The British Standards Institution

Annual report and financial statements 2016

...making excellence a habit.

bsi.

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.

A successful business is...

Trusted

Secure

Responsible

Robust

Innovative

Agile

Resilient

Highlights of 2016

Revenue
£401.8m +21%
2015: £331.1m

Underlying operating profit
£50.1m +42%
2015: £35.4m

Operating profit
£47.3m +39%
2015: £34.1m

Cash
£48.1m -6%
2015: £51.0m

Net asset value
£82.9m +6%
2015: £78.4m

Average employees
3,835 +9%
2015: 3,525

- Strong global performance despite economic, political and social uncertainty
- Record underlying revenue for the seventeenth consecutive year
- Record underlying profit delivered organically and through acquisitions
- Weakness of Sterling boosted results from significant non-UK business
- The implementation of our strategy continues as planned

By Royal Charter

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'.

Contents

We help to embed excellence across organizations

We deliver a specialized portfolio of products and services to help our clients to develop their resilience so that they survive and prosper.

OUR REGIONS

...delivered through local relationships and resources

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OUR STREAMS

...specialized combination of products and services

Read more on **p06**

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.

OUR SECTORS

...across many sectors
but focusing on a few

Read more on **p08**

- Healthcare
- Food
- Built Environment
- Aerospace and Automotive
- All other sectors

OUR DOMAINS

...Organizational Resilience
across the business

Read more on **p10**

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.

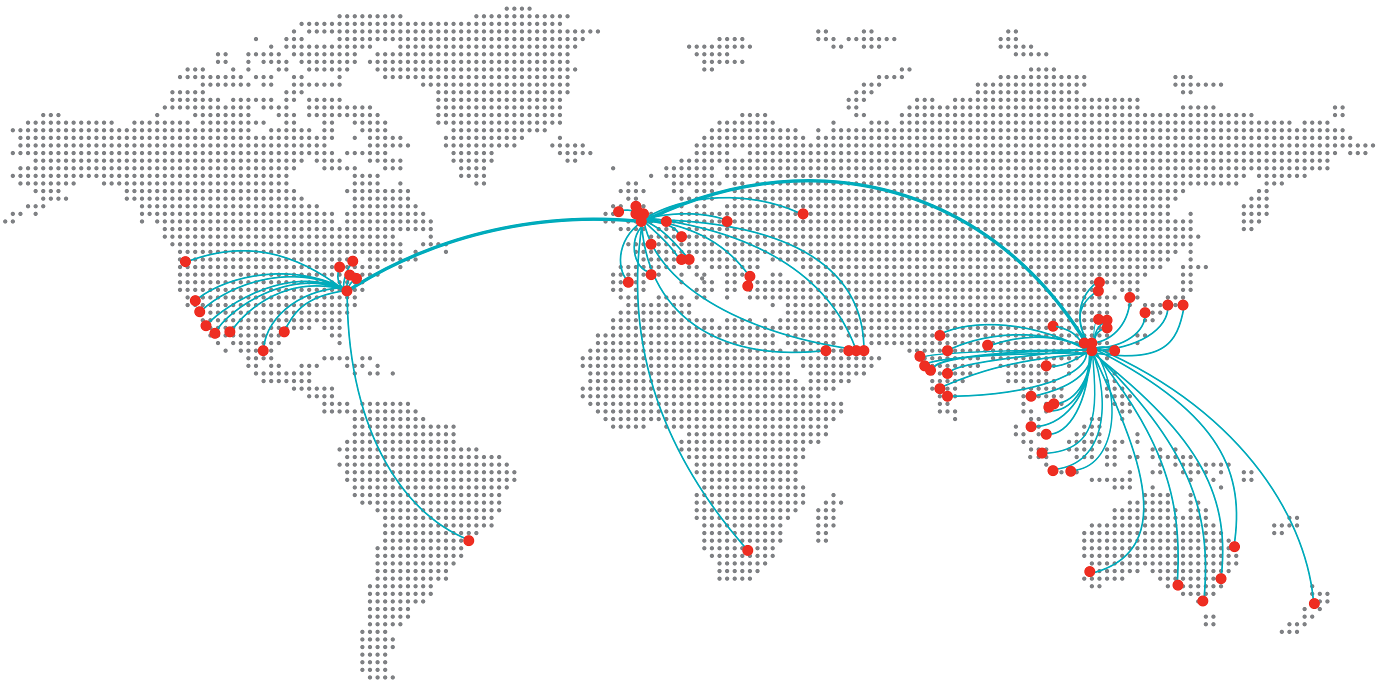
Support

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

Imparting our global expertise worldwide

BSI is an integrated global enterprise, able to serve clients in over 180 countries from 80 offices in 30 countries in three regions across the world. We have a presence on every continent.

We have local expertise in each of these countries, to ensure that our clients receive the quality service they have come to expect from us.



Americas

Our Americas headquarters are in Herndon, near Washington DC, US, and we have offices across the US and in Canada, Brazil and Mexico.

We work with

53%

of the Fortune 500

Read more on **p21**

EMEA

In addition to our global headquarters in Chiswick, London, and our EMEA headquarters in Milton Keynes, UK, we have offices in nine other European countries, three more in the Middle East and one in Africa.

We work with

64%

of the FTSE 100

Read more on **p20**

Asia Pacific

Our Asia Pacific management is based in Hong Kong and we have offices in twelve countries in the region, from India in the west to New Zealand in the east.

We work with

58%

of the Nikkei Index

Read more on **p22**

Resilient

Integrating ISO 9001:2015 and ISO 27001 made DENSO more resilient

DENSO IT Solutions Inc., located in Nagoya, Japan, made the successful transition to ISO 9001:2015 and integrated it with its ISO 27001 Information Security Management System.

Delivering efficiencies

When DENSO learned of the revision to ISO 9001 it identified this as a perfect opportunity to integrate the new standard with its ISO 27001 Information Security Management System and benefit from the efficiencies this would deliver.

The solution

As the two standards are now based on a common structure, Annex SL, which contains common themes such as leadership and risk-based thinking, integration made sense. DENSO now has much greater visibility on the business and it has helped it to spot problems early on and resolve them more quickly. It has also given DENSO a more holistic view of the organization and made it more resilient in the long term.

'We believe that the concepts of ISO 9001 and ISO 27001 have also been firmly embedded into the company, resulting in better corporate governance.'

Seiichero Shibayama
General Manager
DENSO IT Solutions Inc.

Our products and services

We provide a specialized combination of complementary products and services, managed through our three business streams.

Knowledge

Standards Development and Publishing

Read more on **p23**

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.

Revenue

£59.4m

2015: £56.3m

Of Group revenue

15%

Assurance

Systems and Product Certification and Training

Read more on **p23**

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.

Revenue

£292.6m

2015: £246.6m

Of Group revenue

73%

Compliance

Consultancy and Supply Chain Solutions

Read more on **p25**

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.

Revenue

£49.8m

2015: £28.2m

Of Group revenue

12%

Trusted

Smith & Nephew has saved time by having streamlined processes in place

Smith & Nephew Medical Ltd., a global manufacturer of advanced wound care dressings, has been working with BSI as its Notified Body since 1994.

A trusted brand

With a pioneering approach to the design of its products and services, Smith & Nephew needed a Notified Body with expertise and up-to-date industry knowledge to innovate and remain compliant. Working with BSI helps it to meet its requirements and build its reputation as a trusted brand.

The solution

Smith & Nephew selected BSI with its team of specialist scheme managers who can provide certification, auditing, and training services. In a sector with an ever-changing regulatory environment, and where speed to market is key, Smith & Nephew has found BSI's dedicated design dossier review service* an excellent way that to help bring product to market quickly. This service aids production planning, product launches and the initiation of subsequent global market registration activities.

* BSI's dedicated design dossier review service is subject to availability.

'When we chose our Notified Body, it needed to be one that we could trust, had knowledge within our industry and was efficient in its processes... this is why we chose to work with BSI.'

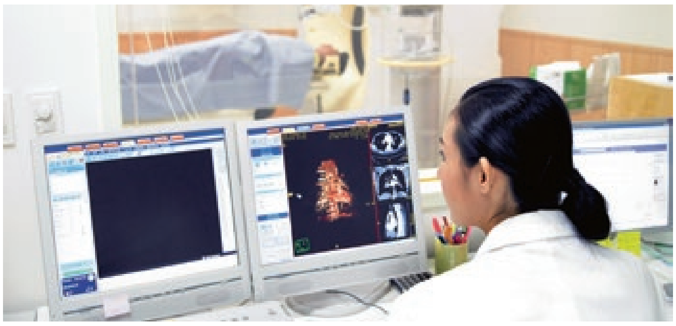
Samantha Neilson
Regulatory Affairs Manager
Smith & Nephew Ltd.

Our chosen focus sectors

Although we work with over 81,000 clients across a wide range of industries we have our areas of specialization: those industry sectors where we are, or aspire to be, thought leaders.

Healthcare

For some years we have been market leaders in the certification of medical device systems and product certification. We have complemented this with specific training courses and standards development and are expanding our area of influence into pharmaceuticals and hospital services.



Food

We provide food-specific certification services for our clients in this expanding sector as well as satisfying their general requirements, led by our Food Centre of Excellence in Sydney.

Built Environment

Our Built Environment expertise is based in the UK on the back of many years of working with the construction industry to develop and implement standards. We are at the forefront of Smart City developments and the globalization of building information modelling (BIM).

Aerospace and Automotive

We have a long history of leadership in the assurance of the Aerospace and Automotive industries and continue to consolidate our position as they develop new quality, health and safety and environmental requirements to face their future challenges.

Responsible

ISO 14001 helps Albert Bartlett know that its corporate responsibility is addressed in a progressive manner

Albert Bartlett, the UK's leading supplier of potatoes, has successfully transitioned to ISO 14001:2015.

A careful balance

It's becoming more and more important that organizations prioritize their environmental impact while maintaining a balance with profitability.

The solution

Albert Bartlett not only transitioned to the new standard successfully, but to support its sustainability and social responsibility goals, it expanded its certificate from covering just its headquarters to include its other seven sites. A key part of this process was to consider all of its stakeholders and partners and to analyse all of the related potential risks and opportunities. As a result everyone working at the organization is more aware of the responsibilities Albert Bartlett has to mitigate environmental impact and strive for continual improvement.

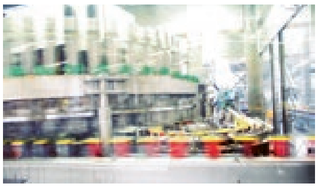
'ISO 14001:2015 will help us grow operationally while maintaining a firm grip on our environmental responsibility.'

Gordon Smith
Environmental Manager
Albert Bartlett Potatoes

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.

We have identified three domains that are critically important in achieving this:



OPERATIONAL RESILIENCE

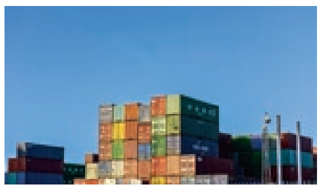
A resilient organization has a full understanding of how it is run and the environment in which it operates.

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.

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.



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.

Agile

The transition to ISO 9001:2015 has helped Rescue Global's Strategic Leadership Team make faster, more informed, decisions

'ISO 9001:2015 enables organizational management because you feel better informed and more in control. The whole organization has become more agile.'

Becky Jones
Chief Risk Officer
Rescue Global

Rescue Global, the international non-governmental organization specializing in disaster risk reduction and response, has successfully undertaken transition to ISO 9001:2015.

Being agile, saving lives

Because of the uncertain and potentially dangerous nature of the work that Rescue Global does, it must be highly risk aware, which is one of the reasons that ISO 9001:2015 appealed to it.

The solution

The integration of quality and risk in the new ISO 9001:2015 allowed Rescue Global to link the two without duplicating effort. ISO 9001:2015 also recognizes the more complex nature of supply chains, which has prompted a useful review of how Rescue Global works with clients, partners and suppliers. ISO 9001:2015 has not been a simple box ticking exercise. By allowing the leadership team to make fast and better informed decisions, it complements the overall company strategy.

Our strategic vision

To become the global business improvement partner of choice.

Organizational Resilience

Develop leadership under the theme of Organizational Resilience

How we'll achieve this

Develop leadership in our focus sectors of Healthcare, Food, the Built Environment, and Aerospace and Automotive.

Develop leadership in our domains of Operational, Information and Supply Chain Resilience.

Develop our approach to social responsibility under the banner, 'enabling a resilient world'.

How we'll measure this

Through a series of financial and non-financial key performance indicators that will track our progress towards our financial targets and targets relating to client and employee satisfaction.

Read more on p14

Position BSI as a global standards organization

How we'll achieve this

- Improve our offering to our members so that we continue to share a mutually beneficial relationship.
- Expand our National Standards Body services by partnering with thought leaders in the UK and abroad.

Develop our Standards Publishing business into a knowledge solutions provider

How we'll achieve this

- 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.

Build a sustainable, higher margin, Systems Certification business

How we'll achieve this

- 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.

'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.'

Expand our global Training business and improve its margins

How we'll achieve this

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

Globalize our Product Certification offering

How we'll achieve this

- 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.

Build our Professional Services offering

How we'll achieve this

- Augment our organically developed expertise with selected acquisitions 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.

Develop a resilient BSI for the future

We need to be resilient ourselves if we want to continue to be able to help our clients build their own resilience.

Develop our strategic resource planning

Plan to recruit, train, empower and engage employees to ensure a sustainable world-class workforce throughout our regions, streams, sectors and domains.

Develop resilient business processes and IT systems

Optimize the client journey and the employee journey with BSI to ensure that both are excellent experiences.

Develop strategic marketing

Continue to develop our global marketing and selling tools to optimize client experience and gain further synergy and efficiency.

Acquisitions

Continue to complement our organic growth with carefully selected, accretive acquisitions.

Tracking progress

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

Financial

Revenue (£m)

£401.8m

+21%

16	401.8	>500
15	331.1	
14	287.1	

Target by 2018 >500

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, sectors and domains.

Underlying operating profit (£m)

£50.1m

+42%

16	50.1
15	35.4
14	29.1

Target by 2018 >50

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

Revenue from acquisitions (£m)

≈£73m

+128%

16	≈73	>100
15	≈32	
14	≈10	

Target by 2018 >100

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.

Non-financial

Clients ('000)

81k

+1%

16	81	>95
15	80	
14	77	

Target by 2018 >95

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*.

Client retention (%)

64%

Unchanged

16	64
15	64
14	65

Target by 2018 66

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.

NPS** client satisfaction

50

-1%

16	50
15	51
14	51

Target by 2018 >51

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

OSAT*** client satisfaction

8.7

Unchanged

16	8.7
15	8.7
14	8.7

Target by 2018 >8.8

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

Employee engagement (%)

65%

Unchanged

15	65
15	65
14	63

Target by 2018 70

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. We complete this survey biennially, with the next due in 2017.

* ARPA: average revenue per account.
** NPS: net promoter score.
***OSAT: overall satisfaction.

BSI performed strongly in 2016

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

I am pleased to be able to report that BSI performed strongly in 2016, recording higher levels of revenue and profit than ever before in its 115 years. Our established 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. Economic conditions were reasonably stable in the majority of our markets in 2016, although more macro-economic nervousness developed during the year against the backcloth of the UK referendum on European Union membership, the US presidential election, changing global oil prices and uncertainty about the future of the Chinese economy. In consequence BSI began in 2016 to navigate through a combination of global conditions unprecedented in modern times but nevertheless ended the year in robust financial health. We continue to realize the benefits of having invested strongly in our business in recent years, both throughout the downturn in the global economy and in the more recent somewhat improved climate, delivering growth in underlying revenue for the seventeenth consecutive year, of 21% year on year to £401.8m, and growth in underlying operating profit of 42% to £50.1m.

The five acquisitions in 2016 were made without recourse to external debt and we ended the year with £48.1m in cash, only £2.9m 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 2016 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.

Sir David Brown
Chairman

'BSI recorded higher levels of revenue and profit than ever before in its 115 years'

'Our vital role in the global standards community is as strong as it has ever been'

Those investments have also deepened our sector and 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.

I am pleased to report that there were no changes to the Board of Directors during 2016 and none are foreseen in 2017.

Each year my role presents me with opportunities to work with BSI people everywhere, and 2016 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 116th year, the Board is confident that 2017 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
23 March 2017

'As we begin our 116th year, the Board is confident that 2017 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'

Underlying revenue (£m)

£401.8m

+21%

16	401.8
15	331.1
14	287.1
13	271.8
12	254.6
11	244.9
10	235.3
09	222.8
08	202.3
07	179.0

Underlying operating profit (£m)

£50.1m

+42%

16	50.1
15	35.4
14	29.1
13	28.3
12	31.2
11	28.7
10	27.3
09	26.2
08	24.8
07	21.4

Providing a healthy base for our long-term development

Our strong financial results have enabled us to invest further in the business, accelerating the strategy to take advantage of the many opportunities facing us.

