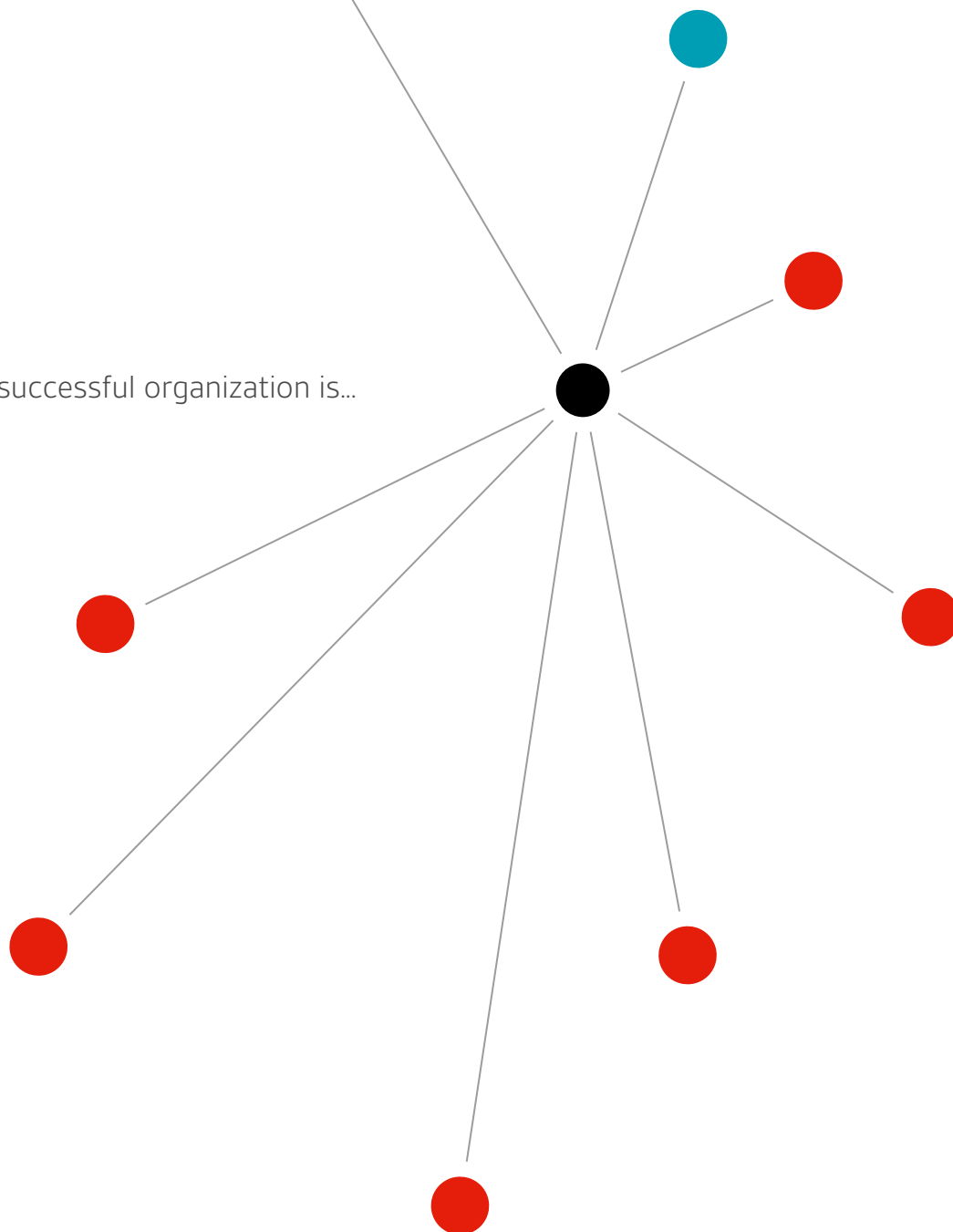




The British Standards Institution
Annual report and financial statements 2017

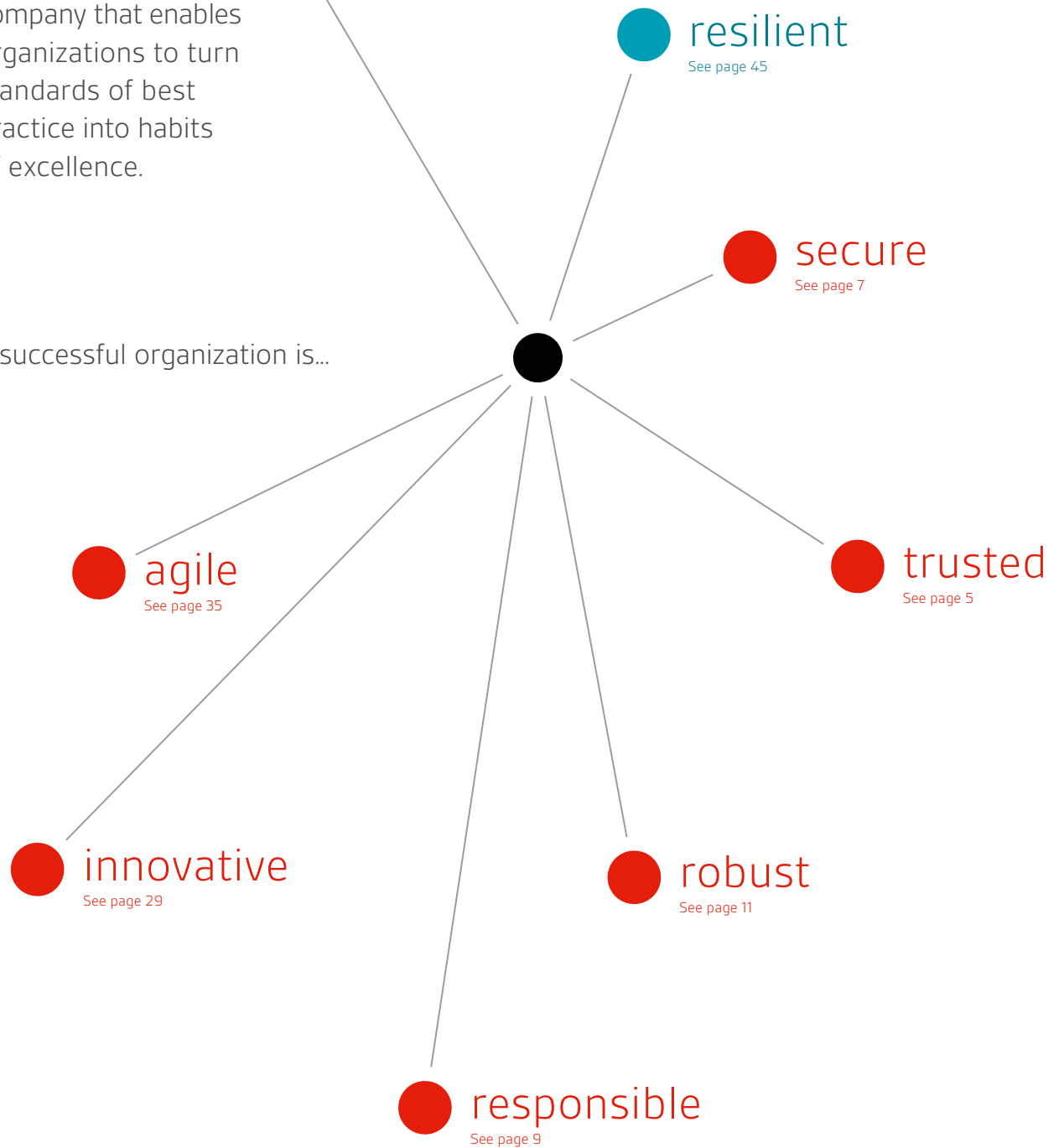
A successful organization is...



bsi.

BSI is the business improvement company that enables organizations to turn standards of best practice into habits of excellence.

A successful organization is...



Highlights of 2017

Revenue

£473.0m **+18%**

2016: £401.8m

Underlying operating profit

£59.5m **+19%**

2016: £50.1m

Operating profit

£55.3m **+17%**

2016: £47.3m

Cash and deposits

£67.8m **+41%**

2016: £48.1m

Net asset value

£120.3m **+45%**

2016: £82.9m

Average employees

4,333 **+13%**

2016: 3,835

- Strong global performance in calmer economic conditions
- Record underlying revenue for the eighteenth consecutive year
- Record underlying profit delivered organically and through acquisitions
- The implementation of our strategy continues as planned



In this report the 'Company' refers to The British Standards Institution, a Royal Charter Company, Companies House number ZC0202, which is the parent company for the financial statements. 'BSI', 'BSI Group' or 'Group' means the Company and its subsidiaries. The BSI logo, 'Kitemark™', the 'Kitemark™' device, 'Supply Chain Solutions™' and 'Entropy Software™' are registered trademarks of The British Standards Institution in the UK and are registered, or in the process of registration, in other jurisdictions. Throughout this report the word 'underlying' is defined as 'before exceptional items and excluding the effects of material disposals'.

