



The British Standards Institution  
Strategic report 2015

**bsi.**

...making excellence a habit.™

# Making **excellence** a habit.

At BSI we help to develop excellence by driving the success of our clients through standards. We enable others to perform better, manage risk and achieve sustainable growth.

For over a century our experts have been challenging mediocrity and complacency to help embed excellence into the way people, processes and products work. We make excellence a habit.



In this report the 'Company' refers to The British Standards Institution, a Royal Charter Company, which is the parent company for the financial statements. 'BSI', 'BSI Group' or 'Group' means the Company and its subsidiaries. The BSI logo, 'Kitemark™', the Kitemark™ device, 'Supply Chain Solutions™' and 'Entropy Software™' 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 and excluding the effects of material disposals'.

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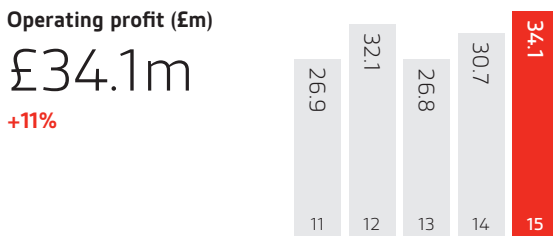
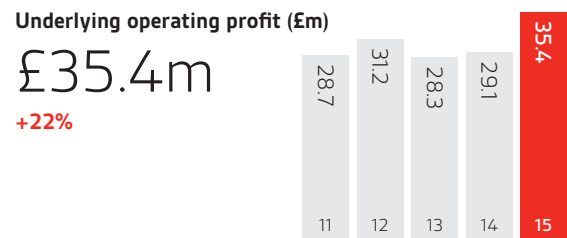
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## Strong financial results delivered in 2015

- Strong global performance in improving economic conditions
- Record underlying revenue for the sixteenth consecutive year
- Record underlying profit benefiting from return from prior year investments
- Growth accelerated by significant acquisitions in early 2015
- The implementation of our strategy continues as planned



Read more in the Financial review from [page 27](#)

### 2015 at a glance

2,890  
standards  
published

113k  
people  
trained

80k  
clients

in  
182  
countries

across  
128k  
locations

3,525  
employees

From creating standards to assessing best practice and training people to work more effectively, we help to embed excellence across organizations.

### Imparting our global expertise worldwide

BSI is an integrated global enterprise, able to serve clients from 73 offices in 28 countries across the world. We have a presence on every continent.

Our clients range from globally recognized brands to small, local companies in 182 countries across a range of industries worldwide. They trust us for our expertise, for our integrity and because we are performance minded.

See our key strategic initiatives on [page 04](#)

#### Americas

Our Americas headquarters are in Herndon, near Washington DC, US, and we also have offices in Canada, Brazil and Mexico. We work with 51% of the Fortune 500.



### Our markets and opportunities

We provide a unique combination of complementary products and services, managed through three business streams:



#### Knowledge

The core of our business centres on the knowledge that we create and impart to our clients. In the standards arena we continue to build our reputation as an expert body, bringing together experts from industry to shape standards at local, regional and international levels.



#### Assurance

Independent assessment of the conformity of a process or product to a particular standard ensures that our clients perform to a high level of excellence. We train our clients in world-class implementation and auditing techniques to ensure they maximize the benefits of our standards.



#### Compliance

To experience real, long-term benefits, our clients need to ensure ongoing compliance to a standard so that it becomes an embedded habit. We provide consultancy services and differentiated management tools to facilitate this process.

### Our method:

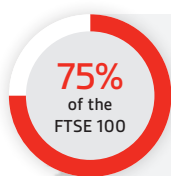
#### Shape

#### Share

**We provide a tailored offering, designed to align with the steps individual clients need to understand best practice, how to achieve this, and how to ensure that it remains an ongoing habit.**

Together with independent experts, we tackle the issues of today and tomorrow by shaping standards of excellence across products, processes and behaviours.

We share our standards and guidance documents in multiple formats for organizational efficiency.



**EMEA**

In addition to global headquarters in Chiswick, London, and our EMEA headquarters in Milton Keynes, UK, we have offices in eight other European countries, three more in the Middle East and one in Africa. We work with 75% of the FTSE 100.

**Asia Pacific**

Our Asia Pacific management is based in Hong Kong and we have offices in eleven countries in the region. We work with 68% of the Nikkei Index.



- Regional headquarters
- BSI office locations

See our business model on [page 17](#)

**Embed**

Our tutors and consultants transfer the knowledge and skills clients need to embed best practice in their organizations.

**Assess**

Our assessors measure products or processes against a particular standard, so that clients can both improve their organizations and promote themselves with confidence.

**Support**

Post-assessment we continue to support our clients with the solutions and tools they need for continual improvement.

Our strategic vision is to become the global business improvement partner of choice.

We aim to be the knowledge leader providing the most relevant smart content, the most trusted authority for approving products and processes, the leading provider of organizational learning and development and the most innovative developer of expertise for continual improvement.

# 1 Organizational Resilience

## Strategic initiatives

**2** Expand our NSB\* services: increase UK engagement and international development

- Improve our offering to our members so that we continue to share a mutually beneficial relationship.
- Expand our NSB services by partnering with thought leaders in the UK and abroad and by redefining our standards development capabilities.

\*NSB: National Standards Body.

**3** Develop our Standards Publishing business into a knowledge solutions provider

- Extend our knowledge services across standards, guidance and compliance related information to support clients at key points in their product lifecycle and supply chains.
- Further invest in technology solutions to provide ever improving 'smart' services and responsive content.

**4** Build a sustainable, higher margin, Systems Certification business

- Continue to invest in technology and training to ensure that we have the best and most appropriate service offering that meets our clients' needs.
- Optimize processes, ensuring effective operations and further enhanced client satisfaction.

## Enablers

**8** Identify and execute acquisitions

**9** Address the challenges and opportunities of technology shift: the 'digitalization of BSI'

**10** Develop strategic resource planning

**11** Optimize business and IT processes and systems

**12** Deploy effective go to market



- Develop leadership under the theme of Organizational Resilience
- Develop leadership in our chosen sectors of healthcare, food and built environment
- Develop leadership in our chosen domains of supply chain, information and operational resilience

## 5 Expand our global Training business and improve its margins

- Continue to invest in our Training Academy model to drive scale and profitability in established markets and critical mass in smaller ones.
- Embed commercial best practice processes and systems to deliver a best-in-class client experience with increased effectiveness and efficiency.

## 6 Globalize our Product Certification offering

- Concentrating on our chosen sectors, invest in dedicated resources in selected BSI business units around the world.
- Implement our global operating system and communications network to streamline trading between internal and external laboratories and business stream management.

## 7 Build our Professional Services offering

- Make selected acquisitions to augment organically developed expertise as we grow our Consultancy business globally.
- Continue to develop our supply chain solutions and business improvement software to ensure that these remain cutting edge.

- Complement our organic growth with carefully selected, accretive acquisitions
- Take advantage of rapidly developing digitalization trends to create competitive advantage
- Plan to recruit, train, empower and engage employees to ensure a sustainable world-class workforce
- Improve the client journey and the employee journey with BSI to make both excellent experiences
- Continue to develop our global marketing and selling tools to optimize client experience and gain further synergy and efficiency

# Our strategic KPIs by 2018

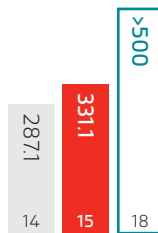
Our financial objective is to reach revenue of £500m by 2018, balancing our global portfolio of business streams and chosen domains.

## Revenue (£m)

£331.1m

+15%

Our target revenue of £500m by 2018 will require organic growth, complemented by acquisitions, which will help us to build our critical mass across geographies, business streams and domains.

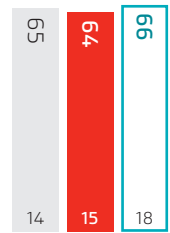


## Client retention (%)

64%

-2%

It is important that our clients appreciate our services and keep coming back, year after year, so that we can build long-term relationships with them.

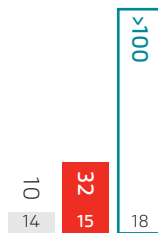


## Revenue from acquisitions (£m)

£32m

+220%

We will continue to make targeted, accretive acquisitions to build critical mass in our existing business streams and experience and expertise in our newer ventures.



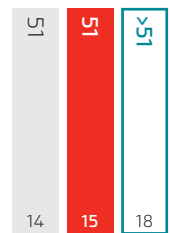
## NPS\* client satisfaction

51

+0%

Our NPS is extremely high and it is important that we maintain it, proving that our clients like working with us and will keep coming back.

\*NPS: net promoter score.

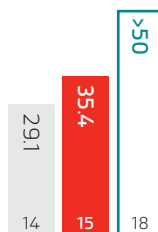


## Underlying operating profit (£m)

£35.4m

+22%

Our revenue growth will be profitable so that we can generate cash to reinvest into our business.



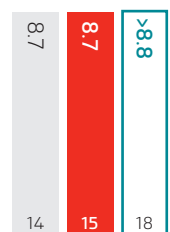
## OSAT\* client satisfaction

8.7

+0%

Our OSAT is high and we will continue to work to improve this further so that our clients continue to do business with us.

\*OSAT: overall satisfaction.



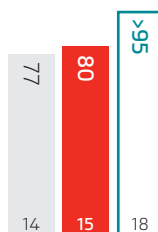
## Clients ('000)

80k

+4%

\*ARPA: average revenue per account.

As we grow we will expand our client base and intend to deliver more of our business streams to each of our clients, increasing our ARPA\*.

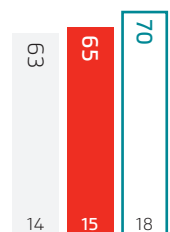


## Employee engagement (%)

65%

+3%

We have improved our employee engagement score over recent years and aspire to be one of the top quartile of employers in the Hay index.





## What is Organizational Resilience?

Every leadership team will agree that, to ensure lasting success, their organization must become 'resilient'. But what does this really mean in practice?

For more than a century we have continued to tailor the offering we provide to our clients to ensure that the unique range of products and services they receive from us helps them to embed excellence in their businesses and to reap the benefits in their performance.



### Organizational Resilience

*The ability of an organization to anticipate, prepare for, respond to and adapt to incremental change and sudden disruptions in order to survive and prosper.*

There have been numerous management papers on how and why companies should embrace resilience in order to protect themselves from growing business threats. However, Organizational Resilience is based upon a much broader view of resilience as a value driver for organizations, enabling them to perform robustly over the long term.

Organizational Resilience reaches beyond survival, towards a more holistic view of business health and success. A resilient organization is Darwinian, in the sense that it adapts to a changing environment in order to remain fit for purpose.

BSI regards Organizational Resilience as a strategic imperative for all companies, large and small. This view is based on the newly published BS 65000 (Guidance on Organizational Resilience).

BSI's model is deliberately drawn as a positive feedback loop, with process excellence driving up product reliability, indivisibly linked to the people behaviour of an organization. Long-term resilience requires looking at your organizational capabilities holistically, enabling you to hold on to new ground, and to strive for continual improvement. The model further summarizes the defining qualities of resilient organizations – those that show them to be a breed apart:

**Strategic adaptability** – giving them the ability to handle changing circumstances successfully, even if this means moving away from their core business.

**Agile leadership** – allowing them to take measured risks with confidence and to respond quickly and appropriately to both opportunity and threat.

**Robust governance** – demonstrating accountability across organizational structures, based on a culture of trust, transparency and innovation, ensuring they remain true to their vision and values.

BSI has identified three domains that are critically important in achieving Organizational Resilience.



### Operational resilience

A resilient organization has a full understanding of how it is run and the environment in which it operates.

This includes identifying operational movements across its products, services and processes in order to meet the needs of its clients over time, through to how an organization values its people and governs itself. It requires demonstrable evidence that an organization is not complacent and is always challenging itself to improve performance and grow sustainably.



### Supply chain resilience

As supply chain networks increasingly span continents and become more complex, the ability to quantify and mitigate supply chain risk throughout the procurement, manufacturing, transportation and sales lifecycle is paramount.

Organizations need to identify the critical risks to minimize disruption and help global operational, financial and reputational exposures.



### Information resilience

In today's world, organizations must be trusted to safeguard sensitive information.

A resilient organization must manage its information – physical, digital and intellectual property – throughout its lifecycle, from source to destruction. This requires the adoption of information security-minded practices that allow stakeholders to gather, store, access and use information securely and accurately.



Organizational Resilience is a positive, forward-looking 'strategic enabler', because robust, resilient organizations are flexible and proactive, seeing, anticipating, creating and taking advantage of new opportunities."

**Howard Kerr**  
Chief Executive

Read more in the Chief Executive's review from [page 14](#)

## Why is Organizational Resilience important?

Truly resilient businesses innovate, always staying one step ahead of competitors.

### An organization that can pass the test of time

This is a strategic imperative for global businesses in today's dynamic, interconnected world. It reaches beyond risk management towards a holistic view of business health and success, thereby allowing leaders to take measured risks with confidence, making the most of new opportunities.

It helps organizations to prosper year on year, striving to stay ahead of competition through the creation of sustainable advantage. It delivers continual business improvement by embedding competence and capability across all aspects of an organization. Organizational Resilience is continually achieved over time through a number of elements, including ongoing relationships and interactions with stakeholders. It is not a one-off exercise.

### Product excellence

Organizations must ask themselves which markets they serve. Do their capabilities and products match these markets' requirements and comply with their standards and regulatory environments and, if not, how can they be adapted so that they do? Truly resilient businesses innovate, differentiating their offering to stay ahead of their competitors. These businesses are well equipped to take a lead where others follow.

Today's clients, and other company stakeholders, simply will not accept a sub-standard product or service. They will rightly complain and this has dangerous reputational implications. This represents a risk to be recognized and managed. Conversely clients can be much more powerful advocates than any advertising or marketing can ever be – and here lies the opportunity.

Being a resilient organization is key to long-term viability and increasingly important in today's highly dynamic, interconnected world.

Less than 20% of the original members of the FTSE 100 from 1984 remain in the index today.

The average tenure in the S&P 500 is now just 18 years, down from 61 in 1958.



Resilient organizations ensure that they 'do the basics right' consistently.

### Process reliability

Embedding best practice in developing and marketing products and services is a key component of success. Resilient organizations ensure that they 'do the basics right' consistently through the strength and reliability of their processes, while still leaving scope for innovation and creativity.

Business-critical processes in the management of areas such as quality, environment, health and safety, information security and business continuity must be robust and compliant, both within an organization and also throughout key parts of its supply chain.

### People behaviour

Resilient organizations seek alignment between client expectations and employee engagement. Today's chief executives are inclusive and consultative, not simply dictating rules to be followed, but encouraging employee behaviour to become an integral part of their job and their organization's culture.

The challenge to chief executives is to understand, articulate and demonstrate their organization's values clearly, so that everyone 'lives' them, not because they have been told to, but because 'it is the way we do things around here'.

"It's not just the Big Bang issues you need to watch for.

I believe people overestimate the impact of change in the short term and underestimate its impact in the long term."

Teemu Kangas-Karki, Fiskars



# Responsibility comes from the top.

## A proven need

In 2015, a research study by The Economist Intelligence Unit, commissioned by BSI, of over 400 business leaders across the globe, tested the principle of Organizational Resilience and found that it resonated very strongly, validating BSI's approach.