Summary

Over the past few years BSI has become an integrated global enterprise, able to serve clients across the world from our growing network of offices. We are able to provide clients with geographical coverage across each of our business streams and are continuing to focus on industry sectors and business domains where we are particularly strong and emerging as thought leaders. We have a specialized product and service offering, combining our business streams of Knowledge, Assurance and Compliance to ensure that our clients' businesses become more resilient and are better able to stand the test of time. In 2015 we introduced this concept of 'Organizational Resilience' as the natural consequence of the building blocks of the strategy we have been putting in place over recent years. I wrote last year that we were to accelerate the implementation of this strategy. This process has continued in 2016 with our strong financial results enabling us to invest further in the business, accelerating while fine-tuning the strategy to take advantage of the many opportunities facing BSI to provide a healthy base for our own long-term development. Organizational Resilience remains the cornerstone of that strategy, not only to ensure that BSI remains a resilient business as it has done throughout its 115-year history, but also as we continue to expand our range of products and services to help our clients advance their own Operational, Information and Supply Chain Resilience.

2016 was another unprecedented year in terms of global events. Our home market, the United Kingdom, elected to leave the European Union in a referendum in June. This result led to a significant weakening of Sterling, which has continued thereafter. The UK stock markets surged due to the non-Sterling earnings of their component companies and the markets waited to see the longer-term, perhaps more permanent, effects of Brexit. Across the Atlantic, the US waited for its new Republican president to be inaugurated in early 2017 and the world, again, waited to see which policies will be

Howard Kerr
Chief Executive

'BSI delivered record results in 2016 in a period of significant economic, political and social uncertainty'

implemented from his manifesto. Oil and gas prices remained low compared to historic values, but actually almost doubled during 2016. The medium-term resilience of the Chinese economy was questioned. Terrorism and human migration provided a social backdrop to all of this. Many of our listed and private competitors in the testing, inspection and certification (TIC) sector continued to disappoint market expectations with their results, particularly as oil and gas prices refused to increase as far as they would have liked. BSI is not overexposed to this sector and is only present in the certification part of TIC. We complement our strong product lines in this area with those from our Knowledge and Compliance business streams in an increasingly balanced portfolio, so the comparisons are only partial, but we are not entirely immune to these market forces. BSI's strong performance in 2016 at constant exchange rates was further enhanced by the weakness of Sterling from the growing proportion of our revenue and profit arising outside the UK. Throughout 2016, BSI has continued to develop its geographical, business stream, industry sector and business 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 and we will continue to manage this process proactively.

Given these issues it is pleasing to be able to report that BSI once again demonstrated its resilience to record the highest levels of revenue and profit in our history. Revenue for the year was £401.8m, an increase of 21% on the £331.1m reported for 2015. This increase can be subdivided into 9% organic growth, 3% from our five acquisitions in Europe and the US, and 9% from positive currency effects. New sales orders, which will translate into revenue over time, grew by 17%. Organically our sales orders grew by just 1% on a strong 2015, but this was augmented by 7% inorganic growth from our acquisitions and 9% from exchange rate changes and the weakening of Sterling during the year.

Summary continued

Our Assurance businesses enjoy a strong revenue driven by longer-term contracts with our clients so a single year of low sales order growth is no immediate cause for concern but will be a focus for 2017.

In recent years we have invested significantly in our business and the benefits of these investments and recent acquisitions have been apparent ever since and these, once again, had the effect of leveraging the strong revenue performance into even greater profit growth. Underlying operating profit was £50.1m, 42% higher than in 2015. This growth can be split into 31% organic, 1% inorganic and 10% exchange.

Our business remains in robust financial health. We ended 2016 with no external debt and £48.1m in cash. This is 6% or £2.9m lower than at the end of 2015, but is after investing £29.3m in 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. In 2016 we started to enhance this further by recruiting highly qualified thought leaders to manage our chosen sectors and domains, to ensure that our clients receive the best possible service and expertise from us. Supporting this client-facing structure are highly enabling central functions and innovative business systems in which we invest continuously. This is overseen by the Group Executive Committee, which sets and manages targets and reacts quickly and flexibly to changes in the competitive environment.

Our reporting structure is unchanged from that reported in 2015. However, the results of our 2016 acquisitions are all reported in the Compliance business stream and have strengthened this stream significantly, with further inorganic growth expected in 2017 from the full-year benefits of their results.

Our focus remains on developing our portfolio of products and services, and delivering this to our clients across our four dimensions of geography, business stream, sector and domain. All of our products support the concept of Organizational Resilience and split neatly into its supporting domains of Operational, Information and Supply Chain Resilience. We have made further good progress in defining these domains during 2016 and have experienced high levels of interest from executive management in our current and prospective clients as we have explained the benefits of this approach to them. We will continue to invest in strengthening our portfolio of products and services through dedicated management in these focus areas. Likewise, we enjoy strong market positions in our focus sectors of Healthcare, Food, the Built Environment and Aerospace and Automotive, and work hard to ensure that we leverage these positions for the benefit of our clients.

Investments

In recent years we have prioritized investment in our IT systems and 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 2016 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.

Brexit

The decision of the UK to leave the European Union brings opportunities as well as risks to BSI. There are three areas of our business potentially impacted by this decision:

- **Standards.** BSI plans to remain an active participant in the European single standard system as the UK National Standards Body through continued membership in CEN and CENELEC which are independent of the EU. BSI's leading position in ISO and IEC will be unaffected.
- **International Projects.** Historically much of the work done by our International Projects division has been EU funded but, in recent years, BSI has secured additional sources of funding which will continue.
- **Product Certification.** It is important that UK Notified Bodies such as BSI maintain this role to ensure ongoing access to UK and European markets, utilizing the proven experience that currently exists.

BSI is working closely with the UK Government to support BEIS, DExEU and DIT in their Brexit preparations and negotiations to ensure the best possible result for our UK stakeholders and BSI itself.

In 2015 we invested in our IT infrastructure, increasing the capacity and resilience of our data centres. With these foundations in place, in 2016 we embarked upon an intensive IT investment programme aimed at aligning more closely the systems landscape with our business strategy while standardizing processes and systems wherever possible and improving the journey enjoyed by our clients and employees alike. With this as a strong base 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.

In 2016 we pursued our strategy of combining organic growth with accretive inorganic growth and completed five acquisitions during the year. In March we acquired Espion Ltd., an information security consultancy business based in Dublin, Ireland. In August we acquired Atrium Environmental Health and Safety Services LLC, an environmental, health and safety (EHS) consultancy business based in Virginia, US. In September we acquired Creative Environmental Solutions Inc. (CES), a New York, US, based EHS consultancy business. In October we acquired Info-Assure Ltd., an information security consultancy business based in Farnborough, UK, and in November we acquired Quantum Management Group Inc.(QMG), an EHS consultancy business based in New Jersey, US. This unprecedented acquisition activity has helped us to expand our West Coast US EHS consultancy business into a more nationwide operation and establish a new information security consultancy business in the UK and Ireland. This is an exciting development for BSI which complements our current strength in this area and broadens our client offering.

People

In addition to our capital investments and acquisitions, we continued to recruit additional employees during 2016, particularly in the key client-facing activities of sales and delivery, as we supported our revenue growth. On average, during the year, we had 3,835 people working for BSI, an increase of 9% over 2015, of which 7% was organic. 268 employees joined us during the year as a result of our acquisitions. We are proud to employ a talented global workforce which provides the expertise that brings us competitive advantage and differentiates 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.

As BSI grows, our strategic resource planning takes on a greater importance as we strengthen our team to face the increasing challenges facing as diverse an organization as ours. 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 our employees' professional and career development.

During the year we have extended our 'Leadership Behaviour' development programme further down the management levels of BSI. This has provided a fascinating insight into the composition of our management teams and the individuals at BSI, leading to development plans to improve them still further and strengthen our organizational culture. We supported our long-standing 'Leadership Challenge' programme, which now boasts over 100 alumni, with 36 more delegates attending our 'Foundations of Management' course, which is intended for those managers aspiring to higher levels of our organization.

We also piloted a new 'Leading for Success' programme, geared towards middle management, with eight delegates in the UK and another twelve in the US. These 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.

'Our strategy of developing our business geographically, by business stream, by sector and by domain, provides a strong natural hedge against the most specific issues'

'We approach 2017 with confidence, albeit while watching carefully the developments of our business world. We continue to implement our strategy as we have done in prior years and look forward to driving BSI to further success in 2017 and beyond'

In the third quarter of 2015 we undertook our fourth global employee engagement survey, which showed positive progress on our 2013 survey. We undertake such a survey every two years and will do so again in 2017 but, in 2016, we have continued to work on development areas indicated in 2015 and it remains our objective to improve both our employee enablement and employee engagement scores still further in the next survey.

Clients

Once again we delivered our products and solutions to our growing client base and have supplied products and services to a record number of clients. Using a new, more accurate, measure this year we have worked with in excess of 81,000 clients over the past twelve months. This is an increase of almost 1,000 on 2015. Our average revenue per account (ARPA) increased by 14% during the year.

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 85% 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.

These clients work from over 134,000 sites in 181 countries worldwide and, in our Systems Certification stream, have an average business tenure of eight years.

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

BSI delivered record results in 2016 in a period of significant economic, political and social uncertainty. Our strategy of developing our business geographically, by business stream, by sector and by domain, provides a strong natural hedge against the most specific issues and so we approach 2017 with confidence, albeit while watching carefully the 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 2017 and beyond.

Howard Kerr
Chief Executive
23 March 2017

Performance by geographical region

BSI is an integrated global enterprise, able to serve clients in over 180 countries from 80 offices in 30 countries in three regions across the world. We have a presence on every continent.

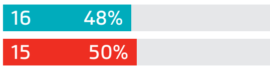
EMEA

Revenue
£192.8m
2015: £167.0m

Growth
15%
(+13% at constant exchange rates)

Employees (incl. head office)
1,852
2015: 1,685

Proportion of total revenue



Offices
The UK, France, Germany, Ireland, Italy, the Netherlands, Poland, Qatar, Russia, Saudi Arabia, South Africa, Spain, Turkey and the United Arab Emirates.

Our EMEA region is fairly diverse, with two large businesses in the UK and smaller businesses, managed as clusters, in Central Europe, Southern Europe and the Middle East and Africa. Despite differing trading conditions across the region, the UK and each of our clusters showed material improvement on their performances in 2015, and this drove the region as a whole to annual revenue growth of 15%. This can be split into 8% organic growth, 5% inorganic growth from the effect of our 2016 acquisitions, and 2% growth from the weakening of Sterling compared to our other trading currencies.

A significant driver in our 2016 success has been the transition of many of our clients across the region to the new versions of the two most significant standards to which we certify, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). This has led to increased demand for both our Systems Certification and Training businesses. This trend should continue in 2017.

For the UK Systems Certification and Training business 2016 was an outstanding year. The focused leadership established in 2014 and reinforced in 2015 continued to record further revenue and margin growth. The transition mentioned above combined with an enhanced service offering to our clients both contributed towards a strong performance. Improvements in back-office efficiencies drove further margin improvements, ensuring that the revenue growth was increasingly profitable. Our Product Certification business also performed well in its UK heartland, fuelled mainly by our high-end Kitemark™ certification schemes. In particular, we have made good progress in the Built Environment sector with our building information modelling (BIM) offering. Overall, this UK business reported revenue growth of 8%. As part of our commitment to client service we launched our 'Customer First' initiative in the UK, ensuring that every employee, whether client-facing or not, received training in BSI's client service standards, ensuring that we always continue to put our clients first. This programme is now being rolled out across EMEA.

In Central Europe, which increased its revenue, at constant exchange rates, by 16%, the largest part of this cluster is our business in Germany, which has experienced some difficulties in the recent past. Last year we reported that the turnaround of the Systems Certification and Training streams was well underway and this continued in 2016, with the business performing ahead of expectations and with improved profitability. In June 2016 we completed the closure of our German Medical Device Notified Body and the smooth transition of our clients into our UK Notified Body. Outside of Germany we have small businesses in Russia and Poland, which performed well in difficult economic conditions, and a larger business in the Netherlands, which reported strong revenue growth.

Each of the component parts of our Southern Europe cluster, Italy, Spain, France and Turkey, contributed to constant exchange rate revenue growth of 21% during the year for the cluster as a whole and increased their profits year on year. Given the economic issues across this group of nations, and the political and security problems faced by Turkey in particular, this again demonstrated the resilience of our business in this part of the world.

In the recent past our Middle East and Africa cluster has been adversely impacted by the effect of the relatively low oil and gas prices on many of our clients and, as a consequence, our business underwent some restructuring in the latter part of 2015 in order to be in a better shape to service its markets. These low prices continued to depress the markets throughout this cluster but it is pleasing to report constant exchange rate revenue growth of 15% on last year's results, and improved profitability. Our South African Systems Certification and Training business, acquired in 2015, delivered to expectations and is becoming an important local hub in which we have concentrated some African business that we used to service out of Dubai.

Our EMEA consultancy businesses benefited during 2016 from the acquisitions of Espion in Ireland in March and Info-Assure in the UK in October, enhancing our capability and services in cyber security and the Information Resilience domain. BSI now has a highly accredited business comprising 90 specialized consultants who provide a broad portfolio of products and services across the Information Resilience domain, including eDiscovery and Forensics, to our clients. In addition, our ISO 17025 (Cyber Laboratory Competence) capability will see our research, testing and supervisory control and data acquisition (SCADA) security related services evolve.

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 23 of this report. At constant exchange rates our EMEA Knowledge business reported revenue growth of 6% in 2016, while our Assurance and Compliance business grew by 16%, making 13% for our region as a whole.

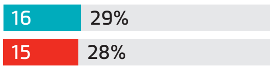
Americas

Revenue
£117.9m
2015: £91.1m

Growth
29%
(+14% at constant exchange rates)

Employees
766
2015: 678

Proportion of total revenue



Offices
The US, Brazil, Canada and Mexico.

2016 was a challenging year for our Americas region on several fronts. We had to contend with quite divisive US presidential elections, which caused some reflection across the region and the world. The economic and political landscape in Brazil did not improve and affected the business mood in the country, causing our revenue to remain static, albeit at better margins following a refocusing of the business in 2015. We acquired three new consultancy companies in the eastern US and have begun an integration of these to create a nationwide EHS consultancy business. Also, with 2015 a significant recertification year for our Systems Certification clients, we have had to contend with the inevitable fall off of revenue subsequently and find new clients to fill this gap, although the transition to the new versions of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) have helped. Despite these circumstances our Americas region produced outstanding results in 2016, with revenue growth, overall, of 29%, which can be split 9% organic, 5% inorganic from the effect of our new acquisitions and 15% from the strengthening of the US Dollar and other regional trading currencies against Sterling during the year.

Several years of successful controlled growth in the US has led this to be one of our target markets for investment and this was again the case in 2016. Following the 2015 acquisitions of EORM in California and HCE in Texas, we complemented this portfolio this year with three further acquisitions on the east coast of the US, Atrium in Virginia in August, CES in New York in September and QMG in New Jersey in November. We now have a significant nationwide consultancy business which we will join together to leverage best practice where appropriate, while allowing each business to continue to harness its own expertise. This combined business is notable in that its component parts have skills in a variety of specific sectors, including Technology, Oil and Gas, Healthcare and the Built Environment. These play to strengths in the wider BSI business and provide important new product and service lines for our wider Organizational Resilience offering.

Trading-wise our new acquisitions all performed to plan but the combined West Coast business, now rebranded BSI EHS Services and Solutions (West) disappointed to a small degree. Our Texan business is one of the few exposures BSI has to the Oil and Gas sector and demand was below expectations. Our Californian business experienced employee attrition issues, although there was a recovery towards year end. We expect the combined business to be back on track to achieve its business plan in 2017.

Our core Assurance business had a good year across the region, with the small exception of the weaker Brazilian market mentioned earlier. Our Americas Training business, after a slow 2015 as the market awaited transition of our major standards, grew by 50% on 2015 at constant exchange rates. The Systems Certification business found new clients to fill the demand gaps in the year following recertification. We continue to reap the benefits in margin terms from the regional approach to operations management and delivery. Our Healthcare business grew by 15% at constant exchange rates and consolidated its position as the clear market leader in this industry sector in the US and Canada. Our Supply Chain business benefited from new focused leadership and grew by 33% at constant exchange rates from its small but growing base, opening an International Development Centre in Chennai, India, during the year to support software development for important elements of our Supply Chain Resilience domain offering, and our Entropy Software.

Outside the US and Canada, which are managed increasingly as a single entity, we have businesses in Brazil and Mexico. The travails of Brazil have already been mentioned and it is testimony to the management structure and the regional approach to operations that, in spite of these, we have been able to increase profits in this market. Mexico performed very well and continued to be one of our more successful business units, building on the momentum of previous years to record over 20% annual revenue growth at constant exchange rates, as well as improving profit margins. From our Mexican base we are starting to develop our presence in Latin America as demand for our products becomes ever more global.

Asia Pacific

Revenue
£91.1m
2015: £73.0m

Growth
25%
(+9% at constant exchange rates)

Employees
1,217
2015: 1,162

Proportion of total revenue
16 23%
15 22%

Offices
China (including Hong Kong), Australia, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Singapore, Taiwan, Thailand and Vietnam.

