bsi.

Your partner in progress

Annual Report &
Financial Statements 2022

By Royal Charter

Our Purpose

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.

Contents and highlights

Strategic report

Corporate governance

Financial statements

Consolidated financial statements

Parent company financial statements

Financial highlights

Revenue

£672.8m

+14.9%

2021: £585.6m

Operating profit

£38.2m*

-54%

2021: £83.1m

Underlying operating profit

£56.0m*

-32.6%

2021: £83.1m

Transformation investment

£27.7m

Operating expenditure

£7.1m

Capital expenditure

Standards highlights

During 2022, BSI:

Published

2,508

new standards

Managed

1,896

public consultations on our standards

Welcomed

1,278

new committee members to our total of 12,516 committee members

* Operating profit and underlying operating profit are stated after the transformation investment of £27.7m

In this report the 'Company' refers to The British Standards Institution, a Royal Charter Company, Companies House number ZC000202, which is the parent company for the financial statements. 'BSI', 'BSI Group' or 'Group' means the Company and its subsidiaries. The BSI logo, Kitemark™ and the 'Kitemark™' device are registered trademarks of The British Standards Institution in the UK and are registered, or in the process of registration, in other jurisdictions. Throughout this report the word 'underlying' is defined as 'before exceptional items'.

Profit for purpose

Our focus

We want the world to be sustainable, in the fullest sense. It means profound change alongside practical problem-solving – on climate, quality of life, and trust in a digital world. There's urgency in every aspect of the drive for sustainability. Achieving net zero, enabling ethical workplaces and supply chains, and ensuring the safety of products and services are high priorities for us.

We can't achieve these objectives on our own. We create impact by getting people together: thinking, working and innovating. A sustainable future is achievable, and we are using our unique expertise, history and convening power to accelerate its arrival, for the benefit of everyone.

Our uniqueness

Our mandate, to support a strong, resilient economy, was established by a Royal Charter granted almost 100 years ago. We were a founder member of the international and European standards systems. But our history means little, unless we're using it to improve the future.

We have gained decades of commercial experience, working with our clients and stakeholders to develop practical answers to real-world challenges. And as an organization without shareholders, we are able to invest our profits in achieving the difference we want to see in the world – long-term investments in global collaboration, in people and technology, and making our expertise available to those who need it most.

Our community

We draw on the expertise and experience of a global community of 12,500 experts, representing industry and consumers, organizations and governments. Giving voices to people and communities who aren't heard enough on the big issues that affect their lives, this network shapes and influences the knowledge of what doing better business looks like. Our intent is to be partners in progress with our community, clients and all our other stakeholders.

This partnership includes our own people. Across four commercial divisions, our highly trained and motivated colleagues bring their individual strengths and capabilities together in pursuing the shared goals of a better society and a sustainable world.

Profit for purpose

Our business

BSI offers unique insight and access for our global community of stakeholders, with a clear focus on the biggest challenges facing clients and society to accelerate progress for the benefit of everyone.

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.

Read more on pages 15 and 16

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.

Read more on pages 17 and 18

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.

Read more on pages 19 and 20

Consulting Services

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

Read more on pages 21 and 22

Chairman's statement

A year for BSI to show its strengths

John Hirst
Chairman

The extraordinary forces we've faced, directly and alongside our clients and other stakeholders, are familiar but worth repeating: the lingering aftermath of a global pandemic, armed conflict on Europe's eastern borders, and the consequent impact on the cost of food and energy leading to heightened economic uncertainty.

And yet BSI has demonstrated its resilience and relevance. We have the opportunity, through our clients, and other stakeholders to make a big difference to the world and we are investing to make sure that we realize that potential.

Here in the UK, we've seen inflation rising to levels not seen in a generation and more political upheaval than anyone could have predicted. It has been a turbulent year, and I am very proud of how the BSI team under the leadership of our Chief Executive Susan Taylor Martin have taken on the challenges.

We have again grown our revenues by staying relevant to our clients and other stakeholders, and we have delivered good profitability, a measure of BSI's resilience and the value we continue to offer whatever the economic conditions. BSI has no shareholders, so the primary use of the profit we generate is to pursue our clear purpose and invest in our enterprise-wide capabilities and foundational digital infrastructure to increase our impact. This relative freedom from very short-term goals allows us to focus on a clear strategy and on bringing that strategy to life.

The importance of purpose

Having a clear sense of purpose is a massive impetus. Purpose shows its value at both an organizational and a personal level. People with purpose appear to live longer and healthier lives and enjoy life more. Companies with a purpose beyond just making money can be much more effective and be great places to work. Having a positive impact on the world is a mission that helps attract and retain people, clarifying decision making and focusing attention on what matters.

BSI is deeply purpose-driven, an enduring legacy of our founding Royal Charter. Our strategy and investment choices are geared towards making the difference we want to see in the world through our clients and other stakeholders. The more successful we are, the more we can invest in making a greater difference.

Impact and innovation

We make much of our impact through, and working with, others. Industry experts, consumers, clients, governments and international organizations are all our partners in delivering excellence and improving business and society. This broad range of valuable partners and stakeholders is reflected in the breadth of impact we aim to have, whether that's tackling issues affecting the most vulnerable in society, working on accessible standards for small businesses, or getting international traction for the biggest global challenges.

In 2022, BSI has used its strengths to make a difference in many meaningful areas, and I will highlight three: convening a diverse, global group of voices that led to the publication of the ground-breaking Net Zero Guidelines at COP27; bringing into existence an open-access Modern Slavery standard; and codifying best practice on corporate purpose.

Chairman's statement continued

Despite a fast-changing political landscape, the team has developed ever-more fulfilling relationships with the UK government at all levels and across the UK's devolved administrations, continuing our work as the National Standards Body to bring the continuity, efficiency and impact of best practice to many areas of public life.

For the future, BSI has opened two further innovation Labs, in Singapore and Cambridge, UK. These new teams will nurture the development and application of disruptive technologies in support of our objectives and those of our clients and other stakeholders.

The Board, the Group Leadership Team, and the whole team at BSI have faced a variety of challenges this year with a level of maturity and professionalism that gives me great comfort and confidence. My thanks go to them for their great commitment and endeavour.

An exciting future

Looking forward to 2023, BSI will continue using its strengths to help industry perform better and shape a sustainable world. We will keep reinvesting profits in pursuit of our purpose, upgrading our capabilities and exploring new ways to accelerate action.

BSI continues to be a great place to work, bringing together our passions of purpose, great people and unlimited potential. The future of the world is far from certain, but the future of BSI and our work to shape thinking and make society better is very exciting.

John Hirst
Chairman

5 April 2023

Chief Executive's review

Progress with purpose

Susan Taylor Martin
Chief Executive

2022 was a year of continued growth, in terms of financial performance and positive impact, while investing in our expertise, infrastructure and technology.

A year ago, few of us would have predicted that the 12 months ahead was going to be even more tumultuous than the COVID dominated period from which we thought we were emerging. Armed conflict in Europe, immense pressures on trade and supply chains, rapidly rising inflation, and an energy crisis: any of these challenges on their own would have had a material influence on our lives and work. With the backdrop of a world coming to terms with deep structural change driven by climate and COVID, the context for both daily life and organizational performance has been like nothing any of us have ever experienced.

The world is changing whether or not we like, or feel in control of, what this involves. Advances in technology are accelerating change, increasing capability and uncertainty in society in perhaps equal measure. We are moving faster towards a future that seems far from clear and towards a world that may not be as sustainable as we need it to be.

With this context in mind, I am very proud of how BSI has demonstrated the strength of its unique position, purpose-driven strategy and talented people to continue making a positive impact in 2022. We succeed by helping our clients and stakeholders achieve their objectives, bringing together the expertise of our members and partners to address challenges with global, societal and individual impact.

Given our unique structure, we are able to reinvest our profits in improving our own capabilities and deepening the impact we have. This profit-for-purpose focus allows us to direct our resources and capabilities towards important issues that don't have narrow commercial imperatives. In the past year, for example, we have launched ground-breaking Net Zero Guidelines at COP27 and published an open-access Modern Slavery standard. We have worked on these initiatives because they are the right things to do, and we believe that a sustainable world will only be possible if issues such as these are addressed.

In last year's report I spoke about how an exceptional year in 2021 provided an opportunity to invest for the long term: in our infrastructure and our people. Our multi-year investment in systems and technology upgrades has continued in 2022, extending our ability to deliver hybrid audits, providing clients with digital monitoring of supply chain performance, positioning ourselves to embrace the opportunities of Artificial Intelligence (AI), and equipping our own people with higher quality tools. And alongside the technology, we have invested in shaping a healthy culture and strengthening our employee experience, because our people are our competitive advantage.

Chief Executive's review continued

Towards sustainability

Our sustainability story has three arcs:

1. to help our clients and stakeholders tackle their own sustainability challenges;

   Read more on pages 24 to 25

2. to work with our partners and members on a global scale to enable progress to a sustainable world for everyone; and

   Read more on pages 31 to 33

3. to be an example ourselves of a truly sustainable organization. Sustainability is a powerful unifying thread running through our work, and you will see examples throughout this report of how we are making progress in many areas.

   Read more on pages 40 to 43

Continued progress will need a rich mix of different thinking, commitment to accelerating the opportunities provided by technological innovation, and trusted partnerships that can create more value than the sum of their parts. We have a unique position that allows us to bring together these elements, and we must embrace the opportunity for the benefit of all.

Innovation brings together people and technology to create new insights and answers to the most pressing issues, and it's central to our strategy. Our new Innovation Labs in Singapore (see p26) and Cambridge, UK, came on stream during 2022, and they are already experimenting with disruptive applications of emerging technology that will accelerate progress towards a sustainable world.

Strategy for impact

We can't, and shouldn't, attempt to tackle all of the challenges in the world. Our heritage has been in Quality and Health, Safety & Wellbeing. Alongside these core focus areas we have chosen to prioritize two key challenges: Sustainability and Digital Trust. They are both broad in themselves and we have further refined our priorities to reflect our clients' objectives and our own capabilities. Within sustainability, we're concentrating on carbon, water and waste, infrastructure and ethical supply chains. Our work to build trust in a digital world prioritizes cybersecurity and privacy, digital supply chains and data governance.

Bringing the strategy to life will involve stakeholders and clients choosing to work with us. Why will they choose BSI? Two reasons: our ability to shape thinking on important issues and create the environment and solutions to address them, and our commitment to being deeply digital. By 2027 our aim is for the majority of our products and services to be digitally enabled, and we will have completed the multi-year digital transformation within our own business. Our unparalleled ability and track record in convening the leading thinkers, innovators, practitioners and influencers around the world to identify and operationalize standards, best practice and regulatory frameworks will continue to support innovation and growth for our clients.

2022 performance

Despite a challenging external environment, we delivered a strong financial performance in 2022 which once again demonstrated the resilience of our business. Our Group reported revenue increased 15% to £672.8m, up 9% on a constant currency basis, with growth in every business division.

2021 was an exceptional year in terms of Group underlying operating profit, due in part to continued COVID restrictions which limited our ability to travel and suppressed our investment in the business. On the basis of that exceptional performance we took the opportunity to increase our investment in BSI for the long term. This investment is a multi-year programme, and in 2022 we invested £27.7m in the business, building out our enterprise-wide capabilities to support our growth ambitions, and accelerating our investment in our foundational digital infrastructure which is fundamental to our future success. In 2022 our investment was focused mainly on our own data and technology infrastructure, including product and service delivery, which we believe will require similar levels of investment over a further two to three years to deliver a future-fit operating model.

Largely as a result of that planned investment, our 2022 underlying operating profit of £56.0m was 33% lower than in 2021 but, importantly, in line with our 2022 financial plan. Our decision to give additional financial support to our colleagues at the lower end of the pay scale, to help with the cost-of-living challenges in high inflation countries, also had an impact. If we were to 'normalize' our underlying operating profit for the investment programme and our cost-of-living increases, our underlying operating profit would have been £85.2m at reported rates. In calculating our underlying operating profit we have excluded exceptional costs related to the non-cash impairment of goodwill and intangibles due to the lower than expected performance of certain of our consulting businesses, primarily Digital Trust Consulting (DTC), together with the costs of withdrawal from Russia because of the Ukraine war. After these exceptional costs our operating profit was £38.2m.

Read more on pages 27 to 30

Chief Executive's review continued

Our Group reported revenue increased 15% to

£672.8m

2022 investment in the business

£27.7m

Standards and Knowledge Solutions

In its role as the UK National Standards Body, BSI has helped raise standards and lay foundations for positive progress in areas as diverse as the climate challenge, product safety and the protection of vulnerable workers and consumers. Our engagement with UK Government departments has continued to deepen, both within central government and across the devolved administrations. BSI has been involved with more than forty government boards, panels, taskforces and working groups. These cover a wide variety of policy agendas including trade, energy, transport, telecoms and AI.

The role of standards has been widely recognized by the UK Government with BSI routinely supporting many government initiatives, including those on digital, trade and net zero. A stronger presence in Northern Ireland, Scotland and Wales has led to a greater awareness of the role of standards with devolved administrations and stakeholders across the UK. We published an energy management standard for small to medium-sized enterprises (SMEs), BS ISO 50005, which was made available to its target audience at no cost with government financial support, helping many SMEs to save money during the energy crisis.

We are also clear that sustained and sustainable progress is only possible when collective action and rising standards are international in scope. That's why being at the heart of international standards development is crucial for BSI. Our leading roles in International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the European regional standards organizations are a necessity, a privilege and an opportunity for BSI to accelerate progress and maximize our positive impact. For example, a new international standard on crisis management (BS EN ISO 22361) published in 2022 started as a British Standard several years ago.

Of course, our work wouldn't be possible without our hard-working community of 12,500 expert committee members. 2022 saw a broader and more diverse range of contributing voices than ever before. The production of the ISO Net Zero Guidelines is just one example, with the great majority of the 1,200 individuals and organizations who registered to participate having never taken part in a standards-related process before. I'm proud that we have been able to provide platforms for voices that don't often have an adequate hearing: from leaders of indigenous peoples threatened by climate change, through groups representing vulnerable consumers, to individuals with direct experience of modern slavery. More importantly, it leads to better outcomes.

Our Knowledge Solutions division, which helps both shape and share standards, reported revenue growth of 5% to £70.6m in 2022. This solid financial performance was accompanied by continued digital transformation: the new ISOlutions platform, launched for our standards committees; and the new Knowledge platform, which helps people find standards more easily, as well as providing a modern e-commerce environment.

Read more on pages 15 and 16

Assurance Services

Assurance Services provides the confidence that standards are being used effectively for compliance and advantage, and that organizations, products and services can be trusted, in supply chains and by end-consumers. Assurance Services delivered strong revenue performance of £311.2m, up 9% on 2021. Growing use of hybrid audits, digital dashboards that allow clients to understand supply chain performance, and expansion of Internal and Supplier Audit services have all been factors in last year's resilient performance. The increasing profile of our Kitemark portfolio, including our Carbon Neutral Product and Inclusive Service Kitemarks, has been a success story during 2022. Our training courses and qualifications have continued to be in high demand, with three in every five courses delivered remotely.

Read more on pages 17 and 18

Chief Executive's review continued

Regulatory Services

Regulatory Services help our clients in medical device manufacturing bring trusted, life-saving technologies to market in a timely and predictable manner. The division delivered another year of impressive growth, with revenue of £201.6m, up 28% on last year. Regulatory change continued to be the biggest influence on our performance. As market leader we have an important role to play in supporting the industry through the EU's shift from the Medical Device Directive to the Medical Device Regulation. During 2022, we continued to invest in our technical expertise and improving our operations. This year we also invested in our AI capabilities as we work towards designation as an AI Notified Body for certification of high-risk AI products.

Read more on pages 19 and 20

Consulting Services

In our Consulting Services division we are working with clients on cutting-edge solutions to particular issues relating to environment, health and safety, sustainability, physical and digital supply chains, and cybersecurity and digital trust. Revenue performance in 2022 was good, with growth of 18% to £89.4m. We have streamlined the structure of the division to focus more clearly on client priorities that correspond with our strengths and capabilities. Although revenue performance was strong, significant cost headwinds impacted our profitability and as a result we have taken a non-cash impairment on the carrying assets.

Read more on pages 21 and 22

People and culture

It is a privilege to lead an organization that has continued to deliver tremendous impact despite the challenges of 2022. Two years into my role as CEO, it continues to be the talented and passionate people in BSI who power my belief in our potential as an organization.

As we look towards building a resilient and relevant organization for the future, we have taken action to implement a range of reward interventions in 2022 to support the attraction, retention and overall wellbeing of our workforce in the context of a volatile external landscape. To that end, we awarded a quarter of our global colleagues, who were most affected by the current inflationary environment, a cost-of-living support payment in October. Being in a strong financial position as an organization enabled us to make this monetary award. We continue to support all of our colleagues through new benefits, tools and resources to help them take control of their financial wellbeing. We have also enhanced the competitiveness of our total cash compensation, with variable pay enhancements for non-leadership colleagues, and developed a compelling employee value proposition to enable us to attract and retain the talent we need to deliver our business objectives.

Building a high-performance organization underpins our strategy, and engagement is therefore a key focus for me and the Group Leadership Team. This year we had record participation in our full and 'pulse' engagement surveys and a stable engagement score overall. We are continuing to work with leaders on building and maintaining an inclusive, connected community, in which every colleague feels valued and excited to come to work. We want every colleague to be encouraged and supported to develop their career and able to share their ideas and insights within teams that champion diverse thinking, innovation and constructive discussion in support of our purpose and strategy.

1,100

people taken through our culture programme

We will only realize our ambitions if we can attract and keep the best people and maintain an environment that allows them to thrive. Being purpose-led means we attract people who are genuinely committed to being part of our mission. We must not take that commitment for granted, and our investment in people, culture and working environment is a direct investment in our purpose. Whether it's the work we've done to stay competitive with our reward structure, the culture programme we've taken 1,100 of our people through, or the multi-year upgrade of our systems we're undertaking, this investment will show its value in the quality and impact of the work we will do for years to come.

Read more on pages 13 and 14

Looking ahead

Our culture of collaboration, commitment to sustainability and continued investment in our strategy are our foundations for the future. We need to act boldly and with purpose to keep increasing the impact we make, staying focused on our priorities and nurturing the partnerships that make sustained progress possible. We have the people, the potential and the purpose to achieve our objectives, and the possibilities are without limits.

Susan Taylor Martin
Chief Executive

5 April 2023

A BSI impact story

Circular Computing

Is circular the shape of a sustainable economy?

That laptop you're using – is it keeping up with you? If not, you're probably considering a new machine.

You may not know that producing your new laptop will use well over 100,000 litres of water and 1,000+ kg of mined materials and cause 100+ kg of CO_2 emissions.

In fact, everything you switch on has taken a bite out of the earth's limited resources during its manufacture. The so-called linear economy – making-using-disposing-replacing – is a challenge for a sustainable world.

With BSI's help, the circular economy has taken a big step forward.

BSI's client Circular Computing disassembles used laptops and upgrades those parts that are no longer fit for purpose. The rest of the components are reused in the same machine. With a respray to finish, the new capability comes with the feel of a new purchase.

The technology needed to do this is impressive, but there's one component that Circular Computing couldn't produce on its own – trust. How does a buyer have the confidence that this remanufactured laptop is better than the original?

The answer has been a Kitemark for remanufactured and reconditioned products, a supporting standard and comprehensive auditing of compliance. Circular Computing was the first recipient of the Kitemark, guaranteeing the performance quality of remanufactured machines.

BSI is a trusted agent of change. Whether through a Kitemark or assuring rigorous compliance against standards, our work is an essential part of establishing trust where it's most needed.

The impact is real. Remanufacturing, instead of replacing, three laptops saves around a tonne of CO_2 or enough to fill a three-bedroomed house. For Circular Computing's large corporate users, who may be replacing laptops every few years, the equivalent of whole 'towns' of CO_2 production could be avoided.

A low carbon future will mean stepping away from conventional consumer models and thinking circular.

Director-General, Standards Review

British Standards with global impact

Scott Steedman
Director-General, Standards

2022 has been a year of progress for BSI in helping to improve many important areas of life. Achieving positive impacts for people, for industry and for government is a constant thread throughout our work, building on the foundations of our Royal Charter.

Towards a sustainable world

Using the international workshop process of the International Organization for Standardization (ISO) we delivered, in just four months, the Net Zero Guidelines at COP27 (see p33 for the story behind this landmark publication). A combination of convening power, robust process and the clear ambition of everyone involved delivered real results in a very short time frame.

Our sustainability work was accelerated by a successful secondment to the UK government's Business, Energy and Industrial Strategy department (BEIS), and a new Sustainability Standards Network that we set up to help us engage with the sustainability community in the UK.

We introduced a formal standards governance process for the Integrity Council for the Voluntary Carbon Market (ICVCM) and oversaw the public consultation on the Core Carbon Principles and related Assessment Framework to be launched in 2023. We planned the implementation of the London Declaration, signed in 2021, which will see international and national standards reviewed and revised to reflect current climate science and incorporate the voices of those most affected.

We are working on the Future Flight Challenge, exploring greener ways to fly, including electric aircraft and drone deliveries. We have been supporting the Department for Transport with standards to accelerate the development of decarbonized freight transport under their Zero Emission Road Freight Demonstrator project.

Protection for everyone

Alongside the environmental challenge of climate change, 2022 saw growing demand for a 'just transition', reflecting the importance of ensuring standards address not only technical and governance issues, but social issues as well. We published a new national standard on organizational responses to modern slavery, which is available at no cost online, and a breakthrough Publicly Available Specification (PAS) standard that will help designers address sensory or neurological diversity in the built environment.

New standards and contributions on workplace diversity, equality and inclusion, purpose-driven organizations, product safety, the needs of an ageing population, and workplace behaviour are all aimed at improving quality of life.

Director-General, Standards Review continued

UK Government engagement and international collaboration

Throughout the political upheaval of 2022, we continued to strengthen our relationships with central and regional government, as well as the devolved administrations, where we introduced dedicated staff to support our engagement in Scotland, Wales and Northern Ireland. Indeed, during 2022, across all our government activity we saw more committed engagement with a broader range of government departments than ever before.

Many of our successes in 2022 built on the work of prior years. We supported the Office for Product Safety and Standards (OPSS) in its work on product safety and through continued development of the Designated Standards system. Working with the Alan Turing Institute and the Department for Digital, Culture, Media and Sport (DCMS), we launched the AI Standards Hub and hosted discussions on the development of a future Artificial Intelligence assurance ecosystem, which could support future regulation in the UK.

We were invited to join the Transition Plan Taskforce (TPT) organized by HM Treasury, which is developing the 'gold standard' for non-financial reporting guidelines for UK businesses to be aligned with the requirements of the International Financial Reporting Standards (IFRS) International Sustainability Standards Board (ISSB) and other reporting systems. We see a vital role for national standards based on international standards that will support the roll out of corporate transition plans and build trust in UK industry worldwide.

The success of the Commonwealth Standards Network (CSN), which we launched in 2018, has encouraged the Foreign, Commonwealth & Development Office (FCDO) to create a global standards partnership in Africa (to be piloted in Ghana and Rwanda) based on the CSN model of knowledge sharing.

We have delivered training on international standards in the ASEAN region to support developing countries, including a digital transformation standards toolkit, to help countries join the global digital economy.

Our work to support the government's regulatory diplomacy activity is a vital part of our role as the national standards body to boost trade and growth. Throughout 2022, I continued to be a member of the Department for International Trade's Strategic Trade Advisory Group, and we have advised on trade discussions including those with the Trans-Pacific Partnership and the Gulf states. We agreed a new partnership this year with the Standards Council of Canada.

Our membership on behalf of the UK of ISO, the International Electrotechnical Commission (IEC) and the European standards organizations, the European Committee for Standardization (CEN), the European Electrotechnical Committee for Standardization (CENELEC), and the European Telecommunications Standards Institute (ETSI) is one of our most important policy roles and provides the main platform for UK stakeholders to have their voices heard in the international standards landscape. After five years as Vice President (policy) for ISO I resumed my role as the UK member on the ISO Council.

In November I was elected to the Board of the IEC, taking over from our industry representative Rodney Turtle of Schneider Electric on the completion of his term.

Our engagement with ETSI continued at a high level and we continued to hold seats on the boards of CEN and CENELEC. We worked closely with DCMS to support the UK to re-join the Council of the International Telecommunications Union (ITU) after a gap of over 20 years. I continued to represent BSI on the Telecoms Diversification Advisory Council, where we are seeking to strengthen UK influence on international standards for future digital infrastructure.

Standards, stakeholders and partners

None of this impact would be possible without the work of our many Committees, Committee chairs, Standards makers and our wider stakeholder community who all give us so much, without which we could not deliver our core purpose. We are deeply grateful to the 12,500 Committee Members who volunteer in support of BSI's work as the National Standards Body.

12,500

Committee Members who volunteer in support of BSI's work as the National Standards Body

Alongside our policy, sector engagement, standards content and product development work, we completed work on our governance standards, BS 0, PAS 0 and Flex 0, which describe our processes for the development of flexible standards for fast-changing environments.

As the nation emerges from the pandemic into a new era of geopolitical challenge, as businesses pivot to join the digital economy and we accelerate our work on net zero transition, we will stay sharply focused on our stakeholder needs. The impact we bring through the National Standards Body is at the heart of our efforts to create a trusted market framework that will deliver the assurance that consumers, industry and government seek in an unpredictable world.

Scott Steedman
Director-General, Standards

5 April 2023

Our People

People, culture and progress

Alison Sharp
Chief People Officer

Our culture is an important enabler of our mission to make a positive impact on the world – and our people are BSI's primary source of competitive advantage. Having a People strategy aligned to our purpose sets BSI apart.

1,100

colleagues participated in immersive cutlure-shaping workshops

We exist to make a positive impact on society through our work with businesses, governments and other stakeholders, and we drive progress through our people. In turn that demands we create a culture that empowers our people to deliver our purpose and create a high-performing organization that attracts and retains talented individuals.

An impactful culture

BSI has a unique culture; our people are proud of our purpose and the impact we can make. The nurturing and shaping of our future culture needs to be intentional to deliver sustainable high performance. We are mid-way through a multi-year program that provides our entire workforce with the opportunity to shape our future culture, enabling all of us to contribute our best work.

In 2021, our most senior leaders went through the program, and in 2022 we rolled it out to management levels and teams across the globe, with a further 1,100 colleagues participating in an immersive workshop. We established in-house capability to ensure we can maintain the focus as we complete the deployment for all our workforce during 2023, and we have made sure all our people can fully participate in their own language.

Enabling and celebrating inclusion and wellbeing

Through our 'human connections' series, we have continued to mature our approach across diversity, inclusion and wellbeing, encouraging open conversations among our people and giving them the opportunity to share their perspectives on topics they care deeply about.

Since beginning this series in October 2020, we have seen affinity groups established by individuals who are passionate about an element of diversity and inclusion. These communities exist across BSI and their focus is to seek improvements, highlight education opportunities and share stories. We are continually evolving this approach by recognising broader aspects of inclusion such as the differences people experience with neurodivergent conditions like dyslexia and autism. Continuing to broaden our understanding of the communities across BSI enables us together to create a high performance environment.

Our People continued

Attracting, developing, and retaining talent

The continued success and impact of BSI is reliant on the talent, expertise and commitment of our people. Attracting them and providing them with the opportunity to build meaningful careers with us is a priority. We recognize that remuneration must be competitive, and we monitor the market to ensure we are able to attract and retain talent.

In 2022, global inflationary pressures created financial challenges for many of our people, and we implemented a suite of measures to address these challenges across a range of circumstances, with specific attention on those individuals likely to be struggling most with shrinking disposable income. We increased variable pay opportunities, provided higher increases for individuals at lower earning levels and introduced a cost of living payment for 1,500 colleagues across 19 countries.

Simply put, our compensation and reward philosophy is aimed at rewarding the right kind of performance to deliver our purpose, while simultaneously protecting the short- and long-term financial interests of BSI. Following extensive review, all our people now have a form of performance-based and competitive variable pay as part of their total remuneration.

Supporting career satisfaction and growth

We want BSI to be a great place to work, where people can build their careers and thrive. In 2022, we developed and implemented a fresh approach to talent management. We recognize that it's essential when recruiting for future talent to have diverse long- and short-lists, particularly in our Board and senior leadership roles. In 2023, we plan to build on this work to identify future global leadership talent, deploying the approach further down the organization and connecting it to our career pathways for leadership and other critical skill areas.

When people, culture and purpose are truly intertwined, great things happen. 2022 has been another year of purposeful progress.

Business review

Knowledge Solutions

Neil Musk
Director, Knowledge Solutions

Revenue

£70.6m

2021: £67.4m

Growth

5%

2021: 3%

5% at constant exchange rates*

Proportion of total revenue

11%

2021: 11%

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

During 2022, I took over from Shirley Bailey-Wood who retired after seven years as Director for Knowledge. We would like to thank Shirley for her commitment to BSI and wish her all the best in her retirement.

Knowledge Solutions combines two major business lines. The Solutions business provides British, European and international standards to UK and some international clients. The Services business provides consulting and advisory services, which help stakeholders develop standardization approaches around emerging topics, as well as international development support for standards. Our primary objective is to ensure UK and international stakeholders can easily access the relevant standards needed to help operate their business safely, resiliently, and sustainably, and to help accelerate trust and growth in new markets and topics through standardization.

During the year, Knowledge has explored various ways to increase the reach and impact of our standards. For example, UK government financial support enabled us to make the energy management standard BS ISO 50005 available to UK Small and Medium-Sized enterprises (SMEs) at no cost. This standard offers best practice sustainable energy management support for SMEs, enabling them to develop a practical, low cost-approach to energy management – reducing energy consumption, energy bills and greenhouse gas emissions.

Partners in progress

The extraordinary work of our Committee Chair and Committee managers enabled Knowledge Solutions to continue to publish new and revised standards throughout the year. Many of the major international standards have either originated with BSI or we have provided the secretariat services to support international standardization. A great example of this in 2022 was the launch of the international BS EN ISO 22361 standard around crisis management, which helps organizations plan, establish, maintain, review and continually improve a strategic crisis management capability. BSI had led the development of this standard over many years, initially developing the standards thinking as a Publicly Available Specification (PAS), which we then evolved into a British Standard. BSI then helped introduce it as a European standard and finally, via ISO, helped create a global standard.

A good year

Knowledge Solutions' business saw strong demand for standards subscriptions. Single copy sales of standards remained challenging due mainly to a slowdown in new and revised publications following COVID and the publishing cycle of our higher selling standards. Compliance Navigator, our compliance knowledge tool for the Medical Devices industry, continued to grow strongly, as did our distribution of standards through our third-party partners.

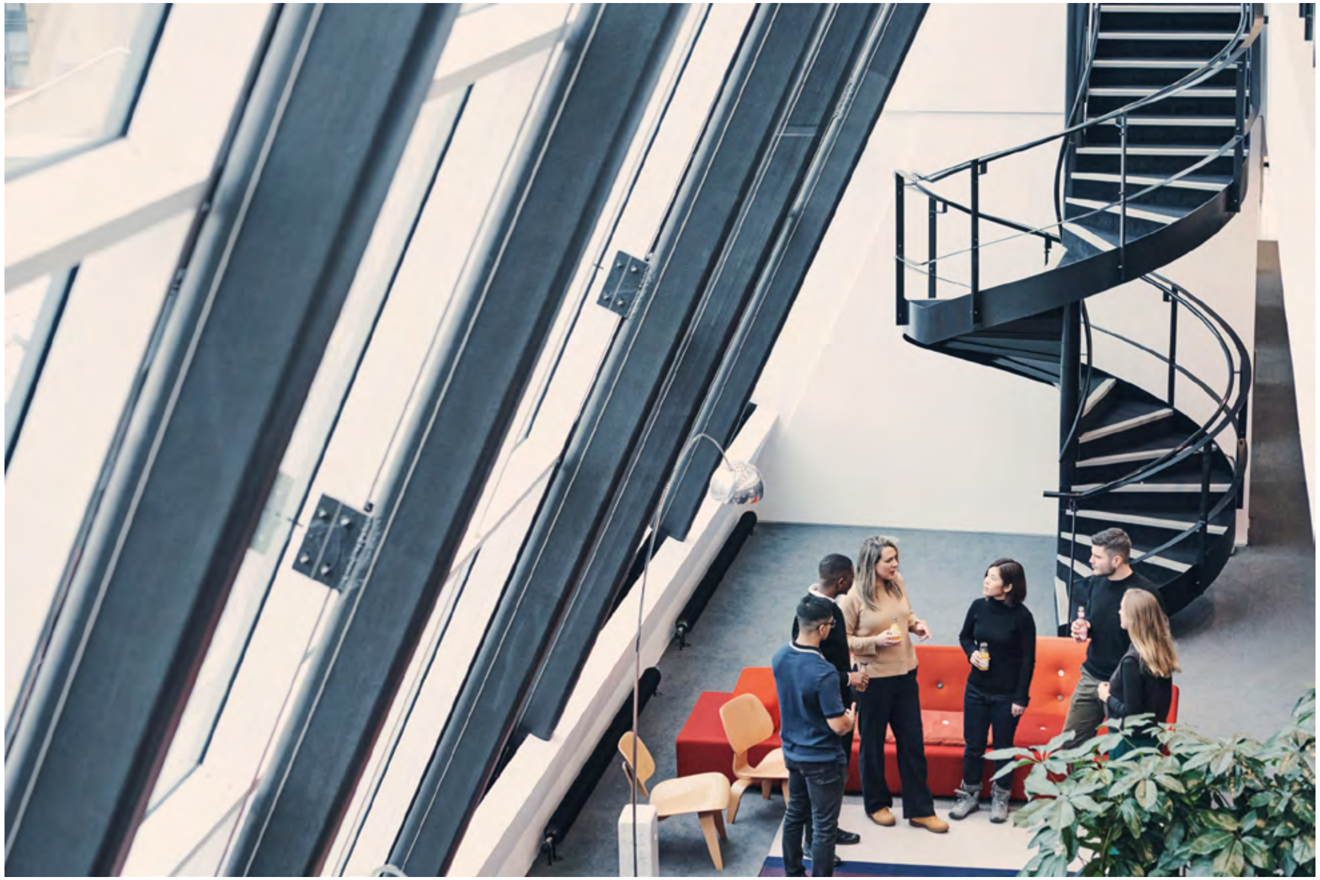
Business review continued

Our Services business showed strong growth in consulting and advisory, particularly in the second half of the year, boosted by major new high impact mandates especially around sustainability. This growth is a result of significant investment in our sector and engagement expertise and outreach over the last few years. International Projects continued to be affected by COVID-related slowdowns and a challenging overseas development funding environment, but has delivered some high impact work around the world.

The ongoing strength of our committees is essential to our work, and so attracting, retaining and supporting Committee Members is of great importance to us. During 2022, we invested in the team supporting Committee Member engagement with the aim of reinforcing our support for Committee Members and Committee Chairs and ensuring we continue to attract a strong and diverse pipeline of Committee Members. We focused the earlier of our two major standards conferences around young professionals, tailoring the experience to appeal to those less familiar with standards, as well as investing in areas like university and professional body outreach.