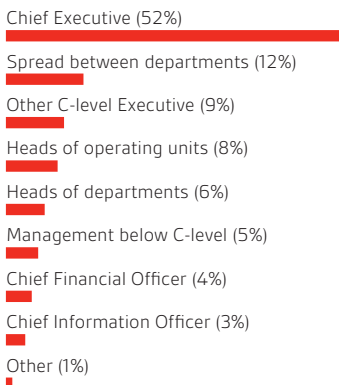
**"If you wait for the world to change before you react it will be too late. Being open to change and willing to question your assumptions, is what ensures sustainability and creates value in the future."**

**Fay Hoosain, Sasol**



## Responsibility comes from the top

Responsibility for Organizational Resilience resides with the Chief Executive, according to the EIU research.



## Chairman's statement

Sir David Brown, Chairman

# BSI's high reputation continues to be maintained and the power of its brand continues to strengthen.

"BSI performed strongly in 2015, recording higher levels of revenue and profit than ever before in its 114 years."

I am pleased to be able to report that BSI performed strongly in 2015, recording higher levels of revenue and profit than ever before in its 114 years. Our strategy of pursuing a judicious blend of organic and acquisitive growth is continuing to enable us to enhance the value we deliver to our clients, both in our long-established markets and in markets new to us, without compromising BSI's financial strength. In 2015 we experienced better economic conditions than in recent years, not least because BSI was not materially exposed to the globally challenging conditions in the oil, gas and mineral sectors. We continue to realize the benefits of having continued to invest in the business through the years of downturn in the global economy, delivering growth in underlying revenue for the sixteenth consecutive year, of 15% year on year to £331.1m, and growth in underlying operating profit of 22% to £35.4m.

The three acquisitions in 2015 were made without recourse to external debt and we ended the year with £51.0m of cash, only 3% lower than the level at the start of the year.

Every year we seek to strike a careful balance between managing BSI's finances with proper near-term caution and making the planned investments required to continue to secure BSI's longer-term health. The strategic and operational investments we made during 2015 built on those we made in prior years to keep BSI at the forefront of standards-making, such that our vital role in the global standards community is as strong as ever it has been. Those investments have also deepened our domain knowledge and increased the effectiveness with which we deliver the benefits of it to our clients everywhere. In consequence, BSI's high reputation continues to be maintained and the power of its brand continues to strengthen.

The Board is conscious that such achievements were made possible by the sustained investments we have made for many successive years, and will continue to make, in BSI's richly diverse and talented global team; in the effectiveness and efficiency of our operating processes; and in the strategic initiatives necessary to ensure that we continue to meet our clients' evolving needs excellently.

As a Royal Charter Company with no shareholders and therefore no stock exchange listing, BSI is not required to apply the UK Corporate Governance Code. However, consistent with our unique status as the UK National Standards Body and our commitment to our members, we nevertheless apply the principles of the Code where applicable and, in doing so, have established internal governance processes that reflect best practice in business today. The ultimate accountability for the governance of BSI lies with our widely experienced Board of Directors, which has a majority of Non-executive Directors. The Board is supported by Audit, Remuneration, Nominations and Social Responsibility Committees, which are chaired by, and primarily consist of, Non-executive Directors. These formal Committees are complemented by the Standards Policy and Strategy Committee, which does invaluable work in gathering and distilling the views of those interested in standards and advising the Board. Underpinning this governance framework, our structure of internal controls and financial management and, indeed, everything that every BSI employee does,



wherever they do it, is the BSI Code of Business Ethics. It sets the ethical values and high standards of integrity that apply to every aspect of the way that we do business.

The retirement of three long-standing Non-executive Directors occasioned some changes to the Board of Directors during 2015. Dr John Regazzi, a Non-executive Director, retired on 31 May 2015 after nine years on the Board. Dr Tom Gorrie, a Non-executive Director and Chairman of the Social Responsibility Committee, retired on 31 August 2015 after six years on the Board and Anthony Lea, the Senior Non-executive Director, stepped down as Chairman of the Audit Committee on 31 May 2015 and retired from the Board on 30 September 2015 following nearly nine years of service. The Board is very grateful to them for their distinguished service to BSI and wishes them every future happiness. Alicja Lesniak, who was appointed Board Advisor in 2014, was appointed Non-executive Director on 1 June 2015 and became Chairman of the Social Responsibility Committee on 1 September 2015. Lucinda Riches, a Non-executive Director since 2012, became Chairman of the Audit Committee on 1 June 2015 and was appointed Senior Non-executive Director on 1 October 2015.

**"We apply the principles of the UK Corporate Governance Code where applicable and, in doing so, have established internal governance processes that reflect best practice in business today."**

Dr Stephen Page joined the Board as Non-executive Director on 1 September 2015. Stephen has a wealth of experience in IT transformation and corporate risks such as cyber security. He is currently a Non-executive Director of the National Crime Agency and of the British Library. Douglas Hurt joined the Board as Non-executive Director on 1 November 2015. A Chartered Accountant, Douglas held many senior roles in the GlaxoSmithKline Group and was latterly Group Finance Director of IMI PLC. He is currently a Non-executive Director of Tate & Lyle PLC and Vesuvius PLC.

We were delighted to welcome Stephen and Douglas to the Board, where they are applying the knowledge and insights accumulated during their distinguished careers to the challenges and opportunities ahead of us.

Each year my role presents me with opportunities to work with BSI people everywhere, and 2015 was no exception. Always I am struck by their deep knowledge, energy, integrity and infectious enthusiasm for what BSI does. They, and the very many BSI Committee Members and Subscribing Members, are the heart of BSI. Without them BSI could not still be one of the most prominent and respected standards bodies in the world today.

As we begin our 115th year, the Board is confident that 2016 will be another year in which, together with all BSI's stakeholders, we can look forward to both capitalizing on our profound strength and continuing to invest in building the capacity to deliver yet more for all those who depend on BSI, all around the world, and to continue to earn the trust they place in us.

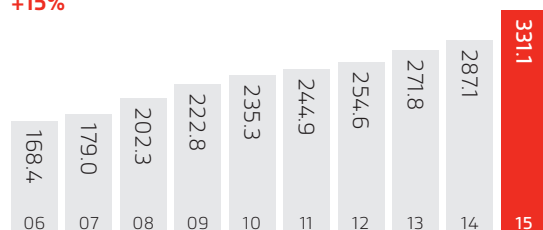


**Sir David Brown**  
**Chairman**  
22 March 2016

#### Underlying revenue (£m)

£331.1m

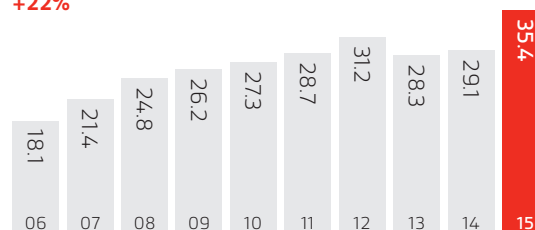
+15%



#### Underlying operating profit (£m)

£35.4m

+22%



# The financial results provide a healthy base for further growth.

"Our focus continues to be on developing and delivering domain solutions, combining our unique product range and expertise to become thought leaders and the business partner of choice in our chosen markets."



## Summary

Over the past few years BSI has become an integrated global enterprise able to serve clients across the world from our network of offices. We are able to provide clients with geographical coverage of each of our business streams and are continuing to develop our third 'dimension' of industry sectors and business domains where we are particularly strong and are emerging as thought leaders. We have a unique product and service offering, combining our business streams of Knowledge, Assurance and Compliance to work with our clients to ensure that their businesses are robust and will stand the test of time. This concept of Organizational Resilience is the natural consequence of the building blocks of the strategy that we have been putting in place over recent years and is discussed in further detail on pages 7 to 11. I wrote last year that in 2014 we were able to accelerate the implementation of our strategy. This process has continued during 2015 and the strong financial results delivered during the year demonstrate the success of the strategy and provide a healthy base for further growth in the future.

2015 was an unusual year in a macro-economic sense. On the one hand we experienced overall global trading conditions that continued to improve from the recession of the recent past, but on the other hand there were regional areas of concern relating to the relative slowdown in the Chinese economy, low oil and mineral prices and security issues in the Middle East. As a result, many of our listed competitors in the Testing, Inspection and Certification (TIC) sector released results which continued to be below their own, and market, expectations. BSI is only really present in the Certification part of the TIC sector, and complements its strong offering in this area with those from its Knowledge and Compliance business streams, so the comparison is only partial, but these market forces do impact us significantly. In 2015 Sterling was more stable than it had been in 2014, and so our results were affected less by currency movements than they were last year. However, BSI works in many different countries and our results are impacted by the relative strengths of the currencies on the world stage, so our results are always liable to fluctuation for this reason. Throughout 2015 BSI has continued to develop and enhance its geographical, business stream and domain footprint to ensure that we remain well hedged against external business cycles, whether global or local, sector or currency related. As we develop internationally, our natural hedging against all of these cycles improves but it will never be perfect and we will continue to manage this process.

Given the issues in the world economy during 2015 it is pleasing to report that BSI once again demonstrated its resilience to record higher levels of revenue and profit than ever before in the 114-year history of the Company. Revenue for the year was £331.1m, an increase of 15% on the £287.1m reported in 2014. This increase can be subdivided into 9% organic growth and 6% from our acquisitions in the US and South Africa. New sales orders, which will translate into revenue over time, grew by 27%, which can be split 11% organic, 15% inorganic and 1% from exchange, which was encouraging and will support our future growth plans.



**“I would like to take this opportunity to thank each and every one of the BSI team for their hard work and demonstration of our core values, which guide us in everything we do. Our people make BSI what it is today.”**

The investments of 2013 paid back as expected in 2014 and again had the effect of leveraging the 2015 profit generated by the strong revenue performance. Underlying operating profit was £35.4m, 22% higher than in 2014 and another new record for BSI. Operating profit was 11% higher than in 2014 at £34.1m.

Our business remains in robust financial health. We ended the year with no external debt and with £51.0m in cash. This is 3% lower than at the end of 2014 but includes the effect of £19.7m spent on acquisitions during the year, a further contribution of £12.5m into the UK defined benefit pension fund and continued investment into the infrastructure, systems and people of our business.

### Structure

Day to day, our business is managed through a strong matrix structure with three global business streams, Knowledge, Assurance and Compliance, being driven through three geographical regions, Europe, the Middle East and Africa (EMEA), the Americas and Asia Pacific, supported by highly enabling central functions and innovative business systems. This is overseen by the Group Executive Committee which sets and manages targets and reacts quickly and flexibly to changes in the competitive environment.

During 2015 we made one change to the matrix structure of our organization with our Training sub-stream moving out of Compliance and into Assurance, where it links more closely with our Systems Certification, Product Certification and Healthcare businesses to provide a more co-ordinated product offering to our clients. Our 2015 acquisitions of Environmental and Occupational Risk Management Inc. (EORM) and Hill Country Environmental Inc. (HCE) are consultancy businesses whose results are included in our Compliance stream. The results of the acquisition of the PricewaterhouseCoopers South African systems certification business are included in our Assurance stream.

Our focus continues to be on developing and delivering domain solutions, combining our unique product range and expertise to become thought leaders and the business partner of choice in our chosen markets. This third dimension is manifesting itself under the umbrella of Organizational Resilience, in the domains of operational resilience, information resilience and supply chain resilience. We have made good progress in defining this space in 2015 and will continue to invest in strengthening our portfolio of products and services through dedicated management in these chosen areas.

Likewise we enjoy strong market positions in our industrial sectors of focus, healthcare, food and the built environment, and work hard to ensure that we leverage these positions for the benefit of our clients.

### Investments

In recent years we have invested continually in our IT systems and the rest of our infrastructure as many aspects of our business undergo a process of digitalization and we rely more heavily on online contact with our clients. This trend continued during 2015 with further developments in our Knowledge stream, particularly in the way we work with our Subscribing Members and deliver 'smart' content, and in our Compliance stream, where we have also invested to enhance our Entropy Software and Supply Chain Solutions offerings.

Over the past year we have invested heavily in the area of IT infrastructure, increasing the capacity and resilience of our data centres. This lays a strong foundation for the continuing alignment of the systems landscape with the overall business strategy and for the improvement of the journey enjoyed by our clients and employees alike. With this as a strong foundation we have defined a roadmap for the future integration, co-ordination and development of our internal IT systems and business processes which will be implemented over the next three years to ensure that we remain in a strong position to expand our client and employee digital interface in line with our business requirements.

We also continue to invest in the further development of innovative new standards that not only meet the needs of the economy and society today but also anticipate the requirements of the future. Our standards development team has intensively engaged with current and new stakeholders in the UK and beyond to promote the benefit of standards and standardization. As a result, interest in what BSI has to offer has increased significantly.

We continue with our strategy of combining organic growth with accretive inorganic growth, and completed three acquisitions in 2015. The first of these was in January with the acquisition of Environmental and Occupational Risk Management Inc. (EORM), an environmental health, safety and sustainability consultancy business based in San José, California, US, with six offices on the West Coast of the US and in Texas. In June EORM itself announced the acquisition of Hill Country Environmental Inc. (HCE), an environmental consultancy business based in Austin, Texas, US. The combined business now has 176 employees and contributed revenue of £21.9m to BSI in 2015. These were exciting acquisitions for BSI as they provided immediate critical mass for our US Consultancy business and an expert base for international expansion. Also in January we completed the purchase of the PricewaterhouseCoopers systems certification business based in Pretoria, South Africa. On acquisition this business employed four people and had an annual revenue of £0.2m. This acquisition increases our global footprint and establishes a base for expansion in Africa. Previously our clients here were served through our Middle East and Africa office in Dubai.

### People

In addition to our capital expenditure programme we also continued to recruit further employees during 2015, particularly in the key client-facing areas of sales and delivery. On average, during the year, we had 3,525 people working for us, including the 180 who joined us as a result of our US and South African acquisitions. This is a total increase of 7%, of which 2% was organic. We are proud to employ a talented global workforce which provides the expertise that brings us competitive advantage and differentiates us from our competitors. I would like to take this opportunity to thank each and every one of the BSI team for their hard work and demonstration of our core values of Integrity, Inclusivity and Continual Improvement, which guide us in everything we do. Our people make BSI what it is today.

It is a measure of the stability of the senior management of BSI that there have been no changes to either the Group Executive or Operational Executive teams during 2015. These teams work hard to create and implement the strategy of BSI and to provide the solid base upon which the rest of the Company delivers its results.

At the core of this strategy is the recruitment, development and retention of our employees. They provide the expertise and professionalism that differentiate our products and services from those of our competitors and build the trust and confidence that convince our clients to work with us and to continue to work with us. Building and maintaining this expertise is, therefore, critical to our success and we have continued to invest in their professional and career development. During 2015 we completed our eighth 'Leadership Challenge' programme. More than 100 of our senior managers are now alumni of this nine-month programme, with retention rates high amongst those who have graduated. At the next level we held another four 'Foundations of Management' courses, with Australia, India and the US participating in this scheme for the first time. These two development programmes are supported by the more operational level 'Standards and Publishing Academy', 'Sales Excellence Academy' and 'Operations Academy', meaning that our people continue to lead the way in their technical excellence.

In the third quarter of 2015 we undertook our fourth global employee engagement survey. Participation rates for this were an excellent 83%, a solid improvement on the last time we completed the survey in 2013. Progress was positive, although not as fast as we would have liked. We are already at the Hay Group Global Industry (GI) Norm for Employee Enablement, but made only small progress towards our immediate goal of the GI Norm for Employee Engagement. This will be an area of focus for senior management before the next survey in two years' time. Finding and retaining the best people remains an ongoing challenge for us. The results of this survey help point us in the direction of areas where we may fall short of the mark but progress has been made and it remains our objective to move past the GI Norm towards the High Performer (HP) score for both measures in the near future.