The twelve countries comprising our Asia Pacific region continued to increase their importance to BSI in terms of both revenue and profit. Revenue grew by 9% on 2015 at constant exchange rates, helped by the transition to the new versions of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). Our business transformation project, which we started in 2014 and have continued thereafter, improved efficiency to drive more significant value to the Asia Pacific business. One of the issues facing the region is the slow start to the calendar year, caused by the slowdown in business across the majority of the region due to the Chinese New Year celebrations. In the past this has resulted in a back-ended profit delivery. This cannot be mitigated entirely, but careful planning and marketing have led to our break-even point being brought forward by seven months in the past two years. This has led to a far better balanced business as a base for future growth.

Our physical expansion in the region continued apace and we opened an office in our twelfth country, New Zealand, the 30th for BSI as a Group, as well as moving to larger, more appropriate, premises in Melbourne, Australia; Kuala Lumpur, Malaysia; Seoul, Korea; Hanoi, Vietnam and Jakarta, Indonesia. We continue to search for further opportunities for geographical expansion as our business develops.

Two of our larger units in the Asia Pacific region, China and Japan, performed favourably in 2016, with significant revenue growth and improved profit margins. Another, Australia, consolidated its excellent 2015 revenue performance and again showed further efficiency gains in its profitability. The strongest performance in the year came from our group of ASEAN countries, Singapore, Thailand, Malaysia, Vietnam and Indonesia, whose constant exchange rate revenue growth of 21% drove a significant increase in profit. On the other hand, our issues in South Korea continued, with the 2015 client attrition proving more difficult to overcome than we had expected. Revenue fell slightly on 2015 levels, although our efficiency programme began to bear fruit and led to an improvement in profitability. Our stalwart countries of India and Taiwan continued their steady and profitable growth trajectory.

Asia Pacific played a key role in the development of the BSI Organizational Resilience offering during 2016, including writing the five-step process for self-discovery which has proved to be an excellent drawcard and framework from which to promote the BSI product portfolio in the region, under the three domains of operational, information and supply chain resilience. Thirty four Organizational Resilience events were held across Asia Pacific in the year, attracting over 3,000 clients.

The region continued to be the driving force behind our progress in the Food sector, housing the Global Food Centre of Excellence and providing the guidance as focus on this important sector develops into EMEA and the Americas. New product offerings in this sector were launched in the region, including Forest Stewardship Council Chain of Custody, Gluten Free Certification, the Roundtable on Sustainable Palm Oil (RSPO) Chain of Custody and PAS 96 (Food and Drink Defence). In addition, BSI was selected by the American National Standards Institute (ANSI) to pilot the new US-FDA Food Safety Modernization Act which requires all US food companies and foreign suppliers to meet US food safety and ingredient regulatory requirements. New training material was developed in Asia Pacific and we launched three programmes, including PAS 7000 (Supply Chain Practitioner Auditor Training) and PAS 96 (Food Fraud and Defence).

We continued to strengthen our leadership teams across the region, with senior management changes in Japan being announced to support the newly restructured business. The importance of strategic resource development continues to be at the forefront of our strategy, particularly due to the geographically diverse nature of our Asia Pacific business, which can limit intra-regional mobility. Our investment in employee training continued, as we strive for resilience in our own businesses, while helping our clients to ensure this in their own.

Performance by business stream

We provide a specialized combination of complementary products and services, managed through our three business streams.

Knowledge

Revenue
£59.4m
2015: £56.3m

Growth
6%
(+5% at constant exchange rates)

Proportion of total revenue

16	15%
15	17%

Following on from its recent history of above-market revenue growth, our Knowledge Solutions business delivered another solid year, with revenue growing by 5% at constant exchange rates in a mature market. The best performing areas of the business were Copyright and Royalties, Subscriptions and our International Projects consultancy business, offset by slight declines in revenue in Document Sales and Funding. Our growth areas are particularly significant as they show the continued strength in our key focus areas of our online subscription model, direct digital content and international partnering.

After the important revision of the major ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) standards in 2015, the absence of any new major standards or revisions in 2016 had a detrimental effect on our single copy revenues both in the UK and internationally compared to 2015, although we exported to as many countries across the world as before. With respect to Subscription revenues, the good growth in our flagship British Standards Online (BSOL) product and our Compliance Navigator digital solution for the Healthcare sector was offset slightly by declines in our Perinorm and Eurocodes products. Our International Products consultancy business had a good year. A strong pipeline coming into 2016 was enhanced further by large projects won in Belarus and Belgium and smaller wins in Turkmenistan, Turkey and the Caribbean. A number of these projects have won funding from both the European Union and the UK Government since the results of the UK EU referendum were declared but, in addition to our EU-funded projects, we continue to search for alternative sources of demand for these services.

Our investment in digital solutions across our business continues. A major relaunch of the eShop is planned for the latter part of 2017 and this will enhance the link from our shop to the other Knowledge Solutions offerings, allow better engagement with clients and consolidate our web presence in our business sector. In addition to this significant investment, work continued on the digitalization of our content. This project is also expected to be completed in 2017.

In the rapidly evolving global market, standards are expected to continue to play an integral part. We maintain our focus on our clients' needs and expectations and meet these through our developing digital capabilities, both as a standards developer and as a knowledge solutions provider. Our existing scale and market leadership provide a robust level of resilience to ever changing market pressure. Our continued growth demonstrates the trust that our clients place in BSI and we remain a trusted partner to them as they enhance their own resilience by using our products. With our current and planned investments in the digital marketplace, our presence in all areas of our chosen markets and our resilience we expect 2017 to be another year of growth for our Knowledge Solutions business.

Assurance

Revenue
£292.6m
2015: £246.6m

Growth
19%
(+9% at constant exchange rates)

Proportion of total revenue

16	73%
15	74%

Systems Certification

Our Systems Certification stream has faced increased demand since the two most popular standards, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management), were updated in 2015. Certified companies have to complete transition to the new versions of these standards by September 2018 and require additional support to achieve this. The majority of our clients have not yet made this transition, with the uptake of the new versions very different between geographies. 2016 revenues, while adversely affected by approximately two percentage points by an internal reclassification to other streams, still showed an increase, at constant exchange rates, of 3%. The majority of our countries contributed to this increase, although there were weaker performances from Australia, South Korea and Southern Europe. In line with our strategic initiative we have made further progress in improving our operating margins for Systems Certification, thanks to efficiency gains and price re-calibration.

Following ISO 9001 (Quality Management) and ISO 14001 (Environmental Management), new versions of quality standards relating to the Automotive and Aerospace sectors were published in late 2016, while the new international standard, ISO 45001 (Occupational Health and Safety Management), is expected to be published in 2017, replacing OHSAS 18001 (Occupational Health and Safety Management). These standards are the core of the BSI Operational Resilience offering and we are well positioned to support our clients to obtain value when they embrace them. We also launched new services in the Information Resilience domain for ISO 27017 (Cloud Security) and ISO 27018 (Information Technology Security) and enjoyed strong demand for ISO 22301 (Business Continuity Management).

Assurance continued

Systems Certification continued

From an industry sector point of view, we have made significant progress in developing our Food sector offering. From its genesis in the acquisition of NCSI in Australia, we have subsequently invested further in our Food Centre of Excellence, which has developed the business significantly across Asia Pacific. Recently we have extended this presence to EMEA and the Americas and will continue to develop this global business as one of our focus sectors.

Product Certification

The progress reported over the past three years in our Product Certification business stream was maintained in 2016, with constant exchange rate revenue growth of 10%. We have invested heavily in sales and marketing capability in our traditional markets and, for the first time, in the US. Further investments are planned for 2017. Geographically there was a strong performance in our UK heartland, based on our high-end Kitemark certification schemes. Constant exchange rate growth rates in our key target markets of China, Japan and the US were each over 20%, exceeding our expectations, although economic and market-related issues in Southern Europe and the Middle East have led to lower growth than we were anticipating in these clusters.

Our standout product developments in the year are led by our building information modelling (BIM) Kitemark. This has built on the verification scheme we launched in 2015 and has attracted many new blue-chip clients to BSI who, in some cases, brought their associated Systems Certification business to us as well. Also our ‘Cyber Essentials’ and ‘Cyber Essentials Plus’ schemes have been well received in the market, attracting new clients to BSI and, in some cases, leading to certification for the first time. Finally, there are major changes in the personal protective equipment and gas appliances markets expected in the next 18 months, when both of these directives will be replaced by regulations. BSI is seen as a knowledge leader in these areas and many current and prospective clients are looking to us for support during these challenging transitions.

Training

2015 was a challenging year for our Training business stream, as many of our clients chose to delay their training requirements until the new versions of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) became available. The pleasing consequence of this in 2016 was that there was a backlog of clients needing to embed these revised versions into their management systems and so demand for our training increased significantly, leading to revenue growth of 22% at constant exchange rates. As a result, we held 25,000 days of training for more than 134,000 delegates during the year, an increase of 19% on last year. Margins improved as well, due to the increased volume and pricing initiatives in some of our markets, notwithstanding the continued investments in our Training stream infrastructure, product offering and delivery capabilities.

As well as growing our public and in-house training, we introduced combined assessment and training services to enable clients to build capacity to transition to these new standards and assess their results through gap analysis. We also introduced 36 new global training courses during 2016, including specialist courses for our focus industry sectors of Healthcare, Food, the Built Environment, Aerospace and Automotive as well as for the Product Certification stream and the Information Resilience domain. Our client satisfaction ratings improved during the year for tutor subject knowledge, competence and professionalism.

Our growth was underpinned by continued investment in people, products and services as part of our ‘BSI Training Academy’ franchise model, resulting in accelerated performance, particularly in the Americas, ASEAN and Central Europe. However, South Korea, the Middle East, Taiwan and Australia did have more difficult years and fell short of our expectations.

Healthcare

Our Medical Device Certification and Audit activity demonstrated very strong growth in 2016 with global constant exchange rate revenues increasing by 20% and all regions achieving double-digit growth. Our core EU Certification activities and ISO 13485 (Quality Management, Medical Devices) both performed well.

BSI’s footprint in the medical device regulatory market continues to expand from a geographical perspective, with several of our newer product offerings really beginning to gain scale and momentum. For example, we consolidated and firmly established BSI as a leading provider of the multi region ‘Medical Device Single Audit’ programme, providing the majority of audit activity in the three-year pilot, which has now transitioned to a formal scheme. We also support government-backed programmes in Saudi Arabia and Malaysia.

At a critical time of material changes to global medical device regulation, we invested heavily in client education through multiple media channels including formal training, face-to-face roadshows, speaker events, webinars and white papers. This is part of our strategic objective to help our client base to enhance their Operational Resilience by successfully navigating the increasingly challenging and complex regulatory world.

Compliance

Revenue
£49.8m
2015: £28.2m

Growth
76%
(+55% at constant exchange rates)

Proportion of total revenue

16	12%
15	9%

Consultancy

BSI invested heavily in its consultancy offering in 2016, with five acquisitions on both sides of the Atlantic Ocean. This resulted in overall revenue growth of 85%, which included 24% from exchange rate gains due to the weakening of Sterling against other trading currencies during the year.

In Europe we acquired Espion in Dublin, Ireland and Info-Assure in Farnborough, UK during the year to establish an information security consultancy business. By the end of the year we had over 120 employees in this highly accredited business working from these two offices and others in London, UK and New York, US, in the domain of Information Resilience and cyber security. This product portfolio extends through eDiscovery and forensics expertise to a capability providing services to our clients' senior legal teams. These businesses will be rebranded BSI Cyber Security and Information Resilience (CSIR) during 2017.

In the Americas we continued to build a nationwide Environmental, Health and Safety consultancy business with the east coast US acquisitions of Atrium in Virginia, CES in New York and QMG in New Jersey, with further offices in Wisconsin and Ohio. By year end, when combined with our 2015 US west coast EHS acquisitions we had around 340 employees working from 14 offices across the country. During 2016, our business provided environmental permitting and regulatory compliance, safety, industrial hygiene and ergonomics services to over 700 different clients in a broad range of industry sectors. The business grew profitably during 2016 despite depressed oil and gas prices adversely affecting our Texas business. The West Coast business was rebranded BSI EHS Services and Solutions (West) in March.

Supply Chain Solutions

Our Supply Chain Solutions business benefited from a refocus of its structure and delivered strong revenue growth of 55% at constant exchange rates and an improvement of its profit margins. During the year we successfully launched a global advisory offering concentrating on security and social responsibility across the supply chain and delivered significant opportunities in Europe and the US across the technology, pharmaceutical and retail industry sectors.
We have established ourselves as a key business partner for the largest supply chain security association, the Supplier Compliance Audit Network (SCAN), administering over 3,500 audits in 2016 using our Supplier Compliance Manager (SCM) product to house the audits and deliver robust analytics and guidance. The broadening of acceptance for our product portfolio, software, consultancy, programme management and training services, gives great opportunities for future growth.

Entropy

Our Entropy compliance software reversed its 2015 revenue decline and showed a small constant exchange rate revenue growth of 3% in 2016, but with a significantly improved profit margin. Client satisfaction of our Entropy v5 product is at an all-time high and our Entropy solutions have been further integrated into the broader BSI business with two strategic approaches used to extend value to our clients, enhanced assessment and enhanced consultancy and, therefore, in future it will become increasingly difficult to separate Entropy from our other product offerings. We created an International Development Centre in Chennai, India, which has globalized our software development and quality assurance team, enabling our team to respond more quickly to client requests and added functionality.

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. The Board also understands that it is responsible for establishing the level of risk appetite that it feels appropriate and for reviewing the effectiveness of the risk management system, in relation to this risk appetite, 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 Internal Audit and Risk department 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, information security, business continuity and health, safety and environmental issues every year with the Group Internal Audit and Risk department, and conducts a robust assessment of the principal risks. The Board considers the risk management system to be effective.

What we did in 2016

During 2016, we commissioned an external review of our risk management process. As a result, we have improved our understanding of our current internal controls and mapped these against our risk appetite, implementing appropriate action plans where necessary.

Last year we reported that, following an independent audit by the Chartered Institute of Internal Auditors, a more risk-based internal audit programme was being devised for 2016. In support of this, and to enhance still further the risk management process improvement initiative, we implemented a specialist integrated internal audit and risk management software to replace our legacy in-house system.

We have been recertified to ISO 27001 (Information Security Management) for our head office in 2016 and have continued to introduce information security management systems policies and procedures throughout BSI globally. We have also been recertified to ISO 14001 (Environmental Management) and OHSAS 18001 (Occupational Health and Safety Management) for our head office during 2016. Business continuity plans are in place for each of our business locations worldwide, the majority of which were formally tested during the year.

Following an external cyber security review in January 2016, we embarked upon a comprehensive programme of technical and cultural initiatives in order to enhance further the protection against the cyber security risk inherent in our business.

What we will do in 2017

The Group's Strategic Risk Register will be updated to reflect the latest Group Strategic Plan initiatives. We will continue to roll out our programme of risk workshops, training and risk reviews to embed further risk management enhancement globally.

In support of the risk-based internal audit plan, the Group Internal Audit and Risk department will be expanded to incorporate additional knowledge, skills and qualifications. Further initiatives to provide assurance around cyber security risk will also be implemented, including the expansion of ISO 27001 compliance beyond our head office to other locations and territories.

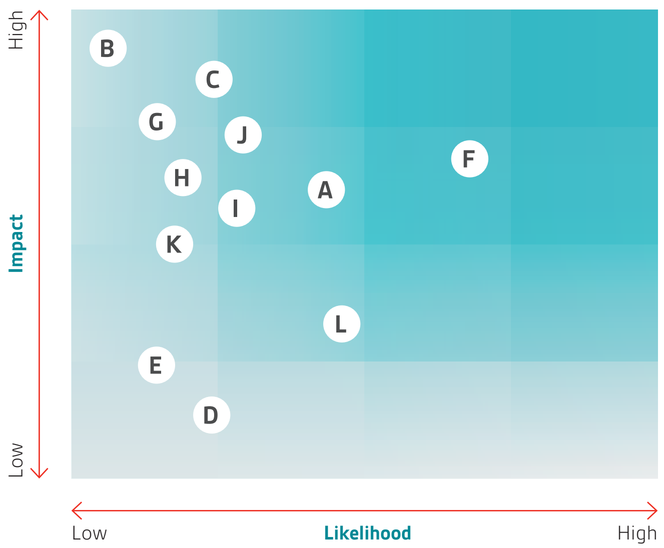
Insurance

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 2016

Following the 2015 revision of the Principal Risk Register to reflect the more holistic approach taken by the business to the risk management process, there have been no further changes to the major risk items identified in this register. The register contains both internal and external risks insofar as they are, in the opinion of the Board, the most important facing the business today.

There is additional uncertainty following the results of the UK 2016 EU referendum and, in the opinion of the Board, this is reflected in the 'Governmental intervention' and 'Global economic environment' principal risks. At a strategic level, some of the specific implications of Brexit to BSI have been recorded and are being managed through the Strategic Risk Registers of the business. Details of the impact of Brexit on BSI can be found in the Chief Executive's report on page 18.



