bsi.

Inspiring trust for a more resilient world.

The British Standards Institution

Annual report and financial statements 2020

Through our unique combination of expertise, we share knowledge, innovation and best practice to help individuals and organizations realize their potential and embed resilience into their everyday business to the benefit of their communities.

For over a century, we have been the business improvement company that forges consensus and advocates best practice to enable organizations to turn standards of best practice into habits of excellence.

By Royal Charter

By Royal Charter

Throughout this report, the word 'underlying' is defined as 'before exceptional items and excluding the effects of material disposals'.

Our purpose

Inspiring trust for a more resilient world

Our mission

To share knowledge, innovation and best practice to help people and organizations realize their potential and make excellence a habit.

Our values

Integrity

Respect

Expertise

Our excellence behaviours

Client centric

Agile

Collaborative

Strategic report

Corporate governance

Financial statements

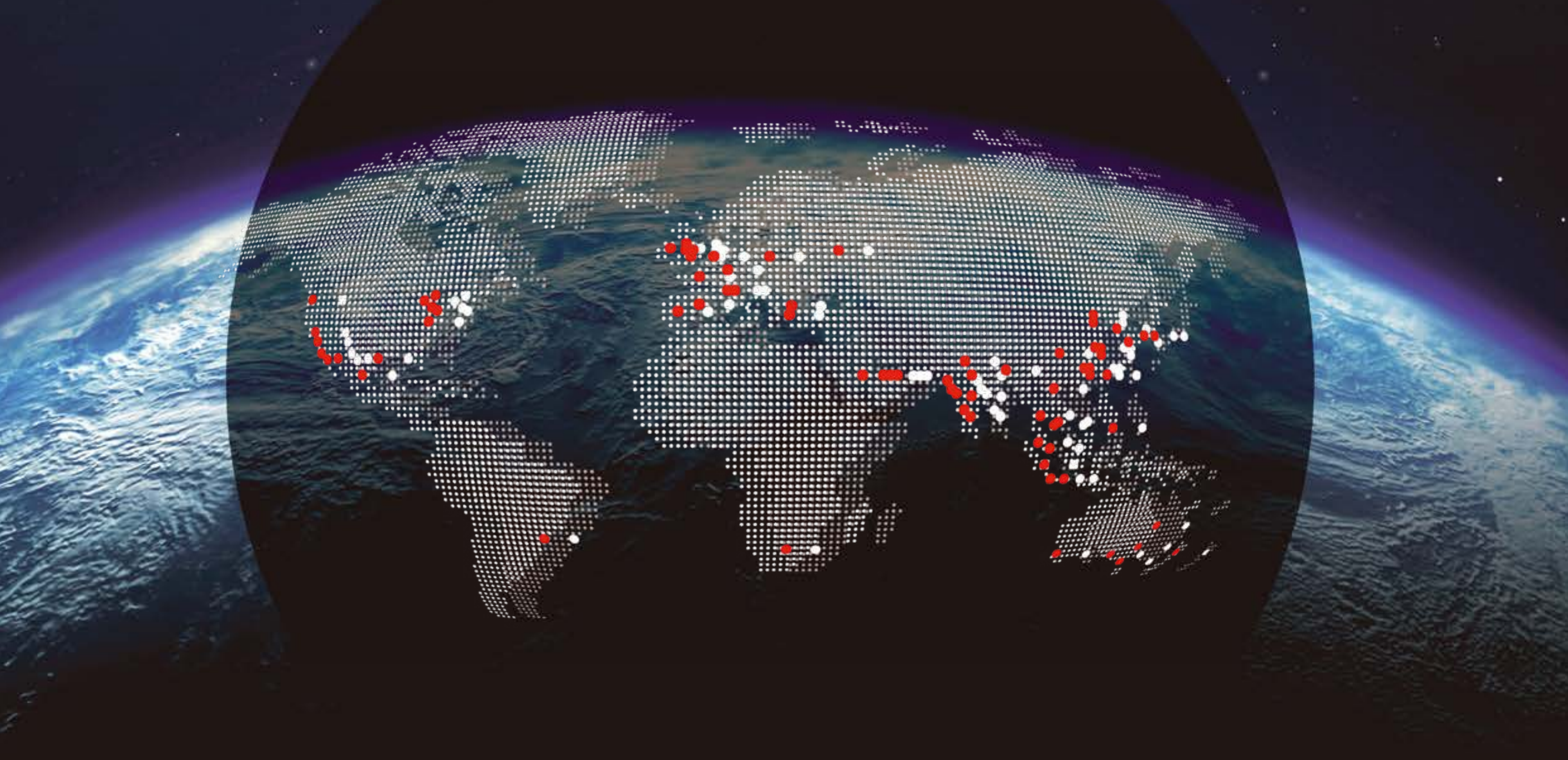
Consolidated financial statements

Parent company financial statements

Our business is enabling others to perform better

Imparting our global expertise worldwide

BSI is an integrated global enterprise, able to serve clients from 84 offices in 32 countries across the world. Our clients range from globally recognized brands to small local companies in 195 countries across a range of industries.



55%
of the Fortune 500

82%
of the FTSE 100

81%
of the Nikkei 225

77,500
clients across a wide range of industries

35,700
standards offered to the market

Over
142,000
delegates trained

Over
223,000
days certifying management systems

100%
of profit reinvested in the business

Our markets and opportunities

We provide a unique combination of complementary services and solutions, managed through four global business streams.

Knowledge

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

Revenue

£65.3m

2019: £66.5m

Read more on **pages 20 and 21**

Assurance Services

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

Revenue

£263.0m

2019: £283.0m

Read more on **pages 22 and 23**

Regulatory Services

Independent assessment of the conformity of a process or product, in the Medical Devices industry, to a particular standard ensures that our clients perform in an excellent way and that patients worldwide may receive the correct level of medical care.

Revenue

£143.0m

2019: £119.4m

Read more on **pages 24 and 25**

Consulting Services

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

Revenue

£68.0m

2019: £79.2m

Read more on **pages 26 and 27**

Our sectors

We operate across many sectors but focus on our areas of specialization.

Healthcare

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

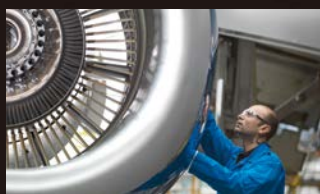
Read more about our focus sectors on **pages 28 and 29**

Food and Retail

We provide food-specific certification solutions for our clients in this expanding sector as well as satisfying their general requirements, led by our Food Centre of Excellence. This expertise continues through the retail supply chain.

Built Environment

Our Built Environment expertise is based on 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 requirements to face their future challenges.

Resilience in unprecedented circumstances

Revenue
£539.3m
-2%
2019: £548.1m

Operating profit
£67.4m
+23%
2019: £54.7m

Net asset value
£249.3m
+20%
2019: £207.4m

Underlying operating profit
£67.4m
+16%
2019: £58.3m

Cash and deposits
£132.1m
+55%
2019: £85.1m

Average headcount
5,237
+3%
2019: 5,089

- Strong global performance despite impact of Covid-19
- Revenue just 2% below 2019 record level
- Solid delivery of underlying operating profit
- The implementation of our strategy continues as planned

Inspiring trust for a more resilient world

John Hirst, Chairman

"The onset of Covid-19 and the resulting lockdowns in our major markets brought new challenges for our business."

2020 definitely did not turn out for BSI the way I had expected when I was writing my statement for last year's Annual Report. The onset of Covid-19 and the resulting lockdowns in our major markets brought new challenges for our business, amongst which was the profound sadness as three of our team fell victim to the pandemic. We offered our support to their families and colleagues, but this will never remove the sense of loss.

The pandemic changed almost everything about the way we go about our business although it changed nothing about the importance of our work – to our clients, our people and the world at large. I am very pleased to report that our management, led by the Chief Executive and the Group Executive team, responded quickly and effectively to the situation, innovating new solutions in order to ensure the provision of our services to our clients throughout the year. The result of these actions was that we are able to report impressively strong financial results for 2020, the 119th year in the history of this great Institution. Revenues are only marginally below their record levels of 2019, but profits and year-end cash are at their highest level ever, thanks to prudent cost and investment management, a higher proportion of remote delivery of services, and a real focus on supporting our clients. This response confirmed my early impressions of BSI as a well-run, resilient business with huge potential. I hope that 2021 will bring progressively calmer waters for everyone, although I am convinced that BSI will face the future with confidence however it plays out.

Despite the challenges of Covid-19, we continued to build on our review of the purpose and mission of BSI, with a view to leveraging the great heritage of the Institution in the context of the current economic, political and social climate. In 2019, we defined our purpose as 'inspiring trust for a more resilient world' and, in 2020, we looked at how we should work with our major stakeholders so that they, and society in general, could benefit from our unique experience and skills. Trust remains at the heart of everything we do at BSI and underpins our mission 'to share knowledge, innovation and best practice to help people and organizations realize their potential and make excellence a habit'. This purpose and mission provide the platform upon which we manage our business on a day-to-day basis, in line with the agreed five-year strategy. We run our business by means of four global business streams. This structure was seriously tested by the disrupted market conditions during 2020, and each business stream was impacted in a different way but, once again, the complementarity and hedging between the streams vindicated the structure and ensured that, as a whole, BSI weathered the storm better than many others. Our structure reflects our increasing requirement to provide a wide range of services and solutions to our clients on a global basis. Local delivery from our extensive network of offices will ensure that all clients, regardless of location or size, will continue to benefit from the high level of service we aim to deliver.

There is no doubt that the overriding factor influencing the global economy during 2020 was the Covid-19 pandemic. This adversely impacted both the supply and demand sides of the economy and devastated some industries. We can only speculate at the long-term effects of the pandemic on employment, how long the world will take to recover and the structural changes that will inevitably ensue. But, of course, there were other important world events which have changed the world in which we operate.

In 2020, the negotiations to end the membership of the UK, our domestic market, in the European Union continued and reached conclusion with a trade deal with the remaining European Union signed just before the deadline at the end of the year. It is to be hoped that these events will bring with them some sense of closure and end the uncertainty that has been so disruptive since the referendum in 2016. It is hard to believe that almost four years have passed since then. In the US, the November election resulted in a change of President and a Democratic majority in the House of Representatives. All of these, along with the evolving nature of international trade and the relative wealth of its developed and developing nations, mean that any business will need to remain agile to prosper in the long term. In 2020, BSI showed truly impressive agility, reporting revenue only 2% below the record 2019 level at £539.3m. Margins were stronger than in 2019 and underlying operating profit grew strongly by 16% to £67.4m. Key investments in the infrastructure and future of our business continued during the year, but we redoubled our efforts of cash management to end the year with £132.1m of cash and deposits, a level which remains more than adequate to finance our strategic plan and any future acquisitions of a similar size to those concluded in recent times.

Thus, we continued to strike a careful balance between managing our finances with proper near-term caution and making the planned investments required to continue to secure our longer-term market relevance.

The strategic and operational investments we made during 2020 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 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 that knowledge to our clients everywhere. In consequence, our high reputation continues to be maintained and the power of our brand continues to strengthen. I was pleased to see the role of standards in the final trade agreement with the European Union as it is one that will reinforce the position of UK stakeholders across business, industry and consumers and will help shape the technical barriers to trade chapter in other trade discussions. I was also pleased to see that, regardless of the current uncertainties around the precise nature of the UK's future relationship with the rest of the world, BSI, in our role as the UK National Standards Body, has continued to cement its position as part of European and global standard setting and uses its expertise to remain an influential collaborator and innovator in this vital area.

The Board is conscious that the achievements of the National Standards Body and the commercial business of BSI were made possible by the sustained investments we have made for many successive years, and will continue to make, in our 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 retain the resilience to continue to meet our stakeholders' evolving needs.

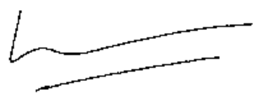
As a Royal Charter Company with no shareholders and therefore no stock exchange listing, BSI is not required to apply the UK Corporate Governance Code. However, consistent with our unique status as the UK National Standards Body and our commitment to our members and other stakeholders, we nevertheless apply the principles of the Code where appropriate 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 Sustainability 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 admirable work in gathering and distilling the views of those interested in standards and providing valuable advice to the Board. Underpinning this governance framework, our structure of internal controls 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 work.

Since I became Chairman of BSI in January 2019, our Board of Directors has evolved to face the changing demands of our business. Last year, I reported the arrival of Ian Lobley to the Board as Non-Executive Director, and the impending departure of Lucinda Riches, our Senior Independent Director, who handed over that particular mantle to Alison Wood, Non-Executive Director since 2014. Tiffany Hall joined the Board as a Non-Executive Director in April 2020. Tiffany has a strong background in marketing, sales, digital transformation and customer services in senior positions with British Airways and, latterly, BUPA. Dame Polly Courtice joined the Board as Board Advisor in June 2020. Polly is the Founder Director of the University of Cambridge Institute for Sustainable Leadership and has received numerous awards for her contribution to sustainability as well as being a member of the judging panel for the Queen's Award for Sustainable Development. I welcome both Tiffany and Polly to the Board and look forward to the benefit that their experience will bring to our stakeholders.

In January 2021, Howard Kerr, Executive Director since 2008 and Chief Executive since January 2009, stepped down from the business to pursue other interests. Howard has been instrumental in leading the growth and development of BSI over the past twelve years and his pivotal contribution to the current outstanding reputation of this Institution cannot be overestimated. I would like to thank Howard for his contribution to BSI and, on behalf of the Board, the employees of BSI and all our stakeholders, send him our best wishes for the future. Susan Taylor Martin joined BSI as an Executive Director and then became Chief Executive in January 2021. Susan has led a range of information, publishing and software businesses, first at Reuters and then at Thomson Reuters, most recently as President of its Global Legal Business. Susan possesses the skills to lead BSI in the next stage of its development as a global, digitally enabled, purpose-led organization and I look forward to working with her as we continue to build on the foundations created by Howard and his team.

As a result of Covid-19, my opportunities to travel across the BSI world to meet our colleagues in their local markets have been extremely limited. However, I have kept in regular and close contact with the Executive Directors and the rest of the Group Executive team and have marvelled at the stories of how the employees of BSI have turned a crisis into opportunities to develop our business and to provide an excellent service to our clients. I continue to be struck by the deep knowledge of the business shown by our team across the world, and grateful for the dedication and integrity with which they go about serving our clients across the world – sometimes in very difficult circumstances. 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. I offer them genuine thanks for their efforts and look forward to working with them all throughout my tenure as Chairman, as we continue to build on the strong foundations and deep history of the Institution.

As we begin our 120th year, the Board is confident that 2021 will be a year in which, together with all of our 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.



John Hirst
Chairman
22 March 2021

Q&A

Have you been surprised by the success of BSI in 2020?

I think the answer is both yes and no. 2020 has certainly thrown completely unanticipated challenges at us, with many of our delivery team unable to go to the sites of their clients. I have been so impressed with the way that our team has worked with those clients and many of the accreditation bodies, to find alternatives to the customary way of working together, finding ways to work remotely without sacrificing quality. But innovation and agility are what I have learned to expect from BSI, so whilst remarkable, I can't really say it has surprised me too much.

BSI is a very resilient business and has developed over its long history so that it has a broad spread of revenue across business streams, geographies and industrial sectors. This has generally meant that, when there are structural difficulties in any of these, we find that other areas of our business find ways to compensate by overperformance. This is what transpired in 2020. Our businesses that could be classified more as discretionary expenditure, such as Training and Consulting, suffered the biggest drops in demand but other areas of BSI, such as those servicing the Medical Devices industry or testing and certifying personal protective equipment, performed exceptionally well.

Have you changed the strategy of BSI in view of the Covid-19 pandemic?

The simple answer to this question is 'no'. We discussed the pandemic, and its prospective implications at length in our Board meetings, but we believe strongly in the path that we are following, and that BSI has an important part to play in industry and society of the future, regardless of any structural changes that we see. We continue to monitor the strategy closely, evolving it and refocusing slightly where necessary, but readers of the Annual Report will see no fundamental changes to last year.

The foundations of our strategic plan have been firmly in place for a number of years now, and we are pleased with the progress that we have made in implementing our plans and achieving our strategic objectives. Every year, we review the plan and take into consideration the insights of our Board members and Group Executive members before approving it. We also review the underpinning tenets of our organization, such as our purpose and mission, but the resilience of BSI through crises such as Covid-19 means that our strategy has proven resilient to the cycles of the economies in which we trade, whatever the reasons for any fluctuations.

What are your main areas of focus in 2021?

With the strategic plan firmly in place, I, and the rest of my Board colleagues, will continue to work with Executive management on its implementation, placing further emphasis on investments relating to our purpose with respect to our principal stakeholders, ensuring our relevance continues long into the future. We will support management plans to ensure that BSI remains a great place to work, where people can build their careers, free from discrimination of any kind.

Of course, Howard Kerr, who has so successfully led the business for the last twelve years, left at the beginning of this one and we welcomed Susan Taylor Martin as the new Chief Executive of BSI. Susan is bringing new ideas and insights from her impressive career in related but different industries. I look forward to working with Susan as we implement our strategy and build the BSI of the future.

How we create value for our stakeholders

Through the passion and expertise of our people, we embed excellence in organizations across the globe to improve business performance and resilience.

Our purpose and mission

Embedding best practice

Our people
A talented, diverse workforce that brings competitive advantage and differentiation from our competitors.

5,237
average headcount

Our expertise
For well over a century we have developed our skills and demonstrated our core values to ensure that our clients work with us and keep working with us.

119
years in operation

Our services and solutions
We provide a unique offering to our clients that helps to embed excellence and develop resilience in their organizations.

77,500
clients worldwide

Our delivery network
Our network of 84 offices in 32 countries allows us to form a partnership with our clients, large and small, wherever they are located.

195
countries serviced

Through our:

- People
- Expertise
- Services and solutions
- Delivery network

We:

- Shape
- Share
- Embed
- Assess
- Support

Through our streams:

- Knowledge
- Assurance Services
- Regulatory Services
- Consulting Services

In these sectors:

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

Underpinned by our values and behaviours


building resilience
to inspire trust in and for our stakeholders
Operational Resilience
Information Resilience
Supply Chain Resilience
Accreditation bodies and regulators
Clients, consumers and suppliers
Employees, contractors and pensioners
Governments around the world
Labour and environmental organizations
Local communities and society
Members
Professional bodies and academia
Standards makers and developers

Our strategic vision is to be the business improvement partner of choice

We consolidated our new five-year strategy while still focusing on our 2024 targets. Our strategic vision remains the same, despite the impact of Covid-19, which affected our 2020 results.

Our strategic objectives

1. Relevance

Be an organization of trust, providing expert, impartial opinion and service to our clients and stakeholders, addressing boardroom-relevant topics while anticipating future, global needs.

Link to KPIs

1 2 3 4 5 6

2. Commercial excellence

Deliver a world-class client experience through a partnership relationship that offers real solutions, not just services for sale.

Link to KPIs

1 2 3 4

3. Digital transformation

Build an effective digital platform that transforms our client interface through the digitalization of our content, improved data quality and more efficient processes.

Link to KPIs

1 2 3 4

4. Talent engagement

Develop a single team of talented, committed people and create an environment where they choose to make their careers with us.

Link to KPIs

1 2 5 6

5. Scale

Be the market leader in our focus markets, recognized as innovators and seen as proactive, agile and challenging by the wider world.

Link to KPIs

1 2 3 4 5 6

Find out more

Read more about our KPIs on **pages 12 and 13**

Read about our risks on **pages 30 to 32**

Read about sustainability on **pages 34 to 39**

Healthcare – Smith & Nephew Medical

Smith & Nephew Medical is a global manufacturer of advanced wound care dressings. It takes a pioneering approach to its products and services, striving to secure wider access to new and innovative technologies. It is serious about its responsibility to act ethically and in compliance with all relevant laws and regulations.

These business drivers mean that Smith & Nephew needs a trusted Notified Body that understands the market and can respond to its challenges and product timings. With BSI as its Notified Body, the company is able to meet its requirements and secure access to new and innovative technologies for more customers.

The high-risk nature of the devices designed, developed and manufactured by Smith & Nephew means that the Notified Body role requires confirmation of their safety and performance and verification of the effectiveness of their quality management system. Smith & Nephew has now worked with BSI for more than 25 years, confident in our position at the forefront of the ever-changing medical device regulatory environment.

BSI supports the business in three key areas. Our specialist scheme managers are Smith & Nephew's dedicated point of contact for all medical device certification requirements. We also offer a dedicated service for reviewing design dossiers, offering predictable approval timings for new products and product revisions. Finally, we deliver training in current and relevant topics.

"BSI is at the cutting edge of regulations and knowing about upcoming revisions; it also has a variety of different resources, including webinars about upcoming changes, which give us more confidence in our Notified Body."

Samantha Neilson
Regulatory Affairs Manager, Smith & Nephew Medical Ltd

Tracking progress

Our key performance indicators remain unchanged from 2019 with targets for 2024 in line with our strategic plan.

Financial KPIs

1

Revenue[1]

£539.3m

Target for 2024: £800m

Our revenue target for 2024 reflects our desire to achieve the scale that will enable us to maintain the relevance of BSI in a competitive marketplace. It was set in 2019 as a growth target before the onset of Covid-19 but remains an aspirational goal despite the impact of the pandemic.

Achievements in 2020

Covid-19 adversely impacted our revenue in 2020, leading to an annual revenue decrease for the first time this century. We believe that this is a temporary issue, and all the building blocks are in place for a resumption in our customary revenue growth rates once the pandemic has receded.

Future focus

Our future focus is to resume, or even surpass, the growth rates we have enjoyed in recent years. We continue to innovate our services and solutions, and invest heavily in talented people, across the business, who will underpin this evolution. Losing a year of growth due to the pandemic may affect our ability to achieve the £800m goal by 2024, but the required compound annual growth of 14% may be achieved with the help of acquisitions.

Link to strategy

1 2 3 4 5

2

Underlying operating profit[2]

£67.4m

Target for 2024: £100m

We intend our revenue growth to enhance our profitability, on the solid base created by our continuing investment programme. We continue to look for ways to improve our efficiency and enhance our margins as we aim for the target.

Achievements in 2020

Underlying operating profit was at record levels in 2020, as our margins were enhanced by our innovative remote working solutions, which required much less travel, and prudent cost management in view of the crisis.

Future focus

2021 will require some catch up of the investment projects prudently postponed from 2020, and the resumption of client visits may also impact margins. Lower future revenues as a result of the hiatus in 2020 will also mean lower profit levels than expected a year ago are likely, but the 2024 target remains in reach.

Link to strategy

1 2 3 4 5

Client-facing KPIs

3

Net Promoter Score[3]

+58

Target for 2024: +53

We have achieved a high Net Promoter Score (NPS), indicating the propensity of our clients to keep working with us and to recommend others to do so. As we grow, it is important that our NPS is not impaired in the process. Continued high growth, coupled with a sustained high NPS, will constitute a healthy 2024 position.

Achievements in 2020

In 2020, we were pleased to see that our NPS remained at the high level achieved in 2019. This is higher than the 2024 target we set for ourselves. We were able to improve our response rate in some of our streams but there are other areas where there is still room for improvement.

Future focus

We aim to work with our clients to improve our NPS still further, particularly where it is currently suboptimal. We wish to increase our response rates in some areas and create a spread of responses that more accurately mirrors the spread of clients across our business. Of course, the mix of responses could affect our overall NPS, but this would give a better indication of what our clients really think of us.

Link to strategy

1 2 3 5

Definitions

1 Underlying revenue at actual exchange rates.
2 Underlying operating profit at actual exchange rates.
3 Clients are asked one question: 'How likely are you to recommend BSI's services and solutions on a scale of zero to ten?' If they answer nine or ten, they are classed as a promoter, seven or eight a neutral and zero to six a detractor. NPS is the percentage of promoters minus the percentage of detractors.
4 Underlying revenue divided by the number of clients in the year.
5 Percentage score given by our employees for employee engagement in our biennial survey.
6 Percentage of employees who choose to stay with BSI during the year. 100% minus the voluntary attrition rate.

4

Average revenue per account[4]

£6,500

Target for 2024: £8,000

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

Achievements in 2020

We are extremely pleased to reach our 2020 ARPA, as this continued our recent history of increases and establishes a strong base from which to hit our 2024 target. This reflects the success of our strategy to work with our key accounts across our countries and sectors so that they buy more of our services and solutions across more of their subsidiaries. The investments we have made into our focus sectors, in particular, have enabled this progress.

Future focus

We will continue to implement our strategy of key account management across our chosen sectors, taking the buying decision higher up our clients' organizations so that our contacts at our clients understand the appropriate BSI portfolio of services and solutions and plan their purchasing accordingly.

Link to strategy

1 2 3 5

Employee-facing KPIs

5

Employee engagement index[5]

70%

Target for 2024: 75%

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

Achievements in 2020

We established the BSI Colleague Forum in 2020 to provide a communication channel between employees and the BSI Board and to enable engagement with all colleagues to help them shape and contribute to our future direction and success. We implemented our continuous listening strategy to help our employees through the challenges of working effectively from home.

Future focus

Our recent employee engagement survey, actually undertaken in January 2021, has given us strong indications of where our efforts are required in the future to increase our employee engagement score still further. We will analyse the detailed results of this survey and form an action plan which will help us deliver our objective.

Link to strategy

1 4 5

6

Employee retention rate[6]

92%

Target for 2024: 90%

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

Achievements in 2020

We have listened to why our employees choose to leave us rather than build a career at BSI. While some voluntary attrition is healthy for any organization, we wish to limit this and so have invested in career development initiatives to go alongside our employee engagement plans. Our excellent 2020 result may be artificially high as few employees chose to change jobs during the Covid-19 pandemic, so we must not be complacent about our current position.

Future focus

Ensuring that our employee retention rate remains at the right level is a never-ending process of listening and providing opportunities for our employees to build their careers at BSI rather than anywhere else. Our developing strategic resource planning process will take a longer-term view of our requirements, promote the right recruitment and ensure that internal promotions are given where appropriate and that training needs are fulfilled.

Link to strategy

1 4 5

We are in the business of trust and resilience

At BSI, we aim to be proactive in offering the best service possible to our clients, large and small, whichever services and solutions they buy from us.

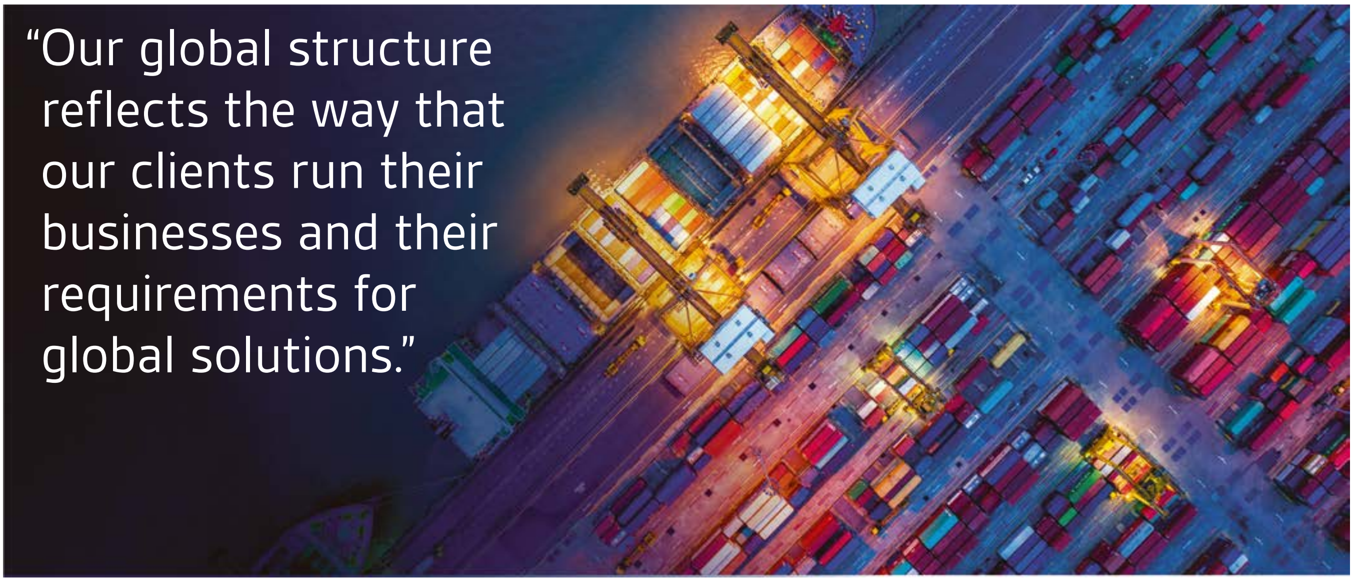
Susan Taylor Martin, Chief Executive

"Client centricity is fundamental to our continued success and growth. We will be redoubling our efforts to listen to our clients, to understand their current and emerging needs, and to deliver the service that they value."

Summary

I joined BSI in January 2021 and so, although this is, technically, my first report as Chief Executive, I write about 2020 on behalf of my predecessor, Howard Kerr, who stepped down after twelve years as Chief Executive. I would like to thank Howard for leading the impressive transformation of BSI into a trusted global organization, helping clients make excellence a habit. BSI and all our stakeholders are in his debt. I am sure you will join me in thanking him for his dedication to this organization and wishing him well for the future.

2020 was an exceptional year, with the Covid-19 pandemic causing unprecedented disruption to people's lives and to the world economy. Our organization, like many others, has been challenged by the impact of Covid-19. Details of how we reacted, and our contribution to supporting the wider response to the pandemic, can be found on pages 18 and 19 of this report. This year, we celebrate our 120th year in business and, over this time, our clients and stakeholders have come to trust us as their partners. We work hard to warrant this trust, as this remains at the heart of everything we stand for. In 2020, we had to pivot to new, digital, ways to support our clients and to maintain that relationship of trust. Our accreditation and regulatory bodies were instrumental in supporting this innovation, resulting in a substantial percentage of our work being delivered remotely. Training, consultancy and assessment were delivered to the high standards which differentiate BSI, without risk to our clients or our colleagues. Our 2020 results demonstrate the success of this approach and our resilience in the face of these exceptional challenges. This was only made possible through the extraordinary efforts of my colleagues and I do not underestimate the personal and professional challenges that they have dealt with over the last year.



Although Covid-19 and its impact really made their mark on 2020, the ramifications of Brexit have also been an important focus. The United Kingdom exited the European Union in January 2020 and agreed a trade deal with the bloc which was enacted into UK law in the final days of December. The EU UK Trade and Cooperation Agreement (TCA) provides a basis for industry to build on, following the uncertainty of previous years. For BSI, there are important roles to support the UK Government's new system of designation of standards for regulatory conformity and its ambitions to deliver trade agreements with partners around the world.

BSI, in its role as the UK National Standards Body, continued to participate fully throughout the year in the European regional standards system, through its membership of the three European Standards Organizations, the European Committee for Standardization (CEN), the European Committee for Electrotechnical Standardization (CENELEC) and the European Telecommunications Standards Institute (ETSI). Work is ongoing with CEN and CENELEC on the statute changes needed in both organizations to protect our membership post 2021.

It is important that UK Approved Bodies and EU Notified Bodies, such as BSI, maintain their proven conformity assessment role to ensure the ongoing access of our clients to UK and European markets. We have consolidated our presence inside the EU through our Notified Body in the Netherlands and have achieved all relevant delegations under EU Directives. Equally, we have been designated as an Approved Body by the UK Government for the same scope of products.

In this exceptional year, our financial performance underscores both the resilience of our business model and the resilience of the BSI team. As a result of our pivot to digital delivery and the mission-critical nature of our solutions and services, revenue was only 2% behind that reported for 2019, at £539.3m (2019: £548.1m). This reduction was predominantly organic, as there were no acquisitions in 2020, and the annualization effect from our 2019 acquisitions was minimal. Changes in the average value of Sterling during the year against our other trading currencies were also slightly negative. New sales orders were broadly in line with those of 2019, which was a strong performance with a growing number of larger long-term contracts.

As a Royal Charter Company with no shareholders, BSI is able to invest its retained profits back into the business and take a longer-term approach. During 2020, we continued our programme of investments in talent, IT infrastructure and cloud-based software, innovation, product development and marketing. However, given Covid-19 restrictions around the world, certain investments inevitably slowed, as did our travel costs and discretionary expenditure. Together with our stable revenue performance, this resulted in a strong performance from a profitability perspective. Underlying operating profit was £67.4m in 2020, 16% higher than the £58.3m reported in 2019. This increase can be split into 17% organic growth and a 1% reduction due to the change in exchange rates between 2019 and 2020. As a result, the underlying operating profit margin increased from 10.6% in 2019 to 12.5% in 2020.

Organization

In 2018, BSI reorganized from a regionally structured business into four global client-facing business streams: Knowledge, Assurance Services, Regulatory Services and Consulting Services. Our global structure reflects the way that our clients run their businesses and their requirements for global solutions that are internationally relevant and delivered by our network of standards developers, auditors, tutors, technical experts, testers and consultants based in 84 offices in 32 countries, but actually serving clients in 195 countries across the world. The business streams are supported by our central functional teams in Human Resources, Finance, Information Technology and Legal. In addition, we have a central Commercial team. This team includes our global key account management and dedicated global sector leadership in Healthcare, Food and Retail and Built Environment.

Once again, in 2020, we benefited from the diverse and well-hedged nature of our services and solutions offering as our business streams were affected in different ways by the pandemic. Knowledge remained robust throughout the year, despite the negative impact on document sales and our International Projects consultancy. Assurance Services successfully transitioned to remote auditing to minimize the effect, with upside in Personal Protective Equipment (PPE) testing and certification mitigating the shortfall in the, more discretionary, Training business line. Regulatory Services continued to grow strongly due to the continued global demand for medical device products. Consultancy Services, as another more discretionary expenditure for our clients, saw demand fall in the middle of the year but recovered well in the fourth quarter. As has so often been the case in the past, strength in some areas compensated weaknesses elsewhere and this resulted in the overall resilience of our financial performance for the year.

Investments

We have continued to invest in our IT systems and infrastructure, which will enable the BSI of the future, while allowing us to do our business effectively today. Following the 2019 implementation of the fully integrated cloud-based Workday Human Resources management platform, we began the process to move our Customer Relationship Management, Resource Planning and Finance systems into a single cloud-based network. This programme of work is multi-year and will require significant investment, but it is vital to support our future growth. We also invested heavily in our information and cyber security position, to ensure that our data, and that which we hold on behalf of others, is as secure as possible. We completed our plan to extend our ISO 27001 (Information Security Management) certification across our business streams and functions, and at our key locations worldwide. There was also much time and effort expended to ensure that all our colleagues could work effectively and safely from home during the pandemic, with investments in Microsoft Teams and an 'Always On' virtual private network.

We maintained our commitment to invest in the development of innovative new standards that will support the needs of the economy and society into the future. Our Standards Policy, Development and Sector teams have engaged extensively with our stakeholders in the UK and internationally to promote the benefits of consensus standards and standardization. We have continued to invest in the development of training courses, which focus on the requirements of businesses as they embark on or develop their own journeys to standardization. All of our standards development committees at national, European and international level successfully switched to virtual working from the first lockdown in 2020, and we were pleased to maintain our publishing schedule as planned, including the rapid deployment of our newly launched agile Flex standard process to help support the pandemic response.

No acquisitions were completed in 2020. However, there was a small acquisition in January 2021, in which the Group purchased the assets of Q-Audit Pty Limited and Q-Audit Limited, a JAS-ANZ accredited healthcare auditing body based in Sydney, Australia, and Auckland, New Zealand. Q-Audit audits and certifies disability and age care facilities in its local markets and complements our existing offering in Australasia.

Stakeholders

Due to our position in global standards shaping and the breadth of our business coverage in terms of sector and geography, we have a wide range of stakeholders from governments, professional bodies, academia and consumers, through our members and standards makers, to our people, pensioners, clients and suppliers. These relationships are all critical to us as we deliver against our mission – to share knowledge, innovation and best practice to help people and organizations make excellence a habit. We work hard to engage with all our stakeholders and to create a balance of long-term value for each through our strategy. An overview of how the Board has fulfilled its duty, as set out in Section 172 of the Companies Act 2006, to promote our long-term success, while considering the interests of our stakeholders and our impact on the community and environment, is explained on pages 63 to 65 of the Directors' report.

One of the most important groups of stakeholders is the membership of our UK defined benefit pension scheme. The deficit of this scheme fell by 41% during 2020 to £33.7m, thanks largely to the contribution to the scheme, made by BSI, of £27.1m (2019: £13.5m). During the year, to reflect the mature nature of the scheme, we appointed a Corporate Trustee as manager.

People

One of the aspects about BSI that has been the most striking to me is the quality of our people. The expertise, commitment and passion of the team are impressive. Our people are our true sustainable competitive advantage. At BSI, our philosophy is that if we look after our people, our people will look after our clients and support each other.

2020 has been a very challenging year globally for our people, many of whom have spent most of 2020 learning to live with a new way of working while balancing their professional and personal lives in an ever-changing environment. We focused heavily on the physical and mental wellbeing of our people to ensure we provided support in the moments which mattered most to them. A global Covid-19 working group was established to anticipate and implement practical solutions to the changing working requirements due to the pandemic. Our continuous listening strategy helped us shape our wellbeing programme, responding in real time to the feedback of our people and building on the implementation of our employee assistance programme in 2019. We focused on building capability globally with our certified mental health first aiders who have delivered mental health awareness training. Our global Colleague Forum forms part of our continuous listening strategy. Twelve representatives from across the globe have met four times during the year to discuss issues such as Covid-19 actions, diversity and inclusion progress, sustainability, operational challenges and new ways of working.

The resilience of the BSI business in 2020 is due to the commitment and contribution of the whole BSI team. In recognition of the heroic efforts of our people last year we granted everyone three days' paid leave as wellbeing days for use in 2021.

In early 2021, we conducted an employee engagement survey and achieved a score of 70%, which compares favourably to the 67% we achieved in our last survey in late 2017 and meets the 2020 target of 70% we set for ourselves at that time. Of course, this survey

BSI is a participant in the UN Global Compact and continues to support its principles on human rights, labour practices, anti-corruption and the environment. The UN Sustainable Development Goals provide the framework for our approach, as described in the Sustainability Review on pages 34 to 39, and we have ambitious plans going forward to support more businesses to achieve their sustainability goals.

SUSTAINABLE DEVELOPMENT GOALS

was undertaken at the end of an exceptional year, during which our people have had to learn an entirely new way of conducting their working lives, with all the additional pressures that this has involved. This is an extremely pleasing result, but we must not be complacent and will continue to develop initiatives to improve this score still further.

We aspire to create an inclusive and engaging work environment, which enables everyone to thrive as individuals, do their best work and contribute to the delivery of our purpose. In 2020, we reinforced the power of human connections to bring to life the stories of our diverse workforce and to create new opportunities for conversation, connection and learning to inject a different approach to diversity and inclusion across our business. Above all, we aspire to be a great place to work and a business that talented people want to join, one where they can develop their careers and live our core values of Integrity, Respect and Expertise, which guide us in everything we do.

Clients

During 2020, we continued to work with a wide variety of clients of all sizes, from large multinational clients, where our revenues exceed £1m per annum, to a large number of small and medium-sized enterprises. In line with our strategy, we have focused our business development efforts in our chosen sectors of Healthcare, Food and Retail and Built Environment. We have further developed our global key account management with the goal of serving our clients from a single point of contact and ensuring those clients can benefit from the full range of services and solutions we have across our global business streams. As a result, our average revenue per account (ARPA) has continued to increase from £5,900 in 2019 to £6,500 in 2020, an increase of 10%. ARPA is an increasingly important key performance indicator for us as it indicates the success of our strategy to work more globally with key accounts and, in 2020, we achieved the ARPA target we set in 2017.