Investing in better experiences

During 2022, Knowledge Solutions delivered two major new systems, with the aim of improving both our Committee Member and client experience. For Committee Members, BSI implemented ISO's ISOlutions platform. This unified and improved the experience for our committee members across international and domestic committees. For clients, BSI delivered the new 'Knowledge' platform, which has already replaced the previous BSI Shop for retail single-copy customers and new subscription clients, and to which existing subscription clients are being migrated during 2023. The Knowledge platform provides a much more intuitive, modern experience with improved features such as significantly enhanced searchability.



Business review continued

Assurance Services

Revenue

£311.2m

2021: £284.7m

Growth

9%

2021: 8%

5% at constant exchange rates*

Proportion of total revenue

46%

2021: 49%

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

Pietro Foschi
Director, Assurance Services

Assurance Services made a difference to many lives in 2022. We serve approximately 53,000 clients across all our activities, and some 16.8m employees of our clients fall within the scope of our Assessment and Certification services. We delivered 33,000 training course days in 2022 (up from 32,000 in 2021) to 158,000 people (2021: 144,000). Over 4,500 of these delegates achieved one of our 72 professional qualifications, and our training portfolio grew by 15% to 356 courses. We accelerated our innovation agenda and the development of 'Assurance of the Future', particularly our work on BSI Hybrid Audits, predictive analytics and adaptive learning.

Resilient performance

Our Assessment and System Certification business continued to demonstrate its resilience and delivered solid revenue growth and consistent profitability thanks to enhanced productivity, robust pricing adjustments and continuing delivery of Hybrid Audits. Further strengthening our portfolio of services, both Sustainability and Digital Trust grew significantly in 2022 thanks to focused investments in new solutions, resources, and capabilities.

Our Sustainability portfolio grew with a major focus on Carbon, Greenhouse Gas (GHG) emission verification services, Modern Slavery, and our Prioritizing People Model© for workplace safety and wellbeing.

Our Digital Trust services continued to be a major area for us in priority sectors including Transport and Mobility, Professional Services and Information and Communications Technology (ICT). In 2022, we expanded our Trusted Information Security Assessment Exchange (TISAX) services to cover more than 14 countries and launched several new solutions including General Data Protection Regulation (GDPR) certification and road vehicle cybersecurity certification. We successfully launched our Service Delivery Excellence framework to support our multinational clients across all markets, powered by our Connect Digital self-service platform. This was a key success factor in several large contract wins in 2022.

Product Certification continued to expand, enhancing our service portfolio and delivering more market relevance for organizations and consumers alike. The impact of our strategic focus on transforming our portfolio to be more consumer-friendly has yielded an unprecedented level of exposure for the BSI Kitemark. Our Kitemark portfolio has grown to include the certification of smart Electric Vehicle (EV) charging and the protection of vulnerable consumers – the Kitemark for inclusive service – the pilot of which involved companies serving over 36m customers.

Business review continued

The introduction of the BSI Kitemark for carbon-neutral products will underpin BSI's relevance in the sustainability space for organizations and consumers. Our Training and Educational Services grew significantly, reaching pre-pandemic levels, despite a challenging economic environment. On-demand eLearning grew five-fold, and with greater adoption of Virtual Instructor Led Training (VILT) globally, three in five of all courses were provided remotely in 2022.

As we continue to focus our strategy on Digital Trust, we are transferring the Digital Trust training-related services currently under Consulting Services to Global Training in Assurance Services. This move will allow us to better leverage the global scale of Assurance Services for Digital Trust courses – where we deliver public courses drawing on publicly available information – and deliver a single training platform for our clients.

Continuing progress

Over the coming years, we will focus on expanding our In Vitro Diagnostic Regulation (IVDR) reach internationally to educate delegates about the requirements of this regulation and ensure they are well prepared for the changes taking place. With so many organizations unfamiliar with IVDR, or unaware that IVDR applies to them, we have a great opportunity to engage and inform.

We are also exploring opportunities in healthcare by introducing courses in Good Management Practice (GMP) and Good Distribution Practice (GDP).

Business review continued

Regulatory Services

Revenue

£201.6m

2021: £157.9m

Growth

28%

2021: +10%

19% at constant exchange rates*

Proportion of total revenue

30%

2021: 27%

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

Manuela Gazzard
Director, Regulatory Services

The mission of Regulatory Services is to ensure patient safety while supporting timely market access for global medical device innovation. We are the market leader across a wide range of regulatory frameworks including as an EU Notified Body and UK Approved Body for medical devices and in vitro diagnostic devices.

Our business is global, and as well as certifying the top twenty-five global medical device manufacturers, we work with some of the most innovative small-and medium-sized enterprises around the world. Over 6,500 manufacturers work with us because they trust the depth and rigour of our assessments, underpinned by the deep technical expertise and experience of our people.

Strong performance driven by regulatory change

The EU is seeing the most fundamental change in the medical devices regulatory environment in 30 years as we transition from the Medical Devices Directive (MDD) to the Medical Device Regulation (MDR) and In Vitro Diagnostic Regulation (IVDR). Through our investment in operational and technical expertise we are in a strong position to enable our clients to manage this transition successfully. Our investment has also allowed us to expand our client base, driving strong growth and demonstrating our commitment to our critical role in the EU regulatory system.

As one of only four UK Approved Bodies, we continue to lead the market with the highest number of UK Conformity Assessment (UKCA) certificates issued to clients, providing manufacturers with ongoing access to the UK market.

Business review continued

Innovation

We have continued to innovate in our own business, investing in tools and technology to enhance client centricity through improving our service offering. These investments drive efficiency, predictability, and support BSI's – and our clients' – sustainability agenda by reducing our carbon footprint. A key example of this is our investment in hybrid auditing, where we were the first Notified Body to introduce this as a widely used approach.

All industries are considering how Artificial Intelligence (AI) can be used to drive the performance and safety of products. The EU is leading the way in developing regulation, with the AI Act expected to be finalized later this year, though many other jurisdictions globally are also grappling with how to regulate AI efficiently and effectively.

The AI Act envisions a key role for Notified Bodies in assessment of AI systems and we are looking to draw on our regulatory expertise of high-risk medical devices as we prepare to move into this wider sector. We know that there will be an enormous demand for assessment services for AI and to respond to this need we have created a new AI business line within Regulatory Services. We are investing in our AI business by recruiting leading scientists in the AI field as well as investing in tools and technology to ensure that we remain at the forefront of innovation.

Purpose-led investment in people

The success of Regulatory Services is down to the capabilities, passion and commitment of our people which underpins the trust that clients have in BSI. We pride ourselves in being the market leading Notified Body as well as the go-to organization for the highest risk and most innovative medical devices. To support our clients, we have scaled up our team, which is now over 1,000 people globally. We recruit the most skilled and experienced experts and put them through a rigorous and comprehensive training programme that is widely recognized as being the best across the sector. We offer ongoing support through excellent career pathways, opportunities for progression and modern, flexible working conditions. As a result, we have a highly engaged workforce, focused on our mission to accelerate innovation and keep patients safe.

Business review continued

Consulting Services

Sergio Nogueira
Director, Consulting Services

Revenue

£89.4m

2021: £75.6m

Growth

18%

2021: 11%

7% at constant exchange rates*

Proportion of total revenue

13%

2021: 13%

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

I was appointed Group Director, Consulting Services on 6 February 2023, but joined BSI to lead our Consulting Services division in an interim capacity in July 2022, taking over from Thorsten Querfurt who stepped down after just over three years with BSI.

Demand and impact

Our Consulting Services division is focused on two strategically important areas for BSI: the first includes Environmental, Health, Safety, Supply Chain and Sustainability, and the second covers Cybersecurity and Information Resilience – which we call Digital Trust. For the majority of 2022, we operated our business as two distinct business lines Environmental, Health, Safety, Sustainability and Security (EH3S) and Digital Trust Consulting (DTC). In both these areas, our offering is highly practical and action-focused procedural consulting.

During 2022, our revenue increased 18% to £89.4m, up 7% on a constant currency basis. There is clearly demand for our deep, technical expertise in our key areas of focus. Collaborative solutions to our clients' most pressing problems included providing intelligence on driving efficiencies in supply chains and improving employee health and wellbeing. Our Supplier Compliance Audit Network (SCAN) has continued to grow and make a positive impact, reducing duplicative supplier audits and therefore generating savings for SCAN clients. The AidTrust programme, improving the traceability of donated medicines, progressed from a pilot in 2021 to a full-blown offering in 2022, tracing over one million units. We have experienced strong demand for our Digital Trust offerings within the public sector particularly in relation to our offerings in Cyber risk advisory, Architecture testing and Data Privacy but the competition in the market has led to a softening in the private sector and a squeeze on our margins as discussed below.

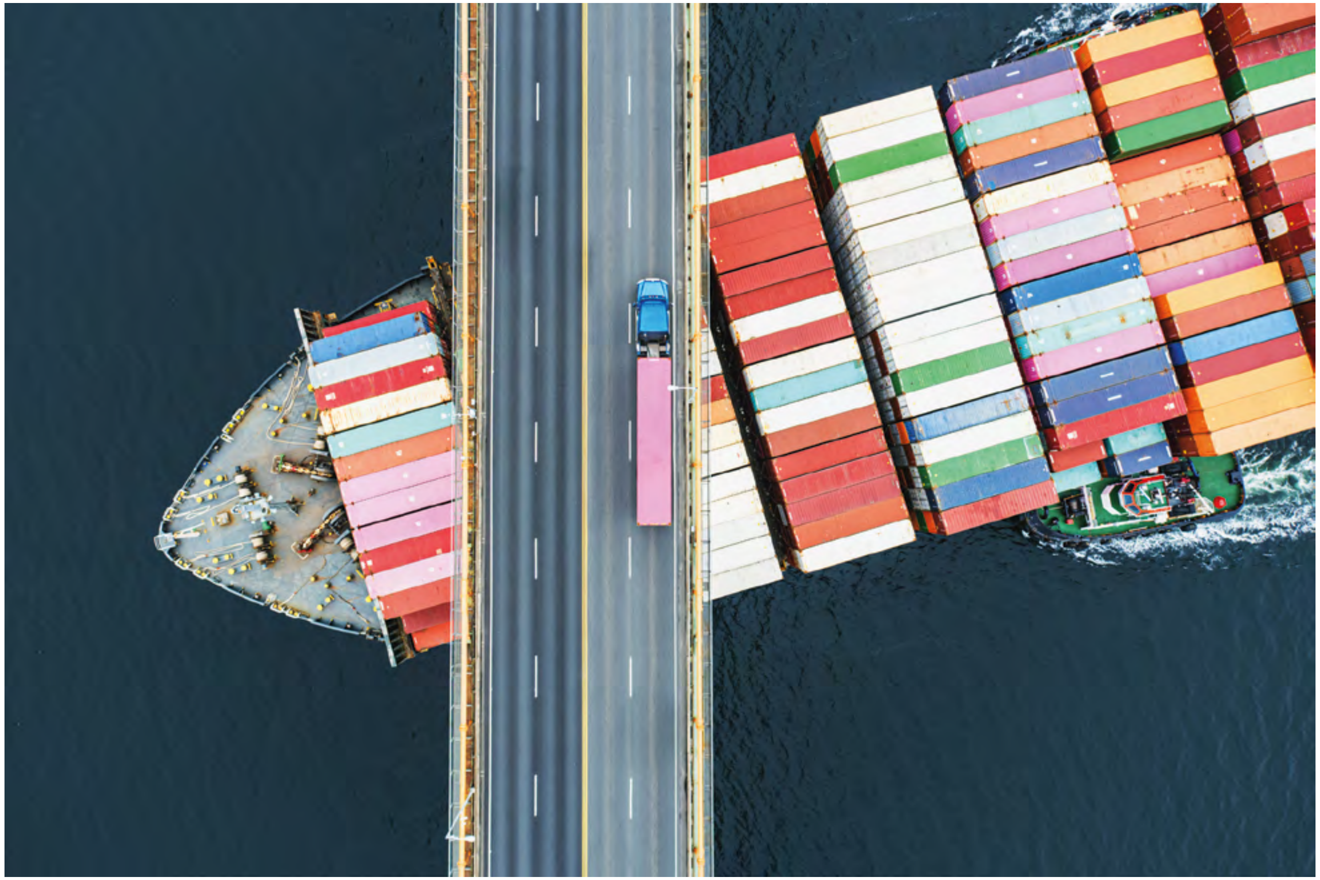
Competitive pressures

During 2022, we saw intensifying competition affect pricing and a growing need to ensure our compensation was market competitive. As a result, the increase in revenue did not fully flow through to profit and this was particularly marked in the DTC business. This fall in profitability was a key contributing factor to the DTC goodwill impairment. We are now on embarking on a journey to sustainable and profitable growth. We have redoubled our efforts to improve our commercial governance, and we have reduced costs by leveraging a single operating platform to align business processes and consolidating our middle-office functions. In addition to driving improved efficiency, we have also invested in our account management and increased our collaboration across the Group in areas where there is no risk of contravening our impartiality rules.

Business review continued

Refreshed strategy

During 2022, we refreshed our Consulting Services strategy in line with the changing needs of our clients and our own core competencies and areas of differentiation. Looking ahead, we will focus our engagement with clients through our activities in Environmental, Health and Safety (EHS), Supply Chain and Sustainability (SCS) and Digital Trust Consulting (DTC). With our revised strategy and operating structure now in place, we are confident that we can support our clients and help strengthen their sustainability and resilience, ultimately accelerating their growth.



A BSI impact story

AidTrust

Sustained focus on lost US$1bn of donated medication

The beep from the barcode scanner breaks the quiet in the consulting room. The doctor hands over the course of tablets, another patient on the road to better health. This private patient has paid for their medication, but the doctor's practice has not. A drug treatment donated by a pharmaceutical company has been diverted from its intended recipient, for this doctor's personal financial benefit.

It's the barcode scan that has revealed where these valuable drugs have actually ended up. Our sustained expansion of AidTrust, a supply chain traceability program developed with our partner Trace Labs and launched in 2021, is getting traction.

Pharma companies donate medication worth millions of dollars each year to communities in low- and middle-income countries (LMIC), in regions including sub-Saharan Africa and the Indian sub-continent. Aid organizations are responsible for supplying medicines to patients even in the most remote areas, and everyone involved wants to be confident about the drugs' quality and destination. Because they often don't arrive. In fact, at least US$1 billion or around 10% of donated medication leaks out of a supply chain that includes warehousing, distribution, and hospital inventories.

Where 2021 was about proving AidTrust could track medicines from donation to patient, 2022 has been about scaling the process across 28 treatment centres, tracing millions of units that make up tens of thousands of treatments, through to the patients who need them.

What started as a single client solution has now become a solution for the healthcare sector. The principles can be applied wherever digital traceability of goods can build certainty and trust. Our sustained innovation investment in a pressing issue is accelerating its impact.

Sustainability: our clients

Global sustainability built on trust

Our sustainability review for 2022 comes in three parts.

1. By helping our clients become more sustainable we are also contributing to the progress we want to see. This section
2. We accelerate progress by helping to create the frameworks, guidelines and shared understanding that enable global transformation. Pages 31 to 33
3. We believe we should live by our own standards and guidelines. Pages 40 to 43

BSI is a trusted agent of change for organizations and corporations. If we are to drive real change for our clients, enabling them to thrive in a digital, sustainable world and supporting them in their business goals and stakeholder obligations, we must help address the most complex problems of our age.

BSI has an essential role to play in building trust in global market frameworks. Ensuring that we build and embed frameworks, best practice and standards that create trust between consumers, companies and governments, will foster innovation and progress and help make the world a better place.

New standards for social justice

Standards make it easier for organizations to understand and implement ways of working that help them operate in a more sustainable way. During 2022, BSI published a range of standards covering a broad range of challenges that organizations face.

A new British Standard addressing Modern Slavery was perhaps the highest profile of these. Made available as a free download, the standard will help companies tackle an issue that affects an estimated 40 million people.

The buildings that people work and live in will improve with the help of standards published in 2022 covering building design for neurodiversity and building safety competence. The built environment is an important element of sustainability in society, and we are continuing our work to raise standards and share best practice. Increasingly living environments will need the infrastructure to support electric transport, and our work to standardize accessible EV charging can accelerate the growth and usability of national charging networks. BSI has also worked with the government to bring together energy reduction and net zero objectives for larger organizations through new PAS standards for Energy Savings Opportunity Scheme (ESOS) Net Zero Audits.

Protecting and supporting consumers who are vulnerable, ageing, or simply buying products they believe to be safe, is a key focus of BSI. New standards help our clients make a tangible difference to the everyday lives of many people.

Sustainability: our clients continued

A circular economy

Standards are only one part of the story. Effective, long-lasting solutions to issues are a combination of partnership-led problem-solving, new standards supported by the right training, and ongoing audit to build trust. Innovation in the circular economy provided one example of this integrated approach in action this year.

The constant replacement of products with newly manufactured alternatives, the so-called linear economy, creates challenges for a sustainable environment with its demands on raw materials, limited natural resources and space for landfill. The circular economy, where products are upgraded rather than replaced, reduces these demands. Our contribution to the development of the circular economy through the Kitemark for remanufactured and reconditioned products has involved creating trust in the minds of potential buyers that upgraded products are as good as the new replacement they could have chosen.

See page 10 for an impact story on this trust-building in action

Accelerating sustainability with trust

Trust in a complex and increasingly digital world is a big enabler of sustainability progress. Supply chains have grown in complexity in recent years, and our clients need confidence that what is happening along that chain reflects their own objectives: from environmental impact to the way people are treated. Our Supplier Management Programme continues to equip our clients with the tools and training to understand how supplier practices match up against standards, regulations and best practice, and to address gaps. The continuing expansion of BSI Connect is helping client companies use digital dashboards, for supplier management that is more timely and convenient.

Timely, comprehensive auditing gives our clients confidence in their own sustainability and supports the trust their customers can have in the products and services they buy. A significant growth in digital audits in 2022 has continued our progress in facilitating quicker and more responsive auditing using technology that ranges from teleconferencing to drone and satellite imagery. BSI carried out some 95,000 days of digitally-delivered audits in 2022, over 35% of all audit days, reducing our own carbon footprint while increasing the quality of service provided.

In 2023, we'll continue building on all of this progress, bringing all that BSI has to offer to bear on the sustainability challenges and opportunities that our clients face.

95,000

days of digitally delivered audits in 2022

A BSI impact story

Innovation Lab Singapore

Emerging innovations for tomorrow's trust challenges

In a shop near you, a couple check labels on the groceries they're buying. They've heard about the impact that palm oil production could have on habitats. If only they can be sure that when the listed ingredients say any palm oil has been produced sustainably, it really has.

On the other side of the world, a small team of auditors has just arrived to assess and verify the sustainability claims of a remote palm oil plantation covering an area equivalent to 10,000 football pitches. They have three days.

As the push for greater sustainability increases and production environments grow in size and complexity, the job of creating trust in sustainability certification is becoming more challenging. Is a palm oil plantation tree line exactly where it's supposed to be? Is there evidence of recent deforestation? How much methane is the local palm oil mill or agricultural landfill site releasing?

Answers to these challenges may lie in innovative integration of technology: satellite imagery, drones and Artificial Intelligence (AI) to name just three.

Opened in January 2022, BSI Innovation Lab Singapore has a clear mission aligned with BSI's strategy: to support emerging and disruptive technology applications that can enhance our clients' digital trust and sustainability.

The Innovation Lab team are working closely with clients, partners and innovators to nurture these solutions of the future. Based in the heart of Singapore's start-up district, the Innovation Lab is a vital component in BSI's growing innovation network that includes teams in Cambridge, UK, and Phoenix, USA.

Many of the enablers of sustainability are not yet available. BSI is accelerating their development.

Financial review

Successfully delivering performance and investment in an uncertain environment

Sara Dickinson
Chief Financial Officer

Despite 2022 having seen pressures, both economically and geopolitically, our business has remained very strong, delivering in line with our planned expectations. We were able to hold our focus on our purpose-driven strategy, and we continue to fund this through our solid financial performance.

We continued to adapt to the ongoing COVID pandemic impact as it evolved throughout the year, affecting both how we delivered for our clients and stakeholders, and how we worked together as an organization. As for most businesses and industries in 2022, BSI also contended with several external issues. Early in the year we were directly impacted by the war in Ukraine and had to exit our Russian business. We also saw inflationary pressures build globally, impacting both our business and our colleagues and the ongoing pressure for talent.

I am pleased to confirm that despite these economic challenges we initiated the multi-year transformation programme, noted in our 2021 Annual Report and financial statements, to invest in our infrastructure and our people. We envisage this programme will run throughout the next two to three years and it is specifically aligned to our digital and sustainability strategy, ensuring we can deliver on our purpose for the long term.

As this is a multi-year programme, 2022 represented a year of investment only and our financial performance for the year was set on this basis. The investment in 2022 focused on transforming our own data and technology infrastructure, investing in our colleague development and on our Regulatory Services operations and products. The investment spend was made up of £27.7m income statement charge and £7.1m capital expenditure. Our underlying operating profit excluding this investment charge to the income statement and one-off cost-of-living support to colleagues was £85.2m.

Our business demonstrated its ongoing resilience and underlying strength, evidenced in the profit performance before investments. This resilience comes from our focus on our purpose, our portfolio of business operations, our global footprint and the breadth of the clients and stakeholders we work with. We came into 2022 with a newly formed strategic direction and this focus helped guide decision making throughout the year. Additionally, we have enhanced our risk management approach over the last two years, enabling us to effectively respond to the rapidly changing external environment.

Financial review continued

2022 Financial performance

The adjacent table sets out the headline financials for 2022 and the year over year movements at reported rates. We saw strong revenue growth and the drivers for this and our underlying operating profit performance are detailed below.

In 2022, we are reporting exceptional items of £17.8m. This is made up of the costs to exit our Russia business (£1.2m) and the impairment of Goodwill and acquired Intangibles associated with our Consulting Services division (£16.6m). Details of the impairment review are set out in note 13 of the consolidated financial statements. During 2022, the DTC business faced significant cost headwinds on operational delivery despite delivering top line growth. We have now refocused the business and although we believe the strategy will deliver, strategic change creates execution risk and as a result of uncertainty around future profits, an impairment loss has been recognized. This loss is a non-cash item. As discussed above, the underlying operating profit includes £27.7m of transformation investment cost which is new in 2022 and is the primary reason for the year over year reduction.

	2022 £m	2021 £m	Change £m	Change
Revenue	**672.8**	585.6	87.2	15%
Underlying operating profit	**56.0**	83.1	(27.1)	-33%
Exceptional items	**(17.8)**	–	(17.8)	100%
Operating profit	**38.2**	83.1	(44.9)	-54%
Net finance cost	**(0.6)**	(2.1)	1.5	-71%
Profit before tax	**37.6**	81.0	(43.4)	-54%
Income tax expense	**(18.3)**	(22.1)	3.8	-17%
Profit for the year	**19.3**	58.9	(39.6)	-67%
Effective tax rate	**48.7%**	27.3%	21.4%	
Net assets	**345.9**	327.6	18.3	6%
Cash and deposits	**164.6**	187.1	(22.5)	-12%

Revenue from our business divisions

We saw overall strong revenue performance with double digit growth of 15% on a reported basis impacted by the strengthening of US Dollar (9% on a constant currency basis). This performance demonstrated the resilience of our business and supported our ongoing ability to invest in our people, strategy and purpose delivery even in uncertain times.

Our Regulatory Services division continued to see significant year over year revenue growth of 28% on a reported basis as we focused on meeting client demand and creating flexibility in our operational delivery to support this. The Assurance division saw solid revenue performance, up 9% on a reported basis. Our Systems Certification and Training businesses successfully embraced new hybrid and remote delivery methods, responding to regulatory and client needs in the new post-COVID operating environment. In the Knowledge Solutions business, we delivered 5% revenue growth as we saw building strength in our subscriptions model and good delivery in our services business. In 2022, we took time to further refine our strategy and consolidate the focus for the Consulting Services division, which, together with the strengthening of USD, helped to drive 18% revenue growth.

Our business review on pages 15 to 22 provides additional context to our divisional performance and how we are partnering with clients and stakeholders.

Financial review continued

Underlying operating profit (UOP) and operating profit

In 2022, we reported UOP of £56.0m, a reduction of £27.1m on the prior year. This reflects the conscious investment of £27.7m noted above, focused on enhancing how we work in the future to support our clients and stakeholders, and delivering our purpose.

Additionally, as we have come out of the pandemic we have flexed our operations to embrace new hybrid delivery methods reflecting the ways of working our clients and stakeholders are now looking for. This, combined with actions we have taken in response to the cost of living and inflationary pressures experienced by our colleagues, means we have seen gross profit margins return to pre-pandemic levels of 50.2%, a 1.9% reduction on 2021 and again something we had planned for. Selling and distribution costs increased by 21.6% year over year reflecting both investment in our delivery models and marketing activities. Within administrative expenses we see the impact of the transformation investment of £27.7m. This is the primary driver of the 29.3% increase noted on page 111 of the financial statements, alongside salary and one-off cost-of-living compensation uplifts as we invested to support our colleagues.

Our UOP margin of 8.3% reflects all of the transformational and colleague-focused investments. We are excited to be able to take these transformational steps and believe these actions set BSI up for future long-term successful partnering with our clients and stakeholders. The operating profit of £38.2m is after the exceptional items already noted.

There is a loss of £47.4m reported in the parent company which is primarily driven by the £27.7m of transformation spend described above together with £14.3m additional investment in building capability to deliver our multi-year transformation. The parent company balance sheet remains in a robust position with net assets of £53.8m and we will continue to review the funding of the parent company as we continue to execute on our transformation programme.

Exchange rates

The international nature of our business means our reported financial performance is impacted by movements in global exchange rates, most notably in our major trading currencies of Euro and US Dollar. Note 3 to the consolidated financial statements indicates the sensitivity of the Group's operating profit to movements in the major trading and operating currencies.

Current group policy to not pursue active currency hedging activities was maintained in 2022. As we evolve our operations we will continue to review this approach.

Balance sheet and cash flow

The net assets of the Group increased year over year by £18.3m, mainly driven by the retained profit for the year of £19.3m.

The Cash and deposits balance reduced by £22.5m when compared to 2021. This is primarily the result of movements in working capital, business transformation investments and payments of £15.7m to the defined benefits pension plan offsetting the cash generated from underlying operations. The increase in working capital was driven by the growth in trade receivables of £28.3m (29.8%) as trading revenues grew by 15%, accounting for half of this. The balance is driven by an increase in debtor days of 16% as we saw a lengthening in billing cycles particularly in the US which is being addressed going forwards through increased resources and process changes.

Additionally, we saw material non-repeating trade payables items accrued at the end of 2021 and paid out in 2022. Bad debt written off in the year remained broadly stable as a percentage of revenue at 0.2% (0.17% in 2021). As discussed, we did not expect the significant transformation investment programmes to be cash generative in-year.

Treasury

We maintained our treasury policies for cash management and cash repatriation to the UK where applicable in 2022, and also remained free of debt. We took steps to take advantage of the improvement in global interest rates during the year and set up short-term interest earning deposits. The interest earned has contributed to the positive improvement year over year in our net finance costs. As we look towards 2023, we are investing in our global treasury operations to better support our business growth and delivery.

At the date of the balance sheet we had £53m in short-term deposits, which in accordance with our accounting policies have been separately disclosed and not treated as cash.

Financial review continued

Taxation

The Group Effective Tax Rate (ETR) on profit before income tax was 48.7% in 2022. This is after the inclusion of non-tax deductible exceptional items such as the impairment charges and the uncertain tax risk provision taken in the year of £3m. Therefore, we consider the ETR on UOP of 32.7% to be a better indicator of the tax rate for the Group. Whilst the ETR on UOP has increased year over year, this increase was anticipated given the reduction in UOP as the transformation cost impact outstripped the growth in trading contribution.

Pensions

I am pleased to note that we completed the triennial valuation of the BSI Retirement Benefits Plan (the Plan) as at 31 March 2022, signed by the trustee and BSI on 26 January 2023.

The actuarial valuation of the Plan as at 31 March 2022 revealed a technical provisions shortfall of £20m. This represents a substantial improvement in this deficit which was £67m as at 31 March 2019. The improvement reflects £45m of deficit contributions paid into the scheme, together with changes in financial markets and improvements in mortality assumptions offset by Retail Price Index reform and changes to discount rates.

Given the improvement to the scheme position and the estimated further improvement since the valuation in March 2022, BSI has agreed with the Trustee that the remaining £7.5m of deficit remediation due to be paid by June 2023 will be paid into an account governed by an escrow agreement. The contributions will be paid into the plan or returned to BSI dependent on the outcome of the actuarial valuation at the next triennial valuation on 31 March 2025.

The IAS 19 accounting valuation of the scheme as at 31 December 2022 was a net pension asset of £20.1m (2021: £19.3m). The present value of the defined benefit obligation reduced from £428.6m to £298.3m principally driven by the increase in year-on-year discount rates. While the scheme liabilities have fallen, the fair value of the plan assets has also fallen by £129.5m to £318.4m. Overall, interest rate and inflation hedging strategies reduced asset values by a similar magnitude as the reduction in the scheme liabilities, which also included ongoing deficit contributions of £15m.

For further information see Note 15b.i of the consolidated financial statements

Accounting policies

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

Looking forward to 2023

In summary, 2022 was a year of strong performance which enabled us to pursue the significant investment programme we had planned for. As we look towards 2023, we will continue our transformational investment activities pursuing our digital and sustainability strategic goals.

Sara Dickinson
Chief Financial Officer

5 April 2023

Sustainability: our stakeholders

Co-creating an environment for progress

Progress on sustainability is accelerated by collaboration. Our work with stakeholders around the world is one way in which we are helping make change happen.

Alongside traditional legislative approaches, we can help to accelerate progress.

Climate change is at the top of the sustainability agenda, and carbon reduction has been the 2022 priority in our sustainability strategy. One of the obstacles to achieving net zero has been the lack of clarity about how best to get there.

Following the success of the London Declaration, which was the commitment proposed by BSI and signed by ISO in 2021 to ensure our standards support climate action, BSI launched the Our 2050 World initiative to drive transformational collective actions on achieving net zero by optimizing the use of standards by organizations around the world.

Our 2050 World is a collaboration that we convene with ISO, the United Nations Framework Convention on Climate Change (UNFCCC) Global Innovation Hub, and the UN's Race to Zero campaign. Over the course of four months during 2022, we used the ISO International Workshop Agreement (IWA) process to lead the development of the ISO NET Zero Guidelines, launched at COP27, bringing together voices from across the spectrum of stakeholders in climate change including many who were new to the international standards system.

One key stipulation in the London Declaration is that those most vulnerable to climate change should be consulted and involved in the development of standards. Among the hundreds of people and organizations who registered for the Net Zero Guidelines process as first-time participants in standards development were indigenous representatives and other voices rarely heard in international standards development.

Sustainability: our stakeholders continued

For carbon credits to play an effective part in reaching global emissions goals, the credits need to be credible and verifiable. People want to trust the impact that is claimed. The Integrity Council for the Voluntary Carbon Market (ICVCM) is an independent body whose aim is to bring this level of trust. During 2022, BSI oversaw the Integrity Council's open public consultation on draft Core Carbon Principles and the associated Assessment Framework and Procedure. This foundational work will further strengthen global efforts to meet our collective emissions targets.

In 2023, we are expanding our focus across other core sustainability priorities:

- the better management and fair use of water;
- effective waste management;
- infrastructure that better balances the needs of society and the impact on the environment; and
- ethical supply chains.

Our leadership and convening power at regional and international level is a powerful enabler of action that in turn has a very broad impact. We know that we can't achieve our objectives by working alone. Working with and through our members, clients, other stakeholders and partners is how the momentum for long-lasting change will build.

A BSI impact story

ISO Net Zero Guidelines

Bringing the world's voices together in pursuit of net zero

"This is a ground-breaking moment. We are rewiring global capitalism as we speak – I couldn't be more excited."

The words of Nigel Topping, UN Climate Change High-Level Champion, at the launch of the ISO Net Zero Guidelines at COP27 in Sharm el-Shaikh. The landmark guidelines were the outcome of BSI's Our 2050 World collaboration with ISO, the UN's Race to Zero campaign and the UNFCCC Global Innovation Hub.

Why ground-breaking? Fragmentation of voices and action are a barrier to progress in any field. When it comes to meeting climate objectives, consensus and alignment could be the difference between success and catastrophe.

Consensus around net zero involved a conversation between hundreds of voices from over 100 countries to produce, in just four months, a document that will be a baseline for net zero action around the world.

BSI is a UK organization but our reach as a global convener of expertise and ideas is a game-changer for the challenges facing our world. Providing a platform for new voices is at the heart of our work.

Three quarters of those involved in the development of these guidelines were new to the process of developing standards: new voices, under-represented voices, people who can find it hard to be included in the biggest debates.

We used the ISO International Workshop Agreement (IWA) process, which included written contributions, as well as virtual workshops, allowed broader access, and these multi-language guidelines already have a readership covering 140 countries.

Within two months of launch, the guidelines were being referenced in the UK government review of its net zero pathway and had made the UN Climate Champions 2022 Yearbook of Climate Action.

Reaching global consensus can happen quickly and impactfully with the right intent, collaboration and power to convene.

"This is a ground-breaking moment. We are rewiring global capitalism as we speak – I couldn't be more excited."

Section 172 Report

Stakeholder engagement

"BSI has continued to evolve the 'human connections' initiative which enables diverse and inclusive topics to be discussed. Since commencing the initiative in 2020, affinity groups have been established in every region."

In working for the success of the Company, the law recognizes that Directors should have regard to the organization's stakeholders. To do that, the Directors must understand the business and societal environments in which the Company operates, how the Company impacts others within those environments, and how those others will impact its success.

This Report explains how BSI has engaged with its key stakeholders and established dialogues which help the Directors to understand better stakeholders' needs and expectations and incorporate them into the Board's decision making process.

Employees

For engagement with colleagues, BSI uses the alternative arrangements path set out in the Financial Reporting Council (FRC) UK Corporate Governance Code by pursuing a multi-stranded approach to workforce engagement. Mechanisms in place consisted of:

Engagement and Pulse surveys

- The BSI 'Ways of Working' engagement survey was run in January with a follow up pulse engagement survey in October 2022, The surveys provided insight into colleagues' views about working for BSI and their opinions on a variety of workplace matters such as flexible working. Participation rates were high and the results indicated that colleagues were seeing a much clearer articulation of BSI's vision and strategy. Based on an analysis of the results, a high-level plan is being actioned to demonstrate to colleagues their voices are heard with concerns addressed and that subsequent decisions are taken considering the issues raised.

Culture work and the role of Champions and Facilitators

- The 'Shaping BSI's Culture' programme commenced with the Group Leadership Team and their direct reports. In support of this initiative, sixteen in-house culture facilitators have since been trained, representing all regions, levels and areas of the business. In November 2022, the Chief Executive and Chief People Officer met the sixteen culture facilitators to hear directly from them about the impact of the programme, the views of participants and where BSI could be even better. Over 1,000 colleagues have taken part in the 'shaping BSI's Culture' programme.