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

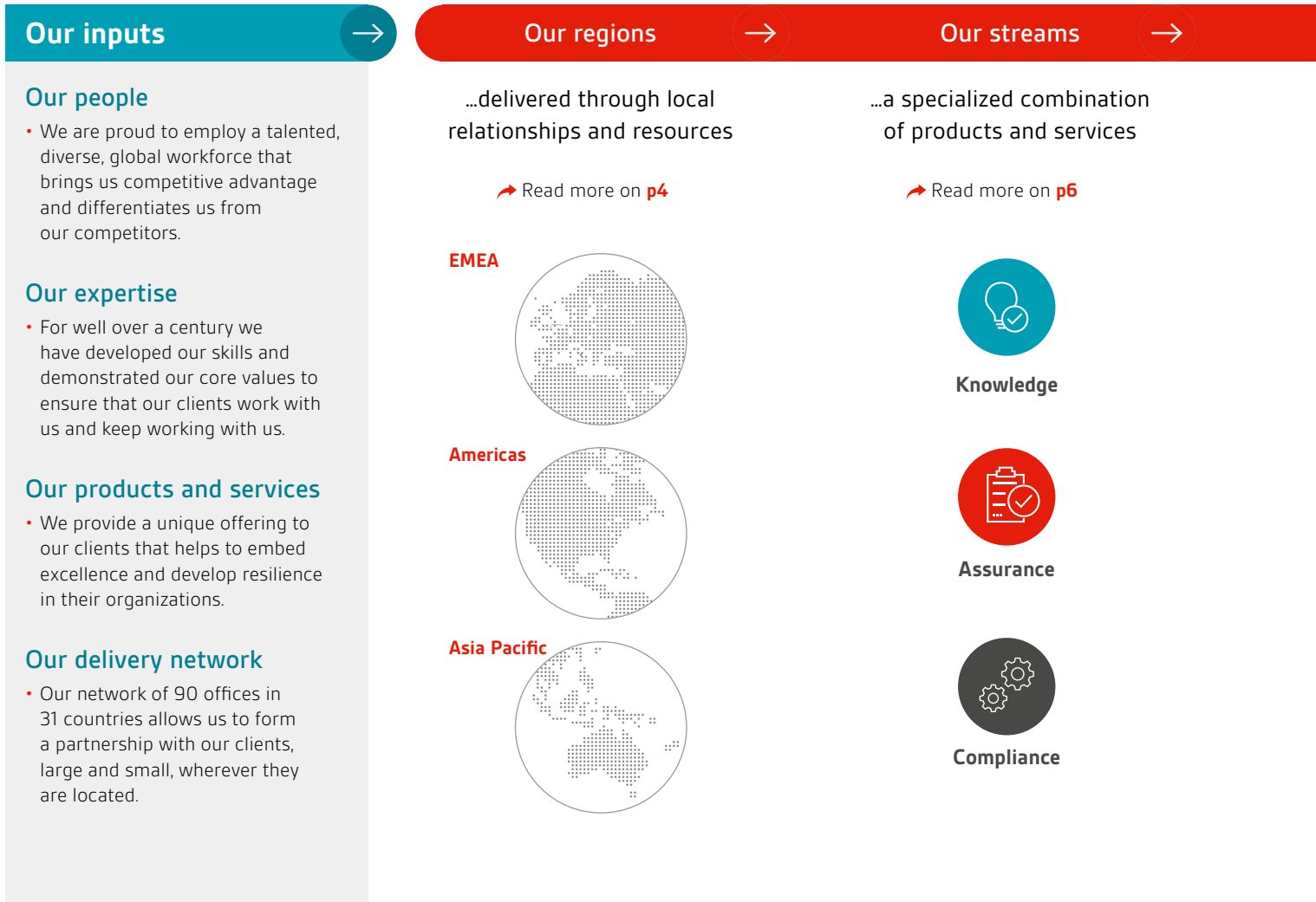
[Read more about our people on pages 21 and 41](#)



Our business model

Our value proposition

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



Our method: → **Shape** → **Share** →

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

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

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

Our sectors



Our domains



...across many sectors
but focusing on a few

➔ Read more on **p8**



Healthcare



Food



Built
Environment



Aerospace
and Automotive



All other
sectors

...Organizational Resilience
across the business

➔ Read more on **p10**



Stakeholder value

BSI is a Royal Charter Company with no shareholders and no stock exchange listing.

Our main stakeholders are:

- Our members
- Our clients
- Our employees
- Our experts
- Our National Standards Body partners
- Our suppliers
- Our communities

We work hard to create a balance of long-term value for each of these groups of stakeholders through our strategy, our actions and the way that we go about our business.

Embed



Assess



Support

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

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

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

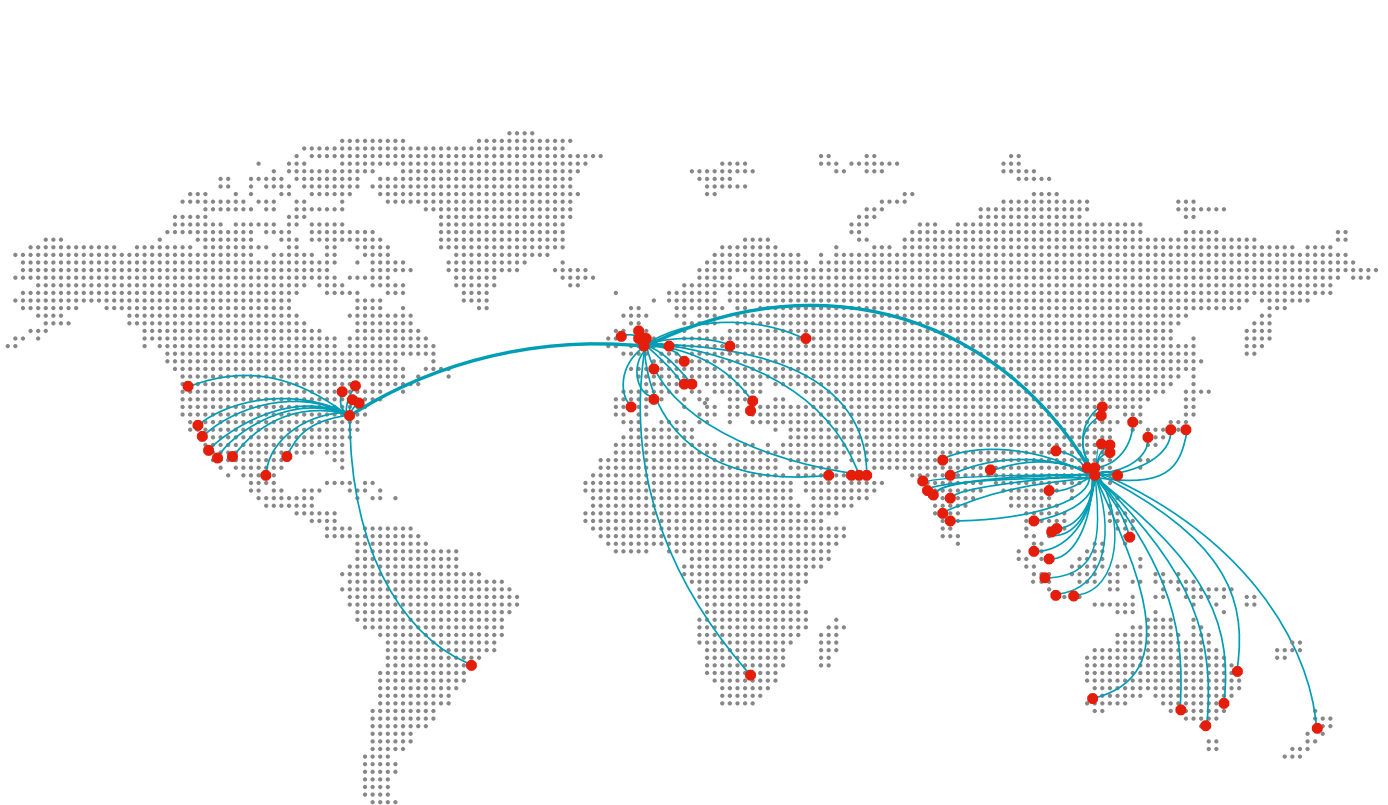
Our business model continued

Regions

Imparting our expertise worldwide

BSI is an integrated global enterprise, able to serve clients in over 190 countries from 90 offices in 31 countries in three regions across the world. We have a presence on every continent.

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



Americas

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

We work with

49%

of the Fortune 500

➔ Read more on [p24](#)

EMEA

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

We work with

75%

of the FTSE 100

➔ Read more on [p22](#)

Asia Pacific

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

We work with

77%

of the Nikkei Index

➔ Read more on [p25](#)



Our work enables our clients to trust the products they have created

Your clients need to be able to trust your organization. You need to assure them that your products, processes and business decisions are reliable, safe, ethical and sustainable at every level of your organization. BSI can help you become more trusted.



Watch our video on trust
bsigroup.com/trusted

Mark Mayo
Testing Team Manager

trusted

Our business model continued

Business streams

Our products and services

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

Knowledge



Standards Development and Publishing

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

Revenue

£60.7m

2016: £59.4m



➔ Read more on **p26**

Assurance



Systems and Product Certification and Training

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

Revenue

£337.7m

2016: £295.5m



➔ Read more on **p27**

Compliance



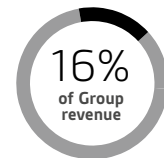
Consultancy and Supply Chain Solutions

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

Revenue

£74.6m

2016: £46.9m



➔ Read more on **p28**

The work that we do helps our clients, and their clients, feel more secure

A secure organization is better protected from threats and your stakeholders need to be confident that it is secure and dependable. Security is about assessing, managing and mitigating risks from flood, fire and theft to cyber-crime and supply chain disruption. BSI can help you be more secure.



Watch our video on security
bsigroup.com/secure

Kwadwo Anim-Appiah
Client Manager, Information Security

secure

Our business model *continued*

Sectors

Our chosen focus sectors

We work with over 86,000 clients across a wide range of industries. Our areas of specialization are in those industry sectors in which we are, or aspire to be, thought leaders.



Healthcare

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



Food

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



Built Environment

Our Built Environment expertise is based 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).



