustments £m	**1 January 2020 (restated) £m**
Intangible assets	38.0	(10.3)	**27.7**	35.5	(7.0)	**28.5**
Deferred tax assets	11.5	1.9	**13.4**	16.4	1.3	**17.7**
Other assets	430.4	—	**430.4**	389.5	—	**389.5**
Total assets	479.9	(8.4)	**471.5**	441.4	(5.7)	**435.7**
Total liabilities	(230.6)	—	**(230.6)**	(234.0)	—	**(234.0)**
General reserves	247.7	(8.4)	**239.3**	204.4	(5.7)	**198.7**
Translation reserves	1.6	—	**1.6**	3.0	—	**3.0**
Total equity	249.3	(8.4)	**240.9**	207.4	(5.7)	**201.7**

Consolidated income statement (extract)

	2020 as previously reported £m	Adjustments £m	**2020 (restated) £m**
Revenue	539.3	—	**539.3**
Cost of sales	(268.7)	(0.3)	**(269.0)**
Selling and distribution expenses	(72.2)	—	**(72.2)**
Administrative expenses	(131.0)	(3.0)	**(134.0)**
Finance income	0.2	—	**0.2**
Finance costs	(3.1)	—	**(3.1)**
Income tax expense	(20.4)	0.6	**(19.8)**
Profit for the year	44.1	(2.7)	**41.4**

Consolidated statement of comprehensive income (extract)

	2020 as previously reported £m	Adjustments £m	**2020 (restated) £m**
Profit for the year	44.1	(2.7)	**41.4**
Other comprehensive loss for the year, net of tax	(2.2)	—	**(2.2)**
Total comprehensive income for the year	41.9	(2.7)	**39.2**

Consolidated statement of cash flows (extract)

	2020 as previously reported £m	Adjustments £m	**2020 (restated) £m**
Profit before income tax	64.5	(3.3)	**61.2**
Adjustment for amortization of intangible assets	8.5	(2.1)	**6.4**
Others	(2.2)	—	**(2.2)**
Net cash generated from operating activities	70.8	(5.4)	**65.4**
Purchases of intangible assets	(11.7)	5.4	**(6.3)**
Others	10.7	—	**10.7**
Net cash (used in)/generated from investing activities	(1.0)	5.4	**4.4**
Net cash used in financing activity	(8.9)	—	**(8.9)**
Closing cash and cash equivalents	132.1	—	**132.1**

Notes to the consolidated financial statements continued

for the year ended 31 December 2021

27. Change in accounting policy continued

The change further affected some of the amounts disclosed in notes 5, 7, 11, 13 and 16. See below:

5. Segment information (extract)

2020	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Governance/ support functions £m	Total £m
Operating profit as previously reported	29.3	78.9	68.3	9.2	(118.3)	67.4
Adjustments	(0.3)	(0.2)	(3.0)	—	0.2	(3.3)
Restated operating profit	**29.0**	**78.7**	**65.3**	**9.2**	**(118.1)**	**64.1**
Depreciation and amortization as previously reported	(1.1)	(3.4)	(0.9)	(0.2)	(17.6)	(23.2)
Adjustments	—	0.1	0.4	—	1.6	2.1
Restated depreciation and amortization	**(1.1)**	**(3.3)**	**(0.5)**	**(0.2)**	**(16.0)**	**(21.1)**
Income tax expense	—	—	—	—	(20.4)	(20.4)
Adjustments	—	—	—	—	0.6	0.6
Restated income tax expense	**—**	**—**	**—**	**—**	**(19.8)**	**(19.8)**

7. Operating profit (extract)

	2020 as previously reported £m	Adjustments £m	**2020 (restated) £m**
Amortization of intangible assets	8.5	(2.1)	**6.4**

11. Income tax expense (extract)

	2020 as previously reported £m	Adjustments £m	**2020 (restated) £m**
Deferred tax – origination and reversal of temporary differences	0.6	(0.6)	**—**