### Clients

Once again we delivered our products and solutions to an increasingly diverse client set and have supplied products and services to a record number of clients. Using a new, more accurate, measure this year we have worked with around 80,000 clients over the past twelve months. This is an increase of about 3,000 on 2014, helped by our acquisitions. We have maintained our high net promoter score, which means that the vast majority of our clients score us nine or ten out of ten for our service. These clients have an average business tenure with BSI of eight years, and work from over 128,000 sites in 182 countries worldwide.

We work with clients of all sizes, from large, multinational companies to small and medium-sized enterprises alike. They benefit from working with BSI. We know this because they tell us so. Over 87% of clients who responded to our latest client satisfaction survey scored us eight or more out of ten for client satisfaction and just 4% considered themselves dissatisfied with our service.

Our brand and reputation remain paramount to BSI. These are underpinned by our credo of 'Making Excellence a Habit' and our core values of Integrity, Inclusivity and Continual Improvement. Everyone at BSI works to these high standards and that is why our clients work with us and keep coming back to us.

### Outlook

Despite pockets of uncertainty in the world economy, we found that the overall business climate was more stable than it was in 2014. Certainly we did not have to contend with the significant currency fluctuations experienced in the recent past. However, we do enter 2016 with some reasons for caution. Growth in China has slowed. Oil prices are still very low, and this is affecting markets globally, but particularly in the Middle East. The political repercussions of the various conflicts across the world and the mass migration into Europe are affecting markets just exiting a severe recession. Fears of a British exit from the European Union may affect growth in the UK and there is a presidential election during the year in the US – our second largest market. However, our diversified portfolio puts us in a strong position to face these challenges with optimism.

Indeed, BSI delivered record results in 2015 despite a similar backdrop of issues. Our strategy of developing our business geographically, by business stream and by domain, provides a strong natural hedge against most specific issues and so we approach 2016 with an overall optimism, albeit while watching carefully the economic developments of our business world. We continue to complement this organic growth with carefully selected accretive acquisitions, leveraging the strong cash-generative nature of our business to optimal effect. We will continue to implement our strategy as we have done in prior years and look forward to driving BSI to further success in 2016 and beyond.

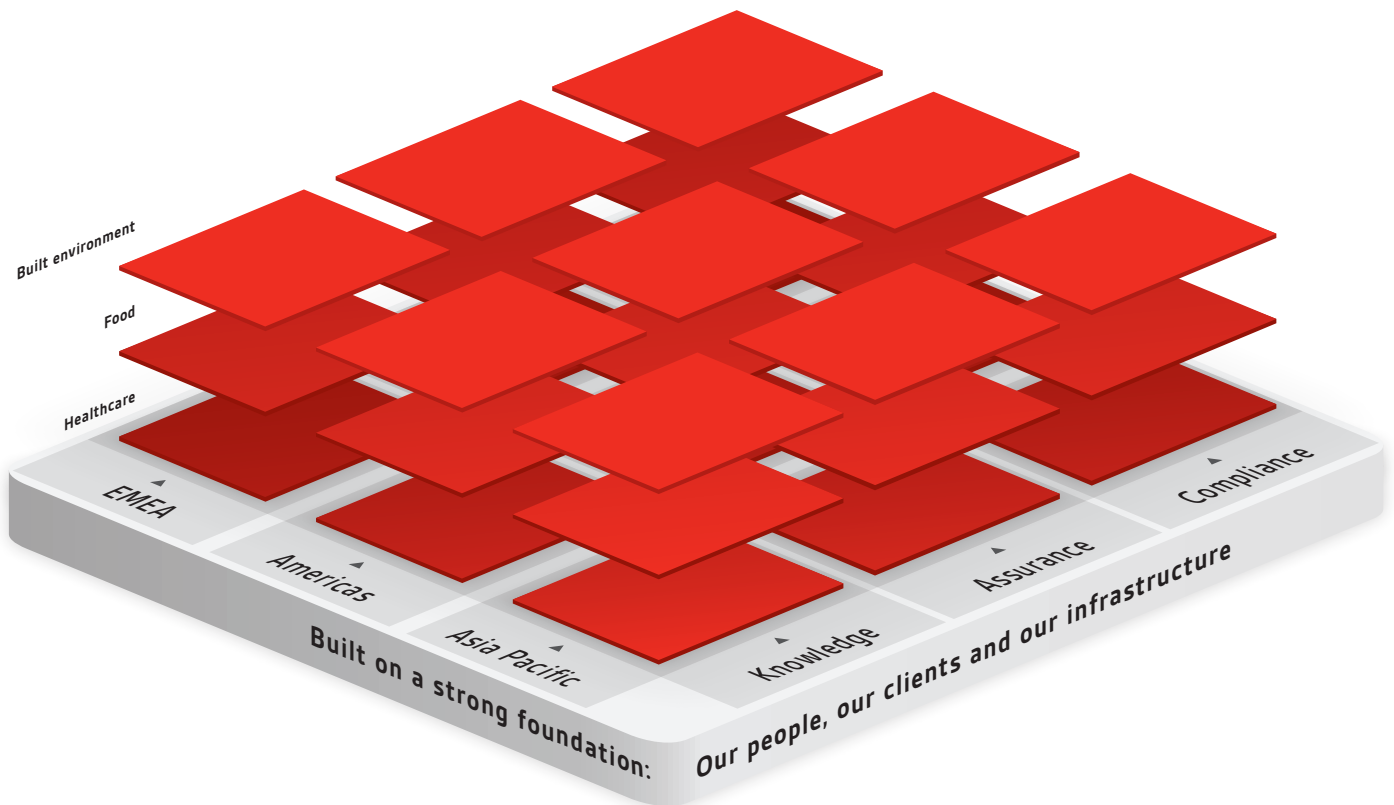


**Howard Kerr**  
**Chief Executive**  
22 March 2016

## Our business model

We deliver a portfolio of products and services across three geographical regions to a whole spectrum of domains.

“For more than a century we have continued to tailor the offering we provide to our clients to ensure that the unique range of products they receive from us helps them to embed excellence in their businesses and to reap the benefits in their performance.”



### A strong foundation

Our business model is built upon a strong foundation made up of our three key assets: our people, our clients and our infrastructure.

We continue to invest in all three of these, improving the engagement of our employees, the satisfaction levels of our clients and the efficiency of our processes and systems.



### Our regions

We impart our global expertise worldwide. BSI is an integrated global enterprise, able to serve clients from 73 offices in 28 countries across the world. We have a presence on every continent.

Due to this network we are able to offer a personal service to each of our clients, from the small and medium-sized enterprises to the largest multinational company.



### Our business streams

We provide a unique combination of complementary products and services, managed through our three business streams: Knowledge, Assurance and Compliance.

It is a tailored offering, designed to align with the steps individual clients need to achieve best practice and to ensure that it remains an ongoing habit.

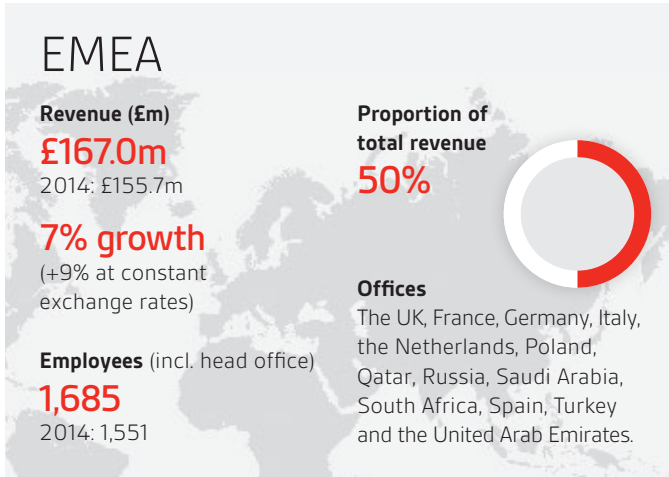


### Our domains

Although we work with 80,000 clients in a range of industries we have our areas of specialization, the industrial sectors or business themes where we are really thought leaders.

We continue to develop this approach and our clients show their appreciation by giving us great feedback and by working with us in more and more of our business streams.

## Performance by geographical region



Our EMEA region is fairly diverse, with two large businesses in the UK and smaller businesses managed, as sub-regions, in Central Europe, Southern Europe and the Middle East and Africa. Particularly in 2015 the trading conditions were very different between these sub-regions and, as such, the combined result of a revenue growth of 9% at constant exchange rates was a strong performance.

In the UK Assurance and Compliance business, the strong momentum from 2014 continued throughout the year and we performed well across all business streams to deliver 9% revenue growth. The more focused leadership approach discussed last year continued to have the desired positive impact on client experience and value creation. Indeed the employee engagement survey undertaken at the end of the year demonstrated the benefits experienced by our employees with ratings far higher than reported in the last survey in 2013.

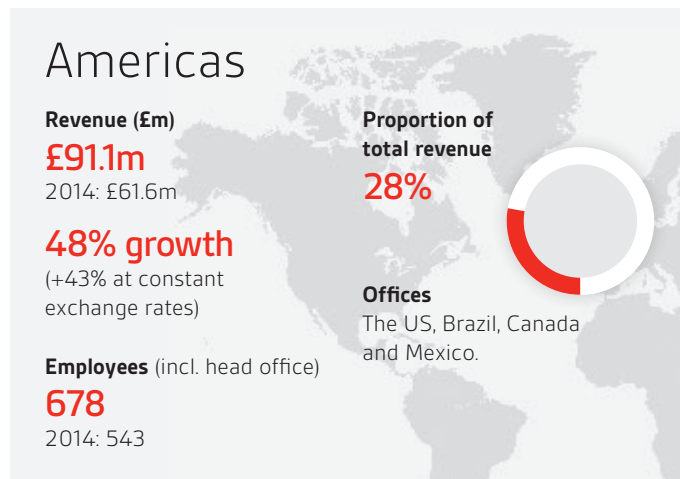
The Middle East and Africa sub-region performed extremely strongly in 2014 but we were adversely impacted in 2015 by the effect of the relatively low oil price on many of our clients. As a result the business underwent some restructuring in the latter part of the year and, under the circumstances, did well to perform to expectations for the year as a whole, recording overall revenue growth of 11% at constant exchange rates in the process. Pleasingly, the systems certification business acquired from PricewaterhouseCoopers in South Africa in January performed ahead of its plan and added some major new clients during the year.

The economic climate in Southern Europe proved slightly more accommodating than it did in 2014 and previous years, although security issues in Turkey had a negative impact on business confidence in that country. However, each component country in this sub-region, Italy, Spain, France and Turkey, managed to grow its revenue during the year, leading to an overall growth of 15% at constant exchange rates.

In Central Europe the largest part of the region is our German business, which has experienced some difficulties in the recent past. Here the leadership team has concentrated on the successful turnaround of the Systems Certification and Training businesses, which are now driving value. The decision was taken during the year to close the

German Medical Device Notified Body (NB) and integrate the business activity into our main UK NB. We expect this transition process to be completed in the first quarter of 2016. Outside Germany there were strong performances in the Netherlands and in Russia, despite the well-publicized political tensions, economic sanctions and devaluation of the Rouble.

Our EMEA region also includes results from the EMEA part of our Knowledge business stream, which is managed separately to the EMEA Assurance and Compliance business. EMEA constitutes the vast majority of our Knowledge stream, details of whose global performance may be read on page 19 of this report. At constant exchange rates our EMEA Knowledge business reported revenue growth of 6% in 2015, while our Assurance and Compliance business grew 10%, making 9% for the region as a whole.



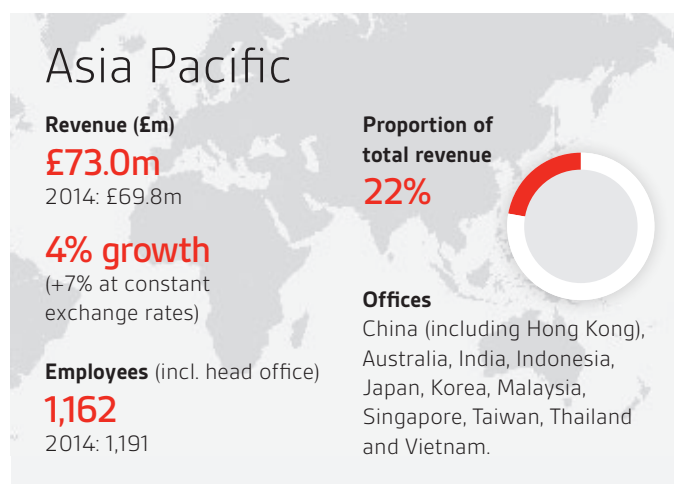
Our Americas region delivered an overall revenue growth of 43% in 2015 at constant exchange rates. Of this, 12% was organic and the rest was inorganic, taking into consideration the acquisitions of EORM and HCE in 2015 and the disposal of the NCSI American business in 2014. The organic growth performance was outstanding and made the Americas our fastest growing region in 2015.

The economy in the US and Canada was positive during the year and the business prospered in these conditions. Trading in both Assurance and Compliance was strong, with the Systems Certification business developing well and placing itself in a very strong position to take advantage of the market as it develops in 2016 and beyond. This business also benefited from the new regional approach to managing its operations and delivery. However, Training growth slowed as companies waited for the introduction of the major new standards before committing to courses. Our Healthcare business grew by around 15% and continued to establish itself as the clear market leader in this industrial sector in the US and Canada. Another success during the year was Supply Chain solutions, which continued to expand significantly.

Of course the main events during 2015 were the acquisitions of two consultancy businesses, EORM in January and HCE in June. These acquisitions gave us immediate critical mass in a new business area for us and access to strong management and delivery capabilities from which to expand the business across the continent from their

bases in California, Oregon and Texas. Both businesses have assimilated well into BSI and are benefiting from the large client base, complementary product offering and strong brand position that we can contribute to them. Their performance in 2015 was in line with our expectations and we look forward to further profitable expansion in this area, both organic and inorganic, in the future.

In the Americas region outside the US we have businesses in Mexico and Brazil. Both countries have faced structural issues during 2015, Brazil in a macro-economic sense and Mexico economically, politically and from a security point of view. In light of this the Brazilian business was restructured and delivered a strong turnaround in profits. Following a slowdown in 2013, Mexico gained momentum during 2014 and continued that improvement in 2015, delivering over 20% revenue growth at constant exchange rates and driving further value to the bottom line.



The eleven countries of our Asia Pacific region combined to produce a much improved performance in 2015. Revenue growth, at constant exchange rates, was 7%, but the transformation project, which began in 2014 and continued throughout the year, improved efficiency to drive far more significant value from the business. One of the issues facing Asia Pacific is the slow start to the calendar year, caused by the slowdown in business across the majority of the region due to Chinese New Year celebrations. In the past this has resulted in a 'back-ended' profit delivery. The effect cannot be mitigated entirely, but careful planning and marketing and strong client focus across the region in 2015 meant that we achieved profitability a full five months earlier than we did in 2014. This is an exceptional performance and has led to a far better balanced business as a base for future growth.