Human Connections

- BSI has continued to evolve the 'human connections' initiative which enabled diverse and inclusive topics to be raised and discussed.
- Since commencing this initiative in 2020, affinity groups have been established in every region where individuals passionate about diversity and inclusion have formed a community across the Group to seek improvements, highlight education opportunities and share stories.

Information and Dialogue

- A regular cadence of global calls with the senior leadership population has been established followed by 'town hall' meetings with all colleagues. These allow management to keep the workforce updated and to receive feedback directly from colleagues.
- The Board undertook two international visits in 2022, and a visit to the Milton Keynes offices in September, and opportunities were created to meet with colleagues and hear directly from them.

Read Our People report on pages 13 and 14 for further information

Section 172 Report continued

The need to foster the company's business relationships with suppliers, customers and others

BSI has identified the following key stakeholders:

The UK Government

- Detailed and varied engagement with the UK government remains a high priority across BSI, which now has a dedicated government engagement team. There is mutual participation in meetings and invitations to events and conferences (for example the BSI Standards Conference). There are regular meetings with ministers and with many Government departments to discuss issues relevant to their portfolios. Meetings are also held with officials from the Scottish government, Welsh government and the Northern Ireland Executive. Regular meetings are held with officials at our lead department, the Department for Business and Trade (DBT) (formerly called the Department for Business, Energy and Industrial Strategy (BEIS)), which is represented on the Standards Policy and Strategy Committee (SPSC). A representative from DBT is invited to the Annual General Meeting (AGM). Input from the DBT representative at SPSC meetings and the AGM affects BSI decision making.
- The Director-General, Standards regularly meets with Parliamentarians and gives evidence to House Committees. BSI participates in two All-Party Parliamentary Groups (APPG).
- In addition to frequent informal contact, regular meetings are held between senior officials and the Director-General, Standards and other senior staff, and the Chief Executive attends key meetings. Reports of meetings are provided through monthly reporting, and thereby incorporated into the Director-General, Standards' reports to the Board.

Subscribing Members

- BSI has a range of ways to engage with Subscribing Members which include monthly newsletters, dedicated content on the website and a Member portal which includes the ability to provide feedback and submit enquiries. Member satisfaction surveys are also carried out.
- All Subscribing Members are invited to the AGM where they can vote on resolutions in person or by proxy, ask questions and meet the Board. The AGM is now also online as a hybrid event, and a recording of the 2022 event is available on the Company's website. The Annual Report and financial statements provides an update to all stakeholders, including Subscribing Members, on BSI's performance over the previous financial year as well as its plans and prospects. The Director-General, Standards reports to the Board on engagement with Subscribing Members.

"In 2022, BSI introduced a new consistent voice of the client satisfaction methodology across all of BSI, which has improved the quality and timeliness of client feedback and BSI's responsiveness to it."

Clients and key accounts

- BSI engages regularly with clients through a variety of means, and regular meetings are held with management from the largest accounts. BSI engages with larger key global clients through direct communication between these clients and dedicated Global Account Directors (GADs) who act as the key information sharer to and from BSI. Regular engagements are carried out with senior BSI leaders and key global clients. Key global clients are able to participate in the development of innovative new projects by BSI.
- BSI has a regular programme of events for clients, including training academies, and works with them to co-create new solutions and to use BSI's ability to convene, for example, gathering sustainability leaders of healthcare companies in a round table to share challenges and best practices. The Board is informed of client and key account engagement through monthly highlight reporting and discussions with the Group Leadership Team.
- Client satisfaction surveys are also carried out. In 2022, BSI introduced a new consistent voice of the client satisfaction methodology across all of BSI, which has improved the quality and timeliness of client feedback and BSI's responsiveness to it.

Section 172 Report continued

- The Board met with several of BSI's major clients during their visits to Japan and Dubai and heard first hand from them about their experiences working with BSI.

Standard makers and Committee Members

- A key stakeholder engagement mechanism for the Board is the Standards Policy and Strategy Committee (SPSC), which is the senior independent advisory committee to the Board on BSI's activities as the National Standards Body and oversees the standards development process on behalf of the Board. The SPSC engages with the Knowledge division executives and Board members on the identification and representation of industry sectors, academia, government regulators and civil society. It provides advice on their active involvement in committees, identifies priority areas and new solutions to meet stakeholder needs, and monitors changes in business or society which could impact the National Standards Body. The SPSC seeks active communication with stakeholders to understand their views. There is a regular focus in SPSC meetings on Standards Makers' issues. Standards makers' issues also feature in the Director-General, Standards' report to the Board. The SPSC regularly updates the Board on its activities and has a representative Director on the Committee who updates the Board at every meeting. Other Directors frequently attend SPSC meetings.
- As the National Standards Body, BSI has an obligation to provide all interested stakeholders with the opportunity to influence the content of the standards that affect them. Participation by Committee Members and Nominating Bodies is critical to BSI's standards development activities, and BSI works to ensure mechanisms are in place so that Committee Members are able to participate effectively in standards development.

- BSI engages with Standards Makers and Committee Members through a variety of channels. These include the BSI Committees' platform, regular contact with BSI committee managers, monthly newsletters, BSI Standards Conferences, webinars, specific events with Committee Chairs and Nominating Bodies, the corporate website, meetings with Nominating Bodies and the Annual report. A number of Committee Chairs are invited to the Annual General Meeting.
- Standards Development Managers (SDMs) play a key role and may be asked to reinforce or remind Committee Members about important messages at their meetings and informally gather views from members of the Committees they manage. Ad hoc calls may be made, or emails sent, to gather feedback as needed for particular topics or questions.

"As the National Standards Body, BSI has an obligation to provide all interested stakeholders with the opportunity to influence the content of the standards that affect them."

Standards Developing Organizations

- BSI representatives sit on almost every board and strategic committee in the International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), European Committee for Standardization (CEN) and European Committee for Electrotechnical Standardization (CENELEC), including at Council or Board level. BSI is also the National Standards Organization and a corporate member of the European Telecommunications Standards Institute (ETSI). BSI prepares proposals to create new International and European standards often based on existing British Standards or Publicly Available Specifications (PAS). BSI sits on the UK steering group guiding UK input to the International Telecommunication Union - Telecommunication (ITU-T). BSI participates in the coordination group of ISO, IEC and ITU-T technical programmes. BSI has regular meetings with the Secretaries-General of ISO and IEC and many other National Standards Bodies, National Committees of the IEC and other standards organizations to discuss strategic issues.
- Insight from other Standards developing organizations is a key input into the development of BSI's Knowledge strategy. BSI has National Committees to mirror the work programmes of ISO, IEC and CEN/CENELEC. Every Board meeting has a report from the Director-General, Standards which includes an update on engagement with the international and European regional standards system.

Section 172 Report continued

Accreditation bodies and competent authorities

- BSI maintains formal relations with governmental and non-governmental accreditation bodies around the world. The Company 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 an Approved Body in the UK (it was the first to hold this UK designation for medical devices) and a Notified Body in Europe.
- Engagement activities include BSI's attendance at the United Kingdom Accreditation Service (UKAS) Policy Advisory Council as well as regular meetings and joint initiatives with Accreditation bodies and competent authorities. The Board receives regular reports on BSI's engagement with Accreditation bodies and competent authorities from the Group Assurance Director and Chief Executive.

Consumers and UK industry

- BSI carries out engagement activities with consumers via consumer bodies such as the independent Consumer and Public Interest Network (CPIN) which is hosted by the BSI Knowledge division. CPIN supports engagement with a regular programme of meetings, conferences and events. BSI provides the secretariat to CPIN and the CPIN Chair sits on the SPSC.
- BSI maintains links with many other societal organizations and launched the Sustainability Standards Network in 2022 to build better connections with Non-Governmental Organizations (NGOs) active in this domain. BSI promotes these activities at BSI Standards Conferences. BSI attends consumer stakeholder conferences, (for example Electrical Safety First and the Chartered Trading Standards Institute (CTSI)). Consumer engagement activities are included in monthly reports to the Board.
- BSI works closely with industry bodies leading development in practice and research concerning new ways of auditing, the employment of new technologies in audit programmes and client interaction.
- BSI also works closely with many industry bodies, associations, institutions and companies to understand better their needs and expectations for standards at international, European and national levels. BSI works with industry on standards strategies and roadmaps, and fast track consensus solutions.
- Industry has representation on Standards Committees and is invited to join meetings and events such as the BSI Standards Conferences and regional stakeholder events. The CBI is represented on SPSC. There is key account management for major trade associations who are Nominating Bodies.

Pensioners

- The Executive Directors regularly engage with BSI's Defined Benefit Scheme Trustee and provide regular updates to the Board.

Read the Chief Executive's Review on pages 6 to 9 for further information

Read the Director General, Standards' Review on pages 11 and 12 for further information

The likely consequences of any decision in the long term

During the year the Board, with the involvement of the Group Leadership Team developed BSI's long term strategy to achieve its public-interest purpose and approved the long-range and annual financial plan.

- The Board is focused on delivering the results of the agreed long term strategy. The Board is responsible for building the organization and developing its business in order to achieve the success that will allow it to fulfil its public interest purpose.
- Progress is monitored using financial and non-financial performance measures. The long-range plan and financial plan are reviewed and revised each year in light of changing business needs and geopolitical trends.
- Core to the long term approach is the work of the Board in ensuring strong, long-lasting relationships with all stakeholders based on understanding the impact BSI has on each of them, as well as the impact they have on BSI.
- BSI's long term view is focused on sustainability. Sustainability is therefore at the heart of the Board's thinking and BSI's long-term strategy involves building sustainability and a digital focus into the organization as well as developing means to help clients and other stakeholders to progress their own sustainability ambitions.

Read the Financial Review on pages 27 to 30 for further information

Section 172 Report continued

The impact of the company's operations on the community and the environment

Sustainability is a priority area for BSI.

- BSI actively engages with its stakeholders regarding sustainability through the channels described above.
- The Board's Sustainability Committee oversees the governance of sustainability on its behalf. The Chair of the Committee updates the Board on its activities, including sustainability engagement activities, at every Board meeting. Other Directors frequently attend Sustainability Committee meetings.

Sustainability – our clients pages 24 and 25

Sustainability – our stakeholders pages 31 to 33

Sustainability – our business pages 40 to 43

The desirability of the company maintaining a reputation for high standards of business conduct

BSI's business is founded on its reputation for high standards of business conduct.

- BSI adheres to the FRC UK Corporate Governance Code, a key source of best practice in governance.
- The BSI Code of Business Ethics was updated and approved by the Board during 2022. The updated version was developed to be used by employees for ethical decision making, and provides key information and guidance to all employees and business partners on the fundamental compliance areas relevant to the organization. These encompass workplace behaviours, anti-bribery and corruption practices, business responsibilities, sustainable practices and responsible use of information.
- The BSI Code of Business Ethics embodies the high standards of business conduct that are fundamental to the way in which the Group operates, as well as the high standards of behaviour required from all colleagues in the Group. BSI is pleased to share the BSI Code of Business Ethics with clients and other stakeholders.
- High standards of business conduct establish the trust essential for sound business relationships that ultimately support the success of the business. The Board has introduced the updated BSI Code of Business Ethics to help ensure BSI maintains its reputation.

Read the Corporate Governance report on pages 67 to 71 for further information

> "The BSI Code of Business Ethics embodies the high standards of business conduct that is fundamental to the way in which the Group operates."

The need to act fairly as between members of the company

BSI, as a Royal Charter Company, does not have shareholders so the Board recognizes the importance of the Company's stakeholders and the need to have regard to them in its decision making process. Stakeholders are central to the delivery of BSI's public interest purpose.

Each year the Board undertakes a stakeholder identification and prioritization process. This is to ensure that the Board understands the organization's stakeholders and its engagement with them, and that it maintains an appropriate balance between those stakeholders in its decision making.

The Board takes the requirements of Section 172 into account in its decision making.

A BSI impact story

Vulnerable consumers

Everyone can be vulnerable

Eileen, a fiercely independent 90-year-old, proudly lives alone in a small rural village. She has lived through tough times. But for her nothing has been as challenging as losing her mobility, and that independence, due to a worsening spinal condition.

Her bank, Santander, spotted that she was visiting her branch less often and withdrawing ever higher amounts of cash when she did – a worry for a vulnerable person living alone.

Eileen was impressed at the concern shown and explained her dilemma: she gave cash to her carers for her shopping and other outgoings. The branch immediately recommended their carers' card product – a low-balance debit card Eileen could safely share with others, avoiding the need for large amounts of money at home. A simple and effective solution, but for a vulnerable person like Eileen it's a life-changer.

BSI's purpose allows us to help highlight voices that don't always get heard in our fast-changing world. And with the vulnerable more likely to be excluded from products and services, we launched the first UK standard aimed at protecting them. This led to the creation in 2022 of the international Consumer Vulnerability standard.

The Kitemark for inclusive service goes a step further by providing a rigorous audit of an organization's products and services against the standard, demonstrating that they are as inclusive as possible.

The nine forward-looking pilot organizations, including Santander and Anglian Water, understand the impact of consumer vulnerability: they have an inclusive and flexible approach to addressing the specific issues facing the vulnerable, often accelerating product and service innovation.

Enrique Alvarez Labiano, Chief Customer Officer at Santander, said that the Kitemark certification helps "illustrate our commitment to financial inclusion by ensuring that our products and services are simple, personal and fair."

For Peter Holland, Director of Customer and Wholesale Services at Anglian Water, it helps illustrate Anglian Water's "passion for providing an inclusive service, and helps them look for new ways to adapt and meet the needs of the most vulnerable."

Amid the cost of living crisis and the growing number of vulnerable adults, privileging their voices and protecting their interests has never been so critical. We are proud to have played our part in ensuring robust yet practical solutions to help organizations address this critical issue.

Sustainability: our business

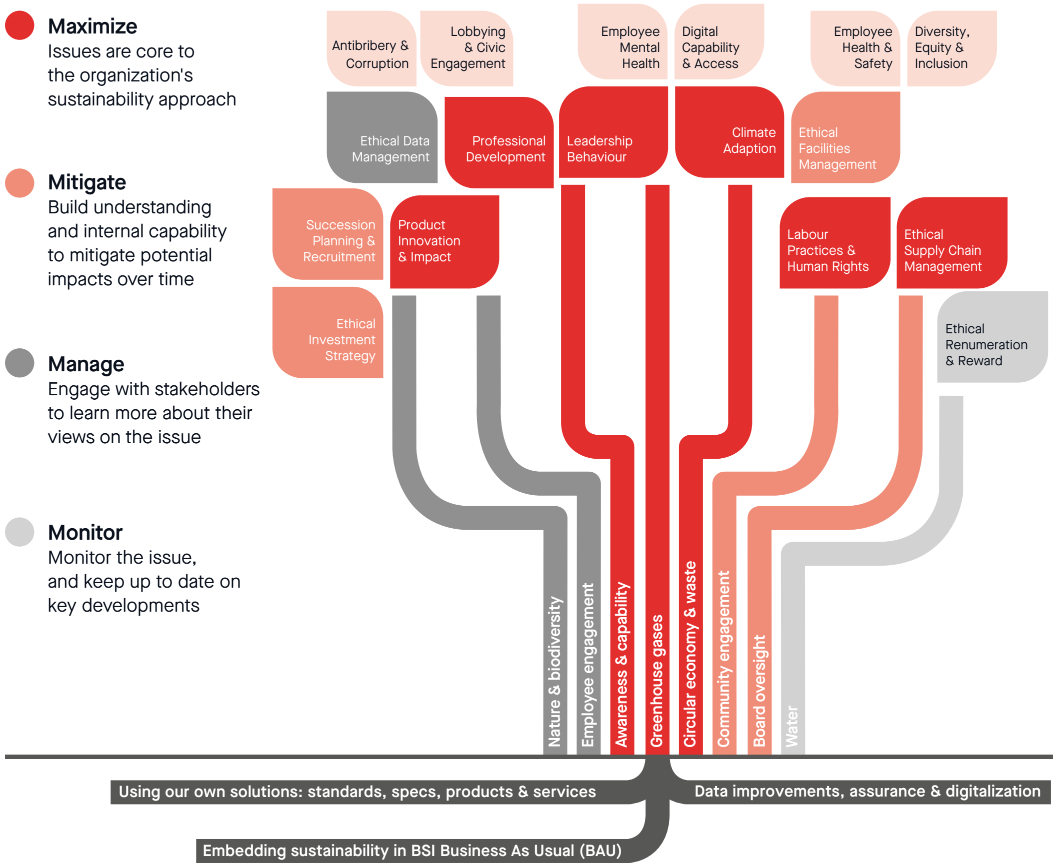
Defining our priorities

We believe that any long-term progress towards sustainability starts at ‘home’. For a business this means everything from how office buildings operate, through to the way processes work, to the day-to-day behaviour of colleagues.

BSI is committed to following sustainability best practice and becoming our own best-in class case study – utilizing standards and BSI’s own client sustainability solutions wherever possible to lead the way in our sector and beyond.

To define our sustainability strategy in a structured way, we undertook a robust and comprehensive materiality review to identify the planet, people and governance issues that were most critical to us and our stakeholders.

Across multiple industries, a materiality assessment is best practice for analyzing and agreeing on the topics that matter most to an organization and its stakeholders, whether risks or opportunities. Adopting a risk lens in a materiality assessment allows organizations to understand the potential consequences if issues aren’t managed.



Indirect influence
Addressed through our engagement, global giving & communications activities

Some influence
Whilst not in the direct control of the Operational Excellence Sustainability Team, these key priorities are being managed by the respective business owners with the sustainability team’s support, collaboration, and guidance

Direct influence
Key priority areas of focus for the Operational Excellence Sustainability Strategy & Implementation Plan

Our approach

Sustainability: our business continued

Focusing on opportunity can reveal business benefits such as cost-saving efficiencies and new revenue streams. We will conduct a thorough materiality assessment every three years, to ensure we are actively refreshing our priorities and approach.

The output of the materiality assessment fed directly into our Operational Sustainability Excellence strategy executed in 2022, as well as our plan and priorities for the next three years. The areas of critical importance to BSI and our stakeholders, including Greenhouse Gas (GHG) emissions and ethical supply chain management, appear in red. Carrying the greatest risks and opportunities for BSI, they are our top priorities.

BSI is a proud member of the United Nations Global Compact (UNGC). The UNGC has 10 principles that participants commit to support, covering human rights, labour, environment, and anti-corruption. Throughout this report we've documented how we are upholding these principles in practical and effective ways.

Additionally, for many years now the UN Sustainable Development Goals have provided the foundational underpinning for our strategic priorities and planning, with goal 17: Partnership for the Goals underlining our purpose and impact on our clients and the world.

Planet

Our road to net zero

BSI has made a public commitment to reach net zero in our own operations by 2030. To do this, our organization will need to reduce GHG emissions (Scopes 1 and 2) by 90% of our 2022 baseline measurement. We are also committing to reduce our Scope 3 emissions (Fuel and Energy, Business Travel, and Upstream Leased Assets) by 42% in the same timeframe and in line with the Paris Agreement. Our Global GHG Disclosures for 2022 can be found on pages 44 to 47.

Reducing our carbon footprint involves change in every corner of the business. Responsibility for GHG emissions reduction is shared between all our businesses around the globe. We have given leadership ownership and accountability for this GHG emissions reduction by implementing a Carbon Allowance Model, introducing a carbon budget for each division and function. This roll out supports a comprehensive pathway in 2023 to reach our carbon reduction goals.

The Carbon Allowance Model is a flexible framework within the overall BSI target, which allows each division and function of the business to focus on the priorities that matter most to them, supporting a diverse and mature approach to reach our GHG emissions reduction goals while empowering our leaders to own these solutions.

Incentivising leaders to lower BSI's GHG emissions footprint is important; increasing the opportunity for people to make good choices is just as important. In 2020, we added electric vehicles to our company car leasing scheme in the UK. In 2022, 40% of the UK fleet is either electric or hybrid, and we are proud that our order book shows that increasing to 99%. Finally, our travel policy includes a sustainability decision tree, providing focused support for our people when trying to make responsible travel decisions.

Adopting standards and BSI's own solutions to achieve our goals is a strategic cornerstone in our approach: thus the measurement and reporting of our GHG data is being done under ISO 14064-1 requirements. We are also implementing the new ISO Net Zero Guidelines (ISO IWA 42). Additionally, the GHG data capture for BSI around the globe will be done by a software tool developed by the winner of our own CEO Innovation Challenge.

In 2020, we became a carbon neutral business, and we commit to continued investment in quality carbon credit projects with our trusted partners as we work to dramatically reduce our overall emissions year on year. We robustly vet all of our carbon credits in line with our GHG Framework.

Changing how we work

Achieving our GHG emissions reduction goals by 2030 will require all our people to make business decisions through a new lens. Colleague engagement is central to how we achieve our targets, and ensuring that sustainability becomes business as usual is foundational for this work. We are investing in new training modules, support channels and a transformed Intranet to ensure our colleagues have what they need to engage in this behaviour change journey. The investments we have made in supporting a collaborative and creative culture have also enabled better cross-functional communication and progress.

Sustainability: our business continued

Across our own buildings and operations, sustainability is influencing major changes in our processes and practice. In 2022, BSI achieved global certification for ISO 14001 (Environmental Management Systems) and ISO 45001 (Occupational Health and Safety Management). Our procurement questionnaire, risk assessment, and supplier onboarding processes also now have sustainability at their heart.

Renewal of energy contracts, exploration of solar-voltaic solutions at our Hemel Hempstead and Milton Keynes offices, removal of single-use plastics and monitoring food waste are all changes to the way we work and the impact our premises have on the environment. Sustainability is embedded in our facilities improvement plan, how leases are approved, the design process in our lab testing facilities and in specific developments we undertake.

Looking ahead to 2023

We will continue to build momentum towards lower GHG emissions, expanding our work on Scope 3 emissions in our supply chains. Our dedication to using standards and our own client sustainability solutions to strengthen and support our operations will continue, including implementing ISO 50001 in our Hemel Hempstead office.

Creating a truly sustainable business involves long-term commitment to change. We are transforming how we work by connecting with our outward-facing purpose and living the change we want to see.

Sustainability: our business continued

People

Sustainability incorporates not just how an organization behaves responsibly in relation to the natural environment, but also how respectfully and holistically it behaves towards its people and the communities in which it operates. BSI is dedicated to ensuring that our people feel engaged, empowered and encouraged to give back and participate in creating meaningful, positive impact in ways that are most significant for them and to our priority areas.

Global Giving and Volunteering

Giving back is an integral part of the culture at BSI, and we could not be prouder of the ways in which our people give their time, expertise and resources in our communities around the world. To honour those efforts and commemorate the UN International Day of Charity (5 September 2022), BSI produced a film showcasing the charitable efforts of our people around the globe (see the film at https://youtu.be/GhCRrl2YOaO).

For the past three years, the UN Sustainable Development Goals (UNSDG) have provided the cornerstone of our Global Giving approach, with BSI colleagues voting for one goal to focus on to deliver focused impact. In 2022, we chose to concentrate our charitable resources on UNSDG goal 1: No Poverty. In total, we delivered £260,724 to charities all over the world during the year, through a series of group and individual fundraising events and activities.

The structure of our Global Giving budget enables our people to choose regional Non-Governmental Organization (NGO) partnerships and enables maximum engagement on the ground. A few highlights from the year:

- our Americas event partnership with Stars of Hope, an organization that brings communities together to support survivors of natural disasters and tragic events. Sixty of our local team members participated in an event that raised US$3,000 towards their support efforts.
- in Southern Africa, our team participated in the 5km Spar Virtual Challenge in support of the Petals Project, supporting education for young women and removing limitations to their future success.
- and despite the continued constraints of COVID restrictions, our team in Japan was able to give their time and energy to the Cocorodama project, supporting families whose children have been diagnosed with incurable diseases.

The humanitarian crisis in Ukraine has been devastating, and the tragedy continues to unfold. In 2022, we donated £125k to the Disasters Emergency Committee and local NGOs in the region delivering relief to people on the ground.

Each year, BSI offers all employees a Volunteer Day, a paid day of leave to give their time and expertise to a charitable organization of their choice. In 2022, 180 employees used over 1,196 hours against this benefit, giving their time to causes they care the most about. In response to the Ukraine crisis, we offered two Volunteer Days for 2022.

Our Match Fund program is another component of our charitable support across BSI, enabling our people to double their charitable efforts for the organizations they care the most about, and in 2022, we matched £12,812 of our colleagues' efforts to raise funds in their own communities.

Looking ahead to 2023

Our charitable giving efforts have progressively evolved through the years, and we look forward to keeping up the momentum. In 2023, we are implementing a new Global Giving strategy with a focus on impact. The materiality work completed in 2022 identified the key People and Planet issues most important to our stakeholders, and we will be working with regional NGO partners with a long-term lens to solve those issues within which we feel best positioned to make meaningful, positive impact.

Global Greenhouse Gas (GHG) Disclosures for 2022

The BSI GHG Emissions Calculations Methodology is aligned with ISO 14064-1.

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 International Energy Agency (IEA), 'UK Government GHG Conversion Factors for Company Reporting – 2022' emission factors and Greenhouse Gas Protocol-provided 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'. 'Market-based' emissions are also calculated, to review and track the progress towards the decarbonisation of our energy supplies around the globe. For specific details on how we report our GHG emissions please refer to the BSI GHG Emissions Reporting Framework: bsigroup.com/ghgmeasurement

We are constantly seeking to improve the way we collect and analyse our emissions data. In 2022, we again sought limited assurance – provided by KPMG – over selected emissions metrics as described below. The limited assurance report is available at bsigroup.com/ghgreport and we recommend that it is read in full.

Our 2022 data includes Scopes 1 & 2 emissions for all our global operations. These include natural gas, electricity, heat and fuels, where BSI contracts directly with utilities and fuel suppliers. It also includes gases used for testing in our laboratories in the UK and refrigerant gases from our global operations, where BSI has the operational control over the equipment containing refrigerant gases. Finally, Scopes 1 & 2 emissions also include emissions from vehicles owned or leased by BSI around the globe (both Scope 1 for fuels and Scope 2 for electric).

Global Scope 3 emissions in all BSI's operating locations for 2022 include natural gas, electricity, and heat usage where BSI does not have operational control (Scope 3, Category 8), fuel & energy related emissions (Scope 3, Category 3) and business travel emissions from road mileage (employee-owned vehicles), air travel, hotel stays and other travel, including rail and public transport (Scope 3, Category 6).

There haven't been any changes of boundaries compared to 2021. However, a material over-reporting has been identified in 2021 data (as stated below), involving emissions from employee-owned vehicles in the United States. We have considered revisiting our 2021 data for the matters noted above in line with the restatement policy as outlined in our framework document and have decided to restate our 2021 emissions with amended data in Table 1, Table 2 and their footnotes. Whilst data was comparable between 2022 and 2021 (with the exception of the emission source in the country noted above), the amended values provide a more accurate comparison of BSI's travel-related emissions.

Overall, total emissions have increased by 61% from 2021 (as amended) to 2022.

Our Scope 1 and Scope 2 emissions have increased by 25.2% from 2021 to 2022. This increase can be attributed to one main factor: the increase in mileage from vehicles owned/leased by BSI as colleagues travel more after the pandemic.

Global Greenhouse Gas (GHG) Disclosures continued

Our Scope 3 emissions increased by 66.3% from 2021 (as amended) to 2022. Business travel increased in 2022 due to the easing of travel restrictions and an increased need for business travel to client sites.

For 2022, BSI's total tCO_2e intensity ratio per million pounds of global revenue (for Scopes 1, 2 and 3 combined) increased by 40.5%, from $17.3tCO_2e$/£m revenue in 2021 (as amended) to $24.3tCO_2e$/£m in 2022. The sharp increase in business travel has driven the intensity ratio increase.

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 pages 17 and 19 for measures we have taken to reduce emissions associated with travel using hybrid and immersive tools, and to page 41 for measures to reduce emissions potential associated with our travel and office use through EV/hybrid vehicles and our global travel policy.

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 navigate our 2030 GHG reduction commitment, allowing us to progressively reduce our reliance on carbon credits each year. Our 2022 emissions have been 100% offset through our offsetting partner. For further information on our offsets and offsetting strategy please refer to page 41.

In 2022, we have set the strategy to achieve our 2030 GHG reduction commitment, enabling us to be net zero in our own operations (Scopes 1 & 2) and to achieve a science-aligned target for our Scope 3 emissions (reaching a 42% reduction in our Scope 3 emissions by 2030). Both commitments, against 2022 emissions as baseline, represent a significant challenge. Many of our markets were still in lockdown during parts of 2022 and therefore, it is considered that 2022 might again be a low travel year for BSI. However, our hybrid and remote technologies developed during the COVID pandemic and our aggressive net zero strategy give us confidence in being able to achieve this difficult but necessary challenge. Our Carbon Allowance Model, the backbone of our strategy, has commenced its implementation throughout the business. For further information on the deployment of our strategy please refer to page 41.

The following tables show our GHG emissions data for 2022, 2021 and 2020. Please note that due to material changes between the scope of reporting from 2021 onwards, as described in the 2021 Annual Report, the figures for 2022 and 2021 are not directly comparable to the figures for 2020. 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)*

	2022	2021	2020
Total Scope 1 emissions	**1,021**[A]	689	640
Total Scope 2 location-based emissions	**599**[A]	605	391
Total Scope 3 emissions (Categories 3, 6 & 8)***	**14,726**[A]	8,853**	6,144
Total	**16,346**	10,147	7,175

* KPMG has provided independent limited assurance over selected Global GHG emissions metrics (indicated by the symbol "A") for the year ended 31 December 2022 in accordance with International Standard on Assurance Engagements (UK) 3000 Assurance Engagement Other Than Audits or Reviews of Historical Financial Information and the International Standard on Assurance Engagements 3410 Assurance of Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. The limited assurance report is available at bsigroup.com/ghgreport and we recommend that it is read in full.

** In preparing the Scope 3 emissions data for 2022, management further reviewed the 2021 calculation in relation to business travel and identified a calculation error which has resulted in the restatement of 2021 Scope 3 emissions data from $14{,}333tCO_2e$ to $8{,}853tCO_2e$. Total GHG emissions in 2021 has therefore reduced to $10{,}147tCO_2e$ from $15{,}627tCO_2e$.

*** Please refer to Definitions for Tables 1 & 2 for details on limitations for year 2020

Global Greenhouse Gas (GHG) Disclosures continued

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

	2022	2021	2020
Total Scope 1 emissions	**1.5**	1.2	1.2
Total Scope 2 location-based emissions	**0.9**	1.0	0.7
Total Scope 3 emissions (Categories 3, 6 & 8)**	**21.9**	15.1	11.4
Total	**24.3**	17.3	13.3

* 2020 intensity has not been restated. Any comparisons of 2021 or 2022 with 2020 cannot be accurately made.

** Please refer to Definitions for Tables 1 & 2 for details on limitations for year 2020

Definitions for Tables 1 & 2:

Total Scope 1 emissions: arise directly from sources that are owned or controlled by BSI, and include natural gas and fuels where BSI contracts directly with utilities and fuel suppliers. It also includes gases used for testing in our laboratories in the UK and refrigerant gases from our global operations where BSI has the operational control over the equipment containing refrigerant gases. Finally, Total Scope 1 emissions also include emissions from fuel and hybrid vehicles owned or leased by BSI around the globe.

Total Scope 2 location-based emissions: arise indirectly from the off-site generation of electricity and heat purchased by BSI or used in BSI owned or leased electric vehicles.

Total Scope 3 emissions:
This comprises:

- **Scope 3, Category 3:** fuel- and energy-related emissions (upstream well-to-tank and transmission- and distribution-related emissions from energy purchased by BSI or used in BSI owned or leased electric vehicles),
- **Scope 3, Category 6:** business travel emissions from road mileage (employee-owned vehicles), air travel, hotel stays and other travel (including rail and public transport) in all BSI's operating locations, and
- **Scope 3, Category 8:** natural gas, electricity and heat usage where BSI does not contract directly with utilities suppliers.

2020 Scope 3 emissions consisted only of the following:

- **Scope 3, Category 6:** 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, and
- **Scope 3, Category 8:** natural 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.

Global Greenhouse Gas (GHG) Disclosures continued

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 third year we have reported our UK emissions in this way.

Table 3: Streamlined Energy and Carbon Reporting (SECR)

	2022		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)	UK GHG emissions (tCO_2e)	UK intensity ratio (tCO_2e/£m revenue)
Scope 1	**567**	**2.46**	319	1.52	1,216	6.4
Scope 2 location-based	**371**	**1.61**	390	1.86	390	2.1
Scope 3	**748**	**3.25**	824	3.94	826	4.4
Total	**1,686**	**7.32**	1,533	7.32	2,432	12.9
Total energy use (kWh)	**8,193,144**		7,477,024		7,828,598	

* 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 for Table 3:

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 increased in 2022 compared to 2021 due to a significant increase in company owned car mileage.

Our Scope 2 UK emissions have slightly dropped due to a slight reduction in the electricity usage in 2022 compared to 2021. The majority of our UK-based Scope 2 emissions are from our UK laboratories.

Our UK Scope 3 has slightly dropped, mostly driven by the drop in energy consumption in sites where BSI does not control the utility contract.

Energy efficiency actions taken in the year

In 2022, 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 site at Hemel Hempstead. The increase in EVs and hybrid cars within our fleet continues to move quickly with c. 40% of the UK fleet now EV or Hybrid. At the end of December 2022, 99% of the vehicles in the order bank were EV or Hybrid, which will translate in a further increase in the EV and Hybrid proportion within our fleet in 2023.

Climate change risk management

Environmental, Social and Governance is recognized as one of our principal risks (see Principal risks and uncertainties on p52), and climate change risk is an integral part. We recognize that climate change represents a risk to both our operating effectiveness and our commercial viability.

Climate-related risks and opportunities are identified through a multi-disciplinary company-wide risk management process that assesses all organizational activities that could give rise to a potential substantive financial or strategic impact. The Group Leadership Team take overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. 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.

Our climate risk analysis has identified both physical and transitional risks to our operations, along with potential climate-related opportunities as we transition towards a low-carbon economy. These arise from the tangible effects of climate change on our operations, infrastructure and workforce. We have also identified potential opportunities for BSI related to the transition to a low-carbon economy across five categories: Resource Efficiency, Energy Source, Products/Services, Markets, and Resilience.

Climate-related risks and mitigations that we identify are managed in the same way as other risks through our integrated risk management framework, and by specific business owners within separate functions and divisions. Quarterly risk reviews with the function and division leadership teams are used to assess the effectiveness of their risk mitigation activities.

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.

For more information on BSI's alignment to TCFD recommended disclosures so far:

- Governance: See pages 81 and 82
- Strategy: See page 40 to 43
- Risk management: See pages 48 to 51
- Metrics and targets: See pages 44 to 47

Climate change risk management continued

Physical risks

Physical risks from climate change can be classified as acute risks, which are event-driven, or chronic risks, which account for longer-term consequences. BSI's risk management team used a variety of relevant and credible resources to assess the actual and potential physical risks that could impact BSI's global facilities and operations.