13. Goodwill and intangible assets (extract)

		Computer software				
2020	Goodwill £m	Externally acquired £m	Internally generated £m	Customer relationships and other acquired intangible assets £m	Internally generated product development costs £m	Total £m
Cost – additions as previously reported	—	8.0	2.8	—	0.9	11.7
Adjustments	—	(5.4)	—	—	—	(5.4)
Restated cost – additions	**—**	**2.6**	**2.8**	**—**	**0.9**	**6.3**
Accumulated amortization and impairment – charge for the year as previously reported	—	(3.9)	(1.2)	(2.6)	(0.8)	(8.5)
Adjustments	—	2.1	—	—	—	2.1
Restated accumulated amortization and impairment – charge for the year	**—**	**(1.8)**	**(1.2)**	**(2.6)**	**(0.8)**	**(6.4)**

16. Deferred tax (extract)

2020	Accelerated capital allowances £m	Pension £m	Losses £m	Leases £m	Other temporary differences £m	Total £m
Deferred tax assets – credited/ (charged) to the income statement as previously reported	—	—	(1.1)	(1.6)	(1.2)	(3.9)
Adjustments	0.6	—	—	—	—	0.6
Restated deferred tax assets – credited/(charged) to the income statement	**0.6**	**—**	**(1.1)**	**(1.6)**	**(1.2)**	**(3.3)**

Parent company balance sheet

as at 31 December 2021

The British Standards Institution
Registered number ZC000202

	Note	2021 £m	2020 restated* £m
Fixed assets			
Intangible assets	5	**9.4**	8.4
Tangible assets	6	**9.2**	10.0
Investment in subsidiaries	7	**68.3**	68.3
Net defined benefit pension surplus	8	**19.3**	—
		106.2	86.7
Current assets			
Debtors (including £nil (2020: £6.6m) due after one year)	9	**147.2**	188.7
Fixed-term deposits	10	**10.0**	—
Cash at bank and in hand		**125.4**	87.2
		282.6	275.9
Creditors – amounts falling due within one year	11	**(271.3)**	(251.7)
Net current assets		**11.3**	24.2
Total assets less current liabilities		**117.5**	110.9
Net defined benefit pension liability	8	**—**	(33.7)
Provision for liabilities	12	**(0.1)**	(0.1)
Deferred tax liabilities	13	**(4.3)**	—
Net assets		**113.1**	77.1
Reserves			
Revaluation reserves		**4.3**	4.3
Retained earnings		**108.8**	72.8
Total equity		**113.1**	77.1

* The Company has applied the impact of a change in accounting policy retrospectively. See Note 20 for details regarding the change in accounting policy.

The Company's profit for the year ended 31 December 2021 was £6.0m (2020 loss restated: £0.5m).

The accompanying notes on pages 132 to 142 form an integral part of the parent company financial statements.

The financial statements on pages 130 and 131 were approved by the Board of Directors on 20 April 2022 and were signed on its behalf by:

Sara Dickinson
Chief Financial Officer
20 April 2022

Parent company statement of changes in equity

for the year ended 31 December 2021

	Revaluation reserves £m	Retained earnings £m	Total £m
At 1 January 2020 as previously reported	**4.3**	**78.8**	**83.1**
Change in accounting policy (net of tax)*	—	(5.0)	(5.0)
Restated balance at 1 January 2020*	**4.3**	**73.8**	**78.1**
Loss for the year net of tax (restated*)	—	(0.5)	(0.5)
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	—	(0.5)	(0.5)
At 31 December 2020	**4.3**	**72.8**	**77.1**
At 31 December 2020 as previously reported	**4.3**	**80.4**	**84.7**
Change in accounting policy (net of tax)*	—	(7.6)	(7.6)
Restated balance at 31 December 2020*	**4.3**	**72.8**	**77.1**
Profit for the year, net of tax	—	6.0	6.0
Tax charged relating to UK tax losses	—	(0.9)	(0.9)
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	—	30.9	30.9
At 31 December 2021	**4.3**	**108.8**	**113.1**

* See Note 20 for details regarding the change in accounting policy.

Retained earnings

Retained earnings represent accumulated comprehensive income for the year and prior years.

Revaluation reserves

The revaluation reserves arose on the revaluation of an investment property when the asset was reclassified from an investment property to tangible assets on transition to FRS 102. The balance includes the associated deferred tax of £0.9m (2020: £0.9m).