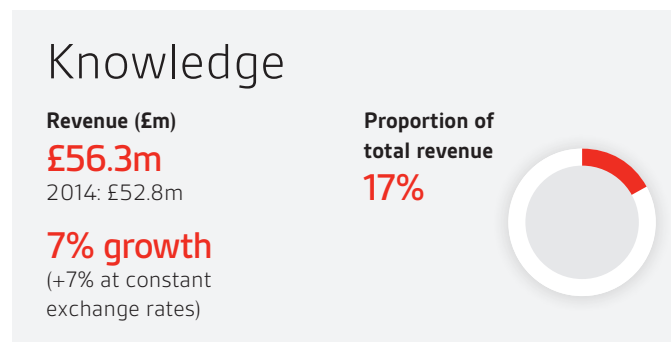
The three largest countries in Asia Pacific from a BSI perspective are China, Japan and Australia. The economic slowdown in China is well documented, but our business continued to grow and significantly improved its profit margins. In Japan we completed the restructuring programme described last year and invested in new Training facilities. Despite this disruption the business delivered strong, profitable growth and we are now the market leader in the medical devices sector.

Our new management team in Australia consolidated the integration of the business acquired in 2013 and delivered strong revenue growth despite the weak minerals and mining sector and weakening local currency.

Outside these larger countries India had an outstanding year, with record levels of revenue and profit, and Taiwan continued its steady, profitable development. All of our smaller ASEAN countries delivered a profit during the year for the first time. Korea experienced a difficult year, with a change in management early in 2015 and then the loss of some of its delivery resource later in the year. A restructuring plan is in place and we expect better results in 2016.

From its base in Australia, our Food Centre of Excellence expanded throughout the region, with critical mass achieved in Indonesia, Thailand, Vietnam and India. The model is well established now for further expansion into other regions of BSI. An infrastructure was developed for supplier verification and several global projects were implemented during the year.

## Performance by business stream



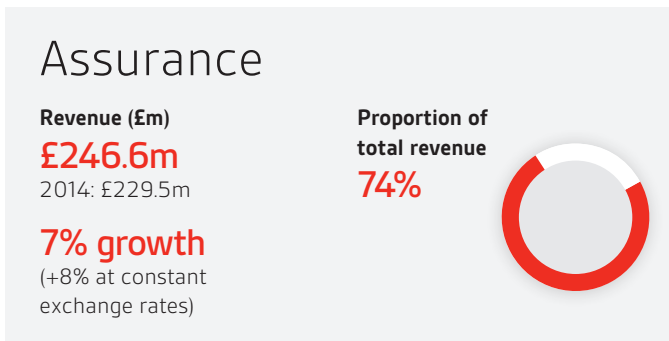
Building on the reorganization during 2014, the Knowledge Solutions business (previously called Standards and Publishing) had a strong year with revenue growing by 7% at constant exchange rates. This growth was driven predominantly by the ongoing success of our flagship product, British Standards Online (BSOL), direct digital services, international partner programmes, licensing and standards development solutions. Revenue mix was again favourable, with larger increases in digital products with relatively higher margins. This allowed our profitability to remain high.

It is rare that, in a single year, there were four major standards published: ISO 9001 (Quality Management), ISO 14001 (Environmental Management), BS 5500 (Pressure Vessels Specification) and BS 7671 (Wiring Regulations). All presented good sales opportunities for us. Through focus on our target markets we have seen year-on-year growth in each of Americas, Asia Pacific and EMEA as well as our core UK market. Our membership revenue showed modest growth despite a slight decline in membership numbers. Our International Projects division grew substantially in 2015, delivering projects around the world, including in India, Mongolia, Jordan, Turkmenistan and China and winning new assignments in Egypt, Rwanda and Malawi.

## Performance by business stream continued

We have made further investment in our digital solutions, product delivery platforms and content creation assets as we continue our digital information services transformation. Our online shop revenues have continued to grow with our clients wanting digital rather than physical editions of standards, particularly the new revisions of the ISO 9001 and ISO 14001 standards. Our prime digital solutions, including BSOL, Compliance Navigator and Eurocodes PLUS+, have all seen strong year-on-year sales growth. We have used our Standards Solutions services to address market needs and grow revenue by creating Publicly Available Specifications (PAS) in prominent areas such as the High Speed 2 (HS2) rail link, carbon management, smart cities, smart working and building information modelling (BIM).

In our evolving market, we maintain our focus on our clients' needs and meet these through our digital capabilities, both as a standards developer and as a knowledge solutions provider. We continue with our investment in smart content, new products and platforms and expansion into new geographies. Our existing scale and market leadership provide a robust level of resilience to changing market pressures. Our continued growth demonstrates the trust that our clients place in BSI and we remain a trusted partner in the uptake and use of knowledge solutions across their organizations.



### Systems Certification

Our largest business stream, Systems Certification, reported 7% growth at constant exchange rates and improving margins, in line with our strategic initiatives, as our focused growth strategy project was implemented to develop high quality revenue. We made significant investments in training and marketing ahead of the transition to the new versions of our two largest standards, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management), and became the first Certification Body to be accredited to these new versions at a global level. We have already helped many clients to embrace these changes and will continue to do so in 2016 and beyond.

Although the transition was our major focus in 2015, we also launched, along with the Independent International Organization for Certification (IIOC), the 'assuringsuccess.com' campaign aimed at promoting the value of Assurance services delivered by the leading Certification Bodies.

Although the successes of Systems Certification came from all regions of BSI, our growth was impacted by slowdowns in the Middle East, due to the falling price of oil, and Korea, due to a transition to new leadership. However, it is good to report that the turnaround of our previously problematic German business continued and our Japanese operation, despite trading in a particularly competitive local market, returned to significant growth while restructuring its delivery function. In addition the small acquisition in South Africa boosted our regional presence.

### Product Certification

It is good to report that the success of the structural changes reported in 2014 have continued into 2015. Revenues again grew by 7% at constant exchange rates. The Product Certification stream has delivered growth above inflation in our traditional markets of the UK and China, and more significant growth in our newer markets, Australia, Southern Europe and the Middle East. Our strategic initiative to globalize the stream is proving successful, with roughly half of the total revenues in 2015 resulting from clients outside the UK.

In the final quarter of 2015 we launched three major new products. We introduced a Verification Licence for building information modelling (BIM); this product was built collaboratively with key stakeholders in industry and the UK Government and will be extended to a Kitemark™ scheme in the first quarter of 2016. We already have a number of significant construction clients for this scheme. In December, we were accredited to certify to 'Cyber Essentials' and 'Cyber Essentials plus' to support clients who will need to demonstrate this level of cyber security to be able to trade with the UK Government. At the same time we also created a Digital Security Kitemark which demonstrates excellence in organizational cyber security for businesses that are looking to demonstrate that they are taking all reasonable steps to protect their clients' personal and financial data. Finally we have introduced a Kitemark for Client Service, again launched to support businesses in showing that they are focused on delivering excellence while working with their clients.

### Training

Following an internal restructuring, Training now forms part of our Assurance business stream. Prior year results have been restated for comparability.

2016 was a challenging year for Training. Revenue growth was limited by the impending transitions of two of our major products, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). Many of our clients have chosen to delay their training requirements until after the new versions were launched. This was late in the year and, as a result, our sales only picked up towards the end of the year. Despite this, revenue still grew by 4% at constant exchange rates and margins continued their improvement, in line with our strategic initiatives. This was predominantly due to an increasing number of our Training businesses around the world reaching maturity, coupled with the introduction of a complete portfolio of training courses based on the new versions of ISO 9001 and ISO 14001.

A significant change to the business during 2015 was the harmonization of the commercial and internal training functions to standardize and enhance the quality of training for both internal and external clients. In addition we introduced live remote classroom training techniques in the US, and are looking to apply these in other regions going forward.

### Healthcare

The Healthcare sector reported strong growth in 2015 in all geographical regions; at constant exchange rates this was 18%, driven by strong performance across the world. Our Medical Device Notified Body (NB) Product Certification activities performed very well, particularly in the large US market where we are the clear market leader. However, the decision was taken to combine our UK and German NB activities and so it was announced that the German NB will close in 2016. Medical Device certification also recorded growth rates in excess of 20% in both Asia and in the European medical device assessment market.

BSI's Medical Device Certification schemes continued to grow geographically with strong performances in Saudi Arabia and Malaysia, and in our well established Japan Pharmaceutical and Medical Device schemes. This year also enabled BSI to develop a leading presence within the Medical Device Single Audit Programme (the US, Canada, Australia and Brazil), which positions BSI well to capitalize on this significant long-term opportunity.

For BSI, 2015 was the year in which we established an increasing Pharmaceutical presence with significant global partnerships in Pharmaceutical Good Manufacturing Practice (GMP), with a focus on GMP audit of suppliers of active pharmaceutical ingredients and excipients to the leading global manufacturers. The Pharmaceutical GMP activity fits hand in hand with our increasing portfolio of healthcare activities, delivering patient protection and driving excellence.

## Compliance

Revenue (£m)

**£28.2m**

2014: £4.8m

**32%**  
**organic growth**

(+29% at constant exchange rates)

Proportion of

total revenue

**9%**



### Consultancy

The acquisitions of EORM, in January, and HCE, in June, built a robust environmental health and safety (EHS) Consultancy portfolio for BSI in the US, with offices in California, Oregon and Texas. The combined business performed to plan in 2015 and has strong expectations of growth, both organically and inorganically, for 2016. The business was rebranded BSI EHS Services and Solutions in the first quarter of 2016.

This business helps companies comply with a complex array of EHS regulations, standards and best practices, and advises them how to improve their overall performance in this area. We provide both technical and management consulting, with a deep bench of industrial hygiene, safety and environmental experts into industrial sectors including technology, healthcare, manufacturing, construction and energy. Clients across BSI are now benefiting from the broader product range with delivery regulated by a code of conduct to avoid conflicts of interest in the accredited space.

Outside the US our confidence in the EMEA Consultancy business continues to grow. During the course of 2015 we have added delivery resource to the team and significantly extended the client base. We have undertaken and continue to work on projects across the region with clients in the Middle East, France, Germany, Italy and the UK. Projects range considerably in size and scope and we enter 2016 with a meaningful order book and a high level of optimism.

### Supply Chain Solutions

Our Supply Chain Solutions (SCS) business had a very strong year in 2015 with, at constant exchange rates, new sales increasing year on year by 43% and revenue almost doubling. Three of the four parts of our business, Software Sales, BSI Verification and Supply Chain Consultancy, contributed materially to this performance, with all reaching record levels of revenue. Our Supply Chain Risk Exposure Evaluation Network (SCREEN) product had a slower year, although we have continued to invest in the product, which has received good client feedback.

Our business intelligence software extension into social and business continuity risk has been well accepted by existing and prospective clients, with most new sales in this area now being either multi-module or multi-scheme based.

During the year our SCS business also validated itself as a one-stop association provider, offering audit management, software, intelligence and auditing services. This remains an important business development area for BSI, particularly as we establish ourselves in the supply chain verification arena. We expanded our client base in 2015 and are well positioned, with a growing team of dedicated resource, to expand still further in 2016 and beyond.

### Entropy

Entropy had a difficult year, with revenue down 9% on 2014 at constant exchange rates. The business was reorganized during the year and two of the modules were frozen, resulting in an asset impairment. However, there is now a clear roadmap for the future, based on the core values of Entropy as a tool to support the Assurance and Compliance streams. Solutions experts have been brought into the business to support the new focused approach.

# Effective risk management is an inherent part of the business process.

## Risk management

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

We have a continual and dynamic process for identifying, evaluating and managing the risks in the business, based on ISO 31000 (Risk Management). Risks identified are logged on risk registers within all business streams, functions, countries and regions. Above these sit the Group Principal and Strategic Risk Registers.

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

## What we did in 2015

During 2015 the Board reviewed the reporting of risk throughout the Group. A risk workshop was held with the Group Executive with a view to streamlining the process of risk identification and reporting, resulting in the identification of the twelve most significant risks to BSI, which are now reported in the Principal Risk Register shown in this report. These twelve risks were agreed with the Board, who assigned a 'Risk Appetite' to each, using a scale from 'Minimal', through 'Averse', 'Cautious' and 'Flexible', to 'Open'. KPIs were assigned to each principal risk, and these will be the subject of regular Board review in the future.

The Group's Strategic Risk Register was also redefined, with each strategic initiative reviewed alongside the risks that may prevent it from being successfully implemented, with appropriate KPIs to be reviewed regularly by the Group Executive so that plans may be put in place to mitigate any underperformance or risk to the Group Strategic Plan. The programme of risk workshops and regular risk review meetings at Group, regional, country, stream and functional level provides a pyramid of risks faced by BSI, with the most important at each level of the organization being fed to the next level and, eventually, into the Principal and Strategic Risk Registers.

We reported that the Group internal audit and risk and compliance departments were formally combined in July 2014. We have continued to integrate the work of these departments during 2015 to permit united audits for our business, which have added value by bringing different knowledge and skill sets to the audit, giving each team the opportunity to learn from each other and adapt their processes, where

necessary, for continual improvement. In 2015 this approach was audited independently by the Chartered Institute of Internal Auditors, with useful feedback leading us to a more risk-based internal audit programme being devised for 2016.

We have maintained our ISO 27001 (Information Security) certification for our head office in 2015 and have continued to introduce information security management systems policies and procedures throughout BSI globally. Business continuity plans are in place for each of our locations, which are subject to testing on an annual basis.

## What we will do in 2016

2016 will be the first year of our risk-based approach to internal auditing and with the new structure of Principal and Strategic Risk Registers. We will continue to roll out our programme of risk workshops, meetings and audits to support these and to ensure that our risk management system remains effective.

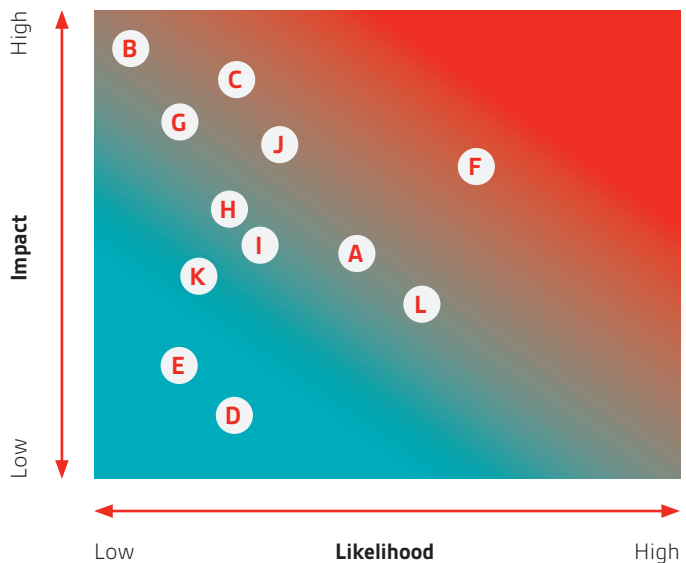
## Insurance

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

## Changes to principal risks during 2015

The reshaped Principal Risk Register is shown in this report. The changes from that shown in 2014 reflect the more holistic approach taken by the business to its risk management programme. The register now contains both internal and external risks insofar as they are, in the opinion of the Board, the most important facing the business today.