Key: No change · Increased · Decreased

Type of risk	Risk description	Status	Mitigating activities
Intervention			
A. Governmental intervention	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.	Increased	We 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. Royal Charter status	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.	No change	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 compliance.
Compliance			
C. Accreditation compliance	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 could have a serious impact on our business.	No change	We 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.
D. Financial and fiscal compliance	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.	No change	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.
E. Legal compliance	Any breach of legislation or issues concerning the way we carry out our business could result in legal action against us.	No change	Key employees receive relevant training on legal compliance, and compliance policies and procedures are in place across our organization. Internal audit teams regularly visit all locations.
Economic environment			
F. Global economic environment	The continually changing global economic environment means that the risk in the execution of our strategic plan is complex to manage.	Increased	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.
G. Competitor action	Technological or business model shift or other competitor action could threaten our competitive position in our chosen markets.	No change	We 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.
H. UK pension scheme	Increases in the ongoing deficit associated with our UK defined benefit pension scheme could adversely affect the strength of our balance sheet.	No change	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.
Reputation			
I. Brand	Our brand identity is extremely important to us and failure to protect this could result in deterioration of our reputation and potential loss of business.	No change	We 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.
J. Information security	Failure to protect against inadvertent loss of data or cyber-attack could adversely affect our trading, brand identity and reputation, and result in breaches of data protection legislation.	No change	We are certified to ISO 27001 where allowed and conform to its requirements globally. We monitor developments in this area, train all employees and perform compliance audits as appropriate.
Trading			
K. Acquisitions	Achievement of our strategic objectives depends on the identification and integration of appropriate acquisitions and failure to do so effectively could jeopardize this.	Increased	Global processes are followed for the identification of targets. Comprehensive due diligence is undertaken and integration plans are agreed before acquisitions are implemented. Regular reviews of post-acquisition performance are held.
L. Resourcing	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.	Decreased	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

In terms of standards policy, 2016 was dominated by the outcome of the EU referendum in June.

In terms of standards policy, 2016 was dominated by the outcome of the EU referendum in June. As the National Standards Body (NSB), BSI remained neutral in the prior debate. Since then, we have been deeply engaged in preparations with industry, UK Government, consumer groups and all other stakeholders to shape a clear strategy for UK experts to continue to influence the development of the European and international standards on which UK industry and consumers rely. In many respects, the Brexit decision has triggered a welcome discussion on the wider opportunities for the UK from our leadership in the development of international business and industry standards.

Standards delivery

Within the NSB we continued to refresh and renew the committees we manage and the rules we use for standards development. In December 2016, after a wide stakeholder consultation, we issued our updated process document, BS0 (A Standard for Standards – Principles for Standardization), which sets out how all our standards are written. BSI published 2,676 standards in 2016, 57% of which were revisions or amendments to previous editions. We also withdrew 1,336 standards as part of our ongoing commitment to avoid conflicting standards in the UK domestic market. More than 95% of the standards we published were the British implementation of European or international standards, demonstrating the ongoing priority within industry for standards with a multinational reach.

Maintaining the relevance of our committees to industry and consumer needs is a vital activity. In 2016 we disbanded 81 committees and created 68 new ones. These included new committees on adult social care, whistle-blowing, smart and sustainable cities and communities, cyber risk and resilience, electronic supply chain and trustworthy software. BSI now manages more than 1,900 technical committees, subcommittees and working groups. More than 900 new members joined our standards committees in 2016, taking the total number of registered committee members to around 11,500.

Dr Scott Steedman CBE
Director of Standards

'More than 95% of the standards we published were the British implementation of European or international standards'

Highlights from the standards programme

Our standards programme covers a wide range of areas, all of which have had their individual achievements. Here I have highlighted a number of successes in environmental, services, the built environment and the digital economy.

March 2016 saw the publication of ISO 14004 (Guidance on the Implementation of ISO 14001, Environmental Management), which covers all the elements of an environmental management system to help organizations with their decision making, as well as the factors that need to be taken into account during environmental policy formation. BSI holds the secretariat to the ISO sub-committee that developed both ISO 14001 and ISO 14004 and, in September, ISO recognized the work of this secretariat by awarding it the prestigious Lawrence D Eicher Award for the innovative approach it had demonstrated in engaging with its membership and promoting its work externally.

The role of standards to support performance improvement in the service sector is attracting increasing interest, both at European and national level. In 2016, as a member of CEN's Strategic Advisory Group on Services, BSI played a leading role in the development of a new European strategy for the role of standards in the service sector, proposing criteria for cross-cutting 'horizontal' standards, applicable to generic business issues across multiple sectors. The CEN technical committee for horizontal service standards, for which BSI provides the secretariat, met for the first time in July 2016 and will take forward a new work programme in procurement, service agreements and contracts, performance measurement, terminology and customer satisfaction measurement.

Working closely with the construction sector BSI has developed over recent years a suite of internationally recognized standards supporting building information modelling (BIM) that set out a basis for digital collaboration when designing, building and maintaining built environment assets (the PAS 1192 series).

This year we developed a dedicated online portal with all the necessary standards and guidance for industry to implement the standards (BIM Level 2). The portal, which was developed with support from the UK Government, will become the official BIM Level 2 hub, providing 16 newly commissioned guidance chapters aimed at the UK and international markets to support the seven BIM standards. All international chapters will be translated into a number of languages, including Arabic and Chinese. Over 100,000 copies of our BIM Level 2 standards have been downloaded since 2013.

Our activity in the digital economy reached a new level this year with the launch of PAS 212 (Internet of Things). This standard, known as the 'Hypercat Specification', provides a basis for the automatic discovery of objects connected through the internet and will underpin the next stage of the digital revolution in smart applications, cities, infrastructure and manufacturing. Over 2,000 people attended the launch of the Hypercat Alliance and PAS 212 at the Festival Hall in London in June.

Alongside the need for standards to support the digital economy, we see a growing demand for standards that set out better business practices. One key area is procurement and in December 2016 the first international standard for sustainable procurement, ISO 20400, was approved for publication. The UK was very influential in the development of ISO 20400, which draws heavily from BS 8903 (Sustainable Procurement). Similarly, the measurement of social value for enterprise is another area that would benefit from some harmonization of the many different approaches available to businesses. In 2016, using funding from the UK Government, BSI researched the existing social value landscape to develop an approach to shaping relevant business standards.

And finally, one of our standards in particular captured the public imagination: BS 8611 (Robots and Robotic Devices), a guide to the ethical design and application of robots and robotic systems. This new standard attracted strong interest from China and the US, as well as UK media channels.

Members

Our programme to improve the experience of those who contribute to standards development in UK continued to grow through engagement and forums. In 2016 we issued a new Committee Member Policy and a Standards Makers Feedback Policy. These policies help BSI's committee members to understand their roles better and make it easier for all standards makers to provide feedback on their experiences of working with us.

In 2016 we launched a new initiative to strengthen the links with associations who nominate experts to BSI committees. We also developed our approach to young professionals to encourage the future generations to see the strategic value of involvement in standards development. This is part of the increasing diversity of our standards community, which we aim to develop further in 2017.

We held three standards forums to discuss standards issues with stakeholders. In 2016 we held our first forum in Northern Ireland, in partnership with the National Standards Authority of Ireland (NSAI), and we held our third annual Standards Awards event, where we recognized excellence in standards development. We held a dedicated event for our consumer and public interest stakeholders in Edinburgh in June.

Our standards development online environment has been completely overhauled. This includes consolidation of the three services of standards information, proposals and drafts into one environment, a best practice approach to usability and accessibility and improved user journeys to enable seamless integration with BSI's wider digital services. The new website went live in December. Since October our regular communication to BSI's members, 'Update Standards', has switched to a digital-only format. Our meeting centre in Chiswick was refurbished during the year and has been improved significantly by the addition of a new member room and enhanced facilities for web conferencing.

UK engagement

We have engaged extensively with all our stakeholders since the EU referendum in June, including the new Department for International Trade (DIT) and Department for Exiting the European Union (DExEU). Our stakeholders in industry and the consumer community are keen to ensure that the UK retains full membership of the European Standards System (ESS) post-Brexit through continued full membership of CEN and CENELEC, so that we may continue to influence European and international standards used both in the UK and globally. We have conveyed this message to our European partners and to the UK Government. We remain confident that we will achieve this outcome, as CEN and CENELEC are private organizations and not agencies of the EU.

Innovation is a second area where we have pushed hard to improve the awareness of the value of standards. We have been working more and more closely with the Catapult centres, a network of world-leading facilities designed to transform the UK's capability for innovation in specific areas and help drive future economic growth. We have connected with the Energy Systems Catapult reflecting the importance of the UK moving towards a smarter, more flexible energy system to meet energy and climate change objectives. We delivered a study for a standards strategy through the High Value Manufacturing Catapult to support the transition to digital manufacturing and a further scoping study was delivered through the Transport Systems Catapult on connected and autonomous vehicles. Work with the Future Cities Catapult in the area of smart and resilient cities continues.

In addition, we have further developed our approach to the electro-technical sectors to grow the strategic engagement with industry leaders. Strong links have been built with the industry council body, ESCO, which I have been invited to join in my capacity as Director of Standards.

International engagement

Throughout 2016 we maintained a high level of activity in the European and international standards bodies. We expanded our secretariat holding this year and we are providing additional support to UK convenors of key working groups. We continued to play a lead role in initiatives of strategic importance at the international level, including ISO's work on its future standards environment. On 1 January 2017, I had the privilege of assuming the role of ISO Vice-President (Policy), the first UK Vice-President of ISO since 1988. I will step down from my role as Vice-President (Policy) for CEN in 2017.

Our International Projects consultancy continued to support technical assistance projects around the world. After significant engagement with international donors and with the UK Government, we secured projects in Ukraine supporting SMEs, in Belarus on the accreditation of testing laboratories for medical products, in Israel on modernizing environmental, regulatory and management tools for the Israeli industry, in Turkey in the Food sector and in the Caribbean on the development and implementation of technical regulations and methods of referencing standards. We are keen to expand our donor partners to develop our reach and influence in related geographies and domains.

In April, we led a delegation from the UK to Chengdu in China for the first formal meeting of the UK-China Standardization Cooperation Commission (SCC). The SCC reports to the Joint Economic and Trade Committee (JETCO) between the UK and China and is an important channel for dialogue between technical experts and on strategy and policy matters to do with trade, growth and innovation between our countries.

'Throughout 2016 we maintained a high level of activity in the European and international standards bodies. We expanded our secretariat holding this year and we are providing additional support to UK convenors of key working groups. We continued to play a lead role in initiatives of strategic importance at the international level, including ISO's work on its future standards environment'

'Through the commitment of our committees and, indeed, all our members, we look forward to 2017 to continue to shape and deliver expertise in best business practices across the world'

Sixty two UK standards have now been adopted by China and we are developing work programmes around standards for smart cities and civil nuclear, supported by the Foreign and Commonwealth Office China Prosperity Fund. Three of our smart city framework standards, PAS 180, 181 and 182, were adopted by China in 2016 as Chinese national standards.

In Europe we have supported the development of the European Commission Joint Initiative on Standardization (JIS), and we are leading some of the resulting actions. In my role as Vice-President (Policy) for CEN, I assisted in the conclusion of the STEER project, a member-led initiative to develop new recommendations on how to improve the efficiency of CEN and its sister organization, CENELEC, which will now be implemented.

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 BSI's work as the NSB through the standards development process internationally, in Europe and in the UK.

Through the commitment of our committees and, indeed, all our members, we look forward in 2017 to continue to shape and deliver expertise in best business practices around the world.

Dr Scott Steedman CBE
Director of Standards
23 March 2017

Secure

ISO 22301 enabled Nxtra Data to have clear cut controls in place to manage risk and deliver a reliable and secure service to clients

Nxtra Data provides an integrated portfolio of colocation, cloud and managed services across the world, based in India. It has implemented a comprehensive set of relevant standards and management systems with BSI including ISO 27001, ISO 22301, and ISO 20000-1.

Keeping data secure

Due to the business critical function of a data centre, Nxtra Data's core objectives are to provide reliable and secure IT infrastructure, with zero downtime. Working with BSI provided a way of ensuring it has robust processes in place.

The impact of the solution

Recently, when devastating floods hit the entire Coromandel Coast region of South India, Nxtra Data's ISO 22301 certification meant it was well placed to put its Business Continuity plans into action. When disaster hit, its high state of preparedness enabled it to reduce the impact of the disaster on its clients. This rigorous and robust approach meant service levels were maintained with zero downtime during the crisis.

'As a global communications, hosting, cloud and IT services company, our main focus is in processes and controls based on Information Security (both physical and cyber), Business Continuity and IT service management.'

Neil Pollock
Chief Executive Officer
Nxtra Data

Revenue and profit were at record levels

BSI remained highly cash generative and we ended the year with zero debt and significant funds in the bank.

Overview

Despite reasonably stable trading conditions, particularly in its early months, as 2016 developed it brought with it some unprecedented challenges and experiences for the world economy. The result of the EU referendum in the UK created uncertainty that will last for some time into the future. The US elected its first Republican president for eight years. More locally many countries experienced economic, political social and security issues that led to sub-optimal trading conditions. In addition, oil and gas prices, although they increased during the year, remained at levels below their historical norms. Against this backdrop many of our competitors have reported results below market expectations.

BSI is fortunate in having a very broad spread of business across geographies, business streams, industry sectors and business domains. As such our overall results were not materially adversely affected by these macro-economic trends and, in 2016, were able to report record levels of underlying revenue and underlying operating profit. The deficit of our UK defined benefit pension scheme increased during 2016, predominantly due to the lower level of corporate bond yields, and this led to a reduction in our net asset value despite the earnings generated during the year. However, we ended the year with significant funds in the bank and no external debt, and 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.

Craig Smith FCCA
Group Finance Director

'2016 saw some unprecedented challenges and experiences for the world economy'

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 35.

Revenue

BSI Group revenue increased by 21% in 2016 to £401.8m (2015: £331.1m). Organic revenue growth at constant exchange rates was 9%, in line with the organic growth rates reported in both 2014 and 2015. This was supplemented by another 3% inorganic growth from our five 2016 acquisitions (2015: 6%). Sterling weakened during 2016 against all of our major trading currencies and so also had a positive effect on our reported revenue, increasing it by another 9% (2015: 0%). The reported revenue growth of 21%, at actual exchange rates, meant that our underlying revenue continued its trend of increasing every year since 1999 and was at its highest level in the 115-year history of the Company.

Each of our regions and business streams reported revenue growth in 2015. EMEA grew by 15%, the Americas by 29% and Asia Pacific by 25%. Our Knowledge stream increased its revenues by 6%, Assurance by 19% and Compliance by 76%. All of our 2016 acquisitions were in the Compliance stream. All of our regions' and streams' reported revenue benefited, to varying degrees, from the weakness in Sterling in 2016. Details of the performance of the regions and business streams, and their organic growth at comparable exchange rates, are given in the Business review on pages 20 to 25.

Underlying operating profit (UOP)

Investments in recent years have laid a stable platform for profit growth and this was delivered in 2016. Underlying operating profit increased by 42% from £35.4m in 2015 to £50.1m in 2016. This was the highest level of UOP reported in the Group's history.

As with revenue there are three components to this increase. Organic UOP at constant exchange rates grew by 31% (2015: 18%).

The acquisitions completed during 2016 added 1% of inorganic growth (2015: 4%). In 2016 we benefited from the weakness in Sterling and exchange rate movements contributed another 10% (2015: 0%).

At an overall Group level our gross profit margin increased from 46.9% in 2015 to 47.8% in 2016. 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 margins and, as in 2015, this was again the case in 2016. It is pleasing to report further increases in gross margins for our Systems Certification and Training businesses, as they deliver their strategic initiatives which refer to margin growth. However, our recently acquired consultancy businesses have a naturally lower level of gross profit margin and the increased proportion of consultancy in 2016 has mitigated the overall increases from elsewhere in our business.

Selling, distribution and administration costs increased more slowly than revenue, by 18% during 2016. Internal revenue and profit budgets were beaten in 2016 and incentive payments to management increased from their 2015 levels. In addition, the provision for the Long Term Incentive Plan was increased by £2.4m (2015: £2.0m) due to the high level of 2016 revenue and profit and a resultant increase in our target for 2017 and beyond. Depreciation and amortization increased to £10.7m (2015: £10.5m) due to the recent acquisitions and increased levels of capital expenditure.

These levels of gross profit and selling, distribution and administration costs resulted in an underlying operating profit of £50.1m (2015: £35.4m) as explained above. This implies an underlying operating profit margin of 12.5%, an improvement of 180 basis points on 2015 (2015: 10.7%).