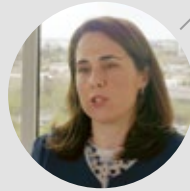
Aerospace and Automotive

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 quality, health and safety and environmental and cyber security requirements to face their future challenges.



Responsible companies understand their obligations in the wider community

A responsible organization has responsible leaders who act legally and ethically to manage risks and embrace opportunities. It assures the health and wellbeing of its people and provides quality assured products. It controls its impact on the environment, minimizing energy consumption while managing waste. BSI can help you be more responsible.



Watch our video on responsibility
bsigroup.com/responsible

Christy Foster
EHS Director, Healthcare

responsible

Our business model continued

Domains

Organizational Resilience

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

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



Operational Resilience

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

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



Information Resilience

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

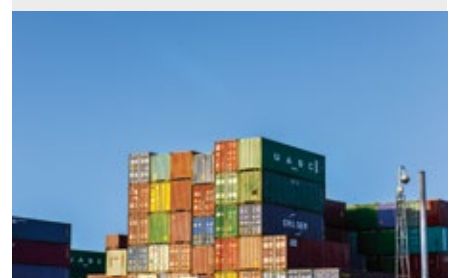
A resilient organization must manage its information – physical, digital and intellectual property – throughout its lifecycle, from source to destruction. This requires the adoption of practices that allow stakeholders to gather, store, access and use information securely and accurately.



Supply Chain Resilience

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

Organizations need to identify their critical risks to minimize disruption and manage global operational, financial and reputational exposure.



robust

A robust business is flexible and adaptable and can move with the times

Being robust starts with inspiring and effective leadership. Sound corporate governance, effective risk management, efficient and reliable processes and systems and the right people are paramount to ensure you protect your assets and overcome business interruptions. BSI can help you be more robust.



Watch our video on being robust
bsigroup.com/robust

Sharmila Gardner
Technical Team Manager, Medical Devices

Our strategic initiatives

Our strategic vision

To be the business improvement partner of choice.



Drive thought leadership

Establish BSI as a thought leader on Organizational Resilience

- Work with relevant partners to develop and research Organizational Resilience concepts and practice
- Engage with key stakeholders in our clients so that they embrace best practice and reap the benefits

Develop market leadership and integrated solutions in our chosen sectors

- Develop leadership in our chosen sectors of Healthcare, Food, the Built Environment and Aerospace and Automotive
- Continue to develop our key account management and service offering for clients in these sectors from all of our business streams

Develop our offering in our chosen domains

- Develop leadership in the domains of Operational, Information and Supply Chain Resilience
- Continue to develop our service offering in these domains from all of our business streams

Innovate at BSI

- Establish the BSI Innovation Hub to stay ahead of developments in our marketplaces
- Continue the digitalization of BSI



Make BSI a great place to work

Engage our people through an inclusive, collaborative and rewarding culture

- Drive our strategic resource planning agenda to ensure that we have the right talent in the right roles
- Retain, train and promote wherever possible to ensure that our people can develop their careers at BSI

Enable a resilient world, embedding social responsibility in BSI culture

- Encourage and support our people to make a positive difference in their communities and to the environment
- Celebrate our many successes in this area

FIND OUT MORE

➔ Read about our KPIs on [p15](#)

➔ Read about our Risks on [p30](#)

➔ Read about Social Responsibility on [p40](#)



Deliver client-centric services

Position BSI as a Global Standards Organization

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

Develop our Publishing business as a knowledge solutions provider

- Extend our services to support clients at key points in their product lifecycle and supply chains
- Further invest in innovation and technology solutions to provide ever improving smart services and responsive content

Build a leading and integrated Assurance business

- Continue to invest in technology and training to ensure that we have the most appropriate service offering to provide trust
- Embed commercial best practice processes and systems to deliver a best-in-class client experience

Expand our Professional Services business

- Grow our Consultancy business globally, augmenting our expertise with targeted acquisitions
- Leverage our skills in this business with other business streams to develop our integrated client offering



Build a resilient BSI for the future

Build capabilities and scale via acquisitions and alliances

- Enhance our organic development with carefully selected partnerships with businesses and individuals to accelerate our plan
- Innovate to ensure that our product and services offering remains relevant and market leading

Enhance our processes and systems

- Continue to invest heavily in our infrastructure to ensure an excellent experience for clients and employees
- Streamline processes wherever possible to improve efficiency

Deploy a One BSI integrated global marketing and communication programme

- Ensure a single One BSI story to build awareness and understanding of our brand and capabilities in the market
- Continue to develop our global marketing and selling tools to optimize client experience and gain synergy and efficiency

Shape the organization to achieve scale and resilience in our selected markets

- Review and implement structural changes to ensure the correct approach to our priority markets as they develop
- Ensure that our infrastructure develops to support these changes and continues to guarantee our resilience

Key performance indicators

Tracking progress

In our 2014 Annual Report we set strategic KPIs. The main financial targets were to reach £500m revenue and over £50m underlying operating profit (UOP) by 2018. We surpassed the UOP target in 2016, and are reporting almost 95% of the 2018 revenue target this year, having delivered a 10% organic growth rate in 2017. As a result, we have taken the decision to reset key performance indicators and targets for 2020 to align with our current strategic initiatives. These can be seen on the following page.

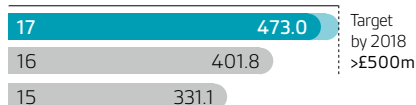
The 2017 results of the non-financial key performance indicators are broadly in line with expectations and, in most cases, on track to achieve their 2018 targets. An exception to this is the number of clients which, barring further acquisitions, is unlikely to reach 95,000 in 2018. However, our average revenue per account (ARPA) has increased faster than expected, meaning that the 2018 revenue target should be exceeded.

Financial

Revenue

£473.0m

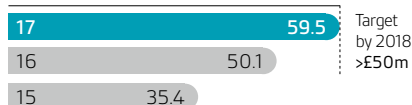
+18%



Underlying operating profit

£59.5m

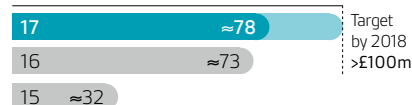
+19%



Revenue from acquisitions

≈£78m

+7%

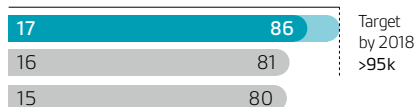


Non-financial

Clients

86k

+6%



Client retention

62%

-3%



NPS* client satisfaction

+53

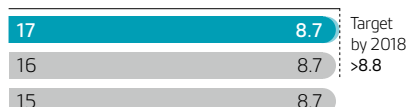
+6%



OSAT** client satisfaction

8.7

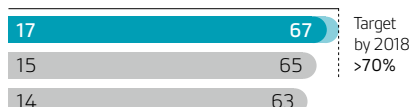
+0%



Employee engagement

67%

+3%



* NPS: net promoter score.

** OSAT: overall satisfaction.

Our new KPIs

Our new key performance indicators, with their 2020 targets, reflect the focus of our evolving strategic plan as detailed on pages 12 to 13.

Financial KPIs

Revenue¹

£473.0m

Target for 2020: £625m

Our new revenue target for 2020 reflects the expected annual organic growth of the business, which remains in line with growth rates achieved in the past. This will be enhanced by carefully selected acquisitions and partnerships with businesses and individuals to accelerate our plan.

Underlying operating profit²

£59.5m

Target for 2020: £80m

We intend our revenue growth to enhance our profitability. The 2020 target reflects this, and the need to implement structural changes to the business to ensure the correct approach to our markets. We will continue to invest in our infrastructure to support these changes and ensure our resilience.

Client-facing KPIs

Net promoter score³

+53

Target for 2020: +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 seek to capitalize on this and continue to grow strongly, 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 2020 position.

Average revenue per account⁴

£5,100

Target for 2020: £6,000

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 ARPA will help to indicate if we are being successful in this objective.

Employee-facing KPIs

Employee engagement index⁵

67%

Target for 2020: 70%

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 listening to our employees for areas where we can improve our performance as employers.

Retention rate⁶

89%

Target for 2020: 91%

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 are able to develop their careers in fulfilling roles. The retention rate gives a good indication that our people feel included, trusted and valued and that there is nowhere else they would rather be.

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 products and services 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.

Chairman's statement

Sir David Brown, Chairman

BSI performed strongly in 2017

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



'BSI recorded higher levels of revenue and profit than ever before in its 116 years'

I am pleased to be able to report that BSI performed strongly in 2017, recording higher levels of revenue and profit than ever before in its 116 years. Our established strategy of pursuing a judicious blend of organic and acquisitive growth is continuing to enable us to enhance the value we deliver to our clients both in our long-established markets and in markets relatively new to us, without compromising BSI's financial strength. Economic conditions remained reasonably stable in the majority of our markets in 2017, despite a degree of uncertainty in our domestic market as the negotiations to end the UK's membership of the European Union proceeded and continued concerns about the volatility in exchange rates. We continue to realize the benefits of having invested strongly in our business in recent years, both throughout the downturn in the global economy and in the more recent somewhat improved climate and ended the year as we began it, in strong financial health. We grew underlying revenue for the eighteenth consecutive year, by 18% year on year to £473.0m, and grew underlying operating profit by 19% to £59.5m.

The single, small, acquisition in 2017 was made without recourse to external debt and we ended the year with £67.8m in cash and deposits, £19.7m or 41% higher than the level at the start of the year.