Notes to the parent company financial statements

1. Statement of compliance

The individual financial statements of The British Standards Institution have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" (FRS 102), and the Companies Act 2006.

2. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

b. Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. A review of the going concern and viability of the Group is disclosed on pages 83 and 84.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions:

- FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included in the Group consolidated financial statements; and
- FRS 102 paragraph 1.12(e), from disclosing key management personnel compensation in total.

d. Exemptions under the Companies Act 2006

In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account of The British Standards Institution has not been separately presented in these financial statements. The retained profit for the year is shown in the statement of changes in equity.

e. Foreign currencies

i. Functional and presentation currency

The Company's functional and presentation currency is the British Pound Sterling (£) and all values are rounded to the nearest £100,000 except when otherwise indicated.

ii. Transactions and balances

Transactions denominated in foreign currencies are translated into Sterling at contracted rates or, where no contract exists, at average monthly rates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are taken to the profit and loss account.

f. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is calculated net of value added tax, returns, rebates and discounts allowed by the Company.

The Company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Significant categories of revenue and the recognition criteria for each are detailed below.

i. Rendering of services

Membership, subscriptions and annual management fees provide varying levels of service, which can include access to information services, published standards information, newsletters, advisory services, discounts on products and invitations to events and seminars. Revenue is spread over the life of the arrangement, which is normally one year but can vary depending on the level of service and specific agreements with customers.

ii. Copyright and royalty income

The Company recognizes copyright and royalty income on an accrual basis or when it is advised by the customer, generally on a monthly basis. Where there are licence arrangements, fees are spread over the life of the licence.

g. Interest income

Interest income is recognized on a time-proportion basis using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

h. Dividend income

Dividend income is recognized when the right to receive payment is established.

i. Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Notes to the parent company financial statements continued

for the year ended 31 December 2021

2. Principal accounting policies continued

i. Financial instruments continued

i. Financial assets

Basic financial instruments, including trade and other receivables, cash at bank and loans to fellow subsidiary companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortized cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortized cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit or loss.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognized in the profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party which has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method. The Company does not hold or issue any other financial liabilities for trading purposes.

j. Finance and operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Lease incentives

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market values.

The Company does not have any finance leases.

k. Fixed-term deposits

Fixed-term deposits are liquid investments with original maturities of over three months.

l. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

m. Investment in Group undertakings

Investments are stated at cost less any provision for impairment in value. Impairment testing is conducted whenever indicators of impairment are present.

n. Intangible assets

Computer software

Acquired computer software is capitalized based on the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over three to five years, or the length of licence as appropriate. Costs incurred in customising, configuring and implementing a Software as a Service (SaaS) arrangement are expensed in the year in which they are incurred.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Costs include the software development employee costs. The application and infrastructure development costs of product delivery websites are also capitalized where the same criteria can be met. These assets are amortized on a straight-line basis over three to five years.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

o. Tangible fixed assets

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Under the transition provisions of FRS 102, the Company reclassified an investment property as a tangible asset at fair value on the date of transition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the parent company financial statements continued

for the year ended 31 December 2021

2. Principal accounting policies continued

o. Tangible fixed assets continued

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Freehold buildings and improvements	20 years
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal factors that the Company takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the income statement.

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

p. Provisions for liabilities and charges

A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

q. Contingent liabilities

Contingent liabilities, arising as a result of past events, are not recognized when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date, or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are described in the financial statements unless the probability of an outflow of resources is remote.

r. Employee benefits

i. Defined benefit pension schemes

The Company operates a funded defined benefit scheme in the UK, administered by independent Trustees. The scheme is closed to new entrants and closed to future accrual of pension.

The Company's net obligation in respect of the defined benefit pension scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the scheme up to 30 April 2010 (the date the scheme closed to the accrual of benefits). That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

The valuation of the Company's net obligation is performed by an independent qualified actuary as appointed by the Company. Pension scheme assets are measured using market values for quoted assets. The MetLife Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 8. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent duration and currency to the liability.

The income statement charge is split between an operating charge and a net finance charge. The operating charge relates to administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme using that same discount rate, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in the period in which they arise.

ii. Defined contribution pension schemes

The Company pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts. The contributions are recognized as employee benefit expense when they are due.

s. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been substantively enacted by the period end.

Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes a provision where appropriate on the basis of amounts expected to be paid to the authorities.

t. Deferred taxation

Deferred tax arises from timing differences between the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in the financial statements.

Deferred tax is recognized on all timing differences at the reporting date with some exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profit.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

u. Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

3. Change in accounting policy

The Company has made a voluntary change in accounting policy to de-recognize assets related to Software as a Service (SaaS) arrangements from the Balance Sheet and expense the costs through the Income Statement in the year in which they were incurred. This change resulted in retrospective restatement of prior year financial statements and disclosure in the notes. The details of accounting policy under this change are disclosed in Note 2(n) and the impact of related changes is disclosed in Note 20.

Notes to the parent company financial statements continued

for the year ended 31 December 2021

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilization and the physical condition of the assets. See Note 6 for the carrying amount of tangible assets and Note 2o for the useful lives applied for each asset class.

b. Useful economic lives of intangible assets

The useful economic lives used to amortize intangible assets relate to the expected future performance of the assets acquired and management's estimate of the period over which the economic benefit will be derived from the asset. The estimated useful life of these intangible assets is three to five years. See Note 5 for the carrying amount of the intangible assets.

c. Defined benefit scheme

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary. The liabilities allow for indexation of benefits in line with the Consumer Prices Index (CPI).

After review of the Trust deeds and rules of the pension scheme, the Directors have recognized the pension surplus as at 31 December 2021. In recognizing the surplus, we are being consistent in our accounting treatment, recognizing the accounting value generated using the principal assumptions set out below. The Directors have recognized the economic benefit considered to arise from either a reduction to future contributions or a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members and beneficiaries have left the plan.

The next triennial actuarial valuation will be performed as at 31 March 2022, at which date the Company and the Trustees will review how any remaining funding deficit will be closed and over what period. Any actuarial surplus at that time will remain in the pension scheme for the benefit of members until the point at which all benefits have been paid out or secured.

The principal assumptions and a sensitivity analysis are detailed in Note 8.

d. Investments

FRS 102 requires management to undertake an annual test for impairment of investments, to test for impairment if events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of investments can be supported by the net present value of future cash flows derived from such investments using cash flow projections which have been discounted at an appropriate rate. Further details of investments can be seen in Note 7.

5. Intangible assets

	Computer software £m
Cost	
At 1 January 2020	32.0
Change in accounting policy*	(10.8)
Restated balance at 1 January 2020*	**21.2**
Additions (restated*)	2.4
Disposals	(0.3)
At 31 December 2020	**23.3**
At 31 December 2020 as previously reported	**39.4**
Change in accounting policy*	**(16.1)**
At 31 December 2020 (restated*)	**23.3**
Additions	**3.0**
At 31 December 2021	**26.3**
Accumulated amortization and impairment	
At 1 January 2020 as previously reported	(17.6)
Change in accounting policy*	4.8
Restated balance at 1 January 2020*	**(12.8)**
Charge in the year (restated*)	(2.1)
At 31 December 2020	**(14.9)**
At 31 December 2020 as previously reported	**(21.7)**
Change in accounting policy*	**6.8**
At 31 December 2020 (restated*)	**(14.9)**
Charge in the year	**(2.0)**
At 31 December 2021	**(16.9)**
Net book value at 31 December 2021	**9.4**
Net book value at 31 December 2020 (restated*)	**8.4**

* See Note 20 for details regarding the change in accounting policy.