Climate variables	Potential impact	Financial implication
Access to BSI facilities	BSI sites may be vulnerable to interruption from extreme weather events. If any disaster were to occur, our ability to access BSI facilities could be impaired.	Operations may be disrupted or impaired, resulting in a loss of revenue.
Travel to client sites	BSI worldwide operations are vulnerable to interruption by extreme weather or climate-related events. If any disaster were to occur and prevent travel to client sites, our ability to service those clients could be impaired.	Delivery of services to clients may be impaired, resulting in a loss of revenue.
Colleague health and welfare	As a global business, our workforce is at risk of extreme weather and climate-related events. Any impact on the health and safety of our workforce could impair our ability to service our clients.	Reduced revenues and higher costs from negative impacts on the workforce.

Physical risks in our operations are managed using our internal controls and risk management policies such as Business Continuity Plans, remote working technologies, safe systems of work, global communications systems and colleague training.

Climate change risk management continued

Transitional risks

Companies and investors may be exposed to risks that arise from the transition to a low-carbon economy, these risks are called "transitional risks". The transition will entail changes to policies, legal requirements, technological changes, shift in market behaviours and preferences, and reputational considerations. Based on the pace, nature, and focus of these changes, transition risks represent varying levels of financial and reputational risk to organizations. Climate change risks have emerged across all sectors and will likely impact BSI's operations and services that we provide directly to our operations or indirectly to our clients and the markets we serve. Moreover, impactful climate events have influenced and are likely to continue to influence financial performance and brand.

Climate variables	Climate-related issue	Potential impact	Financial implication
Policy and Legal	Enhanced emission reporting obligations/ exposure to litigation	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.	BSI could face legal action if we do not meet EU, USA, and other climate-related regulations resulting in loss of revenue due to potential fines.
Market	Change in revenue mix and sources, resulting in decreased revenues	Many of BSI's clients work in sectors that could be negatively impacted by regulatory, market, or technological changes if they are unable to transition to a low-carbon economy. This impact could cause them to face financial losses and terminate or reduce services from BSI.	Reduction in diverse clientele could result in decreased revenue streams.
Reputation	Increased stakeholder concern or negative stakeholder feedback	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 our ability to market them.	Impact on BSI's reputation could result in loss of revenue from clients.

Transitional risks are managed by our framework of functional and divisional leadership teams as part of their emerging risk reviews and may include engagement with clients to understand their current and future needs, and innovation of new services and delivery models. Significant new product development and projects are reviewed by the Group Leadership Team for alignment with Group strategy.

Climate change risk management continued

Opportunities

Based on our analysis, we have identified potential climate-related opportunities for BSI as it transitions towards a low-carbon economy.

Opportunity	Description of climate-related issue	Opportunity rating	Potential impact	Financial implication
Resource Efficiency	Use technologies such as hybrid audits and immersive auditing	High	Use of these technologies will help us reduce our GHG emissions related to business travel.	Operational costs are lowered, helps achieve cost savings, and reduces our exposure to fossil fuel prices.
Energy Source	Use of low emission sources of energy	Medium	Incorporates efficiencies in our energy consumption and helps us reduce our GHG emissions.	Reduces our operational costs and reduces exposure to fossil fuel prices.
Products and Services	Development of new products to provide sustainability and climate change-related services and solutions	High	For our clients, climate risks and impacts are key driving factors behind purchases. With the increase in regulatory requirements and market demand, BSI has seen an increase in demand for its sustainability products and services as more consumers are actively looking to procure these services to address their business needs.	Increase in revenue through demand for sustainability services and innovative solutions to address climate risks. Provides a better competitive position to reflect changing consumer demands, resulting in increased revenues.
Markets	Access to new markets	High	Market demand driven by regulatory requirements provides an opportunity for BSI to venture into new and emerging markets and sectors, and drives innovation to create new products and services that address market needs.	Market demand driven by regulatory requirements provides an opportunity to increase revenue through access to new and emerging markets and sectors.
Resilience	Building resilience through diversification across sectors and geographies	High	BSI's clients work in sectors that could be negatively impacted by regulatory, market, or technological changes, which could cause them financial losses and terminate or reduce services with BSI. Diversification across sectors and geographies helps build resilience against these impacts and provides a level of mitigation against the potential impact of economic downturns.	New business opportunities through wider market. Increase in revenue through new products and services supporting clients' resiliency.

Any climate-related opportunities are assessed by our functional and divisional leadership teams, and business plans developed accordingly.

Risk management

The Board of BSI understands that effective risk management is an integral part of business operations.

The identification, evaluation and mitigation of risk are integrated into key business processes from strategic planning to day-to-day performance management. 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 maintained within risk registers for 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, to ensure there is a coordinated response to risks identified across BSI. The Group Risk function facilitates regular risk reviews that are undertaken by the divisional and functional leadership teams.

The Board understands that it is responsible for the risk management system and for reviewing its effectiveness on an ongoing basis, and considers the risk management system to be effective.

What we did in 2022

An updated risk governance structure, including the establishment of a Group Risk Committee chaired by the Chief Executive, was introduced in 2022 and is now fully embedded. In line with the Group's focus on digitization, an automated Enterprise Risk Management (ERM) tool has been implemented, allowing greater visibility of risks. The implementation was supported by a programme of risk workshops and training. A network of risk champions has been formed to strengthen the coordination and sharing of risk management practices across our divisions and functions.

What we will do in 2023

Areas of focus in 2023 will include enhancement of our suite of key risk indicators to complement ongoing risk reviews. In line with best practice, we will undertake a detailed assurance mapping exercise. Risk registers will be kept under review throughout the year and our Principal Risks will continue to be reviewed in depth at each Group Risk Committee meeting.

Insurance

BSI maintains a global insurance programme covering all major insurable risks to the Group's business assets and operations worldwide. Potential liabilities are regularly assessed and quantified to ensure levels of cover are optimized in accordance with risk tolerance and appetite.

Changes to principal risks during 2022

Principal Risks are kept under review by the Board, which is responsible for setting risk appetite. As part of its review, the Board also considers whether these risks are being managed within appetite. As part of our risk governance, the Board undertook a robust assessment of the current risks facing BSI, and these are identified in the Principal Risk Register below along with any changes over the last twelve months.

We have renamed "National Standards Body (NSB)/Royal Charter status" as "NSB appointment", and "Financial and fiscal compliance" as "Fraud and unauthorized transactions" to better reflect the nature of those risks. We have repositioned wellbeing from "Health and Safety" to "Talent and wellbeing" to reflect the interconnectedness with recruitment and retention of colleagues. We have separated "Reputation" from "Brand" to recognize the difference in definition, profile and mitigation strategy for those risks. We consider "Pandemic" risk to have decreased sufficiently to no longer be considered a Principal Risk now that the impact on business disruption has sufficiently declined.

Principal risks and uncertainties continued

Increased
No change
Decreased

Type of risk	2022 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 the 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 appointment BSI is appointed by the UK Government as the National Standards Body (NSB). This status is formally codified in a Memorandum of Understanding (MoU) between the Government and BSI. Our NSB appointment is central to our purpose. Failure to comply with the requirements set out in the Memorandum of Understanding could put this at risk.	No change	BSI maintains close relations with the UK Government to ensure we have a common understanding of our responsibilities as the NSB. A regulatory framework is in place across BSI to ensure we comply with the requirements of the MoU. We review our performance as the NSB through discussions at the Board and Executive Committees including the Standards Policy and Strategy Committee (SPSC), which is an advisory committee to the Board comprising independent members representing industry, government and civil society.
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 to all connected personnel, as well as having dedicated legal support qualified in the subject matter of this business. BSI monitors its compliance through audit, a whistleblowing hotline, a 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 specific only to the relevant group company and cannot be assigned. Loss of statutory authority would cause BSI to cease all associated trade. This would damage BSI's reputation and cause BSI to suffer contractual claims as well as the possibility of exposure to tortious liability.	No change	BSI maintains strong relations with the authorising 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.

Principal risks and uncertainties continued

Type of risk	2022 update	Mitigating actions
5. Fraud and unauthorized transactions Failure in financial controls either on their own or via a fraud could result in financial loss and/or misstated financial reporting	↔	A Group-wide financial controls framework is in place and supported by strong reporting lines and levels of delegated authority. Regular assessments of financial controls are undertaken to ensure they remain fit for purpose and aligned to the organizational structure. We have an internal audit team that performs risk-based audits, supported by an annual external audit of our financial results by PricewaterhouseCoopers. Our anonymous whistleblowing hotline reporting allows colleagues and third parties to Speak Up and report their concerns to the highest level of management.
6. Litigation 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.	↔	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.
7. Change management The Group's ability to deliver change initiatives on time and within budget is key to enabling our strategic ambitions. Failure to execute such programmes effectively and efficiently could result in significantly increased costs and impede our ability to deliver change sustainably. The pace of change may expose BSI to execution risk as multiple initiatives are delivered across processes and systems that serve our operations and clients. The impact on our people of the wide-ranging change agenda could lead to engagement challenges with the potential to negatively impact benefits realisation.	↑	Governance and change management processes are in place to ensure the successful implementation of new initiatives. This includes the establishment of a Change Board responsible for portfolio-level decision making and prioritising efforts that underpin the Strategic Plan. Our approach to change management actively engages and empowers colleagues to shape the change experience. This engagement enables teams to define the desired experience for the changes being implemented and ensures business capacity for the absorption of change. Delivery progress is monitored at an enterprise level to ensure we implement changes carefully and pragmatically, so as not to impact service delivery to clients.

Principal risks and uncertainties continued

Increased
No change
Decreased

Type of risk	2022 update	Mitigating actions
8. Talent and wellbeing 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. The mental and emotional wellbeing of our workforce is of continued focus. Failure to give colleague wellbeing due consideration could result in increased absence, reduced productivity and lowered employee engagement.	Increased	To help prevent overall colleague turnover, we continue to focus on improving communication with colleagues, investing in colleague development, diversity and inclusion through our Human Connections series and affinity groups, and providing market competitive pay and benefits. As part of our Listening Strategy, we continue to undertake group-wide engagement and pulse surveys. Based on colleague feedback, actions are formulated to address key engagement opportunities and improve colleague engagement. Succession planning is in place across senior and critical roles across the organization. Attracting and retaining talent requires appropriate reward interventions in line with business performance and market circumstances. In response to recent unprecedented global inflationary pressures, we implemented a range of pay and broader reward and financial wellbeing interventions to support our people. We recognize flexibility as a core dimension of workplace wellbeing. We have developed a flexible framework to help all teams across BSI develop their ways of working with a focus on wellbeing and work-life balance. Ergonomic risk assessments and training have been extended to incorporate flexible working.
9. 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	Our Group policies, procedures and Code of Business Ethics set out the detailed values and behaviours that enable us to make the right decisions for our clients, colleagues, suppliers and other stakeholders. This is supported by a whistleblowing hotline, and the taking of robust action where necessary to protect our reputation.

Principal risks and uncertainties continued

Type of risk	2022 update	Mitigating actions
10. Brand Our brand 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.	↔	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. Our Innovation Labs provide us with unique opportunities to collaborate with clients and partners and identify and explore new ideas with them. We continue to expand our innovation capability with the opening of a new Innovation Lab to add to the existing three. Our Voice of the Client programme ensures we remain focused on client perceptions and are able to capitalize on opportunities to serve our clients better.
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 client or other stakeholder's information or personal data could result in BSI receiving fines, a loss of client confidence and/or adversely affect our or our stakeholders' reputation.	↑	We continue to invest in our cybersecurity programme which includes mitigation and risk reduction activities across people, process, and technology. Our Information Security team capabilities are complimented by access to third party cybersecurity expertise. This includes a Global Security Operations Centre (SOC) that provides 24×7×365 monitoring, detection, alerting and response. BSI is globally certified to ISO 27001 Information Security. Regular vulnerability and penetration testing is conducted for all external facing and business critical group services, applications, and websites. IT disaster recovery and back-up plans are in place and tested regularly. Other measures include enhanced endpoint protection, encryption of data, network firewalls, web, and email content protection. Multi-factor authentication for remote access and cloud-based services is in place and cybersecurity awareness training is undertaken by all colleagues.

Principal risks and uncertainties continued

Increased
No change
Decreased

Type of risk	2022 update	Mitigating actions
12. Health and safety The health and safety of our colleagues is of the highest priority for the Group. Failure to meet safety standards in the workplace could result in injury or death and lead to adverse financial, legal or reputational consequences.	Decreased	We have a Health and Safety Management System and are certified globally to ISO 45001. As part of the management system, we have in place a comprehensive hazard identification and risk assessment process covering activities across the business. This is supported by a comprehensive suite of health and safety guidance and training that is available to all our colleagues.
13. Environmental, Social and Governance (ESG) 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 effect of our standards which may affect our ability to market them. Increasing stakeholder and client demand to reduce and report out BSI's global emissions is another important market-related transitional risk. Additionally, efforts in this area may impact our ability to attract and retain talent, given increasing colleague focus on sustainability-related topics.	No change	Sustainability is one of BSI's top strategic priorities. We have a Sustainability Strategy that is underpinned by an implementation plan. 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. As the UK National Standards Body, BSI is at the core of several initiatives centred around climate action. The London Declaration, which BSI signed with ISO, will help ensure climate science is fully considered in all new and existing international standards. We are globally certified to ISO 14001 Environmental Management System and as such are subject to both internal and external audits. We are carbon neutral and have a target to be net zero in our own operations by 2030. Our reporting on global emissions is subject to limited assurance procedures by a third party. The Board is committed to the highest standards of corporate governance. BSI applies the principles of the Financial Reporting Council (FRC) UK Corporate Governance Code where applicable and has established internal governance procedures that reflect best practice.

Principal risks and uncertainties continued

Type of risk	2022 update	Mitigating actions
14. Macroeconomic uncertainty As a global business, changes to global economic conditions have the potential to impact us and how we service our clients. Failure to anticipate or adapt to global events and macroeconomic uncertainty may impact our financial performance. This may arise in the form of inflationary pressures, exchange rate variations or geopolitical instability.	↑	The breadth of BSI's service offering, innovation capabilities and its diversification across sectors and geographies provides resilience against the potential impact of economic downturns. The economic environment is monitored as part of our financial planning cycle. This includes regular cost and pricing reviews to manage inflationary pressures across our footprint. Throughout the year the Board also considers specific macroeconomic and geopolitical events and any potential impact to BSI. Treasury activities are conducted in accordance with policies approved by the Board. This includes active management of financial risk arising from the international nature of our business, particularly in terms of interest rates and foreign exchange.

Chairman's introduction

We are committed to demonstrating the highest standards of Corporate Governance

John Hirst CBE
Chairman

Consistent with BSI's overarching public-interest purpose, which is founded firmly on the value of trust and our duty to our stakeholders, we are committed to demonstrating the highest standards of Corporate Governance.

This is a commitment and 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 approach is fundamentally in line with our commitment to all our stakeholders.

Governance is one of the three pillars of ESG which, together with Environmental and Social concern, support sustainability. BSI's governance is at the heart of making us a well-run business, based on values that help inspire trust in those that engage with us. It means we are structured and managed in ways that allow us to be efficient and effective, and so enable us to continue to strengthen our positive impact.

As a non profit-distributing company, we re-invest our profits back into the business so that the more successful we are, the more we are able to fuel the growth of our organization and thus deliver the beneficial impact of BSI's purpose.

While we are not a stock exchange-listed company, and therefore not required to apply the Financial Reporting Council (FRC) UK Corporate Governance Code 2018 (the 'Code'), we have selected the Code as our chosen code of governance, so ensuring our governance is based upon 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 and Risk, Remuneration, Nominations and Sustainability Committees, all of which are chaired by NEDs, with NEDs also making up the majority of membership. We also have the 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.

The BSI Code of Business Ethics (available at: bsigroup.com/ethics), which was refreshed and clarified during 2022, 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.

Board of Directors

The Board of Directors

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

Committee membership

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- S Sustainability Committee
- SP Standards Policy and Strategy Committee
- Committee Chair

John Hirst CBE A N S
Chairman

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 specialty 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. He was Chairman of the National Oceanography Centre and a Trustee of Epilepsy Research UK.

Other appointments
John is Chairman of Anglian Water Services; SMi Drug Discovery; IMIS Global Limited and the epilepsy charity SUDEP Action. He is a Director of Afon Technology Limited.

Susan Taylor Martin N S
Chief Executive

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 a Non-Executive Director of the University of Cambridge Press & Assessment Board.

Board of Directors continued

Sara Dickinson CGMA
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 experience as a senior finance leader, as well as significant knowledge of scaling B2B businesses and digital transformation. Immediately prior to joining BSI she was Senior Vice President of Finance at Expedia Group Inc, a global travel tech company, and as Chief Finance Officer of Expedia Partner Solutions, the worldwide B2B division within Expedia Group. Sara has also held finance roles at Costa Coffee as Commercial Finance & FP&A Director, Sage Group PLC as Group Financial Controller and at Orbitz WorldWide Inc as Vice President & CFO EMEA.

Other appointments
Sara is a Non-Executive director and Audit Committee Chair of Aptitude Software Group PLC.

Dr Scott Steedman CBE S
Director-General, Standards

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. He serves on the Department for International Trade Strategic Trade Advisory Group and the Department for Digital, Culture, Media and Sport Telecoms Supply Chain Diversification Advisory Council.

Other appointments
Scott is a Council Member of the International Organization for Standardization (ISO) and Board member of the International Electrotechnical Commission (IEC) and of the European Committee for Standardization (CEN).

Dame Polly Courtice N S
Non-Executive Director

Skills and experience
Polly Courtice joined the Board as a Non-Executive Director on 1 September 2022 having been, since June 2020, a Board Advisor. Polly was Founder Director of the University of Cambridge Institute for Sustainability Leadership (1988-2021) and has been the recipient of numerous awards for her contribution to sustainability. She is Senior Independent Director on the Board of Anglian Water Services Limited and is a member of its Nomination and Remuneration Committees. She is a member of the Supervisory Board of Mercedes-Benz Group AG. She is a sustainability Advisor to Terra Firma Capital Ltd, a member of the judging panel for the King's Award for Sustainable Development, and a Trustee of Cambridge Past, Present and Future, a local charity dedicating to protecting and enhancing the Cambridge area and its green landscapes.

Other appointments
Polly is Chair of the Faculty Board of Engineering, University of Cambridge, and is a Deputy Lieutenant for Cambridgeshire.

Board of Directors continued

Douglas Hurt FCA A N R
Non-Executive Director

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. He was Senior Independent Director and Chair of the Audit Committee of Countryside Partnerships PLC and became Chair of the Company during 2022 until the sale of the business.

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

Ian Lobley S A N
Non-Executive Director

Senior Independent Director (from 1 March 2023)

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 and Cirtec Medical within 3i Group's global portfolio.

Dr Stephen Page N R S SP
Non-Executive Director

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 cybersecurity and counter-terrorism. At Accenture he held European and global leadership roles, including worldwide Managing Director, Strategic IT Effectiveness. For the past 16 years he has held a portfolio of board positions, including TSB Banking Group, the National Crime Agency, The British Library and Senior Independent Director at Nominet.

Other appointments
Stephen is Non-Executive director of the British Army and member of the Independent Audit Committee of the Thames Valley Police.

Board of Directors continued

Alison Wood A N R
Non-Executive Director

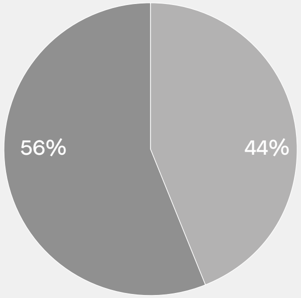
Skills and experience
Alison Wood joined the Board in September 2014 as Non-Executive Director. She spent nearly 20 years at BAE Systems plc in a number of strategy and leadership roles, including that of Group Strategic Director, and was the Global Director of Strategy and Corporate Development at National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

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

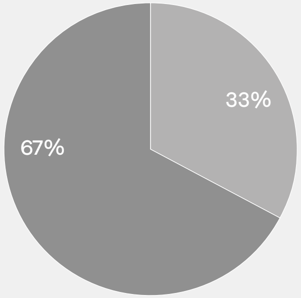
Alison became BSI's Senior Independent Director in May 2020. She held the role throughout 2022 and until 28 February 2023.

Leigh Grant FCG
Company Secretary

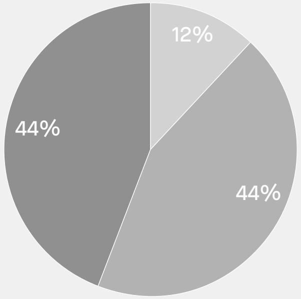
Board gender diversity



Board composition



Board Director tenure



Group Leadership Team

The Group Leadership Team

Susan Taylor Martin
Chief Executive

Sara Dickinson CGMA
Chief Financial Officer

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

Reflecting the structure of BSI, the Group Leadership Team is chaired by the Chief Executive and comprises the leaders of the four global business divisions, the Chief Commercial Officer, the Director-General, Standards, the Chief Strategy & Transformation Officer, and the heads of the global Finance, Information Technology, People and Legal functions.

Dr Scott Steedman CBE
Director-General, Standards

Group Leadership Team continued

Jonathan Chocqueel-Mangan
Chief Strategy & Transformation Officer

Magdalena Duke
General Counsel

Phil FitzMorris
Interim Chief Information Officer

Pietro Foschi
Director, Assurance Services

Dr Manuela Gazzard
Director, Regulatory Services

Neil Musk
Director, Knowledge Solutions

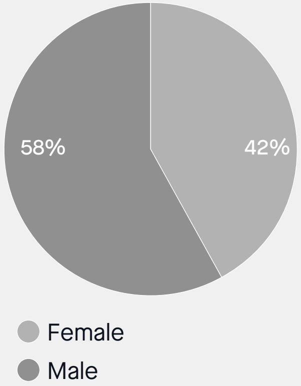
Group Leadership Team continued

Sergio Nogueira
Director, Consulting Services

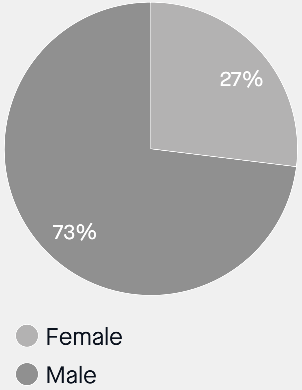
Alison Sharp
Chief People Officer

Harold Pradal
Chief Commercial Officer

Group Leadership Team gender diversity



Management Team gender diversity



Corporate governance report

Governance Framework

Corporate Governance in BSI

The Board of The British Standards Institution is committed to the highest standards of corporate governance, which it considers fundamental to the organization's success.

The British Standards Institution is governed by its Royal Charter and Bye-laws and, in addition, continued to apply the FRC UK Corporate Governance Code 2018 (the Code), which is published by the Financial Reporting Council and available on their website: frc.org.uk/directors/corporate-governance/uk-corporate-governance-code. BSI is required by law to specify the governance regime it follows, and BSI has selected to adhere to the Code which is globally recognized as representing best practice in corporate governance. We have applied the Code throughout 2022, wherever possible under our constitution as a Royal Charter Company without shareholders and where relevant to our organization.

The Code operates on a 'comply or explain' basis and the Company provides an explanation with regard to the following provisions:

- Provision 4 – Actions to be taken regarding votes cast against Annual General Meeting resolutions. – BSI's Subscribing Members are not directly comparable with shareholders and different forms of consultation are in place.
- Provision 18 – Directors should be subject to re-election at the Annual General Meeting each year. – In accordance with BSI's constitution, Directors are proposed for re-election at the AGM following their appointment and one-third, rounded down, of the remainder must stand for re-election at each Annual General Meeting.
- Provision 24 – The chair should not be a member of an audit committee. – John Hirst, Chairman of BSI is a member of the Audit and Risk Committee because of the significant financial and business expertise his membership brings.
- Provision 36 – Director share schemes. – With no shareholders BSI cannot comply with this provision, however the Company does operate a Long Term Incentive Plan to help align a proportion of Directors' remuneration with long-term corporate performance.

Board Leadership

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 organization's strategy and is collectively responsible for the long-term sustainable success of the Company, working to ensure BSI's public interest responsibility is fulfilled in accordance with BSI's Royal Charter.

The Board operates within the terms of a schedule of matters that are reserved for its decision with specific responsibilities delegated to the Board's Committees, each of which has clear written terms of reference. Other decisions are delegated to the Chief Executive who leads the Group Leadership Team.

The Matters Reserved to the Board and the terms of reference for the Audit and Risk, Remuneration, Nominations and Sustainability Committees are reviewed annually and are available on the Company's website at bsigroup.com.

The Board establishes the Company's culture, values and ethics and, leading by example, works to ensure the Company's long term strategy and daily operations are aligned with its ethos.

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, which is also in accordance with the Code.

The Senior Independent Director meets regularly with the other Non-Executive Directors without the Chairman being present. Alison Wood was Senior Independent Director throughout 2022 and until 28 February 2023. Ian Lobley was appointed Senior Independent Director from 1 March 2023.

Corporate governance report continued

Board meetings

The Board met a total of five times during the year. In addition, the Board attended an annual Strategy Review meeting and travelled with the Group Leadership Team to Dubai and Tokyo.

Board Attendance

The Board met five times in the year ended 31 December 2022.

Attendance	Jan	Mar	May	Sep	Dec
John Hirst	Attended	Attended	Attended	Attended	Attended
Susan Taylor Martin	Attended	Attended	Attended	Attended	Attended
Sara Dickinson (appointed 24.01.2022)		Attended	Attended	Attended	Attended
Scott Steedman	Attended	Attended	Attended	Attended	Attended
Polly Courtice (Advisor until appointed Director 01.09.2022)	Attended as Advisor	Attended as Advisor	Attended as Advisor	Attended	Attended
Tiffany Hall (resigned 19.05.2022)	Attended	Attended	Did not attend		
Douglas Hurt	Attended	Attended	Attended	Attended	Attended
Ian Lobley	Attended	Attended	Attended	Attended	Attended
Stephen Page	Attended	Attended	Attended	Attended	Attended
Alison Wood	Attended	Attended	Attended	Attended	Attended

● Attended ● Attended as Advisor ● Did not attend

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 members of 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 regularly scheduled at the end of Board meetings to provide the Non-Executive Directors with an opportunity to continually assess the performance of management.

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 2023 Annual General Meeting can be found on page 98.

Corporate governance report continued

Board Effectiveness

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 the Board agreed that BSI should facilitate the review internally in 2022, as was done 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, as well as highlighting opportunities for improvement which included:

- Gaining a deeper understanding of the risks on major Information Technology projects and how they are being managed.
- Helping to develop further an effective leadership team based on a culture that will drive the organization's purpose and its future growth.
- Ensuring the Board's awareness of trends in the business environment.
- Strengthening the Board's understanding of the Group's stakeholders and building an organization that addresses their expectations.
- Making time for the Board to get out to see the organization to help it better understand the business and its people.
- Maintaining the strength of the Directors' contribution with training and regular performance feedback.

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 their responsibilities as a Director of the Company.

Support and independent advice

The Board is supported by the Company Secretary, who is available to give ongoing advice to Directors on Board procedures and corporate governance. The Directors may take independent professional advice, if necessary, at the Company's expense. None was taken in 2022.

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.

Sustainability

Sustainability is embedded into BSI's Governance and is core to its purpose. BSI's success is strongly bound to how BSI navigates 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, and in the Task Force on Climate-related Financial Disclosures (TCFD) reporting, which is reviewed by the Board.

The Board sets various policies relating to sustainability and climate change, and in particular 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.

Corporate governance report continued

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's work on sustainability is supported by its Committees, especially the Sustainability Committee chaired by Dame Polly Courtice, the Founder Director of the University of Cambridge Institute for Sustainability Leadership. Directors' understanding of sustainability issues was included in the annual Board Evaluation. Sustainability measures have been built into Executive remuneration performance targets.

The Report of the Sustainability Committee be found on pages 81 and 82.

Internal Control

Control Framework

The Board has overall responsibility for establishing and maintaining the entire system of internal control for the Company and for reviewing its effectiveness. The Group's internal control system is set out in a comprehensive Group Risk Management Framework which aims to support consistent, risk-informed, decision making. The Board has delegated regular review of the organization's risk management to the Audit and Risk Committee which regularly reports to the Board. The Board regularly reviews the Company's principal risks and its internal controls. No significant failings or weaknesses have been identified.

The Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. There is an ongoing process, established in accordance with the FRC Guidance.

The principal risks and uncertainties the Group faced during the year are set out on pages 52 to 58 of the Strategic report.

Identification and evaluation of key Risks

There is a formal and ongoing process of risk management review in each area of the Company's activities. The Group Leadership Team regularly considers and receives reports on significant risks facing the Company. Regular risk reviews involve the identification of actual or potential risks to the Group which may have an impact on its objectives, together with controls and reporting procedures designed to address and mitigate those risks.

Monitoring and corrective action

A process of control, self-assessment and regular management reporting on control issues provides assurance to management and to the Board. Controls are reviewed, applied and updated whenever appropriate throughout the year.

The risk management process is supported by BSI's internal audit and compliance functions. There is a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of the Company's activities.

All BSI employees have access to the Group Risk Management Framework on the organization's intranet.

The process of requiring senior levels of management to provide an annual Letter of Assurance provides formal confirmation that governance and compliance matters have been properly addressed.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year and management accounts produced monthly. These are reviewed in detail by the Group Leadership Team and are reported at each Board meeting. The Board also regularly reviews progress towards the achievement of key business objectives, targets and outcomes.

BSI Code of Business Ethics

Underpinning the Group Risk Management Framework is the BSI Code of Business Ethics which was most recently updated in December 2022. This sets out the ethical values and high standards of integrity that the Group aims to put at the forefront of all its activities. It also includes policies covering the prevention, detection and reporting of fraud, bribery or money laundering, and any instances would be reported to the Audit and Risk Committee. The Company seeks to maintain the highest standards of ethics and integrity in the way it conducts its business with relevant policies adopted by the Board and implemented in the Company.

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 pages 34 to 38.

By Order of the Board

John Hirst CBE
Chairman

5 April 2023

Corporate governance report continued

Governance Structure

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 objective setting for, and the appraisal of, the Chief Executive.

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.
- Leads the recruitment of a new Chairman when required.
- Deputizes for the Chairman if necessary.

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.

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.
- Sets a clear vision and strategy for the Group, working with the Group Leadership Team, positively communicating that vision and strategy.
- Develops and maintains effective management systems and internal controls.

Executive Directors

Role and responsibilities

- Responsible with the Chief Executive for the operational implementation of the Group's strategy.
- Bring their knowledge of the operations of the organization and its business environment to the deliberations of the Board.
- Help to set the longer-term strategy and shorter-term goals of the organization as part of the unitary Board.

Company Secretary

Role and responsibilities

- Supports the Board agenda with clear information flow.
- Advises the Board on governance matters.
- Provides the Board and Non-Executive Directors with administrative support.

Board Committees

The Board has established Committees to help ensure that BSI meets best practice in corporate governance. Other than the Standards Policy and Strategy Committee which has a specific advisory role, the Board delegates certain responsibilities these Committees.

Audit and Risk Committee

Read the report of the Committee on pages 73 to 78

Nominations Committee

Read the report of the Committee on pages 79 and 80

Sustainability Committee

Read the report of the Committee on pages 81 and 82

Remuneration Committee

Read the report of the Committee on pages 83 to 97

Standards Policy and Strategy Committee

Read about the work of the Committee in the Director-General, Standards review on pages 11 and 12

Executive Committees

These Committees report to, and support the work of, the Chief Executive.

- **Group Leadership Team**
- **Code of Conduct Oversight Committee**
- **Information Security Steering Committee**
- **Group Risk Committee**
- **Banking and General Purpose Committee**

Statement of Directors' responsibilities in respect of the financial statements

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. Under that law the Directors have prepared the consolidated financial statements in accordance with UK adopted international accounting standards and the 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 company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent 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 UK adopted international accounting standards, have been followed for the consolidated financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the parent 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 responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Directors are responsible for the maintenance and 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.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- 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.

By Order of the Board

Leigh Grant FCG
Company Secretary

5 April 2023

Report of the Audit and Risk Committee

Douglas Hurt FCA
Chair of the Audit and Risk Committee

Audit and Risk Committee Attendance

The Committee met three times in the year ended 31 December 2022.

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

● Attended

On behalf of the Board, the Audit and Risk Committee (the 'Committee') has primary responsibility for addressing financial risk in the Group and works with the Chief Financial Officer and the finance team, and is aided in its work by BSI's Internal Audit department and the external auditors, to ensure areas of financial risk are being identified and mitigated. In a developing environment of governance and regulation, the Committee helps BSI make sure that financial reporting is compliant as well as ensuring that the Annual Report is fair, balanced and understandable.

During the year, the Committee maintained its focus on ensuring the integrity of the Group's financial reporting by maintaining strong oversight over the adequacy and effectiveness of the Group's internal financial controls and the internal control and risk management system.

The Committee is responsible for the remit of the Internal Audit function and for monitoring the effectiveness of its work. The Committee reviews the work of the department with its head to ensure non-conformities and other issues are detected by applying appropriate investigatory rigour and then properly addressed with lessons learnt for the future.

The Committee oversees the work of the external auditors, PricewaterhouseCoopers LLP (PwC), and, prior to its audit, discussed and agreed with it the nature and scope of the audit. The 2022 audit continued to apply the risk-based approach to the audit plan designed to address the profile of the Group.

During the year the Committee continued to focus on risk. It received regular reports from management on current and potential risks and ensured processes were in place to adequately address and contain them within the Board's defined risk appetite.

While the Committee operates to a pattern of work around the Group's annual reporting cycle, it also regularly considers matters in areas that could create risk, such as reviewing anti-bribery measures, fraud protection activity and other financial compliance matters, as well as reviewing the whistleblowing process on behalf of the Board.

The effectiveness of the Committee's performance, considered as part of the Board evaluation process reported on page 69, noted that the Committee was effective and working well and agreed the areas of focus for the forthcoming year which are set out below.

The Committee

Committee Membership

The Committee is established by the Board under the terms of reference which are reviewed annually. A copy of the Committee's terms of reference is available on the BSI Group website.

During the year ended 31 December 2022 the Committee comprised:

Douglas Hurt

John Hirst

Ian Lobley

Alison Wood

In determining the composition of the Committee, the Nominations Committee and the Board have selected Non-Executive Directors who bring an independent mindset to their roles as well as the necessary range of skills, experience and knowledge.

The appointment of a company chairman to an audit committee is not in compliance with the recommendations of the FRC UK Corporate Governance Code. However, John Hirst is a member of the Audit and Risk Committee as it is considered that John's membership is of benefit to it due to his experience as a Chartered Accountant and the significant financial and business expertise his membership brings.

Report of the Audit and Risk Committee continued

The Chief Executive, Chief Financial Officer, Group Financial Controller, the Group Risk Director, the Head of Internal Audit and Risk, and Head of Compliance 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, and Vesuvius plc, and is deemed to have recent and relevant financial experience. Members of the Committee have broad experience in international business to business organizations and in many of the sectors in which BSI concentrates. As such, the Committee as a whole is deemed to have relevant competence in the sector in which the company operates.