Every year we seek to strike a careful balance between managing BSI's finances with proper near-term caution and making the planned investments required to continue to secure BSI's longer-term resilience. The strategic and operational investments we made during 2017 built on those we made in prior years to keep BSI at the forefront of standards making, such that our vital role in the global standards community is as strong as ever it has been. Those investments have also deepened our sector and domain knowledge and increased the effectiveness with which we deliver the benefits of it to our clients everywhere. In consequence, BSI's high reputation continues to be maintained and the power of its brand continues to strengthen.

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

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

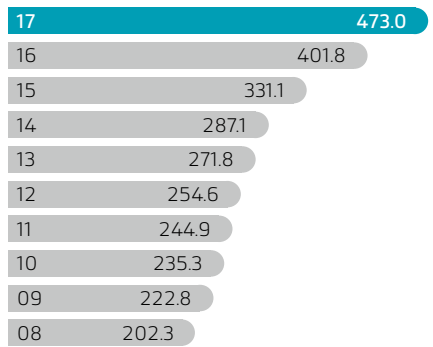
'Our vital role in the global standards community is as strong as ever it has been'

Financial highlights

Underlying revenue

£473.0m

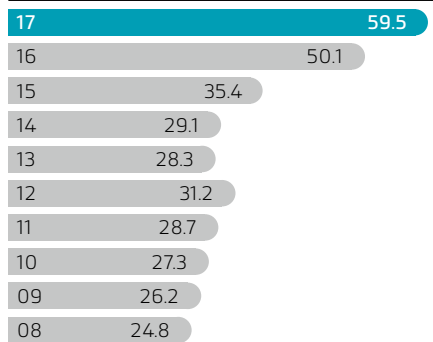
+18%



Underlying operating profit

£59.5m

+19%



'As we begin our 117th year, the Board is confident that 2018 will be another year in which, together with all BSI's stakeholders, we can look forward to both capitalizing on our profound strength and continuing to invest in building the capacity to deliver yet more for all those who depend on BSI, all around the world, and to continue to earn the trust they place in us'

There were no changes to the Board of Directors during 2017. Alicja Lesniak, Non-Executive Director and Chairman of the Social Responsibility Committee, will retire at the end of March 2018. The Board is very grateful to her for her distinguished service to BSI.

Each year my role presents me with opportunities to work with BSI people everywhere, and 2017 was no exception. Always I am struck by their deep knowledge, energy, integrity and infectious enthusiasm for what BSI does. They, and the very many BSI Committee Members and Subscribing Members, are the heart of BSI. Without them BSI could not still be one of the most prominent and respected standards bodies in the world today.

As we begin our 117th year, the Board is confident that 2018 will be another year in which, together with all BSI's stakeholders, we can look forward to both capitalizing on our profound strength and continuing to invest in building the capacity to deliver yet more for all those who depend on BSI, all around the world, and to continue to earn the trust they place in us.

Sir David Brown
Chairman

22 March 2018

Chief Executive's review

Howard Kerr, Chief Executive

Trust is at the heart of BSI

BSI has continued its growth and its development into an integrated global enterprise, able to serve clients across the world with an expanding range of products and services from a growing network of offices.

Summary

For over a century we at BSI have worked in partnership with our clients to ensure that they develop a relationship of trust with their stakeholders, so that their businesses become more resilient and stand the test of time. Over time, they come to trust us to support them as their businesses progress. Trust is at the heart of BSI, and the reason that we continue to demonstrate our own resilience. Our reputation and brand recognize this.

As in prior years, BSI has continued its growth and its development into an integrated global enterprise, able to serve clients across the world with an expanding range of products and services from a growing network of offices. We are able to serve our clients from this geographical coverage across each of our business streams and continue to specialize on chosen industry sectors and domains where we are establishing ourselves as thought leaders and have a deservedly strong reputation. We have a specialized product and service offering which combines our business streams of Knowledge, Assurance and Compliance to deliver value to our clients.

Two years ago I wrote for the first time about the concept of 'Organizational Resilience' that we had developed as a natural consequence of the building blocks of the strategy that we have been establishing and implementing over recent years. The success of this focus can again be seen in the strong financial results that we have delivered in 2017. This has enabled us to continue to invest strongly in the business while fine-tuning our strategy to take advantage of the many opportunities open to BSI and provides a solid base for our own long-term development. Organizational Resilience remains the cornerstone of our strategy, not only internally, to ensure that BSI itself remains a resilient business, as it has done throughout its 116-year history, but also as we continue to help our clients advance their own Operational, Information and Supply Chain Resilience.

I wrote last year that 2016 was unprecedented in terms of global events. 2017 was a less volatile year, in the sense that there were fewer economic, political and social shocks to the world order. However, the events of 2016 continued to leave their legacy of uncertainty across the business world, and little of this uncertainty was resolved satisfactorily during 2017. First and foremost, for BSI, is the continued lack of certainty over the conditions under which the UK will leave the European Union in 2019.



'BSI once again demonstrated its financial resilience to record the highest levels of revenue and profit in our history'

We remain optimistic that BSI will continue to participate actively in the European single standard system as the UK National Standards Body through continued membership of and participation in European Standards Organizations (ESO), such as CEN and CENELEC. These organizations are independent of the EU, and we believe that it is important that UK Notified Bodies, such as BSI, maintain their important conformity assessment role to ensure ongoing access to UK and European markets, utilizing the proven expertise that currently exists.

We continue to work closely with the UK Government to support the Department for Business, Energy and Industrial Strategy (BEIS), the Department for Exiting the European Union (DExEU) and the Department for International Trade (DIT) in their preparations for Brexit and negotiations to ensure the best possible result for our UK and global stakeholders, and the future of BSI itself. In addition, we continue to monitor the ongoing discussions and attempt to optimize our response to Brexit as they develop. For example, we are in the process of establishing a Notified Body in the Netherlands and our International Projects division, which has, historically, been the recipient of EU funding for much of its work, has opened an office in Paris.

Our objective is to provide continuity of service to our multiple stakeholders during and after the Brexit transition process.

Notwithstanding the fluctuations in currency, commodity and stock markets in 2017 and the ever-present risks that accompany the effect of terrorism, social migration and fears of regional conflict, other than uncertainty over the terms of eventual Brexit there were no significant negative macro-economic influences on our business during the year. The global trading environment proved quite buoyant for BSI, particularly in the US, China, India and Japan, some of our most important trading markets outside the UK.

In 2017, BSI's Assurance stream has grown faster than the many of its listed and private competitors in the Testing, Inspection and Certification (TIC) sector, although some of these competitors reported increased confidence towards the end of 2017 along with the recovery of oil and gas prices. BSI is not overexposed in the oil and gas sector and is only materially present in the Certification part of TIC. We complement our strong product and service lines in this area with those from our Knowledge and Compliance business streams in an increasingly balanced portfolio so, although comparisons with these competitors are only partial, we are not entirely immune to the market forces which affect their performance. Throughout 2017, BSI has continued to develop its geographical, business stream, sector and domain footprint to ensure that we remain well hedged against external business cycles, whether global or local, sector or currency related. As we develop internationally, our natural hedging against all of these cycles improves and we will continue to manage this process proactively.

Given all of these issues, it is pleasing to be able to report that BSI once again demonstrated its financial resilience to record the highest levels of revenue and profit in our history. Revenue for the year was £473.0m, an increase of 18% on the £401.8m reported in 2016. This increase can be subdivided into 10% organic growth, 5% inorganic growth from the annualization of the results of our 2016 acquisitions and a single month of trading from our 2017 acquisition, and 3% due to changes in the average value of Sterling during the year against our other trading currencies. New sales orders, which will translate into revenue over time, grew organically by 16% at constant exchange rates.

'Our objective is to provide continuity of service to our multiple stakeholders during and after the Brexit transition process'

This compares favourably to the equivalent growth reported in 2016, which was only 1%, with the improvement being partly a consequence of increased investment in our sales and marketing engine. Many of our sales orders translate into revenue very quickly but others, such as our Assurance business stream in particular, enjoy a large proportion of revenue driven by longer-term contracts with our clients.

As a Royal Charter Company with no shareholders, BSI is in a position to be able to invest fully its retained profits back into the business. In recent years, in particular, we have increased our investment programme and the benefits of these internal investments and acquisitions are very apparent in our subsequent profitable growth. Once again in 2017 they have had the effect of leveraging our strong revenue performance into even greater profit growth. Underlying operating profit was £59.5m in 2017, 19% higher than the £50.1m reported in 2016. This growth can be split into 16% organic, 2% inorganic and 1% exchange. UOP margin increased slightly from 12.5% in 2016 to 12.6% in 2017.

Structure

Day to day, our business in 2017 was managed through a strong matrix structure with three global business streams, Knowledge, Assurance and Compliance, being driven through three geographical regions, Europe, the Middle East and Africa (EMEA), the Americas and Asia Pacific. Since 2016, we have enhanced this structure by beginning to recruit recognized thought leaders to manage our chosen sectors and domains, to ensure that our clients receive the best possible service and expertise from us. Supporting this client-facing structure are highly enabling central functions and innovative business systems in which we invest continuously. This is overseen by the Group Executive Committee, which sets and manages targets and reacts quickly and flexibly to changes in the competitive environment. Our reporting structure remained unchanged from 2016.

Chief Executive's review continued

Structure continued

Our focus remains on developing our portfolio of products and services, and delivering this to our clients across our four dimensions of geography, business stream, sector and domain. All of our products and services support the concept of Organizational Resilience and split neatly into its supporting domains of Operational, Information and Supply Chain Resilience. We have made further good progress in defining these domains in 2017 and have experienced high levels of interest from executive management of our current and prospective clients as we have explained the benefits of this approach to them. We will continue to invest in strengthening our portfolio of products and services through dedicated management in these focus areas. Likewise, we enjoy strong market positions in our focus sectors of Healthcare, Food, the Built Environment and Aerospace and Automotive, and work hard to ensure that we leverage these positions for the benefit of our clients.