Notes to the parent company financial statements continued

for the year ended 31 December 2021

6. Tangible assets

	Freehold land, buildings and improvements £m	Short leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2020	5.6	5.8	0.2	6.6	18.2
Additions	–	–	0.3	–	0.3
Disposals	–	–	–	(0.1)	(0.1)
Reclassifications	–	–	(0.2)	0.2	–
At 31 December 2020	**5.6**	**5.8**	**0.3**	**6.7**	**18.4**
Additions	**–**	**–**	**0.7**	**–**	**0.7**
Disposals	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Reclassifications	**–**	**–**	**(0.7)**	**0.7**	**–**
At 31 December 2021	**5.6**	**5.8**	**0.3**	**7.0**	**18.7**
Accumulated depreciation and impairment					
At 1 January 2020	(0.2)	(2.3)	–	(4.6)	(7.1)
Charge in the year	(0.1)	(0.7)	–	(0.5)	(1.3)
At 31 December 2020	**(0.3)**	**(3.0)**	**–**	**(5.1)**	**(8.4)**
Charge in the year	**(0.1)**	**(0.6)**	**–**	**(0.4)**	**(1.1)**
At 31 December 2021	**(0.4)**	**(3.6)**	**–**	**(5.5)**	**(9.5)**
Net book value at 31 December 2021	**5.2**	**2.2**	**0.3**	**1.5**	**9.2**
Net book value at 31 December 2020	5.3	2.8	0.3	1.6	10.0

7. Investment in subsidiaries

	2021 £m	2020 £m
Cost at 1 January	**68.3**	68.3
Additions	**–**	–
Cost at 31 December	**68.3**	68.3

The Directors consider that the fair value of investments is not less than their carrying value.

A list of subsidiaries is provided in Note 26 to the consolidated financial statements.

8. Pension obligations

The Company operates the following retirement benefit schemes:

a. Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Company offers a group personal pension plan to all new UK employees. The costs for the year were £3.0m (2020: £2.6m). This includes salary sacrificed contributions.

b. Defined benefit scheme

The Company operates a defined benefit plan in the UK (the 'Plan') which provides benefits linked to salary on retirement or earlier date of leaving service. The Plan closed to new entrants and future accrual, as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The Plan operates under the regulatory framework of the Pensions Act 2004. The Trustees have the primary responsibility for governance of the Plan. The Trustees comprise representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and the Plan assets are held in a Trust which is governed by UK regulation.

A valuation of the UK defined benefit plan was carried out under the Statutory Funding Objective as at 31 March 2019. This revealed an ongoing funding level of 83% (31 March 2016: 80%). The Company subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2019. It requires contributions from the Company to improve the funding level of the Plan and to cover the expenses of running the Plan. The Company agreed to pay additional contributions of £66.5m over the period from 1 April 2019 to 31 August 2024. Contributions in respect of future service benefits ceased on 30 April 2010.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary as required by FRS 102.

The liabilities at the disclosure date allow for indexation in line with the Consumer Prices Index.

The Company paid a total of £15.5m in contributions to the fund during the year (2020: £27.1m).

8. Pension obligations continued

b. Defined benefit scheme continued

The amounts recognized in the balance sheet on an accounting basis are determined as follows:

	2021 £m	2020 £m
Present value of defined benefit obligations	**(428.6)**	(475.4)
Fair value of plan assets	**447.9**	441.7
Net asset/(liability) in the balance sheet	**19.3**	(33.7)

After review of the Trust deeds and rules of the pension scheme, the Directors have recognized the pension surplus as at 31 December 2021. In recognizing the surplus, we are being consistent in our accounting treatment, recognizing the accounting value generated using the principal assumptions set out below. The Directors have recognized the economic benefit considered to arise from either a reduction to future contributions or a refund of the surplus assuming the gradual settlement of plan liabilities over time until all members and beneficiaries have left the plan.

The next triennial actuarial valuation will be performed as at 31 March 2022, at which date the Company and the Trustees will review how any remaining funding deficit will be closed and over what period. Any actuarial surplus at that time will remain in the pension scheme for the benefit of members until the point at which all benefits have been paid out or secured.