Key responsibilities of the Committee

The Committee focuses its agenda on financial reporting risk and reviewing the continuing validity of critical accounting judgements and estimates. It considers risk in its broader sense to ensure that appropriate financial controls are in place. The Committee reviews the annual Internal Audit plan to ensure appropriate focus and resource. The Committee provides challenge and support to the Chief Financial Officer and Group finance team. The Committee receives any required information from management in a timely manner and in formats which are comprehensible and sufficient to fulfil its responsibilities.

The key responsibilities of the Committee include:

- monitoring 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;
- reviewing 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;
- considering the remit of the Internal Audit function, monitoring its effectiveness and reviewing and approving the internal audit plan;
- reviewing the Company's internal financial controls and internal controls and risk management systems, reviewing procedures for detecting fraud, and systems and controls for the prevention of bribery and to ensure that a review is conducted of all alleged instances of fraud;
- overseeing the relationship with the external auditors and assessing the effectiveness of the audit process and the independence, expertise and judgement of the external auditors;
- agreeing the scope of the Audit with the external auditors;
- making recommendations to the Board about the appointment, reappointment and removal of the external auditor;
- approving the remuneration and terms of engagement of the external auditor;
- overseeing the Company's policy on non-audit services from the external auditors; and
- reviewing the adequacy and effectiveness of the Company's compliance function as well as overseeing the Company's systems and procedures in relation to the prevention of fraud and bribery and receiving reports of any instances, as well as on behalf of the Board, reviewing whistleblowing processes and reports.

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 2022 included:

- the Annual Report and the consolidated and parent company financial statements;
- internal audit reports, the results of completed audits and follow-up activity;
- the internal audit plan for 2022 and agreement of the proposed plan for 2023;
- the Group's risk management framework and an update on enhancements in progress through the delivery of the risk management roadmap;
- an update on risk management;
- the findings from the previous year's management Letter of Assurance exercise and agreement of the format for the following year;
- stress testing scenarios in connection with the approval of the Viability Statement in the 2022 Annual Report and financial statements;
- updates on Finance function staffing from the Chief Financial Officer;
- matters relating to BSI's UK Defined Benefit Pension Scheme and in particular a report to the Committee on the triennial scheme valuation;
- a report on Group tax provided by the Head of Tax and Treasury which highlighted recent key tax reviews;
- an update from the Head of Tax and Treasury regarding treasury activity and compliance with the Group's cash management policy;
- a report on compliance with the financial obligations under the Memorandum of Understanding with the UK Government and with other project-related financial reporting obligations;
- the external auditor's fees for consideration and approval;
- 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;
- the effectiveness of the external audit;
- planning for a re-tender of the external audit;
- an update from the external auditor on the effect on the audit process brought about by revised audit standard ISA (UK) 315 (Revised);

Report of the Audit and Risk Committee continued

- a report at each meeting, from the Head of Compliance, on how the function oversaw the prevention of fraud and bribery; and
- on behalf of the Board, a review of the Group's whistle-blowing processes and the reports that it generated.

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 financial statements. The Committee focuses on:

- the quality, acceptability and consistency of the accounting policies and practices;
- the clarity and consistency of the disclosures, including compliance with relevant financial reporting standards and other reporting requirements. Significant issues where management judgements and/or estimates had been made that were material to the financial statements or where discussions had taken place with the external auditors in arriving at the judgement or estimate; and
- in relation to the overall Annual Report, whether the Annual Report and financial statements as a whole was fair, balanced and understandable.

Significant issues and material judgements

The Committee has power delegated by the Board, under its terms of reference, to maintain oversight over critical accounting judgements and estimates and it discusses with the external auditors, where appropriate, the proper application of accounting rules and compliance with disclosure requirements.

The significant accounting judgements considered by the Committee when recommending the 2022 Annual Report to the Board are summarized below:

Impairment review

Management undertakes an annual review, or at other times if circumstances indicate a possible issue, to determine if the carrying value of goodwill and other intangible assets is impaired. This impairment review requires the exercise of judgement and application of assumptions by management including estimates used in deriving future cash flows and discount rates applied to these cash flows. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting.

Finite life intangible assets

During 2022, management identified a trigger for impairment of certain finite life intangible assets within the Consulting Services division. The impairment charge, relating to three client intangibles, totalled £4.7m. After a number of discussions with management and the external auditor, the Committee was satisfied that, while judgemental, the impairment amounts were appropriate and concurred with management's rationale and decision to impair the assets.

Goodwill

As part of the annual impairment review of goodwill, the Committee reviewed the potential indicators of impairment and gained an understanding of the headroom between the value in use and the carrying value of goodwill for each cash generating unit (CGU).

Due to the in-year performance of the Digital Trust Consulting (DTC) CGU and the revised future forecast cash flows of the CGU, there were impairments of £11.9m on the goodwill attributed to DTC.

The Committee reviewed and challenged the basis of the value in use calculation, including estimates used in deriving future cash flows and discount rates applied. The Committee also challenged the sensitivities applied, including reasonably possible changes that could lead to a material adjustment to goodwill in the next financial year.

After significant discussions with management and the external auditor, the Committee agreed with management's impairment of goodwill and the associated disclosures in the financial statements.

Retirement benefit surplus

BSI operates a funded defined benefit pension scheme in the UK, administered by independent trustees. As at 31 December 2022, the scheme had assets and liabilities of £318.4m and £298.3m respectively. Pension liabilities remain a significant source of estimation uncertainty and judgement. Given the judgements associated with the pension assumptions used to calculate the scheme surplus, including the discount rate, mortality rates and future salary increases, management engages an independent and qualified actuary to undertake the accounting valuation.

As at 31 December 2022 the scheme had a surplus of £20.1m (31 December 2021: £19.3m). There have been no changes to the scheme deed or rules during the year. As a result, in compliance with IFRIC 14, the Group continues to recognize the economic benefit considered to arise from a refund of the surplus, assuming the gradual settlement of the plan over time.

The Committee reviewed and challenged the assumptions used in the calculation of the surplus contained in the independent actuarial report. The Committee also considered the external auditor's review of the pension assets and liabilities, including the views of PwC's in-house expert valuations and actuarial teams (in respect of key assumptions and methodologies applied in the valuation of the liabilities and certain assets).

Following the review, the Committee was satisfied as to the accuracy and accounting treatment of the defined benefit pensions schemes' reported accounting position and impact on the financial statements.

Taxation

Recognition of deferred tax

At 31 December 2022, BSI is recognising a net excess of deferred tax assets over deferred tax liabilities of £5.7m (31 December 2021: net excess of deferred tax liabilities over deferred tax assets £1.8m). Included in that net amount is

Report of the Audit and Risk Committee continued

the value of tax losses, principally in the UK, amounting to £4.5m (31 December 2021: £1.5m). There also other losses with a non-material value which are not being recognized. Recognition of deferred tax losses and other attributes is a matter of judgement. The Committee has reviewed and challenged the assumptions used in the recognition of losses in particular and is satisfied that the tax value of losses and other attributes are recognized appropriately in the financial statements.

Provision for tax risk

At 31 December 2022 a provision for tax risk has been recognized in the financial statements in the amount of £3m (31 December 2021: £Nil). The provision has been made by management having regard to the multinational nature of BSI's business and continuing developments in the international tax environment which place increasing compliance burdens on multinational enterprises. Tax risk is a matter requiring considerable judgement involving interpretation of tax laws when filing tax returns and associated information returns with tax administrations. The Committee has reviewed and challenged management in relation to the calculation of the tax risk provision and is satisfied that the level of provision in the financial statements is appropriate.

Following discussions with management and the external auditor, the Committee approved the disclosures required in the 2022 Annual Report and financial statements.

Fair, balanced and understandable

The Committee reviewed early drafts of the 2022 Annual Report and financial statements to enable input and comment and considered the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements.

The Committee assessed whether the 2022 Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's position and performance, business model and strategy.

This work enabled the Committee to provide positive assurance to the Board to assist them in approving the 2022 Annual report and financial statements.

Going concern statement and viability statement

The Committee considered BSI's going concern statement and challenged the nature, scale and effects of the combination of the unlikely but significant risks to the business model, future performance, solvency and liquidity of the Group.

As a result of its review, the Committee was satisfied that the going concern statement and viability statement had been prepared on an appropriate basis. The 2022 going concern statement and the 2022 viability statement are contained within the Directors' report on pages 99 to 101.

External audit

The Committee is responsible for the relationship with the external auditors and their quality, expertise and judgement as well as for assessing the effectiveness of the audit process. The Committee is responsible for ensuring that possible conflicts of interest with the external auditors are identified and adequately mitigated, including by monitoring the operation of the Group's policy on the engagement of the external auditors to supply non-audit services.

Audit tender

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. Owen Mackney was appointed as Audit Partner in 2018 in line with the Auditing Practices Board standards for the rotation of lead audit partner after five years,

The Committee will undertake a further re-tender exercise in 2023 to select a new external auditor for appointment in 2024. While the Code recommends that a tender should take place every ten years, the Committee decided to defer until 2023 due to a change of colleagues in BSI and to ensure additional consideration could be given to selecting an external auditor appropriate to BSI's global footprint.

Given their tenure, PwC will not be invited to participate when the external audit contract is put out to tender.

The Committee recommended the re-appointment of PwC for a further year at the Annual General Meeting in 2023.

2022 Audit Plan

PwC's 2022 year-end audit plan was agreed in advance with the Committee based on agreed objectives. The audit focused on areas identified as representing significant risk and requiring significant judgement. PwC maintained a dialogue with the Committee throughout the year providing regular updates, including commentaries on significant issues and its assessment of consistency and appropriateness in the judgements and estimates made by management. The Chair of the Committee met with PwC on a number of occasions to monitor the progress of the audit and address questions that arose.

The Committee held meetings with PwC without management being present and PwC confirmed that its work had not been constrained in any way and that it was able to exercise appropriate professional scepticism and challenge throughout the audit process.

Report of the Audit and Risk Committee continued

The Independent Auditors' Report from PwC on pages 102 to 110 includes PwC's assessment of the key audit matters which have been discussed in the significant issues and material judgements section above.

The report also summarizes the scope, coverage and materiality levels applied by PwC in its audit. As part of the audit planning process and based on a detailed risk assessment, the Committee agreed an overall Group materiality figure of £3.1m (2021: £4.0m) and is based on 5% of the three year average profit before tax of the years ended 2020, 2021 and 2022. Lower levels of materiality are used in the audit fieldwork on the individual businesses across the Group and these lower figures drive the scope and depth of audit work. Any misstatement at or above £0.31m (2021 £0.40m) was reported to the Committee.

There were no significant changes this year to the coverage of the audit which stood at 73% of the Group's revenue (2021: 67%) and 80% of profit before tax (2021: 85%). This coverage was considered to be sufficient by the Committee.

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.

Matthew Mullins has been appointed to lead the 2023 external audit process, taking over from Owen Mackney, who will rotate off the engagement after five years in accordance with Auditing Practices Board standards. To ensure an effective handover, Matthew Mullins has been taking an observational role during the 2022 audit process.

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 analyzed, and a full report was submitted for review by the Committee. The report 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 2023 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 1,885:1.

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 Audit

Throughout 2022, BSI's Internal Audit function performed an extensive programme of audits in accordance with a plan agreed in advance with the Committee and constructed using a risk-based approach to cover the Group's control environment. The function also undertook additional audits in response to matters of concern. In 2022, a total of 25 audit assignments were undertaken (17 in 2021).

The Group's Internal Audit function operates on a global basis through professionally qualified and experienced individuals. The Internal Audit team reports to the Head of Internal Audit who in turn reports to the Group Risk Director who reports to the Chair of the Committee.

At each of its meetings, the Committee received a report from Internal Audit detailing progress against the agreed plan, key trends and findings and an update on the progress made towards resolving issues identified.

Internal Audit has responsibility for ensuring remediation has been appropriately assigned and it monitors the progress made towards closing those outstanding items by engaging with management to ensure those items are properly resolved with underlying concerns addressed.

The Committee involves senior management as necessary to provide an update against any high-priority actions. Internal Audit undertakes follow-up reviews as required. It monitors actions taken in response to situations where audit findings require longer-term solutions and oversees the process for ensuring that adequate mitigating controls are in place

The Committee considered the work of the Internal Audit function during 2022, including progress against the 2022 Internal Audit plan, the quality of reports provided to the Committee and concluded that the Internal Audit function was operating effectively.

An analysis of the internal and external risks which may arise because of specific strategic priorities, business projects and regulatory change and which are believed will have the most impact on BSI's control environment in 2023, as well as common themes emerging from 2022 Internal Audit reports have informed the development of the 2023 Internal Audit plan.

Report of the Audit and Risk Committee continued

Risk Management

The Board has ultimate responsibility for the organization's risk management and internal control systems. On its behalf, the Committee keeps under review the adequacy and effectiveness of those 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 in order to contain them within the Board's defined risk appetite. Details of the organization's risks and ongoing mitigating actions are given on pages 52 and 58.

The Committee monitored delivery of the Risk Management Roadmap previously agreed with the Group Risk Committee to ensure it was on track.

A new Enterprise Risk Management tool has been rolled out which will help highlight to the Committee where risks are higher than the Board's 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.

The Committee believes that the Group's process for identifying and understanding its principal risks and uncertainties remains robust and appropriate.

Internal Controls

The key features of the Group's internal control system, which provides assurance on the accuracy and reliability of the Group's financial reporting, are detailed in the Corporate Governance report on page 70.

The Group Head of Internal Audit and Risk provided the Committee with a summary overview of the assurance provided by the Group's control framework and the testing of these controls by the Internal Audit function during 2022.

Any control issues identified during Internal Audit reviews are addressed appropriately. Internal Audit agree remediation actions with an action owner and monitor those actions to ensure they are closed by a set date. Any overdue actions are escalated appropriately with management and, if necessary, reported at Committee meetings.

The external auditor also reports if there are any significant control deficiencies identified during the course of their audit.

A key aspect of the Group's internal control framework is to mitigate the risk of fraud. Eliminating the risk of fraud remains one of the key areas of focus for Internal Audit and also remains an area of focus of the External Audit.

At each meeting of the Committee, the Head of Compliance provides a report setting out the Group's systems and controls for preventing and detecting fraud and bribery and receives reports of any non-compliance. The importance of ensuring the workforce is properly trained to identify and combat such activity is recognized by the Committee which receives regular reports from the compliance function on the status of compliance training across the Group.

On behalf of the Board the Committee ensures the adequacy of the Group's whistleblowing arrangements. During the year the Committee received details of whistleblowing reports received through those arrangements, ensuring that, where appropriate, the necessary investigations and corrective actions took place.

In 2022, as is carried out each year, senior financial, operational and functional managers provided a Letter of Assurance to self-certify that governance and compliance matters have been properly addressed for the areas of the business under their responsibility, as well as to confirm the existence of adequate internal control systems throughout the year. The Committee reviewed the reported exceptions.

The Group's internal control framework is regularly reviewed by management to determine areas for improvement.

The work undertaken during the year indicated the existence of an appropriate control environment. Accordingly, the Committee was able to provide assurance to the Board on the effectiveness of internal financial control within the Group, and on the adequacy of the Group's broader internal control systems.

Areas of focus for 2023

Over the forthcoming year, the Committee will maintain its rigorous oversight over the Group's financial reporting and in particular the internal control framework. It will support the Internal Audit function to continue to ensure BSI's assurance frameworks are suitably comprehensive.

The Committee will continue to oversee the assurance provided by the external auditors that goes to ensure the accuracy and reliability of BSI's financial information. It will also continue its work in ensuring that reporting on the Group's performance, business model and strategy is provided in a clear and informative way.

The Committee will oversee an effective tender process in 2023 to select a new external auditor for 2024.

By Order of the Board

Douglas Hurt FCA
Chair of the Audit and Risk Committee

5 April 2023

Report of the Nominations Committee

John Hirst CBE
Chair of the Nominations Committee

Nominations Committee Attendance

The Committee met once in the year ended 31 December 2022.

Attendance	March
John Hirst (Chair)	●
Susan Taylor Martin	●
Dame Polly Courtice (from 01.9.22)	
Tiffany Hall (to 19.05.22)	●
Douglas Hurt	●
Ian Lobley	●
Stephen Page	●
Alison Wood	●

● Attended

During 2022, as is its established practice, the Nominations Committee (the 'Committee') undertook its annual rolling review of the Board and Board Committee succession plan. The Committee considered whether there was any significant gap in the Board's collective expertise that should influence succession planning and, while it was agreed that there was no such gap at present, the Committee would keep the matter under review.

The effectiveness of the Committee's performance, considered as part of the Board evaluation process reported on page 69 noted that the Committee fulfils its role in ensuring the Board membership meets the current needs of the organization well, but future requirements need consideration. The Committee's areas of focus for 2023 reflect this recommendation.

Committee Membership

The Committee is established by the Board under its the terms of reference which are reviewed annually. A copy of the Committee's terms of reference is available on the BSI Group website.

During the year ended 31 December 2022 the Committee comprised:

John Hirst

Dame Polly Courtice (appointed 1 September 2022)

Tiffany Hall (resigned 19 May 2022)

Douglas Hurt

Ian Lobley

Stephen Page

Susan Taylor Martin

Alison Wood

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

Tiffany Hall stepped down from the Committee on 19 May 2022 when she resigned from the Board. Dame Polly Courtice joined the Committee on 1 September 2022.

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 the Board in the course of its work;
- keep under review the leadership needs of the Board, both Executive and Non-Executive members;
- 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.

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 included:

- reviewing appointments to the Boards of subsidiary companies;
- discussing inclusion and diversity in relation to the Board's composition and reviewing its current appointment policy;
- reviewing the Board Skills Matrix; and
- determining the Directors subject to re-election at the Annual General Meeting.

Report of the Nominations Committee continued

Diversity

The Board recognizes the importance of diversity in the Boardroom.

The BSI Group uses job related objective criteria in the selection of candidates and includes in the consideration the value of diversity and inclusion. The Board applies the same policy to its own composition. When nominating new Directors, the Nominations Committee will carefully consider the balance of experience, knowledge and skills required for the Board to discharge its duties and responsibilities as well as keeping in mind the benefits of diversity to the Board.

At all times the Board and its 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 2022 and at the date of the Annual Report are presented on page 63.

Areas of focus for 2023

For 2023, the Committee will:

- take a long-term view on Board composition, diversity and succession planning in light of strategy.
- Undertake Board recruitment as necessary.
- Ensure a continuing focus on succession planning for the Board.
- Undertake Board recruitment to maintain the strength of the Board, bearing in mind diversity considerations.

By Order of the Board

John Hirst CBE
Chair of the Nominations Committee

5 April 2023

Report of the Sustainability Committee

Dame Polly Courtice
Chair of Sustainability Committee

Sustainability Committee Attendance

The Committee met three times in the year ended 31 December 2022.

Attendance	Mar	Sep	Dec
Polly Courtice (Chair)	●	●	●
Susan Taylor Martin	●	●	●
Scott Steedman (from 14.09.22)		●	●
Tiffany Hall (to 19.05.22)	●		
Stephen Page	●	○	●
John Hirst	●	●	●
Ian Lobley	●	●	●

● Attended ○ Did not attended

Sustainability lies at the heart of BSI's public-interest purpose of 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, standards are increasingly being recognized as a key enabler.

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 BSI's purpose. Support is provided by the Group Operational Excellence Sustainability Team.

On behalf of the Board the Committee oversees the three aspects of sustainability in BSI's strategy:

- ensuring that sustainability is embedded in the products and services that BSI provides. BSI led the development of the London Declaration, a commitment to incorporating climate concern into new and existing standards and, as UK National Standards Body, works to build those principles into UK Standards;

  Read more on pages 24 and 25

- providing leadership to an international audience showing that standards are a key part of the systemic solution to climate change. BSI also aims to offer comprehensive standards-led business solutions from a range of BSI offers and will be able to integrate sustainability into those from the outset; and

  Read more on pages 31 and 32

- striving to operate in a more sustainable way in all its operations and activities. During 2022, BSI developed even more ambitious plans to reach net zero and looked to lower carbon emissions wherever and whenever possible. BSI's sustainability work is underpinned by the Group's ongoing commitment to the UN Sustainable Development Goals and BSI's participant status of the UN Global Compact. The Committee is also responsible for BSI's charitable activities and there is an incredible level of support from colleagues across the world for that. BSI aims to be its own best example of sustainability when engaging with its clients and other stakeholders.

  Read more on pages 40 to 43

Committee Membership

The Committee is established by the Board under its the terms of reference which are reviewed annually. A copy of the Committee's terms of reference is available on the BSI Group website.

During the year ended 31 December 2022 the Committee comprised:

Dame Polly Courtice (Chair)

John Hirst

Susan Taylor Martin

Scott Steedman (appointed 14 September 2022)

Tiffany Hall (resigned 19 May 2022)

Stephen Page

Ian Lobley

Tiffany Hall stepped down from the Committee on 19 May 2022 when she resigned from the Board.

Report of the Sustainability Committee continued

The Chief Strategy and Transformation Officer as well as the Director of Group Sustainability and members of her team are invited by the Committee to attend its meetings as appropriate.

Key responsibilities

These include:

- reviewing and challenging the Group's sustainability strategy, policies, services and practices, acting as a champion for sustainability to the Board, encouraging it to raise its level of sustainability ambition;
- assisting the Board in its review of major and future sustainability trends, making recommendations on what is relevant to BSI;
- reviewing and challenging performance against agreed sustainability targets and KPIs from data and information supplied from within the Group;
- keeping 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;
- advising the Board, which is responsible for these policies, regarding responsibilities and procedures within the Group for ensuring compliance with them;
- on behalf of the Board, overseeing charitable donations made by the Group; and
- approving the sustainability elements of the Annual Report and Greenhouse Gas disclosures, including the Group's Modern Slavery Statement, the Task Force on Climate-related Financial Disclosures (TCFD) report, and other formal sustainability reports, and presenting them to the Board for final approval prior to publication in the Group's Annual Report and Financial Statements.

Activities of the Committee

During the year Committee activities included:

- undertaking a deep dive into the sustainability focus in BSI's overall strategy;
- reviewing BSI's pathway to net zero by 2030;
- consideration of a BSI Group departmental carbon allowance model;
- review of BSI's role and leadership in convening the sustainability ecosystem;
- approval of a new approach to charitable giving based on people and planet;
- reviewing BSI's Sustainability Strategy and Implementation Plan 2022-2024;
- undertaking a deep dive into the sustainability aspects and plans in operational excellence areas; and
- approval of the global giving plan and budget for the forthcoming year.

Charitable donations

The Committee continued to oversee BSI's charitable donations and volunteering policies. For 2022, colleagues selected a focus on UNSDG goal 1: No Poverty, and each country selected a local charity partner to support within this theme.

The broader Group community contribution in 2022 is set out on page 43.

During 2022, the Committee agreed that local champions would be at the forefront of a new approach to BSI's Global Giving strategy for 2023-2025 putting them as the essential component in the success of this programme. In October 2022, a simple survey was undertaken to help define the role of the champions and begin to build a governance structure on how to deliver our Global Giving strategy for 2023-2025.

Committee priorities for 2023

The threat to our planet requires continued dramatic action and it is vital that we build 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.

During the forthcoming year 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.

By Order of the Board

Dame Polly Courtice
Chair of the Sustainability Committee

5 April 2023

Directors' remuneration report

Alison Wood
Chair of the Remuneration Committee

Remuneration Committee Attendance

The Committee met four times in the year ended 31 December 2022.

Attendance	Jan	Mar	Sep	Dec
Alison Wood (Chair)	●	●	●	●
Tiffany Hall (to 19.05.22)	●	●		
Douglas Hurt	●	●	●	●
Stephen Page	●	●	●	●

● Attended

To extend and deepen its positive impact on business and society in line with its purpose, BSI must be commercially successful in a competitive business environment. In setting Executive Director remuneration, the Remuneration Committee (the 'Committee') fully recognizes that the quality of the Executive leadership team is a key factor in achieving success.

The Committee has therefore established a remuneration policy for BSI 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 to challenging financial and non-financial targets.

The Committee also advises on the reward structure for the wider organization and gives particular focus to ensuring that overall remuneration levels are appropriate to the ethos of a Royal Charter Company and are fair and reasonable in the context of the organization as whole. During the year the Committee considered the remuneration of the workforce generally, which included overseeing the additional support BSI provides to employees across the Group affected by rising prices.

The Committee seeks to align Executive remuneration with best practice and good reward governance of listed companies, where appropriate. Transparency in remuneration reporting is an important aspect of good governance and this report aims to reflect developing best practice to the extent practicable for a Charter company.

Aligning remuneration to the delivery of BSI's purpose

The Executive Directors are responsible for implementing the Group's strategy so that BSI can carry out its purpose. They must strike a careful balance between managing the Group to achieve immediate goals while making strategic investments to secure longer-term ambitions and deliver on BSI's wider purpose as a public-interest organization.

Following a review of BSI's Executive Remuneration Policy in 2022, the Committee agreed that three strategic pillars would be introduced into the variable pay elements to reinforce the incentivisation of the delivery of the organization's business strategy and purpose, these were:

- Prosperity – revenue, profit and the long-term financial health of the Group.
- People – relationships with the workforce, clients, and other stakeholders.
- Planet – the physical environment, including the workplace, impacted by the Company.

For 2023, our Prosperity measures will be Group Profit and Revenue. For People, we will focus on Culture and the impact of our culture shaping programme. For Planet, we will measure the % reduction in Greenhouse Gas (GHG) emissions aligned to our journey to net zero.

To create greater focus and to ensure BSI's cash Long-Term Incentive Plan (LTIP) remains competitive against share based schemes, the Committee agreed that performance under the LTIP would move from a three year cliff vest to be measured annually, with payment based on performance for each year deferred until the end of the three-year period.

BSI's Executive Remuneration Policy for 2023 has been updated to include measures based on both the strategic pillars and LTIP changes. Awards made under the Annual Bonus Plan for 2023 and LTIP awards made in 2023 will be based upon the updated BSI Remuneration Policy which is set out on pages 96 and 97.

Directors' remuneration report continued

Addressing wider workforce remuneration

The Committee maintains oversight over wider workforce remuneration which it takes into account when setting executive reward. The economic environment has produced the most negative impact on household living standards in several decades and the Committee kept under review the measures being taken to help members of BSI's workforce during these challenging times.

In 2022, BSI applied a multi-faceted response to the cost-of-living crisis, workforce pay and financial wellbeing. This included an enhanced pay review budget in April; a competitive pay review for lower paid workers, a focused pay review for critical and premium talent areas in September; a cost-of-living lump sum support payment to those paid below specific salary thresholds in October; and a comprehensive financial wellbeing campaign, offering financial guidance, education, tools and resources, alongside discounts on retailers, goods and services and subsidized canteen food and fuel. This holistic approach has enabled BSI to acknowledge the commitment of colleagues to its ongoing success, while balancing this with the need to remain resilient, relevant and competitive in the marketplace.

Executive reward Outcomes in 2022

2022 was a year of solid performance in challenging macroeconomic conditions. Revenue increased by 15% at reported rates year on year (9% constant currency) and profit was delivered at target, despite high inflation and slower global growth. We are continuing to make progress against our strategy and are maintaining strong investment in the business, including our transformation programme, all focused on continued growth, operational excellence, and delivery of our purpose in 2023 and beyond.

Fixed annual pay review

The Committee has reviewed the salaries for the Executive Directors and has concluded to make an award of 4.5%, effective from 1 April 2023. This is set at the lower end of the guidance ranges applied to the wider workforce and adopts an approach that is to aligned market insights and benchmarking.

2022 annual bonus

Reflecting this year of solid underlying performance, the Committee approved the formulaic outcome of the annual bonus scheme for both the financial and personal performance elements for the Executive Directors. Further details are set out on page 88. The Committee are satisfied that this is an appropriate outcome for 2022 given the overall strength and performance of the Group and individual contributions of the Executive Directors. This outcome is in alignment with the outcome for the wider workforce annual bonus scheme.

Long Term Incentive Plan (LTIP) 2020

Our 2020 LTIP was designed as a three-year performance plan and the grants under this plan mature on 31 December 2022 and will be paid in 2023. The Group achieved Revenue above target performance level for this measure. Under the LTIP 2020 definition of Group Profit, the Committee has discretion to make on adjustments for elements beyond the control of management or material post-LTIP award date approved projects.

Material post-LTIP award approved projects were £3.5m in 2021 and £27.7m in 2022. If applied to the Group Profit figure before adjustments of £81.1m, the minimum profit threshold to trigger any pay-out would not be met.

In applying discretion, the Committee is minded to ensuring a balance between the continued investment in the business and the improvements those investments deliver. Therefore, total vesting of the plan at 51.6% was considered proportionate given the overall performance of the Group and the need to ensure the LTIP continues to drive long term value for the Group. Further details are set out on page 89.

Agenda for 2023

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 Group's objectives. 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 and BSI's public interest purpose. The Committee will maintain its oversight over wider workforce remuneration and will monitor the measures taken by BSI to address cost-of-living concerns.

By Order of the Board

Alison Wood
Chair of the Remuneration Committee

5 April 2023

Directors’ remuneration report continued

The Remuneration Committee

Committee Membership

The Committee is established by the Board under its terms of reference which are reviewed annually. A copy of the Committee’s terms of reference is available on the BSI Group website.

During the year ended 31 December 2022 the Committee comprised:

Alison Wood

Tiffany Hall (to 19 May 2022)

Douglas Hurt

Stephen Page

Tiffany Hall stepped down from the Committee on 19 May 2022 when she resigned from the Board.

When appropriate, John Hirst, Susan Taylor Martin, Sara Dickinson, the Chief People Officer Alison Sharp and Reward and Performance Director Suzanne Pestereff, have been invited to attend Committee meetings. Directors do not attend meetings where their own remuneration is under consideration.

Key Responsibilities of the Committee

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 key responsibilities of the Committee include:

- setting the Remuneration policy for the Executive Directors considering all factors the Committee deems necessary, including relevant legal and regulatory requirements;
- determining policy for the remuneration of the Group’s Leadership Team and other key staff;
- reviewing the continuing appropriateness and relevance of the remuneration policy;
- reviewing and having regard to the remuneration trends across the company and Group;
- reviewing Executives’ approach to establishing a baseline for wider workforce remuneration strategy;
- 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
- setting, each year, targets for both the Annual Bonus Plan and LTIP.

The Committee has access to specialist advice from consultants when required. Willis Towers Watson benchmark data continues to be deemed fit for purpose, providing that data to support the 2022 Executive salary review process.

Activities of the Committee

During the year the Committee, among other things:

- agreed salary increases for the Executive Directors and the executive team;
- reviewed and confirmed the targets for the 2022 Annual Bonus Plan and 2022 LTIP awards;
- approved the Directors’ remuneration report in the Company’s 2021 Annual Report;
- reviewed and agreed an uplift to the Chairman’s fee to be approved at the AGM;
- considered and agreed payments under the 2021 bonus plan and the LTIP awards granted in 2022;
- agreed changes to the Remuneration Policy for 2023 with respect to variable pay target elements and LTIP revision; and
- reviewed the wider workforce remuneration with particular focus on support to employees given higher levels of inflation.

An annual work plan is in place that specifies the key agenda items for each scheduled meeting of the Committee. This largely revolves around the annual financial results and the payments and awards which are related to them. Other matters are included to ensure that the Committee acts in compliance with its terms of reference.

The effectiveness of the Committee’s performance, considered as part of the Board evaluation process reported on page 69, noted that the Committee was effective and working well and agreed the Committee’s agenda for 2023 set out above.

Directors’ remuneration report continued

2022 remuneration

Single figure total

(audited information)

Director	Salaries and fees Year ended 31 Dec 2022 £’000	Salaries and fees Year ended 31 Dec 2021 £’000	Taxable benefits Year ended 31 Dec 2022 £’000	Taxable benefits Year ended 31 Dec 2021 £’000	Pension benefits[1] Year ended 31 Dec 2022 £’000	Pension benefits[1] Year ended 31 Dec 2021 £’000	Variable pay receivable for 2022: Bonus Year ended 31 Dec 2022 £’000	Variable pay receivable for 2022: Bonus Year ended 31 Dec 2021 £’000	Variable pay receivable for 2022: LTIPs Year ended 31 Dec 2022 £’000	Variable pay receivable for 2022: LTIPs Year ended 31 Dec 2021 £’000	Total fixed remuneration Year ended 31 Dec 2022 £’000	Total fixed remuneration Year ended 31 Dec 2021 £’000	Total variable remuneration Year ended 31 Dec 2022 £’000	Total variable remuneration Year ended 31 Dec 2021 £’000	Total remuneration Year ended 31 Dec 2022 £’000	Total remuneration Year ended 31 Dec 2021 £’000
Executives																
Howard Kerr	**–**	52	**–**	2	**–**	–	**–**	–	**49**	67	**–**	54	**49**	67	**49**	121
Susan Taylor Martin	**548**	531	**2**	2	**–**	–	**433**	705	**–**	–	**550**	533	**433**	705	**983**	1,238
Craig Smith[2]	**–**	426	**–**	165	**–**	–	**–**	149	**42**	48	**–**	591	**42**	197	**42**	788
Sara Dickinson	**374**	–	**1**	–	**–**	–	**194**	–	**–**	–	**375**	–	**194**	–	**569**	–
Scott Steedman	**360**	344	**2**	2	**4**	5	**189**	264	**74**	52	**366**	351	**263**	316	**629**	667
	1,282	1,353	**5**	171	**4**	5	**816**	1,118	**165**	167	**1,291**	1,529	**981**	1,285	**2,272**	2,814
Chairman																
John Hirst	**174**	172	**2**	1	**–**	–	**–**	–	**–**	–	**176**	173	**–**	–	**176**	173
Non-Executives																
Douglas Hurt	**47**	52	**–**	1	**–**	–	**–**	–	**–**	–	**47**	53	**–**	–	**47**	53
Ian Lobley	**44**	43	**–**	–	**–**	–	**–**	–	**–**	–	**44**	43	**–**	–	**44**	43
Stephen Page	**50**	49	**1**	2	**–**	–	**–**	–	**–**	–	**51**	51	**–**	–	**51**	51
Alison Wood	**56**	55	**6**	6	**–**	–	**–**	–	**–**	–	**62**	61	**–**	–	**62**	61
Tiffany Hall	**25**	43	**–**	–	**–**	–	**–**	–	**–**	–	**25**	43	**–**	–	**25**	43
Polly Courtice	**48**	43	**1**	1	**–**	–	**–**	–	**–**	–	**49**	44	**–**	–	**49**	44
Total	**1,726**	1,810	**15**	182	**4**	5	**816**	1,118	**165**	167	**1,745**	1,997	**981**	1,285	**2,726**	3,282

1. Contributions made by the Company outside of salary sacrifice arrangements.
2. Taxable benefits in 2021 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 2022 (2021: none).

Directors' remuneration report continued

Discretionary decisions made in 2022

The Committee used its discretion with respect to the following decision taken in 2022:

- To ensure a balance between the continued investment in the business and the improvements those investments deliver, the Committee applied discretion to determine a total vesting of the LTIP 2020 at 51.6%, which was considered proportionate given the overall performance of the Group and the need to ensure the LTIP continues to drive long term value for the Group.