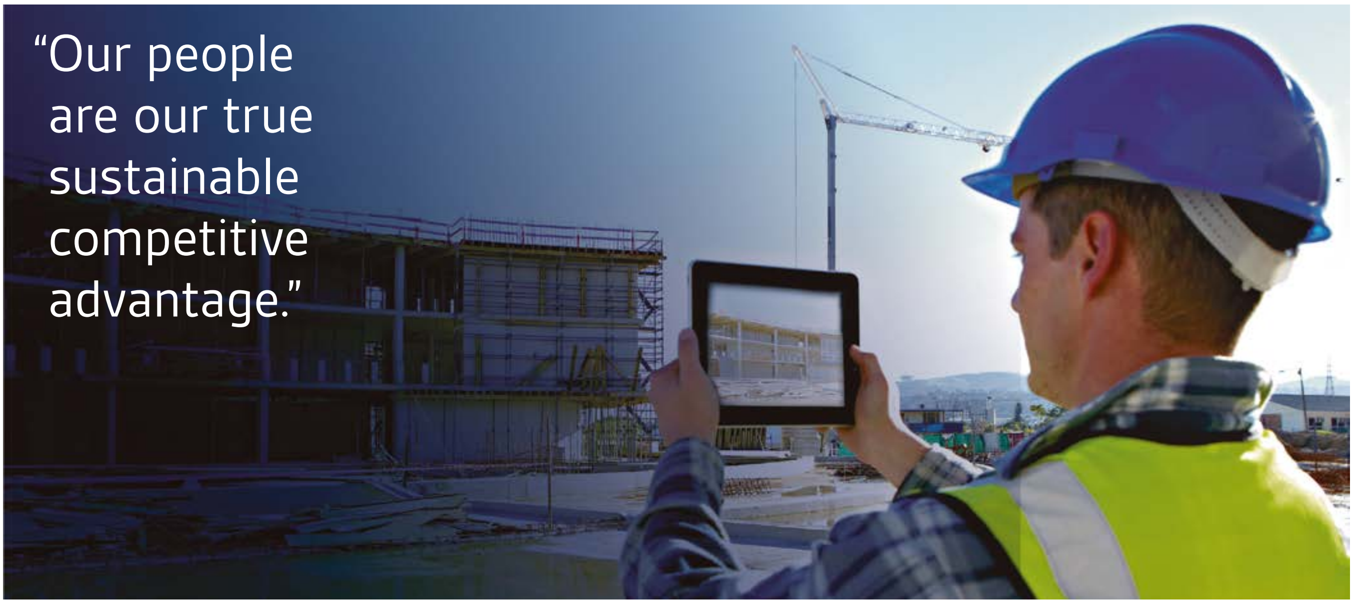
In a difficult trading year, we concentrated even more on client satisfaction. In 2020 our clients have told us that, generally, they are very satisfied with BSI and that they benefit from working with us. In 2020, 65% of respondents to our question about how likely they would be to recommend our services and solutions scored us nine or ten out of ten, and only 7% scored us between zero and six out of ten. This gives us a Net Promoter Score (NPS) of +58. This is in line with the high level we achieved in 2019. We are fully aware that our scores differ by business stream and geography, and that a change in the mix of respondents between business streams could result in an adverse movement in the NPS from year to year. We must not be complacent and, during the year ahead, we want to expand and deepen our understanding of client satisfaction. Client centricity is fundamental to our continued success and growth. We will be redoubling our efforts to listen to our clients, to understand their current and emerging needs, and to deliver the service that they value, better than our competition, to ensure that BSI remains their business partner of choice.

Our brand and reputation for expertise, quality and integrity are integral to the continued strength of BSI. Our brand is only as strong as the people who live it every day, hence our focus on our people.

Outlook

In the face of the challenges Covid-19, the resilience of our business model and the resilience of our teams around the world have resulted in a very creditable performance in 2020. Our strategy has proved to be robust even during these exceptional times. We continuously monitored the crisis, taking appropriate decisions to minimize its impact on our people, our clients and, therefore, our business as it developed. With a strong balance sheet and healthy cash reserves at the end of 2020, we are well positioned to continue to deliver value for our clients, invest and innovate for the future and realize the full potential of our purpose, 'inspiring trust for a more resilient world'.

Susan Taylor Martin
Chief Executive
22 March 2021



BSI and Covid-19

BSI's response to Covid-19 had two aspects. First, we have a unique combination of skills and experience that, in line with our purpose, allowed us to contribute in many ways to the UK and global response to the Covid-19 pandemic. Second, like many other organizations, we were affected by the disruption to our clients, our teams and, ultimately, our business.

BSI supported the UK and the world's response to the Covid-19 pandemic across a wide range of areas. Over 100 relevant standards were made freely available to all, covering vital response areas such as ventilators, personal protective equipment (PPE), hygiene products, risk management and business continuity. To date, over 124,000 standards documents, with a market value of £16m, have been downloaded for free. We have held webinars on business continuity with over 3,000 participants.

Our Medical Devices Notified Body technical experts undertook technical file reviews on behalf of the UK's Medicines and Healthcare Products Regulatory Agency (MHRA) within the new rapidly manufactured ventilator system derogation procedures. We also carried out quality management audits of manufacturers on behalf of MHRA to ensure that they met the required standard, while facilitating the market placement of other critical medical devices so essential to healthcare systems.

Our Product Certification team supported the rapid deployment of PPE by developing testing procedures that provided fast track routes for establishing the performance of these products. We responded to requests for testing and certification from governments, manufacturers, universities, and schools, adding shifts and weekend work to offer shorter turnaround times. We launched a Kitemark for face coverings, which assesses coverings using particle filtration and breathability tests to ensure comfort, while reducing the spread of the infection. Later in the year we developed a new specification in this field, publishing the BSI Flex 5555 (Community Face Coverings Specification) in January 2021.

We published several forms of guidance to help businesses and governments manage the effects of the pandemic:

- The BSI Guide to PPE for non-PPE manufacturers complemented government guidance and describes testing and certification requirements to ensure safety and effectiveness when used in health and social care environments.
- Our guidance for UK's Foreign, Commonwealth & Development Office (FCDO) trade officers regarding manufacture of PPE helped UK Embassies and High Commissions in procuring PPE supplies to ensure it was fit for purpose.
- The BSI guide to masks and face coverings describes the various types of coverings along with the applicable standards and regulations in the UK.
- Our guidance to help businesses manage a safe return to the workplace has helped many in areas such as health and safety, IT security, procurement and hygiene. Part of this guidance has subsequently been taken up by ISO with a view to forming the basis of a standard for dealing with future pandemics.

Internally, there were no Covid-19 related redundancies or furloughs in BSI during 2020. Our employees made the transition to working from home for most of the year and took part in over 85,000 Microsoft Teams meetings by the end of the year, with usage increasing by 1,300% from the first to the fourth quarter.

Much of our business involves delivering training, consultancy and assessment to our clients at their sites. When lockdowns began in February, first in Asia Pacific, then Europe and then the Americas, this became impossible in many cases and we were agile in adapting our business model to respond to this. Using immersive technology in partnership with our clients and our accreditation bodies, we delivered our services remotely without adversely impacting the quality for which we are renowned. In the first quarter of 2020, only 10% of the audits from our Assurance Services and Regulatory Services streams and contracts in our Consulting Services streams were delivered remotely. In the second quarter, in the areas affected most by the pandemic, this percentage was over 90%. As lockdown eased in the second half of the year, remote delivery declined but it remained at a higher level than pre-Covid-19.

The response from our colleagues was extraordinary, with many volunteering to return to front-line medical roles. Others have volunteered to help in vaccination centres and charities dealing with the social and economic impact of the pandemic. Sadly, many of our colleagues and their families around the world have been affected by the pandemic and tragically three of our colleagues lost their lives.

Susan Taylor Martin
Chief Executive

“The response from our colleagues was extraordinary, with many volunteering to return to front-line medical roles. Others have volunteered to help in vaccination centres and charities dealing with the social and economic impact of the pandemic.”

“We published several forms of guidance to help businesses and governments manage the effects of the pandemic.”

Performance by business stream

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

Knowledge

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

Revenue

£65.3m

2019: £66.5m

Growth

-2%

(-2% at constant exchange rates)

Proportion of total revenue

12%

2019: 12%

"Our Knowledge business stream comprises our Standards Development, Services and Information Solutions business lines."

Our Knowledge business stream generally operates in a stable but evolving market. It is a stream comprising different business lines and this provided a good hedge against the impact of Covid-19, with some areas holding up well while others found the economic environment more challenging. Overall, the stream showed great resilience and exercised rigorous commercial management to record revenue only 2% lower than in 2019.

Our Solutions business line reported document revenue 15% behind 2019, influenced by the publishing cycles of our higher selling standards with fewer publications in 2020, but compounded by the impact of Covid-19, with clients, many of which were working under lockdown conditions, buying far fewer single document copies. However, subscription revenues held up far better, and actually increased by 6% in 2020, driven by a good performance by our two largest subscription products, British Standards Online and Compliance Navigator, which leveraged additional content and functionality to improve its international footprint. Royalties from our third-party distributor partners also delivered strong growth and remain a key channel to broaden our geographic access to clients.

Our Services business line had a challenging year, as the economic fallout from Covid-19 seriously impacted governmental and business willingness to contract new services from us. This was compounded by travel restrictions delaying delivery of international projects and the reduction of UK overseas development aid levels, which limited the scope of programmes already in train. This required the team to pivot many of its activities, delivering projects virtually and diversifying the client base. Our International Projects business, which provides capacity-building consultancy to governments and organizations which wish to strengthen their use of standards, was the most adversely affected of our business lines. In terms of new sales orders, material opportunities were delayed and there were obvious difficulties in providing overseas in-person activities to support the delivery of our international programme.

Under these trading conditions, our team concentrated on adapting the business model to optimize performance. 100% of BSI Standards Committee meetings and BSI-run European and international meetings have been held virtually since March. All events, business development and programme delivery are now remote. In addition, our stream took the lead in supporting the local and international pandemic response, making relevant standards, such as PPE, ventilators, workplace health and hygiene, risk management and business continuity, freely available.

The opportunity was also taken to develop further our information systems strategy. In early 2021, we will have completed the consolidation of our core platforms and will launch this and a new e-commerce site. This will result in an environment where clients can shop, use and manage their subscriptions and membership and also participate and comment on the standards development process, all in one frictionless user experience. The Knowledge stream has also begun its discovery phase of the digital transformation of our standards-making activities. A request for information was issued at the end of 2020 and a partner will be selected in early 2021 to support the next steps of the programme. We continued to develop a new iterative approach to develop a more digital, collaborative and flexible process to standards development. Our branded 'Flex' methodology was used to great effect in the rapid development of the ISO 45005 (Safe Working Guidelines) standard to support business during the pandemic. We also began work with the BSI Innovation team on machine readable and machine interpretable standards.

We also made significant progress in our continued efforts to diversify our product and service offering for our clients. Since its launch in late 2016, revenue from our Compliance Navigator product, which allows medical devices clients to manage their regulatory documents, has grown strongly. Throughout 2019 and 2020, a major project was delivered to update its infrastructure, metadata, processes, user experience and features, with its content collection tripling in size since its original launch. Through this approach, we are now securing deals with major Medical Device manufacturers across multiple geographies.

Building on an Innovate UK funded project, we are in the latter stages of delivering a project and business start-up to provide critical product data services to the UK construction industry. Through the creation of an international registration agency for digital identifiers for products in the Built Environment, this aligns strongly with the evolution of the industry in its asset and associated lifecycle management.

2020 was a challenge for us all. Under the circumstances, the results of the stream showed its resilience and agility and the benefits of having several different, complementary, business lines which support our clients and stakeholders when they need us most. We are in a strong position to continue our development in 2021.

Shirley Bailey-Wood
Director, Information Solutions

Assurance Services

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

Revenue

£263.0m

2019: £283.0m

Growth

-7%

(-6% at constant exchange rates)

Proportion of total revenue

49%

2019: 52%

“Our Assurance Services business stream comprises our System Certification, Product Certification and Training business lines.”

Our Assurance Services business stream serves clients in 195 countries around the world through five regional management teams. This allows us to be closely focused on our priority markets, as we deal with our global key accounts while continuing to provide good local services to all our clients. Covid-19 greatly impacted our Assurance business in 2020, as we rely on a close relationship with clients and, historically, this has been face to face for the large majority. We reacted immediately to the changes in working conditions, deploying innovative ways to deliver our services remotely. Our System Certification business in the UK delivered 13% of its business remotely in the first quarter of 2020, mainly in March, and 98% in quarter two, and our Training business line was delivering over 50% of all its courses online by year end. As a result, despite quarter two revenue being just 75% of the same period in 2019, we managed to close the year with revenue just 6% behind 2019 at constant exchange rates, and significantly enhanced profitability due to reduced travel costs and other efficiencies.

Having completed our transition to five regional businesses in the first quarter of 2020, we also implemented a global technical team to manage accreditations, align our global processes and procedures, manage and develop operating tools and drive excellent client delivery. We launched the new BSI Mark of Trust, combining the power of the Kitemark and the globally recognized BSI logo into a single mark for certificates, Kitemarks and personnel qualifications. The Mark of Trust helps organizations show that they have successfully embraced a best practice standard and that the wider marketplace recognizes the level of trust that organizations certified by BSI have earned.

Despite the impact of the pandemic, our System Certification business line delivered a revenue only 4% behind 2019, with improved profitability due to increased productivity and reduced travel. We worked closely together with our clients and major accreditation bodies to the effect that almost 200,000 audit days were delivered in the year, of which 88,000 were delivered remotely using innovative immersive technology. We accelerated our investment in robotic process automation and data analytics capabilities to offer our clients additional value and enhance levels of assurance. Our speed of innovation, in all aspects of this business, reached new levels in 2020.

New products launched during the year included the BSI Aviation Certificate of Compliance with the ICAO Health Protocol, the BSI Workplace Hygiene Customized Audit Solutions, in response to Covid-19, and the world’s first Certification Scheme for the Safety of Automated Vehicle Trials. In addition, we appointed a global leader for our Customized Audit Solutions services to help clients to improve the resilience of their supply chains and their bespoke internal audit programmes.

Product Certification had a very good year, benefiting from an increased demand for the testing and certification of PPE products directly related to Covid-19 and actually reporting revenue growth of 4% despite shortfalls in other practices such as construction and appliances. We tested over 21,000 PPE products directly related to Covid-19. 46% of days were delivered remotely using immersive testing or auditing. Our new products included Kitemarks for innovation, hand sanitizers and face coverings and Building Information Management (BIM) software.

Post-Brexit, BSI is now a designated Approved Body for United Kingdom Conformity Assessed (UKCA) marking and a Notified Body for United Kingdom Northern Ireland (UKNI) marking.

Training is often a more a discretionary expenditure for clients and one of the first to be affected when there is a crisis of any sort, as people spend only on their essential costs. As a result, 2020 proved to be one of our more challenging trading years, but also one of great transformation. Revenue was significantly down on 2019, with a 28% reduction, but with a visible recovery towards the end of the year as our response took effect. We accelerated the roll-out of our digitally-delivered training courses, Connected Learning Live, so that over 50% of all courses were being delivered remotely by year end. To support this, we designed and launched our new client learning portal to personalize their learning journey with BSI, launched the new BSI personnel qualification services and redesigned our websites. These innovations and developments will change the way we work in the future and expand our portfolio of capability.

There is no doubt that, despite the pandemic having a significant impact on the lives of many people, it has forced our industry to embrace innovation at speeds never seen before and BSI has been at the forefront in developing new ways to deliver our services, and the value they bring, to our clients. These are opportunities that we have grasped with both hands.

Pietro Foschi
Director, Assurance Services

Regulatory Services

Independent assessment of the conformity of a process or product, in the Medical Devices industry, to a particular standard ensures that our clients perform in an excellent way and that patients worldwide may receive the correct level of medical care.

Revenue

£143.0m

2019: £119.4m

Growth

+20%

(+20% at constant exchange rates)

Proportion of total revenue

26%

2019: 22%

“Our Regulatory Services business stream currently comprises System Certification and Product Certification in the Medical Devices industry.”

The Covid-19 pandemic completely altered the way the Regulatory Services stream went about its business as, historically, we delivered all of our system certification work on site at medical device manufacturing plants. Our ability to continue this approach came to an abrupt halt in March.

Following difficult negotiations with numerous international oversight bodies, we switched all our audit activity to remote delivery within weeks of the start of the crisis. As a consequence, our clients saw very limited interruption to our services. In the first quarter of 2020, just over 10% of our audits were performed remotely, mostly in the month of March. This increased to over 95% in quarter two before settling at around 70% in the rest of the year, as some of our clients’ sites reopened. Once again BSI has demonstrated resilience and market leadership. Under these unprecedented circumstances, to deliver 20% revenue growth is truly an exceptional performance. Margins improved also, with lower travel costs due to our remote work, and the increased proportion of our work that we were able to deliver under our expedited process.

The consolidation of our medical device activity into a single, client-centric, global stream in late 2018 is now firmly embedded in our business and our clients are benefiting from a co-ordinated seamless global delivery of both elements required to obtain CE marking to access the EU and other markets. We have also expanded other key certification schemes such as the US FDA initiated MDSAP single audit programme for the US, Canada, Brazil, Australia and Japan. This is now material, with 60% of our audit activity combining both MDSAP and ISO 13485 audits. Future growth is paramount, and we continued to explore other related regulated opportunities, including pharmaceuticals, to diversify our product portfolio. We expect to initiate this project in 2021.

The Brexit-related uncertainty that underpinned the migration of our Notified Body EU certification activity to the Netherlands in 2019 has effectively transferred our main business activity out of the UK and we now service our global customer base from our Amsterdam location. This move proved very successful and we were able to retain 98% of our existing client base while being in a better position to add new and important clients to our list. As a consequence of Brexit, in December 2020, our UK Notified Body ceased to exist after 29 years, during which time, BSI has grown to lead the market as the largest EU Notified Body. Brexit also brought opportunities and we are now formally recognized as a UK Approved Body and UK Medical Device Conformity Assessment Body (UKMCAB). We plan to issue our first UK Conformity Assessment (UKCA) certificates in early 2021. We have the objective to be the leading provider of UKCA as the scheme develops with the publication of the expected UK Medicines and Medical Device Bill.

This year was very demanding from a regulatory perspective as we worked hard to train our team on the new requirements. Thankfully, 2020 was lighter from a designation perspective, and BSI now has the base to focus and anchor its market-leading position. The original May 2020 deadline date of application for the new EU MDR legislation necessitated significant activity to complete thousands of existing Medical Device Directive projects, causing immense pressure in the market. Because of Covid-19, the EU extended this deadline to May 2021, but this did not really alleviate the delivery pressure.

The Regulatory Services stream is extremely proud of the activities it undertook to help combat the Covid-19 global health crisis. This included playing a leading role in the UK Government’s Rapid Manufacture of Ventilator Systems initiative and helping to increase the number of companies manufacturing PPE for medical use, many of them being first-time manufacturers. We also seconded staff with clinical backgrounds to return to the NHS front line, providing hands-on care and putting patients first while other colleagues covered for them during their absence.

2020 was also a pivotal year in developing and driving our business transformation programme which will redesign our operational delivery model from both a process and IT perspective through the implementation of our newly defined Target Operating Model. The objective is to implement this transformational programme in 2021 and beyond and deliver a seamless interaction with our clients as the business continues to expand.

Overall, 2020 was another successful year for the Regulatory Services business stream, which delivered impressive levels of revenue growth, while at the same time making an important contribution to combating the effects of the Covid-19 pandemic. We consolidated our market status globally and are in a strong position for further profitable development in 2021.

Manuela Gazzard
Director, Regulatory Services

Consulting Services

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

Revenue

£68.0m

2019: £79.2m

Growth

-14%

(-14% at constant exchange rates)

Proportion of total revenue

13%

2019: 14%

"Our Consulting Services stream comprises two business lines, an Environment, Health, Safety, Sustainability and Security consultancy, and a Cyber Security and Information Resilience consultancy."

Following the strategic and structural changes completed in early 2020, our Consulting Services stream comprises two businesses, an Environment, Health, Safety, Sustainability and Security (EH3S) consultancy, and a Cyber Security and Information Resilience (CSIR) consultancy offering a more 'end-to-end' service to BSI clients with stronger alignment to our other business streams, supporting collaboration and cross-selling. However, no sooner had we started to operate on this new basis than the Covid-19 pandemic severely impacted our business.

Consultancy is a discretionary expenditure for many clients and is one of the first to be stopped in times of financial crisis, particularly, as in this case, when many of our clients were unable to be present on their sites. As a result, our revenue was adversely impacted in the second and third quarters of 2020, before staging a recovery in the fourth quarter when revenue actually showed annual growth on 2019 in November and December. Much of this recovery was due to our innovation and agility in finding new ways to deliver our services to our clients and all areas of the business showed significant increases in their remote delivery percentages, something that will benefit the stream as it continues once the pandemic ends. Despite the challenges of 2020, the business has made great progress and matured in terms of strategy, structure, management and delivery and we look forward to capitalizing on this in 2021 and afterwards.

Our EH3S consulting business in the US had a difficult year in 2020, with revenues declining by 18%, due mainly to the Covid-19 pandemic, but also as we reorganized our legacy business into an integrated national organization. Client retention remained strong throughout the crisis, but overall revenue per account (ARPA) has suffered. We were able to mitigate some of these impacts by adapting our service offering, by providing on-site Covid-19 support including return to work, office reopening and training, workplace hygiene and hazard process consulting, and by continuing our development and implementation of immersive technology, which has been well received in the market.

The EH3S business lends itself well to collaboration with the rest of the BSI service offering and good progress was made during 2020 to strengthen and formalize the connections with our colleagues in the other streams, regions and sectors. We have also used the lockdown situation to our benefit by developing our systems to support the sales and delivery functions of our consultancy and to improve the quality of management information on which we take our strategic and operational decisions. The process to merge our disparate systems, caused by the development of the stream by acquisition, has continued and is on schedule and we will all benefit from a single implementation when complete. Our SCM/SCREEN supply chain software upgrade is also on schedule, having been re-envisioned to interact more with other BSI systems.

Significant challenges remain for the stream as the impact of the pandemic continues to have an effect. There are limitations to remote selling and a delay in purchase decisions from our clients. There can also be some limitations to remote delivery as some of our offerings require us to be on site, particularly in our Construction Safety business. However, we anticipate that the recovery we have seen in our results towards the end of 2020 will continue and that our innovation in this area will bring a more positive 2021.

Our CSIR consulting business also had a challenging year in 2020, with organic growth at constant exchange rates down by 8% on 2019. This was due to the impact of Covid-19 on demand for our services and the suspension of some client projects that began before the pandemic took hold, particularly in China and Italy.

The integration of AppSec Consulting, our first US business, acquired in 2019, was finalized and is now run on the same operational platform as its counterparts in the UK and Ireland. The transition of the management of a small consulting team in Japan was also completed and this means that we now have a single business with one operating team and important bases in three continents from which we can service our clients internationally. By its nature, CSIR consulting lends itself to remote service, with over 95% of our business delivered remotely in the final three quarters of 2020, but it is important that we have a presence internationally to attract business.

The pandemic affected our Consulting Services stream more than the rest of BSI. However, we have made great progress during the year and we approach the future with more confidence in what remains a growing market with great opportunities.

Thorsten Querfurt
Director, Consulting Services

Our sectors

We specialize in three priority sectors where our skills, knowledge and expertise enable us to have the greatest impact with organizations, stakeholders and the communities they serve: Healthcare, Food and Retail and Built Environment. At BSI, each sector has a dedicated senior leader, who provides specialist thought leadership designed to shape, share and embed best practice in their own particular area of expertise. This approach enables BSI to tailor the services and solutions offered by our business streams to the specific requirements of each sector and provide key account management tailored to our clients' individual needs. BSI is uniquely equipped to help clients in these three priority sectors to respond positively to their challenges and embrace their opportunities with a partner they trust.

"We operate across many sectors but focus on our areas of specialization."

Healthcare

With the world facing a global health crisis in 2020, our Healthcare sector team had a unique opportunity to support a broad range of stakeholders in the industry. From devising supply chain and distribution solutions for pharmaceutical companies, through product certification of ventilators to medical device manufacturers, to certifying business continuity and workplace hygiene in acute care trusts, BSI experts were able to bring tangible value to a wide range of organizations.

We continued to invest in the sector's business development team and this, alongside several key initiatives, helped us to make progress in our strategy to develop our relationships from provider to partner with our major clients.

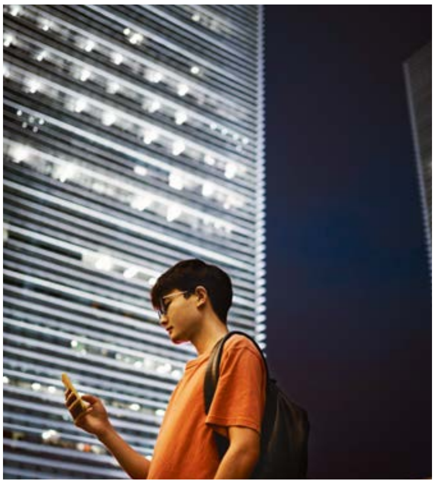
In particular in 2020, the team has accelerated our engagement with the pharmaceutical industry, working closely with all four streams to deliver trusted, innovative, client-centric services and solutions to an industry looking to enhance sustainable resilience while facing unprecedented challenges. These ranged from remote, immersive audits to supply chain security, environmental health and safety consultancy and anti-counterfeit, traceability and authentication assurance. In addition, we reached agreement to develop a Publicly Available Specification (PAS) – A Reasonable Approach to Managing Antibiotics in Commercial Manufacturing Operations. This, and our other initiatives, are solutions that will build trust and sustainable resilience, placing BSI at the heart of our healthcare communities as a trusted partner.

Food and Retail

Our Food and Retail sector clients showed remarkable agility and resilience when facing the challenges of 2020, to keep food safe, sustainable and available. BSI has adapted to help them in this journey. Working with other industry stakeholders, we supported the evolution of the delivery of food safety programme audits to allow remote audits of food sites using immersive technology so that Covid-19 anxious consumers could continue to trust the safety of the food they were buying.

From ethical production and sustainability to provenance and authenticity, the extension of Kitemark certification into the food industry, in partnership with the UK Government Food and Environment Research Agency (FERA), also empowered trust in a challenging year. The BSI Food Kitemark of Trust provides producers with the ability to certify their own promises of sustainability, origin, ethical production and authenticity and consumers with the confidence that they are, in fact, buying what is promised on the label.

Organizations around the world have struggled for over a decade to implement a culture of food safety. In 2020 we developed a PAS – A Practical Guide to a Culture of Food Safety. When published in 2021, alongside our proprietary food safety culture training programmes, this will help to build the resilience of their businesses and the expertise of their employees. Combined with our online training offering and the development of new industry standards, we will continue to play our part in improving resilience in the food ecosystem.



Built Environment

In a disrupted year which has heavily impacted clients in the Built Environment sector, our focus has been to support governments, clients and supply chain partners globally to adapt to the rapid changes experienced. We have shaped standards to help mitigate risks and enable workforces to return to work safely, providing assurance through system certification and tailored environmental, health, safety, security and sustainability consulting services. Our purpose has been to help all stakeholders reduce their risks and increase their resilience.

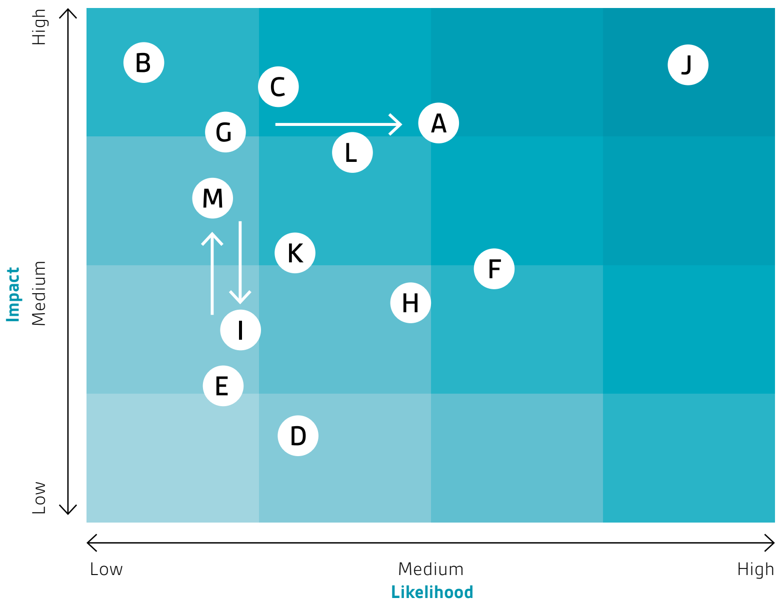
One of our key initiatives was the development of a new Kitemark certification scheme for ISO 56002 (Innovation Management). This was developed collaboratively with our clients and launched as part of our global summit alongside our partners, which are household names in the industry. This summit, as well as our other marketing events, product launches and certificate presentations, have been purely virtual in 2020, but this has allowed us to reach many thousands of individuals and give our clients and prospective clients much greater access to our thought leadership than ever before. In addition, we have developed a global leadership position in Building Information Modelling (BIM) certification.

We have supported many of our clients in their aspirations of aligning to the United Nations Sustainable Development Goals. All of our endeavours are driven by industry needs and the ambition to drive a sustainable and resilient Built Environment in 2021 and beyond.

Harold Pradal
Group Commercial Director

Risk management

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



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

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

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

What we did in 2020

Throughout 2020, we have continued to conduct a programme of risk workshops, training and risk reviews. The Internal Audit and Risk team conducts all internal audits on a risk basis, and supplements audits with secondees from the business and subject matter experts, where appropriate. Due to restrictions on travel as a result of the Covid-19 pandemic, for most of the year it has not been possible to perform on-site audits. However, the team has successfully transitioned to remote auditing. The pandemic has meant that our offices have had to invoke their Business Continuity Plans, and we have been able to leverage lessons learned from this practical testing.

What we will do in 2021

Our Principal Risk Register, Strategic Risk Register and subsidiary risk registers will be regularly and systematically updated to reflect the external economic, political and social environment and the latest Group strategic plan initiatives. We will continue to implement our programme of risk workshops, training and risk reviews at business stream, sector, geographical, functional and project level to embed and enhance still further our management of risk globally.

Insurance

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

Changes to principal risks during 2020

We regularly reviewed and updated our Principal Risk Register during 2020 and ensured consistency with our new purpose and mission. The latest version of the register is shown in this report. We have added a single new risk, 'Pandemic', to the Principal Risk Register in 2020 to reflect Covid-19 and any future pandemics. We consider the 'Brexit' risk to have decreased sufficiently to be removed from the register now that the UK has left the European Union and that most significant impacts for BSI have been mitigated.

Type of risk	Risk	2020 update	Mitigating actions
1 Relevance			
A Government policy	Changes to government policy or relationships, in any of the jurisdictions in which we operate, could affect our ability to deliver our objectives, shape standards or provide services to clients.	↗	We engage with UK and other governments to ensure that our voice is heard during policy debates. Relationships are built with our stakeholders and standards bodies, so that they are aware of, and value, our contribution.
B NSB/Royal Charter status	Our Royal Charter and NSB status are important as they allow us to do business independently and without external pressure. It is central to our purpose that we preserve these.	↔	We engage with stakeholders to ensure that we fulfil our NSB and Royal Charter obligations. A regulatory compliance framework is in place, including the Impartiality Code of Conduct, on which employees receive training. We run a governance regime that applies the principles of the UK Corporate Governance Code, where applicable, and actively review our compliance through Board and Executive Committees.
2 Compliance			
C Accreditation compliance	A large percentage of the work we perform is governed by national and international accreditation bodies and government agencies. Loss of accreditation or designation could have a serious impact on our business.	↔	We engage with our accreditation bodies and government agencies to ensure that any issue is resolved before it affects our accreditation or Notified Body status. A regulatory compliance framework and audit programme is in place.
D Financial and fiscal compliance	There is an ongoing risk in any organization of our size and complexity that irregularities occur, due to human error or fraud, that could impact our financial results.	↔	We have strong reporting lines and policies and procedures in place. We have internal audit teams that perform risk-based audits, supported by an annual external audit of our financial results by PricewaterhouseCoopers.
E Legal action	Any breach of, or change in, legislation in a jurisdiction in which we do business could result in legal action against us. We could be held indirectly or directly liable for third-party claims arising at client sites or businesses.	↔	Our Legal team operates across the business and develops relationships with external law firms to ensure that we are aware of forthcoming changes to legislation. Key employees receive relevant training and compliance policies and procedures are in place.
3 Business environment			
F Change management	The achievement of our strategic objectives requires the management of our business in a complex and constantly changing economic environment as well as through internal transformation projects and the integration of acquisitions.	↔	Strategic plans and the annual budgeting and reporting process take the external environment into consideration and are approved by the Group Executive and Board. Project governance and change management processes are in place to ensure the successful implementation of these plans.
G Innovation	Lack of pace or successful implementation of innovation or competitor action could threaten our competitive position in our chosen markets.	↔	Our Innovation programme has links to all streams, sectors and regions. We monitor and analyse activity in our competitive landscape at local and global level.

Key ↔ No change ↗ Increased ↘ Decreased

3 Business environment continued

Type of risk	Risk	2020 Update	Mitigating actions
H Talent	An inability to develop, recruit or retain the right skills and diverse workforce in the Group could mean that business performance may suffer, or opportunities are not exploited.	↔	Talent initiatives are reviewed regularly. Succession planning is in place at all levels of the organization to underpin the change in management structure, and regular gap analysis takes place.
I UK pension scheme	Increases in the ongoing deficit associated with our UK defined benefit pension scheme would adversely affect the strength of our balance sheet.	↘	The scheme is closed to new entrants and future accruals and we hold regular meetings with the Professional Trustee to review the investment policy, funding requirements and any opportunity to reduce this risk.
J Pandemic	The outbreak and continued duration of Covid-19 is a potential risk to the health and safety of our colleagues and the ability of BSI and our clients to operate effectively. Macro-economic risk is possible due to the likelihood of a prolonged economic recession.	↗	We closely monitor employee health and safety and conformity with local regulatory requirements. We have implemented extensive hygiene control and prevention measures for our office and field-based people. We continue to deliver services to our clients remotely, where possible.

4 Sustainability

Type of risk	Risk	2020 Update	Mitigating actions
K Business purpose and reputation	Our business purpose and reputation are extremely important to us, and failure to conduct ourselves in accordance with our values could undermine our ability to deliver our mission and vision.	↔	We promote our purpose, mission and vision with our employees, business partners and other stakeholders.
L Information security	Failure to protect against inadvertent loss of our or our client or other stakeholder information or personal data could adversely affect our or our stakeholders' reputation. Failure to protect against cyber breaches or other incidents could impact our trading operations.	↔	We have extended our certification to ISO 27001 across our global operations. We invest in our cyber security detection and prevention infrastructure. All employees and contingent workers receive training on information security.
M Environment, health and safety	Failure to protect our employees, contingent workers and other stakeholders from negative environmental impact or illness or injury arising from our activities could adversely affect our trading, reputation or brand.	↗	We are a participant in the United Nations Global Compact, and map our activities to the UN Sustainable Development Goals. We have an integrated Health, Safety and Environmental Management System and are certified to ISO 14001 and ISO 45001 at our Group headquarters. We are rolling out compliance with certification to these standards globally.

Key ↔ No change ↗ Increased ↘ Decreased

Food and Retail – The Barilla Group

The Barilla Group is recognized worldwide as an iconic brand, which sources its ingredients from transparent and responsible supply chains to bring to the world joyful, wholesome and honest food, inspired by the Italian lifestyle and Mediterranean diet.

Since the beginning of the Covid-19 crisis, the goal was clear. Barilla would accept no compromise on production standards, the safety of its workers or the protection of its consumers. At the same time, the challenge was to preserve the functionality of its supply chain.

BSI's experience in high-risk sectors, such as Aerospace and Medical Devices, allowed us to establish promptly a multidisciplinary team that could effectively and efficiently manage the transition of Barilla to using remote audits using immersive technology. A dedicated project manager also ensured that supplier challenges were overcome while still meeting Barilla's expectations.

"BSI was able to provide us with a pool of skilled auditors, whose competence has been supporting us in the different countries where our suppliers operate. BSI's activities have confirmed the solidity of our supply chain. We can now say that we are even better prepared to face new unexpected and extraordinary situations. I am very satisfied with the quality of the work we are doing together. We are already working to strengthen it further, in order to be prepared for other unexpected events. BSI will be a key partner for the challenges that lie ahead."

Alessandro Ruggeri
Global Suppliers Quality Director, The Barilla Group

Image: The Barilla Group

Sustainable development for a resilient world

Responding to the challenges facing the planet is a core component of our purpose of inspiring trust for a more resilient world.

Our sustainability strategy is founded on the premise that BSI will enable businesses to achieve best practice in sustainability, supporting their long-term profitability and vitality. We bring together thought leaders and stakeholders to develop standards that will underpin a sustainable economy. Our solutions and services help businesses improve performance, reduce risk and achieve sustainable growth. As a global leader in helping organizations improve, our clients range from high profile brands to small, local companies in 195 countries worldwide. This reach gives us the opportunity to drive best practice in sustainability through the operations of our clients and standards users, taking the potential for our impact on sustainable development far beyond our own operations.

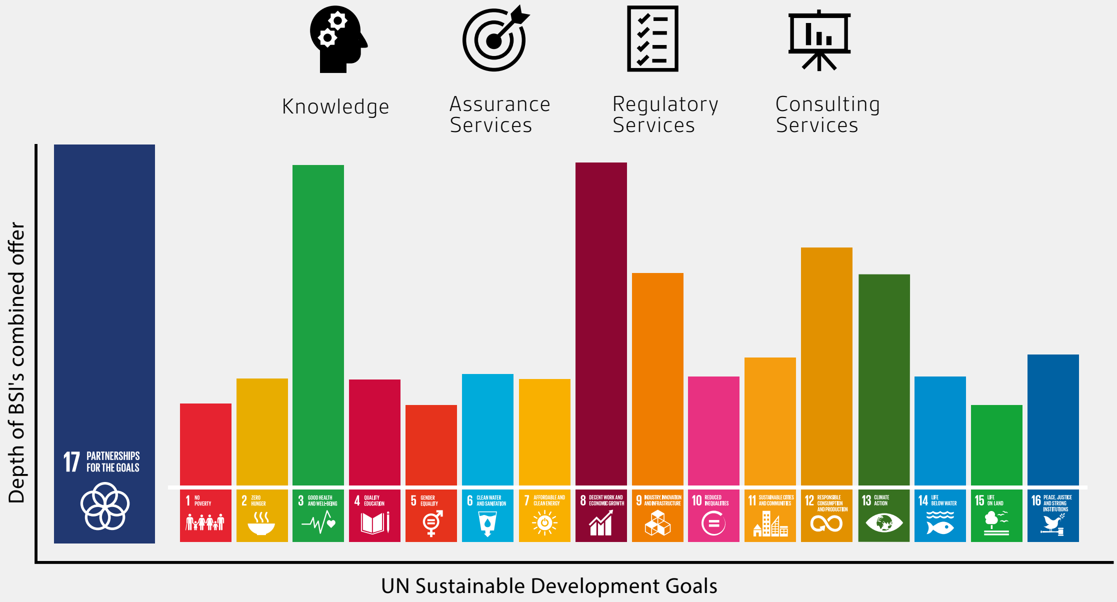
Our framework and role

A statement of our continued support of the United Nations Global Compact (UNGC), which we signed in 2018, is set out in the Chief Executive's review. In 2020, responding to positive feedback from our internal and external stakeholders, we upgraded our membership from signatory to participant in the UNGC. Our work delivers a meaningful contribution to the challenges set out in the UN Sustainable Development Goals (SDG), which form the guiding framework for our approach to sustainability. Reflecting our Royal Charter objective to facilitate and support the work of others, we put SDG 17 – Partnerships for the Goals – at the heart of our approach.

To understand their impact, we review how our activities map to the UN SDGs by assessing the solutions and services of each business stream against the framework. Through SDG 17, our work continues to support all the UN SDGs, which we recognize as interconnected, with the following goals also strongly reflected in the mapping:

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

Due to our constitution and activities, we have a unique role to play in the implementation of best practice in sustainable development across a wide number of organizations. As the UK National Standards Body and a member of ISO, we can use consensus standards to clarify what constitutes best practice, and we have the ability to support companies in applying this best practice and assessing their performance, through our consulting and assurance services. In order to fulfil this role credibly and meet the expectations of our internal and external stakeholders, we need to implement best practice in our own operations.



Commonwealth Standards Network – small-scale food manufacturers in Uganda

The Commonwealth Standards Network (CSN) is a collaborative network launched by BSI in 2018. The network supports trade, economic growth and prosperity throughout the Commonwealth by promoting increased awareness, development and use of international standards and enabling standards experts to collaborate and share best practice. BSI is proud to hold the CSN Secretariat and to deliver its ambitious network development and technical assistance programmes.

In Uganda, standards for food manufacturing are largely unpublicized and poorly understood amongst small food manufacturers. Their potential to be enablers of business expansion is unrealized. The CSN launched a project to work with the Uganda National Bureau of Standards (UNBS) and local food science experts to empower local small-scale food manufacturers with standards knowledge.

The project trained 20 manufacturers on food standards. These trainees were awarded recognition as 'standards facilitators', so that they could pass on their knowledge to other manufacturers in their region. The CSN also created illustrated and multi-translated brochures on simplified food hygiene and labelling standards, covering specific requirements relevant to small food factories. Since April 2020, the CSN has distributed 35,000 brochures, and held eight day-long workshops in various regions of Uganda that have now reached up to 500 small food manufacturers.