The movement in the defined benefit obligation over the year was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2020	(436.3)	378.9	(57.4)
Amounts (charged)/credited to the income statement:			
– Administration expenses	—	(0.6)	(0.6)
– Interest (expense)/income	(8.6)	7.7	(0.9)
	(8.6)	7.1	(1.5)
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	—	44.1	44.1
– Loss from change in demographic assumptions	(1.9)	—	(1.9)
– Loss from change in financial assumptions	(45.9)	—	(45.9)
– Experience gains	1.8	—	1.8
	(46.0)	44.1	(1.9)
Contributions: Employers	—	27.1	27.1
Payments from plans: Disbursements	15.5	(15.5)	—
	15.5	11.6	27.1
At 31 December 2020	**(475.4)**	**441.7**	**(33.7)**
Amounts (charged)/credited to the income statement:			
– Administration expenses	**—**	**(0.6)**	**(0.6)**
– Interest (expense)/income	**(6.6)**	**6.2**	**(0.4)**
	(6.6)	**5.6**	**(1.0)**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	**—**	**1.5**	**1.5**
– Gain from change in demographic assumptions	**0.4**	**—**	**0.4**
– Gain from change in financial assumptions	**31.6**	**—**	**31.6**
– Experience gains	**5.0**	**—**	**5.0**
	37.0	**1.5**	**38.5**
Contributions: Employers	**—**	**15.5**	**15.5**
Payments from plans: Disbursements	**16.4**	**(16.4)**	**—**
	16.4	**(0.9)**	**15.5**
At 31 December 2021	**(428.6)**	**447.9**	**19.3**

Notes to the parent company financial statements continued

for the year ended 31 December 2021

8. Pension obligations continued

b. Defined benefit scheme continued

The major assumptions used for the updated actuarial valuation were:

	2021 % p.a.	2020 % p.a.
Rate of general increase in salaries	**4.90**	4.00
Rate of revaluation in deferment	**3.00**	2.20
Pension increase rate:		
– RPI (min. 3%, max. 5%)	**3.65**	3.55
– CPI (min. 3%, max. 5%)	**3.45**	3.25
Discount rate	**2.00**	1.40
Inflation assumption – RPI	**3.30**	3.00
Inflation assumption – CPI	**2.75**	2.20

Life expectancy at age 65 for a member currently aged 45 is 23.5 (2020: 23.5) years (men) or 26.0 (2020: 25.9) years (women). Life expectancy for a member currently aged 65 is 22.2 (2020: 22.1) years (men) or 24.6 (2020: 24.5) years (women).

Plan assets are comprised as follows:

	Value at 31 December 2021 £m		Value at 31 December 2020 £m	
Schroders Diversified Growth Fund	**20.5**	**5%**	148.9	34%
Absolute Return Strategies Fund	**—**	**—**	77.1	17%
M&G Credit Fund	**20.5**	**5%**	19.9	5%
LGIM Future World Global Equity	**73.2**	**16%**	—	—
Insight Short Dated Buy & Maintain Credit	**60.0**	**13%**	—	—
Schroders Liability-Driven Investments	**62.5**	**14%**	61.4	14%
Schroders Sterling Liquidity Plus	**110.9**	**25%**	23.2	5%
Alcentra Credit Fund	**18.3**	**4%**	15.2	3%
Cash	**8.4**	**2%**	13.0	3%
MetLife Annuity Policy	**73.6**	**16%**	83.0	19%
Total fair value of assets	**447.9**	**100%**	441.7	100%

Expected contributions to retirement benefit plans for the year ending 31 December 2022 are £15.5m (2021: £15.5m).

The weighted average duration of the defined benefit obligation is sixteen years (2020: sixteen years).

Sensitivity analysis

The sensitivity of the net defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in present value of surplus at 31 December 2021		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	**0.25% p.a.**	**14.8**	**(16.2)**
Inflation rate*	**0.25% p.a.**	**(3.8)**	**3.8**
Salary escalation	**0.25%**	**(0.4)**	
Life expectancy	**1 year**	**(12.0)**	

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors).

9. Debtors

	2021 £m	2020 restated* £m
Trade debtors	**0.7**	1.0
Amounts owed by Group undertakings	**134.1**	168.7
Corporation tax receivable	**—**	1.4
Other debtors	**0.1**	0.3
VAT receivable	**2.9**	1.2
Deferred taxation (Note 13)	**—**	9.0
Prepayments and accrued income	**9.4**	7.1
Total debtors	**147.2**	188.7

* See Note 20 for details regarding the change in accounting policy.

Amounts owed by Group undertakings include trade and finance amounts. The unsecured finance amounts of £36.0m (2020: £33.3m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with the rates ranging between 1.5% and 3.2% (2020: 1.5% and 6.0%).

Deferred taxation includes £nil (2020: £6.6m) to be recovered after more than one year.