A resilient business must continue to be agile and proactive in order to ensure its own relevance and long-term stability. In late 2017 I announced an internal restructure of BSI, which will become effective by mid-2018. In this new management structure, we will change from our primary focus of regional reporting, which readers will see for the final time in this Annual Report, to one based on three global business streams of Knowledge, Assurance and Professional Services, which will form the primary focus of our reporting from the 2018 Annual Report. The global Directors of these streams will join the Group Executive Committee, replacing regional roles, and the co-ordination of the three streams with our chosen industry sectors and domains will be ensured by the appointment of a new Group Commercial Director, who will also join the Group Executive Committee. I am confident that this new structure will increasingly deliver integrated global solutions to our clients. At the same time, our local country teams will continue to provide expert support for small and medium-sized enterprises (SMEs) in each territory. I look forward to reporting on the progress of this transition in next year's Annual Report.

Investments

In recent years we have prioritized investment in our IT systems and our infrastructure as many aspects of our business undergo a process of digitalization and we rely more heavily on online contact with our clients. This trend continued during 2017, with further developments across all three of our business streams aimed at enhancing the experience of our clients as they interact with us, our employees as they go about their work, and our processes as we optimize and standardize these wherever possible, with a view to support our business as we expect it to be into the future.

We have integrated all of these system and process development projects into a single Business Transformation programme which fully supports our business strategy. Each project has a member of the Group Executive as sponsor and the overall programme is managed by a steering committee drawn from the Group Executive and experts from our information technology team. This approach co-ordinates the development of the projects to ensure that they lead to a single solution that will support our business as it continues to grow. We expect the increased level of investment required to deliver the Business Transformation project to continue throughout 2018 and 2019 before returning to more normal levels in 2020

'Our strategy of developing our business geographically, by business stream, by sector and by domain, provides a strong natural hedge against most economic, political and social issues that can create uncertainty in a global trading environment, and so we approach 2018 with confidence'

and beyond. During 2017, the focus was on completing the implementation of the latest version of our Client Relationship Management software, the start of our finance transformation project and improvements to our client portal and Medical Devices' operations support. Several other projects have been specified and will commence implementation in 2018.

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

In recent years we have pursued our strategy of combining organic growth with accretive inorganic growth and completed seven acquisitions in total in 2015 and 2016 in the Professional Services arena. This process was deliberately slowed during 2017 as we integrated these businesses and ensured that they developed the infrastructure necessary to prosper with BSI's values and global network. This combined business of Environmental Health and Safety (EHS) Consultancy in the US and Cyber Security and Information Resilience (CSIR) Consultancy in Europe, developed entirely from these acquisitions, generated revenue of £65.5m in 2017 and now forms a significant proportion of our Group revenue.

However, a single acquisition was completed during 2017, at the beginning of December. This was the purchase of the Neville Clarke Group of companies. Founded in 1988, Neville Clarke has a team of 150 experts who specialize in organizational training and capacity building services, with offices in four Asia Pacific markets: Singapore, Malaysia, Indonesia and the Philippines. Neville Clarke is a well-established and highly regarded company working with both internationally recognized and local clients. The company is strongly positioned in the field of management systems and sector-specific training (Healthcare, Food, Aerospace and Automotive, Oil and Gas, and Telecommunications). They deliver problem solving and process management training (such as Kaizen and Lean Six Sigma), as well as a range of leadership, personal development and communications courses. This acquisition supports BSI's ambition to offer an extended portfolio of training services and courses with new content in soft skills, performance and ISO standard methods, as well as improved delivery of our existing capacity building programmes. It also opens up a new market for us, the Philippines, which becomes the 31st country where we have at least one office. We believe that Neville Clarke clients and employees will benefit from BSI's global product portfolio, brand and career opportunities.

People

Embedding excellence to improve business performance is at the heart of what we do at BSI and the passion and expertise of our people are of the utmost importance in the delivery of this. In 2017 we strengthened our global recruitment practices and resourcing teams, increasing the pace and quality of our hiring. We recruited over 1,100 new employees in the year, particularly in the key client-facing activities of sales and delivery to support our revenue growth, in addition to welcoming the 150 who joined with the Neville Clarke acquisition in December. As a result, on average, we had 4,333 people working for BSI, an increase of 13% over 2016. We are proud to employ a talented, diverse, global workforce which provides the expertise that brings us competitive advantage and differentiates us from our competitors. I would like to take this opportunity to thank each and every one of the BSI team for their hard work and demonstration of our core values of Integrity, Inclusivity and Continual Improvement, which guide us in everything we do. Our people are our most valuable asset and make BSI what it is today.

As BSI grows, our strategic resource planning takes on a greater importance as we strengthen our team to take on the increasing challenges facing as complex a business as ours, while ensuring our own resilience. At the core of this strategy is the recruitment, development and retention of our employees. They provide the expertise and professionalism that differentiate our products and services from those of our competitors and build the trust and confidence that convince our clients to work with us and to continue to work with us. Developing and maintaining this expertise is critical to our success. We have continued to invest in our employees' professional and career growth through leadership programmes and coaching. Our global academies developed people in standards, technical skill and professional capability, we increased the number of apprenticeships and we also launched a learning hub. Our over-riding aim is to provide development for all our employees throughout their careers, 'to be the best that they can be'.

During the year, we strengthened the focus on BSI's excellence behaviours and provided a framework for building on our inclusive, engaging, high performance culture. We completed a review of our employer brand and, as a result, are clearer about why people are motivated to work here at BSI. We have made progress in our efforts to ensure that we have the reward packages in place to enable us to attract and retain the talent we need. Our focus is to enhance our reward policies and processes so that they meet the demands of managing a global workforce. This will enable us to simplify much of what we do, identify and replicate best practice across the Group, and create a true One BSI approach to our reward and recognition packages.

Towards the end of 2017, we undertook our fifth global employee engagement survey, which showed further progress on the last survey, which was undertaken in 2015. The level of response was high at 78%, and the most positive areas of responses were 'opportunities for personal growth', 'pride in BSI as a company', 'team members supporting each other' and 'my manager supports and develops me'. We will continue to actively listen to the feedback from our employees, so that we can further enhance the positive aspects identified and seek to improve areas of concern. Above all, we aspire to be a great place to work, a business that talented people want to join and where they can grow their careers.

'We will continue to implement our strategy as we have done in prior years, and optimize our structure to exploit our opportunities, and look forward to driving BSI to further success'

Clients

Once again we delivered our products and services to a growing client base and have supplied these to a record number of clients. We have worked with in excess of 86,000 clients over the past twelve months. This is an increase of 6% on 2016. Average revenue per account (ARPA) is an increasingly important key performance indicator for us in line with our business strategy of working more globally with clients, particularly in our chosen sectors, and delivering products and services to each of them from more and more of our business streams. ARPA increased from £4,600 to £5,100 during the year.

We work with clients of all sizes, from large multinational clients to small and medium-sized enterprises, in over 190 countries worldwide. They tell us that they benefit from working with BSI. In 2017, 61% of clients who were asked how likely they were to recommend our services scored us nine or ten out of ten and only 8% scored us between zero and six, giving us a high net promoter score (NPS) of +53.

Our reputation remains paramount to us at BSI. It is underpinned by our credo of 'Making Excellence a Habit' and our core values of Integrity, Inclusivity and Continual Improvement. Everyone at BSI works to these high standards and that is why our clients work with us and continue to work with us.