Our sustainability strategy

In 2020, based on our status and role in society, we set out our strategy for sustainability, which is a core part of our overall strategy and five-year plan. Our approach is divided into four areas for action, of which two are external facing and two relate to our own operations.

The strategy was developed following a thorough materiality assessment with an independent advisory company, including a series of stakeholder interviews with senior management, clients, NGOs, professional bodies and academics. The assessment confirmed that our role in developing and sharing best practice in this field is recognized and encouraged by stakeholders as well as further potential for positive impact through the services and solutions that we offer clients. The operational issues that mattered most to our stakeholders in relation to sustainability included our carbon footprint, supply chain, ethical business approach and community engagement.

1

Convening – bringing together thought leaders to define best practice

We know that many organizations are challenged by navigating the complexities of sustainable development and want clear best practice that they can apply. As the UK National Standards Body, BSI has a unique role to bring thought leaders and other interested parties together to forge consensus on critical sustainability challenges and best practice to address them. Highlights of this work in the year include:

- BS 8950, the first standard for understanding and enhancing social value;
- PAS 224, a code of practice for 100% plant-based foods;
- PAS 7061, a code of practice for the safe and environmentally conscious handling of batteries for electric vehicles, as part of the Faraday Battery Challenge Standardization Programme; and
- PAS 440, a code of practice to help organizations innovate in a responsible manner.

BSI has also been working with key stakeholders to develop a series of Publicly Available Specifications (PAS) on sustainable finance, one of the priorities for the UK Government.

In 2021 the UK Government will host the G7 and co-host the UNFCCC COP26 meeting in Glasgow and BSI will be the host of the ISO General Assembly in September. These meetings present exceptional opportunities for us to promote the role of standards in the transition to a sustainable future.

2

Sustainability services – developing offering to clients

In 2020 we have helped more companies than ever further their sustainability ambitions. As described on pages 18 and 19, many of our solutions and services were adapted to enable Covid-safe ways of working and this has also given us the opportunity to pilot and develop more sustainable solutions, including the delivery of 100,000 remote audit days in the year.

We have provided:

- 11,590 client sites with environmental management certification (ISO 14001);
- 1,600 client sites with energy management certification (ISO 50001);
- 12,390 client sites with information security certification (ISO 27001);
- 7,400 client sites with health and safety certification (ISO 45001); and
- 62,000 individuals with training on standards that support sustainable development.

Customized audit has become a powerful tool for our clients to develop and support their sustainability strategies. By undertaking an audit of current practice in an organization and then looking at best practice through standards, we can accelerate their progress. Our consulting practice supported clients in advancing sustainable outcomes including health, workplace safety, human rights, water, waste and air emissions.

However, we are conscious that it is not always easy for businesses to understand how our solutions and services can help their sustainability journey. This year, we developed the new proposition of sustainable resilience. This helps us ensure that more businesses are adopting best practice sustainability solutions.

3

Building capability – developing skills to embed sustainability across our business

Supporting sustainable development is a key component of Group strategy, and we want sustainable development to be part of our activities from the design of new products and services to the daily operation of our sites. This means that we need to ensure that every colleague has the knowledge and skills to fulfil their potential and contribute to this aim.

This year we launched an Introduction to Sustainability course for all employees and ran an initial series of virtual workshops, as well as employee social media campaigns, to raise awareness. Next year, we will build on this and run tailored workshops for targeted groups to build a deeper level of knowledge that relates directly to their activities and will help them better support our clients and partners.

We provided new training content, in six local languages, to all employees and contingent workers on our Code of Business Ethics, Information Security, Anti-Bribery and Corruption, Workplace Behaviour and Health, Safety, Environment and Quality policies which form our core compliance. This means that, for each individual, completion of these modules is required annually.

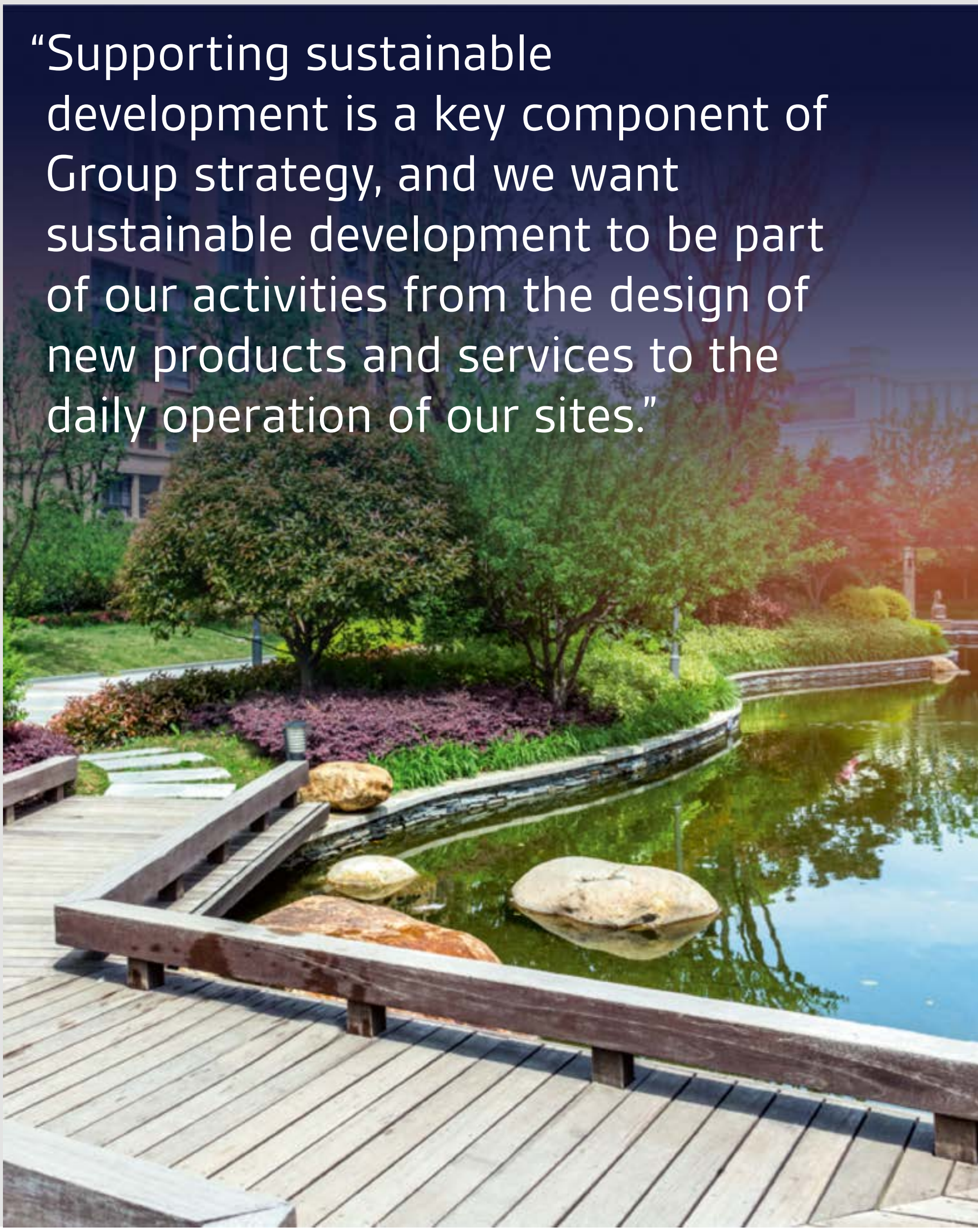
To complement this, we reviewed and updated our BSI Group policies, which apply to all employees and contingent workers. The objective was to make our requirements of each person as clear as possible to support their continued compliance.

To achieve maximum impact, we need to leverage our combined internal knowledge and expertise and share experience and opportunities between our business streams. In 2020, we established the BSI Sustainability Group to encourage information exchange across BSI. All streams and functions are represented in this team, which meets monthly.

4

Sustainable operations – setting an example of best practice at BSI

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



Arçelik

Arçelik is a leading household appliances manufacturer. It built its sustainability strategy and 2030 targets in line with the UN SDGs and affirmed its 2015 commitment to becoming carbon neutral. BSI audits Arçelik against ISO 14001 (Environmental Management) to ensure that the company has a best in class system to manage its environmental impacts, enabling it to achieve its sustainability targets.

BSI also assesses Arçelik's ISO 14064-1 (Greenhouse Gases) conformity and has helped it to build a robust and auditable GHG management system. The verification process ensures that stakeholders can trust the validity of their GHG accounting system.

This is an example of BSI's work towards SDG 17, Partnership for the Goals. The confidence ISO 14064-1 gave Arçelik, in its aspirational GHG reduction targets, galvanized employee efforts towards achieving its goals. Arçelik succeeded in becoming carbon neutral for its direct and energy-indirect GHG emissions in 2019 and 2020 using its own carbon credits, obtained by the Carbon Financing Project for Energy Efficient Refrigerators in Turkey.

Our climate impact

BSI has committed to be net zero by 2030 and was carbon neutral in 2020 by supporting a number of offsetting projects which focused on carbon removals. We are developing science-based targets and an energy reduction plan to underpin our net zero commitment and to reduce our reliance on offsetting each year.

Our Group travel policy was updated early in 2020 to facilitate a reduction in greenhouse gas (GHG) emissions. Throughout the year, most of our solutions and services have been delivered remotely to enable Covid-safe ways of working and this has also had the effect of decreasing our GHG emissions. Our greenhouse gas disclosures for 2020 can be found in the Sustainability Committee report on page 64.

Our supply chain

We have conducted an in-depth review of our supply chain management and taken action to integrate sustainability further in our procurement process, using our own Supplier Compliance Manager tool to conduct due diligence.

Our Sustainability Code details the requirements we have of ourselves and our supply chain partners. It covers anti-bribery, the environment, labour practices, human rights and our zero-tolerance approach to modern slavery. This is promoted internally and communicated to our suppliers each year. Further information about our approach to tackling modern slavery can be found in the Slavery and Human Trafficking Statement on the BSI website.

Our work environment

Employee health and wellbeing remains a priority. BSI was recognized for its global wellbeing programme in the 2020 Reward and Employee Benefits Association (REBA) Wellbeing Awards in the UK and we continue to build upon our approach. This year we launched mental health awareness training for managers and colleagues. To complement this, we also expanded our community of Mental Health First Aiders which is now 70 colleagues strong across ten geographies.

We are conscious of the impact that the pandemic has had upon our employees and conducted a specific survey to ensure we continue to support colleagues with tools and advice. Our Covid-19 wellbeing survey saw a 79% completion rate with 73% of employees reporting an overall favourable wellbeing score. Further details of our response to Covid-19 may be found on pages 18 and 19.

Standards supporting sustainable development

During 2020, we completed the extension of our certification to ISO 27001 (Information Security Management Systems) across our operations. We maintained our certification to ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety Management) at our headquarters in London, and successfully extended the scope of ISO 45001 certification to each of our UK operations, including the testing laboratories. We plan to extend the scope of ISO 14001 and ISO 45001 to all our operations globally, as well as implementing ISO 37001 (Anti-Bribery Management) throughout BSI.

Hong Kong colleagues took part in a beach clean-up at Shek O Beach

Our communities

In this challenging year for many, our contribution to local communities has never been more important. We continue to support colleagues' fundraising initiatives across the Group through our match-giving scheme and many have volunteered in their local communities.

Our first online Global Community Day provided a platform for colleagues to share their skills and passions, whilst raising funds for our global charity partner Room to Read and local charitable organizations supporting pandemic recovery efforts. Volunteering efforts have also predominantly been virtual, for example mentoring and work experience. Numerous colleagues across the globe have supported their local communities by donating face masks, hygiene products and food parcels to vulnerable groups. Some Regulatory Services colleagues with medical backgrounds have also offered their support on the front line. In the US and Hong Kong and across China, colleagues have additionally contributed to local environmental quality through litter picking initiatives.

US colleagues participated in a virtual litter pick for Earth Day

Conclusion

To fulfil our purpose, working towards a resilient world, we must support the global sustainability agenda. We know that our employees, clients, members and other stakeholders want BSI to be active in promoting sustainable development and to be an example of good practice ourselves. The restrictions imposed by the pandemic this year served, in some ways, as a pilot for sustainability trends across the world and, at BSI, we travelled less and adapted to online working, including the remote delivery of many of our services. Our commitment to remain carbon neutral represents our broader commitment to build on the gains made in 2020 and increase our contribution towards the UN SDGs in 2021 and each subsequent year.

This commitment is overseen and supported by the Sustainability Committee of the Board, the report of which is set out on pages 63 to 65.

Grainne Brankin
Group Legal Counsel
22 March 2021

Australian colleagues hosted a virtual cooking session as part of the BSI Global Community Day

BSI donations helped Room to Read adapt its education programmes during the pandemic

Colleagues shared their knowledge and advice with students through a virtual work experience week, in collaboration with the UK charity Career Ready

BSI donated PPE to a hospital at Chengdu University, China

Maintaining the relevance of British Standards

Scott Steedman, Director-General, Standards

"2020 was a landmark year in terms of government, industry and public interest in the role of standards."

Introduction

2020 was a landmark year in terms of government, industry and public interest in the role of standards. The Covid-19 pandemic and rising pressure on industry following the departure of the UK from the European Union at the end of January and preparation for the end of the transition period in December provided a strong focus for our engagement with our stakeholders in our role as the UK National Standards Body (NSB). We saw increasing recognition of the important function that standards perform in supporting government policy. In parallel, we saw a positive reaction to our work involving the role of standards to support innovation and sustainability, the industries of the future, and our international activity.

Responding to Covid-19

In common with the rest of the BSI Group, our colleagues in the NSB focused on home working during the UK lockdown in March, and that pattern of working continued throughout the year. We moved our own standards meetings online and quickly agreed the same policy with our international counterparts in ISO, IEC, CEN and CENELEC, including all committees, working groups and governance meetings. We look forward to the resumption of physical meetings in 2021, including the ISO General Assembly, which will take place in London in September.

To support business and government during the pandemic, we made over a hundred standards accessible, free of charge. These covered technical subjects, including ventilators, PPE and hygiene issues such as handwashes and sanitizer gels, as well as broader business support standards covering risk management, business continuity management and resilience. This gesture was extremely well received, with over 100,000 downloads during the year, and was much appreciated by government, regulators and our industry partners.

We established an enquiry point for government, related to Covid-19 issues, which enabled us to direct enquiries elsewhere within the BSI Group when they related to matters such as PPE testing. We worked with the UK Government to provide guidance for British Embassies and High Commissions in the Asia Pacific region on procurement of secure, safe PPE.

Developing our standards

Our new agile standards development process, adding to the successful PAS and BS processes we have traditionally followed, was formally launched as 'BSI Flex' early in the year, having been in development during 2019 and first piloted on a vocabulary for connected and autonomous vehicles. The pandemic saw the BSI Flex process being pressed into action immediately and deployed for the development of Covid-safe working guidelines for workplaces. A cross-sector steering group helped draft and review the first iteration of the standard in record time, taking just two weeks from initial drafting to publication. Ultimately, three versions were developed in 2020, incorporating experience from across all industries, and we saw over 20,000 downloads. In August, the guidelines were handed over to ISO and swiftly published as an ISO PAS in December, confirming its global relevance, just eight months from inception.

Engaging with government

Our relationship with the UK Government is managed principally with the Department for Business, Energy and Industrial Strategy (BEIS) and officials in the Office for Product Safety and Standards (OPSS). This relationship is of vital importance to our role as the NSB, and we see it as an anchor point from which we continue to build relationships across Government, in the devolved nations and regions and with other departments and agencies.

We have worked very closely with the Ministry for Housing, Communities and Local Government (MHCLG) on the development of a standards framework for the competence of workers in the Built Environment. A major lesson from the Grenfell tragedy, highlighted by Dame Judith Hackitt in her 2018 independent review, Building a Safer Future, was that the competence requirements of those responsible for the safety of higher risk buildings must be agreed across industry and enforced in regulation. In 2020, we launched a new national competence standards framework, designed to support the delivery of regulatory policy by setting out the competence requirements for the new regulated roles that will be responsible for building safety through-life and providing the interface to the ongoing industry-wide, bottom-up programme of work to raise the bar in terms of competence of the workforce generally. During the year, we published two versions of BSI Flex 8670 (Built Environment – overarching framework for building safety competence of individuals) and this is being piloted while comments are collated in time for the next revision in 2021.

With the Department for Digital, Culture, Media and Sport (DCMS) we have built a programme of activities relating to standards for digital technologies. I accepted an invitation from the Minister for Digital Infrastructure to join the UK Government's new Telecoms Diversification Taskforce, chaired by Lord Ian Livingston. The taskforce is developing detailed strategies to diversify the UK telecommunications supply chain and to increase security and resilience, including the use of standards alongside regulation. We joined the National Physical Laboratory (NPL) on a DCMS-led cross-government group to support UK co-ordination on digital technical standards.

We formed a Net Zero Taskforce to prepare for the COP 26 conference, planned to be held in Glasgow in November 2021. The taskforce delivered Net Zero Week, a week of sector webinars in January 2021, which informed the BSI Net Zero Report. We worked with the Industrial Biotechnology Leadership Forum and Innovate UK to produce a roadmap for standards and regulations that, when implemented, will enable the UK to be a world leader in contributing to net zero CO_2 emissions through innovation in industrial biotechnology.

2020 brought new challenges but also important achievements

In transport, we were pleased to be commissioned to produce a report on the Future of Transport data standards, in support of the Department for Transport's Future of Transport programme, and this was published at the end of 2020.

Representing the UK in the international standards arena

BSI maintains the UK membership of ISO, IEC, CEN and CENELEC and we have a longstanding policy to seek election to positions of leadership where possible. 2020 marked the first year of my second term as ISO Vice-President (Policy), chairing the ISO Council Standing Committee on Strategy and Policy and leading the taskforce which completed the development of the ISO 2030 strategy and implementation plan, launched in January 2021. The strategy connects ISO's work with the UN's Global Agenda 2030 and the SDGs.

Our principal policy activity in the IEC this year has been participation in the IEC Governance Review Task Force, which is chaired by the IEC President. The taskforce has been working to reform the main governance structures, with a view to improving decision making, transparency and accountability to members. This has been a major effort, exposing the different perspectives of the IEC held by member countries, which will continue into 2021. Good progress has been made overall in shaping the principles of governance but there remains much detail to be discussed.

We continued to discuss issues relating to Brexit with our fellow national members of CEN and CENELEC, the European regional standards bodies. Whilst there was considerable political uncertainty during 2020 relating to a potential trade deal between the UK and the EU, we restated our continued commitment to participation in the European (non-EU) standards system in line with the needs and expectations of our stakeholders. During 2021, we will continue to work with colleagues in CEN and CENELEC to determine an appropriate membership model to reflect BSI's position following the UK's exit from the EU and the single market.

Ultimately, we are responsible to our stakeholders in the UK for the quality and integrity of the national standards system and this necessitates widespread consultation and consensus. In our work related to the EU exit, we worked closely throughout the year across industry groups to understand their needs and to use our position with Government to communicate intelligence from our stakeholder community. We strengthened our engagement across the devolved nations and regions to reinforce our role as the UK NSB. We moved our standards conference programme online for both our spring conference and the November conference and awards. We spread this event across three days and were pleased to attract over 2,000 individual participants. By the end of the year, we were seeing a constant and sustained growth in interest in standards and their potential from all directions, which we will build on in our engagement activity in 2021.

Consolidating our international presence

As the UK moved through its EU exit process during 2020, we focused on the continued relevance of internationally agreed standards to support the needs of UK businesses and to underpin future global trade. We were frequently engaged in detailed conversations with officials in BEIS and other Government departments, notably on the new UK system of 'designated standards' which was to support legislation. My appointment as a member of the Department for International Trade's (DIT) Strategic Technical Advisory Group (STAG) was reconfirmed and has provided valuable opportunities to interact with DIT officials on the role of standards and the impact of technical barriers to trade (TBT). In tandem with this activity, colleagues in the BSI policy team continued to provide advice to DIT officials on international standards and their legitimacy through national stakeholder representation.

Internationally, the UK Government has recognized the importance of standards to support UK efforts globally. Our leadership of the Commonwealth Standards Network (CSN) has been well received by the international standards community and by the Foreign, Commonwealth and Development Office (FCDO), which has been sponsoring the work. During 2020, we extended membership to all 52 out of the 54 Commonwealth nations with an NSB. In common with other international activities, the pandemic necessitated the moving of some events online and the cancellation of others. We have promoted peer-to-peer communication across the membership via the CSN Portal, where a link to Covid-19 resources has been viewed over 25,000 times.

Working with the NSB for China, the Standardization Administration of China (SAC), we provided translations of relevant Chinese PPE standards to UK committees and Government and in the early part of the year, before the pandemic had really taken hold in the UK, we facilitated a donation of medical supplies to hospitals in China in response to a request from SAC. We have continued to provide advice and input to a project funded by FCDO on the China business environment and have met virtually with SAC to discuss items for the next UK–China Standardization Cooperation Commission, to be held in 2021.

We provided input to the UK/India Joint Economic and Trade Committee (JETCO), the primary policy dialogue vehicle between the UK and Indian Governments, promoting the increased use of international standards in India as a tool to support trade and investment in ICT and healthcare, and participated in an introductory round table with the new UK Trade Commissioner to India to discuss the role that standards can play in supporting UK trade interests in India.

We were pleased to sign an MOU with the NSB for Vietnam, STAMEQ. Under the STAMEQ agreement, we were able to license 32 standards for adoption in Vietnam, covering valves, textiles, food and animal feed and transportation services. These standards will help STAMEQ to develop relevant national standards, as well as helping to promote trade between the UK and Vietnam. We have also provided links between the British Chamber of Commerce in Vietnam, the Vietnamese Ministry of Industry and Trade and BSI's local office in Vietnam to support industrial development for local small businesses. We held bilateral meetings with NSBs from other countries including Australia, Canada and Japan to discuss matters of mutual interest, and signed an MOU with the Korean Telecommunications Technology Agency (TTA).

Innovating for the future

Innovation to support future industries is a vital function for the NSB. 2020 saw increased engagement and involvement by our team with Innovate UK, supporting its 'fast start' innovation programme and presenting the role of standards to 300 innovators. Following a request from the BEIS Minister in 2019, related to standards for the Fourth Industrial Revolution, we completed the delivery of a year-long programme of workshops to explore the future of standards in this area, focusing on agility of approach, international leadership, influencing policy and organizational relationships. We worked with the Better Regulation Executive (BRE) in BEIS and colleagues from the National Physical Laboratory (NPL) and United Kingdom Accreditation Service (UKAS) and will publish our conclusions and recommendations in 2021. One example of our work to support innovation was a research project for BEIS on hydrogen transformation, which led to the publication of a new guide to support manufacturers developing domestic appliances, PAS 4444 (Hydrogen-Fired Gas Appliances). We were subsequently invited to join BEIS's Hydrogen Programme Delivery Group – Gas Goes Green industry forum and the Ministerial Hydrogen Advisory Council.

Supporting sustainability initiatives

The financial services community faces real challenges to align with sustainability movements including the UN Sustainable Development Goals (SDGs) and the Paris Agreement, as each organization interprets and responds to the SDGs in their own unique way. In 2020, BSI published the first two in a trio of standards, developed in conjunction with the financial sector and BEIS, that will support greater adoption of good practice in sustainable finance. We have helped to establish best practice through PAS 7340, which embeds the principles of sustainable finance in financial services organizations, and PAS 7341, which builds on the UK's existing global leadership in this field by setting out the requirements to establish, implement and manage the process of integrating responsible and sustainability considerations into investment management at the legal entity level. The work has highlighted the stewardship and engagement needed to demonstrate ongoing practices and commitment to responsible or sustainable investment management. The third standard, PAS 7342, to be published in 2021, will focus on sustainable finance at a product and fund level. All three standards are informing a new UK-led programme in ISO on sustainable finance.

Summary

Throughout the year, our work as the UK NSB has been informed and supported by BSI's most senior independent standards committee, the Standards Policy and Strategy Committee (SPSC), chaired by Dan Byles. SPSC has been focused on the performance of our standards developing committees and commented extensively on the importance of increasing the diversity of committee membership, the agility of our processes and the relevance of committee work programmes. We welcomed three new members to SPSC during 2020, Rosie Glazebrook, Debrah Harding and Irina Brass, who all provide new skills and perspectives.

In closing this review, I would like to extend my warmest thanks to our standards makers, the 13,000 committee members and committee chairs who showed such flexibility and resilience in 2020, working remotely and continuing to develop and update the UK national standards catalogue and to propose new topics and new work items where consensus solutions could bring benefit to the UK and the world. Thank you all for helping us through an extraordinary year.

Scott Steedman
Director-General, Standards
22 March 2021

Built Environment – Wanda Group

As China's biggest commercial real estate enterprise, Wanda Group has worked in partnership with BSI over the last three years to help achieve its digital transformation and strategic sustainability objectives alongside further global recognition within the Built Environment.

BSI has helped Wanda to reinforce further its market position and demonstrate thought leadership in the fields of digitized and sustainable design and construction with a focus on Building Information Modelling (BIM) and Smart Communities. BSI has enabled Wanda to adopt BIM as a core management concept.

The use of digital technology to increase efficiency, in particular, through supply chain co-ordination and management, is helping Wanda achieve a world-leading position by becoming more resilient. Working with BSI to showcase sustainable construction through pioneering design and digital technology, Wanda's aspiration to become the world's first Kitemark certified smart commercial mall has become a reality.

"Introducing BIM and related British Standards to the Chinese market has helped Wanda Group maintain an industry leadership position. Wanda's solid experience in commercial property management and BSI's international reputation and expertise in certification have come together to create a lasting and successful partnership."

Yin Qiang
Executive President of Wanda Commercial Planning and Research Institute

Long-term financial strength

Craig Smith, Group Finance Director

"Our cash balances mean that, in 2021, we are again well placed to fund any prospective acquisitions or other investments internally."

Overview

In 2020, the impact of the Covid-19 pandemic overshadowed all other influences on the BSI financial results, as it did for the majority of companies worldwide. As a business that relies on face-to-face meetings with our clients for most of our revenue, we had to find a new delivery model urgently and this has impacted the shape of our results. Our revenue was marginally behind that of 2019 but, considering that we recorded just 76% of 2019 revenue in April, at constant exchange rates, and 83% for the second quarter as a whole, this represents a strong recovery in the latter months of the year and, actually, positive revenue growth in quarters one, three and four. Profit was strong, as a result of prudent cost control, margin improvements from the reduction in travel costs and strong demand in our Regulatory Services business stream. Cash too was managed closely during the year and closed 2020 showing a significant increase during the year. Net asset value increased also, predominantly from the profits retained during the year and the reduction in the deficit of the UK defined benefit pension scheme. On average, there was only a small difference between the value of Sterling against our other trading currencies in 2020. This had the effect of decreasing both revenue and underlying operating profit (UOP) by 1%.

BSI is fortunate in having a very broad spread of business across business streams, geographies, sectors and domains. As such, our overall results are less susceptible to shifts in macro-economic trends and, as it proved, the impacts of the Covid-19 pandemic as well. In 2020, we demonstrated our resilience once again, with record profits and only a minor shortfall in revenue compared to 2019. We ended 2020 with significant funds in the bank and no external debt. BSI remains in robust financial health.

Exchange rates

We report our results in Sterling and, as an international business, are 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 can, so that it may be invested.

We translate our balance sheets into Sterling at year-end exchange rates. For our income statement we use a weighted average rate. The exchange rates we used for our major trading currencies in 2020 can be seen in the table on page 46.

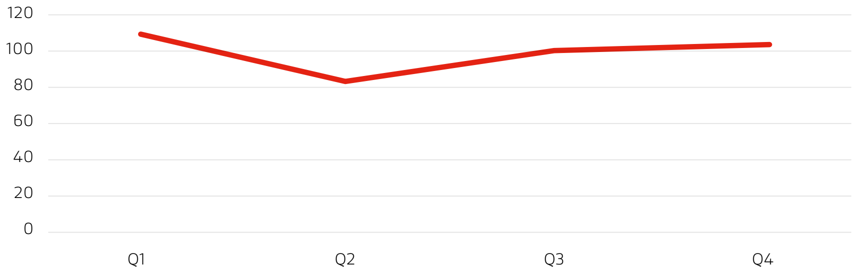
The Group has significant operations outside the UK and so has exposure to currency fluctuations. Note 3 to the consolidated financial statements shows the translational exposure that the Group would suffer should any of the major currencies in which it trades move by 10% against Sterling. If all currencies moved by 10% against Sterling in the same direction, the impact to UOP would be around £4.2m (2019: £2.5m).

Revenue

As a result of the impact of the Covid-19 pandemic, BSI revenue decreased by 2% in 2020 to £539.3m (2019: £548.1m). The organic revenue decrease at constant exchange rates was 1%, and this was matched by a 1% decrease due to the changes in the average values of our trading currencies against Sterling between 2019 and 2020. There was no material impact to revenue resulting from the annualization of the revenues of our small 2019 acquisitions.

At constant exchange rates, revenue grew by 9% in the first quarter of 2020, before the pandemic really took hold towards the end of

Revenue as a percentage of 2019 at constant exchange rates



March. In the second quarter, revenue was only 83% of our 2019 figure. However, the business recovered well in the second half of 2020, reporting 1% revenue growth in the third quarter and 3% in the fourth, despite the continuing effect of the intermittent lockdowns around the world.

Our Regulatory Services stream had another strong year, growing by 20% (20% at constant exchange rates) due to continued demand for our services and solutions in the Medical Devices industry and enhanced uptake of our expedited services offering. Our other three streams saw their revenues fall compared to 2019, with Knowledge reporting a reduction of 2% (2% at constant exchange rates), Assurance Services 7% (6% at constant exchange rates) and Consulting Services 14% (14% at constant exchange rates). Both Assurance Services and Consulting Services recorded revenue growth in the final quarter of 2020. It was the more discretionary offering to our clients that was the most affected by the Covid-19 pandemic, with Consulting and Training revenues the worst hit. However, all streams found ways to increase the percentage of their remote delivery and this mitigated the impact to a large degree. Further details of the performance of the streams are given in the Business review on pages 20 to 27.

Underlying operating profit

In response to the uncertainty that accompanied the pandemic, BSI took a more prudent approach to investment and cost control than in recent years, while continuing to support the structure that will drive the business in years to come. This, accompanied by the significant reduction in our travel costs and the increased contribution generated by the incremental revenue from our Regulatory Services stream, meant that our underlying operating profit increased by 16% compared to 2019.

As with underlying revenue, there are several components of this increase. Organic UOP at constant exchange rates increased by 17% (2019: 9% decrease) and there was no corresponding impact from the first-time implementation of IFRS 16, "Leases" in 2019 (2019: 3%). There was a 1% decrease in UOP due to changes in the value of Sterling between 2019 and 2020 against our other trading currencies (2019: no impact) but no material impact from the annualization of the results of our small 2019 acquisitions (2019: no impact).

At an overall Group level, our gross profit margin increased from 46.3% in 2019 to 50.2% in 2020. In a group of companies such as BSI, with such a wide geographical spread and diverse blend of business streams, mix can have an impact on overall margins. In 2020, this increase can be explained by three main effects. In 2019, our Regulatory Services stream recruited heavily in resource, which remains unproductive until it has reached the end of a long and rigorous training period. In 2020 there was not the same impact on the numbers and, in addition, a postponement to the EU MDR legislation, which meant that the stream benefited more from higher margin expedited revenue. Second, the lockdown reduced our travel to clients and increased the use of immersive technology in the delivery of our solutions and services, which resulted in a relative cost reduction. Third, there were efficiency gains from a higher utilization of our own employees to deliver our solutions and services, and less of a reliance on external contractors.

Despite the reduction in revenue, there was an increase of 1% in selling and distribution costs (2019: 10% increase). This investment reflects our positive view of the longer-term opportunities in our markets and the evolution of our sales and marketing structure to support our commercial offering for our business streams and sectors. Administrative expenses increased by 6% (2019: 9%) and depreciation and amortization to £23.2m (2019: £21.0m). Net foreign exchange losses, resulting predominantly from the repatriation of funds to the UK in line with our treasury policy, were £0.8m in 2020 (2019: £0.2m gain). On average, the value of Sterling was quite similar to 2019 compared to our other trading currencies but these gains or losses also depend on the timing of repatriations during the year.

These levels of selling, distribution and administration costs resulted in a UOP of £67.4m (2019: £58.3m). This gives rise to a UOP margin of 12.5%, almost two percentage points higher than the 10.6% reported last year.

Exceptional items and operating profit

In 2019, there were £2.3m of exceptional costs relating to acquisitions and £1.3m for the restructuring of the European operations of our Assurance Services stream. There were some costs relating to acquisitions in 2020, but these were small and have been considered immaterial. As a result, these costs have been included in the income statement within UOP in 2020, in the administrative costs of the business. No exceptional items have been reported in 2020 (2019: £3.6m).

As there were no exceptional costs in 2020, our operating profit for the year was £67.4m, an increase of 23% over the 2019 figure of £54.7m.

Finance income and costs

The Group continued its policy of repatriating excess cash to the UK as soon as possible and investing its cash reserves proactively during 2020 but finance income continued to be low due to the current prevailing interest rates at which we were able to invest. As a result, despite the increase in cash and deposits, finance income was £0.2m (2019: £0.4m). We have no debt and so our finance costs related predominantly to the net interest cost on the liability of our UK defined benefit pension scheme and lease liabilities brought onto the balance sheet under IFRS 16 and were £3.1m in 2020 (2019: £3.9m). Profit before income tax increased by 26% from £51.2m in 2019 to £64.5m in 2020.

Taxation

The Group effective tax rate (ETR) on profit before income tax in 2020 was 31.6% (2019: 28.5%). The increase was predominantly due to a one-off derecognition of accumulated US deferred tax assets. Eliminating prior year adjustments arising on overprovided UK and foreign tax, the 2020 ETR was 32.1% compared to 28.1% last year.

However, we consider the ETR on UOP, which excludes the tax impact of the reported financing costs, exceptional items and prior year adjustments, to be a better indicator of the tax management of the operating businesses. Eliminating these effects, the ETR on UOP was 26.8% (2019: 26.7%). The mix of the differing tax rates between the countries in which we make our profit can create fluctuations in the overall rate.

Balance sheet and cash flow

The net asset value of the Group increased by £41.9m or 20% in 2020, from £207.4m to £249.3m. The main contributors to this were the profit for the year of £44.1m (2019: £36.6m), offset by the reserves element of the change in the deficit of the UK defined benefit pension scheme and by the effect of foreign exchange differences.

BSI remained highly cash generative during 2020, with increased emphasis placed on cash management due to the uncertainty surrounding the global economy due to Covid-19. Cash generated from operations, before contributions to the UK defined benefit pension scheme, was £111.1m (2019: £61.7m). Major cash outflows during the year included capital expenditure of £16.0m (2019: £18.0m) and a contribution to the UK defined benefit pension scheme of £27.1m (2019: £13.5m).

We continued to invest in our information and communications technology infrastructure, and our protection against cyber security attacks on our information and data. Major investments continued in client-facing programmes such as British Standards Online (BSOL), the BSI eShop website, our Compliance Navigator product, Entropy Software, and Supply Chain Solutions offerings as well as new resource planning software for our Regulatory Services stream. Included in this capital expenditure figure was an investment of £0.9m in the development of new training courses (2019: £0.8m).

At the end of 2020 we had zero debt and held cash and deposits of £132.1m, 55% higher than the figure of £85.1m at the end of 2019. This means that, in 2021, we are again well placed to fund any prospective acquisitions or other investments internally. Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdraft facilities of £2.8m (2019: £2.7m), on an unsecured basis, at the end of 2020, 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.

In March 2020, we applied for a credit facility under the UK Government's Covid Corporate Financing Facility (CCFF) scheme and were granted a facility of £225.0m. Due to the success of our cash management programme during 2020, we did not draw down on this facility and, following a careful review of our cash position and future prospects, cancelled the facility in December 2020.

Debtor days were slightly increased in 2020 to 64 days (2019: 62 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 2020, with receivables written off amounting to 0.2% of revenue at £1.3m (2019: £1.7m) and no material change in the relative ageing of our outstanding trade receivables.

Pensions

The deficit of the Group's UK defined benefit pension scheme decreased by £23.7m, or 41%, from £57.4m to £33.7m. This represents a reduction of £67.8m, or 68%, over the past four years.

A contribution was made to the scheme during the year, in accordance with the schedule of contributions agreed with the Pension Trustee, of £27.1m (2019: £13.5m). There was a net interest cost of £0.9m (2019: £1.7m) and operating expenses of £0.6m (2019: £0.7m) recognized in the consolidated income statement.

The discount rate used when calculating the liability of the pension scheme is determined by reference to market yields on high quality corporate bonds. The discount rate used in 2020 was 1.4%, a decrease of 0.60 percentage points on the rate used last year (2019: 2.0%). This decrease accounted for a £43.5m increase in the deficit during the year. However, this was more than mitigated by a re-measurement gain in the value of plan assets of £44.1m and the £27.1m contribution made to the scheme by BSI, as mentioned above. These, and other minor movements, resulted in the year-end deficit of £33.7m (2019: £57.4m). We seek to be close to the midpoint in the range of possible market assumptions in the valuation of the assets and liabilities of the pension scheme and confirm this with our external advisors each year.

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

In addition to the UK defined benefit pension scheme the Group operates small defined benefit pension schemes in Taiwan, Germany, Indonesia and the Philippines which provide benefits based on final pensionable salary and service. The net liability recognized on the balance sheet in relation to these schemes at 31 December 2020 was £2.7m (2019: £2.2m) and a contribution of £0.2m (2019: £0.2m) was paid into these schemes during 2019.

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.

Accounting policies

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

Craig Smith
Group Finance Director
22 March 2021

Exchange rate

	Year end 2020	Year end 2019	**Average 2020**	Average 2019
Australian Dollar	**1.77**	1.88	**1.86**	1.84
Chinese Renminbi	**8.84**	9.17	**8.87**	8.83
Euro	**1.10**	1.17	**1.12**	1.14
Japanese Yen	**140**	143	**137**	139
US Dollar	**1.35**	1.31	**1.29**	1.28

Revenue
£539.3m

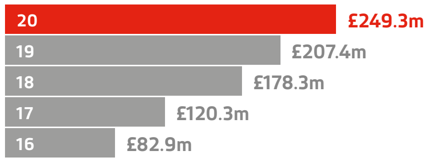
-2%

Underlying operating profit margin
12.5%

+1.9ppt

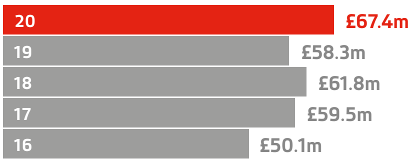
Net asset value
£249.3m

+20%



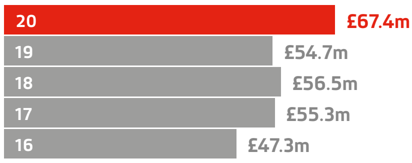
Underlying operating profit
£67.4m

+16%



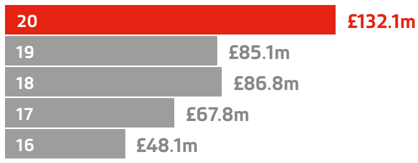
Operating profit
£67.4m

+23%



Cash and deposits
£132.1m

+55%



Gross profit margin
50.2%

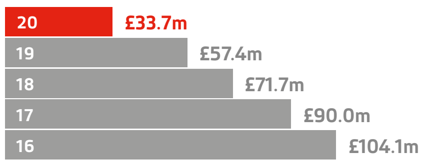
+3.9ppt

Profit for the year
£44.1m

+20%

UK defined benefit pension scheme deficit
£33.7m

-41%



"In response to the uncertainty that accompanied the pandemic, BSI took a more prudent approach to investment and cost control than in recent years, while continuing to support the structure that will drive the business in years to come."

Corporate governance

Introduction by the Chairman

Maintaining high standards of governance

The British Standards Institution was founded in 1901 and, reflecting its public service aims, was incorporated by Royal Charter in 1929.

John Hirst, Chairman

“We value our growth as it increases our capacity to fulfil our purpose.”

Our purpose, which we summarize as ‘inspiring trust for a resilient world’, is set out in full in our Royal Charter and gives us our public interest objectives. As a non-profit distributing company, we value our growth and profitability because they increase our capacity to make an impact and fulfil our purpose.

Consistent with our purpose, our duty to our stakeholders and our unique status as the UK National Standards Body, we are committed to the highest standards of corporate governance. This is fundamental in building and retaining the trust of all our stakeholders. We have always been mindful of our wider stakeholder group, and our need to ensure that their views are understood and their interests considered in our decision-making process. In 2020, we developed further a formal process to map our key stakeholders and how we engage with them, with the intention of monitoring more systematically our impact on them and their influence on BSI.