Exceptional items and operating profit

Our acquisitions of Espion, Info-Assure, CES, Atrium and QMG all included some element of consideration payable three years after the acquisition date should certain employment criteria be met at this time. This amount will be accrued over the three years following acquisition and so an exceptional item of £0.9m appeared, for this reason, in the 2016 accounts. In addition, there was a similar accrual of £0.7m (2015: £0.6m) relating to our 2015 acquisitions of EORM and HCE. There were also deal costs of £0.8m relating to the 2016 acquisitions (2015: £0.1m relating to the 2015 acquisitions).

In 2016 we instigated and partially completed a refurbishment of our head office in Chiswick, UK. Much of the cost of this refurbishment will be capitalized and depreciated over the time remaining on our lease in Chiswick. However, there were also exceptional costs relating to this project of £0.4m charged during 2016.

The total exceptional costs in 2016 were £2.8m (2015: £1.3m). This meant that our operating profit for the year was £47.3m, an increase of 39% over the 2015 figure of £34.1m.

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 2016 but finance income continued to be low due to the current prevailing interest rates at which we were able to invest. As a result, finance income was £0.2m (2015: £0.1m). 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 £2.3m in 2016 (2015: £2.6m). Profit before tax increased by 43% from £31.6m in 2015 to £45.2m in 2016.

Taxation

The Group effective tax rate (ETR) on profit before tax in 2016 was 30.5% (2015: 25.1%). Eliminating the prior year adjustments arising on overprovided UK and foreign tax the current year ETR was 29.2% compared to 25.7% last year.

We consider the ETR on UOP to be a better indicator of the tax management of the operating businesses. In 2016 the ETR on UOP increased slightly to 28.6% (2015: 28.2%). The mix of the differing tax rates between the countries in which we make our profit can create such fluctuations in the overall rate. For example, in 2016, the corporation tax rate for our US businesses was 42% (2015: 41%) whereas in the UK the weighted average corporation tax rate was 20% (2015: 20.25%). Also the proportion of our profit before tax that we make in countries with different tax regimes has a mix effect. BSI continues to grow its business globally, decreasing the proportion of the profit it makes in the UK, which has one of the lowest tax rates in any of the countries in which we operate.

Balance sheet and cash flow

The net asset value of the Group increased by £4.5m or 6% in 2016, from £78.4m to £82.9m. The main contributors to this were the profit for the year of £31.4m (2015: £23.7m) and foreign exchange gains of £9.8m (2015: losses of £0.7m), mitigated by the increase in the deficit of the UK defined benefit pension scheme of £33.2m (2015: £11.1m reduction).

BSI remained highly cash generative during 2016, with cash generated from operations, before contributions to the UK defined benefit pension scheme, of £61.1m (2015: £45.7m). Our strong cash position at the beginning of 2016, and the generation of cash during the year, ensured that we were able to fund all our acquisitions without recourse to external financing. £29.3m was spent on these acquisitions (2015: £19.7m) but, despite this outflow and our significant capital expenditure during the year, we ended 2016 with zero debt and £48.1m in the bank. This means that, in 2017, we are again well placed to fund any prospective acquisitions or other investments internally.

Balance sheet and cash flow continued

Our purchases of property, plant and equipment and intangible assets were £12.1m in 2016 (2015: £6.8m). We continued to invest in our information and communications technology infrastructure as well as in more client-facing programmes such as our Entropy Software, our Supply Chain Solutions offering and our online solutions and product delivery platforms.

Included in this figure was an investment of £0.4m in the development of new training courses (2015: £0.3m).

Debtor days increased slightly during 2016 to 60 days (2015: 58 days). This Group average depends on the geographical, business stream and industry sector mix of our revenue and the customary terms of trade encountered in our different markets. There is also, occasionally, a push from some of our clients to receive longer payment terms. These are sometimes granted for commercial reasons. However, there were no significant bad debts during 2016, with receivables written off amounting to only £0.7m (2015: £0.8m) 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 increased by £33.2m, or 47%, from £70.9m to £104.1m during 2016.

A contribution was made to the scheme during the year, in accordance with the schedule of contributions agreed with the Pension Trustee, of £12.5m (2015: £12.5m). There was a net interest cost of £2.3m (2015: £2.6m) and operating expenses of £0.5m (2015: £0.5m) recognized in the consolidated income statement, together with a re-measurement loss of £42.9m (2015: gain of £1.7m) recognized in the consolidated statement of comprehensive income, arising mainly from changes in financial assumptions.

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 2.6% compared to 3.8% in 2015. This accounted for the vast majority of the increase 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.

'Against this backdrop many of our competitors have reported results below market expectations'

'BSI is fortunate in having a very broad spread of business across geographies, business streams, industry sectors and business domains and, as such, our overall results were not materially adversely affected by macro-economic trends'

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 2016, and a further £12.0m was paid in March 2016, satisfying the Group's obligations under the schedule of contributions for the year. A further triennial valuation took place on 31 March 2016 and the Group is currently in discussions with the Trustee to agree an updated schedule of contributions for the next three years and beyond.

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 2016 was £1.3m (2015: £1.0m).

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 £48.1m at the end of 2016. This was down 6% from the equivalent figure at the end of the previous year (2015: £51.0m). However, during the year there was cash expenditure on acquisitions of £29.3m (2015: £19.7m), capital expenditure of £12.1m (2015: £6.8m) and a contribution to the UK defined benefit pension scheme of £12.5m (2015: £12.5m). Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdrafts of £2.7m (2015: £2.4m), on an unsecured basis, at the end of 2016, 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 £1.7m (2015: £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
23 March 2017

Exchange rates

	Year end 2016	Year end 2015	Average 2016	Average 2015
Australian Dollar	**1.70**	2.04	**1.80**	2.05
Euro	**1.17**	1.36	**1.21**	1.39
Chinese Renminbi	**8.52**	9.64	**8.90**	9.58
Japanese Yen	**143**	179	**144**	185
US Dollar	**1.23**	1.49	**1.33**	1.53

Financial KPIs

Revenue (£m)

£401.8m

+21%

16	401.8
15	331.1
14	287.1
13	271.8
12	254.6

Underlying operating profit (£m)

£50.1m

+42%

16	50.1
15	35.4
14	29.1
13	28.3
12	31.2

Operating profit (£m)

£47.3m

+39%

16	47.3
15	34.1
14	30.7
13	26.8
12	32.1

Profit for the year (£m)

£31.4m

+33%

16	31.4
15	23.7
14	21.0
13	21.3
12	22.1

Gross profit margin (%)

47.8%

+0.9ppt

16	47.8
15	46.9
14	47.7
13	48.4
12	49.3

Underlying operating profit margin (%)

12.5%

+1.8ppt

16	12.5
15	10.7
14	10.1
13	10.4
12	12.3

Net asset value (£m)

£82.9m

+6%

16	82.9
15	78.4
14	56.5
13	63.4
12	49.9

UK defined benefit pension fund deficit (£m)

£104.1m

+47%

16	104.1
15	70.9
14	82.0
13	58.7
12	59.9

Cash (£m)

£48.1m

-6%

16	48.1
15	51.0
14	52.8
13	43.4
12	41.0

Enabling a resilient world

At BSI we are committed to ensuring that social responsibility helps to drive our own decisions, activities and culture as we work with our clients to shape resilience in their businesses.

Our commitment

Social responsibility (SR) is an integral part of Organizational Resilience. At BSI we are committed to ensuring that SR helps to drive our own decisions, activities and culture as we work with our clients to shape resilience in their businesses.

Our approach

In September 2015 I took over as Chairman of the Board's SR Committee. I am grateful for the support we receive in the business from our SR Programme Manager, executive SR sponsors in our priority areas and a network of regional and country SR champions. Together we ensure that our approach to SR aligns with the business strategy.

2016 was an exciting year for SR as we revitalized our approach. While still basing this on ISO 26000 (Guidance on Social Responsibility) we issued a new SR Commitment in January 2016 which describes where we believe we can make a difference within four priority areas: our business, our people, our communities and our environment. This can be found on the BSI website:

www.bsigroup.com/social-responsibility.

Later in the year we undertook a comprehensive SR alignment project to align our SR programme still further with our business strategy and purpose. Over 300 of our colleagues and over 40 external stakeholders worldwide were canvassed for their views. As a result, we added another initiative to our strategic plan entitled 'Develop our approach to social responsibility under the banner 'enabling a resilient world' and began work on two new, Group-wide, SR focus areas relating to 'education' and 'diversity and inclusion'. A third, relating to 'socially responsible procurement', will begin in 2017. Our commitment in these areas will result in further resource being dedicated to social responsibility.

Alicja Lesniak
Chairman of the Social Responsibility Committee

'We take pride in taking a socially responsible approach to our business and supporting others to do the same'

'2016 was an exciting year for social responsibility as we revitalized our approach. We issued a new Social Responsibility Commitment which describes where we believe we can make a difference within four priority areas: our business, our people, our communities and our environment'

Our business

We recognize that, as the UK 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 that organizations handle SR and contribute to resilient and sustainable long-term development. Our aim is also to integrate SR further into the way we go about our own 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), ISO 27001 (Information Security) and BS 65000 (Organizational Resilience), and seek independent assurance where relevant and appropriate.

During 2016 we expanded our portfolio of Environmental, Health and Safety (EHS) and Information Security (IS) services by means of several acquisitions and significant organic growth. This development has materially enhanced our Group expertise in domains that are integral to the socially responsible resilience of our clients. We leverage this expertise internally as well and apply this to our business to enhance our own resilience.

We continue to enrich the knowledge of our employees and issued online, interactive training courses to every one of our employees and external resources in three areas: anti-bribery and corruption, competition law and cyber security. We also took action to integrate the provisions of the Modern Slavery Act (2015) into our own business and supply chains. Our modern slavery statement can be found on the BSI website:

www.bsigroup.com/social-responsibility.

Social Responsibility theme

'Enabling a resilient world'

We enable the resilience of people, organizations, communities and BSI.

New focus areas

Our new focus areas provide a tangible way in which we bring the theme to life.

Education
Put structure and focus around existing education programmes, develop new ideas and activities, and apply them internationally for young people.

Diversity and Inclusion
Enhance the diversity and inclusion of our people and the wider BSI family.

Our Social Responsibility commitment

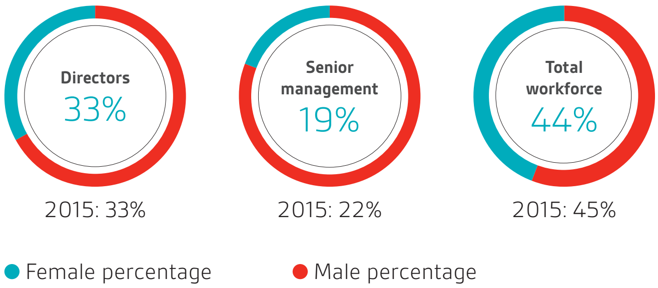
We will continue to:

- Support local initiatives such as charitable donations and volunteering
- Embed SR into our procurement policies and processes
- Support colleague wellbeing and learning and development
- Adopt appropriate and relevant standards globally to support BSI's resilience

Our people

We recognize that our world is forever changing, and we continually seek to engage our colleagues' views to ensure that we become a better employer where people can be proud to work and can develop their professional careers. Our last biennial global employee engagement survey in 2015 demonstrated that we had made progress in all areas covered by the survey, compared to the previous survey in 2013. In 2016 we continued to work on the results of this survey in anticipation of this year's biennial update.

Diversity (%)



Our recruitment programme helps us to create a workforce that reflects the local diversity of the countries in which we operate. Appointments are made on merit, seeking increasingly to take the benefits of diversity into consideration. Our senior management group comprises 26 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. The percentage of female employees at both senior manager and total workforce levels did fall during 2016. This is mostly due to the employees of the businesses we acquired during 2016, who were predominantly male. Excluding acquisitions 46% of our total workforce was female, a small improvement on last year. This will be an area of focus in 2017.

BSI Chief Executive Howard Kerr and part of 'Team BSI' who participated in the 2016 London to Brighton Bike Ride

Our people continued

Our ambition is to create an extraordinary place to work where colleagues can reach their full potential. We invest in creating modern workplaces and are nearing the completion of a programme of work to upgrade our key offices across the globe. In 2016 we have undertaken an extensive renovation of our head office in the UK to create a working environment that promotes knowledge sharing, better collaboration and personal accountability.

We have a global reward and recognition system and continue to provide opportunities for our colleagues to improve their physical, social and emotional wellbeing. A number of countries, including the UK, the US and Australia have developed structured wellbeing initiatives. We have implemented recommendations from the 2015 'Britain's Healthiest Company' survey and focused on muscular skeletal issues and providing resilience and vitality sessions throughout the UK.

All of our offices have a health and safety management system in place. The offices in our largest operating countries, the UK, the US, Australia, China and Japan, are certified to, or comply with OHSAS 18001 (Occupational Health and Safety Management) or the local equivalent. Employees are encouraged to report near misses as well as accidents. We continue to monitor the number and causes of these and put measures in place to reduce the risk of occurrence.

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 contribute positively to the communities in 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.

> 'Later in the year we undertook a comprehensive alignment project to align our social responsibility programme still further with our business strategy and purpose'

In early 2016, we launched a formal volunteering policy and a number of colleagues have taken up the opportunity to spend a day out of the office sharing their skills and knowledge with charitable organizations and education providers.

Our BSI EHS consultancy team in the US partnered with the Junior Achievement initiative to teach 150 students in under-served Northern California schools about work-readiness, entrepreneurship and financial literacy. Our Australian team continues to provide internships and, in the last year, some of these interns have been offered permanent roles within the business. Our UK business has developed partnerships with local education providers and our newly acquired BSI information security consultancy business has a dedicated outreach programme.

We maintain an active policy of charitable giving, either directly or in support of colleague-led initiatives. For the second year running we participated globally in a 'Walk for Water' challenge in aid of our global charity partner, WaterAid. A number of our offices collect and donate reusable items to charities such as unused business attire to Dress for Success, which is dedicated to empower women to achieve economic independence. In the UK in June over 40 employees joined 'Team BSI' as we participated in the London to Brighton Bike Ride to raise money for the British Heart Foundation. These initiatives are just examples of the many in which our employees participate worldwide to raise funds for important causes.

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.

In 2016, we continued to support our global charity partner, WaterAid

© WaterAid/Behailu Shiferaw

Strategic report

Greenhouse gas emissions

Our global carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO_2e). Emissions are shown in compliance with the Department for Environment, Food and Rural Affairs (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 Defra.

Every year we strive to produce the most accurate data available to us through the continual improvement of our data gathering process. In 2016 in particular, we have enhanced our access to data for car usage outside the UK and more of our office locations. As a result, we have restated our 2015 numbers for comparability, using retrospective estimates where necessary. Our 2016 acquisitions are not yet included in our data.

Greenhouse gas emissions (tCO_2e)	2016	2015 restated
Scope 1 emissions	**3,800**	3,600
Scope 2 emissions	**2,600**	2,500
Net emissions	**6,400**	6,100
Intensity ratio per employee	**1.89**	1.88
Intensity ratio per square metre	**0.14**	0.13

Definitions

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

We operate local recycling awareness campaigns to help reduce our impact on the environment. Many countries also operate specific initiatives such as collecting unwanted mobile phones and accessories for recycling in Australia, donating bottle tops in exchange for polio vaccines for children in Japan, creating cash from trash in India and donating old IT equipment to charitable organizations when we upgrade our equipment in the UK and the US. In Australia this year, old laptops were made available for purchase by employees, raising important funds for a local charity.

Energy is also a key focus for us. We have developed a global Health, Safety, Environment and Quality (HSEQ) and Sustainability Policy which includes our position on energy management to optimize energy performance, reduce the impact associated with energy use and actively and responsibly manage energy consumption. Measures to reduce energy use include the promotion of web conferencing, car sharing and the careful allocation of jobs to our auditors to minimize their travel where possible. Some offices have taken specific steps to reduce energy use. For example, in India the installation of LED lighting has reduced energy bills by 30%.

We track our greenhouse gas emissions worldwide and continue to refine and improve reporting in this area. We have commenced mid-year reporting to help us more actively manage our GHG emissions.

At BSI social responsibility is a business imperative. We take pride in taking a socially responsible approach to our business and supporting others to do the same – enabling a resilient world.

Alicja Lesniak
Chairman of the Social Responsibility Committee
23 March 2017

Our Board

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

Committee membership

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

Sir David Brown A N SR
Chairman

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 N SR
Chief Executive

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.

Dr Scott Steedman CBE SP
Director of Standards

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 the University of Cambridge before moving to industry where he spent over 20 years as a consultant working in the Built Environment sector. He was a Non-Executive Board Member of the Port of London Authority from 2009 to 2015 and served as Vice-President (Policy) for the European Committee for Standardization (CEN) from 2013 to 2017. He is currently Vice-President (Policy) of the International Organization for Standardization (ISO).

Lucinda Riches A N R
Senior Non-Executive Director

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, Ashtead Group PLC, CRH PLC and ICG Enterprise Trust PLC and a Trustee of Sue Ryder.

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. Following his return to the UK in 1997 he worked as European Finance Director for two large American corporations and, 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.

Alicja Lesniak A N SR
Non-Executive Director

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 also Senior Non-Executive Director at Next Fifteen Communications Group PLC.