Outlook

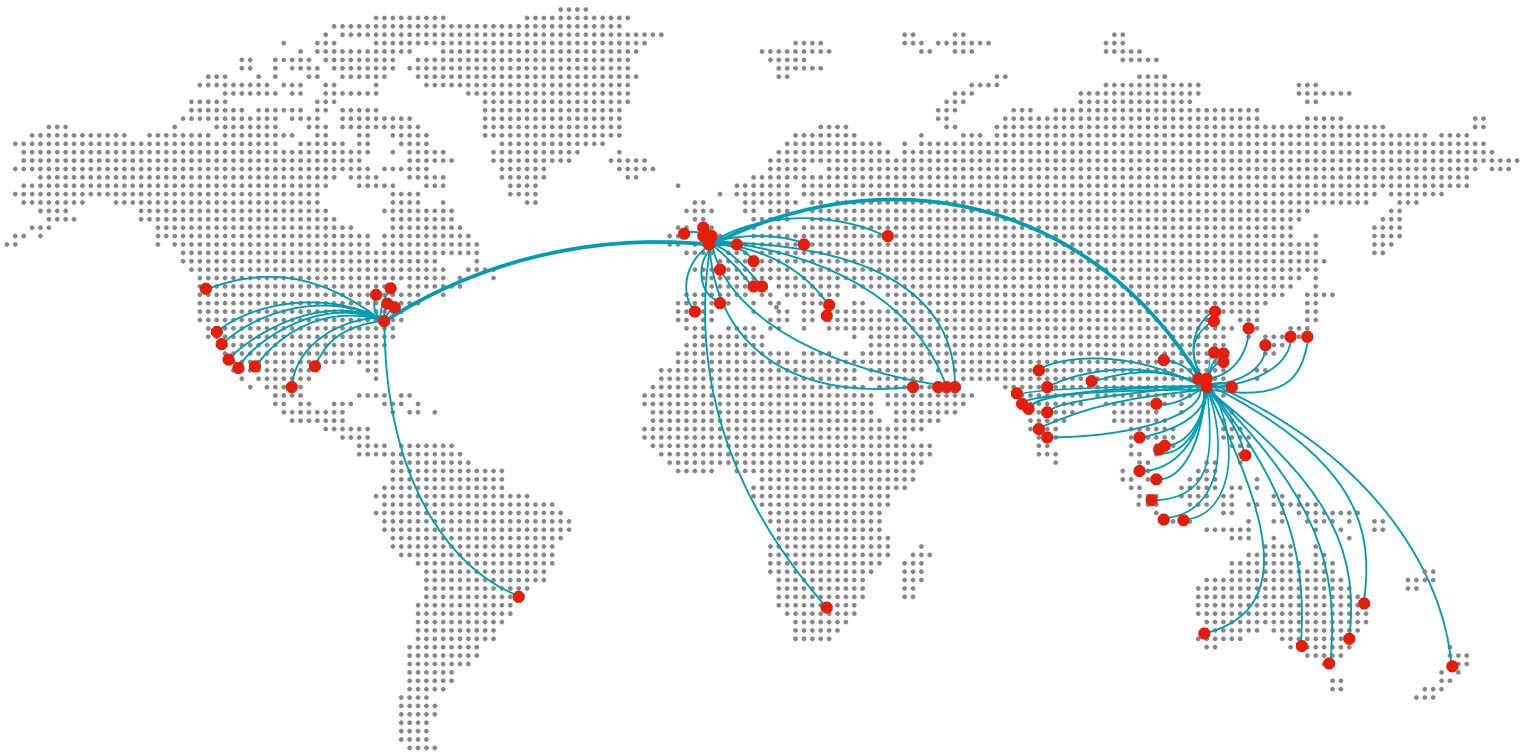
BSI delivered record results in 2017 in what proved to be a more stable climate in the majority of our global markets. Our strategy of developing our business geographically, by business stream, by sector and by domain, provides a strong natural hedge against most economic, political and social issues that can create uncertainty in a global trading environment, and so we approach 2018 with confidence, while watching closely the developments of the international marketplace. We continue to complement the organic growth that we have reported annually over many years with carefully selected accretive acquisitions, leveraging the strong cash-generative nature of our business to optimal effect. We will continue to implement our strategy as we have done in prior years, and optimize our structure to exploit our opportunities, and look forward to driving BSI to further success in 2018 and beyond.



Howard Kerr
Chief Executive
22 March 2018

Performance by geographical region

BSI is an integrated global enterprise, able to serve clients in over 190 countries from 90 offices in 31 countries in three regions across the world. We have a presence on every continent.



EMEA

Revenue

£214.7m

2016: £192.8m

Growth

11%

(+10% at constant exchange rates)

Offices

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

Employees (including head office)

2,048

2016: 1,852

Proportion of total revenue

17 **45%**

16 **48%**

Our EMEA region is fairly diverse, with two large businesses in the UK and smaller businesses, managed as clusters, in Central Europe, Southern Europe and the Middle East and Africa. Despite differing trading conditions across the region, each of these businesses showed improvement on their 2016 performances, and this drove the region as a whole to annual revenue growth of 10% at constant exchange rates. This can be split into 7% organic growth and 3% inorganic growth due to the annualization effect of our 2016 acquisitions.

A significant driver in our 2017 success has been the continued transition of many of our clients across the region to the new versions of the two most significant standards to which we certify, ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). The three-year transition period for these standards began in September 2015, so the business has benefited from a full year of this effect in 2017, as it did in 2016.

The UK Systems Certification business is the largest single part of the European business and this had another outstanding year, driven partly by the transition effect mentioned above. Costs were held in line with last year, while small price increases, combined with improvements in the efficiency of delivery, ensured that the profitability of the business was enhanced. Investments were made in the Food sector trading infrastructure in the year and this sector is now delivering revenue to the business. Our UK Training business performed strongly as well, although unforeseen staff turnover and the resultant use of external resource adversely affected profitability. Our Product Certification stream is headquartered in the UK and continued to grow in line with expectations, with good performance in schemes aimed at the Built Environment sector tempered slightly by some weakness in the Electrical and Gas and Services schemes. Our Product Certification Internet of Things laboratory was opened in December 2017, offering diversification to our product range. This has been well received by our clients, with several already working towards certification. As Product Certification globalizes in line with its strategic initiatives and other BSI units reach maturity, business previously treated as direct exports from the UK is transferred offshore to be managed locally. This process continued successfully in the year. Our Medical Devices stream is treated as a global business already, but the revenue delivered in the EMEA region increased significantly in 2017, although this did lead to pressures in resourcing towards the end of the year, which are currently being resolved.

Outside the UK the business is run through three clusters, Central Europe, Southern Europe and the Middle East and Africa. Our Central Europe cluster, comprising Germany, the Netherlands, Poland and Russia, grew its revenue by 19% at constant exchange rates. Germany forms one of the largest parts of this cluster, and has experienced some trading difficulties in the recent past. Its recovery continued in 2017, with improvements both at revenue and profit levels. The Netherlands continued its recent strong performance, with revenue growth over 20% at constant exchange rates. It also successfully introduced our Product Certification portfolio of products during the year. Poland and Russia also contributed positively to the cluster's performance and the overall result.

Our Southern Europe cluster, comprising Italy, Spain, France and Turkey, was one of the Group's standout performers in 2017, with constant exchange rate revenue growth of 24% leveraging enhanced profitability. The resilience of this business, despite some difficult economic, social and political issues experienced by the region, is underpinned by its

flexibility and diversification across the portfolio of business streams offered by BSI, and the key account wins that have resulted from this process.

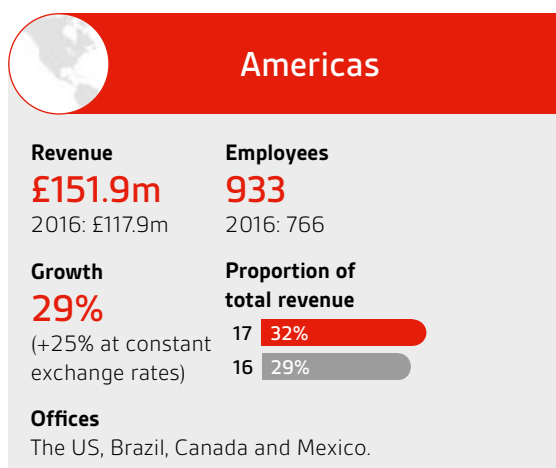
The strongest performer in our Middle East and Africa cluster has been our South African Systems Certification and Training business. This was acquired in early 2015 and continues to be a focus for investment. Revenue delivered by this unit increased by over 50% in 2017, albeit from a low base, but this again demonstrates the demand for the BSI portfolio of products and services across the world. The Middle Eastern part of this cluster performed admirably in view of the continued regional malaise due to low oil prices, and is well positioned to recover as the cycle becomes more favourable. Overall our Middle East and Africa cluster grew by 8% at constant exchange rates.

Our EMEA Consultancy business was acquired in 2016 and has been integrated to form the EMEA Cyber Security and Information Resilience (CSIR) business during 2017. It grew by 81% at constant exchange rates in 2017, although the majority of this was due to the twelve months' revenue we enjoyed in 2017. This business found trading difficult during the year due to the hiatus in UK Government spending during the 2017 general election and a reduction in eForensics work in line with general market trends. Management changes were made in December 2017, as well as a further investment in sales resource, and a recovery is expected in 2018.

During the year we launched and rolled out our Assurance Portal, which offers a direct link between BSI and our Assurance clients. This has proved to be a differentiator, winning us new business in key accounts and protecting some marginal business. This, and our continued Customer First initiative, in which every UK employee, whether client facing or not, receives training in client service standards, led to our highest ever net promoter score (NPS) for the UK Assurance business as a whole. The EMEA social responsibility programme is now in place, with leadership assigned both at regional and country level. Benefits are being felt by the target communities, and BSI employees are reacting very positively to this important initiative.

Our EMEA region also includes results from the EMEA part of our Knowledge business stream, which is managed separately to the EMEA Assurance and Compliance business. EMEA constitutes the vast majority of our Knowledge stream, details of whose global performance may be read on page 26 of this report. At constant exchange rates our EMEA Knowledge business reported revenue growth of 2% in 2017, while our Assurance and Compliance business grew by 16%, making 11% for our region as a whole.

Business review continued



Trading conditions in the Americas in 2017 were generally better than those experienced in 2016 and the region performed very well in the year, reporting constant exchange rate revenue growth of 25%, of which 12% was organic and the other 13% resulted from the annualization of the results of the three 2016 Environmental Health and Safety (EHS) Consultancy acquisitions. Our operations continued to improve their efficiency, so profit margins increased during 2017 as well. Also encouraging was the growth in new sales orders of 38%, of which 18% was organic and 20% inorganic. These translate into revenue over time and augur well for the continuation of the profitable growth trajectory of recent years.

Our US and Canada Assurance business benefited as elsewhere in the Group, from the transition to the new versions of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). It also consolidated its leadership in the Healthcare sector with ISO 13485 (Quality Management, Medical Devices) and readiness for the Medical Device Single Audit Programme (MDSAP). We also saw improved uptake for our Enhanced Assessment services, which integrate training and software solutions into our Assurance offering. Our Training stream benefited also from the transition process, although this slowed towards the end of the year as we approach the deadline for transition of September 2018. Our Connected Learning Live delivery channel, in particular, grew strongly.

Our US Consultancy business, acquired during 2015 and 2016, now forms the majority of the Group's Compliance business stream, and is already a significant contributor to regional and Group revenue and profit. We now have nine offices across the US delivering EHS Consultancy services. Good progress was made in the selective integration of these businesses during 2017, with significant investment in IT systems and standardized best practice in operations wherever possible.