With no stock exchange listing, BSI is not required to apply the Financial Reporting Council (FRC) UK Corporate Governance Code 2018 (the ‘Code’). However, we have, for many years, complied with the Code, where possible, as if we were a listed company. In doing so, we have established internal governance processes that reflect best practice. Ultimate accountability for the governance of BSI lies with our Board of Directors, the majority of whom are Non-Executive Directors who can draw on their considerable experience in diverse areas of business. The Board is supported by Audit, Remuneration, Nominations and Sustainability Committees, of which the Chair and the majority of members are Non-Executive Directors. In addition, the Standards Policy and Strategy Committee, which is an advisory committee informed by the views of those interested in standards, does valuable work in gathering and distilling information on standardization matters to advise the Board.

2020 was a challenging year during which to manage our governance framework. The Board of Directors scheduled additional meetings at the beginning of the crisis and these, and the other scheduled Board meetings, were held either partly or fully online, as was our Annual General Meeting in May. Where meetings were conducted in a hybrid format, physical attendance was in accordance with UK Government guidelines. In addition, the Non-Executive Directors continued to keep in close contact with the Group Executive. In view of these measures, I am confident that we were able to maintain our habitual high standards of corporate governance. This was confirmed towards the end of the year in our independently led evaluation exercise, which also reflected on our culture and values and concluded that the Board has an open and honest culture which reflects the strong values of the business.

Underpinning this governance framework, and our internal controls and financial management, is the BSI Code of Business Ethics. This sets the ethical values and high standards of integrity that are embedded in the culture of our organization and apply to every aspect of the way that we do business. The BSI Code of Business Ethics may be found on our website at www.bsigroup.com/codeofethics.

John Hirst
Chairman
22 March 2021

Board of Directors

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

John Hirst CBE
Chairman

A N S

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

Other appointments
John is Chairman of Anglian Water Services. He is Chairman of the National Oceanography Centre, Chairman of the epilepsy charity SUDEP Action, and Trustee of Epilepsy Research UK.

Susan Taylor Martin
Chief Executive

N S

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

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

Craig Smith FCCA
Group Finance Director

Skills and experience
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.

Other appointments
None.

Scott Steedman CBE
Director-General, Standards

SP

Skills and experience
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.

Other appointments
Scott is Vice-President (Policy) of the International Organization for Standardization (ISO).

Alison Wood
Senior Independent Director

A N R

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

Other appointments
Alison is Non-Executive Director and Chair of the Remuneration Committee at Costain PLC, TT Electronics PLC, Cairn Energy PLC and Oxford Instruments PLC.

Stephen Page
Non-Executive Director

N R S SP

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

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

Committee membership

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

Douglas Hurt FCA
Non-Executive Director

A (Chair) N R

Skills and experience

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.

Other appointments

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

Ian Lobley
Non-Executive Director

A N

Skills and experience

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

Other appointments

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

Tiffany Hall
Non-Executive Director

N R

Skills and experience

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

Other appointments

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

Dame Polly Courtice DBE LVO
Board Advisor

Skills and experience

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

Other appointments

Polly is Senior Independent Non-Executive Director and Chair of the Nomination Committee at Anglian Water Services.

Grainne Brankin
Company Secretary

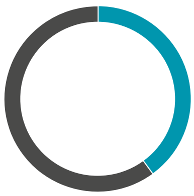
Skills and experience

Grainne Brankin joined the Group in June 2017 as General Counsel and Company Secretary. Grainne qualified at Clifford Chance and has wide experience of international governance, risk and transactions, in particular in technology and media. She has held General Counsel and executive committee positions at Yahoo!, CBS Outdoor, Exterion Media and Centaur Media PLC.

Other appointments

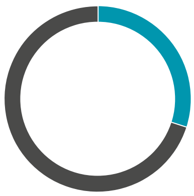
Grainne is a Corporation Member at United Colleges Group.

Board gender diversity



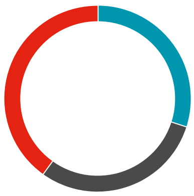
- Female **40%**
- Male **60%**

Board composition



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

Board tenure



- <1 year **30%**
- 1–5 years **30%**
- >5 years **40%**

All percentages include the Board Advisor.

At 31 December 2020, when Howard Kerr was still Chief Executive, the Board gender diversity was 30% female and 70% male, and the Board tenure was 20% <1 year, 30% 1–5 years and 50% >5 years.

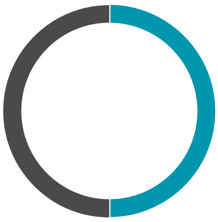
Our Group Executive

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

Our Group Executive reflects the structure of BSI. Chaired by the Chief Executive, it comprises the leaders of the four global business streams, the Group Commercial Director, the Director-General, Standards and the heads of the global Finance and Information Technology, Human Resources and Legal functions.

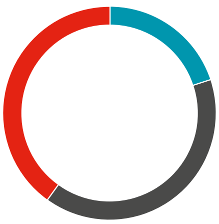
The Group Executive supports the Chief Executive in running the business and delivering the strategy of the Group.

Group Executive gender diversity



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

Executive tenure



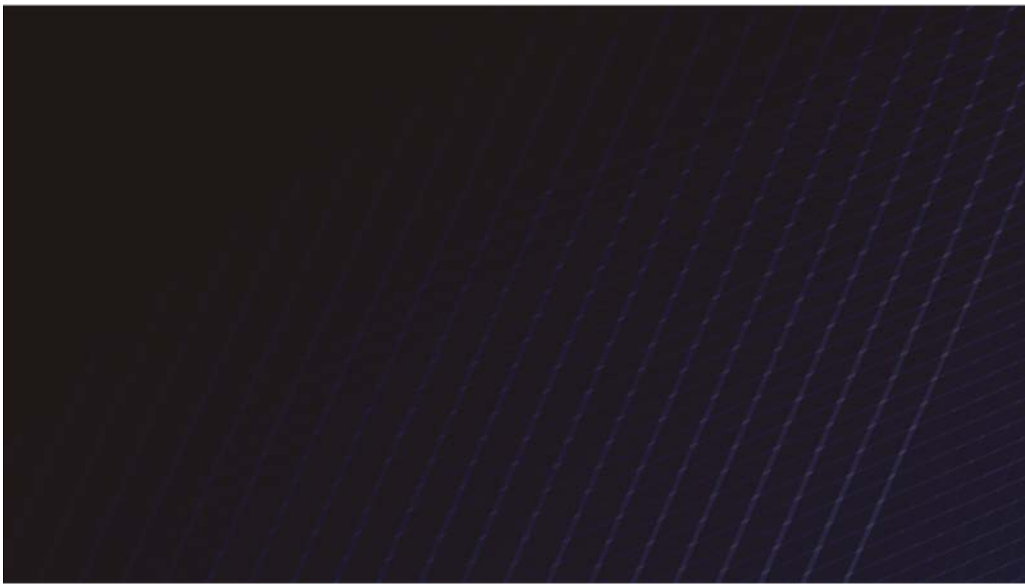
<1 year **20%**
1–5 years **40%**
>5 years **40%**

Susan Taylor Martin
Chief Executive

Craig Smith
Finance Director

Scott Steedman CBE
Director-General, Standards

Grainne Brankin
General Counsel and Company Secretary



Alison Sharp
Human Resources Director

Shirley Bailey-Wood MBE
Director, Information Solutions

Pietro Foschi
Director, Assurance Services

Manuela Gazzard
Director, Regulatory Services

Thorsten Querfurt
Director, Consulting Services

Harold Pradal
Commercial Director

"The Group Executive supports the Chief Executive in running the business and delivering the strategy of the Group."

Corporate governance report

Governance framework

The Board of The British Standards Institution is committed to the highest standards of corporate governance, which it considers fundamental to the success of the business. The British Standards Institution is governed by its Royal Charter and Bye-laws. The Companies (Miscellaneous Reporting) Regulations 2018 require BSI to specify the governance regime it follows and in 2020 BSI continued to apply the Financial Reporting Council (FRC) UK Corporate Governance Code 2018 (the 'Code'), wherever relevant to its constitution and operation as a Royal Charter Company without shareholders. In particular, the provisions of the Code relating to shareholders are not applicable to the Company. Directors are not subject to re-election at the AGM each year (Provision 18 of the Code) but must be re-elected at the AGM following their appointment. One-third, rounded down, of other Directors stand for re-election at each AGM, as required by the Bye-laws of the Company. An overview of how the Board has fulfilled its duty, set out in Section 172 of the Companies Act 2006, to promote the long-term success of the Group, considering the interests of the Group's stakeholders, including the impact of its activities on the community and environment, is set out on pages 80 to 84 of the Directors' report.

The role of the Board

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

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

The Board

Chairman

Role and responsibilities

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

Senior Independent Director

Role and responsibilities

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

Non-Executive Directors

Role and responsibilities

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

Group Chief Executive

Role and responsibilities

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

Company Secretary

Role and responsibilities

- Acts as chief governance officer
- Supports the Chairman and Group Chief Executive in fulfilling their duties
- Available to all Directors for advice and support

Board Committees

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

Standards Policy and Strategy Committee
Read Standards review on pages 40 to 42

Sustainability Committee
Read report on pages 63 to 65

Audit Committee
Read report on pages 58 to 60

Nominations Committee
Read report on pages 61 and 62

Remuneration Committee
Read report on pages 66 to 76

Executive Committees

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

Group Executive

Banking and General Purpose Committee

Impartiality Code Oversight Committee

Information Security Committee

Risk Committee

Board meetings

The Board met a total of twelve times during the year. Seven meetings were scheduled, and five, additional, ad hoc meetings took place (along with a number of informal calls) by telephone and video conference in response to the Covid-19 pandemic, and to manage the Chief Executive succession process. In addition, the Board attended an annual Strategy Review meeting with the Group Executive.

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

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

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

During the year, the Board:

- discussed Covid-19 related matters;
- approved the Group strategy and reviewed associated performance;
- appointed a new Chief Executive;
- approved the annual budget;
- received feedback on matters pertaining to workforce engagement;
- performed the annual review of the effectiveness of internal control, risk identification and mitigation; and
- reviewed regular reports on legal and compliance matters.

Board focus during 2020

Board meeting attendance

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

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

● Attended

1 Howard Kerr did not attend the 24 November 2020 Board meeting which was a special purpose meeting for the Chief Executive succession process.

2 Appointed with effect from 14 April 2020.

3 Resigned with effect from 19 May 2020.

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

Board balance and independence

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

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

Alison Wood was appointed as the Senior Independent Director following the resignation of Lucinda Riches on 19 May 2020 and meets regularly with the Non-Executive Directors without the Chairman being present.

Re-election of Directors

In accordance with the Company's Bye-laws, Non-Executive Directors are required to submit themselves for re-election at the next Annual General Meeting following their first appointment by the Board. Additionally, one-third, rounded down, of the other Directors are required to retire by rotation and stand for re-election at each Annual General Meeting. The Bye-laws also require the Chairman to be elected annually by the Board. Details of Non-Executive Directors subject to re-election and rotation at the 2021 Annual General Meeting can be found on page 80.

Board evaluation

The Code states that companies should have an externally facilitated evaluation at least every three years. The BSI Board recognizes the value of conducting an externally facilitated evaluation every three years and undertook the exercise in 2020 notwithstanding that the Board was in a process of transition.

An externally facilitated Board review was conducted by Ceradas, using one-to-one interviews, during November 2020. Ceradas is an independent provider of board evaluations and has no other connection with BSI or any individual Director. All Directors, including the Board Advisor, the Chair of the Standards Policy and Strategy Committee and the Company Secretary, were interviewed. Prior to conducting the interviews, a documentation review was undertaken to identify key points for discussion with the Directors. These key points were summarized and circulated to the Directors. Interviews were conducted via video conference due to the restrictions on travel and meetings in person in place at the time.

The final Board review report was circulated to members of the Board and its recommendations were discussed and adopted at the December 2020 Board meeting. A number of actions were identified and in particular the Board will:

- mentor the new Chief Executive as she takes over leadership of the business;
- build further visibility of succession planning beyond the Group Executive level;
- focus in 2021 on a programme to enable new Directors to build their understanding of BSI as an organization and its stakeholders, given restrictions on these activities in 2020; and
- consider developing the role of the Nominations, Remuneration and Sustainability Committees to ensure their combined scope optimizes potential support to the Board.

Board induction, training and development

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

The Company Secretary facilitates any other professional development that Directors consider necessary to assist them in carrying out their duties.

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

Independent advice

The Directors may take independent professional advice, if necessary, at the Company's expense.

Directors' conflicts

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

In December 2019, the Board discussed the engagement of an insurance broker and John Hirst, as a Non-Executive Director of Marsh Limited, recused himself from the discussions. The Board went on to take the decision to engage Marsh Limited and John did not take part in that decision.

Directors and Senior Managers are required to confirm that each have taken all reasonable steps to avoid actual or perceived conflicts of interest, and that no conflict of interest or any dealing by BSI with a company or entity in which a BSI employee has an interest exists which has not been disclosed.

Internal controls

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

The risk management process is supported by our internal audit and compliance function reviewing the effectiveness of internal controls. Further information on internal controls and risk management can be found on page 59 of the Audit Committee report.

The principal risks and uncertainties the Group faced during the year are set out on pages 30 to 32 of the Strategic report.

Stakeholder engagement

In order for the Company to meet its responsibilities to stakeholders, the Board has to ensure effective engagement with them. Details and examples of BSI's engagement with stakeholders are set out in the Section 172 statement on pages 80 to 84 of the Directors' report.

By Order of the Board

John Hirst
Chairman
22 March 2021

Statement of Directors' responsibilities in respect of the financial statements

Grainne Brankin,
Company Secretary

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

Company law requires the Directors to prepare financial statements for each financial year. The Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under UK company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the profit of the Group and the state of affairs of the Group and the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether international accounting standards conform with the requirements of the Companies Act 2006, have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

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

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

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

Disclosure of information to auditors

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Group and parent company's position and performance, business model and strategy.

Each of the Directors confirms that:

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

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

Directors' responsibility statement

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

- the parent company's financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities and financial position of the Company;
- the Group's financial statements, which have been prepared in accordance with international accounting standards conform with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

Grainne Brankin
Company Secretary
22 March 2021

Report of the Audit Committee

Introduction by Douglas Hurt, Chair of the Audit Committee

Douglas Hurt
Chair of the Audit Committee

"An effective audit process provides independent and objective assurance."

I am pleased to present the report of the Audit Committee for the year ended 31 December 2020. The report aims to provide insight into the work of the Committee during the year and sets out the significant issues relating to the financial statements that the Committee considered and information about the Company's internal control and risk management systems.

At BSI, the Committee has primary responsibility for addressing the Group's financial risks and provides independent oversight of the adequacy of financial reporting and the effectiveness of internal control systems, ensuring that financial data is compliant with relevant accounting standards, fair, balanced and understandable.

The Committee works with and is supported by the Group Finance Director and the Internal Audit team who do extensive assurance work across the business. The pandemic made 2020 a particularly challenging year, not just for our employees and our customers but for most of our stakeholders. The Committee paid particular attention to the forecasts for the Group and the sensitivity of the forecasts to reasonable changes in assumptions as it finalized the Going Concern and Viability statements in early 2020. During the year the Committee also reviewed the impact of remote working on the Group's control frameworks and approved changes to the internal audit plan to accommodate remote auditing technologies where practical. Similarly, while the impact of the pandemic on our businesses may not have been as significant as might at first have been feared, the implications have been carefully considered in the Committee's assessment of the judgements made in the Group's financial statements.

The Committee's effectiveness was considered as part of the externally facilitated Board evaluation process as set out on page 56. I am pleased to report that there were consistently strong endorsements of the work carried out by the Committee, and that there were no concerns with the Committee's oversight of the financial and narrative reporting or oversight of the relationship with both the external auditors, PwC, and the internal audit function.

Committee membership

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

During the year the following members served on the Committee:

Douglas Hurt (Chair)
John Hirst
Ian Lobley
Lucinda Riches (resigned on 19 May 2020)
Alison Wood (became a member of the Committee on 19 May 2020)

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 as appropriate.

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

Committee attendance

The Committee met three times in the year ended 31 December 2020.

Attendance	Mar	Jun	Nov
Douglas Hurt	●	●	●
John Hirst	●	●	●
Ian Lobley	●	●	●
Lucinda Riches[1]	●		
Alison Wood[2]		●	●

● Attended

1 Resigned with effect from 19 May 2020.
2 Became a member of the Committee on 19 May 2020.

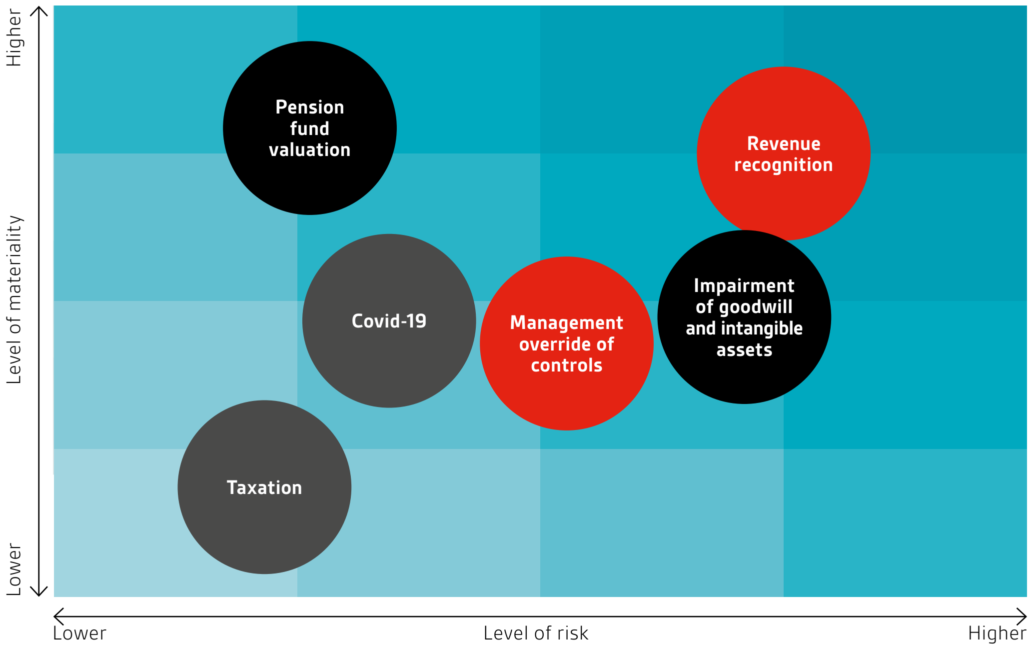
Key responsibilities of the Committee

- monitor the integrity of the financial statements of the Company and the Group including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management.
- review the content of the Annual Report to advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy.
- consider the remit of the Internal Audit function and monitor its effectiveness.

Significant areas of risk

Areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2020 were:

- Significant risk
- Elevated risk
- Other key matters



- review and approve the internal audit plan.
- review the Company's internal financial controls and internal controls and risk management systems.
- review whistleblowing procedures.
- conduct the tender process and make recommendations to the Board about the appointment, re-appointment and removal of the external auditors.
- oversee the relationship with the external auditors and assess the effectiveness of the audit process and the independence, expertise and judgement of the external auditors.
- approve the remuneration and terms of engagement of the external auditors.
- oversee the Company's policy on non-audit services from the external auditors.

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

Activities of the Committee

There is an annual work plan in place that specifies the key agenda items for each scheduled meeting of the Committee to ensure that all formal matters are addressed.

Items reviewed at Committee meetings in 2020 included the following:

- the Annual Report and the Group and Company financial statements;
- internal audit reports and the results of completed audits;
- internal Audit plan for 2020;
- external auditors' fees;
- matters relating to BSI's DB Pension Scheme;
- treasury and tax, including the recognition of deferred tax assets;
- compliance with the financial obligations under the Memorandum of Understanding with the UK Government and with other project related financial reporting obligations;
- impairment assessments of goodwill, cash-generating units (CGUs) and other intangible and tangible assets;
- consideration of reports from the external auditors, including the audit plan, the key audit risks and the auditors' assessment of the Group's key accounting judgements and disclosures; and
- a review of the effectiveness of the external audit.

Internal audit

The Committee is responsible for the remit of the Internal Audit function and for monitoring the effectiveness of its work. The Internal Audit function focuses on assessing the effectiveness of the Group's internal controls and making recommendations where appropriate to strengthen and enhance them. It has an annual risk-based plan, which provides coverage of all locations at least every four years and more frequently for higher risk and larger businesses. This plan was approved by the Committee, but was regularly reviewed and certain changes were made to reflect the risks posed by the pandemic to the control environment and, when internal auditors were no longer able to travel, to transition to remote auditing. The Committee reviews all internal audit reports and follows up on the status of management actions relating to findings or observations identified by the Internal Audit team.

External audit

Independence

There are policies in place, which aim to safeguard the independence of the external auditors. There are no contractual obligations that restrict the Company's choice of external auditors.

PwC were reappointed as external auditors following the last audit tender in 2013.
In accordance with best practice, the next re-tender will be done no later than 2023 and PwC will not participate in that process.

Report of the Audit Committee continued

External audit continued

Independence continued

In accordance with the Auditing Practices Board standards, the lead audit partner at PwC will be rotated every five years to ensure continuing independence. Owen Mackney, the current audit partner, assumed this responsibility in 2018 and these 2020 accounts will be his third year as the lead audit partner.

External auditors' effectiveness

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

The results were analysed and a full report was submitted for review by the Committee. The report as a whole was discussed with PwC, and the Committee concluded that PwC provided an effective, independent and objective audit. The Committee agreed to recommend to the Board the re-appointment of PwC as the Group's external auditors and a resolution to this effect will be tabled at the 2021 Annual General Meeting.

Non-audit services

The fees paid to the external auditors for audit work are set out in Note 7 of the financial statements. The ratio of audit work to non-audit work was 102:1.

Any proposed provision of non-audit work by the external auditors that is not immaterial 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 and is then approved by the Committee, subject to a de minimis delegation to the Finance Director.

Significant areas of risk

Areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2020 were:

Impairment of goodwill and intangible assets

The Committee reviewed management's reallocation of £71.9m of goodwill to the newly defined cash generating units (CGUs) following completion of the Group's move from a geographical management structure to a stream and business line structure. The Group now separately assesses the carrying value of goodwill and intangible assets in each of the eight newly defined CGUs. £15.8m of goodwill is allocated to the CSIR business and £21.9m to the EH3S business. The Committee critically challenged management's projections for each of the CSIR and EH3S businesses where the impairment headroom was lowest and where the business is forecasting a significant recovery in profitability from a Covid-19 impacted 2020, noting that the most recent trading performance provided evidence that the forecasts should indeed be achievable. The Committee also discussed the independent assessment made by PwC of the reasonableness of the revenue growth rates, terminal growth rates and pre tax discount rates used in their assessment of management's judgements. The Committee was satisfied that there were no impairments required in any of the CGU's, but concurred with management that additional disclosures about the sensitivity of the impairment headroom to changes in the key assumptions should be provided in the accounts for the EH3S and CSIR businesses.

Revenue recognition

The Committee reviewed the accounting policies for the recognition of revenue and received explanations from management about the movements in the deferred revenue and accrued revenue balances. The Committee also noted how the accrued revenue amounts are monitored and regularly billed when contractually permitted.

Retirement benefit obligations

The Committee critically considered the assumptions used to value the UK defined benefit plan obligations of £475.4m, noting that the assumptions were all near the middle of the range of acceptable estimates as assessed by PwC. The Committee also reviewed the valuation of the assets held in this plan of £441.7m with special attention paid to the insurance asset held in the plan that pays pension increases based on RPI rather than CPI. The Committee was satisfied that it had been appropriately valued.

Taxation

The Committee concurred with the judgement made by management temporarily to derecognize a US deferred tax asset and noted that where the Group was unable to recognize additional tax losses steps were being taken to improve these entities' taxable profits.

Covid, Going Concern and Viability

The Group ended the year with cash balances of £132.1m and demonstrated its financial resilience to an unprecedented global pandemic in 2020. Based on the Group's short term budget and forecasts and medium term plans the Committee was content that, after considering severe but plausible downsides, the going concern and viability statements were appropriate.

Areas of focus for 2021

For 2021, the Committee will:

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

By Order of the Board

Douglas Hurt
Chair of the Audit Committee
22 March 2021

Report of the Nominations Committee

Introduction by John Hirst, Chair of the Nominations Committee

John Hirst
Chair of the Nominations Committee

> "Recruitment of our Chief Executive followed a robust and independent process."

This has been a busy year for the Nominations Committee (the 'Committee'), with our particular focus on recruiting a new Chief Executive to succeed Howard Kerr. We also appointed a new Non-Executive Director as well as a Board Advisor. For all appointments the Committee oversaw an independent and comprehensive search process, more information about which is set out below.

The effectiveness of the Committee's performance, considered as part of the externally facilitated Board evaluation process on page 56, noted that the Committee continued to handle the succession planning process well, but that it could help the Board build further visibility of succession planning beyond the Group Executive level. The Committee's areas of focus for 2021 reflect this recommendation.

Committee membership

The Committee is established by the Board under its the terms of reference, reviewed annually. During the year ended 31 December 2020 the Committee comprised:

John Hirst
Tiffany Hall (appointed on 14 April 2020)
Douglas Hurt
Howard Kerr
Ian Lobley
Stephen Page
Lucinda Riches (resigned on 19 May 2020)
Alison Wood

The Chairman of the Board is also the Chair of the Committee, and the Company Secretary acts as the Secretary of the Committee. In line with good governance, Howard Kerr played no part in the process to identify his successor.

Committee attendance

The Committee met five times in the year ended 31 December 2020.

Attendance	Mar	May	Sep	Nov	Dec
John Hirst (Chair)	●	●	●	●	●
Tiffany Hall[1]			●	●	●
Douglas Hurt	●	●	●	●	●
Howard Kerr	●	●	●	●	●
Ian Lobley	●	●	●	●	●
Stephen Page	●	●	●	●	●
Lucinda Riches[2]	●	●			
Alison Wood	●	●	●	●	●

● Attended

1 Appointed on 14 April 2020.
2 Resigned on 19 May 2020.

Key responsibilities of the Committee

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

Report of the Nominations Committee continued

Activities of the Committee

An annual work plan is in place that specifies the key agenda items for each scheduled meeting of the Committee to ensure that all responsibilities of the Committee have been addressed. A number of unscheduled meetings and informal discussions were held during the Chief Executive successor selection process.

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

- oversaw the appointments of Chief Executive, Non-Executive Director and Board Advisor;
- discussed the diversity and inclusion of the Board's composition and operation;
- reviewed the Board Skills Matrix;
- re-elected the Chairman; and
- determined the Directors subject to re-election at the Annual General Meeting.

Chief Executive succession

The Committee, led by the Chairman, oversaw the search and appointment of a new Chief Executive to replace Howard Kerr on his retirement after twelve years in role. The process, which was agreed in advance by the Committee, was thorough and inclusive. An extensive internal and external search was followed by an interview process which gave the Non-Executive Directors the opportunity to meet the shortlisted candidates. Despite the inevitable disruption to physical meetings due to the ongoing Covid-19 pandemic, there was good communication with the Non-Executive Directors throughout the process and the Chairman received support from the Senior Independent Director and the Group HR Director as well as the Company Secretary.

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

The Chairman and Non-Executive Directors met, by video conference and in person when possible, the shortlisted candidates who confirmed their interest in the role. Following the interviews, the Committee convened to discuss feedback on each candidate and was unanimous in its final selection and recommendation to the Board that Susan Taylor Martin be appointed as Chief Executive Designate of BSI on 1 January 2021 and Chief Executive with effect from 20 January 2021.

Non-Executive Director succession

As Lucinda Riches' third term as Non-Executive Director came to an end on 19 May 2020, a recruitment process was undertaken for a successor. The Committee agreed a description of the role and of the capabilities required, following an evaluation of the balance of skills, experience, independence and knowledge required. Appropriate candidates were then sought based on merit, against objective criteria and, in accordance with the Group Equality and Diversity Policy, paying particular attention to the merits of diversity on the Board. Ridgeway Partners assisted with the process and suitable candidates were considered and interviewed by members of the Committee and the Executive Directors. Following this process, Tiffany Hall was appointed to the Board on 14 April 2020 as Non-Executive Director.

Appointment of Board Advisor

During the year, the Board considered its capacity to support the Group's sustainable development and other strategic objectives and determined that this would be strengthened by the appointment of a long-term Advisor to the Board. The Advisor is appointed on the same terms as a Non-Executive Director, with the same time commitment, and is invited to attend all Board and Committee meetings. The Committee was delighted to recommend the appointment of Dame Polly Courtice, who was appointed as a Board Advisor on 1 June 2020.

Diversity

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

The Committee carefully considers the benefits of diversity, including gender diversity, whilst ensuring that the obligation to recruit the best individual for relevant roles based on merit is fulfilled. At all times the Board and Committee comply with the Group Equality and Diversity Policy. The Board reports annually on diversity. The gender diversity statistics of the Board for the year ended 31 December 2020 and at the date of the Annual Report are presented on page 51.

Areas of focus for 2021

For 2021, the Committee will:

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

John Hirst
Chair of the Nominations Committee
22 March 2021

Report of the Sustainability Committee

Introduction by Stephen Page, Chair of the Sustainability Committee

Stephen Page
Chair of the Sustainability Committee

"Sustainability is core to BSI's purpose."

Translating intent into action

Our stakeholders rightly place great importance on setting and achieving sustainability goals.

At BSI, governance of sustainability is overseen by the Board's Sustainability Committee, supporting and challenging the Group Executive to ensure its plans are realistic and in line with stakeholders' expectations and the Group's purpose. Support is provided by the Company Secretary and the central Group Sustainability team.

BSI is a participant in the UN Global Compact, having been a signatory since 2018, focused on strong contribution to the UN Sustainable Development Goals (SDGs). This year we have built on our commitment to the Compact by further embedding sustainability into our five-year strategic business plan. The UN SDGs continue to provide the framework for our plans and activities.

As a purpose-driven business connected into the heart of UK and international business, government and trade, BSI has many opportunities to contribute to the SDGs.

Our work begins with improving our own Group's sustainability practices, but even more can be achieved by BSI driving implementation of best practice in sustainable development across organizations. We are doing this through our activities as the UK National Standards Body and a member of ISO, working to clarify best practice via consensus standards, and through our assurance and consulting activities which help others to apply this best practice.

We have set out strategic priorities and a plan for 2021–2025, through which we will fulfil this role. The four pillars of our plan are convening on sustainability, our sustainability services, building capability internally and our own sustainable operations. Details of the approach are set out in the Sustainability review on pages 36 and 37.

The Committee built its own capacity and specialist expertise. Reflecting the criticality of sustainability to the Board's agenda, each of the Committee's meetings in 2020 was attended by additional Non-Executive Directors, who are invited to attend. In June 2020 the Board welcomed Dame Polly Courtice as Board Advisor and a key contributor to the Committee. Polly is Founder Director of the University of Cambridge Institute for Sustainability Leadership (CISL) and Senior Independent Non-Executive Director at Anglian Water. She serves on the sustainability advisory boards for several leading companies including AstraZeneca, Lloyds Banking Group, Nespresso and Kingfisher.

The Committee continued to oversee BSI's charitable donations and volunteering policies and in response to the pandemic, BSI lifted any restrictions as to use on the funds it donated to its global charity partner, Room to Read, allowing the charity to address urgent needs.

Inevitably, there were fewer opportunities for formal corporate volunteering this year, but the Committee was pleased to see that there was a successful virtual Global Community Day, and that there were many stories of employees who had volunteered to help their communities. The broader community contribution of the Group during the pandemic is set out on pages 39.

Finally, the Committee has reviewed its effectiveness and clarified its priorities and scope, which was increased in 2019 from a focus on community engagement initiatives to a broader sustainability remit. This work will result in revised terms of reference for the Committee to be agreed in 2021.

Committee membership

During the year ended 31 December 2020 the Committee comprised:

Stephen Page (Chair)
John Hirst
Howard Kerr
Polly Courtice (from 1 June 2020)

Committee attendance

The Committee met three times in the year ended 31 December 2020.

Attendance	Mar	Sep	Dec
Stephen Page (Chair)	●	●	●
John Hirst	●	●	●
Howard Kerr	●	●	●
Polly Courtice		●	●

● Attended

Key responsibilities

These include:

- keep under review the Group's sustainability strategies, policies, practices, KPIs and longer-term targets;
- review the Group's charitable donations policy and oversee donations made by the Group;
- review the Group's Code of Business Ethics, Sustainability Code, environmental and health and safety policies, and sustainability aspects of the procurement policy;
- advise the Board, which is responsible for these policies, on sustainability matters and make recommendations regarding responsibilities and procedures for ensuring compliance with these policies;
- review the Group's overall approach to sustainable development;
- regularly review the Group's stakeholder identification and prioritization with reference to sustainability and make recommendations to the Board if necessary; and
- advise on other sustainability matters as may be determined by the Board from time to time.

Activities of the Committee

During the year the Committee, among other things:

- reviewed the 2021–2025 sustainability strategy as well as associated KPIs;
- reviewed and approved the Sustainability 2020 progress report and plan for the forthcoming year;
- reviewed the mapping of solutions and services to the UN Sustainable Development Goals;
- reviewed volunteering and charitable donations;
- committed to expanding the length of meetings in 2021 with additional meetings as required;
- consulted Board members on scope and membership of the Committee; and
- reviewed its terms of reference.

Greenhouse gases (GHG)

This year our greenhouse gas (GHG) emissions have significantly reduced. We intend to encourage swift action to embed the workplace changes brought about by Covid-19 to support a greener future and reach net zero by 2030.

We account for our GHG emissions in line with ISO 14064-1 (Greenhouse Gas Verification), the protocol corporate standard and UK Government guidance. During 2020, we updated our reporting procedures in line with the latest version of ISO 14064-1 to ensure that we continue to account for material GHG emissions within our operational control.

Our overall GHG emissions have decreased by 63% since 2019. Our main source of emissions is scope 3 business travel due to the nature of BSI's activities with our clients and their locations. Scope 3 emissions decreased by 54% due to air and road travel restrictions.

Scope 1 and scope 2 emissions have each decreased by over 80% since 2019. This is predominantly due to reduced office use. The decrease is also due to work we conducted to review our operational control boundary. Former scope 1 and 2 office and travel emissions have been re-allocated to scope 3 based on an in-depth analysis of BSI's level of control of the emission source. This analysis has defined our scope 2 global emissions are predominantly from UK based sources. Increased availability of renewable electricity from the UK grid also contributed to the continued downward trajectory seen in our scope 2 location-based emissions beginning in 2017.

To reduce our scope 1 travel emissions, we set a target of ensuring 15% of our UK company car fleet was electric or hybrid by the end of 2020 and we are pleased to report we have exceeded this target, achieving 20%. We encourage employees to use the most carbon efficient mode of transport for essential travel and will review this in light of the experience and skills developed in 2020 (see page 37).

BSI's total CO_2 intensity ratio per million pounds of global revenue decreased by 62% since 2019. In all emissions categories our intensity ratios fell as we made carbon savings and retained similar revenue to 2019.

Our 2020 emissions have been offset through projects which focus on carbon removals. We are now carbon neutral and intend to retain this status going forward while we are developing science-based targets and an energy reduction plan to achieve our 2030 net zero commitment and reduce our reliance on offsetting each year.

Global GHG emissions disclosure

The following tables show our greenhouse gas emissions data for 2020, the previous year and our baseline year, 2017. We report our total emissions tonnage as well as an intensity ratio per million pounds of global revenue to enable year-on-year comparison.

Global GHG emissions (tCO_2e)

	2020	2019	2017
Scope 1 emissions	640	3,947	3,974
Scope 2 location-based emissions	391	2,027	2,562
Scope 3 emissions	6,144	13,239	10,221
Total	7,175	19,213	16,757

Global intensity ratio (tCO_2e/£m revenue)

	2020	2019	2017
Scope 1 emissions	1.2	7.2	8.4
Scope 2 emissions	0.7	3.7	5.4
Scope 3 emissions	11.4	24.2	21.6
Total	13.3	35.1	35.4

Definitions:

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

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

Scope 3 emissions are defined as business travel emissions from air travel in our six largest operating countries (UK, USA, Japan, India, Australia and China), from employee-owned vehicles in all BSI's operating locations and from gas and electricity usage where BSI does not contract directly with utilities.

Streamlined Energy and Carbon Reporting (SECR)

In compliance with SECR requirements for businesses operating in the UK, we now report our UK-based carbon emissions and UK-based carbon intensity ratios. This is our first year of reporting and future disclosures will enable comparisons against the data presented.

UK energy and carbon data

	2020	
	UK GHG emissions (tCO_2e)	UK intensity ratio (tCO_2e/£m revenue)
Scope 1	492	2.6
Scope 2	390	2.1
Scope 3	1,706	9.1
Total	2,588	13.8
Total scope 1, 2 and 3 energy use (KWh) 7,384,297.3		

Definitions:

UK energy use (kWh): from scope 1, 2 and 3 sources (excluding air travel and bottled gasses), as defined above.

UK GHG emissions (tCO_2e): from scope 1, 2 and 3 sources (excluding air travel), as defined above.

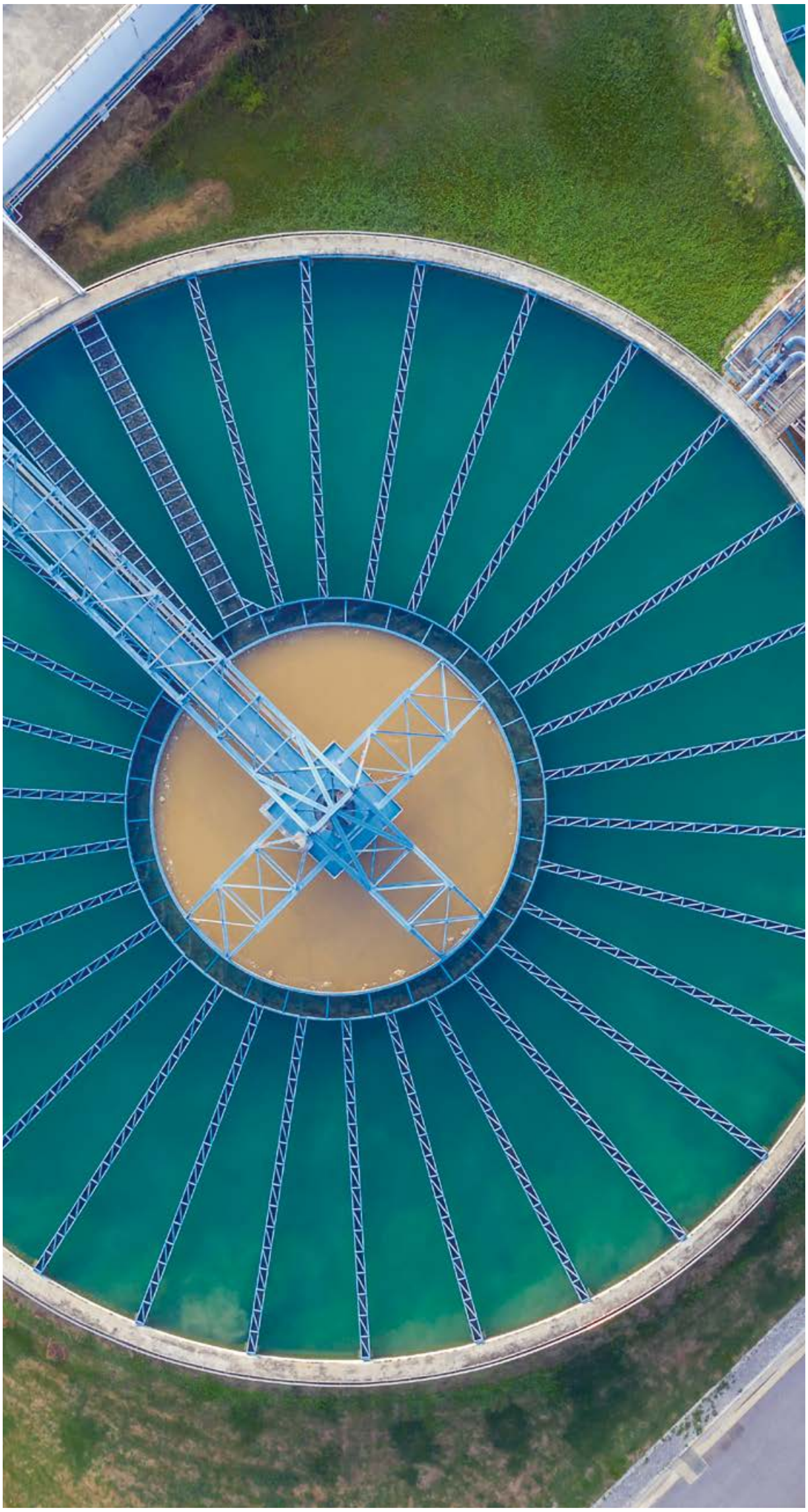
UK CO_2 intensity ratio (tCO_2e/£m gross UK revenue): total UK GHG emissions (tCO_2e) produced per gross UK revenue in million £.