Notes to the parent company financial statements continued

for the year ended 31 December 2021

10. Fixed-term deposits

The amount invested by the Company in a fixed-term bank deposit as at 31 December 2021 was £10.0m (2020: £nil), subject to a notice period of 95 days.

11. Creditors

	2021 £m	2020 £m
Trade creditors	**2.6**	1.3
Amounts owed to Group undertakings	**247.3**	237.9
Corporation tax payable	**4.0**	—
Other taxation and social security	**1.0**	0.9
Other creditors	**1.2**	1.2
Accruals	**10.3**	5.6
Deferred income	**4.9**	4.8
Total creditors	**271.3**	251.7

Trade creditors are non-interest bearing and are generally on 30–60 day terms. Amounts owed to Group undertakings include trade and finance amounts. The unsecured finance amounts of £32.5m (2020: £22.4m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with rates ranging between 1.5% and 2.3% (2020: 1.5% and 5.4%).

12. Provision for liabilities

Provisions for liabilities represent property provisions which are held against dilapidations and there have been no movements in 2021 (2020: no movements). The Company has used either the known position or a best estimate of the Company's potential exposure to calculate the potential cost to the Company over the remaining lease periods.

13. Deferred taxation

	2021 £m	2020 restated* £m
Deferred tax assets:		
– To be recovered after more than twelve months	**—**	7.6
– To be recovered within twelve months	**1.2**	2.4
Total deferred tax assets	**1.2**	10.0
Deferred tax liabilities:		
– To be incurred after more than twelve months	**(5.5)**	(1.0)
Total deferred tax liabilities	**(5.5)**	(1.0)
Total net deferred tax (liabilities)/assets	**(4.3)**	9.0

The amounts of net deferred taxation assets/(liabilities) recognized are set out below:

	Accelerated capital allowances £m	Pension provision £m	Losses £m	Other timing differences £m	Total £m
At 1 January 2021 as previously reported	1.0	6.4	0.9	(1.0)	7.3
Change in accounting policy*	1.7	—	—	—	1.7
Restated balance at 1 January 2021	**2.7**	**6.4**	**0.9**	**(1.0)**	**9.0**
(Credited)/debited to profit and loss account	**(1.5)**	**—**	**—**	**0.3**	**(1.2)**
Credited to current year reserves	**—**	**(11.2)**	**(0.9)**	**—**	**(12.1)**
At 31 December 2021	**1.2**	**(4.8)**	**—**	**(0.7)**	**(4.3)**

* See Note 20 for details regarding the change in accounting policy.

Notes to the parent company financial statements continued

for the year ended 31 December 2021

14. Financial assets

At 31 December 2021	Loans and receivables £m
Assets as per balance sheet	
Debtors excluding prepayments and accrued income and deferred taxation	**137.8**
Fixed-term deposits	**10.0**
Cash and cash equivalents	**125.4**
Total	**273.2**

At 31 December 2021	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Creditors excluding non-financial liabilities	**266.4**
Total	**266.4**

At 31 December 2020	Loans and receivables £m
Assets as per balance sheet	
Debtors excluding prepayments and accrued income and deferred taxation	172.6
Cash and cash equivalents	87.2
Total	259.8

At 31 December 2020	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Creditors excluding non-financial liabilities	246.9
Total	246.9

15. Employee expense

	2021 £m	2020 £m
Wages and salaries	**30.1**	26.7
Social security costs	**3.8**	3.8
Long Term Incentive Plan (LTIP) expense/(credit)	**1.9**	(0.2)
Other pension costs	**3.0**	2.6
Total employee expense	**38.8**	32.9

The average number of full-time equivalent individuals (including Board members) employed by the Company during the year was:

	2021 Number	2020 Number
Production, inspection and laboratory	**25**	22
Sales and distribution	**55**	61
Administration	**311**	267
Total headcount	**391**	350

Disclosures in respect of Directors' emoluments can be found in the Directors' remuneration report on pages 67 to 79.

16. Auditors' remuneration

The amount of remuneration receivable by the Company's auditors in respect of the audit of the parent company financial statements is £0.2m (2020: £0.1m).