We now have a significant nationwide Consultancy business from which we can leverage this best practice where appropriate, while allowing each business to harness its own expertise. It is noticeable that each of the acquired businesses has strengths in particular sectors, such as the BSI focus sectors of Healthcare and the Built Environment, as well as their own strengths in Oil and Gas and Technology. These play to strengths in the wider BSI business and provide important new product lines for our wider Organizational Resilience offering. The West Coast business faced challenges in 2017, with material client contractions for budgetary reasons early in 2017, and some resourcing problems, but organic revenue growth was achieved at improved profit margins. The East Coast business, in its first full year with BSI, drove the expected accretive growth to BSI performance. Although there were no further acquisitions in 2017, BSI continues to view the US as an excellent market for further organic and inorganic investment.

Outside the US and Canada, we have material businesses in Mexico and Brazil, which did not benefit directly from the same economic strength enjoyed by the US and Canada throughout 2017. Under these circumstances, they performed very creditably with double-digit revenue growth at constant exchange rates and enhanced profitability. From our Mexican office we continued to expand our presence in Latin America, targeting premium quality assurance services in the carefully selected markets of Colombia, Costa Rica and Chile, particularly in Systems Certification and across the Healthcare sector, both areas of strength for us. Our business in Brazil continued to demonstrate its resilience despite the fact that the country is in the process of recovering from the recent economic recession and political instability. New sales orders grew faster than revenue, which is always a good sign, and profit increased from 2016 levels.

The Americas has already started its journey towards a new business stream and sector focused management structure, emphasizing alignment and collaboration between businesses, particularly in the area of operations, where, in the Assurance business, resource is allocated to jobs on a regional basis, with the record number of days delivered in 2017 providing testimony to its success. The integration of the Consultancy businesses under a single management structure during 2017 is expected to demonstrate similar success in 2018 and beyond. This focus has already made some early wins across both sides of the business with major clients in key markets. We continue to learn and improve our approach as new opportunities emerge.



Asia Pacific

Revenue

£106.4m

2016: £91.1m

Employees

1,352

2016: 1,217

Growth

17%

(+13% at constant exchange rates)

Proportion of total revenue

17 **23%**

16 **23%**

Offices

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

By the end of 2017 we had offices in thirteen countries in the Asia Pacific region, and these, again, demonstrated their importance to BSI with a strong performance in terms of both revenue and profit growth. At constant exchange rates, revenue grew by 13% on 2016, of which a very small proportion was inorganic due to our acquisition of the Neville Clarke Group of companies late in the year. As in 2016, this was helped by the transition of our clients to the new versions of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). As always, the region had a slow start to the year, caused by the slowdown in business in much of the Asia Pacific region due to the Chinese New Year celebrations. Although this effect cannot be mitigated entirely, our Business Transformation project has continued to improve our efficiency and our break-even point in the region is now seven months earlier than it was in 2014. This has led to a far better balanced business across the region and fewer resource issues in peak times. A further success during the year was the increase in the level of new sales orders, which grew organically by 26% at constant exchange rates compared to last year. This level of sales orders will provide a strong impetus for future growth.

One of the highlights of 2017 was the acquisition of the Neville Clarke Group of companies at the beginning of December. This was the first acquisition in the region since 2013, when we completed the acquisition of NCSI in Australia. Founded in 1988, Neville Clarke has a team of 150 experts who specialize in organizational training and capacity building services, with offices in Singapore, Malaysia, Indonesia and the Philippines. It is a well-established and highly regarded business working with both internationally recognized and local clients, well positioned in many of

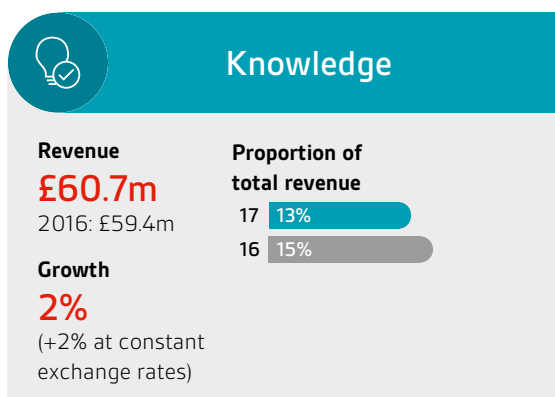
BSI's focus sectors, and will complement our regional offering. The office in the Philippines is the thirteenth country in which we have a permanent presence in Asia Pacific, and the thirty-first for BSI globally. In the three countries where both BSI and Neville Clarke are present, we will integrate our two businesses to ensure a single face to the marketplace.

Our Asia Pacific region now comprises three large businesses, in China, Japan and Australia and New Zealand, three medium-sized businesses in Taiwan, India and Korea and the ASEAN cluster of six countries, including the new Philippines office. Of the large companies, China and Japan continued their recent strong, double-digit revenue growth and enhanced their profitability during the year. Both are benefiting from the expanded BSI portfolio of products and services and sector focus. Australia had a slower year, with some sales resourcing issues in the early part of 2017 that had implications throughout the year. Taiwan and India continued their steady revenue and profit growth. Taiwan was the first country to launch BS 8001 (Circular Economy) in partnership with the ECOVE Environment Corporation. India, in particular, had a very strong year and secured some contracts for capacity building and self-discovery with major organizations in the financial services sector in the Organizational Resilience arena. In the past, we have reported problems in our South Korean business due to management changes and client and staff attrition. It is pleasing to report a small recovery in this country in 2017, which has developed as the year progressed. ASEAN remains our fastest growing region, and the infrastructure of this cluster of businesses was strengthened by the creation of an ASEAN management hub during 2017, to provide a firm base for further growth in 2018 and beyond, particularly as the Neville Clarke acquisition has increased the scale and complexity of this business.

Asia Pacific is the driving force behind our progress in the Food sector. The BSI focus on this sector is led from our Global Food Centre of Excellence in Sydney, Australia, and provides the guidance as this important sector develops its presence both in EMEA and the Americas. Within the region, we continued our investment in this sector with the introduction of sector specialists and additional resource capacity across Asia Pacific, and now have full regional coverage in this important area. We continued to expand our coverage in the other focus sectors of Healthcare, Built Environment and Aerospace and Automotive. In particular, we achieved successes in Built Environment, with partnerships and contracts with some of the largest construction and property development companies in Hong Kong, China and Australia in the area of Building Information Modelling (BIM).

Performance by business stream

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



Our Knowledge Solutions business reported another year of growth, although the constant exchange rate revenue increase of 2% in a mature market was lower than in the past few years. It continued to deliver its strategy of providing smart content and knowledge solutions to support its clients whenever their requirement for standards and compliance related information arises. The focus of the business remains innovation, as we attempt to stay ahead of this requirement and respond to market changes.

Our document sales recorded a small decline in revenue compared to 2016 as anticipated as sales from the 2015 revisions of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) declined. Over 75% of our document sales are now delivered digitally through our eShop website. A major re-launch of this shop is planned for mid-2018, which will enhance the link from the shop to our other offerings, allow better engagement with clients and consolidate our digital and web footprint.

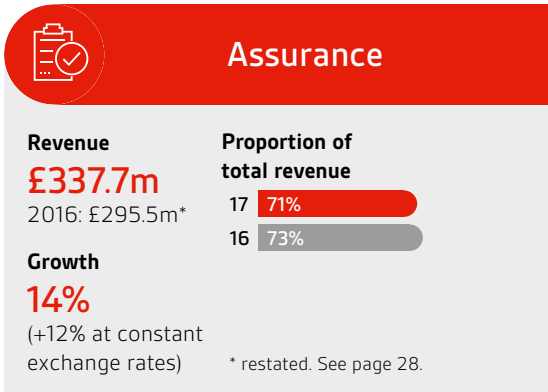
Our subscription revenue increased by almost 8% in 2017. Our flagship British Standards Online (BSOL) continues to deliver strong sales to new clients in the UK and internationally, as well as market-leading renewal rates. Compliance Navigator, our new generation knowledge tool which helps medical device companies manage their regulatory, legal and standards compliance requirements, gained good traction, with the second half of the year showing increasing sales momentum and pleasing renewal rates.

Our International Products Consultancy business had another strong year, with a large increase in new sales orders, which will be funded both by the European Union and an increasingly large pool of other, diverse, funding bodies. Significant projects, delivering improvements in quality infrastructure, were won in Morocco, Tanzania, Guatemala and Georgia. Our Standards Solutions business published an increased volume of funded Publicly Available Specifications (PAS) and private standards as well as delivering wider consulting solutions.

Our focus on innovation saw the launch of our Knowledge Labs initiative to support the rapid generation, prototyping and testing of ideas and potential products. In partnership with RIBA Enterprises we completed a successful pilot to develop a digital identifier and associated registry agency for the Built Environment industry. We hope to launch this business in 2018 and believe it will put us at the centre of manufacturers' global Built Environment product identification, information management and compliance declaration. We are exploring the agile development of standards, allowing them to be developed using a digital, collaborative, flexible and iterative process.

In addition, we acquired and re-launched the Hypercat Internet of Things (IoT) community, which brings together IoT buyers and suppliers to create best practice, shape new opportunities and accelerate the IoT market, an area of increasing importance for BSI as a whole across a breadth of different sectors. We continued to invest heavily in our systems and infrastructure, and completed the digitalization of our content during the year. All our published content can now be discovered in a flexible digital format, which opens up the range of uses and product offerings we can develop. This means that we can focus on our clients' needs and expectations, and meet these, both as a standards developer and as a knowledge solutions provider. We are looking to expand these businesses as we develop our Global Standards Organization (GSO) solution, in line with our strategic initiative.