Areas of focus for 2021

Sustainability is a core component of BSI's purpose of inspiring trust for a more resilient world. The Committee will continue to maintain high standards of oversight and to review its role and effectiveness.

In 2021, in addition to continuing execution of plans established in 2020, we will hear the results of a review of BSI's product and service offerings, examining the impact which BSI can make through its client work. We will work with BSI's incoming CEO to maintain focus on the agreed strategy, objectives and KPIs, together ensuring that sustainability remains at the core of the Executive agenda. We will work with BSI's Standards Policy and Strategy Committee to encourage emphasis on sustainability in our standards-making work.

Stephen Page
Chair of the Sustainability Committee
22 March 2021



Directors' remuneration report

Introduction by Alison Wood, Chair of the Remuneration Committee

Alison Wood
Chair of the Remuneration Committee

"We aim to ensure fairness in reward outcomes for all employees."

In setting executive remuneration and advising on the reward structure for the wider organization, the Remuneration Committee (the 'Committee') aims to ensure alignment with the purpose of The British Standards Institution. The Committee gives particular focus to ensuring that overall remuneration levels are deemed to be appropriate with the ethos of a Royal Charter Company.

Transparency in remuneration reporting is an important aspect of good governance and this report aims to reflect developing best practice. Consequently, this report describes the review of the executive remuneration framework and strategy (the 'Executive Remuneration Framework Review') which began in 2020 and sets out the Committee's rationale for the performance and reward outcomes in 2020. It also describes the areas for focus for the Committee in 2021.

Key Executive reward decisions and outcomes in 2020

The Committee's deliberations about executive reward during 2020 were driven by two key considerations: the impact of Covid-19 on remuneration outcomes for all employees and the themes emerging from the Executive Remuneration Framework Review.

Assessing impact of Covid-19

The Committee has paid particular attention to ensure 2020 Executive Director reward outcomes have been reviewed against the backdrop of Covid-19 and the impact on the wider workforce.

A number of interim measures were put in place in March 2020 to suspend executive remuneration decisions to allow time to understand how trading performance for the year would be impacted by Covid-19 and to ensure that BSI had sufficient cash reserves. Consequently, we decided:

- to delay the payment of the 2019 bonus and LTIP vesting until June 2020;
- to defer the 2020 salary increases for the executive team until October 2020 (but backdated to 1 April 2020);
- to defer the award/grant of the 2020 LTIP; and
- not to recommend an increase to the Chairman's fee in 2020.

Once the first quarterly re-forecast was available, the Committee reviewed the proposed targets for 2020 executive variable incentive schemes recognizing that the targets had been established in December 2019. However, whilst the business was resilient at that stage and management had been able to preserve cash, avoiding the need for furloughing or redundancies, BSI was trading closer to 2019 actuals rather than the stretching 2020 budget targets for revenue and profit that had been established for the Annual Bonus Plan. The Committee was conscious of the need to motivate and reward executives to deliver the best possible outcomes for BSI during the challenges presented by the pandemic.

The Committee also recognized that the impact of Covid-19 on the business streams was markedly different and therefore if the bonus scheme were not adjusted, some participants would have had little chance of earning a 2020 bonus. With these considerations in mind, the Committee decided that it was appropriate to revise the targets and structure of the Annual Bonus Plan to ensure that the executive leadership as a whole had a meaningful chance of achieving some bonus and to encourage closer collaboration across the business streams and central functions to deliver a stronger combined Group performance. The Committee therefore agreed to use the revised first quarterly re-forecast numbers to set the "on target" performance for 2020 and therefore approved the following changes, in June 2020, to the Annual Bonus Plan:

- removal of stream-specific targets;
- lowering of Group revenue and Group profit thresholds (the trigger for earning bonus);
- alignment of Group targets to reflect first quarter re-forecast numbers);
- resetting pay-out to 60% for financial targets if the first quarter re-forecast targets were hit and 100% only if the original budget targets were hit; and
- increasing the personal performance element to 30% of target bonus opportunity with a maximum of 45% (applicable below Group Executive).

To avoid any "windfall gain" the Committee also agreed that the stretch targets would not be met unless Group profit performance was delivered in line with the original targets set by the Committee in December 2019.

In addition, the Committee deferred its discussion on the 2020 LTIP awards until October, by which time it was able to take account of the Board's strategy review and consider the revised 2020 forecast. As a result, the Committee felt it had sufficient information to establish a robust set of targets for the 2020 LTIP award which it based on the revised three-year strategic plan for the Group.

The Committee did not consider it necessary to make any adjustments to LTIP grants that had been made in 2018 and 2019.

Performance outcomes

In 2020, BSI delivered another strong financial performance despite the global pandemic, achieving underlying organic revenue at constant exchange rates just 1.0% below 2019 and increasing the underlying operating profit margin to 12.5%.

Notwithstanding the impact of Covid-19 on the BSI business, the Group continued to successfully implement its key strategic actions. These included addressing the impact of Brexit on both our National Standards Body and regulatory services, accelerating our ability to deliver assurance services through remote auditing and continuing to invest in core systems and key accounts. The successful delivery of these initiatives has significantly strengthened both the Group and the NSB to address the opportunities and challenges in implementing the next five-year strategic plan. The Executive Directors' variable remuneration for 2020 therefore reflected their success in achieving the financial and strategic targets set by the Committee. Further details may be found in the variable pay section on pages 71 and 72.

Impact on workforce remuneration:
In assessing reward outcomes for the executive team in 2020, the Committee paid particular attention to the reward context for the wider BSI workforce and the impact on our other stakeholders. In particular, the Committee recognized that BSI neither took furlough assistance for employees from the Government in 2020 nor made any redundancies as a result of the pandemic. In addition, wider workforce salary increases of circa 2.1% were made in October 2020. Recognizing the Group's very strong performance, the Committee supported the executive decision to pay a one-off bonus to all employees (not currently in any bonus scheme) plus the grant of three days' additional holiday for all colleagues at BSI across all geographies. The Group also maintained its cash contribution into the BSI pension fund.

Impact on Executive Directors' short-term bonus:
Given the continued strong financial performance of the Group and taking account of the additional financial and holiday benefits provided to the wider workforce, the Committee believed that the payments that were made to the Executive Directors under the Annual Bonus Plan were appropriate. These were paid at maximum opportunity with full stretch applied – which means that the business achieved the revised target revenue number and the original stretch Group profit targets agreed in December 2019.

Impact on Executive Directors' long-term incentives: In respect of the 2018 awards, the Group did not achieve the necessary entry revenue targets so there was no pay-out on this element (which accounts for 75% of the LTIP award). However, the Group profit performance was positioned above the entry level and therefore vested at 6.74%. The Committee considered this level to be appropriate taking account of the historic levels of LTIP pay-out (see table below). It also agreed to waive the minimum threshold requirement for Group revenue recognizing the impact that Covid-19 had on the 2020 revenue figures.

LTIP vesting rates against maximum

	LTIP vesting rates against maximum
2020	6.74%
2019	30.00%
2018	100.00%
2017	100.00%
2016	100.00%
2015	100.00%

Executive Remuneration Framework Review

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

Building on the work undertaken by the Board on BSI's purpose and strategy, the Committee decided that it was appropriate to undertake a full review of the executive remuneration framework and strategy in 2020 (the 'Executive Remuneration Framework Review') to create closer alignment between the executive reward structure and BSI's purpose and strategy. To assist with this, whilst continuing to ensure that BSI's overall remuneration framework remains sufficiently competitive to attract, retain and incentivize our leadership team in the current environment, the Committee undertook a selection process for external advisors and it was agreed to appoint Deloitte as the Committee's external remuneration advisor to assist in this process. Deloitte facilitated a series of workshops between September and November as part of the Executive Remuneration Framework Review which encompassed a major review of all elements of BSI's executive remuneration framework, including the redesign of both the short-term and long-term incentive plans to better align them with the BSI's strategy. In addition, the Executive Directors salaries were benchmarked against a range of organizations, including not-for-profit, recognizing that BSI recruits its talent from a wide range of sectors.

Decisions arising from the Executive Remuneration Framework Review

The recommendations of the Executive Remuneration Framework Review which have been discussed and approved by the Committee include:

- a review of the remuneration policy to position Executive Directors' salaries at the median of the peer benchmark;
- the redesign of both short-term and long-term incentives to achieve better alignment with the implementation and delivery of BSI's growth strategy;
- the simplification of the short-term bonus by rebalancing financial measures and reducing the number of business or geographic metrics;
- asking the executives to investigate the possibility of including an affordable stretch opportunity for all bonus scheme participants and link this more closely to individual performance;
- inclusion of non-financial KPIs /balanced scorecard in the Long-Term Incentive Plan to align it with delivery of BSI's purpose; and
- the inclusion of malus/clawback provisions into the design of incentive plans. This step has already been implemented.

The Committee also considered the possibility of adopting a further best practice element by aligning the executive pension arrangements with those of the wider workforce (which it will aim to do over the next two to three years but with new appointments, including that of the new CEO, being made on an aligned basis).

Although a number of decisions have already been taken as a result of the Executive Remuneration Framework Review, further work will be undertaken to implement these changes in 2021 and these will be included in a formal review and update of the Directors' remuneration policy for 2021.

CEO remuneration

On 1 January 2020, Howard Kerr gave notice of his intention to retire as CEO. Given the developing Covid-19 situation, he agreed to be flexible in his departure date so that the Group could address the resulting short-term challenges and defer the CEO recruitment process to the second half of the year. The Committee therefore had to consider the exit arrangements for Mr Kerr and the design of the remuneration package for the incoming CEO.

Exit arrangements for Howard Kerr

The Committee decided to defer Mr Kerr's salary increase for 2020 until October 2020 and decided to award an increase of 4.2% (compared to a wider workforce increase of 2.1%). This salary increase reflected the median market rate for the CEO role which had been validated through the recruitment process for the new CEO. The Committee also agreed to include Mr Kerr in the Annual Bonus Plan and make a 2020 LTIP grant on a pro-rated basis i.e. one third of the scheme value should the performance conditions be met when the scheme vests in 2023. Where discretion was applied by the Committee in determining the final year arrangements for Mr Kerr's remuneration it was exercised in line with the BSI Directors remuneration policy.

Appointment of the new CEO

The design of the new CEO's reward package was informed by Executive Remuneration Framework Review in relation to the positioning of salary at median market levels, the adoption of the new bonus and LTIP incentive schemes and the alignment of the pension arrangement with that applied to the workforce at management level. The Committee was satisfied that the new CEO's remuneration was fair and reasonable.

Discretionary decisions made in 2020

The Committee has used its discretion in respect of four decisions taken in 2020 for the reasons outlined earlier in this introductory letter.

- Covid-19-related:
  - the adjustment to 2020 annual bonus targets; and
  - waiver of the minimum revenue threshold for the 2018 LTIP award pay-out.
- Executive Remuneration Framework Review:
  - waiver of the six-month service requirement for LTIP awards for new CEO and one new Executive; and
  - award to the outgoing CEO of the pro-rata 2020 LTIP award, bonus payment for 2020 and pro-rating of in train LTIPs.

Remuneration agenda for 2021

The Committee undertook an effectiveness review at the end of 2020, and this highlighted some areas for improvement in the working of the Committee which are being addressed in 2021. There are four areas of focus in 2021 for the Committee:

- monitor the implementation of the new Executive Remuneration Framework Review, especially around the inclusion of non-financial KPIs in LTIP schemes, and revise the Directors' remuneration policy accordingly;
- continue to progress its review of the wider workforce remuneration strategy to ensure that we monitor progress in gender pay equality and pension provision alignment;
- confirm our approach to the alignment of existing Executive Directors' pension arrangements with the wider workforce at management level in the first instance; and
- continue to review BSI's progress in relation to gender pay and CEO pay ratios and ensure that the right steps are taken to achieve fairness in remuneration.

Against the backdrop of a challenging year, the Committee has carefully considered its approach to executive remuneration for 2021 and beyond to ensure this is fully aligned with delivery of BSI's strategy and purpose and has rigorously reviewed the 2020 incentive scheme outcomes to ensure they are appropriate given the wider employee and stakeholder context.

Alison Wood
Chair of the Remuneration Committee
22 March 2021

Directors' remuneration implementation report 2020

The Remuneration Committee

The Committee is established by the Board under terms of reference that are annually reviewed, and which were most recently updated in December 2020. A copy of the Committee's terms of reference is available on the BSI Group website at www.bsigroup.com.

The key responsibilities of the Committee include:

- determining policy for the remuneration of the Group'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;
- approving the design of, and determining targets for, any senior management performance related pay schemes operated by the Group and approving the total annual payments made under such schemes; and
- reviewing Executives' approach to establishing a baseline for wider workforce remuneration strategy.

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

The Committee fulfils its duties with a combination of both formal meetings and informal consultation with relevant parties, including the Chairman of the Board, Chief Executive, Group Finance Director, Group HR Director and Group Rewards Director in connection with carrying out its duties.

Executive Directors do not attend meetings at which 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 2020 Deloitte was appointed as remuneration advisor and Willis Towers Watson benchmark data continued to be deemed fit for purpose to support the 2020 executive salary review process.

During the year ended 31 December 2020 the Committee comprised:

Alison Wood (Chair)
Douglas Hurt
Stephen Page
Lucinda Riches (resigned as a member on 19 May 2020)
Tiffany Hall (joined as a member on 14 April 2020)

The Committee met six times in the year ended 31 December 2020, of which four were scheduled meetings and two were additional meetings outside of the normal timetable.

Attendance	Jan	Mar	Jun	Jun	Oct	Dec
Alison Wood	●	●	●	●	●	●
Douglas Hurt	●	●	●	●	●	●
Stephen Page	●	●	●	●	●	●
Lucinda Riches[1]	●					
Tiffany Hall[2]			●	●	●	●

● Attended

1 Resigned 19 May 2020.
2 Appointed 14 April 2020.

This report describes the work of the Committee during 2020.

Aligning remuneration to the delivery of BSI's strategy

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

The two 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 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 line with the Group's long-term strategy and taken from the relevant 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.

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

Each year the Board sets stretching targets for profit and revenue growth. Payments made to the Executive Directors for 2020 reflect the achievement of the 2020 Annual Bonus Plan targets, shown on page 72, and of the 2018 LTIP targets, also shown on page 73.

2020 remuneration

Single figure total (audited information)

Director	Salaries and fees: Year ended 31 Dec 2020 £'000	Salaries and fees: Year ended 31 Dec 2019 £'000	Taxable benefits[1]: Year ended 31 Dec 2020 £'000	Taxable benefits[1]: Year ended 31 Dec 2019 £'000	Pension benefits[2]: Year ended 31 Dec 2020 £'000	Pension benefits[2]: Year ended 31 Dec 2019 £'000
Executives						
Howard Kerr[3]	**508**	486	**28**	27	**—**	—
Craig Smith[4]	**370**	359	**4**	8	**—**	—
Scott Steedman[5]	**333**	324	**2**	1	**10**	10
	1,211	1,169	**34**	36	**10**	10
Chairman						
John Hirst	**166**	165	**—**	—	**—**	—
Non-Executives						
Douglas Hurt	**48**	47	**—**	—	**—**	—
Ian Lobley	**42**	28	**—**	—	**—**	—
Stephen Page	**48**	47	**—**	3	**—**	—
Lucinda Riches[6, 8]	**20**	46	**—**	—	**—**	—
Alison Wood[7]	**48**	47	**—**	3	**—**	—
Tiffany Hall[9]	**30**	—	**—**	—	**—**	—
Polly Courtice[10]	**24**	—	**—**	—	**—**	—
Total	**1,637**	1,549	**34**	42	**10**	10

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 £68,020 (2019: £65,943) supplement in lieu of pension contributions.
4 Salary includes £40,737 (2019: £40,083) supplement in lieu of pension contributions.
5 Salary includes £28,957 (2019: £28,230) supplement in lieu of pension contributions.
6 No fees were paid to Lucinda Riches as Senior Independent Director following her stepping down from the Board.
7 Alison Wood was appointed as Senior Independent Director on 20 May 2020 and waived her entitlement to any additional fee for that role during 2020.
8 Lucinda Riches resigned on 19 May 2020.
9 Tiffany Hall was appointed on 14 April 2020.
10 Polly Courtice was appointed as a Board Advisor on 1 June 2020.

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 2020 (2019: none).

Fixed pay

Base salary during 2020

Per annum base salary	To 31 March 2020	From 1 April 2020
Howard Kerr	£425,000	£443,000
Craig Smith	£310,000	£317,000
Scott Steedman	£285,000	£292,000

Variable pay receivable for 2020									
Bonus		LTIPs		Total fixed remuneration		Total variable remuneration		Total remuneration	
Year ended 31 Dec 2020 £'000	Year ended 31 Dec 2019 £'000	**Year ended 31 Dec 2020 £'000**	Year ended 31 Dec 2019 £'000	**Year ended 31 Dec 2020 £'000**	Year ended 31 Dec 2019 £'000	**Year ended 31 Dec 2020 £'000**	Year ended 31 Dec 2019 £'000	**Year ended 31 Dec 2020 £'000**	Year ended 31 Dec 2019 £'000
516	211	**17**	73	**536**	513	**533**	284	**1,069**	797
252	123	**10**	42	**374**	367	**262**	165	**636**	532
233	113	**8**	33	**345**	335	**241**	146	**586**	481
1,001	447	**35**	148	**1,255**	1,215	**1,036**	595	**2,291**	1,810
—	—	**—**	—	**166**	165	**—**	—	**166**	165
—	—	**—**	—	**48**	47	**—**	—	**48**	47
—	—	**—**	—	**42**	28	**—**	—	**42**	28
—	—	**—**	—	**48**	50	**—**	—	**48**	50
—	—	**—**	—	**20**	46	**—**	—	**20**	46
—	—	**—**	—	**48**	50	**—**	—	**48**	50
—	—	**—**	—	**30**	—	**—**	—	**30**	—
—	—	**—**	—	**24**	—	**—**	—	**24**	—
1,001	447	**35**	148	**1,681**	1,598	**1,036**	595	**2,717**	2,196

Variable pay

Annual bonus for 2020

Annual bonuses for the year ended 31 December 2020 were awarded by the Committee under the Annual Bonus Plan to Howard Kerr, Craig Smith and Scott Steedman, in accordance with the current policy. Actual annual bonus amounts earned are based on salary and dependent upon the achievement of targets for Group profit, revenue and personal objectives. For this purpose, Group profit was defined as 'underlying operating profit before discretionary bonus charges, LTIP charges and all foreign exchange adjustments'. Personal objectives are set and measured by the Chairman for the Chief Executive and by the Chief Executive for the other Executive Directors; all are reviewed by the Committee.

The table below sets out the percentage of base salary upon which potential 2020 annual bonuses were based:

Base salary basis of annual bonuses	On-target Profit	On-target revenue	On-target personal objectives	On-target award based on base salary	Payable on achievement of 110% of Profit target up to	Maximum award possible
Howard Kerr	42%	6%	12%	60%	60%	120%
Craig Smith	28%	4%	8%	40%	40%	80%
Scott Steedman	28%	4%	8%	40%	40%	80%

Variable pay continued

Annual bonus for 2020 continued

Actual Group profit at budget exchange rates achieved for 2020 was £91.6m (117.2% of Group profit target). This is calculated as underlying operating profit at actual exchange rates of £67.4m, adjusted by adding back bonus charges of £18.6m, amortization of acquired intangibles of £2.6m, exchange adjustments of £0.2m and a net discretionary adjustment by the Committee of £2.9m relating to the IFRS 15 impact on accounting for customer acquisition costs, charges related to corporate acquisitions and the cost of an additional wellbeing incentive for all employees; and after deducting an LTIP credit of £0.1m. Actual revenue achieved for 2020 was £539.3m. This is decreased by a £3.5m exchange adjustment to £535.8m at 2020 budget exchange rates.

The target levels set for 2020 were Group profit of £78.2m and revenue of £531.5m at budgeted exchange rates. Total bonus percentage for on-target performance is doubled if Group profit reaches 110% of target.

Following a review of the remuneration outcomes by the Remuneration Committee and the Board, it was agreed that the Executive Directors had achieved their financial and personal objectives in 2020. In relation to the latter, Howard Kerr achieved 80% of target bonus and Craig Smith and Scott Steedman achieved 100%.

Personal objectives for Howard Kerr included successful launch of BSI's restated purpose, values, mission and behaviours internally with the purpose and mission firmly embedded in the 2021–25 Strategic Plan. The Committee noted that work on talent development and succession planning had progressed with clear plans and goals in place. In relation to Government relations, the UK-EU deal announced at the end December which calls for cooperation on regional standards, should enable BSI to continue its membership of CEN/CENELEC, due to be confirmed in November 2021. Full scope of CE Notified Body designations was also achieved and maintained alongside full scope UKCA Approved Body designations which were achieved in early January.

The Committee recognized that Craig Smith and his team delivered exceptional financial performance in a challenging year, in addition, a clear road map was developed for the future finance systems and Group accounting, which are going to take a few years to fully implement. In addition, he onboarded the new CIO who is now making progress against the development of the IT strategy and the IT structure to deliver this.

Scott Steedman's personal objectives included the development of concepts that would create a step change in awareness, profile and understanding of BSI and the role of standards in the UK and to elevate the topic for deployment of standards of best practice across existing and new audiences. Development of key relationships in DIT have enabled BSI to participate in the TBT elements of trade negotiations, with particular importance attached to the on-going UK-US discussions. Scott has extended BSI's reach in critical work areas across the Government.

The annual bonuses earned in respect of 2020 were:

	Percentage of earned base salary					
2020 annual bonus payments (audited information)	Actual award based on Profit	Actual award based on revenue	Actual on-target award based on personal objectives	Payable on achievement of 100% or greater of Profit	Total actual award	Actual award
Howard Kerr	42%	6%	10%	60%	118%	£515,571
Craig Smith	28%	4%	8%	40%	80%	£252,062
Scott Steedman	28%	4%	8%	40%	80%	£232,505

Long Term Incentive Plan vesting in 2020 (audited information)

In 2018, Howard Kerr, Craig Smith and Scott Steedman, as participants in the LTIP, were awarded participation units (PUs), in accordance with the policy set out in the 2017 Directors' remuneration report, with the proportion of those PUs vesting depending on the achievement of Group profit for the LTIP and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2020. Group profit for the LTIP was defined as 'underlying operating profit before LTIP charges, the amortization of acquired intangibles and all foreign exchange adjustments', which may be adjusted for elements beyond the control of management or material post-LTIP award date approved projects at the discretion of the Remuneration Committee. Each vesting PU would provide £1.00.

For the LTIP awards made in 2018, the target levels for 2020 were Group profit of £79.8m (25% PU allocation) and revenue of £595.3m (75% PU allocation) at 2018 budget exchange rates.

In determining the final outcome for the vesting, discretionary adjustments were agreed by the Committee in relation to an additional wellbeing incentive for all employees and charges related to corporate acquisitions. The Committee also agreed to waive the minimum threshold requirement for Group revenue (notwithstanding that the revenue target had not been met and therefore did not vest) and as a result vesting was allowed for the Group profit element of the award. Group profit achieved of £77.5m was above threshold and resulted in a 27% pay out of the Group profit measure, which is 25% of the total award, contributing a total pay-out of 6.74%.

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

Long Term Incentive Plan vesting 2020	PUs awarded 2018	Vesting	Payment 2020
Howard Kerr	245,890	6.74%	£17,047
Craig Smith	140,375	6.74%	£9,714
Scott Steedman	110,250	6.74%	£8,425

Long Term Incentive Plan awarded in 2020 (audited information)

In 2020 the Executive Directors were awarded PUs under the LTIP. A proportion of those may vest, depending upon the achievement of Group profit for the LTIP and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2022. Group profit is defined in the same way as in previous years. Taking account of the work undertaken by the Board on the strategic plan and the revised forecast for 2020, it was agreed that the financial targets would be adjusted accordingly to £628m (target) for revenue and £73.8m (target) for profit.

The PUs awarded under the LTIP in 2020 were:

2020 LTIP awards	Basis – salary multiple	PUs awarded 2020	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%	284,750	10%	50%	150%	31 December 2022
Craig Smith	50%	155,000	10%	50%	150%	31 December 2022
Scott Steedman	50%	142,500	10%	50%	150%	31 December 2022

Variable pay continued
Total LTIP awards held

LTIP awards held	Howard Kerr	Craig Smith	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 2020	284,750	155,000	142,500	10%	50%	150%	31 December 2022
PUs awarded 2019	268,000	150,000	137,500	10%	50%	150%	31 December 2021
Total PUs held	552,750	305,000	280,000				

Pension contributions
The Company paid the equivalent 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 paid a total of 15% of Scott Steedman's base salary into the BSI UK Pension Plan and as a salary supplement in lieu of pension contributions. Salary supplements were calculated as the equivalent cost to BSI, taking into account the National Insurance paid. The Committee is currently reviewing the alignment of executive pension arrangements with those of the wider workforce.

Loss of office payments (audited information)
No payments for loss of office were made in 2020 (2019: £nil).

Payments to past Directors (audited information)
No payments to past Directors were made in 2020 (2019: £nil).

Remuneration of the Chief Executive

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Chief Executive Single Figure Remuneration Total (£'000)	**1,069**	797	1,043	1,156	1,151	1,119	765	596	576	792
Annual Bonus payout against maximum	**98.00%**	49.70%	50.00%	92.20%	98.70%	97.80%	95.30%	50.50%	51.00%	59.10%
LTIP vesting rates against maximum	**6.74%**	30.00%	100.00%	100.00%	100.00%	100.00%	—	—	—	66.60%

Howard Kerr was Chief Executive for each year shown.

A comparison of the remuneration packages for the outgoing and incoming CEO is shown in the following table:

Category of remuneration	Comparison between incoming and outgoing CEO packages
Base salary	Salary aligned with the market benchmark
Pension cash	Pension reduced to 11% to align to the BSI management population
Car allowance	No change
Private fuel	No change
Bonus	Maximum bonus remains 120%
LTIP	Remains at 150%
Healthcare	No change
Life cover	No change
Executive health screening	No change

CEO pay ratio

Year	Method	25th percentile pay ratio	Median[2] pay ratio	75th percentile pay ratio
2020[1]	Option B	15:1	11:1	9:1
2019	Option B	33:1	25:1	12:1

Notes

1 Bonus and merit increases were delayed in 2020 which resulted in lower pay ratios in that year. As such, at the time of the snapshot date for the gender pay gap (for the year to 5 April 2020) they were not effective, which inevitably has had an impact on the CEO ratio, showing a smaller gap

2 Median pay for BSI was: £46,868.

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

Methodologies

Option A: Calculating the pay of UK employees in the same way as for the CEO and determining the lower quartile, median and upper quartile staff values from this sample.

Option B: Using gender pay gap data to determine the best equivalents for the quartile and median staff pay levels.

Option C: Using other available pay data to determine the same three statistics.

Statement of implementation of Directors' remuneration policy

The Directors' remuneration policy is set out in the Appendix to this report and took effect on 1 January 2017. It has been applied on an annual basis in each financial year since, including the year ended 31 December 2020. It will be applied to remuneration awards made from 1 January 2021 but will be reviewed during the course of 2021, following completion of the Executive Remuneration Framework Review, to determine whether changes to the Policy are needed in future years.

Relative importance of spend on pay

	% change	2020	2019
Employee benefit cost	+6.9%	**£300.8m**	£281.5m
Revenue	-1.6%	**£539.3m**	£548.1m
UOP	+15.6%	**£67.4m**	£58.3m
Headcount (employees at year-end)	2.1%	**4,932**	4,827

Notice periods

Executive Directors have rolling contracts setting out notice periods as shown in the following table:

	Appointment commenced	Notice period provided for
Susan Taylor Martin	1 January 2021	12 months by either party
Craig Smith	15 August 2011	6 months by either party
Scott Steedman	1 October 2012	6 months by either party

Details of Non-Executive Director letters of appointment are as follows:

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

Chairman and Non-Executive fees

The Non-Executive Directors and Chairman's fees were reviewed respectively by the Board and by the Committee and it was agreed that neither the Chairman's nor the Non-Executive Directors' fees would be increased in 2020 in light of the decision to defer staff pay increases as a result of the Covid-19 pandemic. No Senior Independent Director fees were paid to Lucinda Riches after stepping down in May 2020. Alison Wood took over the role of Senior Independent Director in May 2020 but waived her fees for undertaking that role during 2020.

At the date of this report, the following are the standard fees for Non-Executive Directors:

- Chairman: £165,888pa
- Non-executive Director: £41,984pa
- Additional fees for Committee Chairs (other than Nominations Committee) and Senior Independent Director: £5,985pa

Audited information

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

Appendix: BSI Directors' remuneration policy

The Remuneration 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 and purpose. The Committee reviews the policy in advance of the remuneration policy year to ensure it is appropriate and effective in meeting these requirements.

Policy discretion

The Committee retains discretionary power 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 (a notional allocation for the purposes of the Plan with a theoretical value of £1.00), to subsist in appropriate circumstances. In addition, the Committee reserves the right to apply discretion in exceptional circumstances, as it sees fit, regarding payments on appointment and for termination payments.

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics
Salary and fees (Fixed) By attracting, retaining and motivating individuals of the quality required to further the interests of the Company.	The base salaries of Executive Directors are determined by reference to an individual's responsibility and performance and are reviewed annually. Consideration is given to remuneration in comparable organizations when appropriate and external benchmarking is carried out biennially. Executive Directors may, by agreement with the Board, serve as Non-Executive Directors of other companies and retain any fees paid for their services. Non-Executive Directors receive a fee for their services to the Company which is reviewed annually.	—	Not applicable.
Benefits (Fixed) By providing a benefits package appropriate to the role of the individual and competitive with similar organizations.	Benefits in kind for Executive Directors principally include, where appropriate, the provision of a company car 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 and grossed-up tax thereon.	—	Not applicable.
Pension benefits (Fixed) By providing a cost-effective retirement benefit as part of an overall remuneration package.	For Executive Directors the Company makes contributions into defined contribution pension arrangements or provides a cash alternative.	—	Not applicable.
Bonuses (Variable) By providing Directors with incentive to align their performance to the delivery of the shorter-term goals of the business.	Awarded to Executive Directors subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives. 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.	Maximum bonuses for Howard Kerr, Craig Smith and Scott Steedman are 120%, 80% and 80% of base salary, respectively.	Award payments are dependent upon the achievement of targets as set out on page 72.

Appendix: BSI Directors' remuneration policy continued

Policy discretion continued

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics
LTIPs (Variable) By providing Directors with incentive to align their performance to the delivery of longer-term strategic aims and goals of the business and to retain senior executive talent.	These are awarded to Executive Directors subject to the fulfilment of longer-term criteria, determined with reference to BSI's objectives. The targets are established annually and amended if necessary. Awards are subject to malus and clawback provisions. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate. If employment ceases during the vesting period awards will normally lapse in full.	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.

Notes:

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

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

Statement of principles for new Executive Director recruitment

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

Policy on notice periods

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

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

Approach of the Company in setting Non-Executive Director fees

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

Policy on termination payments

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

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

Consideration of employment conditions elsewhere in the Group

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

The Committee receives regular updates from the Group HR Director regarding remuneration elsewhere in the Group and these are considered during the review of the Directors' remuneration policy.

Directors' report

The Directors submit their report and audited financial statements for BSI and its subsidiaries for the year ended 31 December 2020.

It is the Directors' responsibility to prepare the Annual Report and Accounts and they consider that the Annual Report and Financial Statements 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

Strategic report

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

Statement of compliance

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

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

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

Research and development

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

The Board

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

John Hirst
Howard Kerr (resigned 20 January 2021)
Susan Taylor Martin (appointed 20 January 2021)
Craig Smith
Scott Steedman
Tiffany Hall (appointed 14 April 2020)
Douglas Hurt
Ian Lobley
Stephen Page
Lucinda Riches (resigned 19 May 2020)
Alison Wood

The Company Secretary is Grainne Brankin.

More information about the Directors can be found on pages 50 and 51.

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

Annual General Meeting

The 2021 Annual General Meeting will be held at 4.00pm on Tuesday 18 May 2021 at 389 Chiswick High Road, London W4 4AL, subject to any UK Government restrictions in place at the time, as well as online. The business to be considered at the meeting is set out in a separate Notice of Meeting dispatched to the members.

Independent auditors

PwC acted as auditors throughout the year. In accordance with Section 489 of the Companies Act 2006, a resolution proposing the re-appointment of PwC as the Company's auditors will be put to the 2021 Annual General Meeting.

Directors' and officers' liability

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

Section 172 statement

In the decisions taken during the year ended 31 December 2020, the Directors have acted in the way they consider to be in good faith, most likely to promote the success of the Company and its continuing reputation for high standards of business conduct, and for the benefit of its members as a whole, having regard to the stakeholders and matters set out in Section 172 of the UK Companies Act 2006.

Stakeholder engagement

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

Taking account of the interests of our stakeholders is at the centre of BSI's 2021–2025 strategic plan and BSI's purpose of inspiring trust for a more resilient world. As such, examples of BSI's engagement with its key stakeholders including members; employees; contractors; pensioners; consumers; suppliers; standards makers and developers; accreditation bodies and regulators; governments around the world; professional bodies and academia; labour and environmental organizations globally; and local communities can be found throughout this Annual Report. Examples of BSI's key engagement activities in 2020 include:

Key stakeholder or key stakeholder concern	Key engagement	Further information including outcomes
Workforce	The Group communicates and engages with our people using a variety of channels blending in-person, virtual and electronic communication. Underpinning this is a people-centred, inclusive and collaborative culture. In 2020 BSI's Colleague Forum provided a communication channel between employees and the BSI Board and implemented our continuous listening strategy to ensure that the voice of the workforce is heard. The effectiveness of these strategies is tracked through our employee engagement survey.	Further information on the Group's engagement with its workforce can be found on page 38.
Employee wellbeing during Covid-19	BSI conducted a Covid-19 wellbeing survey to ensure we continue to support colleagues with relevant tools and advice. The survey saw a 79% completion rate with 73% of employees reporting an overall favourable wellbeing score.	Further information can be found on pages 16, 17 and 38.
The UK Government	BSI worked closely with BEIS and the Cabinet Office to support the UK's response to the coronavirus pandemic by providing advice on the requirements for face coverings and PPE. BSI also played a leading role in the UK Government's Rapid Manufacture of Ventilator Systems initiative and helped to increase the number of companies manufacturing PPE for medical use. BSI worked closely with Government and regulators to make appropriate standards freely available and provided advice on standards requirements in support of the UK's overseas procurement programme. BSI also worked closely with Government on plans for the end of the EU transition period, including the new 'Designated Standards' system, and with DIT on the role of standards in international trade agreements.	Further information can be found on pages 18, 19 and 41.

Stakeholder engagement continued

Key stakeholder or key stakeholder concern	Key engagement	Further information including outcomes
Subscribing members	In 2020, as a result of the restrictions imposed due to the Covid-19 pandemic, BSI took the opportunity to invite members and other stakeholders to participate in our AGM remotely via an online platform for the first time. The use of technology allowed BSI to extend an invitation to all employees and to a wider group of stakeholders and make a recording of the event available to watch online, broadening the opportunity for BSI and subscribing members to engage through the AGM.	Further information about BSI's engagement with Subscribing Members can be found on pages 40 and 42.
Clients and key accounts	BSI engages regularly through a variety of means including communication with key account managers, BSI's programme of events, customer surveys and training academies. In 2020 BSI has worked closely with clients to establish solutions to continue working together during the Covid-19 pandemic, in particular partnering with clients to use immersive technology to deliver services remotely.	Further information can be found on pages 18 and 19.
Standard makers and developers	Stakeholder participation is critical to BSI's standards development activities. In 2020 BSI's standards conference programme was moved online for both our spring conference and the November conference and awards, attracting over 2,000 individual participants. A key stakeholder engagement mechanism for the Board is BSI's Standards Policy and Strategy Committee (SPSC) which is responsible for reporting to the Board on the preparation of British Standards. The SPSC encourages the participation of stakeholders in standardization; provides advice on active stakeholder involvement in committees; identifies priority areas and new solutions to meet stakeholder needs; and identifies changes in business or society which could imply changes to the National Standards Body (NSB). The SPSC seeks active communication with stakeholders to understand their views.	Further information about stakeholder engagement in BSI's role as NSB can be found on pages 40 to 42.

Key stakeholder or key stakeholder concern	Key engagement	Further information including outcomes
Standards development organizations	BSI has engaged with businesses, consumer groups, professional institutions, standards users and other stakeholders about continued membership of CEN and CENELEC post-EU exit. BSI is a leading member of the International Electrotechnical Commission and has engaged with it in key policy areas during 2020. BSI played a significant role in the review of the IEC's governance. BSI has continued to engage with, contribute to and steer the International Organization for Standardization (ISO) throughout 2020. BSI is a leading member of ISO and as a Group A member has a permanent seat on the ISO Council and the ISO Technical Management Board. Scott Steedman is also the Vice-president (Policy) of ISO responsible for strategy and policy.	Further information about BSI's engagement with standards development organizations can be found on page 41.
Accreditation bodies and competent authorities	In 2020 BSI has worked closely with accreditation bodies and regulators to find alternatives to customary ways of working with a particular focus on delivering services remotely. Working with regulators BSI played a leading role in the UK Government's Rapid Manufacture of Ventilator Systems initiative and helping to increase the number of companies manufacturing PPE for medical use.	Further information on the Group's engagement with accreditation bodies and competent authorities can be found on pages 18 to 19.
Pensioners	The Board regularly engages with members of BSI's Defined Benefit Pension Scheme (the 'Scheme') through various direct and indirect channels, including regular communication with trustees and attendance by Directors at Trustee meetings.	In 2020, and as a result of engagement with the members of the Scheme, the Board decided to implement a change in respect of the trusteeship and appoint PTL Governance Limited as corporate trustee.
Consumers and UK industry	The BSI consumer policy team has built a programme of awareness-raising and training materials which it has delivered to BSI staff, the BSI Consumer and Public Interest Network (CPIN) Coordinators and representatives, members of BSI's Consumer Forum, consumer protection agencies, government and some business representatives. BSI works closely with various industry bodies, leading development in practice and thought concerning new ways of auditing, the employment of new technologies in audit programmes and client interaction. UK industry bodies are represented in standards committees and on the SPSC.	In 2020 BSI launched new consumer and standards webpages at bsigroup.com/consumers. This includes accessible information in consumer-facing language, the value of the consumer voice in standards, CPIN and BSI Consumer Forum and consumer resources.

Stakeholder engagement continued

Key stakeholder or key stakeholder concern	Key engagement	Further information including outcomes
Equality, diversity and inclusion	The Group believes that equality, diversity and inclusion enable delivery of our purpose. To benefit from a diverse workforce, we apply role-related and objective criteria to select and develop talent and we focus on building an inclusive environment where everyone feels able to participate and achieve their potential. The Group is committed to providing a work environment free from harassment and discrimination. We endeavour to treat each individual fairly in relation to job applications, training, promotion and career development. The Board receives an overview of diversity and inclusion at BSI and approves the Group Equality and Diversity Policy annually.	Further information can be found on pages 16, 17 and 62.
Sustainability	Enabling businesses to achieve best practice in sustainability is part of BSI's purpose and BSI's sustainability strategy has been developed on the basis of a materiality assessment carried out through direct engagement with a range of key stakeholders.	A review of the Group's sustainability activities during the year is set out in the Sustainability review on pages 36 to 39. A report from the Sustainability Committee Chair is on pages 63 to 65. Responding to stakeholder feedback, BSI has become carbon neutral from 2020.

Donations
The Company made no political donations during the year (2019: £nil).

Principal risks and uncertainties
The principal risks and uncertainties facing the business are detailed on pages 30 to 32.

Financial instruments
Details of the use and materiality of financial instruments are provided in Notes 3, 19 and 24 to the consolidated financial statements.

Directors' interests
Apart from service contracts or Non-Executive Directors' letters of appointment there was no contract with the Group, during or at the end of the financial year, in which a Director is or was materially interested and which is or was significant in relation to the Group's business during the period under review. No Director has any beneficial interest in the Company. It is noted that John Hirst is a Non-Executive Director of Marsh Limited, which was engaged as the Group's insurance broker in December 2019. The decision to engage Marsh Limited was taken on an arm's length basis and Mr Hurst did not take part in that decision.