Dr Stephen Page N R SP SR
Non-Executive Director

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.

Alison Wood N R
Non-Executive Director

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

Douglas Hurt A N R
Non-Executive Director

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.

Our Group Executive

Our Group Executive team has many years of experience successfully managing all aspects of complex global businesses.

Howard Kerr
Chief Executive

Craig Smith
Group Finance Director

Pietro Foschi
Group Strategic Delivery Director

David Brown
Director of Corporate Development

Shirley Bailey-Wood MBE
Director, Information Solutions

OUR REGIONS

...delivered through local relationships and resources

Read more on **p04**

OUR STREAMS

...specialized combination of products and services

Read more on **p06**

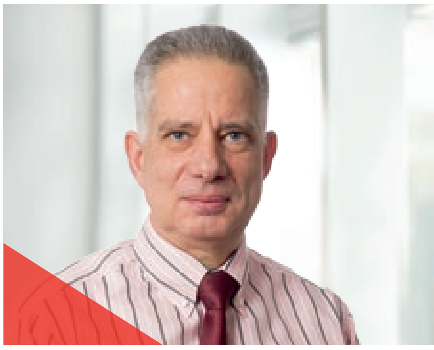
Dr Scott Steedman CBE
Director of Standards

Tony Wales
Director of Legal Affairs

Devyani Vaishampayan
Group Human Resources Director

Mark Basham
Managing Director, BSI EMEA

Todd VanderVen
President, BSI Americas



David Horlock
Managing Director, BSI Asia Pacific

OUR SECTORS

...across many sectors
but focusing on a few

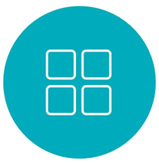
Read more on **p08**

Healthcare

Food

Built Environment

Aerospace and Automotive



All other sectors

OUR DOMAINS

...Organizational Resilience
across the business

Read more on **p10**

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 and so is able to draw upon the experience of individuals of recognized stature from many areas of business. 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, informed by the views of those interested in standards, does invaluable work in gathering and distilling information on standardization matters and advises the Board accordingly,

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
23 March 2017

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 considered to be 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 to 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, remuneration of senior management, appointments to the Board and Board Committees and corporate governance matters.

In 2016 the Board comprised the Chairman, Sir David Brown; the Chief Executive, Howard Kerr; two further Executive Directors, responsible for finance and standards; and five independent Non-Executive Directors.

There were no changes to the composition of the Board in 2016, or to date. The Directors of the Company and their roles are given in their biographical details on pages 40 and 41.

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 and Board Committee structure

The Board

Chairman

Executive
- Chief Executive
- Group Finance Director
- Director of Standards

Non-executive
- Senior Independent Director
- Four further Independent Non-Executive Directors

Company Secretary

Executive Committees
(reporting to the Chief Executive)

- Group Executive Committee
- Banking and General Purpose Committee
- Certification Body Management Committee
- Code of Conduct Oversight Committee

Board Committees
(reporting to the Board)

- Audit Committee
- Remuneration Committee
- Nominations Committee
- Social Responsibility Committee
- Standards Policy and Strategy Committee

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.

Lucinda Riches is the Senior Independent Director and meets regularly with the Non-Executive Directors without the Chairman being present.

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 2016. 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 2016 are shown in the diagram opposite.

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 2016, as in 2015, the Company should facilitate the process itself and, in order to provide consistency, assess change and build upon benefits of the previous years' processes; it would use the same question set and Thinking Board system, reviewing and analysing 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 more extensive development and succession planning programme, the need to gather a wider strategic perspective and a consideration of the scope and use of client feedback in strategic planning. The process also confirmed that the Board Committees were working well and were effective and that agreed suggestions for their continuing improvement would be actioned.

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

Board meeting attendance

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

Attendance	Jan	Mar	May	Jun	Jun	Sep	Dec
Chairman							
Sir David Brown	●	●	●	●	●	●	●
Executive Directors							
Howard Kerr	●	●	●	●	●	●	●
Craig Smith	●	●	●	●	●	●	●
Dr Scott Steedman	●	●	●	●	●	●	●
Non-Executive Directors							
Douglas Hurt	●	●	●	●	●	●	●
Alicja Lesniak	●	●	●	●	●	●	●
Dr Stephen Page	●	●	●	●	●	●	●
Lucinda Riches	●	●	●	●	●	●	●
Alison Wood	●	●	●	●	●	●	●

● Attended ○ Did not attend

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 50 to 52.

Remuneration Committee

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

- The Directors' remuneration report, which includes details of the Remuneration Committee's membership, is set out on pages 54 to 63.

Board focus during 2016

January

- Formal determination of risk appetite
- Business update on EMEA region
- Report by the Finance Director on the sales to revenue cycle
- Presentation of the results of the employee engagement survey

March

- Evaluation of the effectiveness of the Chairman and the Chief Executive
- Consideration and approval of the proposed acquisition of Espion Limited, Ireland
- Approval of new cyber-security initiatives
- Consideration of the 2015 results and approval in principle of the Annual Report
- Review of the Group's competitor landscape in its key markets
- Review of the Group's talent management strategy
- Business update on customer insight
- Review of the Group's Organizational Resilience marketing strategy

May

- Review of BSI's Code of Business Ethics
- Review of compliance with the NSB Code of Conduct
- Discussion of the implications for the NSB and the Group of a 'leave' vote in the EU referendum
- Business update on the Group's human resources
- Determination of membership fees

June (two meetings)

- Review of Group strategy with the Group's Executive management
- Consideration of the Group strategic plan 2017–19
- Discussion on the Group's vision for 2020
- Business updates on the Americas region and on the newly acquired Espion Ltd business
- Review and approval in principle of the proposed acquisitions of Atrium and CES, US
- Further review of the Group's competitor landscape in its key markets
- Annual review of social responsibility policies

September

- Consideration of the governance of Group subsidiary companies
- Review and approval in principle of the proposed acquisition of Info-Assure Limited, UK
- Review and approval in principle of the proposed acquisition of Quantum Management Group, US
- Discussion on the Group's approach and contingency planning in response to the Brexit vote
- Update on the Group's enterprise IT systems project
- Approval of the Group's strategic plan 2017–19
- Review of the Group's accreditations and regulatory compliance processes
- Review of the Group's organizational structure to ensure alignment with the strategic plan

December

- Annual evaluation of the Board and its Committees
- Review of Non-Executive Director mentoring, site visits and public initiatives
- Review of the Assurance stream's sales to revenue cycle
- Business update on the Asia Pacific region
- Approval of the Group's budget 2017

Board Committees continued

Nominations Committee

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

- A report by the Nominations Committee, including details of its membership, is set out on page 53.

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 advise the Board on 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 28 to 30.

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 Committee is chaired by Alicja Lesniak, Non-Executive Director, and its members are Sir David Brown, Group Chairman, Dr Stephen Page, Non-Executive Director and Howard Kerr, Chief Executive, with the Group Head of Social Responsibility in attendance.

- The Social responsibility review is set out on pages 36 to 39.

Internal control

The 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 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 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 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 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 26 and 27.

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 Group by the Chief Executive and the Group Finance Director and the Board reviews a full financial report and commentary every month. The Group's internal audit function is responsible for auditing and monitoring the application of financial procedures and practices throughout the 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 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 the Group aims to put at the forefront of all its activities.

By Order of the Board

Sir David Brown
Chairman
23 March 2017

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
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

Tony Wales
Company Secretary
23 March 2017

The Audit Committee

During the year the Committee's activities included a comprehensive review, undertaken with the external auditors, of the scope of the audit to ensure it remains relevant to the developing profile of the Group. The Committee also approved a new risk-based internal audit plan.

Lucinda Riches
Chairman of the Audit Committee

Audit Committee attendance

Attendance	Mar	Jun	Nov
Lucinda Riches (Chairman)	●	●	●
Sir David Brown	●	●	●
Douglas Hurt	●	●	●
Alicja Lesniak	●	●	●

● Attended ○ Did not attend

The Audit Committee (the 'Committee') is established by the Board under terms of reference that are reviewed annually and most recently updated in March 2017. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership

During the year ended 31 December 2016 the Committee comprised:

- Lucinda Riches (Chairman)
- Sir David Brown
- Douglas Hurt
- Alicja Lesniak

In determining the composition of the Committee, the Nominations Committee and the Board have selected Non-Executive Directors who can bring an independent mindset to their role and who can help ensure that the required range of skills, experience, knowledge, professional qualifications and competence relevant to the sector in which BSI operates, are available to the Committee.

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. Sir David Brown has a distinguished career in telecommunications and electronics which included chairmanship of Motorola Ltd. His many professional affiliations include Fellowship of the Royal Academy of Engineering and he is a former President both of the Institution of Electrical Engineering and the Chartered Quality Institute.

Douglas Hurt is a Chartered Accountant and has held many senior financial roles including Group Finance Director at IMI PLC. He is Non-Executive Director and Chairman of the Audit Committee at Tate & Lyle PLC. Alicja Lesniak is a Chartered Accountant and is a Director of Next Fifteen Communications Group PLC. During her career she 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.

The Committee as a whole has competence relevant to the sector in which BSI operates.

When appropriate, the Chief Executive, the Group Finance Director, the Group Financial Controller, the Head of Tax and Treasury and the Head of Internal Audit and Risk, along with the external auditors, are invited by the Committee to attend its meetings. 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 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 and the Group'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;
- considering and approving the role of the Internal Audit function and monitoring its effectiveness;
- reviewing the 'whistle-blowing' procedure;
- overseeing the relationship with the external auditors as well as assessing the effectiveness of the audit process and the quality, expertise and judgement of the external auditors;
- approving the fees of the external auditors and making recommendations for their appointment, re-appointment and removal;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services; and
- meeting with the auditors without the Executive Directors being 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 challenge and support to the Group Finance Director and Group finance team.

Internal audit

The Committee is responsible for the remit of the internal audit function and for monitoring the effectiveness of its work. In 2015 an External Quality Assessment (EQA) was carried out by the Chartered Institute of Internal Auditors during which BSI's internal audit function was independently assessed against the CIIA International Professional Practice Framework (IIPPF). The EQA found that the internal audit function provides a professional and collaborative audit service. The EQA recommended some areas of further development and these are in hand. It is intended that an EQA will be carried out every three years, with a self-assessment process against the IIPPF elements undertaken in the years between, and this was carried out in 2016. During the year the Committee reviewed the internal audit charter to ensure the activity of the internal audit function is appropriate to the current needs of the organization.

Activities of the Committee

During the year the Committee, among other things:

- received and considered, as part of the 2015 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;
- reviewed the draft financial statements and the 2015 Annual Report and after due consideration recommended them to the Board;
- agreed the scope and content of the annual Letter of Assurance by senior managers of the Group and reviewed a report on the returns received;
- undertook, with the external auditors, a comprehensive review of the scope of the external audit, agreed a more risk-based approach relevant to the developing profile of the Group and agreed the 2016 audit plan with the auditors based on the new approach;
- agreed areas of audit focus with the external auditors which, for 2016, were primarily the detection of fraud in revenue recognition, management override of controls and acquisition accounting, as well as the UK defined benefit pension scheme's valuation and other matters of potential risk;
- 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;
- 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;
- reviewed and approved the new internal audit planning process based on an 'assurance map' which maps risks against assurance providers to ensure risks are appropriately monitored and addressed;
- approved a new risk-based internal audit plan for 2016, based on principal risks overlaid with country risk with regard to the assurance map;
- monitored the actions taken by internal audit in response to the findings of the External Quality Assessment;
- approved the fee payable to the external auditors and agreed that an effective, high quality audit can be conducted for the fee;
- considered and approved the external auditors' letters of engagement and letters of representation;
- reviewed the policy on the engagement of the external auditors to supply non-audit services;
- received a comprehensive treasury and tax update;
- 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 the UK Government;
- reviewed and monitored the progress of the Financial Shared Service Centres project;
- 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 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 on matters arising from previous meetings or on an ad hoc basis where matters require the consideration of the Committee.

During the year, the annual Committee evaluation process took place as set out in the Evaluation, training and support section of the Corporate governance report on page 46. The process confirmed that the Committee was working well and was effective and led to some valuable discussion.

Significant areas of risk

Areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2016 were:

Significant risk:
- fraud in revenue recognition;
- management override of controls; and
- acquisition accounting for the new businesses.

Elevated risk:
- the valuation of the UK defined benefit pension scheme.

Areas of focus:
- impairment of assets, tax and judgemental provisions.

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

The Committee has power 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:

- assessing the culture; skills, character and knowledge; quality control and judgement, responsiveness and communications of the external auditors;
- discussing with the external auditors the key controls they rely on to address identified risks to audit quality;
- keeping the external 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 audit effectively; and
- regularly reviewing, and feeding back to the external 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.

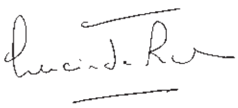
The fees paid to the external auditors for audit and non-audit work are set out in Note 7 to the financial statements. The ratio of audit work to non-audit work was 3.6:1.

The Committee safeguards the external auditors' objectivity by reviewing their report where they detail the measures they take to maintain their independence and manage any potential conflicts of interest. Any proposed provision of non-audit work by the external auditors that is not material is subject to thorough review by the Finance Director, in conjunction with the external auditors, to ensure there is no threat to the independence or objectivity of the external auditors. Any concerns that the Finance Director may have, and all other such matters, are discussed with the Chairman of the Committee and, if required, referred to the Committee for its consideration. It was considered in the best interests of the Group to retain PricewaterhouseCoopers LLP for non-audit work in connection with corporate tax compliance and advisory services in the US, Canada and Taiwan as well as a review of management services transfer pricing in the UK, due to their relevant expertise and knowledge of the Group's business.

PricewaterhouseCoopers LLP have been the BSI Group's external 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 retendering exercise for the selection of the auditors. A thorough review process was carried out and PricewaterhouseCoopers LLP were retained as the Company's external auditors but with a new team. John Minards has been the audit partner since that time. At least once every ten years the external audit services contract will be put out to tender.

The Committee considers that the relationship with the external auditors continues to work well, remains satisfied with their effectiveness and has no current intention of re-tendering the external audit services contract. The Committee has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed as the Company's auditors at the 2017 Annual General Meeting.

By Order of the Board



Lucinda Riches
Chairman of the Audit Committee
23 March 2017

The Nominations Committee

In 2016, the Committee maintained its continuing assessment of the balance of skills, knowledge, experience and diversity on the Board.

Sir David Brown
Chairman of the Nominations Committee

Nominations Committee attendance

The Committee met twice in the year ended 31 December 2016.

Attendance	Mar	May
Sir David Brown (Chairman)	●	●
Douglas Hurt	○	●
Howard Kerr	●	●
Alicja Lesniak	●	●
Dr Stephen Page	●	●
Lucinda Riches	●	●
Alison Wood	●	○

● Attended ○ Did not attend

The Nominations Committee (the 'Committee') is established by the Board under terms of reference reviewed annually and most recently updated in July 2011. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership

During the year ended 31 December 2016 the Committee comprised:

- Sir David Brown (Chairman)
- Douglas Hurt
- Howard Kerr
- Alicja Lesniak
- Dr Stephen Page
- Lucinda Riches
- Alison Wood

Key responsibilities of the Committee

These include:

- reviewing the size, structure and composition of the Board and making recommendations to the Board on these matters; and
- drawing up succession plans for the Directors.

There is a continuing assessment of the balance of skills, knowledge, experience and diversity on the Board and a formal, rigorous and transparent procedure for the appointment of new Directors.

Activities of the Committee

During the year the Committee, among other things:

- made a recommendation to the Board regarding the annual re-appointment of the Chairman;
- recommended the selection of Directors standing for re-election at the Annual General Meeting;
- considered Board succession with regard to Board and Board Committee weight and balance, considering both Executive and Non-Executive Directors; and
- confirmed, without the Chairman being present in the meeting, the appointment of the Chairman to the Audit Committee, notwithstanding the recommendations of the Code.

There is an annual work plan in place that specifies the key agenda items for each scheduled meeting of the Committee to ensure that all formal matters have been addressed. Ad hoc meetings are held when necessary to consider particular matters, for example a recruitment to the Board.

Board equality and diversity policy

The Board takes the issues of equality and diversity seriously and follows an established Group-wide policy of using the talent and skills available in all groups and communities in the countries in which the Group operates to build the strong team it requires to deliver the strategy for its business.

The BSI Group uses job related objective criteria in the selection of candidates and when considering development opportunities. The Board applies the same policy to its own composition. When nominating new Directors, the Nominations Committee carefully considers the balance of skills, experience and knowledge required for the Board to discharge its duties and responsibilities effectively in order to determine the desired attributes for particular appointments. Such considerations pay particular attention to the merits of diversity.

Since all Board appointments are made on merit, taking the benefits of diversity fully into account, the Board considers that it would be inappropriate to set targets for the percentage of female Directors. However, it will report annually on the diversity of the Board. Details of the gender distribution of the Board, as well as of senior management and employees in the BSI Group as a whole, may be found in the Social responsibility review on page 37.