Fixed pay

Base salary during 2022

Per annum base salary	**From 1 April 2022**	to 31 March 2022
Susan Taylor Martin	**£492,184**	£470,000
Sara Dickinson	**£350,000**	£350,000
Scott Steedman	**£311,968**	£297,907

Variable pay

Annual bonus for 2022

Annual bonuses for the year ended 31 December 2022 were provided under the Group Annual Bonus Plan to Susan Taylor Martin, Sara Dickinson 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, Group 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 (specific Board instructed expenditures) 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 basis upon which potential 2022 annual bonuses were determined:

	Proportion of award			
Basis of annual bonuses	On-target financial	On-target personal objectives	On-target award based on base salary	Maximum award possible based on base salary
Susan Taylor Martin	75%	25%	60%	150%
Sara Dickinson	75%	25%	40%	100%
Scott Steedman	75%	25%	40%	100%

Directors’ remuneration report continued

The target levels set for 2022 were Group Profit of £74.2m and Group Revenue of £630.9m at budgeted exchange rates. Group Profit for annual bonus purposes is calculated as underlying operating profit with specified adjustments including the add back of transformation investments.

Actual Group Profit at Budget exchange rates achieved for 2022 was £78.6m (105.8% of Group Profit target). Actual revenue achieved for 2022 was £637.7m at budget exchange rates (101.1% of Group Revenue Target).

2022 Annual bonus targets.

	Minimum	Target	Maximum	Actual
Group Revenue	£567.8m	£630.9m		£637.7m
Group Profit	£66.8m	£74.2m	£85.3m	£78.6m

2022 Annual bonus payments (unaudited information)

	On-target GPB	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	60%	65%	9%	15%	88.9%	£432,868
Sara Dickinson	40%	43%	6%	10%	59.3%	£194,443
Scott Steedman	40%	35%	6%	20%	61.3%	£189,079

Long Term Incentive Plan 2020 (LTIP 2020) due to vest in 2022 (audited information)
In 2020 the Executive Directors were awarded Participation Units (PUs) under the LTIP. This was done in accordance with the policy set out in the Annual Report 2019 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 2022. Each vesting PU would provide £1.00.

Directors' remuneration report continued

For the LTIP awards made in 2020, the target levels for 2022 were Group Profit of £73.8m (25% PU allocation) and Group Revenue of £628.0m (75% PU Allocation) at 2020 budget exchange rates. Group Profit for LTIP purposes is defined as Underlying Operating Profit before LTIP charges, the amortisation 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.

2020 LTIP Targets	Minimum	Target	Maximum	Actual
Group Revenue	£596.6m	£628.0m	£690.8m	£637.7m
Group Profit	£70.1m	£73.8m	£81.2m	£82.6m

Under the LTIP 2020 definition of Group Profit, the Committee has discretion to make on adjustments for elements beyond the control of management or material post-LTIP award date approved projects. Material post-LTIP award approved projects were £3.5m in 2021 and £27.7m in 2022. If applied to the Group Profit figure before adjustments of £81.1m, the minimum profit threshold to trigger any pay-out would not be met. To ensure a balance between the continued investment in the business and the improvements those investments deliver, the Committee applied discretion to determine a total vesting of the LTIP 2020 at 51.6%, which was considered proportionate given the overall performance of the Group and the need to ensure the LTIP continues to drive long term value for the Group.

LTIP vesting 2022	PUs awarded 2020	Vesting	Payment in 2023
Howard Kerr	284,750	51.6%	£48,977*
Craig Smith	155,000	51.6%	£42,212*
Scott Steedman	142,500	51.6%	£73,530

* Under the LTIP rules Howard Kerr and Craig Smith were eligible for pro rated payments, having left the Group under 'good leaver' status. Accordingly, the number of PUs vesting and the payments to be made with respect to 2020 LTIP awards are as shown.

LTIP awarded in 2022 (audited information)

In 2022 the Executive Directors were awarded PUs under the LTIP. This was done in accordance with the policy set out in the Annual Report 2021 Directors' remuneration report. 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 2024.

The PUs awarded under the LTIP in 2022 were:

2022 LTIP awards	Basis – salary multiple	PUs awarded 2022	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
Susan Taylor Martin	125%	587,500	10%	50%	125%	31 December 2024
Sara Dickinson	80%	280,000	10%	50%	80%	31 December 2024
Scott Steedman	80%	238,325	10%	50%	80%	31 December 2024

Directors’ remuneration report continued

Total LTIP awards held

LTIP awards held	Susan Taylor Martin	Sara Dickinson	Scott Steedman	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
PUs awarded 2022	587,500	280,000	238,325	10%	50%	100%	31 December 2024
PUs awarded 2021	587,500	–	233,996	10%	50%	100%	31 December 2023
Total PUs held	1,175,000	280,000	472,831				

Pension contributions

The Company paid the equivalent of 11% of Susan Taylor Martin’s base salary and 11% of Sara Dickinson’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, taking into account the National Insurance paid.

Loss of office payments (audited information)

No payments for loss of office were made in 2022 (2021: £165,000).

Payments to past Directors (audited information)

Howard Kerr was eligible to receive £48,977 and Craig Smith was eligible to receive £42,212 under the rules of the LTIP scheme with respect to pro rated payments for 2020 awards, vesting in 2022 but payable in 2023. (2021: £Nil).

Executive Directors’ Non-Executive Directorships

In order to encourage professional development, Executive Directors may, with the agreement of the Board, take on an external Non-Executive Directorship. Susan Taylor Martin is a Non-Executive Director of the University of Cambridge Press & Assessment Board and Sara Dickinson is a Non-Executive Director of Aptitude Software Group PLC.

Statement of implementation of Directors’ remuneration policy

During 2022, all Directors’ remuneration was awarded within the policy set out in the Directors’ remuneration report in the Annual Report and financial statements 2021.

Directors' remuneration report continued

Remuneration of the Chief Executive

Table of historic data (audited information)

		Chief Executive single figure remuneration total £'000	Annual bonus payout against maximum	LTIP vesting rates against maximum
2022	Susan Taylor Martin	983	88.9%	–
2021	Susan Taylor Martin (from 20.01.21)	1,238	100.0%	–
2021	Howard Kerr (to 20.01.21)	121	–	25.0%
2020	Howard Kerr	1,069	98.0%	6.7%
2019	Howard Kerr	792	49.7%	30.0%
2018	Howard Kerr	1,043	50.0%	100.0%
2017	Howard Kerr	1,156	92.2%	100.0%
2016	Howard Kerr	1,151	98.7%	100.0%
2015	Howard Kerr	1,119	97.8%	100.0%
2014	Howard Kerr	765	95.3%	–
2013	Howard Kerr	596	50.5%	–

Chief Executive pay ratio

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option B	19.02	26.24	35.76
2021	Option B	13.79	10.35	7.98
2020	Option B	15.44	11.24	8.95

Notes:
- 2022 Median pay for BSI was £53,184
- To calculate the CEO pay ratio, we looked at the most recent hourly rate gender pay gap information, collected at April 2022 and officially reported in April 2023.The CEO pay ratio in 2022 reflects a return to a more typical level. The appointment of a new CEO in 2021 and COVID in 2020 impacted earnings reported in these years.

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.

Directors' remuneration report continued

Fees

Effective 1st May annual Board fees were as follows:

Role	2022	2021
Chairman's fee	**£176,000**	£169,000
Non-Executive Director base fee	**£44,540**	£42,823
Senior Independent Director, Committee Chair and board representative fee	**£6,500**	£6,105

As recommended by the Board, the Members agreed at the Annual General Meeting (AGM) on 19 May 2022 to increase the fees payable to the Chairman and the Non-Executive Directors of the Company, including supplementary fees paid for performing additional duties. The Company recognizes that it has individuals of stature and experience in those roles and is aware that in order to retain and recruit individuals of appropriate quality it must ensure their remuneration reflects the skills and knowledge they bring to the Board, as well as being comparable with the fees paid in similar organizations. The increases maintain the Non-Executive Director base fees in the lower quartile for listed businesses and the increase to the Chairman's fee in line with the general wage increase for UK staff.

Remuneration policy 2023

The Directors' remuneration policy is set out in the table below on pages 96 and 97. It applies to remuneration awards made from 1 January 2023 and is set for a period of one year. The changes from 2022 are set out in the final column. 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 Annual Bonus Plan with shorter-term objectives and the LTIP with the Group's longer-term strategy. 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 with regard to 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 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.

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 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. BSI does not normally either offer 'sign-on' awards or compensate recruits for forfeited amounts; however, the Committee reserves the right to apply discretion in this area as it sees fit.

Directors’ remuneration report continued

Policy on notice periods

No Director has contractual rights for compensation on early termination beyond payment of the contractual notice period. Executive Directors have rolling contracts setting out notice periods as shown in the following table:

	Appointment commenced	Notice period provided for
Susan Taylor Martin	1 January 2021	12 months by either party
Sara Dickinson	24 January 2022	6 months by either party
Scott Steedman	1 October 2012	6 months by either party

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. Details of their letters of appointment are as follows:

	Date of original appointment	Role
John Hirst	15 October 2018	Chairman
Douglas Hurt	1 November 2015	Non-Executive Director
Polly Courtice	1 September 2022	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

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, 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

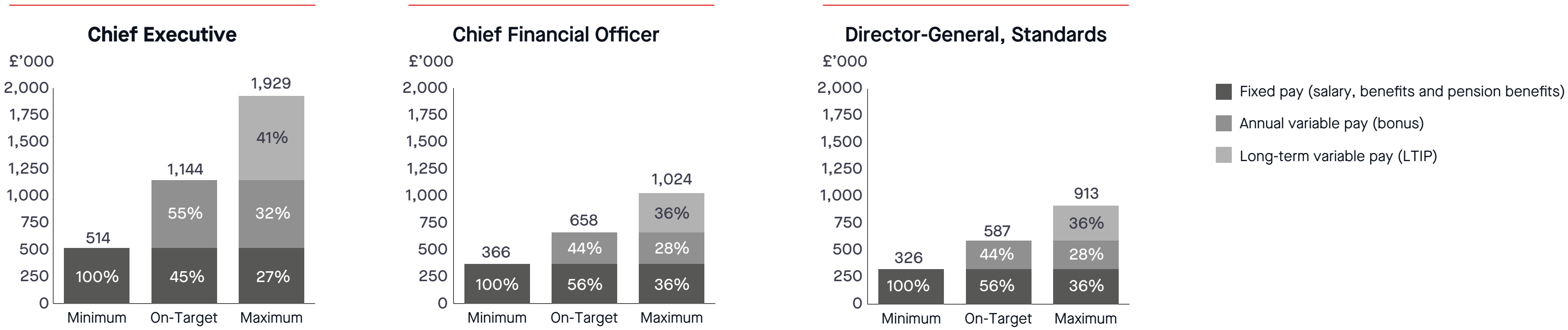
Policy on termination payments

The Company 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 Company 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.

Illustration of the application of the Directors’ remuneration policy for 2023

The charts below provide an illustration of what could be received by each Executive Director for 2023, which is the year of application of the stated remuneration policy:



Notes:

- Minimum means fixed pay only (i.e. base salary, benefits and pension benefits), i.e. below the payment threshold for variable pay awards.
- On target means fixed pay, an award equivalent to 60%, 40% and 40% of base salary to Susan Taylor Martin, Sara Dickinson and Scott Steedman, respectively, under the Annual Bonus Plan and vesting of 50% of the PUs awarded to Susan Taylor Martin and Scott Steedman under the LTIP 2021 awards. Sara Dickinson was not appointed at the time.
- Maximum means fixed pay, an award equivalent to 150%, 100% and 100% of base salary to Susan Taylor Martin, Sara Dickinson and Scott Steedman, respectively, under the Annual Bonus Plan and vesting of 150% of the PUs awarded to Susan Taylor Martin and Scott Steedman under the LTIP 2021. Sara Dickinson was not appointed at the time.
- For the purpose of this illustration: fixed pay is based on base salary at 1 April 2023 and actual 2022 benefit and pension benefit amounts; annual bonus awards for potential payment with respect to the 2023 financial year are based on base salary at 1 April 2023 and LTIPs are based on the 2023 awards potentially vesting for the performance period ending 31 December 2025.

Directors’ remuneration report continued

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.

Relative importance of spend on pay

		2022	2021
Employee expense	+17.7%	**£372.0m**	£316.0m
Revenue	+14.9%	**£672.8m**	£585.6m
Underlying Operating Profit	-32.6%	**£56.0m**	£83.1m
Headcount	+8.1%	**5,965**	5,518

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

5 April 2023

Directors’ remuneration report continued

Remuneration policy 2023

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics	Changes from 2022 policy
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.	None
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 and fuel, annual leave and 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.	None
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.	None
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. Awards are subject to claw back 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.	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 based on Prosperity: Group Profit – 50%, Group Revenue – 15%; People: Culture Impact – 5%; and Planet: GHG Reduction – 5% as well as Personal Performance: 25%	Additional non-financial KPIs have been introduced and weightings amended.

Directors’ remuneration report continued

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics	Changes from 2022 policy
LTIPs (Variable) By providing Directors with incentive to align their performance to the delivery and execution of strategic aims and goals of the business and to retain senior Executive talent.	These are awarded to Executive Directors subject to the fulfilment of financial and non-financial performance criteria, determined with reference to BSI’s strategic objectives. The targets are established annually and amended if necessary. Awards are subject to malus and claw back 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.	Award payments are dependent upon the achievement of targets based on Prosperity: Group Profit – 50%, Group Revenue – 15%; People: Culture Impact – 5%; and Planet: GHG emission reduction – 5% as well as Personal Performance: 25%	Structure changed from a three-year cliff vest to a deferred cash award LTIP. A third of the maximum incentive over the three-year period is based on achievement against annual performance targets. Payment of annual awards are deferred until April 2026.

Directors' report

The Directors submit their report and audited financial statements for the British Standards Institution and its subsidiaries for the year ended 31 December 2022.

It is the Directors' responsibility to prepare the Annual report and financial statements and they consider that the Annual report and financial statements 2022, 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

The Strategic Report, set out on pages 4 to 58 includes:

- a description of the Group's business model and strategy;
- disclosure of the key performance indicators used to manage the business;
- an overview of the principal risks and uncertainties faced by the Group;
- factors likely to affect the Group's future development; and
- environmental, gender and human rights disclosures;

as well as details of other factors affecting the Group's performance, position and prospects.

The Group has capitalized £0.9m of development costs relating to new training courses and has not expensed any basic research or other development costs.

Corporate Governance

The Corporate Governance Report is set out on pages 59 to 101.

The Board

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

John Hirst

Susan Taylor Martin

Sara Dickinson (appointed 24 January 2022)

Scott Steedman

Dame Polly Courtice (appointed 1 September 2022)

Tiffany Hall (resigned 19 May 2022)

Douglas Hurt

Ian Lobley

Stephen Page

Alison Wood

The Company Secretary is Leigh Grant.

More information about the Directors can be found on pages 60 to 63.

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. Dame Polly Courtice will therefore, be standing for election at the 2023 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 John Hirst and Ian Lobley will be standing for re-election at the 2023 Annual General Meeting.

Annual General Meeting

The 2023 Annual General Meeting will be held at 11.30 am on Thursday 25 May 2023 at The Hilton London Tower Bridge, 5 More London Place, Tooley St, London SE1 2BY, 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

PricewaterhouseCoopers LLP acted as auditors throughout the year. In accordance with Section 489 of the Companies Act 2006, a resolution proposing the re-appointment of PricewaterhouseCoopers LLP as the Company's auditors will be put to the 2023 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.

Employees

The Group communicates and consults with its employees on a wide range of subjects, including those that directly affect them, using email, websites, intranet, in-house publications and meetings at business locations. The Group's workforce is instrumental in its success and the organization works hard to maintain good relationships with its employees around the world through continual communications and employee forums.

Further details of the Group's engagement with its employees are set out in the Section 172 Report on page 34

Directors’ report continued

The Group takes the issues of equality and diversity seriously. By using the talent and skills available in all groups and communities in the countries in which it operates, the organization is able to build the strong team it requires to deliver the strategy for its business. The Group uses job related objective criteria in the selection of candidates and when considering development opportunities.

The Group is committed to providing a work environment free from harassment and discrimination. The organization accepts its obligations to people with disabilities and endeavours to treat them fairly in relation to job applications, training, promotion and career development.

If employees become disabled while employed, every effort is made to enable them to continue working either in their original job or some suitable alternative role.

Donations

The Company made no political donations during the year (2021: £nil).

Financial instruments

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

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 47 for our SECR disclosure table and commentary.

Directors’ interests

Apart from service contracts and 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.

Post-balance sheet events

There were no post-balance sheet events.

Going concern

Despite a year of significant external turbulence and global financial shocks, the Group has delivered strong financial performance. The Group has ended the year with no debt and cash and cash equivalents and fixed-term deposits of £164.6m (Year ended 31 December 2021: £187.1m).

As discussed further in the Financial Review, the Group’s performance reflects the diversity of the markets, geographies and sectors in which we operate together with a continuous and proactive financial course correction throughout the year to address inflationary pressures and geopolitical uncertainty. The year-on-year reduction in cash was due to the payment of deficit funding contributions to the UK defined benefit scheme, a one-off cost of living payment and a return to pre-COVID billing cycles which has created an increase in debtor days.

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 financial reporting.

The Group’s planning cycle comprises three in-year forecasts, a financial plan and a long-term three-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.

The Group also operates a formal Treasury policy, effectively managing the Group’s cash balances and investing in AAA rated money market funds and short-term deposits with key relationship banks. Through weekly and monthly reporting, the Chief Financial Officer 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 visibility of the expected Group cash flow together with the Group’s liquidity reserve, comprising cash and cash equivalents.

In assessing going concern, management used the Board-approved Financial Plan for 2023 and longer-term strategic plan as a foundation. The plan shows trading is expected to continue the recent trends of revenue growth, profitability and cash generation. Early trading in 2023 to date has been in line with these expectations. While we expect to invest in our discretionary Change and Transformation programme, cash is expected to remain substantially above £150m throughout the remainder of 2023 and beyond the going concern assessment period to March 2024.

Directors' report continued

Sensitivity analysis was performed using severe but plausible downside scenarios in line with the viability scenarios below. In all scenarios the Group maintains significant liquidity for at least 12 months from the balance sheet date and does not need to raise external funding. A reverse stress test was also reviewed to understand how severe a trading loss would need to be to eliminate our cash reserves but the conditions of the reverse stress test were considered implausible.

As a result of the financial position, controls in place and current financial performance, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for a period of at least 12 months from the approval of this Annual Report. Accordingly, the Directors have adopted the going concern basis in preparing the Group and the Company 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 three years.

Viability assessment

Throughout the year, the Board has undertaken an assessment of the principal risks affecting the Group and also emerging risks, particularly those that could threaten the business model and the Group's viability over an extended period, including an assessment of the likelihood of them materialising. These risks and the actions being taken to manage or mitigate the risks are explained in detail on pages 52 to 58. This analysis has then been applied to allow the Board to assess the ability of the Group to continue in operation and have an adequate level of liquidity to meet its obligations.

Each year, the Board agrees a strategic plan for the business. The 2023 to 2025 plan was based on the expected economic environment across all our markets over the plan period together with the Group's updated strategic objectives, initiatives as agreed by the Board and reflects 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 three years (2021: five years). Although BSI is a mature business and the Directors have no reason to believe that the Group will not be viable over a longer period, the Board has chosen to conduct the viability assessment over a three-year period because:

- Significant investments are being made over the next three years to realize the Group's strategy over the medium to long term.
- The Group's business model does not necessitate regular investment in large capital projects that would require a longer time horizon.
- The Group's business model means that it has the ability to respond in a timely manner to reasonably possible Group specific and market events, as evidenced by the COVID pandemic.
- Given the current volatility of the economic and geopolitical environment, implicitly it is harder to accurately forecast the latter years of a five-year plan.

The viability assessment consisted of stress testing the forecasts underlying the strategic plan by modelling severe but plausible downside scenarios in which a number of the Group's principal risks and uncertainties materialize within the viability period. These scenarios included external factors such as changes in UK regulation or public policy and internal factors such as our strategic change programme failing to deliver the level of digital transformation required to maintain our market share. In preparing these scenarios, consideration was given to the direct revenue and contribution impact of the affected division and the potential halo effect on the wider business together with the likely time frame over which the scenario would affect the business. In relation to the digital transformation scenario, assumptions reflected the erosion of market share over time reducing revenue growth and contribution.

The scenarios and sensitivity testing have been based on the current Board-approved strategic plan and forecast revenues, operating profit and cash flows were reviewed against the current and projected liquidity position. The main severe but plausible scenarios included the following:

Viability scenario	Linkage to risks on pages 52 to 58
Change in UK regulation or public policy could adversely affect BSI's National Standards Body activities	Changes to government policy
The Regulatory Services business suffers a material device failure and associated loss of business	Designation compliance, brand and reputation, legal
Our Assurance business suffers a loss of a significant accreditation, leading to suspension in key markets	Accreditation compliance, brand and reputation, legal
Our digital transformation fails to keep pace externally resulting in loss of market share	Change management, brand and reputation

Directors' report continued

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 2025 and an assessment of the impact of severe but plausible 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 to the end of the viability period to December 2025.

By Order of the Board

Leigh Grant FCG
Company Secretary

5 April 2023

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 consolidated 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 2022 and of the group's profit and the group's cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 2022; 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 parent company, The British Standards Institution, which contains the global head office group function.
- We performed specified audit procedures at three further reporting locations with the group engagement team directly performing these audit procedures over BSI Professional Services UK Limited, BSI Professional Services Inc. (excluding Appsec) and BSI Management Systems Ltd. Local teams were instructed to perform work over 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 full scope audits and specified audit procedures accounted for 72.7% of the group's external revenues and 81.5% of the group's total assets; the full scope audits accounted for 68.9% 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)
- Impairment of goodwill and other acquired intangible assets (group)

Materiality

- Overall group materiality: £3,050,300 (2021: £4,045,000) based on 5% of the 3 year average profit before income tax.
- Overall parent company materiality: £1,800,000 (2021: £3,640,000) based on a percentage of total assets resulting in a materiality of 0.49% (2021: 0.79%) of total assets.
- Performance materiality: £2,287,725 (2021: £3,033,000) (group) and £1,350,000 (2021: £2,730,000) (parent company).

Independent auditors' report continued

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.

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.

Impairment of goodwill and other acquired intangible assets is a new key audit matter this year. Capitalisation of costs associated with software as a service arrangements ('SaaS'), which was a key audit matter last year, is no longer included as the IFRS Interpretations Committee ('IFRIC') clarification in respect of the accounting for configuration and customisation costs related to SaaS arrangements was a one-off reassessment in the prior year. Otherwise, the key audit matters below are consistent with last year.

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) Refer to note 15 on page 139 of the consolidated financial statements and note 7 on page 158 of the parent company financial statements. The group operates a UK defined benefit pension plan with a net retirement benefit surplus of £20.1m, 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 judgement 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 the defined benefit scheme is in 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. 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 • assessing the impact of changes in the assumptions referred to above on the valuation of the liabilities. In assessing the ability of the group and the parent company to recognize the net surplus we performed the following procedures: • we considered the judgements made by management in after consideration of the scheme rules and applicable accounting guidance; and • we considered the adequacy of the disclosures regarding the judgement made. All assumptions, methodologies, valuations and judgements subject to our procedures were supported by the work performed. The relevant disclosures were also considered adequate.

Independent auditors’ report *continued*

Key audit matter *continued*

Impairment of goodwill and other acquired intangible assets (group)

Refer to the Accounting policies set out in note 2 on page 119 and note 13 on page 136 of the consolidated financial statements.

The group, before any impairments, has £75.2m of goodwill as at 31 December 2022 (31 December 2021: £71.3m) and £10.8m of acquired intangible assets (31 December 2021: £11.1m). The carrying values of these assets are contingent upon future cash flows which may be impacted by external market developments and the success in executing the business strategy.

As part of the annual impairment assessment management have identified an impairment of £16.6m (2021: nil) to goodwill and intangible assets, comprising an £11.9m impairment of the goodwill and £2.5m impairment of the acquired intangible assets of the DTC CGU, and an impairment of £2.2m of the acquired intangible assets of the EH3S CGU. The goodwill and acquired intangible asset balances after impairments as at 31 December 2022 were £63.3m and £6.1m respectively.

The key assumptions in management’s cash flow projections are: short to medium-term revenue growth and profitability, long-term growth rates and discount rates. Changes in these assumptions could potentially lead to an impairment in the carrying value of these assets.

We consider this to be a key audit matter given the magnitude of the relevant balances and the significant judgement and estimation involved in the impairment assessments of these assets. The estimation of future discounted cash flows is inherently subjective and involves judgement. As a result, this assessment is also susceptible to management bias.

How our audit addressed the key audit matter *continued*

To address this risk, we have designed and performed audit procedures over the impairment assessments prepared by management.

Goodwill

We have assessed the allocation of goodwill to the respective cash generating unit groups (CGU groups) and the appropriateness of this approach.

Through the following procedures we have tested the mathematical accuracy of the model and the reasonableness of management’s key assumptions included in the discounted cash flows used to determine the Value in Use (ViU):

- testing the mathematical accuracy of the spreadsheet used to model future cash flows;
- assessing the achievability of the revenue and margin forecasts, including an evaluation of the assumptions in management’s forecast including understanding the following:
  - opportunities for growth in the relevant markets;
  - comparison of the historical trading with the forecast cash flows;
  - comparison of forecast growth of the divisions to comparable industry forecasts;
  - consideration of the potential impact of climate change on the cash flows; and
  - understanding the key changes in strategies/operating models which are expected to drive profit growth;
- we have utilised our valuations experts to evaluate the discount rate and long-term growth forecasts;
- we performed an evaluation of forecast costs based on existing contractual commitments and budgeted margin growth; and
- we recalculated management’s sensitivities to verify the disclosure is accurate and we performed additional sensitivity analysis, including reducing cash inflows, to understand the impact that reasonably possible changes could have.

In respect of the DTC ViU assessment, an impairment was identified. As a result, using market data obtained from our valuation experts, we have considered earnings before interest tax and depreciation (“EBITDA”) multiples from similar transactions to assess whether a fair value less cost to sell (“FVLCTS”) basis might give a higher value than the ViU basis. Consistent with managements’ assessment, we have concluded that the value would not be materially different under a FVLCTS basis.

Independent auditors' report continued

Key audit matter *continued*	How our audit addressed the key audit matter *continued*
	In performing these assessments, the audit team focused on applying an appropriate level of professional scepticism when challenging the assumptions presented by management. We concur with the impairment of goodwill in the DTC CGU and the conclusion not to impair goodwill in the EH3S CGU. However, a reasonably possible change in assumptions could lead to further impairments in both businesses and as a result additional disclosures have been included in note 13 to reflect this. **Other acquired intangible assets** We also challenged the level of impairment made to the customer lists held in the DTC and EH3S CGUs through the following procedures: • challenged management's assessment through obtaining the board acquisition papers and compared the key customers to the revenue listings for 2022; and • selected a sample of contracts tested as part of the audit in 2019 and 2017 (the relevant years for the acquisitions) and compared this to the revenue generated by these customers in 2022. We concur with management that there is no significant remaining value in the acquired customer lists in the DTC division and that it was appropriate to impair a large proportion of the customer list in the EH3S division. Overall a total impairment of £4.7m is appropriate.

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 British Standards Institution group is managed on a divisional basis however, its legal entity structure is based on geographical location. In line with prior years, we have scoped our audit at a legal entity level, which is consistent with the BSI group reporting and consolidation process. The significant components for the purposes of our audit were BSI Assurance UK Limited, BSI Standards Limited, BSI Group 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, including revenue; these were BSI Professional Services UK Limited, BSI America Professional Services Inc. (excluding Appsec), BSI Management Systems Ltd, and BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China.

All audit work was performed by the group audit team, with the exception of audit work performed on BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China which was performed by PwC component auditors. These auditors worked under our instruction and oversight. The group audit team was in contact, at each stage of the audit, with the component audit team through regular written communication including detailed instructions issued by the Group audit team and video conferencing at the planning, execution and completion phases.

Independent auditors’ report continued

The impact of climate risk on our audit

Climate change risk is not expected to have a significant impact on BSI. As explained in the Climate change risk management section of the Strategic Report, the group is mindful of its impact on the environment and focussed on ways to reduce climate related impacts as they continue to develop their plans towards their road to Net Zero by 2030. In planning and executing our audit we considered the group’s climate risk assessment process. This provided us with a good understanding of the potential impact of climate change on the financial statements.

The key financial statement line items and estimates which are more likely to be materially impacted by climate risks are those associated with future cash flows including the goodwill impairment assessment. The Board monitors the impact of climate change risk and opportunities on the group’s strategy and business model. BSI has made a public commitment to reach Net Zero in it’s own operations by 2030. They are continuing to work on their pathway towards this and set targets to reduce their Greenhouse Gas (GHG) scope 1 and scope 2 emissions by 90% and scope 3 emissions by 42%. We discussed with management that the estimated financial impacts of climate change will need to be frequently reassessed; our expectation is that the climate change disclosures will continue to evolve as a greater understanding of the actual and potential financial impacts on the group’s future operations are obtained. As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group’s financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group’s and company’s financial statements.

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	£3,050,300 (2021: £4,045,000).	£1,800,000 (2021: £3,640,000).
How we determined it	Based on 5% of the three year average profit before income tax (2021: 5% profit before income tax)	Based on a percentage of total assets resulting in a materiality of 0.49% (2021: 0.79%) of total assets.
Rationale for benchmark applied	The benchmark applied to determine materiality is based on a three year average before income tax. Profitability has fallen in 2022 due to impairments and the costs of transformation. Given the underlying business has not changed, we have concluded a significant reduction to materiality for the current year is not appropriate and as a result we have used a three year average of profit before tax. This change was communicated to the Audit Committee and approved at the planning stage.	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 group pension scheme activities to be the most significant balances and we have therefore identified total assets as the most appropriate benchmark on which to base materiality. The materiality applied reflects an allocation of group materiality and a reduction in overall net assets in the period.

Independent auditors' report continued

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 £267,000 and £2,600,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

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% (2021: 75%) of overall materiality, amounting to £2,287,725 (2021: £3,033,000) for the group financial statements and £1,350,000 (2021: £2,730,000) 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 £305,000 (group audit) (2021: £404,500) and £180,000 (parent company audit) (2021: £364,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 2024.
- 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 historical 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.

Independent auditors' report continued

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 2022 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.

Corporate governance statement

We have reviewed 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, as if the parent company were a listed company. 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 and parent company 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.

Independent auditors' report continued

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.

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 group maintaining compliance accreditation with national and international organizations, 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 legislation in the jurisdictions in which the group 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 group'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:

- 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. We also attended all Audit Committee meetings.
- We considered performance targets and the potential to apply management bias to achieve bonuses.
- At a group level our procedures involved using: Computer Assisted Audit Techniques (CAATS) to analyse journals recorded centrally and 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.

Independent auditors’ report continued

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 (“the Royal Charter”) 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.

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

5 April 2023

Consolidated income statement

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Revenue	5, 6	**672.8**	585.6
Cost of sales		**(335.1)**	(280.4)
Gross profit		**337.7**	305.2
Selling and distribution expenses		**(86.8)**	(71.4)
Administrative expenses		**(194.9)**	(150.7)
Underlying operating profit	5	**56.0**	83.1
Exceptional items	7	**(17.8)**	–
Operating profit	7	**38.2**	83.1
Finance income	10	**1.1**	0.3
Finance costs	10	**(1.7)**	(2.4)
Profit before tax	5	**37.6**	81.0
Income tax expense	11	**(18.3)**	(22.1)
Profit for the year		**19.3**	58.9

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

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Profit for the year		**19.3**	58.9
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit surplus, net of taxes	15b iii	**(11.7)**	30.9
Tax charged relating to UK tax losses		**–**	(0.9)
		(11.7)	30.0
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		**10.7**	(2.2)
		10.7	(2.2)
Other comprehensive income for the year, net of taxes		**(1.0)**	27.8
Total comprehensive income for the year		**18.3**	86.7

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2022

	Retained earnings £m	Translation reserve £m	Total £m
Balance at 1 January 2021	239.3	1.6	240.9
Profit for the year	58.9	–	58.9
Other comprehensive income/(loss) for the year, net of taxes	30.0	(2.2)	27.8
Total comprehensive income/(loss) for the year	88.9	(2.2)	86.7
Balance at 31 December 2021	328.2	(0.6)	327.6
Profit for the year	19.3	–	19.3
Other comprehensive (loss)/income for the year, net of taxes	(11.7)	10.7	(1.0)
Total comprehensive income for the year	7.6	10.7	18.3
Balance at 31 December 2022	335.8	10.1	345.9

The accompanying notes on pages 116 to 150 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 surplus 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 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**22.5**	24.2
Goodwill	13	**63.3**	71.3
Intangible assets	13	**31.2**	28.1
Right-of-use assets	14	**23.7**	29.6
Net retirement benefit surplus	15b i	**20.1**	19.3
Deferred tax assets	16	**8.9**	5.7
Trade and other receivables	17	**10.2**	10.7
Contract costs	18	**18.3**	16.9
Total non-current assets		**198.2**	205.8
Current assets			
Inventories	19	**0.1**	0.1
Trade and other receivables	17	**198.8**	148.1
Current tax assets		**–**	3.1
Fixed-term deposits	20a	**53.0**	10.0
Cash and cash equivalents	20b	**111.6**	177.1
Total current assets		**363.5**	338.4
Total assets		**561.7**	544.2

	Note	2022 £m	2021 £m
Liabilities			
Non-current liabilities			
Deferred tax liabilities	16	**(3.2)**	(7.5)
Net retirement benefit obligations	15b ii	**(2.5)**	(2.7)
Provisions	21	**(4.0)**	(2.8)
Trade and other payables	22	**(8.6)**	(9.6)
Lease liabilities	14	**(23.2)**	(30.3)
Total non-current liabilities		**(41.5)**	(52.9)
Current liabilities			
Trade and other payables	22	**(156.9)**	(144.9)
Lease liabilities	14	**(9.8)**	(10.1)
Current tax payables		**(7.3)**	(8.4)
Provisions	21	**(0.3)**	(0.3)
Total current liabilities		**(174.3)**	(163.7)
Total liabilities		**(215.8)**	(216.6)
Net assets		**345.9**	327.6
Reserves			
Retained earnings		**335.8**	328.2
Translation reserve		**10.1**	(0.6)
Total reserves		**345.9**	327.6

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 111 to 115 were approved by the Board of Directors on 5 April 2023 and were signed on its behalf by:

Sara Dickinson CGMA
Chief Financial Officer

5 April 2023

Consolidated statement of cash flows

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Profit before income tax		**37.6**	81.0
Adjustments for:			
– Depreciation of property, plant and equipment	7	**5.7**	5.3
– Loss on disposal of tangible assets	7	**0.1**	–
– Loss on disposal of intangible assets	7	**–**	0.4
– Amortization of intangible assets	7	**8.3**	6.4
– Impairment of goodwill and acquired intangible assets	7	**16.6**	–
– Depreciation of right-of-use assets	7	**9.0**	8.7
– Gain on disposal of right-of-use assets	7	**(0.1)**	–
– Reversal of loss allowance on trade receivables	7	**(0.1)**	(0.2)
– Bad debts written off to income statement directly	7	**1.4**	1.0
– Finance income	10	**(1.1)**	(0.3)
– Finance costs	10	**1.7**	2.4
– Retirement benefit charges (UK defined benefit plan)	15b i	**0.6**	0.6
– Retirement benefit charges (Other defined benefit schemes)	15b ii	**0.2**	0.2
– Net capitalization of contract costs	18	**(0.7)**	(1.1)
Changes in working capital (excluding the exchange differences on consolidation):			
– Increase in trade and other receivables		**(42.3)**	(11.4)
– Increase in trade and other payables		**4.4**	21.4
– Increase in provisions		**1.2**	0.2
Retirement benefit payments	15b iv	**(15.7)**	(15.8)
Cash generated from operations		**26.8**	98.8
Interest received		**0.6**	0.3
Interest elements of lease payments	14	**(1.7)**	(1.9)
Income tax paid		**(20.6)**	(18.9)
Net cash generated from operating activities		**5.1**	78.3

	Note	2022 £m	2021 £m
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**(6.2)**	(5.1)
Purchases of intangible assets	13	**(11.7)**	(7.8)
Purchase of fixed-term deposits	20a	**(43.0)**	(10.0)
Net cash used in investing activities		**(60.9)**	(22.9)
Cash flows from financing activity			
Principal elements of lease payments	14	**(10.8)**	(10.0)
Net cash used in financing activity		**(10.8)**	(10.0)
Net (decrease)/increase in cash and cash equivalents		**(66.6)**	45.4
Opening cash and cash equivalents		**177.1**	132.1
Exchange gain/(loss) on cash and cash equivalents		**1.1**	(0.4)
Closing cash and cash equivalents	20b	**111.6**	177.1

The accompanying notes on pages 116 to 150 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2022

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, England.