Going concern
In recent years, the Group has delivered increasing revenue and stable profits and has a broad portfolio of clients. The Board maintains an effective risk management system and has taken reasonable steps to manage the risks faced by the business. The business performed strongly during the Covid-19 pandemic in 2020 and ended the year with no debt and £132.1m in cash and deposits, an increase of 55% or £47.0m during the year. While revenue for the full year declined by 2% on 2019, the final two quarters of the year showed annual growth as BSI transformed its business model to deliver more services remotely. The collection of trade receivables was not affected materially by the crisis and receivables written off during the year amounted to £1.3m, a reduction of £0.6m from 2019 and 0.2% of revenue.

During 2020, BSI proved that it was able to trade robustly despite the pandemic. Early 2021 trading is showing similar characteristics with revenue in line with expectations, robust profit levels and strong cash generation. Our current cash position is significantly higher than it was twelve months ago when the pandemic began to impact trading. Cash is expected to continue at its current high level throughout the remainder of 2021 and the early part of 2022 forecasted for this purpose. Our experience of 2020 has proved that we are able to mitigate significant revenue reduction through careful cost and cash management without the need to resort to external funding. Sensitivity analysis, applying what the Directors assume to be a severe but plausible downside, has been performed on our forecast cash flows; if revenues were to reduce by 30% from our forecast levels, taking into account the base level of business costs, the Group is able to maintain a net positive cash position for the next 12 months. This scenario still assumes the Company does not take advantage of external funding.

As a result, the Directors consider that the Company and its subsidiaries have adequate resources to continue in operational existence for at least the twelve months following the approval of this Annual Report and, accordingly, have adopted the going concern basis in preparing the Company's and the Group's financial statements.

Viability statement
The Directors have considered the ongoing viability of the Group.

Each year, the Directors agree a strategic plan for the business. The 2021 to 2025 strategic plan, prepared in late 2020, was based on the expected economic environment across all our markets. The plan reflected the Group's strategic objectives and initiatives, consistent with the risk appetite of the Group, as agreed by the Board. BSI has a long history of underlying revenue growth and operating profit stability and this plan showed a continuation of these trends.

The Directors have reviewed the strategic plan for the Group and taken into consideration the business performance through the pandemic and ability of the Group to remain cash generating. The current cash position is significantly higher than it was twelve months ago when the pandemic began to impact trading. Cash is expected to continue at its current high level throughout the remainder of 2021 and each year of the strategic plan beyond this is cash generative in isolation. The Group's experience of 2020 has proved that it is able to mitigate revenue reduction through careful cost and cash management without the need to resort to external funding. As a result of this analysis, the Group continues to adopt the going concern basis in preparing its financial statements and in assessing the Group's viability the Directors have considered the sensitivity of the assumptions within its longer-term plans.

As a result of this, and a review of the strategic plan up to the end of 2025, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due for at least that period of time. The Group has a programme of developing its resilience in accordance with the principles set out in BS 65000 (Organizational Resilience). This will help ensure that we are able to anticipate, prepare for, respond to and adapt to incremental change and disruption, enabling the Group to survive and prosper into the future.

By Order of the Board

Grainne Brankin
Company Secretary
22 March 2021

Financial statements

Consolidated financial statements

Parent company financial statements

Independent auditors' report

to the Board of Directors of The British Standards Institution

Report on the audit of the financial statements

Opinion

In our opinion:

- The British Standards Institution's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and the financial statements (the "Annual Report"), which comprise: the consolidated and parent company balance sheet as at 31 December 2020; the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and parent company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Our audit approach

Overview

Audit scope

- We performed an audit of the complete financial information of the BSI Standards Limited, BSI UK Assurance Limited, BSI Group America Inc. and BSI Group The Netherlands B.V. operations due to their financial significance to the Group, together with the global head office Group function.
- We performed specified audit procedures at six further reporting locations with the Group engagement team directly performing these audit procedures over BSI Cyber Security Information Resilience (UK) Limited, BSI Cyber Security Information Resilience (Ireland) Limited, BSI Group Deutschland GmbH and BSI Group Italia S.R.L. Local teams were instructed to perform work over the Dubai branch of BSI Management Systems Ltd and BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China.
- The components over which we performed our audit work, considered together with the corporate function accounted for 66.2% of the Group's external revenues and 91.0% of the Group's profit before tax.

Key audit matters

- Valuation of defined benefit pension scheme assets and liabilities (Group and parent company)
- Consideration of goodwill and acquired intangible assets for impairments (Group)
- Impact of Covid-19 (Group and parent company)

Materiality

- Overall Group materiality: £3,225,000 (2019: £2,600,000) based on 5% of profit before tax.
- Overall parent company materiality: £2,900,000 (2019: £372,000) based on 0.78% of total assets (capped due to Group materiality level).
- Performance materiality: £2,400,000 (Group) and £2,175,000 (parent company).

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

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

Our audit approach continued

Capability of the audit in detecting irregularities, including fraud continued

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

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

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

Key audit matters

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

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

Acquisition accounting of AppSec Consulting Inc and implementation of IFRS 16, which were key audit matters last year, are no longer included because these items were one-off events relating to 2019. We have not identified any related one-off events this year which require inclusion as a key audit matter. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of defined benefit pension scheme assets and liabilities (Group and parent company) The Group operates a UK defined benefit pension plan with a net retirement benefit obligation liability of £33.7m, which is significant in the context of the overall balance sheet of the Group and of the parent company. The valuation of the defined benefit obligation and the scheme assets related to the UK pension scheme, requires significant levels of judgement and technical expertise in applying appropriate assumptions. The key assumptions include discount rates, RPI and CPI inflation rates and mortality rates. Other pension assets are managed by third-party investment managers who provide independent valuations. The Directors engage actuarial experts to assist them in identifying appropriate assumptions to apply to the valuation of the defined benefit obligation and appropriate assumptions to apply when valuing the annuity asset. Given the magnitude of the scheme assets and defined benefit obligation, changes in assumptions or valuations could potentially result in material changes to the net position recognized.	To address this risk, we have designed and performed procedures over both the report issued to the Directors by the actuary, and the confirmations provided by the investment managers. We have engaged our actuarial experts to assist in the assessment of the methodology and assumptions underpinning the valuation of the defined benefit obligation and annuity assets. The following procedures have been performed: • review of the methodology applied by the actuary, assessing its appropriateness and consistency with prior periods; • assessing the reasonableness of the assumptions around discount rates, mortality and inflation rates by comparing them to our independently developed benchmarks; and • recalculation of the liabilities and annuity assets to ensure the reasonableness of the impact of changes in the assumptions referred to above, during the period. In addition to the above, we have performed testing over the valuation of the scheme assets through comparison to market data available on the securities and equities, obtaining bank statements to support the cash balances and review of internal control reports issued to the investment managers. All assumptions, methodologies and valuations subject to our procedures were supported by the work performed.

Our audit approach continued

Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Consideration of goodwill and acquired intangible assets for impairments (Group) The Group has £71.9m of goodwill as at 31 December 2020 (31 December 2019: £71.9m) and £13.4m of acquired intangibles as at 31 December 2020 (31 December 2019: £16.3m). The carrying values of these assets are contingent upon future cash flows which may be impacted by developments in the market and the business performing below expectations. We consider this to be a key audit matter given the magnitude of the relevant balances and the significant judgement and estimation involved in the impairment assessments of these assets. We note that this is specifically in relation to the EHS and CSIR CGUs due to the minimal level of headroom available from the base case scenarios. The key assumptions in management's cash flow projections are; short to medium term revenue growth and profitability, long term growth rates, and discount rates. Changes in these assumptions could potentially lead to an impairment in the carrying value of these assets.	To address this risk, we have designed and performed audit procedures over the impairment assessments prepared by management. We have assessed the allocation and aggregation of goodwill to the respective cash generating unit Groups ("CGU Groups") and the appropriateness of this approach. We tested the reasonableness of management's key assumptions and the sensitivity through the following procedures: • verification of the mathematical accuracy of the spreadsheet used to model future financial performance • an assessment of the achievability of the revenue and margin forecasts, including an evaluation of the assumptions in management's forecast including understanding of the following: – the opportunities for growth in the relevant markets; – comparison of the previous track record compared to the forecast results; – comparison to results achieved for the relevant revenue streams in comparable markets; and – understanding and verification of the key changes in strategies/operating models which are expected to drive growth; • we have utilized our valuations experts to evaluate the discount rate and long-term growth forecasts; and • performed an evaluation of the basis of the costing and working capital assumptions that management has included within its model based on current contractual commitments and forecasted spend. Through the procedures above we noted that for two CGUs the value in use assessment was extremely sensitive to small changes in the assumptions, which could indicate a risk of impairment. In addition to our review of the value in use assessment prepared by management, we also considered market scale indicators of fair value to corroborate the assertion that the carrying value of these CGUs is recoverable. The following procedures were performed: • calculation of the historical and forecast implied earnings before interest tax and depreciation ("EBITDA") multiples (vs carrying value) and EBITDA margins; • comparison of the previous track record compared to the forecast results; • comparison of the implied multiples calculated for the CGUs against those of companies considered to be comparable; and • consideration of the likelihood of the businesses being able to achieve a level of forecast results which, using current market multiples, could support the carrying value. In performing these assessments, the audit team focused on applying an appropriate level of professional scepticism when challenging the assumptions presented by management. We focused on those CGUs where we believe there is the most significant risk of impairment, specifically the EHS and CSIR CGU Groups. As part of our review of the model we challenged the discount rate methodology and the application of certain cost assumptions. As a result of this challenge, based on further consideration management updated its final model. Based on the work performed we found that the underlying financial information and assumptions used were not unreasonable. We have also assessed the disclosures made in the financial statements, including sensitivity analysis and the reasonably possible downsides. From the procedures performed, we are satisfied that these disclosures are appropriate.

Our audit approach continued
Key audit matters continued

Key audit matter	How our audit addressed the key audit matter
Impact of Covid-19 (Group and parent company) The Covid-19 pandemic has impacted the world throughout FY20. In the context of the Group and Company, overall, the business has proved to be very resilient against the challenges created by the pandemic. In the initial stages of the pandemic, management took actions early in FY20 to safeguard the business. This included the following; • payment holidays in respect of the contributions made to the defined benefit pension scheme; • deferral of bonus payments and pay rises; • arrangement of a borrowing facility; • increased frequency of review of outstanding receivable balances; and • completion of a detailed going concern assessment to support the going concern assertion including downside scenarios. FY 20 performance has demonstrated a positive cash position and very few issues with recovery of receivables. As such management did not require the use of the borrowing facility, has not identified any impairment of assets and recommenced the payment of pension contributions and the payment of staff bonuses. In respect of the going concern assessment for the year ended 31 December 2020 management has not identified any material uncertainties. In respect of the Company, given the nature of the business being largely Group related costs, there has been little impact on the operations and results as a result of Covid-19.	Covid-19 has had a significant impact on how we conduct our audit, resulting in our audit being completed on a fully remote basis. We have therefore designed alternative procedures as required (for example in place of physically viewing fixed assets) to complete our audit. In addition to this change, we have considered the impact of Covid-19 on our audit approach. The following procedures have been performed to address the risks specifically driven by the existence of the Covid-19 pandemic: • review of management's going concern assessment, including checking the formulas within the model, assessing the consistency of the assumptions with other areas such as cash flows included in assessing goodwill impairment and challenging the downside scenarios to ensure these are appropriate; • review of the minutes of meetings; • review of correspondence with banks regarding the year end cash balances and confirmation of the undrawn facility; • review of the ageing of debtors, the adequacy of provisions for expected credit losses and the level of bad debt provisions and expense incurred throughout the period; and • review of the disclosures within the Annual Report. We have not noted any information through our audit which would indicate any material uncertainty with respect to going concern, or any material risk in the recoverability of the assets recognized by the Group and the Company.

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

The British Standards Institution Group is managed on business stream basis however, it's legal entity structure is based on geographical location. In line with prior years, we have scoped our audit at a legal entity level. The significant components for the purposes of our audit were BSI UK Assurance Ltd, BSI Standards Ltd, BSI Group America Inc. and BSI Group The Netherlands B.V.; a full scope audit was performed for these components.

We also brought smaller components into scope for specified procedures to gain comfort over specific accounts; these were BSI Cyber Security Information Resilience (UK) Limited, BSI Cyber Security Information Resilience (Ireland) Limited, BSI Group Deutschland GmbH, BSI Group Italia S.R.L., the Dubai branch of BSI Management Systems Ltd and BSI Management Systems Certification (Beijing) Co. Ltd and BSI Certification and Technical Training (Beijing) Limited in China.

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

Our audit approach continued

Materiality continued

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

	Financial statements – Group	Financial statements – parent company
Overall materiality	£3,225,000 (2019: £2,600,000).	£2,900,000 (2019: £372,000).
How we determined it	5% of profit before tax	0.78% of total assets (The materiality level has been capped in consideration of the overall Group materiality level).
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice for profit-oriented entities, in the absence of indicators that an alternative benchmark would be appropriate. We believe that the profit before tax provides us with a consistent year-on-year basis for determining materiality. Forecast profit before tax was used as a benchmark for materiality calculated at the planning stage and communicated to the Audit Committee in November. This has subsequently been updated at the year end based on the final profit before tax for the year ended 31 December 2020. The benchmark applied to determine materiality has remained consistent with prior year, being 5% of profit before tax.	The parent company's operations are that of a holding company; holding the Group's pension scheme and investments in subsidiaries and acting as a group wide corporate centre. We consider the parent company's investment in subsidiaries and Group pension scheme activities to be the most significant and we have therefore identified total assets as the most appropriate benchmark on which to base materiality. In addition, given BSI voluntary applies governance processes which are broadly consistent with those of a listed public interest entity, we have concluded, together with the Audit Committee, that it is appropriate to apply a rule of thumb to the materiality benchmark consistent with that applicable for a listed group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £201,000 and £2,900,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

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

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

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £322,500 (Group audit) (2019: £260,000) and £290,000 (parent company audit) (2019: £24,800) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- We reviewed cash flow forecasts for the next twelve months from the date of approval of the financial statements.
- We have inquired with management as to the basis behind the going concern assessment and understood the process undertaken to perform the going concern assessment.
- We have reviewed the minutes of meetings and other reports such as internal audit reports and risk reports to assess if there is any information which would be contrary to the assessment presented by management.
- We have reviewed the latest available management accounts to identify if there are any unusual balances or trends, or indication of issues in the performance of the Group and parent company.

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

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

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' remuneration

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

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

Corporate governance statement

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

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

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

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

Corporate governance statement continued

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the Board of Directors of the Group as a body to enable the Board to discharge its stewardship and fiduciary responsibilities under the terms of the Royal Charter and Bye-laws and where applicable in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
22 March 2021

Consolidated income statement

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Revenue	5, 6	**539.3**	548.1
Cost of sales		**(268.7)**	(294.4)
Gross profit		**270.6**	253.7
Selling and distribution expenses		**(72.2)**	(71.5)
Administrative expenses		**(131.0)**	(123.9)
Operating profit before exceptional costs	5	**67.4**	58.3
Exceptional operating costs	7	**—**	(3.6)
Operating profit	7	**67.4**	54.7
Finance income	10	**0.2**	0.4
Finance costs	10	**(3.1)**	(3.9)
Profit before income tax		**64.5**	51.2
Income tax expense	11	**(20.4)**	(14.6)
Profit for the year		**44.1**	36.6

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

The accompanying notes on pages 99 to 134 form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Profit for the year		**44.1**	36.6
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations, net of taxes	21b	**(0.8)**	2.7
		(0.8)	2.7
Items that may subsequently be reclassified to profit or loss			
Currency translation differences		**(1.4)**	(4.5)
		(1.4)	(4.5)
Total other comprehensive loss for the year, net of taxes		**(2.2)**	(1.8)
Total comprehensive income for the year		**41.9**	34.8

The accompanying notes on pages 99 to 134 form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Note	Retained earnings £m	Translation reserve £m	Total £m
At 1 January 2019		165.1	7.5	172.6
Profit for the year		36.6	—	36.6
Re-measurements of post-employment benefit obligations, net of taxes	21b	2.7	—	2.7
Currency translation differences		—	(4.5)	(4.5)
At 31 December 2019		**204.4**	**3.0**	**207.4**
Profit for the year		**44.1**	**—**	**44.1**
Re-measurements of post-employment benefit obligations, net of taxes	21b	**(0.8)**	**—**	**(0.8)**
Currency translation differences		**—**	**(1.4)**	**(1.4)**
At 31 December 2020		**247.7**	**1.6**	**249.3**

The accompanying notes on pages 99 to 134 form an integral part of the consolidated financial statements.

Retained earnings

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

Translation reserve

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

Consolidated balance sheet

as at 31 December 2020

	Note	2020 £m	2019 £m
Assets			
Non-current assets			
Property, plant and equipment	12	**24.5**	26.6
Goodwill	13	**71.9**	71.9
Intangible assets	13	**38.0**	35.5
Right-of-use assets	14	**33.0**	37.8
Deferred tax assets	15	**11.5**	16.4
Trade and other receivables	16	**9.3**	8.3
Contract costs	17	**16.0**	15.6
Total non-current assets		**204.2**	212.1
Current assets			
Inventories	18	**0.1**	0.1
Trade and other receivables	16	**140.5**	138.6
Derivative financial instruments	19	**—**	—
Current tax assets		**3.0**	5.5
Fixed-term deposits	20	**—**	15.0
Cash and cash equivalents	20	**132.1**	70.1
Total current assets		**275.7**	229.3
Total assets		**479.9**	441.4
Liabilities			
Non-current liabilities			
Deferred tax liabilities	15	**(4.8)**	(6.3)
Net retirement benefit obligations	21	**(36.4)**	(59.6)
Provisions for liabilities and charges	22	**(2.5)**	(2.4)
Trade and other payables	23	**(8.9)**	(10.3)
Lease liabilities	14	**(35.8)**	(39.1)
Total non-current liabilities		**(88.4)**	(117.7)
Current liabilities			
Trade and other payables	23	**(125.3)**	(100.3)
Lease liabilities	14	**(9.2)**	(11.3)
Current tax payables		**(7.3)**	(4.4)
Provisions for liabilities and charges	22	**(0.4)**	(0.3)
Total current liabilities		**(142.2)**	(116.3)
Total liabilities		**(230.6)**	(234.0)
Net assets		**249.3**	207.4
Reserves			
Retained earnings		**247.7**	204.4
Translation reserve		**1.6**	3.0
Total reserves		**249.3**	207.4

The accompanying notes on pages 99 to 134 form an integral part of the consolidated financial statements. The consolidated financial statements on pages 94 to 98 were approved by the Board of Directors on 22 March 2021 and were signed on its behalf by:

Craig Smith FCCA
Group Finance Director
22 March 2021

Consolidated statement of cash flows

for the year ended 31 December 2020

	Note	2020 £m	2019 £m
Cash flows from operating activities			
Profit before income tax		**64.5**	51.2
Adjustments for:			
– Depreciation of property, plant and equipment	7	**5.7**	5.7
– Loss on disposal of tangible assets	7	**0.1**	0.5
– Amortization of intangible assets	7	**8.5**	6.7
– Impairment of intangible assets	7	**0.6**	0.2
– Depreciation of right-of-use assets	7	**9.0**	8.6
– Gain on disposal of right-of-use assets	7	**(0.6)**	—
– Loss allowance on trade receivables	7	**1.4**	0.3
– Bad debts written off to profit or loss directly	7	**1.1**	0.7
– Finance income	10	**(0.2)**	(0.4)
– Finance costs	10	**3.1**	3.9
– Net capitalization of contract costs	17	**(0.5)**	(1.1)
– Retirement benefit charges	21b	**1.0**	1.1
Changes in working capital (excluding the exchange differences on consolidation):			
– Increase in trade and other receivables		**(6.5)**	(17.1)
– Decrease in derivative financial instrument asset		**—**	0.1
– Increase in trade and other payables		**23.9**	1.8
– Increase/(decrease) in provisions for liabilities and charges		**0.2**	(0.3)
Retirement benefit payments	21b	**(27.3)**	(13.7)
Cash generated from operations		**84.0**	48.2
Interest received		**0.2**	0.4
Interest elements of lease payments	14	**(2.2)**	(2.2)
Income tax paid		**(11.2)**	(11.8)
Net cash generated from operating activities		**70.8**	34.6
Cash flows from investing activities			
Purchases of property, plant and equipment	12	**(4.3)**	(6.6)
Purchases of intangible assets	13	**(11.7)**	(11.4)
Maturity of fixed-term deposits	20a	**15.0**	—
Acquisition of subsidiaries, net of cash acquired		**—**	(7.6)
Net cash used in investing activities		**(1.0)**	(25.6)
Cash flow from financing activity			
Principal elements of lease payments	14	**(8.9)**	(8.7)
Net cash used in financing activity		**(8.9)**	(8.7)
Net increase in cash and cash equivalents		**60.9**	0.3
Opening cash and cash equivalents		**70.1**	71.8
Exchange gain/(loss) on cash and cash equivalents		**1.1**	(2.0)
Closing cash and cash equivalents	20b	**132.1**	70.1

The accompanying notes on pages 99 to 134 form an integral part of the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2020

1. Corporate information

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

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

The consolidated financial statements were approved by the Board of Directors on 22 March 2021.

2. Principal accounting policies

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

a. Basis of preparation

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

The Directors have reviewed the strategic plan for the Group and taken into consideration the business performance through the pandemic and ability of the Group to remain cash generating. The current cash position is significantly higher than it was twelve months ago when the pandemic began to impact trading. Cash is expected to continue at its current high level throughout the remainder of 2021 and each year of the strategic plan beyond this is cash-generative in isolation. The Group's experience of 2020 has proved that it is able to mitigate revenue reduction through careful cost and cash management without the need to resort to external funding. As a result of this analysis, the Group continues to adopt the going concern basis in preparing its financial statements and in assessing the Group's viability the Directors have considered the sensitivity of the assumptions within its longer-term plans. Further details on the review of the going concern and viability of the Group are disclosed on page 85.

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

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

b. Changes in accounting policy and disclosures

A number of amendments and interpretations to standards are effective from 1 January 2020 but they do not have a significant effect on the consolidated financial statements of the Group.

c. Basis of consolidation

i. Subsidiaries

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

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

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

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

Acquisition related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

2. Principal accounting policies continued

c. Basis of consolidation continued

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

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

iii. Disposal of subsidiaries

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

d. Segment reporting

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

e. Foreign currency translation

i. Functional and presentation currency

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

ii. Transactions and balances

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

iii. Group companies

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

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

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

f. Property, plant and equipment

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

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

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

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

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

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

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

2. Principal accounting policies continued

g. Intangible assets

i. Goodwill

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

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

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

ii. Computer software

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

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

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

Costs include the employee costs incurred on software development.

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

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

iii. Acquired intangible assets

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

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

iv. Internally generated product development costs

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

h. Impairment of non-financial assets

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

i. Inventories

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

2. Principal accounting policies continued

j. Financial assets

i. Classifications

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

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for assets with maturities greater than one year after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'fixed-term deposits' and 'cash and cash equivalents' in the balance sheet (Notes 16 and 20).

ii. Recognition and measurement

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

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

k. Impairment of financial assets

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

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

l. Offsetting financial instruments

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

m. Derivative financial instruments and hedging activities

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

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

The Group designates its derivatives as either:

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

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 19. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than one year and as a current asset or liability when the remaining maturity of the hedged item is less than one year.

2. Principal accounting policies continued

m. Derivative financial instruments and hedging activities continued

i. Cash flow hedge

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

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

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

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

ii. Net investment hedge

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

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

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

n. Trade receivables

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

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

o. Fixed-term deposits

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

p. Cash and cash equivalents

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

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

q. Trade payables

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

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

r. Current and deferred income tax

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

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

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

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

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

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

2. Principal accounting policies continued

s. Provision for liabilities and charges

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

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

t. Employee benefits

i. Termination benefits

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

ii. Bonus plans

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

iii. Long Term Incentive Plan

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

u. Retirement benefit obligations

i. Defined benefit pension schemes

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

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

The valuation of the Group's net obligation is performed by an independent qualified actuary as appointed by the Group. Pension scheme assets are measured using market values for quoted assets. The MetLife Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 21b. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent duration and currency to the liability.

The income statement charge is split between an operating charge and a net finance charge. The operating charge relates to administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme using that same discount rate, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

ii. Defined contribution pension schemes

The Group pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts. The contributions are recognized as employee benefit expense when they are due.

v. Revenue

Revenue is measured based on the consideration specified in a contract with a customer net of value added tax, returns, rebates, discounts and amounts collected on behalf of third parties and after eliminating inter-company revenue within the Group. The Group recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

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

w. Incremental costs of obtaining contracts

Incremental costs of obtaining contacts, such as sales commissions, are capitalized and amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. If the expected amortization period is one year or less, then the costs are expensed when incurred.

x. Exceptional items

The Group presents as exceptional items on the face of the consolidated income statement those items of income and expense which, because of the nature or expected infrequency of the events giving rise to them, merit separate presentation to allow users of the consolidated financial statements to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

y. Borrowing costs

Borrowing costs are recognized as an expense when incurred.

2. Principal accounting policies continued

z. Leases

Each lease is recognized as a right-of-use asset with a corresponding liability for the full lease term at the date at which the leased asset is available for use by the Group.

The Group assesses at contract inception whether a contract is, or contains, a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

i. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in the section 'Impairment of non-financial assets' in Note 2(h).

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (for example, changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

iii. Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

iv. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases, being those leases that have a lease term of one year or less from the commencement date and do not contain a purchase option. The Group also applies the recognition exemption to leases of which the underlying asset is of low value, comprising assets below the Group's capitalization threshold. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

aa. Other income

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

3. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk), credit risk and liquidity risk. As part of an overall risk management programme, the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, use of derivative financial instruments and non-derivative financial instruments, credit risk and investment of excess liquidity. Operating within these guidelines, Group Treasury identifies, evaluates and, where appropriate, hedges financial risks in close co-operation with the Group's operating units.

a. Market risk – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, the Euro, the Australian Dollar, the Chinese Renminbi and the Japanese Yen. Foreign exchange risk arises when future commercial transactions, recognized assets and liabilities and net investments in foreign operations are denominated in a currency that is not the entity's functional currency.

Management has set up a policy to require Group companies to manage their foreign exchange risk against their functional currency. Group companies are required to hedge material foreign exchange risk exposure with Group Treasury. To manage their foreign exchange risk arising from known future commercial transactions and material recognized assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. The Group buys or sells currencies forward so as to hedge exchange risk on relevant transactional activities.

The Group has certain investments in foreign operations whose net assets are exposed to foreign currency translation risk. The Group does not seek to hedge these net assets and recognizes that an element of balance sheet volatility is inherent in managing foreign operations.

The following table details the sensitivity of the Group's operating profit to movements in the major currencies in which it operates. This analysis considers the impact of the British Pound Sterling strengthening by 10% against the most significant foreign currencies used by operating units in the Group. The example movement of 10% has been selected in order to demonstrate that operating profit is not particularly sensitive to exchange rate fluctuations. The average movement in each currency during the previous three annual reporting periods is shown for comparison.

Currency	2020 average exchange rate	Absolute average exchange rate movement*	Adverse impact on operating profit of 10% rate movement
Australian Dollar	**1.86**	**3.2%**	**£0.2m**
Chinese Renminbi	**8.87**	**0.4%**	**£0.2m**
Euro	**1.12**	**1.1%**	**£1.4m**
Japanese Yen	**137**	**2.4%**	**£0.3m**
US Dollar	**1.29**	**2.2%**	**£1.7m**

* These movements indicate the absolute average exchange rate movement over the last three years to indicate volatility, whether positive or negative.

A similar strengthening of 10% in the British Pound Sterling against all of the currencies in which the Group has exposure would result in an adverse operating profit impact of £4.2m.

b. Credit risk

Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The Group considers its exposure to credit risk at 31 December to be as follows:

	2020 £m	2019 £m
Cash and cash equivalents and fixed-term deposits (Note 20)	**132.1**	85.1
Trade receivables (Note 16)	**91.4**	90.9
Other receivables (Note 16)	**58.4**	56.0
Total credit risk	**281.9**	232.0

3. Financial risk management continued

Financial risk factors continued

b. Credit risk continued

i. Risk management

The Group's credit risk from banking institutions is considered to be low. The majority of funds are held in the UK with four relationship banks (HSBC, RBS, Barclays and Lloyds), with counterparty limits operated in accordance with Board policies. Furthermore, we have a global banking arrangement with HSBC resulting in most overseas funds being held with it. All counterparties are reviewed on an ongoing basis for financial strength.

Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. New customers are reviewed for creditworthiness with credit terms amended as appropriate. The majority of the Group's trade receivables are due for payment within 30–60 days. Concentrations of credit risk with respect to trade receivables are limited as the Group's customer base is large and unrelated, and, where appropriate, individual accounts receivable are provided against. Due to this, management believes there is no further credit risk provision required in excess of the normal loss allowance on trade receivables.

ii. Impairment of financial assets

The Group's trade receivables arising from all revenue are subject to the expected credit loss model. While cash and cash equivalents and other contract assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of trade receivables over a period of 36 months to 31 December 2020 or 31 December 2019, respectively, and the corresponding historical credit losses experienced within these periods. The historical loss rates are adjusted to reflect current and forward-looking information on economic factors affecting the ability of the customers to settle the receivables. On that basis, the loss allowance as at 31 December 2020 and 31 December 2019 was determined as follows for trade receivables (Note 16):

At 31 December 2020	**Current**	**More than 30 days past due**	**More than 90 days past due**	**More than 150 days past due**	**Total**
Expected loss rate	**0.3%**	**2.3%**	**7.8%**	**47.5%**	**3.9%**
Gross carrying amount – trade receivables (£m)	**73.6**	**12.0**	**3.6**	**5.9**	**95.1**
Loss allowance (£m)	**0.3**	**0.3**	**0.3**	**2.8**	**3.7**

At 31 December 2019	Current	More than 30 days past due	More than 90 days past due	More than 150 days past due	Total
Expected loss rate	0.2%	1.0%	7.0%	30.1%	2.7%
Gross carrying amount – trade receivables (£m)	68.8	13.6	4.4	6.6	93.4
Loss allowance (£m)	0.1	0.1	0.3	2.0	2.5

The reconciliation of the closing loss allowance on trade receivables to the opening loss allowance is shown in Note 16.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage with the Company, and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

c. Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group Finance. Group Finance and Group Treasury monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining undrawn committed borrowing facilities at all times.

Surplus cash held by the operating entities over and above the balances required for working capital management is transferred to Group Treasury. Group Treasury invests surplus cash in interest-bearing current accounts, term deposits and money market deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held no money market funds but held other liquid assets of £132.1m that are expected to readily generate cash inflows for managing liquidity risk.

Prudent liquidity risk management implies the maintenance of sufficient cash and cash equivalents, the availability of funding through committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by maintaining availability under committed credit lines. These credit lines were unused at the year-end.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. As the majority of the "Trade and other payables excluding deferred income" are short term in nature, their fair values approximate to their carrying values as the impact of discounting is not significant. The Group did not hold any net-settled derivative financial liabilities at 31 December 2020 and 2019.

3. Financial risk management continued
Financial risk factors continued

c. Liquidity risk continued

At 31 December 2020	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income (Note 23)	**89.8**	**0.8**	**0.7**	**7.4**
Lease liabilities	**11.0**	**9.4**	**19.6**	**7.6**

At 31 December 2019	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Trade and other payables excluding deferred income (Note 23)	70.4	2.1	0.1	8.1
Lease liabilities	11.2	11.6	21.3	13.9

4. Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2h. Impairment testing requires management to judge whether the carrying value of assets can be supported by value-in-use calculations, based on the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires estimates to be made in respect of uncertain matters including management's expectations of:

- growth in adjusted EBITDA, calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads;
- timing and amount of future capital expenditure, including an allocation of corporate capital expenditure;
- long-term growth rates; and
- appropriate discount rates to reflect the risks involved.

Management prepares five-year forecasts for the Group's operations, which are used to estimate the value in use of the Group's cash-generating units (CGUs). A long-term growth rate into perpetuity has been determined for the CGUs based on a weighted average of rates obtained from the International Monetary Fund's World Economic Outlook Database for the countries in which the Group operates. The rate for each country is calculated based on the lower of:

- the average growth rates predicted for the five years 2021–2025;
- the predicted rate for 2025, which is the final year of the Group's five-year forecast; and
- the average growth rate of the past five years combined with the predicted rates for the five years 2021–2025.

Discount rates applied to the cash flow forecasts are pre-tax, derived using the capital asset pricing model and obtained from an independent third-party company with expertise in this area.

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

b. Deferred tax assets
Deferred tax assets are recognized for all unused tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses and temporary differences can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits shown in the latest approved financial projections, together with future tax planning strategies.

The deferred tax assets recognized and not recognized are detailed in Note 15.

c. Retirement benefit obligations
The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary.

The liabilities allow for indexation of benefits in line with the Consumer Prices Index (CPI).

The principal assumptions and a sensitivity analysis are detailed in Note 21b.

4. Critical accounting estimates and judgements continued

d. Incremental costs of obtaining contracts

Management judgement is required to determine the period of benefit from contracts, which is either the contract period or a calculated estimate of an average customer life based on historical data.

The incremental costs of obtaining contracts are disclosed in Note 17.

e. Determining the lease term of contracts with extension and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the extension or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend or to terminate (for example, construction of significant leasehold improvements or significant customization to the leased asset). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

f. Leases – estimating the incremental borrowing rate

Where the Group cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

To estimate the IBR, the Group obtains from HSBC or other local banks indicative borrowing rates on hypothetical borrowing transactions. The amount to be borrowed in each case would be based on the total undiscounted future cash flows under a lease, in the same currency as required by the lease agreement, with a repayment profile that mirrors the timing of the expected lease payments. The borrowing would be without any security and backed up only by the strength of the individual entity's latest available financial statements (or management accounts if the local entity does not have statutory reporting obligation). Once decided, the IBR will remain unchanged unless there are modifications in lease terms or changes in the assessment of an option to purchase the underlying asset.

5. Segment information

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

The business streams reported are:

- Knowledge – comprises Standards Development, Services and Information Solution businesses.
- Assurance Services – comprises Systems Certification, Product Certification and Training businesses.
- Regulatory Services – comprises Systems Certification and Product Certification into the Medical Devices industry.
- Consulting Services – comprises two businesses, an Environment, Health, Safety, Sustainability and Security (EH3S) consultancy and a Cyber Security and Information Resilience (CSIR) consultancy.

Governance and support functions comprise those functions responsible for directional oversight and policy framework creation and compliance for the Group as well as support functions to the business streams, mainly Commercial and Sector Management, Finance, Information Technology, Human Resources, Facilities and Legal. These are not allocated to business streams.

The performance of these business stream segments is measured at operating profit before exceptional costs and that treatment is reported here. This measure excludes the financing costs and actuarial adjustments of the UK defined benefit pension scheme, finance income, finance costs, income tax expenses and the effects of exceptional operating costs from the operating segments.

The segment information provided to the Board for the reportable segments for the years ended 31 December 2020 and 31 December 2019 is as follows:

2020	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Governance/ support functions £m	Total £m
Revenue	**65.3**	**263.0**	**143.0**	**68.0**	**—**	**539.3**
Operating profit before exceptional costs	**29.3**	**78.9**	**68.3**	**9.2**	**(118.3)**	**67.4**
Depreciation and amortization	(1.1)	(3.4)	(0.9)	(0.2)	(17.6)	(23.2)
Finance income	—	—	—	—	0.2	0.2
Finance costs	—	—	—	—	(3.1)	(3.1)
Income tax expense	—	—	—	—	(20.4)	(20.4)

5. Segment information continued

2019	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Governance/ support functions £m	Total £m
Revenue	66.5	283.0	119.4	79.2	—	548.1
Operating profit before exceptional costs	32.0	79.5	45.3	13.8	(112.3)	58.3
Depreciation and amortization	(0.9)	(3.1)	(0.7)	(0.4)	(15.9)	(21.0)
Finance income	—	—	—	—	0.4	0.4
Finance costs	—	—	—	—	(3.9)	(3.9)
Income tax expense	—	—	—	—	(14.6)	(14.6)

The chief operating decision-maker is provided with the Group balance sheet. No segmental balance sheet is reported, because the business streams, as the primary segments, do not manage the balance sheet.

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

	2020 £m	2019 £m
Operating profit before exceptional costs	**67.4**	58.3
Acquisition costs (Note 7)	**—**	(2.3)
Restructuring and reorganization (Note 7)	**—**	(1.3)
Finance income	**0.2**	0.4
Finance costs	**(3.1)**	(3.9)
Profit before income tax	**64.5**	51.2

As the Group transacts with a large number of diversified customers, there are no cumulative revenue transactions amounting to 10% or more of total external revenue derived from any single external customer (2019: none).

6. Revenue

a. Nature of goods and services

The following is a description of the principal activities, separated by reportable segments, from which the Group generates its revenue. For more information about reportable segments see Note 5.

i. Knowledge

The Group's Knowledge business stream comprises Standards Development, Services and Information Solutions businesses.

The main sources of external revenue and basis for revenue recognition in this segment are set out below:

- Document revenue
  Document revenue originates from the sale of publications in hard and/or soft copy. Revenue is recognized at a point in time when control of the goods passes to the customer.

- Subscription revenue
  Subscription revenue mainly derives from providing access to BSI's intellectual property and support services, during the subscription period, e.g. BSI's information services, access to published standards information, newsletters, advisory and support services, discounts on products and invitations to events and seminars.

Where there is an ongoing performance obligation for BSI to maintain the intellectual property being accessed, e.g. to keep it up to date and maintain its value to the client, revenue is recognized over the duration of the subscription period. Where there are no further performance obligations for BSI after granting a licence, revenue is recognized at the time the licence is granted.

- Copyright and royalties
  Copyright revenue relates to the grant of a licence to use Knowledge intellectual property over the licence period, e.g. to use all or part of a specific publication in a client document. Copyright revenues are recognized at the time the right-to-use licence is granted. Royalty revenue derives from the grant of licences allowing access to Knowledge intellectual property based on client usage. Revenue is recognized on the basis of usage or over the licence period depending on the contract.

- Services (commissioned content, research, advisory, consultancy and technical assistance)
  Standards Services activity within Knowledge arises from contracts which vary in length, some of which are over a year in duration. Revenue is recognized on consultancy dependent on the nature of the contract. The contracts are a mixture of time and material-based contracts where revenue is recognized over time and contracts where revenue is recognized when the right to consideration is established based on delivery of the whole project or when project milestones have been achieved.

6. Revenue continued

a. Nature of goods and services continued

ii. Assurance Services

The Group's Assurance Services business stream comprises Systems Certification, Product Certification and Training businesses.

Assessment and certification services

These incorporate a number of more discrete services, the main constituents of which are:

- Application fee
  This covers administration and planning costs up to the date of the certification review and for advancing the client's application to the point of assessment. The fee is non-refundable and payable upon submission of the client's signed acceptance of the proposal, with a very specific starter pack being sent out to the client after committing to the assessment process. Revenue is recognized when this activity is delivered.

- Annual management fee (AMF)
  The AMF grants access to a number of BSI's assessment and certification tools (e.g. BSI Assurance Portal), ongoing planning and information. BSI has an ongoing obligation to maintain the information and services being provided over the certification cycle that the AMF relates to. Revenue is recognized over the certification cycle that the AMF relates to.

- Assessment and certification
  These contracts are time and materials based, generally delivered by a number of audit visits (on site and/or remote assessments) by appropriately qualified staff, each over the course of a few days. Revenue is recognized over the period of delivery.

Product testing and certification

- Kitemark licence fee
  The annual Kitemark licence once granted does not require any further obligation on BSI over the licence period. Revenue is recognized at the point the licence is granted.

- Provision of testing services
  This is to assess whether a product conforms to required specifications. Depending on the individual contract, revenue may be recognized on a percentage of work completed or across the duration of the testing period.

- Provision of certification of conformity services (Notified and Approved Body)
  This is to assess and certify whether a product conforms to required schemes, regulations or directives. Revenue is recognized over the period of the testing to achieve certification based on work completed and across any period of ongoing testing and certification activities post initial certification. Revenue from an additional AMF for ongoing management of the licences is recognized evenly over a twelve-month period.

Training services

The revenue-generating activity comprises the delivery of both public and bespoke/in-house training courses and conferences utilizing both classroom and web/digital formats. Revenue is recognized on delivery of the training.

iii. Regulatory Services

The Group's Regulatory Services business stream comprises Systems Certification and Product Certification into the Medical Devices industry.

- Regulatory assessment and certification services and the discrete constituent services within these are as set out above under 'Assurance Services – assessment and certification services'.

  In summary, revenue for the application fee is recognized once a client order has been processed and the starter pack issued; the revenue for the annual management fee is recognized over its annual period; and the revenue for assessment and certification services is recognized over the period of delivery of the services.