## Risk heat map





# Principal risks



Increase in risk



Decrease in risk



No change in risk

Type of risk	Risk description	Status	Mitigating activities
<b>1 Intervention</b>			
<b>A Governmental intervention</b>	We represent the UK Government as the UK National Standards Body (NSB). Much of the work we undertake is influenced by governments around the world. Changes to government policy could affect our trading or NSB status.		We continue to engage with the UK and other governments to ensure that our voice is heard during policy debates. A regulatory compliance framework, including the NSB code of conduct, is in place along with a compliance audit programme.
<b>B Royal Charter status</b>	Our Royal Charter status is important as it allows us to do business independently and without external pressure. It is central to our strategy that we preserve this status.		We engage with stakeholders to ensure that we fulfil our obligations under the Royal Charter. We have adopted a governance regime which applies the principles of the UK Corporate Governance Code where applicable. We actively review our performance through Board and Executive Committees to ensure continued compliance.
<b>2 Compliance</b>			
<b>C Accreditation compliance</b>	A large percentage of the work we perform is regulated by national and international accreditation bodies and government agencies. Loss of any of our accreditations would have a serious impact on our business.		We continue to engage with our accreditation bodies and government agencies to ensure that any issues are dealt with before they risk the loss of accreditation or Notified Body status. A regulatory compliance framework is in place along with a compliance audit programme.
<b>D Financial and fiscal compliance</b>	There is an ongoing risk in any organization of our size and complexity for irregularities to occur due to human error or fraud which could impact our financial results.		We have strong central, regional and functional reporting lines and Group policies and procedures in place throughout our organization. We have internal audit teams which regularly visit all locations and review specific risks. There is also an annual external audit of our financial results undertaken by PricewaterhouseCoopers.
<b>E Legal compliance</b>	Any breach of legislation or issues concerning the way we carry out our business could result in legal action against us.		Key employees have relevant training on legal compliance, and compliance policies and procedures are in place across our organization. Internal audit teams regularly visit all locations. There is continual monitoring of all business streams and activities.
<b>3 Economic environment</b>			
<b>F Global economic environment</b>	The continually changing global economic environment means that the risk in the execution of our strategic plan is complex to manage.		Our strategic plan takes into consideration the economic uncertainty and our financial targets are mindful of the external environment. Performance against budget is closely monitored. Our diverse business activities mean that there is a low concentration of risk.
<b>G Competitor action</b>	Technological or business model shift or other competitor action could threaten our competitive position in our chosen markets.		We continue to seek new opportunities in all areas of our business. We monitor and analyse activity in our competitive landscape at local, regional and global level, with responses put into action as appropriate.
<b>H UK pension scheme</b>	Increases in the ongoing deficit associated with our UK defined benefit pension scheme would adversely affect the strength of our balance sheet.		The scheme is closed to new entrants and future accruals and we hold regular meetings with the Trustee to review the investment policy, our funding requirements and any opportunity to insure against this risk.
<b>4 Reputation</b>			
<b>I Brand</b>	Our brand identity is extremely important to us and failure to protect this would result in deterioration of our reputation and potential loss of business.		We continue to reinforce our values, policies and processes with our employees, business partners and other stakeholders. We take robust action, where necessary, to protect our trademarks, brand and reputation.
<b>J Information security</b>	Failure to protect against inadvertent loss of data or cyber attack would adversely affect our trading, brand identity and reputation.		We are certified to ISO 27001 (Information Security) where allowed, and conform to its requirements globally. We monitor developments in this area and perform compliance audits as appropriate.
<b>5 Trading</b>			
<b>K Acquisitions</b>	Achievement of our strategic objectives depends on the identification and integration of appropriate acquisitions and failure to do so effectively would jeopardize this.		Global processes are followed for the identification of targets. Comprehensive due diligence is undertaken and integration plans are agreed before acquisitions are implemented.
<b>L Resourcing</b>	An inability to develop the right skills and deploy these in the right place at the right time could mean that business performance may suffer or opportunities are not exploited.		Recruitment policies and processes are reviewed regularly. Succession planning is in place at all levels of the organization for the strategic plan horizon and regular gap analysis takes place to deal with any issues.

## Supporting stakeholders, growing engagement, delivering value.

“Independent research confirmed that industry standards support the economy to a higher degree than previously recognized.”

Two major achievements dominated the headlines for BSI in our role as the UK's National Standards Body (NSB) in 2015. First, after a gap of ten years, independent research by consultants CEBR, published in June, confirmed that industry standards support the economy to an even higher degree than previously recognized. Those sectors most active in their use of standards are the most productive, linking standards to increased productivity, innovation and exports. Second, 2015 saw the completion of a five-year exercise to revise the two most famous business standards of all, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). The secretariat of both these world-renowned standards is held by the UK and BSI provided the infrastructure for the committees to work on the thousands of comments received and to update these well-known process standards in line with best business practice.

### Developing skills and capacity

With the support of the BSI Board, we have been investing in the skills and capacity within the Standards teams, both in policy and in market development. New recruits from a range of industry, corporate and academic backgrounds have given us new capacity to shape and extend our engagement with small and medium-sized enterprises (SMEs), consumers, businesses, industry and government, both in the UK and internationally.

Alongside the successful 'Standards Makers Academy', we have developed a new development programme called the 'Standards Policy Academy', which will combine personal coaching with formal training modules. Each course will be tailored to the individual's requirements.

Externally, it is clear that we need to do more to attract the next generation of standards makers if we are to ensure a strong succession in our technical committees. Although some new areas of work, particularly those with a societal or environmental dimension, are attracting a more diverse community of experts, in traditional areas we recognize that this is a long-term challenge. The Young Engineering Professionals initiative, which BSI runs along with trade associations and industry partners, was restructured in 2015 to focus on the outcomes that standards enable across a range of hot topics, including the internet of things, smart cities and robotics. This approach proved highly successful as a model for engagement and we will build on the same format in 2016.

### Policy support for UK industry

As the UK NSB, we provide the infrastructure to support UK experts' participation in international and European standards development. As the breadth of standards work continues to expand into new areas, driven by innovation, services and a growing interest in business



**“The UK played a leading role in the latest, far reaching, revision to the world’s most famous business process standard, ISO 9001.”**

performance, we have increased our capacity to provide UK-led secretariats for international and European technical committees in priority sectors and industries.

We signed a Standardization Co-operation Commission agreement with China in November 2015, which builds on our 2013 Mutual Recognition agreement by formalizing the UK–China dialogue on standards as part of the UK–China Joint Economic and Trade Commission (JETC), a ministerial-level activity. Based on industry requests, 62 standards have now been recognized under our agreement as identical in the UK and China.

At European level I have continued in the role of Vice-president Policy for CEN to lead the European side in discussions around a standards agreement to support a possible Europe–US free trade agreement (TTIP) and to encourage a stronger relationship between CEN and CENELEC, industry and the European institutions, particularly the European Commission and associations. BSI joined the European Telecommunications Standards Institute (ETSI) in 2015, so that we are both the UK national member and an industry member, and we will be working with UK SMEs to improve their voice in European telecommunications standards.

2015 saw the European Commission launch discussions with the standardization community on the public–private nature of the European Standardization System, in which BSI is participating as a leading NSB alongside UK Government representatives. In parallel, after years of informal discussion, the members of CEN and CENELEC launched a joint project to find ways to improve the efficiency and effectiveness of the system, known as STEER. I have been co-chairing the steering group for the project with the Vice-president Policy for CENELEC; the boards of the two organizations agreed in November to continue the work into 2016, when final recommendations will be presented.

#### **Technical assistance projects**

Working alongside UK partners UKAS, NMRO and NPL we launched the UK Quality Infrastructure (UKQI) co-operation to raise the profile of the four organizations in relation to our international technical assistance work. This group, working with other partners, will support UK exporters by increasing our influence internationally, especially in China and developing countries.

We had a successful year in our International Projects activity, where we are leading or participating in a range of donor-funded projects around the world to help support the development of national quality infrastructures. In 2015 we started our first project with the Asian Development Bank, facilitating trade in the Mekong delta region, and won new EU-funded projects in Egypt on industrial competitiveness, and in Belarus on the accreditation of testing laboratories for medical products. These projects will run alongside our current projects in India, Africa and Central Asia.

#### **Maximizing performance**

The UK played a leading role in the latest, far reaching, revision to the world’s most famous business process standard, ISO 9001 (Quality Management), which was published in September 2015 after a five-year revision process. This standard is aimed at bringing the subject of quality ‘back into the boardroom’ and promotes the integration of quality management into an organization’s overall business strategy. I was delighted that Alexander (Sandy) Sutherland, who played a key role in the revision of ISO 9001, was awarded the 2015 Wolfe Barry Medal at our 2015 awards ceremony in recognition of his leadership in this area for over 30 years.

In parallel, the world’s most widely used environmental management standard, ISO 14001, also completed its latest revision cycle. The new version was also published in September with the UK again playing a key role. The standard helps businesses to place environmental management at the heart of their activity to ensure more sustainable growth.

Another important new management standard, BS 76000 (Human Resource – Valuing People), was also published in 2015, aimed at helping organizations to create an environment that ensures the interests of employees and other stakeholders are aligned with their business interests.

Work to revise the world’s most-recognized medical device standard, ISO 13485, continued in 2015, with a final draft completed in October and the revised version scheduled for release in 2016. The standard will help organizations to mitigate legal compliance risk by specifying how to create a quality management system so they can demonstrate that their medical devices and related services meet regulatory requirements.

After we took the lead in 2013 to promote the development of a new international management standard for occupational health and safety based on OHSAS 18001, I am pleased to report that, after many months of expert work, consensus was reached on the publication of a draft of ISO 45001 for public comment. Again, the UK has taken a leading role in this important initiative, which will create a globally harmonized, risk-based approach to the management of health and safety in the workplace, following industry best practice.

### Innovation

We have continued to recruit new talent to support our work in innovation and emerging technologies, providing domain knowledge and expertise in the innovation process to support our work with government agencies, Innovate UK, the catapult centres, industry and international partners, particularly Germany. Throughout 2015 we saw growing interest in the role of standards to support topics such as connected and autonomous vehicles and advanced digital manufacturing techniques, and in the financial services area.

As part of the efficiency programme for the High Speed 2 (HS2) railway infrastructure project, we completed several new standards and revisions to existing standards identified by the project engineering teams. New PAS standards on temporary works and tunnel linings will help the project cut costs through a harmonized approach across the multiple contracts that will be required for the project delivery.

We completed our pilot programme with Innovate UK to accelerate standards development in four key technology areas: synthetic biology, cell therapies, offshore renewable energy and independent living. In each area, BSI published a standards strategy document, drawing on input from more than 300 stakeholders from industry and academia. This has resulted in publication of four strategy pieces, four new PAS standards and one further consensus document. BSI and Innovate UK signed a strategic partnership agreement with the intent to develop standards in other emerging technology areas, including synthetic biology and also energy harvesting, graphene, quantum technologies and non-animal testing.

### Smart cities and the internet of things

In a major new development in terms of our approach to future standards-making, we launched the Cities Standards Institute (CSI), a virtual 'hub' for the planning of future standards needs for civic authorities. The CSI was co-founded by BSI with the Future Cities Catapult and is laying the foundations for a robust and coherent standards programme for urban innovation. Our work on smart cities has led to the development of pioneering standards to support cities, local government and industry in adopting digital infrastructure and digital services to improve the monitoring and management of physical, economic and social resources. The holistic approach taken by UK experts in this area led to an invitation to chair the joint international working group on smart cities standards set up by ISO and IEC.

### Our standards community

Finally, as every year, it is important that I pay tribute to the many thousands of experts who give their time and knowledge to support the work of the National Standards Body through the standards development process, internationally, in Europe and in the UK. In 2015 we recruited a new member of the policy team who is dedicated to our engagement with our Committee Members, to recognize their efforts and to act on their feedback. The 2015 survey of Committee Members showed an increase in Committee Members' overall satisfaction with their experience and with the levels of support from BSI. Our forums and awards events have been well received and we will continue to build on these in 2016. Through the commitment of our members and committees, we look forward to continued success for the NSB in 2016, shaping and delivering UK expertise in best business practices around the world.



**Dr Scott Steedman CBE**  
**Director of Standards**  
22 March 2016

## BSI remains in robust financial health.

“BSI is fortunate in having a very broad spread of business across geographies, business streams, industrial sectors and domains.”



### Overview

2015 was a more stable year for the world economy than that experienced in 2014. However, weaknesses continued in the mining and minerals and oil and gas sectors and these had an adverse effect on the economies of several geographical regions of the world which rely heavily on trading in these industrial sectors. In addition security issues in some regions led to political instability and this too had a negative impact in some countries. Against this backdrop many of our listed competitors have reported results below market expectations.

BSI is fortunate in having a very broad spread of business across geographies, business streams, industrial sectors and domains. Indeed our strategic initiatives seek to continue to develop this. As such our overall results were not materially affected by these macro-economic trends and we were able to report record levels of underlying revenue and underlying operating profit in 2015. In addition the Group's net asset value increased and the deficit of our UK defined benefit pension scheme fell during the year. BSI remains in robust financial health.

### Exchange rates

BSI reports its results in Sterling and, as an international business, is affected by movements in exchange rates of other currencies, particularly our major trading currencies of the Australian Dollar, Chinese Renminbi, Euro, Japanese Yen and US Dollar. We mitigate the effect of this by matching revenues and costs in these currencies wherever possible and by repatriating excess currency back to the UK as soon as we are able to, so that it can be invested.

We translate our balance sheets into Sterling at year-end exchange rates. For our income statement we use a weighted average rate. The exchange rates we used for our major trading currencies can be seen in the table on page 30.

### Revenue

BSI Group revenue increased by 15% in 2015 to £331.1m (2014: £287.1m). Organic revenue growth at constant exchange rates was 9%, in line with the organic growth rate reported in 2014 and significantly higher than the 5% organic growth rates reported in 2012 and 2013. This was supplemented by 6% inorganic growth due to our acquisitions of EORM and HCE in the US and the PricewaterhouseCoopers systems certification business in South Africa. On average, Sterling weakened against the US Dollar and Chinese Renminbi but strengthened against the rest of our major trading currencies and the two effects balanced almost exactly, meaning that exchange had a negligible effect on our reported revenue. This compares to the 4% negative effect we experienced in 2014. The reported revenue growth of 15%, at actual prevailing exchange rates, meant that our underlying revenue continued its trend of increasing every year since 1999 and is at its highest level in the 114-year history of the Company.

### Revenue continued

Each of our regions and business streams reported revenue growth in 2015. EMEA grew by 7%, the Americas by 48% and Asia Pacific by 4%. Our Knowledge stream grew by 7%, Assurance by 7% and Compliance by an acquisition-enhanced 488%, on consistent comparatives. The Americas and the Compliance business stream benefited most from the acquisitions. Details of the performance of the regions and business streams, and their organic growth at comparable exchange rates, is given in the Business review on pages 18 to 21.

### Underlying operating profit (UOP)

As explained last year, 2013 was a year of investment for BSI and 2014 results demonstrated that these investments had begun to pay back and provided a strong base for future growth in 2015 and beyond. This happened as planned in 2015 and an underlying operating profit of £35.4m was 22% higher than the UOP generated in 2014 (2014: £29.1m). This is the highest level of UOP reported by BSI in its history.

As with revenue there are three components to this increase. UOP at constant exchange rates grew by 18%. The acquisitions completed during 2015 added another 4% of growth. As with revenue, exchange rate movements during 2015 had a negligible effect on reported UOP.

At an overall Group level our gross profit margin fell from 47.7% in 2014 to 46.9% in 2015. In a group of companies such as BSI, with such a wide geographical spread and diverse blend of business streams, product mix can have an effect on overall margin, and this was, indeed, the case in 2015. It is pleasing to report increased gross profit margins for our Systems Certification and Training businesses, in line with our strategic initiatives. Our acquired Consultancy businesses have a naturally lower level of gross profit margin and the increased proportion of Consultancy in 2015 has a negative overall effect on Group gross profit margin through this mix effect. In addition our Entropy business recorded a loss at gross profit level, compared to a profit in 2014, leading to its restructuring during the year. This also had an adverse impact.