By Order of the Board

Sir David Brown
Chairman of the Nominations Committee
23 March 2017

Introduction by Alison Wood, Chairman of the Remuneration Committee

Alison Wood
Chairman of the Remuneration Committee

As Chairman of the Remuneration Committee (the 'Committee'), I am pleased to present the Directors' remuneration report for the year ended 31 December 2016. Transparency in remuneration reporting is an important aspect of good governance and this report aims to reflect best practice to the extent practicable for a company of BSI's type and size.

We have sought to enhance reporting to provide more discussion surrounding the link between remuneration and the Group's business strategy and to increase retrospective disclosure on Annual Bonus Plan and Long Term Incentive Plan (LTIP) targets.

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

Performance and reward for 2016

BSI's strong financial performance continued in 2016. The Group has also continued to execute its strategy with the successful completion of five acquisitions during the course of the year while continuing to focus on securing organic growth in its core areas of Knowledge, Assurance and Compliance. In addition, the business, across all geographies, has continued to drive operational imperatives, resulting in an uplift in profit in each of the Group's main territories. For 2016, to ensure that the remuneration framework continues to underpin delivery of BSI's strategic and operational priorities, the target weighting of both the Annual Bonus Plan and LTIP were changed. The target weighting for the LTIP was changed to encourage an emphasis on longer-term revenue growth in accordance with the strategic plan, while the annual bonus targets the delivery of excellence in execution with the focus on annual profit achievement.

The payments made to the Executive Directors under BSI's variable pay arrangements reflect the success of the Group in 2016. I am pleased to report that Group profit for the Annual Bonus Plan (GPB) and revenue exceeded the challenging target levels set before the year began and resulted in bonus payments under the Annual Bonus Plan approaching maximum levels permitted under the scheme. The LTIP, intended to provide incentive for growth over a longer time scale, in accordance with the Group's strategic plan, exceeded the expectations for the management operating profit (MOP) target set in 2014 and provided maximum vesting for 2016. The Executive Directors' variable pay earnings recognized their success in achieving and exceeding the strategic targets set in earlier years. In 2016 the Group achieved higher levels of revenue and profit than ever before.

Further details may be found in the 'Variable pay' section on pages 57 and 58.

Discretionary decisions made in 2016

The Committee retains discretionary power regarding certain areas of Executive Directors' remuneration. During 2016 the Committee did not exercise any of its discretionary power with regard to Executive Director remuneration.

Remuneration policy for 2017

There have been no significant revisions to the policy for 2017, but two changes have been agreed.

For 2016, the definitions of profit used to set targets for the variable pay elements of Executive Directors' remunerations were aligned more closely to underlying operating profit (UOP). During 2016 BSI made a number of acquisitions and it became clear to the Committee that these profit target definitions created a practical difficulty as it was not possible to calculate the relevant UOP target until the post-acquisition accounting treatment of acquired intangibles had been completed, which is typically several months after the acquisition. The Committee therefore decided to exclude, with effect from 2017, the amortization of acquired intangibles from both the Annual Bonus Plan and LTIP Group profit target definitions.

The Committee is satisfied that these changes in definitions will continue to provide a clear alignment between Executive reward and delivering the required short and longer-term financial performance of the the Group.

Recent changes in UK pensions legislation has imposed a further reduction in the lifetime allowance and introduced a new tapered allowance on pension contributions. In order to ensure the Executive Directors are not disadvantaged by these restrictions, the Committee has decided to formalize the top-up arrangements for them so that their remuneration remains competitive. There is minimal cost to BSI in formalizing these arrangements.

Details are set out in the 'Remuneration policy 2017' table on pages 60 and 61.

2017 focus

The Committee keeps the effectiveness of the Company's remuneration policy under review. During 2017 the Committee will address further the framework and metrics of BSI's incentive plans to promote continuous improvement in operational performance, the development of new products and markets and the successful integration of acquisitions. The Committee will put particular emphasis on monitoring and reviewing the overall remuneration strategy to ensure it underpins the delivery of the Group's strategy. Last year the target weighting for the LTIP was amended to encourage an emphasis on longer-term revenue growth in accordance with the strategic plan and the targets set in 2017 will again reflect these aspirations. The targets set for the LTIP award will be intended to provide incentives to the Executive Directors to achieve significant growth in revenue and profits by 2019, while the Annual Bonus Plan will recognize the need to build profits and invest them in the business to support this longer-term growth.

The Remuneration Committee continues to ensure that the tenets of best practice are applied, namely timely and appropriate salary reviews, communicated in context to recipients; the clear setting of challenging variable pay targets, both long and short term, communicated clearly at the beginning of the performance periods to all recipients; and keeping the variable pay programmes as stable as possible, while ensuring that the Executive Directors are given incentives towards the achievement of the organization's strategic goals.

Alison Wood
Chairman of the Remuneration Committee
23 March 2017

The Remuneration Committee

The Committee is established by the Board under terms of reference that are annually reviewed and which were most recently updated in January 2016. A copy of the Committee's terms of reference is available on the BSI Group website.

Membership

During the year ended 31 December 2016 the Committee comprised:

- Alison Wood (Chairman)
- Douglas Hurt
- Dr Stephen Page
- Lucinda Riches

When appropriate, Sir David Brown, Howard Kerr, Craig Smith, Alicja Lesniak and the Group HR Director, Devyani Vaishampayan, or her predecessor Jim Newell, have been invited to the Committee to attend its meetings. Directors do not attend meetings where their own remuneration is under consideration.

The Committee has access to specialist advice from executive reward consultants when required. Advisors are appointed for specific work, following a review of comparable firms, so that the Committee can be satisfied that their advice is objective and independent. During 2016 no external advice was sought.

Remuneration Committee attendance

The Committee met five times in the year ended 31 December 2016.

Attendance	Jan	Mar	Apr	Sep	Nov
Alison Wood (Chairman)	●	●	●	●	●
Douglas Hurt	●	○	●	●	●
Dr Stephen Page	●	●	●	●	●
Lucinda Riches	●	●	●	●	●

● Attended ○ Did not attend

Key responsibilities of the Committee

These include:

- determining policy for the remuneration of the Company's Executive management and other key staff, taking into account all factors the Committee deems necessary, including relevant legal and regulatory requirements;
- reviewing the continuing appropriateness and relevance of the remuneration policy; and
- approving the design of, and determining targets for, any senior management performance related pay schemes operated by the Company and approving the total annual payments made under such schemes.

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

Activities of the Committee

During the year the Committee, among other things:

- agreed salary increases for the Executive Directors and the Executive team;
- used its judgement in deciding the application of specific LTIP rules for the award payable in 2016;
- considered and agreed payments for the 2015 bonus and the LTIP awards under the 2013 grant;
- considered the Chairman's fee and made no change;
- considered new pensions legislation and agreed to provide top-up supplements to employees who had reached maximum limits;
- agreed to update the definitions of Group profit for the Annual Bonus Plan and LTIP;
- discussed and agreed the Directors' remuneration report in the Company's 2015 Annual Report;
- agreed the Chief Executive's objectives for the forthcoming year;
- considered the findings of the Committee evaluation process; and
- reviewed the policy for Directors' expenses.

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

Aligning remuneration to the delivery of BSI's strategy

BSI's key financial objectives are to reach revenue of at least £500m and underlying operating profit of at least £50m by 2018 by pursuing a strategy of a judicious blend of organic and acquisitive growth.

The Executive Directors are responsible for implementing the Group's strategy so that BSI can achieve its objectives and they must strike a careful balance between managing the Group to achieve excellent annual results with making the investments into the Group and for acquisitions required to secure longer-term goals.

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

The Remuneration Committee continued

Aligning remuneration to the delivery of BSI's strategy continued

The LTIP is designed to encourage the Executive Directors to take a longer view, with challenging targets based on future revenue and Group profit objectives determined by the Board in the strategic plan. Balancing these near-term and longer-term targets, and the effect each has on the other, helps ensure an appropriate balance of risk.

The Committee keeps the variable pay targets under continual review to ensure that they properly reflect the aspirations of the strategic plan. For 2016, the Annual Bonus Plan targets were re-weighted to focus more closely on annual profit achievement while the LTIP targets were re-weighted to encourage an emphasis on longer-term revenue growth.

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

Each year the Board sets stretching targets for profit and revenue growth. Payments made to the Executive Directors for 2016 reflect the achievement of the 2016 Annual Bonus Plan targets, shown on page 57, and of the 2014 LTIP targets, shown on page 57.

2016 remuneration

Single figure total (audited information)

							Variable pay receivable for 2016					
	Salaries and fees		Taxable benefits[1]		Pension benefits[2]		Bonus		LTIPs		Total	
Director	**Year ended 31 Dec 2016 £'000**	Year ended 31 Dec 2015 £'000	**Year ended 31 Dec 2016 £'000**	Year ended 31 Dec 2015 £'000	**Year ended 31 Dec 2016 £'000**	Year ended 31 Dec 2015 £'000	**Year ended 31 Dec 2016 £'000**	Year ended 31 Dec 2015 £'000	**Year ended 31 Dec 2016 £'000**	Year ended 31 Dec 2015 £'000	**Year ended 31 Dec 2016 £'000**	Year ended 31 Dec 2015 £'000
Executives												
Howard Kerr[3]	**421**	408	**26**	25	**—**	5	**362**	350	**342**	331	**1,151**	1,119
Craig Smith[4]	**314**	300	**21**	19	**—**	10	**220**	213	**196**	191	**751**	733
Dr Scott Steedman[5]	**235**	214	**15**	16	**13**	32	**173**	166	**154**	150	**590**	578
	970	922	**62**	60	**13**	47	**755**	729	**692**	672	**2,492**	2,430
Chairman												
Sir David Brown	**151**	149	**6**	5	**—**	—	**—**	—	**—**	—	**157**	154
Non-Executives												
Douglas Hurt	**37**	6	**—**	—	**—**	—	**—**	—	**—**	—	**37**	6
Alicja Lesniak[6]	**42**	38	**—**	—	**—**	—	**—**	—	**—**	—	**42**	38
Dr Stephen Page	**37**	12	**1**	—	**—**	—	**—**	—	**—**	—	**38**	12
Lucinda Riches	**42**	38	**—**	—	**—**	—	**—**	—	**—**	—	**42**	38
Alison Wood	**42**	41	**1**	1	**—**	—	**—**	—	**—**	—	**43**	42
	351	284	**8**	6	**—**	—	**—**	—	**—**	—	**359**	290
Total	**1,321**	1,206	**70**	66	**13**	47	**755**	729	**692**	672	**2,851**	2,720

1 The taxable benefits for the Chairman and Non-Executive Directors relate to the reimbursement of travelling expenses to meetings held at the Company's principal office and applicable grossed-up tax thereon.

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

3 Salary includes £55,413 (2015: £50,617) supplement in lieu of pension contributions.

4 Salary includes £35,066 (2015: £25,685) supplement in lieu of pension contributions.

5 Salary includes £15,358 (2015: £nil) supplement in lieu of pension contributions.

6 2015 salary includes £15,000 received as a Board Advisor.

Salaries and fees shown above are before any reduction in respect of salary sacrificed pension contributions made by the Company. None of the Directors waived emoluments in respect of the year ended 31 December 2016 (2015: none). Comparatives for 2015 have been restated to exclude former Directors.

Variable pay

Annual bonus for 2016

Annual bonuses for the year ended 31 December 2016 were provided under the Annual Bonus Plan to Howard Kerr, Craig Smith and Dr Scott Steedman, by the Committee, in accordance with the policy set out in the Annual Report 2015 Directors' remuneration report. Actual annual bonus amounts earned are based on salary and dependent upon the achievement of targets for Group profit for the Annual Bonus Plan (GPB), revenue and personal objectives. GPB was defined as 'underlying operating profit before discretionary bonus charges, LTIP charges and all foreign exchange adjustments'. Personal objectives are set and are measured by the Chairman for the Chief Executive and by the Chief Executive for the other Executives; all are reviewed by the Committee.

The table below sets out the percentage of base salary upon which potential 2016 annual bonuses were based:

Base salary basis of annual bonuses	On-target GPB	On-target revenue	On-target personal objectives	On-target award based on base salary	Payable on achievement of 110% of GPB target up to	Maximum award possible
Howard Kerr	30%	10%	10%	50%	50%	100%
Craig Smith	24%	8%	8%	40%	40%	80%
Dr Scott Steedman	24%	8%	8%	40%	40%	80%

The target levels set for 2016, including the business plan targets for the 2016 acquisitions, were GPB of £49.3m and revenue of £363.1m at budgeted exchange rates. A threshold, representing 90% of both targets, had to be met before any bonus is earned. The total bonus percentage for on-target performance would be doubled if GPB reaches 110% of target. Bonus is earned on a straight-line basis from threshold to target and from 100% to 110% of GPB target if applicable.

Actual GPB at budget exchange rates achieved for 2016 was £56.0m (113% of GPB target). This is calculated as UOP at actual exchange rates of £50.1m, adjusted by adding back LTIP charges of £2.4m and bonus charges of £9.9m, and subtracting an exchange adjustment of £6.4m. Actual revenue achieved for 2016 was £401.8m. This is reduced by a £34.7m exchange adjustment to £367.1m at 2016 budget exchange rates. Accordingly, the annual bonuses earned in respect of 2016 were:

	Percentage of base salary					
2016 annual bonus payments (audited information)	Actual award based on GPB	Actual award based on on revenue	Actual award based on personal objectives	Payable on achievement of 110% of GPB	Total actual award	Actual award
Howard Kerr	30%	10%	8.7%	50%	98.7%	£362,229
Craig Smith	24%	8%	6.4%	40%	78.4%	£220,108
Dr Scott Steedman	24%	8%	6.4%	40%	78.4%	£172,872

Long Term Incentive Plan vesting in 2016 (audited information)

In 2014, Howard Kerr, Craig Smith and Dr Scott Steedman, as participants in the LTIP, were awarded participation units (PUs), in accordance with the policy set out in the Annual Report 2013 Directors' remuneration report, with the proportion of those PUs vesting depending on the achievement of management operating profit (MOP) and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2016. MOP was defined as 'underlying operating profit adjusted for items considered by the Remuneration Committee to be beyond the control of management' and was set in advance of the performance period. Each vesting PU would provide £1.00.

For the LTIP awards made in 2014, the target levels for 2016 were MOP of £35.3m and revenue of £347.1m at 2014 budget exchange rates. Vesting would be on a predetermined scale beginning with 10% vesting at the minimum performance threshold of MOP of £33.5m and revenue of £329.7m, 50% vesting at the on-target performance of MOP of £35.3m and revenue of £347.1m and a maximum of 150% vesting at the maximum performance threshold of MOP of £37.3m and revenue of £367.0m. Vesting would be on a straight-line basis between performance levels.

Actual MOP at 2016 budget exchange rates was £51.0m, calculated as UOP at actual exchange rates of £50.1m, adjusted by adding back the amortization of acquired intangibles of £1.6m, pension administration fees of £0.5m, LTIP charges of £2.4m and above target bonus charges of £2.1m and subtracting an exchange adjustment of £5.7m. Actual revenue achieved for 2016 was £401.8m. This is reduced by a £34.7m exchange adjustment to £367.1m at 2016 budget exchange rates. This provided maximum vesting under the LTIP. Accordingly, the number of PUs vesting and the payments made were:

Long Term Incentive Plan vesting 2016	PUs awarded 2014	Vesting	Payment 2016
Howard Kerr	227,800	150%	£341,700
Craig Smith	130,750	150%	£196,125
Dr Scott Steedman	102,500	150%	£153,750

2016 remuneration continued

Variable pay continued

Long Term Incentive Plan awarded in 2016 (audited information)

In 2016 the Executive Directors were awarded PUs under the LTIP. A proportion of those would vest, depending upon the achievement of Group profit for the LTIP (GPL) and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2018. GPL is defined as underlying operating profit before LTIP charges and all foreign exchange adjustments. The PUs awarded under the LTIP in 2016 were:

2016 LTIP awards	Basis – salary multiple	PUs awarded 2016	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
Howard Kerr	67%	239,860	10%	50%	150%	31 December 2018
Craig Smith	50%	137,500	10%	50%	150%	31 December 2018
Dr Scott Steedman	50%	107,500	10%	50%	150%	31 December 2018

Total LTIP awards held

LTIP awards held	Howard Kerr	Craig Smith	Dr Scott Steedman	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
PUs awarded 2016	239,860	137,500	107,500	10%	50%	150%	31 December 2018
PUs awarded 2015	233,495	134,000	105,000	10%	50%	150%	31 December 2017
Total PUs held	473,355	271,500	212,500				

Pension contributions

The Company made contributions of 18% of Howard Kerr's base salary and 15% of Craig Smith's base salary as salary supplements in lieu of pension contributions. The Company made contributions of a total of 15% of Scott Steedman's base salary into the BSI UK Pension Plan and as a salary supplement in lieu of pension contributions.

Loss of office payments (audited information)

No payments for loss of office were made in 2016 (2015: £nil).

Payments to past Directors (audited information)

No payments to past Directors were made in 2016 (2015: £nil).