- CE marking – document and technical file reviews
  This comprises the audit review of document and technical files and delivering a conclusion as to whether the requirements of the relative directives or regulations are met. Revenue is recognized over the review period.

iv. Consulting Services

The Group's Consulting Services business stream comprises two businesses, an Environment, Health, Safety, Sustainability and Security (EH3S) consultancy and a Cyber Security and Information Resilience (CSIR) consultancy.

- Environment, Health, Safety, Sustainability and Security (EH3S) and Cyber Security and Information Resilience (CSIR)
  Revenue is generally recognized for services such as consulting, penetration testing and reviewing client systems on a time and materials basis.

  Revenue is recognized on a contract-by-contract basis for services that involve the granting of software licences or the sale of software. Immediate recognition of the revenue is appropriate where BSI has no ongoing performance obligations following transfer of software or the granting of a licence. Revenue is spread over the duration of ongoing performance obligations arising under all other contracts.

Training revenue is recognized when the training is delivered.

- Supply chain services
  Supply chain services include grants of licences to access BSI maintained content, consulting and training services and the provision and installation of software. Revenue is recognized on all of the above over time in line with the service being delivered.

- Other consulting
  Revenue is recognized over time where the contract relates to a time and materials type of contract, or when project milestones are achieved, where the contract indicates that best represents the transfer of value and control to the client.

6. Revenue continued

b. Disaggregation of revenue

In the following table, revenue is disaggregated by business segment (see Note 5), primary geographical market and timing of revenue recognition.

2020	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
Primary geographical markets					
EMEA	**65.0**	**120.3**	**43.6**	**11.7**	**240.6**
Americas	**—**	**42.1**	**87.1**	**54.8**	**184.0**
Asia Pacific	**0.3**	**100.6**	**12.3**	**1.5**	**114.7**
Revenue from external customers	**65.3**	**263.0**	**143.0**	**68.0**	**539.3**
Timing of revenue recognition					
At a point in time	**28.1**	**239.9**	**111.0**	**4.7**	**383.7**
Over time	**37.2**	**23.1**	**32.0**	**63.3**	**155.6**
	65.3	**263.0**	**143.0**	**68.0**	**539.3**

2019	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
Primary geographical markets					
EMEA	66.4	124.7	39.7	13.2	244.0
Americas	—	46.6	70.8	64.0	181.4
Asia Pacific	0.1	111.7	8.9	2.0	122.7
Revenue from external customers	66.5	283.0	119.4	79.2	548.1
Timing of revenue recognition					
At a point in time	29.5	260.6	90.0	7.9	388.0
Over time	37.0	22.4	29.4	71.3	160.1
	66.5	283.0	119.4	79.2	548.1

c. Contract balances

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

	31 December 2020 £m	31 December 2019 £m
Receivables, included in 'Trade and other receivables' (Note 16)	**95.1**	93.4
Contract assets, included in 'Contract costs' (Note 17) and 'Trade and other receivables' (Note 16)	**49.6**	47.7
Contract liabilities, included in 'Trade and other payables' (Note 23)	**(35.5)**	(29.9)

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

	2020	
	Contract assets £m	**Contract liabilities £m**
Revenue recognized that was included in the contract liability balance at the beginning of the period	**—**	**29.9**
Increases due to cash received, excluding amounts recognized as revenue during the period	**—**	**(35.5)**
Costs recognized that were included in the contract asset balance at the beginning of the period	**(4.3)**	**—**
Increases due to cash paid, excluding amounts recognized as costs during the period	**4.8**	**—**

	2019	
	Contract assets £m	Contract liabilities £m
Revenue recognized that was included in the contract liability balance at the beginning of the period	—	31.9
Increases due to cash received, excluding amounts recognized as revenue during the period	—	(29.9)
Costs recognized that were included in the contract asset balance at the beginning of the period	(4.0)	—
Increases due to cash paid, excluding amounts recognized as costs during the period	5.1	—

7. Operating profit

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

	Note	2020 £m	2019 £m
Employee benefit expense	8	**300.8**	281.5
Depreciation of property, plant and equipment	12	**5.7**	5.7
Loss on disposal of tangible assets	12	**0.1**	0.5
Amortization of intangible assets	13	**8.5**	6.7
Impairment of intangible assets	13	**0.6**	0.2
Depreciation of right-of-use assets	14	**9.0**	8.6
Gain on disposal of right-of-use assets	14	**(0.6)**	—
Loss allowance on trade receivables	16	**1.4**	0.3
Bad debts written off to profit or loss directly		**1.1**	0.7
Other exchange (gains)/losses		**(0.2)**	1.1
Expense relating to short-term and low-value leases		**0.7**	0.5
Auditors' remuneration:			
Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements		**0.5**	0.6
Fees payable to the Group's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation		**0.1**	0.1

Exceptional operating costs	2020 £m	2019 £m
Acquisition costs	**—**	(2.3)
Restructuring and reorganization	**—**	(1.3)
Total exceptional operating costs	**—**	(3.6)

In 2019, exceptional operating costs comprised:

- £2.3m of costs mainly relating to retention payments on the acquisitions made in 2016 of BSI Services and Solutions (NYC) Inc. (formerly Creative Environment Solutions Corporation), BSI Services and Solutions East Inc. (Quantum Management Group, Inc. (QMG) and Atrium Environmental Health and Safety Services, LLC ('Atrium'), BSI Cybersecurity and Information Resilience (Ireland) Limited, BSI Cybersecurity and Information Resilience (UK) Limited, in 2017 the Neville-Clarke Group, in 2018 AirCert GmbH ('AirCert') and in 2019 the retention payments as well as costs of acquiring AppSec Consulting, Inc. ('AppSec') and Health and Disability Auditing New Zealand Limited (HDANZ); and
- £1.3m of costs relating to a major programme of restructuring to establish a client service centre of operations and compliance in EMEA.

The corporation tax impact of exceptional items is £nil (2019: £0.5m credit).

8. Employee benefit expense

	Note	2020 £m	2019 £m
Wages and salaries (including termination benefits of £3.0m (2019: £1.7m))		**253.3**	238.9
Social security costs		**30.8**	26.6
Long Term Incentive Plan (LTIP) expense		**(0.1)**	—
Other pension costs – defined contribution plans	21a	**16.8**	16.0
Employee benefit expense charged in arriving at operating profit	7	**300.8**	281.5
Net pension finance costs	21b	**0.9**	1.7
Total employee benefit expense charged in arriving at profit before income tax		**301.7**	283.2

8. Employee benefit expense continued

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

	2020 Number	2019 Number
Employees		
Production, assessment, training and laboratory	**3,025**	2,920
Sales and distribution	**935**	920
Administration	**876**	806
Total employees	**4,836**	4,646
External resource	**401**	443
Total headcount	**5,237**	5,089

External resource comprises assessors, tutors and consultants operating under a services agreement to provide the capacity, geographic presence or specialist knowledge locally to deliver BSI's services to its clients.

9. Directors' emoluments

The emoluments of the Executive and Non-Executive Board members during the year are disclosed in the Directors' remuneration report on pages 66 to 79.

10. Finance income and costs

	2020 £m	2019 £m
Bank interest receivable on cash, short and fixed-term deposits	**0.2**	0.4
Finance income	**0.2**	0.4
Net interest on the net defined benefit pension obligation (Note 21b)	**(0.9)**	(1.7)
Interest on lease liabilities (Note 14)	**(2.2)**	(2.2)
Finance costs	**(3.1)**	(3.9)

11. Income tax expense

	2020 £m	2019 £m
Current tax		
UK tax current year	**4.3**	4.9
UK tax prior years	**(0.2)**	(0.2)
Foreign tax current year	**15.9**	8.6
Foreign tax prior years	**0.3**	0.4
Total current tax	**20.3**	13.7
Deferred tax (Note 15)		
Origination and reversal of temporary differences	**0.6**	0.7
Prior year deferred tax adjustments	**(0.4)**	0.2
Tax adjustments arising from change in UK tax rates	**(0.1)**	—
Total deferred tax	**0.1**	0.9
Total income tax expense	**20.4**	14.6

11. Income tax expense continued

The tax on the Group's profit before tax is higher (2019: higher) than the theoretical amount that would arise using the weighted average UK statutory tax rate of 19.0% (2019: 19.0%) applicable to profits of the consolidated entities as follows:

	2020 £m	2019 £m
Profit before income tax	**64.5**	51.2
Tax calculated at the weighted average UK statutory tax rate of 19.0% (2019: 19.0%)	**12.3**	9.7
Effects of:		
– Expenses not deductible for tax purposes	**2.2**	2.1
– Tax losses and other temporary differences for which no deferred income tax asset was recognized	**3.3**	0.7
– Higher tax rates on overseas earnings	**3.0**	1.9
– Tax impact of reduction in UK tax rates	**(0.1)**	—
Adjustments to tax charge in respect of previous periods:		
– UK	**(0.2)**	(0.2)
– Foreign	**(0.1)**	0.4
Total income tax expense	**20.4**	14.6

The Group effective tax rate (ETR) on profit before income tax for the year is 31.6% (2019: 28.5%). The ETR at 31.6% comprises a current year tax charge of 32.1% and a net prior year tax credit of 0.5% arising from net over-provided UK and foreign tax.

The ETR for the Group's underlying business operations for the current year is 26.8% (2019: 26.7%), after removing the tax impact of non-operational exceptional and finance costs, the temporary derecognition of deferred tax assets relating to US tax losses and prior year items.

The ETR at 31.6% is further reconciled from the UK statutory tax rate of 19.0% by additional higher overseas Group taxes of 4.7% and the net ETR increase of 8.4% for Group tax permanent and temporary differences and tax losses not recognized, offset by prior year tax credits of 0.5%.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

It was announced in the UK Budget on 3 March 2021 that, if enacted, the UK corporation tax rate would increase to 25% with effect from 1 April 2023. The impact of this announcement in relation to deferred tax is being assessed and is not expected to be significant, and no adjustments have been made in the accounts as a result of this announcement.

12. Property, plant and equipment

	Land and buildings				
	Freehold £m	Leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2019	11.8	10.6	0.9	31.3	54.6
Additions	—	0.1	2.8	3.7	6.6
Disposals	—	—	(0.3)	(2.3)	(2.6)
Reclassifications	0.1	0.1	(2.2)	2.0	—
Exchange differences	—	—	—	(0.6)	(0.6)
At 31 December 2019	**11.9**	**10.8**	**1.2**	**34.1**	**58.0**
Additions	**—**	**0.4**	**2.6**	**1.3**	**4.3**
Disposals	**—**	**—**	**—**	**(1.4)**	**(1.4)**
Reclassifications	**0.3**	**0.1**	**(1.7)**	**1.3**	**—**
Exchange differences	**—**	**—**	**(0.1)**	**(0.2)**	**(0.3)**
At 31 December 2020	**12.2**	**11.3**	**2.0**	**35.1**	**60.6**
Accumulated depreciation and impairment					
At 1 January 2019	(3.3)	(3.8)	—	(21.2)	(28.3)
Charge for the year (Note 7)	(0.4)	(1.0)	—	(4.3)	(5.7)
Disposals	—	—	—	2.1	2.1
Exchange differences	—	—	—	0.5	0.5
At 31 December 2019	**(3.7)**	**(4.8)**	**—**	**(22.9)**	**(31.4)**
Charge for the year (Note 7)	**(0.5)**	**(1.1)**	**—**	**(4.1)**	**(5.7)**
Disposals	**—**	**—**	**—**	**1.3**	**1.3**
Exchange differences	**—**	**—**	**—**	**(0.3)**	**(0.3)**
At 31 December 2020	**(4.2)**	**(5.9)**	**—**	**(26.0)**	**(36.1)**
Net book value at 31 December 2020	**8.0**	**5.4**	**2.0**	**9.1**	**24.5**
Net book value at 31 December 2019	8.2	6.0	1.2	11.2	26.6

12. Property, plant and equipment continued

Depreciation charges are included within administrative expenses in the income statement. Depreciation is not charged on assets under construction.

Capital commitments in respect of property, plant and equipment

Capital expenditure of £0.4m (2019: £1.0m) has been contracted for but not provided for in the consolidated financial statements.

13. Goodwill and intangible assets

		Computer software				
	Goodwill £m	Externally acquired £m	Internally generated £m	Customer relationships and other acquired intangible assets £m	Internally generated product development costs £m	Total £m
Cost						
At 1 January 2019	73.9	21.5	16.3	30.4	4.1	146.2
Additions	—	9.8	0.8	—	0.8	11.4
Additions: acquisition of subsidiaries	6.1	—	—	3.6	—	9.7
Disposals	—	(0.6)	—	—	—	(0.6)
Exchange differences	(1.7)	0.1	(0.2)	(1.0)	—	(2.8)
At 31 December 2019	**78.3**	**30.8**	**16.9**	**33.0**	**4.9**	**163.9**
Additions	**—**	**8.0**	**2.8**	**—**	**0.9**	**11.7**
Disposals	**—**	**—**	**—**	**—**	**(0.2)**	**(0.2)**
Exchange differences	**—**	**—**	**0.1**	**—**	**—**	**0.1**
At 31 December 2020	**78.3**	**38.8**	**19.8**	**33.0**	**5.6**	**175.5**
Accumulated amortization and impairment						
At 1 January 2019	(6.4)	(13.7)	(13.6)	(14.4)	(2.6)	(50.7)
Charge for the year (Note 7)	—	(2.0)	(1.5)	(2.6)	(0.6)	(6.7)
Disposals	—	0.6	—	—	—	0.6
Impairment loss (Note 7)	—	(0.2)	—	—	—	(0.2)
Exchange differences	—	0.1	0.1	0.3	—	0.5
At 31 December 2019	**(6.4)**	**(15.2)**	**(15.0)**	**(16.7)**	**(3.2)**	**(56.5)**
Charge for the year (Note 7)	**—**	**(3.9)**	**(1.2)**	**(2.6)**	**(0.8)**	**(8.5)**
Disposals	**—**	**—**	**—**	**—**	**0.2**	**0.2**
Impairment loss (Note 7)	**—**	**(0.4)**	**(0.2)**	**—**	**—**	**(0.6)**
Exchange differences	**—**	**—**	**0.1**	**(0.3)**	**—**	**(0.2)**
At 31 December 2020	**(6.4)**	**(19.5)**	**(16.3)**	**(19.6)**	**(3.8)**	**(65.6)**
Net book value at 31 December 2020	**71.9**	**19.3**	**3.5**	**13.4**	**1.8**	**109.9**
Net book value at 31 December 2019	71.9	15.6	1.9	16.3	1.7	107.4

Customer relationships and other acquired intangible assets consist of intangible assets externally acquired. Capitalized training course development costs are captured under internally generated product development costs.

Amortization charges are included within cost of sales or administrative expenses in the consolidated income statement, as appropriate.

Capital commitments in respect of computer software

£nil (2019: £0.1m) capital expenditure has been contracted for but not provided for in the consolidated financial statements.

Impairment tests for goodwill

For the purposes of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as Cash-Generating Units (CGUs). Goodwill is allocated to the Group's CGUs identified according to business stream operating segments. In prior periods goodwill was allocated to the Group's CGUs identified according to geographical area operating segments. The determination of the Group's CGUs has been changed in 2020 to reflect more accurately the operation of the business. In 2018, the Group implemented a new management structure based on business streams. After a transitionary period up to 2020, information on the performance of the Group is now provided internally to the Board based on these business streams, replacing geographical regions as reported previously. Each stream is now managed on a global basis and operating cash flows below this level are not independently generated.

The carrying value of each stream CGU has been determined by allocating all Group net operating assets, goodwill and other acquired intangibles to the appropriate stream. Where assets are used in the operation of more than one stream CGU, values have been allocated on the most appropriate pro-rated basis.

13. Goodwill and intangible assets continued

Year ended 31 December 2020

An operating segment-level summary of the goodwill allocation is presented below:

	Knowledge £m	Assurance Services £m	Regulatory Services £m	Consulting Services £m	Total £m
2020	**5.3**	**28.5**	**0.4**	**37.7**	**71.9**

There are eight CGUs in total, spread across the four primary operating segments. Management considers it appropriate to disclose the details of these CGUs in line with the primary operating segments. The recoverable amount of each CGU within the aggregation of units in the table above is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering five years (2019: five years), based on a subset of the financial budgets and strategic plans approved by the Board, unless more specific and recent projections exist. Cash flows beyond the five-year period are extrapolated using a long-term growth rate for the CGUs based on a weighted average of rates obtained from the International Monetary Fund's World Economic Outlook Database for the countries in which the Group operates. The rate for each country is calculated based on the lower of:

- the average growth rates predicted for the five years 2021–2025;
- the predicted rate for 2025, which is the final year of the Group's five-year forecast; and
- the average growth rate of the past five years combined with the predicted rates for the five years 2021–2025.

Discount rates applied to the cash flow forecasts are pre-tax, derived using the capital asset pricing model and obtained from an independent third-party company with expertise in this area.

The following table sets out the key assumptions for the aggregated units:

	Knowledge %	Assurance Services %	Regulatory Services %	Consulting Services %
2020				
Revenue (% annual growth rate across the five-year plan)	**5.8**	**3.6–13.0**	**12.9**	**8.4–9.8**
Adjusted EBITDA margin (average % across the five-year plan)*	**31.6**	**12.1–20.8**	**33.5**	**7.7–10.3**
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	**5.1**	**(1.1)–64.8**	**11.0**	**8.9–135.7**
Long-term growth rate (%)	**1.6**	**2.3–3.1**	**1.8**	**1.8–1.9**
Pre-tax discount rate (%)	**10.5**	**10.8–12.3**	**10.7**	**10.2**

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

The impairment tests arrived at a range of headroom for the CGUs tested. As a result of these tests, no charge for impairment has been included in the consolidated financial statements.

Significant estimate: impact of possible changes in key assumptions

The principal assumptions on which the impairment tests are performed are detailed above. The Group also undertakes sensitivity analysis tests on the key assumptions for each individual CGU.

For all CGUs, with the exception of those detailed below, management believes that there are no reasonably possible or foreseeable changes in the key assumptions that would cause the difference between the carrying value and the recoverable amount to be sufficiently materially reduced to warrant further review and disclosure.

(i) Consulting Services

There are two individual CGUs within this segment where it is considered that a reasonably possible change in assumptions could result in the carrying value exceeding their recoverable amounts. These two CGUs are (CSIR) Cyber Security and Information Resilience consultancy and Environment, Health, Safety, Sustainability and Security (EH3S) consultancy. The value of the goodwill associated with these CGUs is £37.7m.

The key assumptions assigned to these specific CGUs in 2020 are as follows:

	CSIR	EH3S
Revenue (% annual growth rate across the five-year plan)	9.7	9.8
Adjusted EBITDA margin (average % across the five-year plan)*	7.7	9.1
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	135.7	74.7
Long-term growth rate (%)	1.9	1.8
Pre-tax discount rate (%)	10.2	10.2

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

13. Goodwill and intangible assets continued

Significant estimate: impact of possible changes in key assumptions continued

(i) Consulting Services continued

The estimated recoverable amount of the Group's Consulting Services operations, CSIR and EH3S, exceeds their carrying values by £4.6m and £20.7m respectively. If the assumptions used in the impairment review were changed to a greater extent than as presented in the following table, the changes would, in isolation, lead to an impairment loss being recognized for the year ended 31 December 2020.

	CSIR ppt change	EH3S ppt change
Revenue (% annual growth rate across the five-year plan)	(2.2)	(4.8)
Adjusted EBITDA margin (average % across the five-year plan)*	(1.6)	(2.8)
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	(6.8)	(8.7)
Long-term growth rate (%)	(2.0)	(4.7)
Pre-tax discount rate (%)	1.4	3.1

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

(ii) Result of the impairment tests

Management has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances where these could cause the carrying amount of the CGUs to exceed their recoverable amount.

As a result of this analysis, management considers that no charge for impairment should be reported in the 2020 consolidated financial statements (2019: £nil).

Year ended 31 December 2019

The disclosures below for the year ended 31 December 2019 are as disclosed in the 31 December 2019 Annual Report.

For 2019, goodwill was allocated to the Group's CGUs identified according to geographical area operating segment. This allocation was consistent with historical allocations of goodwill.

An operating segment-level summary of the goodwill allocation is presented below:

	EMEA £m	Americas £m	Asia Pacific £m	Total £m
2019	24.4	32.2	15.3	71.9

At an individual level, the most significant individual CGU only accounts for 13% of the total goodwill balance and there are 20 CGUs in total. As such, management considers it appropriate to disclose the details of these CGUs in aggregate. The recoverable amount of each CGU within the aggregation of units in the table above is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections covering five years, based on a subset of the financial budgets and strategic plans approved by the Board, unless more specific and recent projections exist. Cash flows beyond the five-year period are extrapolated using a long-term growth rate based on average growth rates of the past ten years for the countries in which the CGUs operate. These growth rates are obtained from the International Monetary Fund's World Economic Outlook Database.

Discount rates applied to the cash flow forecasts are pre-tax and derived using the capital asset pricing model.

The following table sets out the key assumptions for the aggregated units:

	EMEA %	Americas %	Asia Pacific %
2019			
Revenue (% annual growth rate across the five-year plan)	5.9–11.7	7.8–11.8	4.5–8.7
Adjusted EBITDA margin (average % across the five-year plan)*	8.4–36.2	13.1–29.0	14.7–19.6
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	3.8–50.9	11.7–24.9	3.5–18.2
Long-term growth rate (%)	0.2–6.2	2.1–2.3	2.6–7.6
Pre-tax discount rate (%)	7.9–15.4	9.9–10.0	9.1–12.9

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

The impairment tests arrived at a range of headroom for the CGUs tested. As a result of these tests, no charge for impairment has been included in the consolidated financial statements.

Significant estimate: impact of possible changes in key assumptions

The principal assumptions on which the impairment tests are performed are detailed above. The Group tests on an annual basis whether goodwill has suffered any impairment.

13. Goodwill and intangible assets continued

Significant estimate: impact of possible changes in key assumptions continued

(i) EMEA

There are three individual CGUs within this group of units where it is considered that a reasonably possible change in assumptions could result in the carrying value exceeding their recoverable amounts. The value of the goodwill associated with these CGUs is £9.0m.

The key assumptions assigned to this specific group of CGUs in 2019 are as follows:

	%
Revenue (% annual growth rate across the five-year plan)	9.0–10.6
Adjusted EBITDA margin (average % across the five-year plan)*	8.4–17.3
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	31.7–39.0
Long-term growth rate (%)	1.7–6.2
Pre-tax discount rate (%)	7.9–15.4

The recoverable amount of each entity within this group of CGUs would equal its carrying amount if the key assumptions were to change as follows:

	%	ppt change
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	10.4-20.1	(11.6)–(28.6)
Long-term growth rate (%)	(7.7)–(96.5)	(13.9)–(98.4)
Pre-tax discount rate (%)	17.1–29.3	9.2–18.9

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

(ii) Americas

There is one CGU within this group of units where it is considered that a reasonably possible change in assumptions could result in the carrying value exceeding its recoverable amount. The value of the goodwill associated with this CGU is £8.5m.

The key assumptions assigned to this specific CGU are as follows:

	%
Revenue (% annual growth rate across the five-year plan)	11.5
Adjusted EBITDA margin (average % across the five-year plan)*	13.1
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	21.1
Long-term growth rate (%)	2.3
Pre-tax discount rate (%)	9.9

The recoverable amount of this CGU would equal its carrying amount if the key assumptions were to change as follows:

	%	ppt change
Resultant adjusted EBITDA (% annual growth rate across the five-year plan)*	6.9	(14.2)
Long-term growth rate (%)	(18.0)	(20.3)
Pre-tax discount rate (%)	19.5	9.6

* Adjusted EBITDA, used as the basis for determining cash flows, is calculated as operating profit before depreciation and amortization, including an allocation of corporate overheads.

(iii) Result of the impairment tests

Management has considered and assessed reasonably possible changes for other key assumptions and has not identified any instances where these could cause the carrying amount of the CGUs to exceed their recoverable amount. As a result of this analysis, no impairment is reported in the 2019 consolidated financial statements.

14. Right-of-use assets and lease liabilities

The Group has lease contracts for properties, motor vehicles and other equipment used in its operations. Leases of properties generally have lease terms between two and fifteen years, while motor vehicles and other equipment generally have lease terms between two and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

There are several lease contracts that include extension and termination options and variable lease payments.

The Group also has certain property leases with lease terms of one year or less and leases of other equipment with low-value underlying assets. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

14. Right-of-use assets and lease liabilities continued

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Properties £m	Motor vehicles £m	Other equipment £m	Total £m
Cost				
At 1 January 2019	53.0	6.2	0.2	59.4
Additions	9.7	3.1	—	12.8
Additions: acquisition of subsidiaries	0.3	—	—	0.3
Disposals	(0.5)	(1.6)	—	(2.1)
Exchange	(1.4)	—	—	(1.4)
At 31 December 2019	**61.1**	**7.7**	**0.2**	**69.0**
Additions	**4.4**	**1.2**	**—**	**5.6**
Disposals	**(4.2)**	**(1.0)**	**—**	**(5.2)**
Exchange	**0.1**	**0.1**	**—**	**0.2**
At 31 December 2020	**61.4**	**8.0**	**0.2**	**69.6**
Accumulated amortization and impairment				
At 1 January 2019	(22.2)	(2.7)	(0.1)	(25.0)
Charge for the year (Note 7)	(6.8)	(1.8)	—	(8.6)
Disposals	0.2	1.6	—	1.8
Exchange	0.6	—	—	0.6
At 31 December 2019	**(28.2)**	**(2.9)**	**(0.1)**	**(31.2)**
Charge for the year (Note 7)	**(6.9)**	**(2.0)**	**(0.1)**	**(9.0)**
Disposals	**2.7**	**1.0**	**—**	**3.7**
Exchange	**—**	**(0.1)**	**—**	**(0.1)**
At 31 December 2020	**(32.4)**	**(4.0)**	**(0.2)**	**(36.6)**
Net book value at 31 December 2020	**29.0**	**4.0**	**—**	**33.0**
Net book value at 31 December 2019	32.9	4.8	0.1	37.8

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

	2020 £m	2019 £m
At 1 January	**(50.4)**	(47.4)
Additions	**(5.6)**	(12.8)
Additions: acquisition of subsidiaries	**—**	(0.3)
Disposals	**2.1**	0.3
Accretion of interest (Note 10)	**(2.2)**	(2.2)
Payments	**11.1**	10.9
Exchange	**—**	1.1
At 31 December	**(45.0)**	(50.4)
Current	**(9.2)**	(11.3)
Non-current	**(35.8)**	(39.1)

14. Right-of-use assets and lease liabilities continued

The following are amounts recognized in the consolidated income statement:

	2020 £m	2019 £m
Properties	**6.9**	6.8
Motor vehicles	**2.0**	1.8
Other equipment	**0.1**	—
Depreciation of right-of-use assets	**9.0**	8.6
Interest expense (included in finance costs)	**2.2**	2.2
Expense relating to short-term and low-value leases	**0.7**	0.5
Total amount recognized in consolidated income statement	**11.9**	11.3

The total cash outflow for right-of-use asset leases in 2020 was £11.1m (2019: £10.9m).

15. Deferred tax

	2020 £m	2019 £m
Deferred tax assets:		
Gross deferred tax assets	**24.1**	30.7
Offset of balances within the same tax jurisdiction	**(12.6)**	(14.3)
Net deferred tax assets	**11.5**	16.4
– To be recovered after more than twelve months	**6.7**	9.7
– To be recovered within twelve months	**4.8**	6.7
Deferred tax liabilities:		
Gross deferred tax liabilities	**(17.4)**	(20.6)
Offset of balances within the same tax jurisdiction	**12.6**	14.3
Net deferred tax liabilities	**(4.8)**	(6.3)
– To be incurred after more than twelve months	**(4.5)**	(5.9)
– To be incurred within twelve months	**(0.3)**	(0.4)
Net deferred tax assets	**6.7**	10.1

Movement on the net deferred tax account

	2020 £m	2019 £m
At 1 January	**10.1**	14.9
Acquisitions of subsidiaries	**—**	(0.9)
Income statement tax charged (Note 11)	**(0.1)**	(0.9)
Tax charged to equity relating to retirement benefit obligations	**(3.5)**	(2.5)
Tax credited to equity relating to UK tax losses	**0.9**	—
Exchange differences	**(0.7)**	(0.5)
At 31 December	**6.7**	10.1

15. Deferred tax continued

Gross movement on the deferred tax account

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred tax assets	Accelerated capital allowances £m	Pension £m	Losses £m	Leases £m	Other temporary differences £m	Total £m
At 1 January 2019	2.8	12.5	0.8	10.2	8.0	34.3
(Charged)/credited to the income statement	(0.6)	—	0.9	0.4	(1.8)	(1.1)
Charged directly to reserves	—	(2.5)	—	—	—	(2.5)
Exchange differences	—	—	(0.1)	0.2	(0.1)	—
At 31 December 2019	**2.2**	**10.0**	**1.6**	**10.8**	**6.1**	**30.7**
Charged to the income statement	**—**	**—**	**(1.1)**	**(1.6)**	**(1.2)**	**(3.9)**
(Charged)/credited directly to reserves	**—**	**(3.5)**	**0.9**	**—**	**—**	**(2.6)**
Exchange differences	**—**	**(0.1)**	**(0.2)**	**—**	**0.2**	**(0.1)**
At 31 December 2020	**2.2**	**6.4**	**1.2**	**9.2**	**5.1**	**24.1**

Deferred tax liabilities	Capitalized contract costs £m	Leases £m	Other temporary differences £m	Total £m
At 1 January 2019	(3.6)	(8.7)	(7.1)	(19.4)
Credited/(charged) to the income statement	0.1	(0.3)	0.4	0.2
Acquisition of subsidiaries	—	—	(0.9)	(0.9)
Exchange differences	—	(0.3)	(0.2)	(0.5)
At 31 December 2019	**(3.5)**	**(9.3)**	**(7.8)**	**(20.6)**
Credited to the income statement	**0.1**	**2.5**	**1.2**	**3.8**
Exchange differences	**(0.2)**	**(0.2)**	**(0.2)**	**(0.6)**
At 31 December 2020	**(3.6)**	**(7.0)**	**(6.8)**	**(17.4)**

The deferred tax charged directly to reserves during the year was £2.6m (2019: charge of £2.5m), which is made up of a £3.5m charge (2019: charge of £2.5m) relating to the retirement benefit obligation and offset by a credit for corporation tax relief on UK tax losses of £0.9m (2019: £nil).

There is no recognition in the consolidated financial statements of deferred tax on temporary differences associated with investments in subsidiaries as there is control by BSI over the dividend policies of its subsidiaries.

The carrying amount of deferred tax assets is recognized to the extent that the realization of the related tax benefit through future taxable profits is probable.

The Group did not recognize deferred tax assets of £5.3m (2019: £2.7m) in respect of cumulative tax losses and other temporary differences amounting to £18.8m (2019: £9.1m), due to uncertainty over the availability of sufficient future taxable profits to utilize these tax losses and other temporary differences.

Subsidiary companies across the Group hold undistributed earnings of £10.0m which, if paid out as dividends, would be subject to withholding tax in the hands of the recipient company. An assessable temporary difference exists, but no deferred tax liability has been recognized as the Group is able to control the timing of distributions and there are no current plans to distribute these profits.

16. Trade and other receivables

	2020 £m	2019 £m
Trade receivables	**95.1**	93.4
Less: loss allowance (Note 3b)	**(3.7)**	(2.5)
Trade receivables – net	**91.4**	90.9
Other receivables	**15.5**	13.7
Prepayments	**9.3**	10.2
Accrued income	**33.6**	32.1
Total trade and other receivables	**149.8**	146.9
Less non-current portion:		
– Other receivables	**(9.3)**	(8.3)
Current portion of trade and other receivables	**140.5**	138.6

Trade and other receivables are non-interest bearing and are generally on 30–60 day (2019: 30–60 day) terms.

16. Trade and other receivables continued

As the majority of the receivables are short term in nature, the fair values of trade and other receivables approximate to their carrying values as the impact of discounting is not significant.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2020 £m	2019 £m
British Pounds Sterling	**39.8**	35.5
US Dollars	**57.3**	58.1
Euros	**14.8**	16.4
Chinese Renminbi	**6.4**	4.9
Japanese Yen	**5.7**	5.8
Australian Dollars	**3.8**	4.7
Other currencies	**22.0**	21.5
Total trade and other receivables	**149.8**	146.9

Movements on the Group loss allowance on trade receivables are as follows:

	2020 £m	2019 £m
At 1 January	**2.5**	3.3
Increase in loss allowance recognized in profit or loss during the year	**1.6**	0.7
Receivables written off during the year as uncollectable	**(0.2)**	(1.0)
Unused amounts reversed	**(0.2)**	(0.4)
Exchange differences	**—**	(0.1)
At 31 December	**3.7**	2.5

The creation and release of the loss allowance on receivables have been included within administrative expenses in the income statement. Receivables are written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold collateral as security.

17. Contract costs

Incremental costs of obtaining contacts, such as sales commissions, are capitalized and amortized on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates (i.e. over the estimated period of benefit). Applying the practical expedient in paragraph 94 of IFRS 15, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the assets that the Group otherwise would have recognized is one year or less.

Movements on the contract costs balance are as follows:

	2020 £m	2019 £m
At 1 January	**15.6**	14.9
Capitalization during the year	**5.4**	5.7
Amortization during the year	**(4.9)**	(4.6)
Exchange differences	**(0.1)**	(0.4)
At 31 December	**16.0**	15.6

18. Inventories

	2020 £m	2019 £m
Consumables	**0.1**	0.1
Total inventories	**0.1**	0.1

19. Derivative financial instruments

The Group enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency transactions. At 31 December 2020 the Group had no outstanding contracts (2019: committed to buy CHF 2.4m for a fixed Sterling amount).

The fair value of forward foreign currency contracts in 2019 was determined using forward foreign exchange market rates at the balance sheet date. The fair value measurement adopted is categorized as Level 2 within the fair value measurement hierarchy set out in IFRS 7. No asset or liability was recognized on the outstanding forward foreign exchange contracts in 2019 as the net fair value was immaterial.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets in the balance sheet.

20. Fixed-term deposits and cash and cash equivalents

a. Fixed-term deposits

The Group has not invested any cash in a fixed-term bank deposit as at 31 December 2020.

The amount invested by the Group in a fixed-term bank deposit as at 31 December 2019 was £15.0m, subject to a notice period of 95 days. This was classified within the consolidated statement of cash flows under investing activities as it does not fall within the definition of cash and cash equivalents. In the consolidated balance sheet this fixed-term deposit is shown within current assets.

b. Cash and cash equivalents

	2020 £m	2019 £m
Cash at bank and in hand	**132.1**	70.0
Short-term deposits	**—**	0.1
Total cash and cash equivalents	**132.1**	70.1

The Group held bank overdraft facilities of £2.8m (2019: £2.7m), on an unsecured basis, although none were in use at 31 December 2020 (2019: £nil). The balance above corresponds to cash and cash equivalents for the purposes of the cash flow statement.

The fair value of cash and short-term deposits at 31 December 2020 was £132.1m (2019: £70.1m). The maximum exposure to credit risk at the reporting date is the fair value of cash and short-term deposits mentioned above.

The interest rate risk profile and currency profile of cash and cash equivalents and fixed-term deposits were:

	2020				2019			
	Fixed rate £m	**Floating rate £m**	**Non-interest bearing £m**	**Total £m**	Fixed rate £m	Floating rate £m	Non-interest bearing £m	Total £m
Currency								
British Pounds Sterling	**—**	**30.2**	**55.9**	**86.1**	—	40.1	13.0	53.1
Chinese Renminbi	**—**	**13.4**	**—**	**13.4**	—	8.7	—	8.7
US Dollars	**—**	**0.2**	**7.6**	**7.8**	—	—	7.7	7.7
Euros	**0.2**	**0.3**	**6.5**	**7.0**	0.3	0.5	2.3	3.1
Australian Dollars	**—**	**—**	**6.0**	**6.0**	—	—	3.0	3.0
Japanese Yen	**1.8**	**—**	**0.1**	**1.9**	0.6	—	0.4	1.0
Other currencies	**2.1**	**—**	**7.8**	**9.9**	1.4	—	7.1	8.5
Total	**4.1**	**44.1**	**83.9**	**132.1**	2.3	49.3	33.5	85.1

21. Net retirement benefit obligations

The Group operates the following retirement benefit schemes:

a. Defined contribution schemes

The Group offers a group personal pension plan to all new UK employees. The associated costs for the year were £11.5m (2019: £10.1m). This includes salary sacrificed contributions.

In addition, a number of other money purchase schemes are operated in overseas companies, with costs for the year totalling £5.3m (2019: £5.9m).

b. Defined benefit schemes

i. UK defined benefit plan

The Group operates a defined benefit plan in the UK (the 'Plan') which provides benefits linked to salary on retirement or earlier date of leaving service. The Plan closed to new entrants and future accrual as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The Plan operates under the regulatory framework of the Pensions Act 2004. The Trustees have the primary responsibility for governance of the Plan. The Trustees comprise representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and Plan assets are held in a Trust which is governed by UK regulation.

The risks to which the Plan exposes the Group are as follows:

- Asset volatility – if Plan assets do not move in line with Plan liabilities then a deficit may arise. The Trustees hold a buy-in policy which broadly immunizes around £83m (2019: £85m) of the liabilities to changes in market conditions. . The valuation of the buy-in policy is linked to movements in RPI while the valuation of pension liabilities is linked to movements in CPI. The Trustees monitor the appropriateness of the Plan's investment strategy, in consultation with the Company, on an ongoing basis.
- Inflation risk – a significant proportion of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although in most cases there are caps in place which protect against extreme inflation).
- Longevity – increases in life expectancy will increase the period over which the benefits are expected to be payable, which increases the value placed on the Plan's liabilities.

A valuation of the UK defined benefit plan was carried out under the Statutory Funding Objective as at 31 March 2019. This revealed an ongoing funding level of 83% (31 March 2016: 80%). The Group subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2019. It requires contributions from the Group to improve the funding level of the Plan and to cover the expenses of running the Plan. The Group agreed to pay total contributions of £66.5m over the period from 1 April 2019 to 31 August 2024, replacing the previous annual contribution of £13.5m payable in March with monthly contributions payable from February 2020. As a result, the contributions to the retirement benefit plan for the year ended 31 December 2020 were £27.1m, comprising the monthly payments and a one-off contribution of £12.9m in January 2020.

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

The Group paid a total of £27.1m in additional contributions to the Plan during 2020 (2019: £13.5m).

Balance sheet

The amounts recognized in the balance sheet are determined as follows:

	2020 £m	2019 £m
Present value of defined benefit obligations	**475.4**	436.3
Fair value of plan assets	**(441.7)**	(378.9)
Net liability in the balance sheet	**33.7**	57.4

21. Net retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Balance sheet continued

The movement in the defined benefit obligation over the year was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2019	410.8	(339.1)	71.7
Amounts charged/(credited) to the income statement:			
– Administration expenses	—	0.7	0.7
– Interest expense/(income) (Note 10)	11.5	(9.8)	1.7
	11.5	(9.1)	2.4
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	—	(31.0)	(31.0)
– Gain from change in demographic assumptions	(14.3)	—	(14.3)
– Loss from change in financial assumptions	50.5	—	50.5
– Experience gains	(8.4)	—	(8.4)
	27.8	(31.0)	(3.2)
Contributions:			
– Employers	—	(13.5)	(13.5)
Payments from plans:			
– Disbursements	(13.8)	13.8	—
	(13.8)	0.3	(13.5)
At 31 December 2019	**436.3**	**(378.9)**	**57.4**
Amounts charged/(credited) to the income statement:			
– Administration expenses	**—**	**0.6**	**0.6**
– Interest expense/(income) (Note 10)	**8.6**	**(7.7)**	**0.9**
	8.6	**(7.1)**	**1.5**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	—	**(44.1)**	**(44.1)**
– Loss from change in demographic assumptions	**1.9**	—	**1.9**
– Loss from change in financial assumptions	**45.9**	—	**45.9**
– Experience gains	**(1.8)**	—	**(1.8)**
	46.0	**(44.1)**	**1.9**
Contributions:			
– Employers	—	**(27.1)**	**(27.1)**
Payments from plans:			
– Disbursements	**(15.5)**	**15.5**	—
	(15.5)	**(11.6)**	**(27.1)**
At 31 December 2020	**475.4**	**(441.7)**	**33.7**

21. Net retirement benefit obligations continued

b. Defined benefit schemes continued

i. UK defined benefit plan continued

Assumptions

The principal actuarial assumptions used were as follows:

	2020 % p.a.	2019 % p.a.
Rate of increase in salaries	**4.00**	4.05
Rate of revaluation in deferment	**2.20**	2.05
Pension increase rate:		
– RPI (min. 3%, max. 5%)	**3.55**	3.50
– CPI (min. 3%, max. 5%)	**3.25**	3.20
Discount rate	**1.40**	2.00
Inflation assumption – RPI	**3.00**	3.05
Inflation assumption – CPI	**2.20**	2.05

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics. Life expectancy at age 65 for a member currently aged 45 is 23.5 (2019: 23.3) years (men) or 25.9 (2019: 25.7) years (women). Life expectancy for a member currently aged 65 is 22.1 (2019: 22.0) years (men) or 24.5 (2019: 24.3) years (women).