Selling, distribution and administration costs increased more slowly than revenue, by 11% during 2015. Internal profit budgets were beaten in 2015 and incentive payments to management increased from their 2014 levels. In addition the provision for the Long Term Incentive Plan was increased by £2.0m (2014: £0.8m) due to the 2015 results and an increase in our expectations for 2016 and beyond. Depreciation and amortization increased to £10.5m (2014: £8.8m), due mainly to the first-year amortization of the acquired intangibles relating to the 2015 acquisitions.

These levels of gross profit margin and selling, distribution and administration costs resulted in an underlying operating profit of £35.4m (2014: £29.1m) as explained above. This implies an underlying operating profit margin of 10.7%, an improvement of 60 basis points on 2014 (2014: 10.1%).

### Exceptional items and operating profit

During the year our Entropy business was restructured and two of the modules of the software were frozen and will not be commercialized in the foreseeable future. As a result we have impaired the asset value of these modules by £0.8m. In addition a further £0.1m of goodwill was impaired so that the overall asset value held in the Group accounts at the end of 2015 was equal to the net present value of future cash flows expected from the Entropy business. The £0.9m is shown as an exceptional item in 2015.

Our acquisitions of EORM and HCE included some element of consideration payable three years after the acquisitions should certain employment criteria be met at that time. This amount will be accrued over the next three years and so an exceptional item of £0.6m appears in the 2015 accounts. In addition there were other costs relating to the three acquisitions amounting to £0.1m incurred during the year.

In 2014 we created a provision of £0.8m for a restructuring of our Japanese business, which started at the end of that year. This restructuring was completed during 2015 as expected at an overall cost of £0.5m. The £0.3m unspent has been credited back to exceptional items in 2015. In total, exceptional items in 2015 amounted to a cost of £1.3m (2014: £1.6m income), which meant that operating profit ended the year at £34.1m, an increase of 11% over the 2014 figure of £30.7m.

### Finance income and costs

The Group continued its policy of repatriating excess cash to the UK as soon as possible and investing its cash reserves proactively during 2015 but finance income was lower than in 2014 due to the reduction in the prevailing interest rates at which we were able to invest. As a result finance income was £0.1m (2014: £0.3m). BSI has no debt and so our finance costs related predominantly to the net interest cost on the liability of our UK defined benefit pension scheme and were £2.6m in 2015 (2014: £2.4m). Profit before tax increased by 10% from £28.6m in 2014 to £31.6m in 2015.

### Taxation

The Group effective tax rate (ETR) on pre-tax profits in 2015 was 25.1% (2014: 26.6%). Eliminating the prior-year adjustments arising on overprovided UK and foreign tax, the current year ETR was 25.7% compared to 23.4% last year.

We consider the ETR on UOP to be a better indicator of the tax management of the operating businesses. In 2015, the ETR on UOP increased to 28.2% (2014: 27.2%). The mix of the differing tax rates between the countries in which we make our profit can create such fluctuations in the overall rate. In particular in 2015, the tax rate for our existing US businesses has increased to 41% (2014: 39%) and the acquisitions of EORM and HCE have increased the proportion of our profits in this high tax jurisdiction. This has been mitigated to some extent by the UK tax rate reduction to 20% (2014: 21%).

### Balance sheet and cash flow

The net asset value of the Group increased by £21.9m or 39%, from £56.5m to £78.4m in 2015. This was mainly due to the profit for the year of 2015 which, at £23.7m, was 13% higher than the 2014 figure of £21.0m, and a reduction in the deficit of the UK defined benefit scheme of £11.1m during the year.

BSI remained highly cash generative during 2015, with cash generated from operations, before contributions to the UK defined benefit pension scheme, of £45.7m (2014: £38.5m). Our strong cash position at the start of 2015 meant that we were able to fund our acquisitions without recourse to external financing. £19.7m was spent on these (2014: £nil) but, despite this outflow, we ended 2015 with zero debt and £51.0m in the bank, only £1.8m or 3% lower than our opening balance of £52.8m. This means that, in 2016, we are again well placed to fund any prospective acquisitions internally.

Our purchases of property, plant and equipment and intangible assets, predominantly computer software, were £6.8m in 2015 (2014: £8.4m). We continued to invest in our information and communications technology infrastructure as well as on more client-facing programmes such as our Entropy Software and our online solutions and product delivery platforms. Included in this figure was an investment of £0.3m in the development of new Training courses (2014: £0.4m).

Debtor days increased slightly during 2015 to 58 days (2014: 55 days). This Group average depends on the geographical mix of our revenue and the customary terms of trade encountered in our different markets. There is also, occasionally but increasingly, a push from some clients to receive longer payment terms. These are sometimes granted for commercial reasons. However, there were no significant bad debts during 2015, with receivables written off amounting to only £0.8m (2014: £0.5m) and no material change in the relative ageing of our outstanding trade receivables.

### Pensions

The deficit of the Group's UK defined benefit pension scheme decreased by £11.1m, or 14%, from £82.0m to £70.9m during 2015. A contribution was made to the scheme, in accordance with the schedule of contributions agreed with the Pension Trustee, of £12.5m (2014: £12.5m), and there was an actuarial gain arising from changes in financial assumptions of £9.3m (2014: £44.7m loss). However, these were offset by a negative return on scheme assets of £6.4m (2014: £12.2m positive return), an actuarial loss arising from changes in demographic assumptions of £1.2m (2014: £0.3m), a net interest cost of £2.6m (2014: £2.4m) and operating expenses of £0.5m (2014: £0.6m).

The discount rate used when calculating the liability is determined by reference to market yields on high quality corporate bonds. The discount rate used was 3.8% compared to 3.6% in 2014. This accounted for the vast majority of the decrease in the scheme liabilities. BSI seeks to be close to the mid-point in the range of possible assumptions in the valuation of the assets and liabilities of the pension fund and confirms this with its external advisors each year.

The Group remains committed to reducing this deficit and works closely with the Pension Trustee Board to do so. A triennial valuation of the scheme took place with an effective date of 31 March 2013 and a schedule of contributions was agreed with the Trustee that is

expected to eliminate the deficit by 31 March 2021. This schedule required contributions of £37.5m in the period 2014 to 2016 inclusive. A payment of £0.5m was made into the scheme in February 2015, and a further £12.0m was paid in March 2015, satisfying the Group's obligations under the schedule of contributions for the year. The next triennial valuation will take place on 31 March 2016.

In addition to the UK defined benefit pension scheme the Group operates small defined benefit pension schemes in Taiwan and Germany which provide benefits based on final pensionable salary and service. The net liability recognized on the balance sheet in relation to these schemes at 31 December 2015 was £1.0m (2014: £0.9m).

### Treasury

A Banking Committee ensures that all treasury activities are conducted in accordance with the Group treasury policies maintained and updated by the Board. Treasury operations are subject to independent reviews and audits, both internal and external.

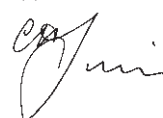
The principal aim of these policies is to manage and monitor the Group's funding requirements, optimize net interest cost after tax and manage financial risk arising from the international nature of the business of the Group, particularly in terms of interest rates and foreign exchange. Policy prohibits holding or issuing financial instruments for trading purposes so credit risk in this area is minimal.

BSI continued to be highly cash generative and held cash of £51.0m at the end of 2015. This was down 3% from the equivalent figure at the end of the previous year (2014: £52.8m). However, during the year, there was cash expenditure on acquisitions of £19.7m (2014: £nil), capital expenditure of £6.8m (2014: £8.4m) and a contribution to the UK defined benefit pension fund of £12.5m (2014: £12.5m). Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdrafts of £2.4m (2014: £2.3m), on an unsecured basis, at the end of 2015, although none were utilized. The Group maintains regular contact with its main banks and is confident of being able to secure debt facilities should these be required. Counterparty credit risk with banks exists but we consider this to be low.

The Group has significant operations outside the UK and so has exposure to currency fluctuations. Note 3 to the consolidated financial statements shows the translational exposure that the Group would suffer should any of the major currencies in which it trades move by 10% against Sterling. If all currencies moved by 10% against Sterling in the same direction, the impact to UOP would be around £1.3m.

### Accounting policies

Details of the principal accounting policies used by the Group appear in Note 2 to the consolidated financial statements.



**Craig Smith FCCA**  
Group Finance Director  
22 March 2016

## Exchange rates

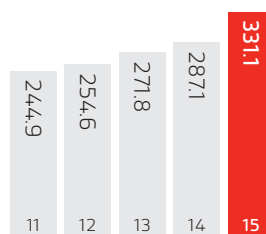
	Year end 2015	Year end 2014	Average 2015	Average 2014
Australian Dollar	2.04	1.91	2.05	1.83
Euro	1.36	1.28	1.39	1.25
Chinese Renminbi	9.64	9.57	9.58	10.10
Japanese Yen	179	187	185	175
US Dollar	1.49	1.56	1.53	1.64

## Financial KPIs

Revenue (£m)

£331.1m

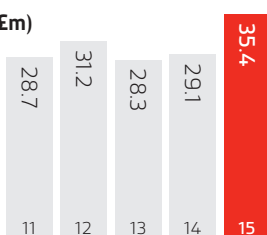
+15%



Underlying operating profit (£m)

£35.4m

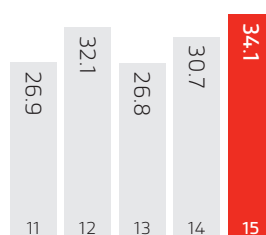
+22%



Operating profit (£m)

£34.1m

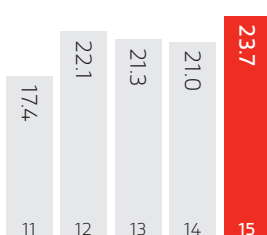
+11%



Profit for the year (£m)

£23.7m

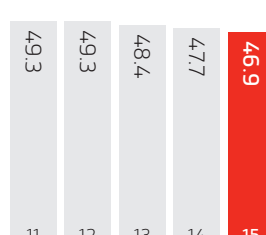
+13%



Gross profit margin (%)

46.9%

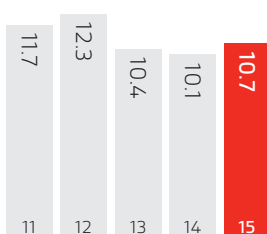
-0.8ppt



Underlying operating profit margin (%)

10.7%

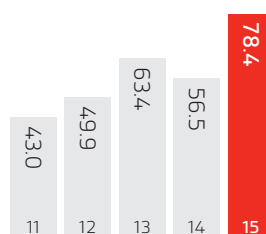
+0.6ppt



Net asset value (£m)

£78.4m

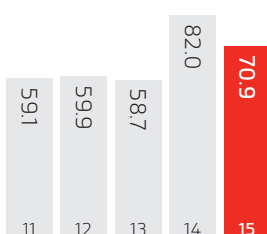
+39%



UK defined benefit pension fund deficit (£m)

£70.9m

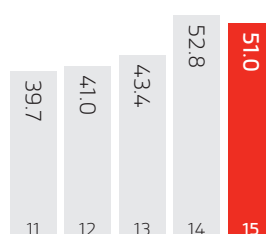
-11%



Cash (£m)

£51.0m

-3%





## Social responsibility helps drive our decisions, activities and culture.

“Our aim is to integrate social responsibility into the way we do our day-to-day business, and encourage others to do the same.”



### Our commitment

Social responsibility (SR) is an integral part of Organizational Resilience. We are committed to ensuring that social responsibility helps to drive our decisions, activities and culture.

### Our approach

In September 2015, I took over as Chairman of the Board's SR Committee, in which I am supported by the Chairman, Sir David Brown, a Non-executive Director, Dr Stephen Page, and Howard Kerr, the Chief Executive. Executive sponsors for our priority areas and a new SR Programme Manager were appointed in 2015. Together, we ensure that our approach to SR aligns with the business strategy.

The focus this year has been to review and revitalize our approach. We continue to base this on ISO 26000 (Guidance on Social Responsibility), and have documented our updated approach in 'Our social responsibility commitment', issued in January 2016. This describes where we believe we can make a difference within four priority areas: our business, our people, our communities and our environment. I am grateful to our network of regional and country SR champions, who have been instrumental in implementing this new approach, while continuing to embed SR within their countries.

[www.bsigroup.com/social-responsibility](http://www.bsigroup.com/social-responsibility)

### Our business

We recognize that, as a National Standards Body and a world leader in assurance and compliance services, we are in the very fortunate position of being able to help shape the way organizations handle SR and contribute to sustainable development. Our aim is also to integrate SR into the way we do our day-to-day business, and encourage others to do the same.

It is our policy to implement appropriate relevant standards as part of our ongoing business. In addition to the guidance of ISO 26000, we currently adopt the principles of ISO 9001 (Quality Management), ISO 14001 (Environmental Management), OHSAS 18001 (Health and Safety Management), ISO 22301 (Business Continuity Management) and ISO 27001 (Information Security), and seek independent certification where accreditation rules allow.

As part of an ongoing review of our procurement policies and procedures we have updated our Code of Business Ethics in line with the UK Modern Slavery Act requirements and guidance, and will continue to focus on working with suppliers to ensure ethical and environmentally responsible procurement.

We led the revisions of the world's most well-known standards, ISO 9001 and ISO 14001, which were both published in September 2015. We continue to update and refresh the standards on our web-based tool, 'Sustainability Standards Navigator', to help the general public understand our range of standards that can support sustainable development.

[www.bsigroup.com/sustainabilitynavigator](http://www.bsigroup.com/sustainabilitynavigator)

## Consumer and Public Interest Network

BSI's Consumer and Public Interest Network (CPIN) exists to make sure that new standards address key consumer issues and tackle everyday problems faced by ordinary people. It includes members of the public who have relevant experience and representatives from Which?, Citizens Advice, the National Consumer Federation, environmental groups, as well as non-industry groups with a societal focus, such as charities.

The CPIN members represent the consumer view on standards development committees and on the BSI Committee that ultimately drives standards strategy – the Standards Policy and Strategy Committee (SPSC). Its key focus areas are services, safety, security of personal information, sustainability and inclusivity.

An example of their recent work includes the revision of ISO/IEC Guide 71 for addressing accessibility in standards.

## Our people

We recognize that our world is changing, and continually seek to engage our colleagues' views to ensure that we become a better employer where people can develop their careers. We want to create a supportive and fearless culture where every person feels enabled to be the best that they can be. Our 2015 biennial global employee survey showed that our colleagues are proud of the work we do, are motivated to contribute more than is required and would recommend BSI as a place to work. With our highest-ever participation rate of 83%, we demonstrated progress in all dimensions of the survey. We were delighted to be recognized as a 'Silver-level' Investors in People (IIP) company for the first time in the UK, which reflects the progress we have made in the way we manage, lead, develop and involve our employees in decision making.

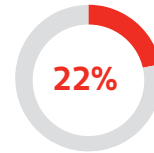
Every year we invest heavily in learning and development at all levels in the organization, with management development courses recognized by the Institute of Leadership and Management (ILM). We have also invested in providing opportunities for our colleagues to improve their physical, social and emotional wellbeing. We conducted a survey in conjunction with 'Britain's Healthiest Company' and identified our major wellbeing challenges in the UK as musculoskeletal and personal resilience. Our 2016 wellbeing programme will therefore focus on these areas.