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 5 April 2023.

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.

Despite a year of significant external turbulence and global financial shocks, the Group's performance for 2022 reflects the diversity of the markets, geographies and sectors in which we operate with a continuous and proactive financial course correction throughout the year to address inflationary pressures and geopolitical uncertainty. The Group ended the year with no debt and cash and cash equivalents and fixed-term deposits of £164.6m (Year ended 31 December 2022: £187.1m). The year-on-year reduction in cash was due to the payment of deficit funding contributions to the UK defined benefit scheme, a one-off cost of living payment and a return to pre-COVID billing cycles which has created an increase in debtor days.

The Directors have reviewed the in-year performance together with the Financial Plan for 2023 and longer-term strategic plan. The plan shows that trading is expected to continue recent trends in relation to revenue growth and profit and that we continue to retain significant cash reserves even after investment in our Transformation Programme.

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 99 to 101.

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. Recent accounting developments

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16.
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37.
- Annual Improvements to IFRS Standards 2018-2020.
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The Group also elected to adopt the following amendments early:

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – amendments to IAS 12.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments and interpretations would not have had any material impact on the Group in the current reporting period.

Notes to the consolidated financial statements continued

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.

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 consolidated financial statements are the results segmented by business divisions and 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.

Notes to the consolidated financial statements continued

e. Foreign currency translation

i. Functional and presentation currency

Items included in the consolidated 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 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).
- 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.

No adjustments have been made to account for hyperinflation in Turkey as the impact is not material to the Group.

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.

The Group derecognizes property, plant and equipment: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.

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 testing is 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

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 from the point at which the asset is ready for use on a straight-line basis over the asset's estimated useful economic lives, or the length of the licence as appropriate, as follows:

Computer software	3–5 years

Costs incurred in customizing, configuring and implementing a Software as a Service (SaaS) arrangement are expensed to the income statement 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.
- 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 their estimated useful economic lives.

Application and infrastructure development costs	3–5 years

Other development expenditures that do not meet these criteria are recognized as an expense to the income statement 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 client relationships, intellectual property, client 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.

Acquired intangible assets	1–15 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 on a straight-line basis.

Internally generated product development costs	3–5 years

The Group derecognizes an intangible asset: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.

h. Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill, 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, known as Cash-Generating Units (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis subject to the recoverable amount of the asset.

Notes to the consolidated financial statements continued

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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.

a. 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. Derivative financial instruments are recognized at fair value. The gain or loss on re-measurement to fair value is recognized immediately in profit or loss.

Assets in this category are classified as current assets if expected to be settled within one year; otherwise, they are classified as non-current.

b. 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.

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.

Notes to the consolidated financial statements continued

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 forward currency contracts (cash flow hedge) to manage currency exposure risk on 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); or
ii. hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow 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.

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 hedged transaction is settled).

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.

n. Trade receivables

Trade receivables are amounts due from clients 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.

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.

Notes to the consolidated financial statements continued

Current tax
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.

The Group is subject to corporate taxes in the countries in which it operates. There are many circumstances in which the application of tax law is open to interpretation with the result that taxpayers and tax administrations may adopt legitimately different interpretations. Such differences in interpretation may result in additional tax liabilities compared to the positions taken by taxpayers when filing tax returns. This creates uncertainty and it is usual for multinational enterprises to establish provisions for tax risk arising from uncertain tax positions (UTPs). The Group recognizes liabilities from UTPs based on whether it is probable that there will be an outflow in relation to additional taxes payable. In doing so, the Group takes account of the requirement to recognize liabilities assuming full disclosure of all relevant facts to tax administrations in accordance with local tax laws and the availability of any mitigation, such as mutual agreement procedures under the terms of relevant tax treaties.

Deferred tax
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. Provisions

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 contractually obliged or where there is a past practice that has created a constructive obligation.

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.

Notes to the consolidated financial statements continued

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 Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 15. 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 expense and a net finance credit. The operating charge relates to the 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.

After review of the Trust Deed and rules of the pension scheme the Directors have determined that there is an unconditional right to a refund of a surplus assets, assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the plan. Based on these rights, any net surplus in the plan is recognized in full.

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 client net of sales-related 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 client.

For a detailed description of the revenue by activity and the associated recognition principles, see Note 6.

w. Incremental costs of obtaining contracts

Incremental costs of obtaining contracts, such as sales commissions, are capitalized and amortized on a systematic basis that is consistent with the transfer to the client 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. 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. 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.
- 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.

Notes to the consolidated financial statements continued

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 the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

ii. 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).

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.

y. 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.

z. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

aa. Exceptional items

Alternative performance measures ("APMs") are used as supplemental measures in monitoring the performance of our business. Underlying operating profit is the key measure used by BSI. The adjustments applied in calculating underlying operating profit reflect certain exceptional items that the Directors believe are not related to the underlying performance of the Group. A reconciliation of underlying operating profit is shown on page 133.

In the view of the Directors, the underlying operating profit provides a meaningful supplement to the reported numbers to explain how the business is managed and measured on a day-to-day basis. Underlying results exclude certain exceptional items because, if included, these items could distort the understanding of our performance for the year and comparability between periods.

In determining whether an item should be treated as exceptional, the Group considers items which are significant because of their size or their nature, and which are non-recurring. They are typically material amounts relating to costs, gains or losses that are not considered part of the core operations of the business. These may include costs directly related to acquisitions, costs related to restructuring programmes and significant impairment losses.

Notes to the consolidated financial statements continued

ab. Contingent liabilities

A contingent liability arises where an event that occurred in the past may lead to the Group having a present obligation or a possible future obligation but where:

i. it is not probable that there will be an outflow of resources in the settlement of this obligation; or

ii. the obligation cannot be measured reliably.

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.

Financial risk management is undertaken 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 and the Euro. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

Group companies are required to hedge material foreign exchange risk exposure. To manage their foreign exchange risk arising from known future commercial transactions and material recognized assets and liabilities, the Group will transact the relevant forward contracts, approved by Group Treasury.

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	**2022 average exchange rate**	**Absolute average exchange rate movement***	**Adverse impact on operating profit of 10% rate movement**	2021 average exchange rate	Absolute average exchange rate movement*	Adverse impact on operating profit of 10% rate movement
Euro	**1.17**	**1.9%**	**£3.0m**	1.17	2.2%	£2.1m
US Dollar	**1.22**	**6.3%**	**£1.7m**	1.38	3.7%	£2.0m

* 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 10.0% 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 £5.9m (2021: £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 clients, including outstanding receivables. The Group considers its exposure to credit risk at 31 December to be as follows:

	2022 £m	2021 £m
Cash and cash equivalents and fixed-term deposits (Note 20)	**164.6**	187.1
Trade receivables (Note 17)	**123.4**	95.1
Other receivables, prepayments and accrued income (Note 17)	**85.6**	63.7
Total credit risk	**373.6**	345.9

i. Risk management

The Group's credit risk from financial institutions is considered to be low. The majority of funds are held in the UK with three relationship banks (HSBC, NatWest and Barclays) and in the USA with JP Morgan, in accordance with the Group counterparty exposure policy.

Notes to the consolidated financial statements continued

Each local entity is responsible for managing and analyzing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. New clients are reviewed for creditworthiness with credit terms amended as appropriate. The majority of the Group's trade receivables are due for payment within 14–60 days from invoice date. Concentrations of credit risk with respect to trade receivables are limited as the Group's client 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

An allowance for expected credit losses is maintained for expected lifetime credit losses that result from the failure or inability of clients to make required payments. 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 the balance sheet date 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 clients to settle the receivables. On that basis, the loss allowance was determined as follows for trade receivables (Note 17):

At 31 December 2022	Current	More than 30 days past due	More than 90 days past due	More than 150 days past due	Total
Expected loss rate	0.4%	2.1%	5.4%	27.7%	2.7%
Gross carrying amount – trade receivables (£m)	94.0	19.2	5.1	8.6	126.9
Loss allowance (£m)	0.4	0.4	0.3	2.4	3.5

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

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, a failure to make contractual payments for a period of greater than 365 days past due, and impending bankruptcy. 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 by the operating entities of the Group. Management uses the returns to monitor the Group's liquidity reserves ensuring appropriate headroom is maintained.

Cash held by the operating entities is reviewed on a regular basis and available excess cash is transferred to Group Treasury. The Group invests surplus cash in interest-bearing current accounts, bank deposits and money market funds, 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 total investments of £53.0m (2021: £10.0m).

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 2022 and 2021.

At 31 December 2022	Less than 1 year £m	Between 1 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income (Note 22)	114.2	4.3	3.4
Lease liabilities	9.8	20.6	2.6

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	10.1	25.8	4.5

Notes to the consolidated financial statements continued

4. Critical accounting estimates and judgements

The preparation of consolidated 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 and finite life intangible assets

The Group performs an impairment test annually to determine 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. Impairment testing requires management to assess whether the carrying value of the CGUs can be supported by the higher of value in use and fair value less cost to sell. Value in use reflect the estimated future cash flows of each CGU discounted by an estimated weighted average cost of capital that represents the rate of return an outside investor would expect to earn. This discount rate is based on the weighted average cost of capital for comparable companies and is adjusted for risks specific to the CGU including differences in risk due to its size, geographic concentration and trading history. Future cash flows are determined using the latest available Board approved forecasts and strategic plans. These forecasts and strategic plans are based on specific assumptions during the planning period with respect to revenue, results of operations, working capital, capital investments and other general assumptions for the projected period. The forecast assumptions that derive future cash flows are based on the historical results of each CGU combined with external market information and defined strategic initiatives.

Determining the estimated recoverable amount of a CGU is judgmental in nature. The key assumptions used in the estimation of value in use as at 31 December 2022 were revenue growth rates as included in the Group's strategic plan, long-term growth rates and discount rates. Revenue growth rates reflect macroeconomic activity, market growth forecasts and competitor activity.

An impairment loss is recognized when the carrying value of the asset for the CGUs exceeds its recoverable amount.

Further details of key assumptions and a sensitivity analysis are disclosed in Note 13.

In accordance with note 2h, the carrying values of finite life intangible assets are reviewed for indicators of impairment annually or when events or changes in circumstances indicate the carrying value may be impaired.

During the year, a trigger for impairment was identified in relation to certain client relationship intangible assets within Environment, Health, Safety, Sustainability and Security (EH3S) and Digital Trust Consultancy (DTC) businesses. As a result, the recoverable amount of finite life assets with a carrying value of £4.7m was reassessed based on the churn of client relationships identified at the point of acquisitions and the revenue and operating profit contribution of any remaining client relationships. As a result of the review, an impairment loss of £4.7m (2021: £nil) was recognized.

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

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 recognized the pension surplus as at 31 December 2021. The Directors continue to recognize the pension surplus as at 31 December 2022 as there have been no changes to the Trust deeds and rules of the pension scheme during the year. 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.

Notes to the consolidated financial statements continued

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was performed by a qualified actuary as at 31 March 2022 which revealed a funding shortfall (technical provisions minus the value of the assets) of £20.0m. The Group agreed to pay deficit contributions of £15.5m during 2022 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2025. The next funding valuation is due no later than 31 March 2025, at which progress towards full funding will be reviewed. In addition, given the improvement to the scheme position, an account governed by an escrow agreement has been set up whereby remaining deficit contributions of up to £7.5m could be paid into the plan if underfunded on a technical provisions basis as at 31 March 2025.

Contributions of £0.5m are expected to be paid by the Group for the year ending 31 December 2023 to cover the expenses of running the Plan.

The principal assumptions and a sensitivity analysis are detailed in Note 15b i.

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 client 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.

g. 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. Refer to Note 2g for the estimated useful life of intangible assets. The carrying amount of the intangible assets is disclosed in Note 13.

h. Climate change

The Directors recognize the climate crisis and the potential impact it may have on both the wider world and the success of BSI. The threat continues to evolve and businesses globally have a responsibility to take meaningful action to mitigate and prevent further climate change. The Directors are committed to reducing the impact of BSI on the environment. Climate-related risks have been identified within our assessment of Climate Risk (see page 48 to 51) and as part of our Principal Risks and Uncertainties (see page 52 to 58); however, the Directors do not view them as a source of material estimation uncertainty for the Group.

Notes to the consolidated financial statements continued

5. Segment information

Included in these consolidated financial statements are the results segmented by business divisions and 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 divisions reported are:

- Knowledge Solutions – 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 Digital Trust Consultancy (DTC).

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 divisions, mainly Commercial and Sector Management, Strategy and Transformation, Finance, Information Technology, People, Facilities and Legal. These are not allocated to business divisions.

The performance of these business division 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 2022 and 31 December 2021 is as follows:

2022	**Knowledge Solutions £m**	**Assurance Services £m**	**Regulatory Services £m**	**Consulting Services £m**	**Support functions £m**	**Total £m**
Revenue	**70.6**	**311.2**	**201.6**	**89.4**	**–**	**672.8**
Underlying operating profit/loss	**27.4**	**94.7**	**82.1**	**13.3**	**(161.5)**	**56.0**
Depreciation and amortization	**(1.8)**	**(3.2)**	**(0.8)**	**(0.4)**	**(16.8)**	**(23.0)**
Finance income	**–**	**–**	**–**	**–**	**1.1**	**1.1**
Finance costs	**–**	**–**	**–**	**–**	**(1.7)**	**(1.7)**
Income tax expense	**–**	**–**	**–**	**–**	**(18.3)**	**(18.3)**

2021	Knowledge Solutions £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Support functions £m	Total £m
Revenue	67.4	284.7	157.9	75.6	–	585.6
Underlying operating profit/loss	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)

The chief operating decision-maker is provided with the Group balance sheet. No segmental balance sheet is reported.

A reconciliation of underlying operating profit to profit before income tax is provided as follows:

	2022 £m	2021 £m
Underlying operating profit	**56.0**	83.1
Impairment losses on goodwill and acquired intangible assets (Note 7)	**(16.6)**	–
Closure of Russian operations (Note 7)	**(1.2)**	–
Finance income	**1.1**	0.3
Finance costs	**(1.7)**	(2.4)
Profit before income tax	**37.6**	81.0

As the Group transacts with a large number of diversified clients, there are no cumulative revenue transactions amounting to 10% or more of total external revenue derived from any single external client (2021: none).

Notes to the consolidated financial statements continued

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 Solutions

The Group's Knowledge Solutions business division 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 client.

- 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 and 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 Solutions 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 Solutions 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 Solutions 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 division 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.

Notes to the consolidated financial statements continued

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. Revenue will be recognized on a percentage of work completed.

- 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 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.

iii. Regulatory Services

The Group's Regulatory Services business division 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.

- Conformité Européenne (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 division comprises two business lines, an Environmental, Health, Safety, Sustainability and Security (EH3S) consultancy and a Digital Trust consultancy (DTC).

- Environmental, Health, Safety, Sustainability and Security (EH3S) and Digital Trust consultancy (DTC)

  Services, such as environmental, health and safety or sustainability consulting, digital advisory and data governance reviews, penetration testing and reviewing client systems are generally contracted on a time and materials or fixed fee basis. Revenue is generally recognized as services are performed or on a percentage of completion 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 Solutions

  Supply Chain Solutions include grants of licences to access BSI's Connect Screen supply chain related content, consulting and training services and the provisioning of software as a service. The business's BSI Connect Screen supply chain tools are typically sold as an annual licence and revenue is recognized evenly over the licence 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.

Notes to the consolidated financial statements continued

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.

2022	Knowledge Solutions £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
Primary geographical markets					
EMEA	**70.4**	**139.2**	**63.1**	**16.6**	**289.3**
Americas	**–**	**50.7**	**122.3**	**71.2**	**244.2**
Asia Pacific	**0.2**	**121.3**	**16.2**	**1.6**	**139.3**
Revenue from external clients	**70.6**	**311.2**	**201.6**	**89.4**	**672.8**
Timing of revenue recognition					
At a point in time	**30.7**	**287.9**	**186.0**	**4.0**	**508.6**
Over time	**39.9**	**23.3**	**15.6**	**85.4**	**164.2**
	70.6	**311.2**	**201.6**	**89.4**	**672.8**

2021	Knowledge Solutions £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 clients	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

c. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with clients.

	31 December 2022 £m	31 December 2021 £m
Receivables, included in 'Trade and other receivables' (Note 17)	**126.9**	98.5
Contract assets, included in 'Contract costs' (Note 18) and 'Trade and other receivables' (Note 17)	**69.0**	50.2
Contract liabilities, included in 'Trade and other payables' (Note 22)	**(43.6)**	(40.4)

Significant changes in the contract assets and the contract liabilities balances are as follows:

	2022 Contract assets £m	2022 Contract liabilities £m
Revenue recognized that was included in the contract liability balance at the beginning of the period	**–**	**40.2**
Increases due to cash received, excluding amounts recognized as revenue during the period	**–**	**(43.4)**
Costs recognized that were included in the contract asset balance at the beginning of the period	**(5.2)**	**–**
Increases due to cash paid, excluding amounts recognized as costs during the period	**5.9**	**–**

	2021 Contract assets £m	2021 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	–

Notes to the consolidated financial statements continued

7. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Note	2022 £m	2021 £m
Employee expense	8	**372.0**	316.0
Depreciation of property, plant and equipment	12	**5.7**	5.3
Loss on disposal of tangible assets	12	**0.1**	–
Amortization of intangible assets	13	**8.3**	6.4
Loss on disposal of intangible assets	13	**–**	0.4
Impairment losses on goodwill and acquired intangible assets	13	**16.6**	–
Depreciation of right-of-use assets	14	**9.0**	8.7
Gain on disposal of right-of-use assets	14	**(0.1)**	–
Reversal of loss allowance on trade receivables	17	**(0.1)**	(0.2)
Bad debts written off to income statement directly		**1.4**	1.0
Other exchange losses		**0.4**	0.5
Expense relating to short-term leases		**0.2**	0.1
Charitable donations		**0.1**	–
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		**0.6**	0.6
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

Exceptional items, excluding the impact of tax, for the year ended 31 December 2022 (31 December 2021: nil) were as follows:

- Significant Impairment losses: Impairment losses in relation to goodwill attributed to the DTC CGU and certain acquired intangible assets in the DTC and EH3S CGUs of £16.6m; and
- Restructuring costs: Costs associated with the closure of the Russian operation following the invasion of Ukraine by Russia of £1.2m.

These items have been treated as exceptional and excluded from underlying operating profit to reflect performance in a consistent manner and are in line with how the business is managed on a day-to-day basis. For more information about exceptional items see note 2aa.

A reconciliation of operating profit to underlying operating profit is provided as follows:

	2022 £m	2021 £m
Operating profit	**38.2**	83.1
Exceptional items	**17.8**	—
Underlying operating profit	**56.0**	83.1

8. Employee expense

	Note	2022 £m	2021 £m
Wages and salaries (including termination benefits of £3.2m (2021: £2.5m)		**312.5**	265.7
Social security costs		**36.4**	28.8
Long Term Incentive Plan (LTIP) expense		**2.3**	1.9
Other pension costs – defined contribution plans	15a	**20.8**	19.6
Employee expense charged in arriving at operating profit	7	**372.0**	316.0
Net pension finance (income)/costs	10	**(0.5)**	0.5
Total employee expense charged in arriving at profit before income tax		**371.5**	316.5

The monthly average number of full-time equivalent individuals (including Board members) employed by the Group during the year was:

	2022 Number	2021 Number
Employees		
Production, assessment, training and laboratory	**3,396**	3,174
Sales and distribution	**1,006**	926
Administration	**1,082**	945
Total employees	**5,484**	5,045
External resource	**481**	473
Total headcount	**5,965**	5,518

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.

Notes to the consolidated financial statements continued

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 83 to 97.

10. Finance income and costs

	2022 £m	2021 £m
Bank interest receivable on cash, short and fixed-term deposits	0.6	0.3
Interest income on the UK net defined benefit pension surplus (Note 8 and Note 15b i)	0.5	–
Finance income	1.1	0.3
Interest expense on the net defined benefit pension obligation (Note 8):		
– UK (Note 15b i)	–	(0.4)
– Non-UK (Note 15b ii)	–	(0.1)
Interest on lease liabilities (Note 14)	(1.7)	(1.9)
Finance costs	(1.7)	(2.4)

11. Income tax expense

	2022 £m	2021 £m
Current tax		
UK tax current year	2.9	5.1
UK tax prior years	(2.2)	–
Foreign tax current year	24.0	17.9
Foreign tax prior years	1.1	0.5
Total current tax	25.8	23.5
Deferred tax (Note 16)		
Origination and reversal of temporary differences	(6.2)	(1.3)
Prior year deferred tax adjustments	(1.3)	0.7
Tax adjustments arising from change in UK tax rates	–	(0.8)
Total deferred tax	(7.5)	(1.4)
Total income tax expense	18.3	22.1

The tax on the Group's profit before tax is higher (2021: higher) than the UK statutory tax rate of 19% (2021: 19.0%) applicable to profits of the consolidated entities as follows:

	2022 £m	2021 £m
Profit before income tax	37.6	81.0
Tax calculated at the UK statutory tax rate of 19% (2021: 19.0%)	7.1	15.4
Effects of:		
– Net expenses not deductible for tax purposes	5.4	2.3
– Tax losses and other temporary differences for which no deferred income tax asset was recognized	0.5	–
– Rate difference on deferred tax	(1.6)	(0.8)
– Higher tax rates on overseas earnings	4.0	4.0
– Withholding tax not recoverable	2.2	–
– Other tax movements	3.1	–
Adjustments to tax charge in respect of previous periods:		
– UK	(3.5)	0.6
– Foreign	1.1	0.6
Total income tax expense	18.3	22.1

The Group effective tax rate (ETR) on profits before tax for the year is 48.7% (2021: 27.3%). The ETR comprises a current year tax charge of 55.9% and a net prior year tax credit of (7.2)% arising from net over-provided UK and foreign tax.

The ETR for the Group's underlying business operations for the current year is 33.4% (2021: 27.3%), after removing the tax impact of impairment of 6.0% (2021: nil), the establishment of a Group tax risk provision of 8.0% (2021: nil) and the non-recognition of certain foreign tax losses (2021: nil). Other tax movements of £3.1m above is principally a charge of £3.0m in respect of the provision for tax risk.

The underlying tax rate of 33.4% is reconciled to the UK statutory tax rate of 19% by the tax impacts of higher overseas tax rates of 10.6% (2021: 4.9%), prior year net tax credits of (6.3)% (2021: net charge 1.4%), non-tax deductible items 14.4% (2021: 2.8%) and the benefit of valuing the future impact of current year timing differences at the future higher UK tax rate of 25% which gives rise to a (4.3)% (2021: (1.0)%) reduction. The lower income in 2022 compared to 2021 amplifies the rate impact of non-deductible items and other components of the tax charge between the years on a like-for-like basis and is a major contributor to the increased underlying tax rate in 2022.

Notes to the consolidated financial statements continued

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 2021	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**
Additions	**–**	**0.1**	**4.6**	**1.5**	**6.2**
Disposals	**–**	**(0.2)**	**–**	**(1.2)**	**(1.4)**
Reclassifications	**–**	**0.3**	**(1.9)**	**1.6**	**–**
Reclassifications with Goodwill and intangible assets (Note 13)	**–**	**–**	**(2.7)**	**–**	**(2.7)**
Exchange differences	**–**	**0.1**	**0.3**	**1.1**	**1.5**
At 31 December 2022	**12.5**	**11.7**	**2.9**	**39.2**	**66.3**

	Land and buildings				
	Freehold £m	Leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Accumulated depreciation and impairment					
At 1 January 2021	(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)**
Charge for the year (Note 7)	**(0.5)**	**(1.2)**	**–**	**(4.0)**	**(5.7)**
Disposals	**–**	**0.1**	**–**	**1.2**	**1.3**
Exchange differences	**–**	**–**	**–**	**(0.9)**	**(0.9)**
At 31 December 2022	**(5.2)**	**(8.0)**	**–**	**(30.6)**	**(43.8)**
Net book value at 31 December 2022	**7.3**	**3.7**	**2.9**	**8.6**	**22.5**
Net book value at 31 December 2021	7.8	4.5	2.6	9.3	24.2

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 £1.7m (2021: £0.5m) has been contracted for but not provided for in the consolidated financial statements.

Notes to the consolidated financial statements continued

13. Goodwill and intangible assets

	Goodwill £m	Computer software: Externally acquired £m	Computer software: Internally generated £m	Client relationships and other acquired intangible assets £m	Internally generated product development costs £m	Total £m
Cost						
At 1 January 2021	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**
Additions	**–**	**10.8**	**–**	**–**	**0.9**	**11.7**
Reclassifications with Property, plant and equipment (Note 12)	**–**	**2.0**	**0.7**	**–**	**–**	**2.7**
Exchange differences	**4.0**	**0.1**	**0.4**	**2.4**	**0.1**	**7.0**
At 31 December 2022	**81.7**	**41.4**	**21.2**	**35.6**	**6.4**	**186.3**
Accumulated amortization and impairment						
At 1 January 2021	(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)**
Charge for the year (Note 7)	**–**	**(4.9)**	**(1.1)**	**(1.7)**	**(0.6)**	**(8.3)**
Impairment Loss (Note 7)	**(11.9)**	**–**	**–**	**(4.7)**	**–**	**(16.6)**
Exchange differences	**(0.1)**	**(0.1)**	**(0.2)**	**(1.0)**	**–**	**(1.4)**
At 31 December 2022	**(18.4)**	**(20.8)**	**(18.5)**	**(29.5)**	**(4.6)**	**(91.8)**
Net book value at 31 December 2022	**63.3**	**20.6**	**2.7**	**6.1**	**1.8**	**94.5**
Net book value at 31 December 2021	71.3	12.7	2.9	11.1	1.4	99.4

Client relationships and other acquired intangible assets consist of intangible assets acquired as part of business combinations.

Internally generated product development costs include capitalized training course development costs .

The Group amortizes intangible assets over their useful economic life (see Note 2 g iii) Those charges are included within cost of sales or administrative expenses in the consolidated income statement, as appropriate.

Analysis of goodwill by CGU

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are independent cash flows, known as Cash-Generating Units (CGUs).

There are seven CGUs in total across four primary operating segments. The carrying value of each CGU has been determined by allocating all Group net operating assets, goodwill and other acquired intangibles to the appropriate CGU.

Notes to the consolidated financial statements continued

The goodwill allocation by CGU under the heading of the operating segments is presented below:

	Knowledge Solutions	Assurance Services			Regulatory Services	Consulting Services		Total
	Knowledge Solutions £m	System Certification £m	Product Certification £m	Training £m	Regulatory Services £m	Digital Trust Consulting (DTC) £m	Environmental, Health, Safety, Sustainability and Security (EH3S) £m	
31 December 2022	**5.3**	**24.9**	**2.0**	**1.8**	**0.4**	**4.4**	**24.5**	**63.3**
31 December 2021	5.3	24.4	2.0	1.8	0.4	15.5	21.9	71.3

Impairment tests for goodwill

The Group tests goodwill annually for impairment. The estimated recoverable amount of each CGU within the aggregation of units in the table above is determined based on value-in-use calculations using pre-tax cash flows. Determining the estimated recoverable amount of a CGU is judgmental in nature. The key assumptions used in the estimation of value in use as at 31 December 2022 were revenue growth rates as included in the Group's three-year approved strategic plan, long-term growth rates and discount rates.

Revenue growth assumptions are based on historical experience adjusted for market trends, competitor activity and the Group's strategic plan.

Cash flows beyond the three-year period strategic plan period are extrapolated using a long-term growth rate for each of 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 three years 2023–2025.
- the predicted rate for 2025, which is the final year of the Group's three-year forecast.
- the average growth rate of the past seven years combined with the predicted rates for the three years 2023–2025.

The 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.

	Knowledge Solutions	Assurance Services			Regulatory Services	Consulting Services	
	Knowledge Solutions %	System Certification %	Product Certification %	Training %	Regulatory Services %	Digital Trust Consulting (DTC) %	Environmental, Health, Safety, Sustainability and Security (EH3S) %
31 December 2022							
Long term growth rate	**1.1**	**1.9**	**1.4**	**2.3**	**1.4**	**1.9**	**2.2**
Pre-tax discount rate	**13.2**	**14.1**	**14.0**	**13.9**	**14.7**	**14.6**	**14.4**
31 December 2021							
Long term growth rate	1.5	1.3	1.5	1.5	1.4	1.7	1.5
Pre-tax discount rate	17.7	16.3	17.4	16.6	14.8	16.2	13

The year-on-year movement in the pre-tax discount rates has been driven by a decrease in certain market equity risk premiums partially offset by an increase in risk-free rates reflecting underlying macroeconomic factors.

Result of the impairment tests

Goodwill

As a result of goodwill impairment testing, an impairment loss of £11.9m (2021: nil) was recognized at 31 December 2022 in relation to the DTC CGU. Following the impairment loss, goodwill attributable to the DTC CGU was £4.4m.

Key source of estimation uncertainty

The cash flows within the value in use model on which the impairment testing is based for DTC and EH3S CGUs are sensitive to changes in revenue growth and margin improvement which could lead to further impairment within the next twelve months.

Notes to the consolidated financial statements continued

DTC CGU

The cash flows within the value in use model for DTC assume that certain margin improvements will be delivered over the course of the current forecast. Whilst management remains confident on the delivery of these improvements, given that they are at an early stage of delivery, there is a reasonably possible outcome that the benefits may not be realized within the timeframe, or the quantum currently forecast. This execution risk could lead to a change in the value in use calculation in the next twelve months which could result in a further goodwill impairment loss of £4.4m.

EH3S CGU

The cash flows within the value in use model for EH3S assume certain improvements in revenue growth underpinned by delivery of future strategic initiatives. There is a reasonably possible outcome that the benefits of the strategy are not realized at the value included in the current forecast. This could lead to a change in the value in use calculation in the next twelve months which could result in a further goodwill impairment loss of £4.5m.

The Group also undertook sensitivity analysis tests on the key assumptions for Knowledge Solutions, Systems Certification, Product Certification, Training and Regulatory Services. The sensitivity analysis applied reasonably possible changes in key assumptions including discount rates and long-term growth rates. Under all reasonably possible change scenarios, the testing identified no reasonably possible changes in key assumptions that would cause the carrying value of each of these CGUs to exceed its recoverable amount taking into account areas of estimation uncertainty in the underlying assumptions.

Acquired intangible assets

During the year, impairment triggers were identified in relation to the client relationships and other acquired intangible assets within the DTC and EH3S CGUs. As a result, impairment testing was performed to determine the recoverable amount of certain client relationship assets. This resulted in a total impairment loss of £4.7m (2021: nil) in relation to acquired intangible assets.

Capital commitments in respect of computer software

£0.1m (2021: £0.1m) capital expenditure has been contracted for but not provided for in the consolidated financial statements.

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 2021	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**
Additions	**0.2**	**1.7**	**–**	**1.9**
Disposals	**(0.7)**	**(2.3)**	**–**	**(3.0)**
Exchange differences	**2.3**	**–**	**–**	**2.3**
At 31 December 2022	**62.2**	**6.9**	**0.2**	**69.3**
Accumulated amortization and impairment				
At 1 January 2021	(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)**
Charge for the year (Note 7)	**(6.9)**	**(2.1)**	**–**	**(9.0)**
Disposals	**0.7**	**2.3**	**–**	**3.0**
Exchange differences	**(1.1)**	**–**	**–**	**(1.1)**
At 31 December 2022	**(41.6)**	**(3.8)**	**(0.2)**	**(45.6)**
Net book value at 31 December 2022	**20.6**	**3.1**	**–**	**23.7**
Net book value at 31 December 2021	26.1	3.5	–	29.6

Notes to the consolidated financial statements continued

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022 £m	2021 £m
At 1 January	**(40.4)**	(45.0)
Additions	**(1.9)**	(6.5)
Disposals	**0.1**	0.5
Accretion of interest (Note 10)	**(1.7)**	(1.9)
Payments	**12.5**	11.9
Exchange differences	**(1.6)**	0.6
At 31 December	**(33.0)**	(40.4)
Current	**(9.8)**	(10.1)
Non-current	**(23.2)**	(30.3)

The following are amounts recognized in the consolidated income statement:

	2022 £m	2021 £m
Properties	**6.9**	6.5
Motor vehicles	**2.1**	2.2
Other equipment	**–**	–
Depreciation of right-of-use assets	**9.0**	8.7
Interest expense (included in finance costs)	**1.7**	1.9
Expense relating to short-term and low-value leases	**0.2**	0.1
Total amount recognized in consolidated income statement	**10.9**	10.7

The total cash outflow for right-of-use asset leases in 2022 was £12.5m (2021: £11.9m).

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 £14.9m (2021: £12.7m). 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 £5.9m (2021: £6.9m).

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 – The Trustees hold an Annuity Policy valued at £55.3m (2021: £73.6m) which broadly offsets movements in liabilities arising from changes in market conditions.
- 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.

Notes to the consolidated financial statements continued

Contributions in respect of future service benefits ceased on 30 April 2010.