The discount rate at 31 December 2020 was based on the Aon GBP Single Agency AA Curve which uses a dataset of all bonds rated AA by at least one of the main ratings agencies (31 December 2019: based on Aon GBP Select AA Curve which uses a dataset of bonds with an average AA rating from the main ratings agencies).

Plan assets are comprised as follows:

	Value at 31 December 2020		Value at 31 December 2019	
	£m		£m	
Schroders Diversified Growth Fund	**148.9**	**34%**	117.8	31%
Absolute Return Strategies Fund	**77.1**	**17%**	70.2	19%
M&G Credit Fund	**19.9**	**5%**	20.3	5%
Schroders Liability-Driven Investments	**61.4**	**14%**	52.2	14%
Schroders Sterling Liquidity Plus	**23.2**	**5%**	—	—
Alcentra Credit Fund	**15.2**	**3%**	19.8	5%
Cash	**13.0**	**3%**	13.6	4%
MetLife Annuity Policy	**83.0**	**19%**	85.0	22%
Total fair value of plan assets	**441.7**	**100%**	378.9	100%

The weighted average duration of the defined benefit obligation is sixteen years (2019: sixteen years).

Sensitivity analysis

The sensitivity of the net defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in present value of deficit at 31 December 2020		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	**0.25% p.a.**	**(16.9)**	**17.5**
Inflation rate*	**0.25% p.a.**	**4.6**	**(3.5)**
Salary escalation	**0.25%**	**0.5**	
Life expectancy	**Approximately 1 year**	**14.5**	

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

21. Net retirement benefit obligations continued

b. Defined benefit schemes continued

ii. Other defined benefit schemes

The Group operates defined benefit pension schemes in Taiwan, Germany, Indonesia and the Philippines which provide benefits based on final pensionable salary and service. The movement in the defined benefit obligation for schemes over the year are as follows:

	2020 £m	2019 £m
At 1 January	**2.2**	1.9
Charged to the income statement	**0.4**	0.4
Charged directly to reserves	**0.2**	0.1
Contributions	**(0.2)**	(0.2)
Exchange differences	**0.1**	—
At 31 December	**2.7**	2.2

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

	2020 £m	2019 £m
(Loss)/gain on re-measurements of defined benefit plan net liabilities		
– UK	**(1.9)**	3.2
– Overseas	**(0.2)**	(0.1)
	(2.1)	3.1
Tax on re-measurements of defined benefit plan net liabilities		
– Deferred tax charge (Note 15)	**(3.5)**	(2.5)
– Current tax credit	**4.8**	2.1
Re-measurements of post-employment benefit obligations, net of taxes	**(0.8)**	2.7

22. Provisions for liabilities and charges

	Property provisions £m	Other provisions £m	Total £m
At 1 January 2019	1.4	1.5	2.9
Charged to the income statement	0.1	0.3	0.4
Amount utilized in the period	(0.1)	(0.2)	(0.3)
Unused amount reversed in the period	—	(0.2)	(0.2)
Exchange differences	—	(0.1)	(0.1)
At 31 December 2019	**1.4**	**1.3**	**2.7**
Charged to the income statement	**—**	**0.3**	**0.3**
Amount utilized in the period	**—**	**(0.1)**	**(0.1)**
Exchange differences	**—**	**—**	**—**
At 31 December 2020	**1.4**	**1.5**	**2.9**

The property provisions are held against dilapidations. The Group has used either the known position or a best estimate of the Group's potential exposure to calculate the potential cost to BSI Group over the remaining lease periods.

Other provisions relate to amounts required to cover end-of-service indemnity pursuant to the United Arab Emirates Federal Labour Law and other employment-related provisions.

Provisions are recognized at the best estimate of the expenditure required to settle the Group's liability.

Analysis of total provisions:

	2020 £m	2019 £m
Non-current	**2.5**	2.4
Current	**0.4**	0.3
Total provisions for liabilities and charges	**2.9**	2.7

Cash outflows associated with these provisions are uncertain but the majority are expected to materialize between three and five years. Given the uncertainty over timing of the eventual outflows they have not been discounted.

23. Trade and other payables

	2020 £m	2019 £m
Trade payables	**9.3**	7.5
VAT and sales taxes	**6.4**	4.8
Other taxes and social security	**5.4**	5.7
Other payables	**16.2**	16.5
Accruals	**61.4**	46.2
Deferred income	**35.5**	29.9
Total trade and other payables	**134.2**	110.6
Less non-current portion:		
– Trade and other payables	**(8.9)**	(10.3)
Current portion of trade and other payables	**125.3**	100.3

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020 £m	2019 £m
British Pounds Sterling	**51.2**	48.0
US Dollars	**28.1**	23.5
Euros	**14.4**	10.4
Chinese Renminbi	**15.2**	6.2
Japanese Yen	**4.6**	3.2
Australian Dollars	**3.8**	2.5
Other currencies	**16.9**	16.8
Total trade and other payables	**134.2**	110.6

Trade payables are non-interest bearing and are generally on 30–60 day (2019: 30–60 day) terms. Other payables are non-interest bearing and are generally on 30–90 day (2019: 30–90 day) terms.

As the majority of payables are short term in nature, the fair values of trade and other payables approximate to their carrying values as the impact of discounting is not significant.

24. Financial assets

a. Financial assets by category

At 31 December 2020	Other financial assets £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments and accrued income (Note 16)	**106.9**
Cash and cash equivalents (Note 20b)	**132.1**
Total	**239.0**

At 31 December 2020	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 23)	**98.7**
Lease liabilities (Note 14)	**45.0**
Total	**143.7**

24. Financial assets continued

a. Financial assets by category continued

At 31 December 2019	Other financial assets £m
Assets as per balance sheet	
Trade and other receivables excluding prepayments and accrued income (Note 16)	104.6
Fixed-term deposits (Note 20a)	15.0
Cash and cash equivalents (Note 20b)	70.1
Total	189.7

At 31 December 2019	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Trade and other payables excluding non-financial liabilities (Note 23)	80.7
Lease liabilities (Note 14)	50.4
Total	131.1

b. Credit quality of financial assets

The Directors consider the credit risk associated with fully performing financial assets to be immaterial to the Group.

25. Contingent liabilities

In the normal course of its business the Group faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Group.

In relation to the acquisition or establishment of new businesses in overseas jurisdictions, the Group follows the requirements of local laws, regulations and conventions in the relevant jurisdictions. These may require the creation of structures or arrangements with vendors or local partners or other third parties whereby the Group assumes contingent liabilities of such parties which may or may not materialize. Taking into account experience to date, the Board has made provisions where appropriate.

In relation to the disposal of businesses, the Group has given warranties and indemnities to the purchasers. In light of local legal and taxation advice, experience to date and the availability of insurance and provisions, the Board does not expect these warranties and indemnities to have a significant impact on the Group.

In the normal course of its business, the Group from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Group.

26. Related party transactions

Transactions with related parties have been determined in accordance with IAS 24 and are disclosed below:

a. Pension scheme Trustees

Transactions with the pension scheme Trustees are disclosed in Note 21.

b. Key management

Key management of the Group includes the Directors (Executive and Non-Executive) and other members of the Executive Committee. Emoluments of the Directors are disclosed in the Directors' remuneration report on pages 66 to 79. Emoluments paid to other members of the Executive Committee for employee services are shown in the table below:

	2020 £m	2019 £m
Salaries and short-term benefits	**3.3**	2.3
Terminations and post-employment benefits	**–**	0.2
Other long-term benefits	**–**	0.1
Total emoluments	**3.3**	2.6

27. Interests in Group undertakings

Name	Registered office address	Country of incorporation or registration	Proportion held*	Activity
AirCert GmbH	Maria-Merian-Strasse 8, 85521, Ottobrunn, Germany	Germany	100%	Business services
AppSec Consulting, Inc.	6110 Hellyer Avenue, Suite 100, San Jose, CA, 95138, United States	USA	100%	Business services
British Standards Institution Group Iberia S.A.U.	Calle Juan Esplandiu, 15 3a plta, 28007, Madrid, Spain	Spain	100%	Business services
British Standards Institution Group Middle East WLC***	4605 Palm Tower B, West Bay, Doha, PO Box 27774, Qatar	Qatar	49%	Business services
BSI America Professional Services Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	Business services
BSI Assurance UK Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Brasil Sistemas de Gestao Ltda	Av. Pres. Juscelino Kubitschek, 1327 – 20° andar 04543-011 – São Paulo, Brasil	Brazil	100%	Business services
BSI Certification and Technical Training (Beijing) Limited	Room 2002, No. 24A Jianguomenwai Street, Chaoyang District, Beijing, 100004, China	China	100%	Business services
BSI Cybersecurity and Information Resilience (Ireland) Limited	Corrig Court, Corrig Road, Sandyford Industrial Estate, Dublin, D18C6K1, Ireland	Ireland	100%	Business services
BSI Cybersecurity and Information Resilience (UK) Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Group (Thailand) Co., Ltd	127/25 Panjathani Tower, 20th Floor, Nonsee Road, Chongnonsee, Yannawa, Bangkok, 10120, Thailand	Thailand	100%	Business services
BSI Group America Inc.	251 Little Falls Drive, Wilmington, DE, 19808, United States	USA	100%	Business services
BSI Group ANZ Holdings Pty Ltd	Level 23, 35 Castlereagh Street, Sydney, NSW 2000, Australia	Australia	100%	Holding company
BSI Group ANZ Pty Limited	Level 23, 35 Castlereagh Street, Sydney, NSW 2000, Australia	Australia	100%	Business services
BSI Group Assurance Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Group Australia Holdings PTY Limited	Level 23, 35 Castlereagh Street, Sydney, NSW 2000, Australia	Australia	100%	Holding company
BSI Group Canada Inc.	Brookfield Place, 181 Bay Street, Suite 1800, Toronto, Canada M5J 2T9	Canada	100%	Business services
BSI Group Deutschland GmbH	Eastgate, Hanauer Landstrasse 115, 60314, Frankfurt a.m., Germany	Germany	100%	Business services
BSI Group Eurasia Belgelendirrme Hizmetleri Limited Sirketi	Degirmen Sk No: 16 Ar Plaza, A-Blok Kat: 6 Ofis: 61–62, Kozyatagi – Kadikoy, Erenkoy, Istanbul, Turkey	Turkey	100%	Business services
BSI Group France Sarl	76 route de la Demi-Lune, Les Collines de l'Arche, Bat. Opera E, 7ème étage, 92057 Paris La Defense Cedex, France	France	98%	Business services
BSI Group Holdings The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, Netherlands	The Netherlands	100%	Holding company
BSI Group India Private Limited	A-2 Mira Corporate Suites, Plot 1 & 2, Ishwar Nagar, Mathura Road, New Delhi, 110020, India	India	100%	Business services
BSI Group Italia S.R.L.	Via Gustavo Fara, 35 20124, Milano, Italy	Italy	100%	Business services

27. Interests in Group undertakings continued

Name	Registered office address	Country of incorporation or registration	Proportion held*	Activity
BSI Group Japan K.K.	Seizan Bldg. 5F, 2-12-28 Kita-Aoyama, Minato-ku, Tokyo 107-0061, Japan	Japan	100%	Business services
BSI Group Korea Limited	Insa-dong, Tdehwa Bldgo, 8th Floor, 29 Insa-dong, 5-gil, Jongo-gu, Seoul, South Korea	South Korea	100%	Business services
BSI Group KSA	Office No. 4, Rawana Plaza, 7925 Uthman ibn Affan, Al Taawun, Riyadh 12478 – 4080, Saudi Arabia	Saudi Arabia	100%	Business services
BSI Group Mexico S dr RL de CV	Av. Paseo de la Reforma 505, Piso 50, 06500 Ciudad de México, CDMX, Mexico	Mexico	100%	Business services
BSI Group Nordics AB	c/o Hummelkläppen i Stockholm AB, Villagatan 19, 114 32 Stockholm, Sweden	Sweden	100%	Business services
BSI Group Polska Spolka z o.o.	UL Krolewska, nr. 16, Lok, Kod 00-103, Poczta, Warszawa, Poland	Poland	100%	Business services
BSI Group Singapore Pte Limited	77 Robinson Road, Unit #28-01 & #28-03, Singapore, 068896	Singapore	100%	Business services
BSI Group South Africa (Pty) Limited***	De Haviland Crescent Nr. 5, Ill Villaggio Nr. 12, Persequor, Pretoria, South Africa	South Africa	74%	Business services
BSI Group The Netherlands BV	John M. Keynesplein 9, Unit 4.2, 1066EP Amsterdam, Netherlands	The Netherlands	100%	Business services
BSI Healthcare Saudi Arabia LLC	SFDA Building, 2nd Floor Office, 854 Al Olaya Street, Riyadh, Al Ghadheer Area, Saudi Arabia	Saudi Arabia	100%	Business services
BSI International Projects Sarl	76 route de la Demi-Lune, Les Collines de l'Arche, Bat. Opera E, 7ème étage, 92057 Paris La Defense Cedex, France	France	100%	Business services
BSI Limited**	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Management Systems Certification (Beijing) Co. Ltd	Room 2008, East Ocean Centre, No. 24A Jianguomenwai Street, Beijing, 100004, China	China	100%	Business services
BSI Management Systems CIS LLC	Panfilova str. 19/4, Khimki, 141407, Moscow reg., Russian Federation	Russia	100%	Business services
BSI Management Systems Ltd	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Group New Zealand Limited	11a Wynyard Street, Devonport, Auckland, 0624, New Zealand	New Zealand	100%	Business services
BSI Pacific Limited	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	Business services
BSI Pension Trust Limited**	389 Chiswick High Road, London W4 4AL, England	England	100%	Pension plan trustee
BSI Professional Services Asia Pacific Limited	23rd Floor, Cambridge House, Taikoo Place, 979 King's Road, Island East, Hong Kong	Hong Kong	100%	Business services
BSI Professional Services EMEA Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Professional Services Holdings Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Professional Services Japan Co., Limited	2-12-28 Kitaaoyama Minato-ku, Tokyo 107-0061, Japan	Japan	100%	Business services

27. Interests in Group undertakings continued

Name	Registered office address	Country of incorporation or registration	Proportion held*	Activity
BSI Services (Asia Pacific) Sdn Bhd	Suite 25.01, Level 25, Centrepoint South, The Boulevard, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur Wilayah Persekutuan, Malaysia	Malaysia	100%	Business services
BSI Services and Solutions (West) Inc.	2150 North First Street, Suite 450, San Jose, CA, 95131, United States	USA	100%	Business services
BSI Services and Solutions East Inc.	1187 Main Avenue, Suite 2B, Clifton, NJ, 07011, United States	USA	100%	Business services
BSI Services and Solutions (NYC) Inc.	80 State Street, Albany, NY, 12207, United States	USA	100%	Business services
BSI Services Holdings Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Services Malaysia Sdn Bhd	Suite 15.08, Level 15, City Square Office Tower, 106-108 Jalan Wong Ah Fook, 80000 Johor Bahru, Malaysia	Malaysia	100%	Business services
BSI Standards Holdings Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Standards Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
BSI Vietnam Co., Ltd	Suite 1106, 11F/L Citilight Tower, 45 Vo Thi Sau Street, Dakao Ward, District 1, Ho Chi Minh City, Vietnam	Vietnam	100%	Business services
Espion UK Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
Hypercat Alliance Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Business services
Neville-Clarke (M) Sdn Bhd***	Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	30%	Business services
Neville-Clarke (Singapore) Pte Ltd	331 North Bridge Road, #12-03 Odeon Towers, Singapore 188720	Singapore	100%	Business services
Neville-Clarke International Pte Ltd	331 North Bridge Road, #12-03 Odeon Towers, Singapore 188720	Singapore	100%	Business services
Neville-Clarke International Sdn Bhd	Level 15-2, Faber Imperial Court, Jalan Sultan Ismail, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Malaysia	100%	Business services
Neville-Clarke International Limited	389 Chiswick High Road, London W4 4AL, England	England	100%	Holding company
BSI Group Philippines, Inc.	Unit 2408, The Orient Square, Emerald Avenue, Ortigas Center, Pasig City, The Philippines	The Philippines	>99%	Business services
PT BSI Group Indonesia	Talavera Office Park, Jl. TB. Simatupang kav.2, Talaver 2 Suite, 20 Floor, Jakarta 12430, Indonesia	Indonesia	100%	Business services
PT Neville-Clarke Indonesia	Menara Bidakara 2, Lantai 3, Jl. Jendral Gatot Subroto Kav. 71–73, Komplek Bidakara, Jakarta Selatan, Indonesia	Indonesia	100%	Business services

* Percentage of ordinary share capital.

** Companies directly owned by The British Standards Institution.

*** The non-controlling shareholders have no residual interest in the companies' assets; therefore, the Group consolidates 100% of the companies' assets and results.

All the above subsidiaries are controlled by the Group and are accounted for by acquisition accounting.

28. Post-balance sheet events

On 1 February 2021, the Group acquired the assets of Q-Audit Pty Ltd and Q-Audit Limited (collectively referred to as 'Q-Audit'), a JAS-ANZ accredited healthcare auditing body based in Sydney, Australia, and Auckland, New Zealand, for NZD 2.0m (£1.1m). Q-Audit is made up of a team of experts who work with qualified external resources to support clients across Australia and New Zealand and predominantly certifies health service companies.

Parent company balance sheet

as at 31 December 2020

	Note	2020 £m	2019 £m
Fixed assets			
Intangible assets	4	**17.7**	14.4
Tangible assets	5	**10.0**	11.1
Investment in subsidiaries	6	**68.3**	68.3
		96.0	93.8
Current assets			
Debtors (including £4.6m (2019: £5.6m) due after one year)	7	**187.0**	172.5
Fixed-term deposits	8	**—**	15.0
Cash at bank and in hand		**87.2**	39.3
		274.2	226.8
Creditors – amounts falling due within one year	9	**(251.7)**	(180.0)
Net current assets		**22.5**	46.8
Total assets less current liabilities		**118.5**	140.6
Net defined benefit pension liability	12	**(33.7)**	(57.4)
Provision for liabilities	10	**(0.1)**	(0.1)
Net assets		**84.7**	83.1
Reserves			
Non-distributable reserves		**4.3**	4.3
Retained earnings		**80.4**	78.8
Total equity		**84.7**	83.1

The Company's profit for the year ended 31 December 2020 was £2.1m (2019: £6.0m).

The accompanying notes on pages 137 to 148 form an integral part of the parent company financial statements.

The financial statements on pages 135 and 136 were approved by the Board of Directors on 18 March 2021 and were signed on its behalf by:

Craig Smith FCCA
Group Finance Director
22 March 2021

Parent company statement of changes in equity

for the year ended 31 December 2020

	Non-distributable reserves £m	Retained earnings £m	Total £m
At 1 January 2019	4.3	70.0	74.3
Profit for the year, net of taxes	—	6.0	6.0
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	—	2.8	2.8
At 31 December 2019	**4.3**	**78.8**	**83.1**
Profit for the year, net of taxes	**—**	**2.1**	**2.1**
Movement in actuarial valuation of defined benefit pension scheme, net of taxes	**—**	**(0.5)**	**(0.5)**
At 31 December 2020	**4.3**	**80.4**	**84.7**

Retained earnings

Retained earnings represent accumulated comprehensive income for the year and prior years.

Non-distributable reserve

The non-distributable reserve arose on the revaluation of an investment property on transition to FRS 102 and includes the associated deferred tax of £0.9m (2019: £0.9m).

Notes to the parent company financial statements

for the year ended 31 December 2020

1. Statement of compliance

The individual financial statements of The British Standards Institution have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and the Republic of Ireland" (FRS 102), and the Companies Act 2006.

2. Principal accounting policies

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

a. Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

b. Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. A review of the going concern and viability of the Group is disclosed on page 85.

c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company has taken advantage of the following exemptions:

- FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and the Company's cash flows are included in the Group consolidated financial statements; and
- FRS 102 paragraph 1.12(e), from disclosing key management personnel compensation in total.

d. Exemptions under Companies Act 2006

In accordance with the concession granted under Section 408 of the Companies Act 2006, the profit and loss account of The British Standards Institution has not been separately presented in these financial statements. The retained profit for the year is shown in the statement of changes in equity.

e. Foreign currencies

i. Functional and presentation currency

The Company's functional and presentation currency is the British Pound Sterling (£) and all values are rounded to the nearest £100,000 except when otherwise indicated.

ii. Transactions and balances

Transactions denominated in foreign currencies are translated into Sterling at contracted rates or, where no contract exists, at average monthly rates. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year end, are taken to the profit and loss account.

f. Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is calculated net of value added tax, returns, rebates and discounts allowed by the Company.

The Company recognizes revenue when the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Significant categories of revenue and the recognition criteria for each are detailed below.

i. Rendering of services

Membership, subscriptions and annual management fees provide varying levels of service, which can include access to information services, published standards information, newsletters, advisory services, discounts on products and invitations to events and seminars. Revenue is spread over the life of the arrangement, which is normally one year but can vary depending on the level of service and specific agreements with customers.

ii. Copyright and royalty income

The Company recognizes copyright and royalty income on an accrual basis or when it is advised by the customer, generally on a monthly basis. Where there are licence arrangements, fees are spread over the life of the licence.

2. Principal accounting policies continued

g. Interest income

Interest income is recognized on a time-proportion basis using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

h. Dividend income

Dividend income is recognized when the right to receive payment is established.

i. Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i. Financial assets

Basic financial instruments, including trade and other receivables, cash at bank and loans to fellow subsidiary companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortized cost using the effective interest method.

At the end of each reporting period, financial assets measured at amortized cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognized in profit or loss.

Other financial assets are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognized in the profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Financial assets are derecognized when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party which has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

ii. Financial liabilities

Basic financial liabilities, including trade and other payables and loans from fellow Group companies, are initially recognized at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method. The Company does not hold or issue any other financial liabilities for trading purposes.

j. Finance and operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Lease incentives

The Company has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 January 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market values.

The Company does not have any finance leases.

k. Fixed-term deposits

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

l. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

m. Investment in Group undertakings

Investments are stated at cost less any provision for impairment in value. Impairment testing is conducted whenever indicators of impairment are present.

2. Principal accounting policies continued

n. Intangible assets

Computer software

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

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

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

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

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

o. Tangible fixed assets

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

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

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

Freehold buildings and improvements	20 years
Short leasehold improvements	Over the unexpired term of the lease
Plant, machinery and office equipment	3–10 years

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

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

Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

p. Provisions for liabilities and charges

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

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

2. Principal accounting policies continued

q. Contingent liabilities

Contingent liabilities, arising as a result of past events, are not recognized when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date, or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are described in the financial statements unless the probability of an outflow of resources is remote.

r. Employee benefits

i. Defined benefit pension schemes

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

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

The valuation of the Company's net obligation is performed by an independent qualified actuary as appointed by the Company. Pension scheme assets are measured using market values for quoted assets. The MetLife Annuity Policy asset is valued at an actuarial estimate using the assumptions shown in Note 12. The pension scheme liabilities are measured using the projected unit actuarial method where estimated future cash flows are discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent duration and currency to the liability.

The income statement charge is split between an operating charge and a net finance charge. The operating charge relates to administration costs of operating the scheme. The net finance charge relates to the unwinding of the discount applied to the liabilities of the scheme offset by the expected return on the assets of the scheme using that same discount rate, based on conditions prevailing at the start of the year.

Actuarial gains and losses are charged or credited to equity in the period in which they arise.

ii. Defined contribution pension schemes

The Company pays fixed contributions to an external pension provider and has no legal or constructive obligations to pay any further amounts. The contributions are recognized as employee benefit expense when they are due.

s. Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been substantively enacted by the period end.

Management periodically evaluates the position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes a provision where appropriate on the basis of amounts expected to be paid to the authorities.

t. Deferred taxation

Deferred tax arises from timing differences between the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in the financial statements.

Deferred tax is recognized on all timing differences at the reporting date with some exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profit.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

u. Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

3. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a. Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilization and the physical condition of the assets. See Note 5 for the carrying amount of tangible assets and Note 2o for the useful lives applied for each asset class.

b. Useful economic lives of intangible assets

The useful economic lives used to amortize intangible assets relate to the expected future performance of the assets acquired and management's estimate of the period over which the economic benefit will be derived from the asset. The estimated useful life of these intangible assets is three to five years. See Note 4 for the carrying amount of the intangible assets.

c. Defined benefit scheme

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary. The liabilities allow for indexation of benefits in line with the Consumer Prices Index (CPI).

The principal assumptions and a sensitivity analysis are detailed in Note 12.

d. Investments

FRS 102 requires management to undertake an annual test for impairment of investments, to test for impairment if events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of investments can be supported by the net present value of future cash flows derived from such investments using cash flow projections which have been discounted at an appropriate rate. Further details of investments can be seen in Note 6.

4. Intangible assets

	Computer software £m
Cost	
At 1 January 2019	22.7
Additions	9.8
Disposals	(0.5)
At 31 December 2019	**32.0**
Additions	**7.7**
Disposals	**(0.3)**
At 31 December 2020	**39.4**
Accumulated amortization and impairment	
At 1 January 2019	(15.7)
Charge in the year	(1.9)
At 31 December 2019	**(17.6)**
Charge in the year	**(3.5)**
Impairment	**(0.6)**
At 31 December 2020	**(21.7)**
Net book value at 31 December 2020	**17.7**
Net book value at 31 December 2019	14.4

5. Tangible assets

	Freehold land, buildings and improvements £m	Short leasehold improvements £m	Assets under construction £m	Plant, machinery and office equipment £m	Total £m
Cost					
At 1 January 2019	5.6	5.8	0.1	6.3	17.8
Additions	—	—	0.8	—	0.8
Disposals	—	—	—	(0.4)	(0.4)
Reclassifications	—	—	(0.7)	0.7	—
At 31 December 2019	**5.6**	**5.8**	**0.2**	**6.6**	**18.2**
Additions	**—**	**—**	**0.3**	**—**	**0.3**
Disposals	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Reclassifications	**—**	**—**	**(0.2)**	**0.2**	**—**
At 31 December 2020	**5.6**	**5.8**	**0.3**	**6.7**	**18.4**
Accumulated depreciation and impairment					
At 1 January 2019	(0.1)	(1.6)	—	(4.1)	(5.8)
Charge in the year	(0.1)	(0.7)	—	(0.7)	(1.5)
Disposals	—	—	—	0.2	0.2
At 31 December 2019	**(0.2)**	**(2.3)**	**—**	**(4.6)**	**(7.1)**
Charge in the year	**(0.1)**	**(0.7)**	**—**	**(0.5)**	**(1.3)**
At 31 December 2020	**(0.3)**	**(3.0)**	**—**	**(5.1)**	**(8.4)**
Net book value at 31 December 2020	**5.3**	**2.8**	**0.3**	**1.6**	**10.0**
Net book value at 31 December 2019	5.4	3.5	0.2	2.0	11.1

6. Investment in subsidiaries

	2020 £m	2019 £m
Cost at 1 January	**68.3**	39.9
Additions	**—**	28.4
Cost at 31 December	**68.3**	68.3

The addition in the year of £28.4m is an additional capital contribution to BSI Limited.

The Directors consider that the fair value of investments is not less than their carrying value.

A list of subsidiaries is provided in Note 27 to the consolidated financial statements.

7. Debtors

	2020 £m	2019 £m
Trade debtors	**1.0**	0.8
Amounts owed by Group undertakings	**168.7**	150.7
Corporation tax receivable	**1.4**	2.2
Other debtors	**0.3**	0.4
VAT receivable	**1.2**	1.4
Prepayments and accrued income	**7.1**	6.7
Deferred taxation (Note 11)	**7.3**	10.3
Total debtors	**187.0**	172.5

Amounts owed by Group undertakings include trade and finance amounts. The unsecured finance amounts of £33.3m (2019: £33.3m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with the rates ranging between 1.5% and 6.0% (2019: 1.7% and 6.0%).

Deferred taxation includes £4.6m (2019: £5.6m) to be recovered after more than one year.

8. Fixed-term deposits

The Company has not invested any cash in a fixed-term bank deposit as at 31 December 2020.

The amount invested by the Company in a fixed-term bank deposit as at 31 December 2019 was £15.0m, subject to a notice period of 95 days.

9. Creditors: amounts falling due within one year

	2020 £m	2019 £m
Trade creditors	**1.3**	1.6
Amounts owed to Group undertakings	**237.9**	162.3
Social security and other payroll taxes	**0.9**	0.8
Other creditors	**1.2**	1.0
Accruals	**5.6**	8.6
Deferred income	**4.8**	5.7
Creditors falling due within one year	**251.7**	180.0

Trade creditors are non-interest bearing and are generally on 30–60 day terms. Amounts owed to Group undertakings include trade and finance amounts. The unsecured finance amounts of £22.4m (2019: £7.0m) have no fixed terms of repayment and are repayable on demand, but are interest bearing with rates ranging between 1.5% and 5.4% (2019: 1.7% and 5.4%).

10. Provisions for liabilities

Provisions for liabilities represent property provisions which are held against dilapidations and there have been no movements in 2020 (2019: no movements). The Company has used either the known position or a best estimate of the Company's potential exposure to calculate the potential cost to the Company over the remaining lease periods.

11. Deferred taxation

	2020 £m	2019 £m
Deferred tax assets:		
– To be recovered after more than twelve months	**5.6**	6.4
– To be recovered within twelve months	**2.7**	4.7
Total deferred tax assets	**8.3**	11.1
Deferred tax liabilities:		
– To be incurred after more than twelve months	**(1.0)**	(0.8)
Total deferred tax liabilities	**(1.0)**	(0.8)
Total net deferred tax assets	**7.3**	10.3

The amounts of net deferred taxation assets recognized are set out below:

	Accelerated capital allowances £m	Pension provision £m	Losses £m	Other timing differences £m	Total £m
At 1 January 2020	**1.0**	**10.0**	**—**	**(0.7)**	**10.3**
Debited to profit and loss account	**—**	**(0.1)**	**—**	**(0.3)**	**(0.4)**
(Debited)/credited to current year reserves	**—**	**(3.5)**	**0.9**	**—**	**(2.6)**
At 31 December 2020	**1.0**	**6.4**	**0.9**	**(1.0)**	**7.3**

12. Pension obligations

The Company operates the following retirement benefit schemes:

a. Defined contribution scheme

Following the closure of the defined benefit final salary scheme to new entrants, the Company offers a group personal pension plan to all new UK employees. The costs for the year were £2.6m (2019: £2.2m). This includes salary sacrificed contributions.

b. Defined benefit scheme

The Company operates a defined benefit plan in the UK (the 'Plan') which provides benefits linked to salary on retirement or earlier date of leaving service. The Plan closed to new entrants and future accrual, as at 30 April 2010, although the link to final salary remains whilst members are still employed by the Company. The Plan operates under the regulatory framework of the Pensions Act 2004. The Trustees have the primary responsibility for governance of the Plan. The Trustees comprise representatives of the Company, an independent Trustee and members of the Plan. Benefit payments are from Trustee-administered funds and the Plan assets are held in a Trust which is governed by UK regulation.

A valuation of the UK defined benefit plan was carried out under the Statutory Funding Objective as at 31 March 2019. This revealed an ongoing funding level of 83% (31 March 2016: 80%). The Company subsequently agreed a schedule of contributions with the Trustees which was put in place from 1 April 2019. It requires contributions from the Company to improve the funding level of the Plan and to cover the expenses of running the Plan. The Company agreed to pay additional contributions of £66.5m over the period from 1 April 2019 to 31 August 2024. Contributions in respect of future service benefits ceased on 30 April 2010.

The liabilities have been calculated by, and the assumptions have been set on the recommendations of, an independent qualified actuary as required by FRS 102.

The liabilities at the disclosure date allow for indexation in line with the Consumer Prices Index.

The Company paid a total of £27.1m in contributions to the fund during the year (2019: £13.5m).

The amounts recognized in the balance sheet are determined as follows:

	2020 £m	2019 £m
Present value of defined benefit obligations	**475.4**	436.3
Fair value of plan assets	**(441.7)**	(378.9)
Net liability in the balance sheet	**33.7**	57.4

12. Pension obligations continued

b. Defined benefit scheme continued

The movement in the defined benefit obligation over the year was as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1 January 2019	410.8	(339.1)	71.7
Amounts charged/(credited) to the income statement:			
– Administration expenses	—	0.7	0.7
– Interest expense/(income)	11.5	(9.8)	1.7
	11.5	(9.1)	2.4
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	—	(31.0)	(31.0)
– Gain from change in demographic assumptions	(14.3)	—	(14.3)
– Loss from change in financial assumptions	50.5	—	50.5
– Experience gains	(8.4)	—	(8.4)
	27.8	(31.0)	(3.2)
Contributions:			
– Employers	—	(13.5)	(13.5)
Payments from plans:			
– Disbursements	(13.8)	13.8	—
	(13.8)	0.3	(13.5)
At 31 December 2019	**436.3**	**(378.9)**	**57.4**
Amounts charged/(credited) to the income statement:			
– Administration expenses	**—**	**0.6**	**0.6**
– Interest expense/(income)	**8.6**	**(7.7)**	**0.9**
	8.6	**(7.1)**	**1.5**
Re-measurements:			
– Return on plan assets, excluding amounts included in interest expense	**—**	**(44.1)**	**(44.1)**
– Loss from change in demographic assumptions	**1.9**	**—**	**1.9**
– Loss from change in financial assumptions	**45.9**	**—**	**45.9**
– Experience gains	**(1.8)**	**—**	**(1.8)**
	46.0	**(44.1)**	**1.9**
Contributions:			
– Employers	**—**	**(27.1)**	**(27.1)**
Payments from plans:			
– Disbursements	**(15.5)**	**15.5**	**—**
	(15.5)	**(11.6)**	**(27.1)**
At 31 December 2020	**475.4**	**(441.7)**	**33.7**

12. Pension obligations continued

b. Defined benefit scheme continued

The major assumptions used for the updated actuarial valuation were:

	2020 % p.a.	2019 % p.a.
Rate of general increase in salaries	**4.00**	4.05
Rate of revaluation in deferment	**2.20**	2.05
Pension increase rate:		
– RPI (min. 3%, max. 5%)	**3.55**	3.50
– CPI (min. 3%, max. 5%)	**3.25**	3.20
Discount rate	**1.40**	2.00
Inflation assumption – RPI	**3.00**	3.05
Inflation assumption – CPI	**2.20**	2.05

Life expectancy at age 65 for a member currently aged 45 is 23.5 (2019: 23.3) years (men) or 25.9 (2019: 25.7) years (women). Life expectancy for a member currently aged 65 is 22.1 (2019: 22.0) years (men) or 24.5 (2019: 24.3) years (women).

Plan assets are comprised as follows:

	Value at 31 December 2020		Value at 31 December 2019	
	£m		£m	
Schroders Diversified Growth Fund	**148.9**	**34%**	117.8	31%
Absolute Return Strategies Fund	**77.1**	**17%**	70.2	19%
M&G Credit Fund	**19.9**	**5%**	20.3	5%
Schroders Liability-Driven Investments	**61.4**	**14%**	52.2	14%
Schroders Sterling Liquidity Plus	**23.2**	**5%**	—	—
Alcentra Credit Fund	**15.2**	**3%**	19.8	5%
Cash	**13.0**	**3%**	13.6	4%
MetLife Annuity Policy	**83.0**	**19%**	85.0	22%
Total fair value of assets	**441.7**	**100%**	378.9	100%

Expected contributions to retirement benefit plans for the year ending 31 December 2021 are £15.5m (2020: £27.1m).

The weighted average duration of the defined benefit obligation is sixteen years (2019: sixteen years).

Sensitivity analysis

The sensitivity of the net defined benefit obligation to changes in the weighted principal assumptions is:

	Increase/(decrease) in present value of deficit at 31 December 2020		
	Change in assumption	Increase in assumption £m	Decrease in assumption £m
Discount rate	**0.25% p.a.**	**(16.9)**	**17.5**
Inflation rate*	**0.25% p.a.**	**4.6**	**(3.5)**
Salary escalation	**0.25%**	**0.5**	
Life expectancy	**Approximately 1 year**	**14.5**	

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

13. Financial assets

At 31 December 2020	Loans and receivables £m
Assets as per balance sheet	
Debtors excluding prepayments and accrued income and deferred taxation	**172.6**
Cash and cash equivalents	**87.2**
Total	**259.8**

13. Financial assets continued

At 31 December 2020	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Creditors excluding non-financial liabilities	**246.9**
Total	**246.9**

At 31 December 2019	Loans and receivables £m
Assets as per balance sheet	
Debtors excluding prepayments and accrued income and deferred taxation	155.5
Fixed-term deposits	15.0
Cash and cash equivalents	39.3
Total	209.8

At 31 December 2019	Other financial liabilities at amortized cost £m
Liabilities as per balance sheet	
Creditors excluding non-financial liabilities	174.3
Total	174.3

Derivative financial instruments

The Company enters into forward foreign currency contracts to mitigate the exchange rate risk for certain foreign currency transactions. At 31 December 2020, the Company had no outstanding contracts (2019: committed to buy CHF 2.4m for a fixed Sterling amount).

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilize observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:CHF.

The Company has no interest rate derivative instruments (2019: none).

14. Employees

	2020 £m	2019 £m
Wages and salaries	**26.7**	22.1
Social security costs	**3.8**	2.8
Long Term Incentive Plan (LTIP) credit	**(0.2)**	(0.7)
Other pension costs	**2.6**	2.2
Total employee benefit expense	**32.9**	26.4

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

	2020 Number	2019 Number
Production, inspection and laboratory	**22**	25
Sales and distribution	**61**	53
Administration	**267**	232
Total headcount	**350**	310

Disclosures in respect of Directors' emoluments can be found in the Directors' remuneration report on pages 66 to 79.

15. Auditors' remuneration
The amount of remuneration receivable by the Company's auditors in respect of the audit of the parent company financial statements is £0.1m (2019: £0.2m).

16. Capital commitments

	2020 £m	2019 £m
Capital expenditure that has been contracted for but not provided for in the financial statements	—	0.1

17. Financial commitments
At 31 December 2020, annual commitments under non-cancellable operating leases were as follows:

	2020			2019		
	Land and buildings £m	Motor Vehicles £m	Total £m	Land and buildings £m	Motor Vehicles £m	Total £m
No later than 1 year	2.2	0.1	2.3	2.1	0.1	2.2
Later than 1 year and no later than 5 years	8.4	—	8.4	8.8	0.2	9.0
Later than 5 years	—	—	—	1.7	—	1.7
Minimum lease payments	10.6	0.1	10.7	12.6	0.3	12.9

The profit and loss account lease rental charge will not equate to lease payments for those leases having the benefit of lease incentives. In these cases the incentives are released to the profit and loss account over the period of the lease.

As at 31 December 2020, the Company held no foreign exchange contracts (2019: committed to buy CHF 2.4m for a fixed Sterling amount). No asset or liability was recognized on the outstanding forward foreign exchange contracts in 2019 as the net fair value was immaterial.

18. Related party transactions
Transactions with related parties have been determined in accordance with FRS 102 and are disclosed below:

a. Pension scheme Trustees
Transactions with the pension scheme Trustees are disclosed in Note 12.

b. Key management
The Company has taken advantage of the exemption available under FRS 102 paragraph 1.12(e) from disclosing key management personnel compensation in total.

c. Transactions with non-wholly owned subsidiaries
There were no material transactions with non-wholly owned subsidiaries during the year. All transactions between the Company and non-wholly owned Group companies arise in the ordinary course of business and are on an arm's length basis.

19. Contingent liabilities
In the normal course of its business the Company faces legal actions and claims. Based on legal advice and taking into account the availability of insurance and provisions, the Board does not expect these legal actions or claims to have a significant impact upon the Company.

In the normal course of its business, the Company from time to time provides advance payment guarantees, performance bonds and other bonds in connection with its activities. Taking into account experience to date and the availability of provisions, the Board does not expect these bonds and guarantees to have a significant impact on the Company.

The Company has historically occupied leasehold properties which it has subsequently assigned or sub-leased and there is a contingent risk that if in certain circumstances the assignees or sub-lessees default, certain liabilities under the lease may revert to the Company. The number of incidents when such leases are believed to survive is small and in light of experience to date and the availability of provisions, the Board does not expect these leases to have a significant impact on the Company.

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