17. Financial commitments

At 31 December annual commitments under non-cancellable operating leases were as follows:

	2021			2020		
	Land and buildings £m	**Motor Vehicles £m**	**Total £m**	Land and buildings £m	Motor Vehicles £m	Total £m
No later than 1 year	**2.2**	**0.2**	**2.4**	2.2	0.1	2.3
Later than 1 year and no later than 5 years	**6.5**	**0.3**	**6.8**	8.4	—	8.4
Later than 5 years	**—**	**—**	**—**	—	—	—
Minimum lease payments	**8.7**	**0.5**	**9.2**	10.6	0.1	10.7

The profit and loss account lease rental charge will not equate to lease payments for those leases having the benefit of lease incentives. In these cases the incentives are released to the profit and loss account over the period of the lease.

18. Related party transactions

Transactions with related parties have been determined in accordance with FRS 102 and are disclosed below:

a. Pension scheme Trustees
Transactions with the pension scheme Trustees are disclosed in Note 8.

b. Key management
The Company has taken advantage of the exemption available under FRS 102 paragraph 1.12(e) from disclosing key management personnel compensation in total.

c. Transactions with non-wholly owned subsidiaries
There were no material transactions with non-wholly owned subsidiaries during the year. All transactions between the Company and non-wholly owned Group companies arise in the ordinary course of business and are on an arm's length basis.

19. Contingent liabilities

In the normal course of its business the Company faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Company.

In the normal course of its business, the Company from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Company.

20. Change in accounting policy

Prior to 1 January 2021, the Company has capitalized costs incurred in implementing Software as a Service (SaaS) arrangements as intangible assets, which was in line with applicable accounting practice at that time. These costs were mainly related to undertaking and implementing the configuration and customization of the software to required specification and the capitalized costs were amortized on a straight-line basis over three to five years, or the length of the licence as appropriate.

During the year, the Company has made a voluntary change in accounting policy to de-recognize assets related to SaaS arrangements from the Balance Sheet and expense the costs through the Income Statement in the year in which they were incurred. This change has resulted in retrospective restatement of prior year financial statements and disclosure in the notes. The change has been made to align with the Group policy, which is compatible with FRS 102. Aligning with the Group policy provides more reliable and relevant information in the financial statements.

The impact of the voluntary change in accounting policy on the Company's consolidated financial statements for the prior periods are summarized in the tables below.

Notes to the parent company financial statements continued

for the year ended 31 December 2021

20. Change in accounting policy continued

Parent company balance sheet (extract)

	31 December 2020 as previously reported £m	Adjustments £m	**31 December 2020 (restated) £m**	1 January 2020 as previously reported £m	Adjustments £m	**1 January 2020 (restated) £m**
Intangible assets	17.7	(9.3)	**8.4**	14.4	(6.0)	**8.4**
Debtors	187.0	1.7	**188.7**	172.5	1.0	**173.5**
Other assets and liabilities, net	(120.0)	—	**(120.0)**	(103.8)	—	**(103.8)**
Net assets	84.7	(7.6)	**77.1**	83.1	(5.0)	**78.1**
Non-distributable reserves	4.3	—	**4.3**	4.3	—	**4.3**
Retained earnings	80.4	(7.6)	**72.8**	78.8	(5.0)	**73.8**
Total equity	84.7	(7.6)	**77.1**	83.1	(5.0)	**78.1**

Parent company statement of changes in equity (extract)

	2020 as previously reported £m	Adjustments £m	**2020 (restated) £m**
Profit/(loss) for the year, net of taxes	2.1	(2.6)	**(0.5)**

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C001785

WORLD LAND TRUST™
www.carbonbalancedpaper.com
CBP011639

The British Standards Institution commitment to environmental stewardship is reflected in this Annual Report, which has been printed on Revive 100 Offset and Revive 100 Silk, which is 100% post-consumer recycled, FSC® certified and totally chlorine free (TCF) paper. Printed in the UK by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. The printer is a CarbonNeutral® company. Both the mill and the printer are certified to ISO 14001 (Environmental Management System) and ISO 9001 (Quality Management System). Please recycle.

Produced by
designportfolio

The British Standards Institution
389 Chiswick High Road
London W4 4AL
United Kingdom