Balance sheet
The amounts recognized in the balance sheet on an accounting basis are determined as follows:

	2022 £m	2021 £m
Present value of defined benefit obligations	(298.3)	(428.6)
Fair value of plan assets	318.4	447.9
Net asset in the balance sheet	20.1	19.3

After review of the Trust deeds and rules of the pension scheme, the Directors have recognized the pension surplus as at 31 December 2021. The Directors continue to recognize the pension surplus as at 31 December 2022 as there have been no changes to the Trust deeds and rules of the pension scheme during the year. 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.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was performed by a qualified actuary as at 31 March 2022 which revealed a funding shortfall (technical provisions minus the value of the assets) of £20.0m. The Group agreed to pay deficit contributions of £15.5m during 2022 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2025. The next funding valuation is due no later than 31 March 2025, at which progress towards full funding will be reviewed. In addition, given the improvement to the scheme position, an account governed by an escrow agreement has been set up whereby remaining deficit contributions of up to £7.5m, which will be paid between January 2023 and June 2023, could be paid into the plan if underfunded on a technical provisions basis as at 31 March 2025.

Contributions of £0.5m are expected to be paid by the Group for the year ending 31 December 2023 to cover the expenses of running the Plan.

The movement in the defined benefit surplus was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2021	(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 (Note 15b iii):			
– Gain 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 (Note 15b iv)	–	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
Amounts (charged)/credited to the income statement:			
– Administration expenses	–	(0.6)	(0.6)
– Interest (expense)/income (Note 10)	(8.4)	8.9	0.5
	(8.4)	8.3	(0.1)
Re-measurements (Note 15b iii):			
– Loss on plan assets, excluding amounts included in interest expense	–	(137.2)	(137.2)
– Gain from change in demographic assumptions	1.4	–	1.4
– Gain from change in financial assumptions	130.9	–	130.9
– Experience losses	(9.7)	–	(9.7)
	122.6	(137.2)	(14.6)
Contributions: Employers (Note 15b iv)	–	15.5	15.5
Payments from plans: Disbursements	16.1	(16.1)	–
	16.1	(0.6)	15.5
At 31 December 2022	(298.3)	318.4	20.1

Notes to the consolidated financial statements continued

Assumptions

The principal actuarial assumptions used were as follows:

	2022 % p.a.	2021 % p.a.
Rate of increase in salaries	**5.00**	4.90
Rate of revaluation in deferment	**3.20**	3.00
Pension increase rate:		
– RPI (min. 3%, max. 5%)	**3.65**	3.65
– CPI (min. 3%, max. 5%)	**3.45**	3.45
– CPI (min. 0%, max. 3%)	**2.00**	2.25
Discount rate	**4.85**	2.00
Inflation assumption – RPI	**3.25**	3.30
Inflation assumption – CPI	**2.55**	2.75

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 23.4 (2021: 23.5) years (men) or 25.9 (2021: 26.0) years (women). Life expectancy for a member currently aged 65 is 22.1 (2021: 22.2) years (men) or 24.5 (2021: 24.6) years (women).

The discount rate at 31 December 2022 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 2021: 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 2022 £m		Value at 31 December 2021 £m	
Schroders Diversified Growth Fund	**–**	**–**	20.5	5%
M&G Credit Fund	**20.0**	**6%**	20.5	5%
LGIM Future World Global Equity	**35.7**	**11%**	73.2	16%
Insight Short Dated Buy & Maintain Credit	**30.3**	**10%**	60.0	13%
Schroders Liability-Driven Investments	**62.1**	**20%**	62.5	14%
Schroders Sterling Liquidity Plus	**45.2**	**14%**	110.9	25%
Alcentra Credit Fund	**20.6**	**7%**	18.3	4%
Igneo Global Diversified Infrastructure Fund	**42.6**	**13%**	–	–
Cash	**6.5**	**2%**	8.4	2%
Annuity Policy	**55.4**	**17%**	73.6	16%
Total fair value of assets	**318.4**	**100%**	447.9	100%

The plan assets (including cash) are unquoted at fund level.

The weighted average duration of the defined benefit obligation is twelve years (2021: 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 2022		
	Change in assumption	**Increase in assumption £m**	**Decrease in assumption £m**
Discount rate	**0.25% p.a.**	**7.3**	**(7.4)**
Inflation rate*	**0.25% p.a.**	**(1.3)**	**1.1**
Salary escalation	**0.25%**	**(0.1)**	
Life expectancy	**1 year**	**(6.2)**	

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors).

Notes to the consolidated financial statements continued

		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 these schemes over the year are as follows:

	2022 £m	2021 £m
At 1 January	**(2.7)**	(2.7)
Charged to the income statement		
– service costs	**(0.2)**	(0.2)
– interest expense (Note 10)	**–**	(0.1)
Credited directly to reserves (Note 15b iii)	**0.2**	–
Contributions (Note 15b iv)	**0.2**	0.3
At 31 December	**(2.5)**	**(2.7)**

iii. Re-measurements of post-employment benefit surplus recognized in the consolidated statement of comprehensive income

	2022 £m	2021 £m
(Loss)/gain on re-measurements of net retirement benefit surplus		
– UK (Note 15b i)	**(14.6)**	38.5
– Overseas (Note 15b ii)	**0.2**	–
Tax on re-measurements of net retirement benefit (obligations)/surplus	**(14.4)**	38.5
– Deferred tax charge (Note 16)	**(0.2)**	(11.2)
– Current tax credit	**2.9**	3.6
Re-measurements of net retirement benefit (obligations)/surplus, net of taxes	**(11.7)**	30.9

iv. Retirement benefit payments

	2022 £m	2021 £m
UK defined benefit plan (Note 15b i)	**15.5**	15.5
Other defined benefit schemes (Note 15b ii)	**0.2**	0.3
Retirement benefit payments	**15.7**	15.8

16. Deferred tax

	2022 £m	2021 £m
Deferred tax assets:		
Gross deferred tax assets	**25.2**	20.3
Offset of balances within the same tax jurisdiction	**(16.3)**	(14.6)
Net deferred tax assets	**8.9**	5.7
– To be recovered after more than twelve months	**5.4**	2.8
– To be recovered within twelve months	**3.5**	2.9
Deferred tax liabilities:		
Gross deferred tax liabilities	**(19.5)**	(22.1)
Offset of balances within the same tax jurisdiction	**16.3**	14.6
Net deferred tax liabilities	**(3.2)**	(7.5)
– To be incurred after more than twelve months	**(2.7)**	(7.1)
– To be incurred within twelve months	**(0.5)**	(0.4)
Net deferred tax assets/(liabilities)	**5.7**	(1.8)

Movement on the net deferred tax account

	2022 £m	2021 £m
At 1 January	**(1.8)**	8.6
Credited to the income statement (Note 11)	**7.5**	1.4
Tax charged to equity relating to retirement benefit obligations (Note 15b iii)	**(0.2)**	(11.2)
Tax (charged)/credited to equity relating to UK tax losses	**–**	(0.9)
Exchange differences	**0.2**	0.3
At 31 December	**5.7**	(1.8)

Notes to the consolidated financial statements 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 2021	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**
Credited/(charged) to the income statement	**3.1**	**–**	**3.0**	**(2.2)**	**1.0**	**4.9**
At 31 December 2022	**6.7**	**–**	**4.5**	**6.9**	**7.1**	**25.2**

Deferred tax liabilities	Capitalized contract costs £m	Pension £m	Leases £m	Other temporary differences £m	Total £m
At 1 January 2021	(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)**
Credited to the income statement	**–**	**–**	**1.7**	**0.9**	**2.6**
Charged directly to reserves	**–**	**(0.2)**	**–**	**–**	**(0.2)**
Exchange differences	**–**	**–**	**–**	**0.2**	**0.2**
At 31 December 2022	**(4.2)**	**(5.0)**	**(4.9)**	**(5.4)**	**(19.5)**

The deferred tax charged directly to equity during the period was £0.2m (2021: charge of £11.2m), which related to the retirement benefit obligation and £nil charge to release the UK tax losses (2021: debit £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 £1.2m (2021: £2.9m) in respect of prior years' cumulative tax losses and other temporary differences amounting to £1.0m (2021: £11.1m) that can be carried forward against future taxable income, the latter being primarily US state tax losses. The USA Consulting 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 profits' projections. Unrecognized losses in the current year have a tax value of £0.5m (2021: nil).

Subsidiary companies across the Group hold undistributed earnings of £7.8m (2021: £13.4m) which, if paid out as dividends, would be subject to withholding taxes in the hands of the recipient companies. No liability has been recognized for this because the Group is able to control the timing of distributions, there are no current plans to distribute these undistributed earnings and it cannot be known at the balance sheet date from where the earnings would be distributed.

Notes to the consolidated financial statements continued

17. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	126.9	98.5
Less: loss allowance (Note 3b(ii))	(3.5)	(3.4)
Trade receivables – net	123.4	95.1
Other receivables	17.9	15.9
Prepayments	17.0	14.5
Accrued income	50.7	33.3
Total trade and other receivables	209.0	158.8
Less non-current portion:		
– Other receivables	(10.2)	(10.7)
Current portion of trade and other receivables	198.8	148.1

Trade and other receivables are non-interest bearing and are generally on 14–60 day (2021: 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.

Movements on the Group loss allowance on trade receivables are as follows:

	2022 £m	2021 £m
At 1 January	3.4	3.7
Increase in loss allowance recognized in profit or loss during the year	0.7	0.1
Receivables written off during the year as uncollectable	–	(0.1)
Unused amounts reversed	(0.8)	(0.3)
Exchange differences	0.2	–
At 31 December	3.5	3.4

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 client 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:

	2022 £m	2021 £m
At 1 January	16.9	16.0
Capitalization during the year	6.5	6.2
Amortization during the year	(5.8)	(5.1)
Exchange differences	0.7	(0.2)
At 31 December	18.3	16.9

19. Inventories

	2022 £m	2021 £m
Consumables	0.1	0.1
Total inventories	0.1	0.1

20. Fixed-term deposits and cash and cash equivalents

a. Fixed-term deposits

The Group has invested £53.0m of cash in a fixed-term bank deposits as at 31 December 2022 (2021: £10.0m), with original maturity of three months or longer (2021: three months or longer). 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

	2022 £m	2021 £m
Cash at bank and in hand, representing cash and cash equivalents	111.6	177.1

The Group held bank overdraft facilities of £2.7m (2021: £2.8m), on an unsecured basis, although none were in use at 31 December 2022 (2021: £nil). The balance above corresponds to cash and cash equivalents for the purposes of the consolidated cash flow statement.

Notes to the consolidated financial statements continued

c. Additional information on fixed-term deposits and cash and cash equivalents

The fair value of cash and short-term deposits at 31 December 2022 was £164.6m (2021: £187.1m). 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:

	2022				2021			
	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	**32.4**	**3.4**	**21.6**	**57.4**	–	57.8	71.0	128.8
Chinese Renminbi	**16.8**	**0.7**	**–**	**17.5**	–	16.3	–	16.3
US Dollars	**23.5**	**0.5**	**35.6**	**59.6**	–	0.6	15.3	15.9
Euros	**–**	**0.5**	**6.4**	**6.9**	0.5	0.2	5.0	5.7
Australian Dollars	**–**	**–**	**3.5**	**3.5**	–	–	4.7	4.7
Japanese Yen	**2.2**	**–**	**0.1**	**2.3**	1.9	–	0.2	2.1
Other currencies	**–**	**0.7**	**16.7**	**17.4**	1.5	0.1	12.0	13.6
Total	**74.9**	**5.8**	**83.9**	**164.6**	3.9	75.0	108.2	187.1

21. Provisions

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2021	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**
Charged to the income statement	**0.5**	**0.7**	**1.2**
At 31 December 2022	**1.9**	**2.4**	**4.3**

The property provisions are held against dilapidations. Such provisions relate to legal obligations to return leased properties to the conditions which are specified in the individual leases.

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 obligation.

Analysis of total provisions:

	2022 £m	2021 £m
Non-current	**4.0**	2.8
Current	**0.3**	0.3
Total provisions	**4.3**	3.1

Cash outflows associated with these provisions are expected to materialize between three and five years. The provisions are discounted to present value only if the effect is material.

22. Trade and other payables

	2022 £m	2021 £m
Trade payables	**15.8**	12.8
VAT and sales taxes	**3.5**	3.8
Other taxes and social security	**7.3**	6.7
Other payables	**15.3**	15.0
Accruals	**80.0**	75.8
Deferred income	**43.6**	40.4
Total trade and other payables	**165.5**	154.5
Less non-current portion:		
– Trade and other payables	**(7.7)**	(9.4)
– Deferred income	**(0.9)**	(0.2)
Current portion of trade and other payables	**156.9**	144.9

Notes to the consolidated financial statements continued

Trade payables are non-interest bearing and are generally on 10-60 day (2021: 30–60 day) terms. Other payables are non-interest bearing and are generally on 14-45 day (2021: 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.

23. Financial assets and financial liabilities

a. Financial assets by category

Other financial assets	2022 £m	2021 £m
Assets as per balance sheet		
Trade and other receivables excluding prepayments (Note 17)	**192.0**	144.3
Fixed-term deposits (Note 20a)	**53.0**	10.0
Cash and cash equivalents (Note 20b)	**111.6**	177.1
Total	**356.6**	331.4

b. Financial liabilities by category

Other financial liabilities at amortized cost	2022 £m	2021 £m
Liabilities as per balance sheet		
Trade and other payables excluding non-financial liabilities (Note 22)	**111.1**	103.6
Lease liabilities (Note 14)	**33.0**	40.4
Total	**144.1**	144.0

c. 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 15bi.

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 81 to 95. Emoluments paid to other members of the Executive Committee for employee services are shown in the table below:

	2022 £m	2021 £m
Salaries and short-term benefits	**4.1**	3.2
Terminations and post-employment benefits	**0.2**	0.2
Post-employment benefits	**0.2**	–
Other long-term benefits	**0.2**	0.2
Total emoluments	**4.7**	3.6

Notes to the consolidated financial statements continued

26. Interests in Group undertakings

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
British Standards Institution Group Iberia S.A.U.	Calle Juan Esplandiu, 15 3a plta, 28007, Madrid, Spain	Spain	100%	100%	Business services
British Standards Institution Group Middle East WLC***	4605 Palm Tower B, West Bay, Doha, PO Box 27774, Qatar	Qatar	100%	49%	Business services
BSI America Professional Services Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	100%	Business services
BSI Assurance UK Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Brasil Sistemas de Gestao Ltda	Av. Pres. Juscelino Kubitschek, 1327 – 20° andar 04543-011 – São Paulo, Brazil	Brazil	100%	100%	Business services
BSI Canada Professional Services Inc.	44 Chipman Hill Suite 1000, Saint John New Brunswick, E2L 2A9, Canada	Canada	100%	100%	Business services
BSI Certification and Technical Training (Beijing) Ltd	Room 2002, No. 24A Jianguomenwai Street, Chaoyang District, Beijing, 100004, China	China	100%	100%	Business services
BSI Professional Services (Ireland) Ltd	Corrig Court, Corrig Road, Sandyford Industrial Estate, Dublin, D18C6K1, Ireland	Ireland	100%	100%	Business services
BSI Professional Services UK Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Group (Thailand) Co., Ltd	127/25 Panjathani Tower, 24th Floor, Nonsee Road, Chongnonsee, Yannawa, Bangkok, 10120, Thailand	Thailand	100%	100%	Business services
BSI Group America Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	100%	Business services
BSI Group ANZ Holdings Pty Ltd	Level 1, Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	100%	Holding company
BSI Group ANZ Pty Ltd	52-54 Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	100%	Business services
BSI Group Assurance Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Group Australia Holdings Pty Ltd	Level 1, 54 Waterloo Road, Macquarie Park, NSW 2113, Australia	Australia	100%	100%	Holding company
BSI Group Canada Inc.	Brookfield Place, 181 Bay Street, Suite 1800, Toronto, M5J 2T9, Canada	Canada	100%	100%	Business services
BSI Group Deutschland GmbH	Eastgate, Hanauer Landstrasse 115, 60314, Frankfurt a.m., Germany	Germany	100%	100%	Business services

Notes to the consolidated financial statements continued

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
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%	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	100%	98%	Business services
BSI Group Holdings The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, The Netherlands	The Netherlands	100%	100%	Holding company
BSI Group India Private Ltd	A-2 Mira Corporate Suites, Plot 1 & 2, Ishwar Nagar, Mathura Road, New Delhi, 110020, India	India	100%	100%	Business services
BSI Group Italia S.R.L.	Via Gustavo Fara, 35 20124, Milano, Italy	Italy	100%	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%	100%	Business services
BSI Group Korea Ltd	Insa-dong, Tdehwa Bldgo, 8th Floor, 29 Insa-dong, 5-gil, Jongo-gu, Seoul, South Korea	South Korea	100%	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%	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%	100%	Business services
BSI Group New Zealand Ltd	Gannaway Mercer Ltd, Chartered Accountants, 11a Wynyard Street, Devonport, Auckland 0624, New Zealand	New Zealand	100%	100%	Business services
BSI Group Nordics AB	c/o Hummelkläppen i Stockholm AB, Villagatan 19, 114 32 Stockholm, Sweden	Sweden	100%	100%	Business services
BSI Group Polska Spolka z o.o.	UL Krolewska, nr. 16, Lok, Kod 00-103, Poczta, Warszawa, Poland	Poland	100%	100%	Business services
BSI Group Singapore Pte Limited	77 Robinson Road, Unit #28-01 & #28-03, 068896, Singapore	Singapore	100%	100%	Business services
BSI Group South Africa (Pty) Ltd***	De Haviland Crescent Nr. 5, Ill Villaggio Nr. 12, Persequor, Pretoria, South Africa	South Africa	100%	74%	Business services
BSI Group The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, The Netherlands	The Netherlands	100%	100%	Business services

Notes to the consolidated financial statements continued

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
BSI Healthcare Saudi Arabia LLC	SFDA Building, 2nd Floor Office, 854 Al Olaya Street, Riyadh, Al Ghadheer Area, Saudi Arabia	Saudi Arabia	100%	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%	100%	Business services
BSI Ltd**	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Management Systems Certification (Beijing) Co. Ltd	Room 2008, East Ocean Centre, No. 24A Jianguomenwai Street, Beijing, 100004, China	China	100%	100%	Business services
BSI Management Systems CIS LLC	Panfilova str. 19/4, Khimki, 141407, Moscow reg., Russian Federation	Russia	100%	100%	Business services
BSI Management Systems Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	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	N/A	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	N/A	100%	Business services
BSI Pacific Ltd	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	100%	Business services
BSI Pacific Ltd – Taiwan Branch	2nd Floor, No.37, Ji Hu Road, Nei Hu District, Taipei, Taiwan	Taiwan	N/A	100%	Business services
BSI Pension Trust Ltd**	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Pension plan trustee
BSI Professional Services Asia Pacific Ltd	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	100%	Business services
BSI Professional Services Australia Pty Ltd	Level 1 54 Waterloo Road, Macquarie Park,New South Wales, NSW 2113, Australia	Australia	100%	100%	Business services
BSI Professional Services EMEA Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Professional Services Holdings Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Professional Services Japan Co., Ltd	Ocean Gate Minato Mirai 3F 3-7-1 Minato Mirai, Nishiku Yokohama, Kanagawa 220-012, Japan	Japan	100%	100%	Business services

Notes to the consolidated financial statements continued

Name	Registered office address	Country of incorporation or registration	Voting rights	Proportion held*	Activity
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%	100%	Business services
BSI Services (EMEA) Spolka Zo.o	ul. ALEJA “SOLIDARNOŚCI”, nr 171, 00877, WARSZAWA, Poland	Poland	100%	100%	Business services
BSI Services (Singapore) Pte Ltd	331 North Bridge Road #12-03, Odeon Towers, 188720, Singapore	Singapore	100%	100%	Business services
BSI Services Holdings Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
BSI Services Malaysia Sdn Bhd	56, Jalan Kempas Utama 2/2 Taman Kempas Utama, 81300 Johor, Malaysia	Malaysia	100%	100%	Business services
BSI Standards Holdings Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Standards Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	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%	100%	Business services
Hypercat Alliance Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Business services
Neville-Clarke (M) Sdn Bhd***	Level 15-2 Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	100%	30%	Business services
Neville-Clarke (Singapore) Pte Ltd	331 North Bridge Road, #12-03 Odeon Towers, 188720, Singapore	Singapore	100%	100%	Business services
Neville-Clarke International Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	100%	Holding company
BSI Group Philippines, Inc***	Unit 2408, The Orient Square, Emerald Avenue, Ortigas Center, Pasig City, The Philippines	The Philippines	100%	99.99%	Business services
PT BSI Group Indonesia	Talavera Office Park, Jl. TB. Simatupang Kav.2, Talaver 2 Suite, 20 Floor, Jakarta 12430, Indonesia	Indonesia	100%	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%	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.

Parent company balance sheet

as at 31 December 2022

The British Standards Institution
Registered number ZC000202

	Note	2022 £m	2021 £m
Fixed assets			
Intangible assets	4	**14.9**	9.4
Tangible assets	5	**8.8**	9.2
Investments	6	**68.3**	68.3
Net defined benefit pension surplus	7	**20.1**	19.3
		112.1	106.2
Current assets			
Debtors (including £1.5m (2021: £nil) due after one year)	8	**197.6**	147.2
Fixed-term deposits	9	**22.4**	10.0
Cash at bank and in hand		**38.0**	125.4
		258.0	282.6
Creditors – amounts falling due within one year	10	**(316.2)**	(271.3)
Net current (liabilities) / assets		**(58.2)**	11.3
Total assets less current liabilities		**53.9**	117.5
Provisions for liabilities	11	**(0.1)**	(0.1)
Deferred tax liabilities	12	**–**	(4.3)
Net assets		**53.8**	113.1
Reserves			
Revaluation reserves		**4.3**	4.3
Retained earnings		**49.5**	108.8
Total equity		**53.8**	113.1

The Company's loss for the year ended 31 December 2022 was £47.4m (2021 profit: £6.0m).

The accompanying notes on pages 153 to 163 form an integral part of the parent company financial statements.

The financial statements on pages 151 and 152 were approved by the Board of Directors on 5 April 2023 and were signed on its behalf by:

Sara Dickinson CGMA
Chief Financial Officer

5 April 2023

Parent company statement of changes in equity

for the year ended 31 December 2022

	Revaluation reserves £m	Retained earnings £m	Total £m
At 1 January 2021	**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**
Loss for the year, net of tax	**–**	**(47.4)**	**(47.4)**
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	**–**	**(11.9)**	**(11.9)**
At 31 December 2022	**4.3**	**49.5**	**53.8**

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 (2021: £0.9m).

Notes to the parent company financial statements

for the year ended 31 December 2022

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 3.

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 99 to 101.

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 client, 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 clients.

ii. Copyright and royalty income

The Company recognizes copyright and royalty income on an accrual basis or when it is advised by the client, generally on a monthly basis. Where there are licence arrangements, fees are spread over the life of the licence.

Notes to the parent company financial statements continued

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.

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 subsidiary 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 profit and loss 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.

Notes to the parent company financial statements continued

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 profit and loss during the financial period in which they are incurred.

Freehold land and asset 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 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 profit and loss.

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.

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.

Notes to the parent company financial statements continued

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 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 Company's net obligation or surplus is performed by an independent qualified actuary as appointed by the Company. Pension scheme assets are measured using market values for quoted assets. The Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 7. 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 profit and loss charge is split between an operating expense and a net finance credit. The operating charge relates to the 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.

After review of the Trust Deed and rules of the pension scheme the Directors have determined that there is an unconditional right to a refund of a surplus assets, assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the plan. Based on these rights, any net surplus in the plan is recognized in full.

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 or receivable on the profit or loss 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. 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.

Notes to the parent company financial statements continued

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 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 4 for the carrying amount of the intangible assets.

b. Defined benefit scheme

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 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 Company's net obligation or surplus is performed by an independent qualified actuary as appointed by the Company. Pension scheme assets are measured using market values for quoted assets. The Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 7. 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 profit and loss charge is split between an operating expense and a net finance credit. 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.

After review of the Trust Deed and rules of the pension scheme the Directors have determined that there is an unconditional right to a refund of a surplus assets, assuming the full settlement of plan liabilities in the event of a plan wind-up. Furthermore, in the ordinary course of business the trustee has no rights to unilaterally wind up, or otherwise augment the benefits due to members of the plan. Based on these rights, any net surplus in the plan is recognized in full.

c. 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 6.

4. Intangible assets

	Computer software £m
Cost	
At 1 January 2021	23.3
Additions	3.0
At 31 December 2021	**26.3**
Additions	**7.5**
Reclassifications from Tangible assets (Note 5)	**1.8**
At 31 December 2022	**35.6**
Accumulated amortization and impairment	
At 1 January 2021	(14.9)
Charge in the year	(2.0)
At 31 December 2021	**(16.9)**
Charge in the year	**(3.8)**
At 31 December 2022	**(20.7)**
Net book value at 31 December 2022	**14.9**
Net book value at 31 December 2021	**9.4**

Notes to the parent company financial statements continued

5. 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 2021	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**
Additions	**–**	**–**	**3.0**	**–**	**3.0**
Disposals	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Reclassifications	**–**	**–**	**(0.8)**	**0.8**	**–**
Reclassifications to Intangible assets (Note 4)	**–**	**–**	**(1.8)**	**–**	**(1.8)**
At 31 December 2022	**5.6**	**5.8**	**0.7**	**7.3**	**19.4**
Accumulated depreciation and impairment					
At 1 January 2021	(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)**
Charge in the year	**(0.1)**	**(0.7)**	**–**	**(0.4)**	**(1.2)**
Disposals	**–**	**–**	**–**	**0.1**	**0.1**
At 31 December 2022	**(0.5)**	**(4.3)**	**–**	**(5.8)**	**(10.6)**
Net book value at 31 December 2022	**5.1**	**1.5**	**0.7**	**1.5**	**8.8**
Net book value at 31 December 2021	5.2	2.2	0.3	1.5	9.2

6. Investments

	2022 £m	2021 £m
Cost at 1 January / 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.

7. 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 £4.1m (2021: £3.0m). 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.

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 (2021: £15.5m).

Notes to the parent company financial statements continued

The amounts recognized in the balance sheet on an accounting basis are determined as follows:

	2022 £m	2021 £m
Present value of defined benefit obligations	**(298.3)**	(428.6)
Fair value of plan assets	**318.4**	447.9
Net asset in the balance sheet	**20.1**	19.3

After review of the Trust deeds and rules of the pension scheme, the Directors recognized the pension surplus as at 31 December 2021. The Directors continue to recognize the pension surplus as at 31 December 2022 as there have been no changes to the Trust deeds and rules of the pension scheme during the year. 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.

UK legislation requires that pension schemes are funded prudently. The last funding valuation of the plan was performed by a qualified actuary as at 31 March 2022 which revealed a funding shortfall (technical provisions minus the value of the assets) of £20m. The Company agreed to pay deficit contributions of £15.5m during 2022 which, along with investment returns from return-seeking assets, are expected to make good this shortfall by 31 March 2025. The next funding valuation is due no later than 31 March 2025, at which progress towards full funding will be reviewed. In addition, given the improvement to the scheme position, an account governed by an escrow agreement has been set up whereby remaining deficit contributions of up to £7.5m, which will be paid between January 2023 and June 2023, could be paid into the plan if underfunded on a technical provisions basis as at 31 March 2025.

Contributions of £0.5m are expected to be paid by the Company for the year ending 31 December 2023 to cover the expenses of running the Plan.

The movement in the defined benefit obligation was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2021	(475.4)	441.7	(33.7)
Amounts (charged)/credited to the profit and loss:			
– Administration expenses	–	(0.6)	(0.6)
– Interest (expense)/income	(6.6)	6.2	(0.4)
	(6.6)	5.6	(1.0)
Re-measurements:			
– Gain 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**
Amounts (charged)/credited to the profit and loss:			
– Administration expenses	**–**	**(0.6)**	**(0.6)**
– Interest (expense)/income	**(8.4)**	**8.9**	**0.5**
	(8.4)	**8.3**	**(0.1)**
Re-measurements:			
– Loss on plan assets, excluding amounts included in interest expense	**–**	**(137.2)**	**(137.2)**
– Gain from change in demographic assumptions	**1.4**	**–**	**1.4**
– Gain from change in financial assumptions	**130.9**	**–**	**130.9**
– Experience losses	**(9.7)**	**–**	**(9.7)**
	122.6	**(137.2)**	**(14.6)**
Contributions: Employers	**–**	**15.5**	**15.5**
Payments from plans: Disbursements	**16.1**	**(16.1)**	**–**
	16.1	**(0.6)**	**15.5**
At 31 December 2022	**(298.3)**	**318.4**	**20.1**

Notes to the parent company financial statements continued

The major assumptions used for the updated actuarial valuation were:

	2022 % p.a.	2021 % p.a.
Rate of general increase in salaries	5.00	4.90
Rate of revaluation in deferment	3.20	3.00
Pension increase rate:		
– RPI (min. 3%, max. 5%)	3.65	3.65
– CPI (min. 3%, max. 5%)	3.45	3.45
– CPI (min. 0%, max. 3%)	2.00	2.25
Discount rate	4.85	2.00
Inflation assumption – RPI	3.25	3.30
Inflation assumption – CPI	2.55	2.75

Life expectancy at age 65 for a member currently aged 45 is 23.4 (2021: 23.5) years (men) or 25.9 (2021: 26.0) years (women). Life expectancy for a member currently aged 65 is 22.1 (2021: 22.2) years (men) or 24.5 (2021: 24.6) years (women).

Plan assets are comprised as follows:

	Value at 31 December 2022		Value at 31 December 2021	
	£m		£m	
Schroders Diversified Growth Fund	–	–	20.5	5%
M&G Credit Fund	20.0	6%	20.5	5%
LGIM Future World Global Equity	35.7	11%	73.2	16%
Insight Short Dated Buy & Maintain Credit	30.3	10%	60.0	13%
Schroders Liability-Driven Investments	62.1	20%	62.5	14%
Schroders Sterling Liquidity Plus	45.2	14%	110.9	25%
Alcentra Credit Fund	20.6	7%	18.3	4%
Igneo Global Diversified Infrastructure Fund	42.6	13%	–	–
Cash	6.5	2%	8.4	2%
Annuity Policy	55.4	17%	73.6	16%
Total fair value of assets	**318.4**	**100%**	**447.9**	**100%**

Expected contributions to retirement benefit plans for the year ending 31 December 2023 are £8.0m (2022: £15.5m).

The weighted average duration of the defined benefit obligation is twelve years (2021: 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 2022		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	0.25% p.a.	7.3	(7.4)
Inflation rate*	0.25% p.a.	(1.3)	1.1
Salary escalation	0.25%	(0.1)	
Life expectancy	1 year	(6.2)	

* This sensitivity allows for the impact on all inflation related assumptions (salary increases, deferred revaluation and pension increases, subject to relevant caps and floors).

8. Debtors

	2022 £m	2021 £m
Trade debtors	0.7	0.7
Amounts owed by Group undertakings	181.0	134.1
Other debtors	0.4	0.1
VAT receivable	3.7	2.9
Prepayments and accrued income	10.3	9.4
Deferred tax asset (Note 12)	1.5	–
Total debtors	**197.6**	**147.2**

Amounts owed by Group undertakings include trade and finance amounts. The unsecured finance amounts of £70.4m (2021: £36.0m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with the rates ranging between 1.8% and 5.3% (2021: 1.5% and 3.2%).

Notes to the parent company financial statements continued

9. Fixed-term deposits

The amount invested by the Company in a fixed-term bank deposits as at 31 December 2022 was £22.4m (2021: £10.0m), with original maturity of three months or longer (2021: three months or longer).

10. Creditors – amounts falling due within one year

	2022 £m	2021 £m
Trade creditors	**4.5**	2.6
Amounts owed to Group undertakings	**255.4**	247.3
Corporation tax payable	**6.3**	4.0
Other taxation and social security	**1.3**	1.0
Other creditors	**1.1**	1.2
Accruals	**42.4**	10.3
Deferred income	**5.2**	4.9
Total creditors	**316.2**	271.3

Trade creditors are non-interest bearing and are generally on 30-60 day terms (2021: 30-60 day terms). Amounts owed to Group undertakings include trade and finance amounts. The unsecured finance amounts of £12.3m (2021: £32.5m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with rates set at 2% (2021: between 1.5% and 2.3%).

11. Provision for liabilities

Provisions for liabilities represent property provisions which are held against dilapidations and there have been no movements in 2022 (2021: 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.

12 Deferred taxation

	2022 £m	2021 £m
Deferred tax assets:		
– To be recovered within twelve months	**6.6**	1.2
Total deferred tax assets	**6.6**	1.2
Deferred tax liabilities:		
– To be incurred after more than twelve months	**(5.0)**	(5.5)
– To be incurred within twelve months	**(0.1)**	–
Total deferred tax liabilities	**(5.1)**	(5.5)
Total net deferred tax assets/(liabilities)	**1.5**	(4.3)

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 2022	**1.2**	**(4.8)**	**–**	**(0.7)**	**(4.3)**
Credited to profit and loss account	**2.2**	**–**	**3.2**	**0.6**	**6.0**
Debited to current year reserves	**–**	**(0.2)**	**–**	**–**	**(0.2)**
At 31 December 2022	**3.4**	**(5.0)**	**3.2**	**(0.1)**	**1.5**

Notes to the parent company financial statements continued

13. Financial assets and financial liabilities

a. Financial assets by category

Loans and receivables	2022 £m	2021 £m
Assets as per balance sheet		
Debtors excluding prepayments and accrued income and deferred taxation	185.8	137.8
Fixed-term deposits	22.4	10.0
Cash at bank and in hand	38.0	125.4
Total	**246.2**	273.2

b. Financial liabilities by category

Other financial liabilities at amortized cost	2022 £m	2021 £m
Liabilities as per balance sheet		
Creditors excluding non-financial liabilities	303.4	261.4
Total	**303.4**	261.4

14. Employee expense

	2022 £m	2021 £m
Wages and salaries	36.9	30.1
Social security costs	4.7	3.8
Long Term Incentive Plan (LTIP) expense	1.9	1.9
Other pension costs	4.1	3.0
Total employee expense	**47.6**	38.8

The average number of full-time equivalent individuals (including Board members) employed by the Company during the year was:

	2022 Number	2021 Number
Production, inspection and laboratory	33	25
Sales and distribution	62	55
Administration	391	311
Total headcount	**486**	391

Disclosures in respect of Directors' emoluments can be found in the Directors' remuneration report on pages 83 to 97.

Notes to the parent company financial statements continued

15. 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 (2021: £0.2m).

16. Financial commitments

At 31 December annual commitments under non-cancellable operating leases were as follows:

	2022			2021		
	Land and buildings £m	**Motor Vehicles £m**	**Total £m**	Land and buildings £m	Motor Vehicles £m	Total £m
No later than 1 year	**2.0**	**0.2**	**2.2**	2.2	0.2	2.4
Later than 1 year and no later than 5 years	**3.6**	**0.4**	**4.0**	6.5	0.3	6.8
Minimum lease payments	**5.6**	**0.6**	**6.2**	8.7	0.5	9.2

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.

17. 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 7.

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.

18. 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.

The British Standards Institution
389 Chiswick High Road
London W4 4AL
United Kingdom

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C007810

Printed on Magno Satin, an FSC certified mixed sources paper.
Printed by Paragon Leycol, an FSC and ISO 14001 accredited company.

Design and production by Black Sun www.blacksunplc.com