Remuneration of the Chief Executive

Table of historic data (audited information)

	Chief Executive single figure remuneration total £'000	Annual bonus payout against target	LTIP vesting rates against target
2016	1,151	197.4%	150.0%
2015	1,119	195.6%	150.0%
2014	765	190.5%	—
2013	596	100.9%	—
2012	576	102.0%	—
2011	792	118.1%	100.5%
2010	706	200.0%	—
2009	798*	129.5%	—

* Includes £215,000 relocation contribution.

Howard Kerr was Chief Executive for each year shown.

2016 remuneration change from 2015

	% change in salary	% change in taxable benefits	% change in bonus
Chief Executive	+3.2%*	+6.9%	+3.5%
UK employees	+2.2%	-1.4%	+4.7%

* +2.2% if salary paid in lieu of pension contributions is excluded.

UK employees (comprising full-time and part-time employees and fixed term contract staff) have been chosen as the comparator group because the Chief Executive is employed in the UK and is mainly affected by the UK's economic and employment market conditions.

Executive Directors' Non-Executive Directorships

In order to encourage professional development, Executive Directors may, with the agreement of the Board, take on external Non-Executive Directorships. None of the Executive Directors had a Non-Executive Directorship during the period covered by this report.

Distribution of profit above budget

In accordance with the arrangements set out above, and other incentive arrangements in place, 27.3% of profits made above budget were used for variable pay awards across the Group.

Statement of implementation of Directors' remuneration policy

During 2016, all Directors' remuneration was awarded within the policy set out in the Directors' remuneration report in the Annual Report and financial statements 2015.

Remuneration policy 2017

The Directors' remuneration policy is set out in the table opposite. It applies to remuneration awards made from 1 January 2017 and is set for a period of one year. Areas of change from the policy operated in 2016 are shown in the table. The Committee aims to maintain a Directors' remuneration policy that is stable and clearly defined but which evolves, over the longer term, to remain relevant to the needs of the Group's business and to reflect the wider employment market. The policy establishes demanding performance targets that align the Annual Bonus Plan with shorter-term objectives and the LTIP with the Group's longer-term strategy. The Committee reviews the policy in advance of the remuneration policy year to ensure it is appropriate and effective in meeting these requirements.

Policy discretion

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

Notes:

- Performance conditions have been selected by the Committee to provide incentive for performance and are kept under review.
- Remuneration is provided on the same basis to all employees in order to attract, retain and motivate individuals and is provided at a level appropriate to their role.

Element and how it supports long and short-term strategy	Operation and recovery
Salary and fees (Fixed) By attracting, retaining and motivating individuals of the quality required to further the interests of the Company.	The base salaries of Executive Directors are determined by reference to an individual's responsibility and performance and are reviewed annually. Consideration is given to remuneration in comparable organizations when appropriate and external benchmarking is carried out biennially. Executive Directors may, by agreement with the Board, serve as Non-Executive Directors of other companies and retain any fees paid for their services. Non-Executive Directors receive a fee for their services to the Company which is reviewed annually.
Benefits (Fixed) By providing a benefits package appropriate to the role of the individual and competitive with similar organizations.	Benefits in kind for Executive Directors principally include, where appropriate, the provision of a company car and fuel, annual leave as well as medical and life insurance. The Non-Executive Directors do not receive benefits in kind except reimbursement of the costs of travel to meetings at the Company's principal office.
Pension benefits (Fixed) By providing a cost-effective retirement benefit as part of an overall remuneration package.	For Executive Directors the Company makes contributions into defined contribution pension arrangements or provides a cash alternative.
Bonuses (Variable) By providing Directors with incentive to align their performance to the delivery of the shorter-term goals of the business.	Awarded to Executive Directors subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives. Clawback has been introduced for awards from 2016 onwards. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate.
LTIPs (Variable) By providing Directors with incentive to align their performance to the delivery of longer-term strategic aims and goals of the business and to retain senior Executive talent.	These are awarded to Executive Directors subject to the fulfilment of longer-term criteria, determined with reference to BSI's objectives. The targets are established annually and amended if necessary. Awards are subject to malus and clawback provisions. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate. If employment ceases during the vesting period awards will normally lapse in full.

* The wording in this section has been revised for clarity from that set out in the Directors' remuneration report in the Annual Report and financial statements 2015 and does not represent a change in policy.

Maximum value	Performance metrics	Changes from 2016 policy
	Not applicable.	
	Not applicable.	
	Not applicable.	To provide a cash supplement to employees who have currently reached their lifetime allowance limit and to those who would exceed their Tapered Annual Allowance by contributing at the level required to receive the maximum employer contribution.
Maximum bonuses for Howard Kerr, Craig Smith and Dr Scott Steedman are 100%, 80% and 80% of base salary, respectively.	Award payments are dependent upon the achievement of targets weighted as follows: As a percentage of base salary, targets are based for Howard Kerr: i) 30% on Group profit for the Annual Bonus Plan (GPB), ii) 10% on revenue, and iii) 10% on personal objectives, plus up to 50% if GPB reaches 110% of target; and for Craig Smith and Dr Scott Steedman: i) 24% on GBP, ii) 8% on revenue, and iii) 8% on personal objectives, plus up to 40% if GPB reaches 110% of target.*	The definition of 'Group profit for the Annual Bonus Plan' has been revised to be 'underlying operating profit before discretionary bonus charges, LTIP charges, the amortization of acquired intangibles and all foreign exchange adjustments'.
A maximum of 150% of participation units (PUs) may vest depending on target achievement.	PUs are awarded to Executive Directors by the Remuneration Committee. Award payments are dependent upon the achievement of targets weighted as follows: As a percentage of base salary, targets are based: i) 25% on 'Group profit for the LTIP' and ii) 75% on revenue; a proportion of these vest, depending on the achievement of 'Group profit for the LTIP' and revenue growth targets for the third financial year after award. Awards made are on a discretionary basis.	The definition of 'Group profit for the LTIP' has been revised to be 'underlying operating profit before LTIP charges, the amortization of acquired intangibles and all foreign exchange adjustments'.

Remuneration policy 2017 continued

Statement of principles for new Executive Director recruitment

The Committee oversees the setting, within the Directors' remuneration policy, of the total remuneration package of new Executive Directors. This comprises the fixed pay elements of base salary, benefits and pension plan contributions and the variable pay elements of annual bonus and Long Term Incentive Plan awards, all of which are internally and externally benchmarked. The maximum level of variable pay is set within the Directors' remuneration policy. BSI does not normally either offer 'sign-on' awards or compensate recruits for forfeited amounts; however, the Committee reserves the right to apply discretion in this area as it sees fit.

Policy on notice periods

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

	Service contract dated	Appointment commenced	Notice period provided for
Howard Kerr	21 October 2008	1 November 2008	12 months by either party
Craig Smith	20 July 2011	15 August 2011	6 months by either party
Dr Scott Steedman	7 November 2012	1 October 2012	6 months by either party

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

	Letter of appointment dated	Date of appointment	Role
Sir David Brown	27 May 2010	27 May 2010	Non-Executive Director
	19 December 2011	1 December 2011	Deputy Chairman
		31 March 2012	Chairman
Douglas Hurt	21 October 2015	1 November 2015	Non-Executive Director
Alicja Lesniak	24 September 2014	1 October 2014	Board Advisor
	1 June 2015	1 June 2015 (to AGM 2017)	Non-Executive Director
Dr Stephen Page	26 June 2015	1 September 2015	Non-Executive Director
Lucinda Riches	23 May 2011	19 May 2011	Board Advisor
	17 May 2012	17 May 2012	Non-Executive Director
	22 May 2014	22 May 2014 (to AGM 2017)	re-appointed
Alison Wood	22 July 2014	1 September 2014	Non-Executive Director

Approach of the Company in setting Non-Executive Director fees

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

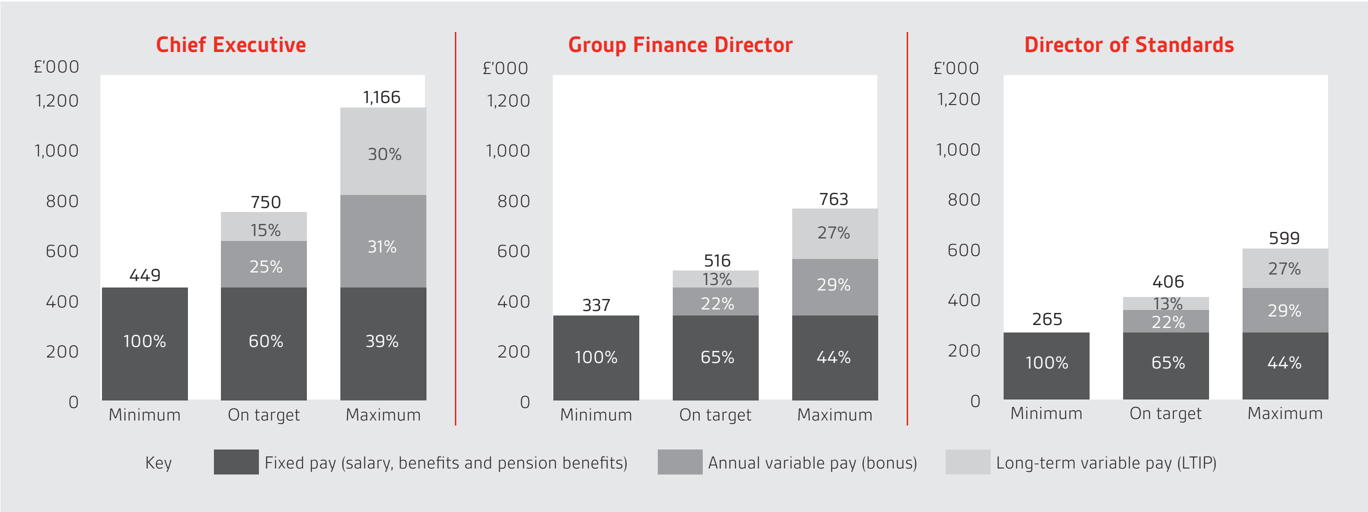
Policy on termination payments

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

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

Illustration of the application of the Directors' remuneration policy for 2017

The charts below provide an illustration of what could be received by each Executive Director for 2017, which is the year of application of the stated remuneration policy:



Notes:

- Minimum means fixed pay only (i.e. base salary, benefits and pension benefits), i.e. below the payment threshold for variable pay awards.
- On target means fixed pay, an award equivalent to 50%, 40% and 40% of base salary to Howard Kerr, Craig Smith and Dr Scott Steedman, respectively, under the Annual Bonus Plan and vesting of 50% of the PUs awarded to each Director under the LTIP.
- Maximum means fixed pay, an award equivalent to 100%, 80% and 80% of base salary to Howard Kerr, Craig Smith and Dr Scott Steedman, respectively, under the Annual Bonus Plan and vesting of 150% of the PUs awarded to each Director under the LTIP.
- For the purpose of this illustration: fixed pay is based on base salary at 31 December 2016 and actual 2016 benefit and pension benefit amounts; annual bonus awards for potential payment with respect to the 2017 financial year are based on base salary at 31 December 2016; and LTIPs are based on the 2015 awards potentially vesting for the performance period ending 31 December 2017.

Consideration of employment conditions elsewhere in the Group

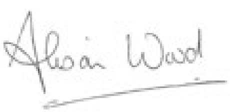
Salaries and benefits are regularly reviewed and compared to the general market (including FTSE 350 companies), economic indicators and competitor businesses. The survey data is compiled from both generic third-party surveys and specific, targeted research. In considering the salary levels for the Executive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

The Committee does not formally consult with employees but receives regular updates from the Group HR director regarding remuneration elsewhere in the Group and these are considered during the review of the Directors' remuneration policy.

Audited information

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

By Order of the Board



Alison Wood
Chairman of the Remuneration Committee
23 March 2017

Directors' report

The Directors submit their report and audited financial statements for The British Standards Institution and its subsidiaries for the year ended 31 December 2016.

It is the Directors' responsibility to prepare the Annual Report and Accounts and they consider that The British Standards Institution Annual Report and financial statements 2016, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

Directors' report disclosures

The Chairman's statement and the Strategic report, including the Chief Executive's review, Operational review and Financial review, form part of this report and include:

- disclosure of the key performance indicators used to manage the business;
- likely future developments;
- research and development activities; and
- gender and human rights disclosures.

Corporate governance

The Corporate governance report is set out on pages 44 to 48.

The Board

The members of the Board are listed on pages 40 and 41 and all held office throughout the year. The Directors were as follows:

Sir David Brown
Howard Kerr
Craig Smith
Dr Scott Steedman
Douglas Hurt
Alicja Lesniak
Dr Stephen Page
Lucinda Riches
Alison Wood

The Company Secretary is Tony Wales.

The Bye-laws give the Directors the power to appoint additional or replacement Directors within the limits set out. The Directors may exercise all powers of the Company subject to statute, relevant regulation and the restrictions set out in the Royal Charter and Bye-laws.

Under the Company's Bye-law 9, one-third (rounded down) of the Directors are required to retire by rotation and stand for re-election and therefore Sir David Brown, Howard Kerr and Lucinda Riches will be standing for re-election at the 2017 Annual General Meeting.

Annual General Meeting

The 2017 Annual General Meeting will be held at 4pm on Thursday 18 May 2017 at 389 Chiswick High Road, London W4 4AL. The business to be considered at the meeting is set out in a separate Notice of Meeting dispatched to the members.

Independent auditors

The BSI Group's auditors for the year ended 31 December 2016 were PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

Directors' and officers' liability

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

Employees

The Group communicates and consults with its employees on a wide range of subjects, including those that directly affect them, using email, websites, intranet, in-house publications and meetings at business locations. The employees of the Group are instrumental in its success and the organization works hard to maintain good relationships with its employees around the world through continual communications and employee forums. Periodically the Group conducts a regular employee engagement survey with the results used to identify and then action opportunities to improve engagement.

Further details of the Group's engagement with its employees are set out in the 'Our people' section of the Social responsibility review on page 37.

Equality and diversity

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

The Group is committed to providing a work environment free from harassment and discrimination. The organization accepts its obligations to people with disabilities and endeavours to treat them fairly in relation to job applications, training, promotion and career development. If employees become disabled while employed, every effort is made to enable them to continue working either in their original job or some suitable alternative.

Social and environmental issues

A review of the Group's social responsibility activities during the year is set out in the Social responsibility review on pages 36 to 39. This review also contains disclosures of the Group's greenhouse gas emissions. The Company made no political donations during the year (2015: £nil).

Principal risks and uncertainties

The principal risks and uncertainties facing the business are detailed on pages 26 and 27.

Financial instruments

Details of the use and materiality of financial instruments are provided in Notes 17 and 20 to the consolidated financial statements.

Directors' interests

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

Post-balance sheet events

There were no post-balance sheet events.

Going concern

The Group has increasing revenue and profits and has a broad portfolio of clients. It also has a significant cash reserve and no borrowings. The Board maintains in place an effective risk management system and has taken reasonable steps to manage the risks faced by the business. The Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future and accordingly have adopted the going concern basis in preparing the Company's and the BSI Group's financial statements.

There have been no material uncertainties identified which would cast significant doubt upon the Company's and BSI Group's ability to continue using the going concern basis of accounting for the twelve months following the approval of this Annual Report.

Viability statement

The Directors have considered the ongoing viability of the BSI Group.

Each year, on a rolling three-year basis, the Directors draw up a strategic plan for the business. The plan is based on a consideration of the Group's markets within the context of the expected economic environment. Based upon an analysis of the strategic capabilities of the Group, a plan is drawn up in line with the risk appetite of the Group as agreed by the Board.

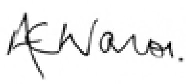
In 2016, the Directors drew up the strategic plan for the Group until the end of 2019. BSI has a long history of underlying revenue and operating profit growth dating back to the last century and this plan showed a continuation of these trends.

While the strategic plan reflects the Directors' best estimate of the future prospects of the business, they have tested and confirmed its validity in scenarios. These scenarios related to demand for BSI's products and services, fluctuations of Sterling compared to the Group's other trading currencies and the availability of sufficient cash to satisfy the Group's obligations and undertake the necessary investments to achieve the key performance indicators.

Based upon the strategic plan to 2019, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for at least that period of time.

The Group is embarking on a programme of developing its Organizational Resilience in accordance with the principles set out in BS 65000. This will help ensure the Group is better able to anticipate, prepare for, respond to and adapt to incremental change and disruptions, enabling the Group to survive and prosper into the future.

By Order of the Board



Tony Wales
Company Secretary
23 March 2017

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The British Standards Institution's commitment to environmental issues is reflected in this Annual Report and Accounts which has been printed on Symbol Freelife Silk (a material certified by the FSC®), and Cocoon Uncoated (comprising 100% recycled fibre), and both materials are produced at mills with ISO 14001 environmental management systems. This report was printed by CPI using their environmental print technology which minimises the impact of printing on the environment. Vegetable based inks have been used and 99% of dry waste is diverted from landfill. The printer is a CarbonNeutral® printing company.

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