Our recruitment programme helps us create a workforce that reflects the local diversity of the countries we operate in. Appointments are made on merit, seeking increasingly to take the benefits of diversity into consideration. Our senior management comprises of 25 different nationalities. We have a larger population of female employees at the lower grade levels in the organization with a diminishing presence as the grading level increases, although it was pleasing to see an increase on 2014 at both Board and senior management level. Increasing gender diversity across the Group will be a key focus for the future.

## Diversity – percentage female



Board of Directors  
(2014: 22%)



Senior management  
(2014: 18%)



Total workforce  
(2014: 45%)

## Our communities

We understand the importance of giving back to our local communities and we encourage our colleagues to play a positive role in this. Our aim is to positively contribute to the communities within which we work.

Our colleagues boast a wealth of knowledge and skills that can support our local communities. They often volunteer their time to charitable organizations and organize free seminars and workshops for the public by subject matter experts. We maintain an active policy of charitable giving, either directly or in support of colleague-led initiatives. In the summer, over 400 colleagues participated in our 'Walk for Water' challenge in aid of our global charity partner, WaterAid. We covered over 25,000 miles, more than the earth's circumference at the equator, and raised important funds to help support communities in Ethiopia.



Some of the 90 members of the US team who walked over ten million steps in two weeks to raise money for our global charity partner, WaterAid.

In support of  
**WaterAid**

## Greenhouse gas emissions

### Caring for the environment

Our global carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). Emissions are shown in compliance with DEFRA Greenhouse Gas Reporting Guidance and have been calculated using the latest conversion factors published by the Department for Energy and Climate Change (DECC) and the Department for Environment, Food and Rural Affairs (DEFRA) in May 2015.

Year on year we strive to produce the most accurate data available to us through the continual improvement of our data gathering process. This year we have had access to better information on 2014 emissions, which we have restated below. The increase in Scope 1 emissions is primarily due to the inclusion of more refined data relating to the fuel consumption of our UK motor fleet in 2015. We aim to develop and enhance our data gathering process and reporting methods still further in 2016 to ensure robust reporting on these emissions in the future.

Greenhouse gas emissions (tCO <sub>2</sub> e)	2015	2014
Scope 1 emissions	<b>3,100</b>	2,700
Scope 2 emissions	<b>2,600</b>	2,900
Net emissions	<b>5,700</b>	5,600
Intensity ratio per employee	<b>1.80</b>	1.87
Intensity ratio per square metre	<b>0.14</b>	0.14

#### Definitions

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

Scope 2 emissions arise indirectly and result from the off-site generation of electricity, heating and cooling purchased by BSI.

The intensity ratio per employee is the total net emissions divided by the headcount employed by the Group during the year.

The intensity ratio per square metre is the total net emissions divided by the area of office space used by the Group during the year.


#### Our environment

We recognize the importance of good environmental stewardship. We aim to minimize the negative impacts of our decisions and activities on the environment and improve our environmental performance. Adopting the principles of ISO 14001 (Environmental Management) helps us in this regard. We have achieved third-party certification in our Corporate Centre and Information Solutions businesses. We are conscious that, as we upgrade our offices over time, it has a significant environmental impact and we adopt the highest relevant standards to help minimize this.

We operate local recycling awareness campaigns to help reduce our impact on the environment. Many countries also operate specific initiatives such as collecting and recycling bottle tops in exchange for polio vaccines for children in Japan and donating old IT equipment to charitable organizations when we upgrade our equipment in the UK and the US.

Energy is also a key focus. In 2015, we appointed a consultant to review our energy use and met the requirements of the EU Energy Efficiency Directive and the UK Energy Savings Opportunity Scheme (ESOS). The ESOS audit accounted for 96.8% of our energy use in the UK, and confirmed that 68% of our usage is business travel. Lighting, heating and cooling were also identified as significant uses of energy. In 2016 we will develop and implement a Global Energy Policy.

At BSI we take our social responsibilities very seriously. Our business allows us to shape the way the world handles the issues facing it in this area and we make every effort to reach these high standards in the decisions we take and the way we live our own lives.



**Alicja Lesniak**  
**Chairman of the Social Responsibility Committee**  
 22 March 2016

## Board of Directors



**Sir David Brown**

**Chairman**

A N SR

Sir David Brown joined the Board as Non-executive Director in May 2010 and became Chairman in March 2012. He was Chairman of Motorola Ltd from 1997 to 2008 and was also Motorola's Global Governance Advisor. A Chartered Engineer and Fellow of the Royal Academy of Engineering, he was President of the Federation of the Electronics Industry and President of the Institution of Electrical Engineers. He was the first President of the Chartered Quality Institute, during which time it secured its Royal Charter status. He is Non-executive Director of TTG Global Group Ltd.



**Howard Kerr**

**Chief Executive**

N SR

Howard Kerr was appointed to the Board in November 2008 and assumed the position of Chief Executive in January 2009. After a period at Associated British Ports, his early career was spent in business development roles in the fields of shipping, logistics and B2B marketing with Inchcape PLC in the UK, Japan, China and the Middle East. Subsequently he joined SHV Holdings NV, where he held general management positions in the energy division, including Chief Executive of Calor Group Ltd, UK, and Senior Vice-president on the International Management Board of SHV Gas in the Netherlands.



**Craig Smith FCCA**

**Group Finance Director**

Craig Smith joined the Board as Group Finance Director in August 2011. A Chartered Certified Accountant, he began his career in 1985 with Coats Viyella PLC, undertaking finance roles in Australia, Spain, the UK, Morocco, Hungary and Finland. On his return to the UK in 1997 he was European Finance Director for two large American corporations in the product identification and printing ink industries. Immediately prior to joining BSI he was Group Finance Director of two UK-listed companies, Huntleigh Technology PLC from 2003 to 2007 and Management Consulting Group PLC from 2007 onwards.



**Dr Scott Steedman CBE**

**Director of Standards**

SP

Scott Steedman joined the Group in January 2012 and was appointed to the Board in October 2012. An engineer by background, he started his career at Cambridge University before moving to industry where he spent over 20 years working for consulting and contracting companies on major infrastructure and building projects around the world. Elected Vice-president Policy for the European Committee for Standardization (CEN) in November 2012, he is a former Vice-president of the Institution of Civil Engineers and of the Royal Academy of Engineering, where he continues to serve as Editor-in-Chief of the Academy's flagship magazine, *Ingenia*.



**Lucinda Riches**

**Senior Non-executive Director**

A N R

Lucinda Riches was appointed advisor to the Board in May 2011, Non-executive Director in May 2012 and Senior Non-executive Director in October 2015. She was an investment banker for over 20 years at SG Warburg and its successor firms, ultimately as Global Head of Equity Capital Markets and a Board Member at UBS Investment Bank. She is Non-executive Director of UK Financial Investments Limited, which manages the UK Government's investments in financial institutions. She is also Non-executive Director of the Diverse Income Trust PLC, the Graphite Enterprise Trust PLC, CRH PLC, on the Partnership Board of King and Wood Mallesons LLP, and a Trustee of Sue Ryder.



**Alison Wood**

**Non-executive Director**

N R

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 and Thus Group PLC and is currently Non-executive Director and Chair of the Remuneration Committee at Cobham PLC and Costain PLC and Senior Independent Director of e2v PLC.



**Alicja Lesniak**

**Non-executive Director**

A N SR

Alicja Lesniak was appointed Board Advisor in October 2014 and Non-executive Director in June 2015. She has broad experience on a global level of the financial and commercial management of fast growing professional service businesses, having held senior positions at Arthur Andersen & Co., where she qualified as a Chartered Accountant, J Walter Thompson and Ogilvy & Mather at WPP Group PLC and then Omnicom before latterly being Chief Financial Officer of Aegis Group PLC from 2007 to 2009. She is Non-executive Director and Chair of the Audit Committee at Channel 4 Television Corporation and, in addition, Senior Non-executive Director at Next Fifteen Communications Group PLC.

**Dr Stephen Page**

**Non-executive Director**

N R SP SR

Stephen Page joined the Board in September 2015 as Non-executive Director. Stephen has a wealth of experience in IT transformation and corporate risks such as cyber security and counter-terrorism. At Accenture he had a variety of European and global leadership roles including Managing Director, Strategic IT Effectiveness. For the past ten years he has held a portfolio of Board and senior advisory positions. He is currently a Non-executive Director of the National Crime Agency and of the British Library, and advises a number of companies facing the risks and opportunities of the digital age.



**Douglas Hurt**

**Non-executive Director**

A N R

Douglas Hurt joined the Board in November 2015 as Non-executive Director. Douglas started his career at PricewaterhouseCoopers, 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 is currently Non-executive Director and Chairman of the Audit Committee of Tate & Lyle PLC and Vesuvius PLC.

**Tony Wales**

**Company Secretary**

Tony Wales joined BSI as Director of Legal Affairs and Company Secretary in January 2010. A qualified solicitor with significant international experience, he was a partner in a City law firm from 1986 to 1994 and practised commercial law in London, Hong Kong and Prague. Moving in house in 1994 he was General Counsel at The Economist Group where he became involved in online publishing and digital media. In 2002 he became General Counsel at AOL Europe and, from 2007, at AOL International, where he led worldwide legal affairs outside the USA. He is a past President of The Association of Corporate Counsel in Europe.

**Committee membership**

- A Audit Committee
- N Nominations Committee
- R Remuneration Committee
- SP Standards Policy and Strategy Committee
- SR Social Responsibility Committee
- Committee Chair

## Group Executive

The Group Executive comprises:



**Howard Kerr**  
Chief Executive



**Craig Smith**  
Group Finance Director



**Dr Scott Steedman CBE**  
Director of Standards



**Jim Newell**  
Group Human Resources Director



**Pietro Foschi**  
Group Strategic Delivery Director



**David Brown**  
Director of Corporate Development



**Mark Basham**  
Managing Director, BSI EMEA



**Todd VanderVen**  
President, BSI Americas



**David Horlock**  
Managing Director, BSI Asia Pacific

## Operational Executive

The Operational Executive comprises the Group Executive and:



**Tony Wales**  
Director of Legal Affairs



**Steve Cargill**  
Chief Information Officer



**Tony Reilly**  
Group Marketing Director



**Dr Gary Fenton**  
Global Product  
Certification Director



**Richard Keown**  
Global Director, Training



**Shirley Bailey-Wood MBE**  
Director, Information Solutions



**Dan Purtell**  
Senior Vice-president,  
Governance, Risk and  
Compliance Solutions



**Gary Slack**  
Senior Vice-president,  
Global Healthcare Solutions



**Marc Barnes**  
Global Director of Food

## Introduction by the Chairman, Sir David Brown.

As a Royal Charter Company, with no shareholders and therefore no stock exchange listing, BSI is not required to apply the Financial Reporting Council's UK Corporate Governance Code. However, consistent with our unique status as the UK National Standards Body and our commitment to our members, we nevertheless apply the principles of the Code where applicable and, in doing so, have established internal governance processes which reflect best practice in business today.

The ultimate accountability for the governance of BSI lies with our widely experienced Board of Directors, which has a majority of Non-executive Directors. The Board is supported by Audit, Remuneration, Nominations and Social Responsibility Committees which are chaired by, and primarily consist of, Non-executive Directors. These formal Committees are complemented by the Standards Policy and Strategy Committee, which does invaluable work in gathering and distilling the views of those interested in standards and advising the Board.

Underpinning this governance framework, our structure of internal controls and financial management and, indeed, everything that every BSI employee does, wherever they do it, is the BSI Code of Business Ethics. It sets the ethical values and high standards of integrity that apply to every aspect of the way that we do business.



**Sir David Brown**

**Chairman**

22 March 2016





### Governance framework

The Board of The British Standards Institution is committed to the highest standards of corporate governance which it considers fundamental to the success of the business. The British Standards Institution is governed by its Royal Charter and Bye-laws. As a Royal Charter Company, BSI is not subject to the oversight by investors as is found in joint-stock companies but, nevertheless, has complied throughout the accounting period with the FRC UK Corporate Governance Code 2014 (the 'Code') wherever relevant and practical. In particular, the provisions of the Code relating to shareholders are not applicable to the Company (E.1 of the Code). In addition, Sir David Brown, Chairman, is a member of the Audit Committee (not in compliance with C.3.1 of the Code) where his knowledge and experience are beneficial.

### The Board

The Board is the governing body of the Company and is collectively responsible for the success of the business. It provides leadership of the organization within a framework of prudent and effective controls that enable risk to be assessed and managed. The Board operates within the terms of a schedule of matters that are reserved for its decision; other decisions are delegated to management. The Board has ultimate responsibility for ensuring compliance with the Company's Royal Charter and Bye-laws, its strategy and management, organization and structure, financial reporting and controls, internal controls, risk management, approval of significant contracts, determination of corporate policies, consideration of significant matters relating to the raising of finance, acquisitions and disposals and corporate governance matters.

In 2015 the Board comprised the Chairman, Sir David Brown; the Chief Executive, Howard Kerr; two further Executive Directors, responsible for finance and standards; and, subject to the changes that occurred during the year, five independent Non-executive Directors.

Dr John Regazzi, Dr Tom Gorrie and Anthony Lea retired from the Board on 31 May, 31 August and 30 September 2015, respectively. Alicja Lesniak, who had been an advisor to the Board since October 2014, was appointed as a Non-executive Director on 1 June 2015. Dr Stephen Page and Douglas Hurt were appointed as Non-executive Directors on 1 September and 1 November 2015, respectively.

The current Directors of the Company and their roles are given in their biographical details on pages 34 and 35.

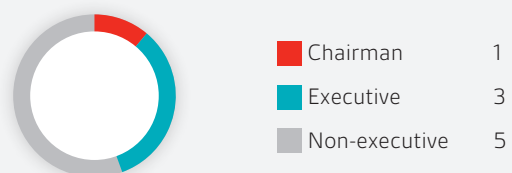
There is a clear division of responsibilities at the head of the organization which has been set out in writing and approved by the Board. The Chairman is responsible for the leadership of the Board, ensuring that the Directors receive the information they require for their roles. He also facilitates the contribution of the Non-executive Directors as a key part of the Board including their role in constructively challenging and helping to develop proposals on strategy. The Chief Executive is responsible for the day-to-day management of the business and the leadership of an effective executive team to deliver the business objectives of the organization.

The Board has established formal procedures to ensure that the disclosure and authorization of any actual or potential conflicts of interest are carried out correctly.

## Board management and corporate structure



### Balance of Executive and Non-executive Directors



### 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 of the Non-executive Directors are considered independent for the purposes of the Code. The British Standards Institution's Bye-laws require that the total number of Executive Directors may not exceed the total number of Non-executive Directors. Accordingly, at least half the Board comprises Non-executive Directors in accordance with the Code.

During the year the Chairman met with the Non-executive Directors without the Executive Directors being present. Anthony Lea was the Senior Independent Director until Lucinda Riches was appointed to that role on 1 October 2015. As Senior Independent Director, Lucinda Riches met with the Non-executive Directors without the Chairman being present in January 2016.

### Rotation of Directors

In accordance with the Company's Bye-laws, 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.

### Board meetings

There were seven meetings of the Board during the year ended 31 December 2015. The Board is regularly briefed on financial performance as well as risks, uncertainties and future prospects. In addition to regular updates and formal items, matters considered and agreed upon during 2015 included:

#### January

- Review of the effectiveness of changes to the Board agenda process
- Business update on the UK customer excellence initiative
- Report on the Group's Health, Safety and Environmental performance

#### March

- Evaluation of the effectiveness of the Chairman and Chief Executive
- Consideration and approval of the proposed acquisition of Hill Country Environmental, USA
- Review of 2014 results and approval in principle of the Annual Report
- Review of Non-executive Directors' fees and agreement for an increase to be proposed at the AGM
- Presentation by the HR Director of the Group's talent management strategy
- Business update on customer insight
- Discussion on the Group's foreign exchange strategy with regard to overseas acquisitions

#### May

- Review of BSI's Code of Business Ethics
- Review of compliance with the NSB Code of Conduct
- Appointment of Alicja Lesniak, Board Advisor, as a Non-executive Director
- Appointment of the Chairman of the Audit Committee as a result of a Director's retirement
- Business update on the product certification business
- Standards Policy and Strategy Committee update by its Chairman
- Determination of membership fees

#### June (two meetings)

- Group strategy meeting with the Group's executive management
- Consideration of the Group Strategic Plan 2016–18
- Business update on healthcare and medical devices businesses
- Appointment of Dr Stephen Page as a Non-executive Director
- An update on Board recruitment

#### September

- Consideration of the governance of Group subsidiary companies
- Update on the assurance business
- Update on accreditation compliance
- Agreement of the Group Strategic Plan 2016–18
- Appointment of Douglas Hurt as a Non-executive Director
- Presentation to the Non-executive Directors, in private, of a review of the Group's senior leadership team

#### December

- Review of the annual evaluation of the Board and its Committees
- Agreement for an entry into a new territory – New Zealand
- Business update on the Asia Pacific Region
- Consideration of a matter referred to the Board by the Standards Policy and Strategy Committee
- Confirmation of the Group's new Social Responsibility Commitment
- Agreement of the Group budget 2016
- Consideration of proposed acquisitions

### Board meeting attendance

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

Attendance	Jan	Mar	May	Jun	Jun	Sep	Dec
<b>Chairman</b>							
Sir David Brown	●	●	●	●	●	●	●
<b>Executive Directors</b>							
Howard Kerr	●	●	●	●	●	●	●
Craig Smith	●	●	●	●	●	●	●
Dr Scott Steedman	●	○	●	●	●	●	●
<b>Non-executive Directors</b>							
Dr Tom Gorrie (to 31 August 2015)	●	●	●	●	●	–	–
Douglas Hurt (from 1 November 2015)	–	–	–	–	–	–	●
Anthony Lea (to 30 September 2015)	●	●	●	●	○	○	–
Alicja Lesniak (from 1 June 2015)	–	–	–	●	●	●	●
Dr Stephen Page (from 1 September 2015)	–	–	–	–	–	●	●
Dr John Regazzi (to 31 May 2015)	●	●	○	–	–	–	–
Lucinda Riches	●	●	●	●	○	●	●
Alison Wood	●	●	●	●	●	●	●
<b>Board Advisor</b>							
Alicja Lesniak (to 31 May 2015)	●	●	●	–	–	–	–

● Chairman ● Member ○ Did not attend ● Attended as Board Advisor

### Evaluation, training and support

An evaluation process is carried out annually to support continuing improvement in Board, Board Committee and individual Director effectiveness. The intention is to have this process led by an external facilitator at regular intervals and in 2014 it was facilitated by Independent Board Review, a division of Independent Audit Limited. Following an information gathering process, including use of its online assessment service Thinking Board, it independently analysed the responses and presented the findings and its suggestions in a paper which was considered, discussed and acted upon by the Board and its Committees. The Board agreed that, in 2015, BSI should facilitate the process itself and, in order to provide consistency, assess change and build upon benefits of the previous year's process, BSI would use the same question set and Thinking Board system but would review and analyse the responses internally. The exercise was valuable and led to constructive discussion. It was agreed to implement the changes and improvements suggested, which included a greater degree of clarity in defining the Group's risk appetite, a deeper consideration of external perspectives and developments, including competitor activities in the next Strategic review and the inclusion of executive succession planning and development in the Chief Executive's objectives.

Training in matters relevant to their role on the Board is 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. The Directors are supplied with the best available information in a form and of a quality to support them in the decision-making process. The Board is supported by the Company Secretary, who is available to give ongoing advice to all Directors on Board procedures and corporate governance. There is a procedure for Directors to have access, if required, to independent professional advice, paid for by the Company.

### Board Committees

The Board delegates certain of its responsibilities to standing Committees. These Committees have written terms of reference that deal with their authorities and duties, which are reviewed annually. The Non-executive Directors play an important governance role on these Committees. The Board considers that the membership of the Audit Committee, Remuneration Committee and Nominations Committee and their terms of reference are in line with the Code's recommendations and best practice. The Committees are:

#### Audit Committee

The Audit Committee is responsible for, among other things, recommending the appointment of auditors, reviewing the annual financial results, considering matters raised by the auditors and overseeing the internal control system operated by the Group.

- A report by the Audit Committee, including details of its membership, is set out on pages 44 to 46.

## Board Committees continued

### Remuneration Committee

The Remuneration Committee is responsible for reviewing the terms and conditions of employment of Executive Directors and the senior management team including the provision of incentives and performance related benefits.

### Nominations Committee

The Nominations Committee is responsible for selecting and recommending the appointment of all Directors to the Board.

### Standards Policy and Strategy Committee

The principal objective of the Standards Policy and Strategy Committee is to bring together the views of those interested in standards and standardization activities in order to develop the strategic policy of the organization in the national, European and international standards arenas. The Committee is chaired by Carol Sergeant CBE. The Committee's members include Dr Scott Steedman, Director of Standards, and Dr Stephen Page, Non-executive Director, with Sir David Brown, Group Chairman, and Howard Kerr, Chief Executive, in attendance.

- Details of standards activities are given by Dr Scott Steedman, Director of Standards, on pages 24 to 26.

### Social Responsibility Committee

The Social Responsibility Committee is responsible for enhancing the commitment of the Group to social responsibility based upon the guidelines set out in ISO 26000.

- The Social responsibility review, which includes details of the Committee's membership, is set out on pages 31 to 33.

## Internal control

The BSI Group has a robust and effective system of internal control supported by review and assurance processes.

The Board recognizes that it is responsible for the system of internal control in the BSI Group and takes direct responsibility for reviewing and maintaining the effectiveness of those controls which are considered at each Board meeting as an integral part of the meeting's discussions. No significant failings or weaknesses have been identified.

The BSI Group's internal control system is set out in a comprehensive Group Compliance Framework, to which all BSI employees have access on the organization's intranet. The Group Compliance Framework is designed to provide a level of assurance that adequate controls are applied and is considered by the Board and updated when appropriate.

The BSI Group has, as part of the internal audit department, a risk and compliance function which monitors compliance with the Group Compliance Framework on behalf of the Board. The risk and compliance function provides a risk report to each scheduled meeting of the Board.

This assists the Board in its review of significant business risks throughout the year as well as its consideration of the scope and effectiveness of the organization's system of internal control. This review involves the identification of actual or potential risks to the BSI Group which may have an impact on its objectives, together with controls and reporting procedures designed to address and mitigate those risks. These controls are reviewed, applied and updated whenever appropriate throughout the year.

- The principal risks and uncertainties facing the business are detailed on pages 22 and 23.

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.

As part of the internal control environment there is a comprehensive financial management, financial control and governance framework. Quarterly financial and operational reviews are undertaken throughout the BSI Group by the Chief Executive and Group Finance Director and the Board reviews a full financial report and commentary every month. The BSI Group's internal audit function is responsible for auditing and monitoring the application of financial procedures and practices throughout the BSI Group. The Head of Internal Audit and Risk reports functionally to the Group Finance Director but has full and open access to the Audit Committee.

The BSI 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 on Risk Management, Internal Control and Related Financial and Business Reporting 2014, for identifying, evaluating and managing the significant risks faced by the organization, which has been in place during the year under review and up to the date of approval of this Annual Report and financial statements.

Underpinning the formal internal control system is the BSI Code of Business Ethics, which sets out the ethical values and high standards of integrity that BSI aims to put at the forefront of all its activities.

By Order of the Board



Sir David Brown

Chairman

22 March 2016

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations including the Royal Charter and Bye-laws of The British Standards Institution.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the BSI Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 BSI Group and the Company and of the profit or loss of the BSI Group for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Royal Charter and Bye-laws of The British Standards Institution. They are also responsible for safeguarding the assets of the Company and the BSI Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

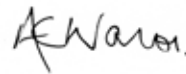
The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the Directors' report is approved, it is confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board



**Tony Wales**  
**Company Secretary**  
22 March 2016

The Audit Committee (the 'Committee') is established by the Board under terms of reference that are annually reviewed and most recently updated in December 2014 to take account of updates to the FRC's UK Corporate Governance Code and Guidance on Audit Committees. A copy of the Committee's terms of reference is available on the BSI Group website.

### Membership

During the year ended 31 December 2015 the Committee comprised:

- Sir David Brown
- Douglas Hurt (from 1 November 2015)
- Anthony Lea (Chairman to 31 May 2015, left the Committee on 30 September 2015)
- Alicja Lesniak
- Lucinda Riches (Chairman from 1 June 2015)

### Audit Committee attendance

The Committee met three times in the year ended 31 December 2015.

Attendance	Mar	Jun	Nov
Sir David Brown	●	●	●
Douglas Hurt	—	—	●
Anthony Lea	●	●	—
Alicja Lesniak	●	●	●
Lucinda Riches	●	●	●

● Chairman ● Member

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, Sir David Brown, Chairman of BSI, is a member of the Committee as his knowledge and experience are considered beneficial.

Douglas Hurt has held many senior financial roles including Group Finance Director at IMI plc. Anthony Lea was a Trustee of the RAF Benevolent Fund, and Chairman of its Finance Committee. He was previously Finance Director at Anglo American PLC and Chairman of the Audit Committee at the Office of Fair Trading. Alicja Lesniak is Chairman of the Audit Committee at Channel 4 Television Corporation and Next Fifteen Communications Group plc and during her career has held many senior financial roles including Chief Financial Officer of Ogilvy and Mather Worldwide and Aegis plc. Lucinda Riches was an investment banker for over 20 years at SG Warburg and successor firms and is a Non-executive Director of UK Financial Investments Limited. All are considered to have recent and relevant financial experience.

When appropriate, the Chief Executive, Group Finance Director, Group Financial Controller, Head of Tax and Treasury and Head of Internal Audit and Risk, along with the external auditors, are invited by the Committee to attend its meetings. The Committee is able to consider items of business without other parties being present.

### Key responsibilities of the Committee

These include:

- monitoring the integrity of the financial statements of the Company and the BSI 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 Company's performance, business model and strategy;
- meeting with the auditors, in advance of the annual audit, to consider and discuss the nature and scope of the audit;
- monitoring the effectiveness of the internal audit function;
- reviewing the 'whistle-blowing' procedure;
- overseeing the relationship with the external auditors and addressing the effectiveness of the external audit process, including making recommendations for the appointment, re-appointment and removal of the external auditors;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services; and
- meeting with the auditors without Executive Directors present.

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 support to the Group Finance Director and Group finance team.

### Activities of the Committee

During the year the Committee, among other things:

- received and considered, as part of the 2014 year-end process, an audit report from PricewaterhouseCoopers LLP on matters including audit progress and findings, quality of earnings, reporting matters, judgement areas, taxation, systems and controls, risk management, corporate governance and auditor independence;
- considered and recommended to the Board the external auditors' fees, letters of engagement and letters of representation;
- reviewed the draft financial statements and the 2014 Annual Report and after due consideration recommended them to the Board;

- at each of its meetings, considered the internal audit department's reports, looked at its findings from each location/business area and reviewed and discussed with the Head of Internal Audit and Risk how and when issues were addressed and closed. The Committee also agreed future activity planning and received reports on the department's staffing;
- agreed the scope and content of the annual Letter of Assurance. Following the Letter of Assurance exercise, the Chief Executive reported to the Committee on the returns received;
- received reports on issues raised through the Company's 'whistle-blowing' hotline and similar channels and ensured that proper processes were in place to investigate and address the matters reported;
- agreed areas of audit focus with the external auditors, which, for 2015, were primarily the detection of fraud in revenue recognition, management override of controls and acquisition accounting, as well as UK defined benefit pension scheme liabilities, the impairment of assets and other matters of potential risk;
- received a comprehensive treasury and tax update from the Group Finance Director and Head of Tax and Treasury;
- considered and confirmed the procedures of the Company, as the National Standards Body, for compliance with its financial obligations under the Memorandum of Understanding with HM Government;
- undertook a review of the UK Financial Shared Service Centre;
- received regular reports from the finance team on the progress of the Group's transfer pricing exercise;
- considered and confirmed the Group's approach to hedging foreign currency;
- retained the Institute of Internal Auditors to undertake an external quality assessment of the Group's internal audit function and agreed recommended areas of improvement with the management team;
- reviewed the minutes of the Banking and General Purpose Committee and discussed matters of interest with the treasury and finance teams; and
- received a regular update from the Group Finance Director regarding key finance function staffing around the Group.

There is an annual work plan in place that specifies the key agenda items for each scheduled meeting of the Committee. Those items typically follow the annual reporting cycle with other regular items included as appropriate. In addition, items are added to the agenda to follow up matters arising from previous meetings or on an ad hoc basis where matters require the consideration of the Committee.

### Significant areas

Significant and elevated areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2015 were:

- management override of controls;
- fraud in revenue recognition;
- acquisition accounting for the new businesses;
- accounting for the UK defined benefit pension scheme; and
- impairment of assets.

The Committee addressed these by applying, with the auditors, a rigorous review of each. The Committee confirmed that appropriate accounting treatment had been applied in each case.

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

### External audit

The Committee addresses the effectiveness of the external audit process by measures including:

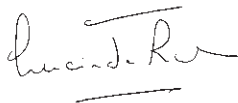
- considering the external auditors' proposed audit strategy and agreeing with them the scope of the audit programme based on their risk assessment and the detailed review of specific businesses suggested by the Committee;
- agreeing areas of audit focus with the auditors;
- re-tendering the external audit at least every ten years;
- keeping the auditors' team under review to ensure it has the necessary expertise, experience and understanding of the business, as well as having the time and resources to carry out its audits effectively;
- discussing with the auditors areas of elevated risk, including pensions and impairment of assets; and
- regularly reviewing, and feeding back to the auditors, an assessment of their performance on matters including meeting the audit programme, the thoroughness and perceptiveness of their reviews and the quality of their technical expertise.

### External audit continued

The Committee reviews the level of fees and type of non-audit work carried out by the auditors (see Note 7 to the financial statements). It was considered in the best interests of the Company to retain PricewaterhouseCoopers LLP for certain non-audit work due to their relevant expertise and knowledge of the Company. The Committee safeguards the auditors' objectivity by reviewing the measures they take to maintain their independence and manage any conflicts of interest. PricewaterhouseCoopers LLP have been the BSI Group's auditors for more than ten years.

There are no contractual obligations restricting the Company's choice of auditors. In 2013, in accordance with best practice, the Company undertook a re-tendering exercise for the selection of the auditors. A thorough review process was carried out and PricewaterhouseCoopers LLP were retained as the Company's auditors but with a new team. The Audit Committee considers that the relationship with the auditors continues to work well and remains satisfied with their effectiveness. Accordingly the Committee has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed as the Company's auditors at the 2016 Annual General Meeting.

By Order of the Board



**Lucinda Riches**

**Chairman of the Audit Committee**

22 March 2016





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