Our continued growth demonstrates the trust that our clients place in BSI and we remain a partner to them as they enhance their own resilience. We are expanding our range of products and innovation partnerships and we expect 2018 to be another year of growth for our Knowledge Solutions business.



Systems Certification

Our Systems Certification business stream reported constant exchange rate growth of 8% in 2017. This is the highest rate achieved in recent years and due in part to the heavy investment that we have made in order to be able to accompany our clients effectively on their journey to upgrade to the new versions of ISO 9001 (Quality Management) and ISO 14001 (Environmental Management). Further improvements in process optimization ensured that this growth was profitable. Geographically we showed strong growth in Southern Europe, the Middle East and Africa, China and ASEAN, while Germany, Poland, South Korea and Brazil experienced more challenging years.

From a product point of view, there have been good revenue increases from our information security and business continuity offerings, which are key components in our overall Organizational Resilience portfolio. Linked to this was the re-launch of BS 10012 (Personal Information Management) which is closely aligned with the forthcoming General Data Protection Regulations (GDPR).

One area of great strength in 2017 was the booking of new sales orders, which increased by 20% over 2016. These sales orders give rise to revenue which is then delivered over a number of years, so this indicator is a good sign of the longer-term health of the business stream. Over recent years, we have invested heavily in the sales and marketing engine of this business and it is good to see this bearing fruit, which will be harvested in 2018 and beyond. As part of this effort, we launched the BSI Assurance Portal during the year. This gives our clients the ability to manage their certification activities online and benchmark their performance. The portal has been well received in the market and will be rolled out further in 2018.

In line with BSI's strategic initiatives, we have increased our focus on key sectors. Our progress in Healthcare is mentioned below, but we have also made advances in our service offering in the Food and Aerospace and Automotive sectors and their respective supply chains.

Product Certification

2017 was another strong year for our Product Certification business, building on the resurgence we have seen in this business stream in recent years. Revenue growth at constant exchange rates was 12%, the third year in a row of double-digit increases. As we globalize this business in line with our strategic initiative, roughly half of the stream's revenue comes from outside the UK, a major development over recent years. In particular, we registered strong growth in the UK, Southern Europe, the Middle East and Africa and China. As part of the globalization process, in late 2016 we created a new team in Central Europe and this was a major success, particularly in the Netherlands, driven by an Information Security Scheme. India was our most challenging market.

We again saw good growth in our traditional Testing and Certification business, being accredited ahead of the market in the new personal protective equipment and gas appliances European regulations, allowing our existing clients to transition easily, and winning us new clients. We supported the Group's approach to the Built Environment sector with the Building Information Modelling (BIM) Kitemark, which has been well received by the market and has clients in seven major markets, and delivered two new product extensions in 2017.

Two major new product areas were launched in 2017. In June, we opened our Gas Capacity Laboratory, which tests and certifies masks and filters for use in poisonous environments. In December, we launched our Internet of Things laboratory to support existing and new clients as they develop connected smart products.

Training

2017 was another strong year for our Training business, with revenue growing by 14% at constant exchange rates. This was fuelled by successful market penetration into the Healthcare and Aerospace and Automotive sectors. Growth was well distributed across our businesses globally, although the US and China proved particularly strong, especially in these sectors. Other regions showing robust growth across the product portfolio were Central Europe, the Middle East and ASEAN, where we have invested strongly in team infrastructure, processes and systems. During the year we trained over 150,000 delegates, with delegate satisfaction levels increasing to 90% for tutor ratings and 86% for course ratings. We continue to experiment with new delivery formats, including web-based live training courses, which were piloted during the year.

We continued to invest heavily in new courses, and increased our portfolio by a record amount during 2017. These focused on our chosen sectors of Healthcare, Food and Aerospace and Automotive, additions to the information security and business continuity portfolios, new courses in anti-bribery and early-to-market offerings in occupational health and safety to align with the forthcoming international standard ISO 45001 (Occupational Health and Safety).

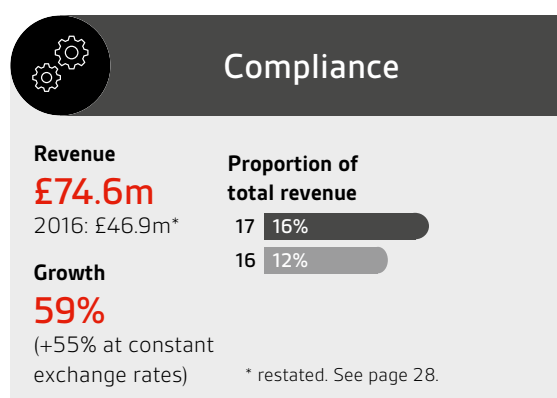
Business review continued

Healthcare

In 2017, our Medical Devices Systems and Product Certification stream again demonstrated very strong revenue growth, reporting 18% growth at constant exchange rates, as it did in 2016, with all regions reporting double-digit increases. In Systems Certification ISO 13485 (Quality Management) established a clear market leadership position within the Medical Device Single Audit Programme (MDSAP). The MDSAP and other schemes, including the growing Malaysian Medical Device Good Manufacturing Programme, and increased share within the Japan PMD certification programme helped to expand our global footprint.

Trading in our Medical Device Product Certification stream was also strong in 2017, although we encountered resource constraints towards the end of the year that impeded further improvements. During 2017 we embarked upon an unprecedented number of designation applications in this arena, to extend scope and geographical coverage. The focus is to ensure that we are in the first tranche of EU Notified Bodies designated under the Medical Device Regulation (MDR) and In-vitro Diagnostic Regulation (IVDR).

In 2017, in line with our sector focus strategy, we recruited an experienced Managing Director for our global Healthcare business, to leverage the strong position we enjoy in Medical Devices into other areas of the Healthcare sector, such as pharmaceuticals and hospital services.



Our Compliance business stream in its current form has grown significantly over the past three years predominantly by acquisition. It now comprises two Consultancy businesses, one on either side of the Atlantic Ocean, and a Supply Chain Solutions business, which itself comprises consultancy, verification and solutions divisions. Overall this business grew by 55% during 2017 at constant exchange rates, which can be split into 11% organic and 44% inorganic growth from the annualization of the 2016 acquisitions.

Consultancy

In the US, we now have a strong Environmental Health and Safety (EHS) Consultancy business, which operates nationwide out of nine offices. Our West Coast business,

built out of our 2015 acquisitions, experienced some challenges early in the year, when some sizeable clients scaled back their purchases for budgetary reasons and the business also experienced some resourcing constraints, but it bounced back later in the year, helped by the recovery in oil and gas prices, to deliver 6% organic growth at constant exchange rates at improved profit margins. Our East Coast business, built out of our three 2016 acquisitions, enjoyed its first full year as a member of the BSI Group and generated broadly an expected level of revenue and profit. Our Enhanced Consulting model, integrating our Consultancy offering with software tools, gained traction in 2017 as our clients saw the benefits of this integrated approach. The various acquired businesses complement each other well, with each providing strengths in different industry sectors. They contribute well to the One BSI offering of the Group as a whole. We are working to integrate these businesses, where appropriate, to leverage best practice and create a strong platform for further organic growth, while ensuring that they continue to harness their own expertise.

During 2017 in EMEA, we focused on the introduction and consolidation of the two Cyber Security and Information Resilience (CSIR) businesses that we acquired in 2016. Now fully integrated into the BSI brand, portfolio and management structure, this business trades as BSI CSIR. The Centre of Excellence activities are located in Dublin, Ireland, and the UK business has been incorporated into our Milton Keynes office, increasing access to our wider client base. Additionally, our cyber laboratory activities have been aligned with our Internet of Things initiative, combining expertise with the Product Certification stream. Information management services have been enhanced through the market-driven response to the General Data Protection Regulation (GDPR), an area where CSIR possesses significant experience, expertise and capability. From a trading point of view, 2017 was not without its challenges for this business. The hiatus in UK Government spending during the 2017 general election and a reduction in eForensics work in line with general market trends adversely affected the results, but some initiatives were instigated later in the year to reverse this trend in 2018.

Supply Chain

Our Supply Chain Solutions (SCS) business continued to build out its global blue chip client listing in 2018, with 25% constant exchange rate revenue growth, albeit from a low base. The Consulting and Verification parts of this business drove the majority of this growth, although our software solutions also continued to gain traction in the market.

Restatement

In 2016 we reported that our Entropy compliance software had been further integrated into the broader BSI business, with two strategic approaches used to extend value to our clients, enhanced assessment and enhanced consultancy. As a result, 2017 Entropy revenue has now been allocated to our Certification and Consultancy business streams accordingly, and 2016 comparatives have been restated in our segmental analysis.

innovative

Standards create the right conditions to enable innovation

Innovation is about adaptability, forward thinking and developing new practices and ideas that contribute to significant shifts in your industry. We are at the forefront of international standards and the embedded knowledge that we publish will help you to improve your performance, manage your risks and grow. BSI can help you be more innovative.



Watch our video on innovation
bsigroup.com/innovative

Saviour Alfino
Project Manager – Smart Cities Strategy

Principal risks and uncertainties

Effective risk management is an inherent part of the business process

Risk management

The Board of BSI understands that effective risk management is an inherent part of the business process. The identification, evaluation and mitigation of risk are integrated into key business processes from strategic planning to day-to-day performance management as well as into health and safety and environmental management. The Board further 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 risks in the business, based on ISO 31000 (Risk Management). Risks identified are logged on risk registers within all business streams, functions, countries and regions. Above these sit the Group Principal and Strategic Risk Registers.

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

What we did in 2017

Throughout 2017 we have continued to embed our enhanced process through a programme of risk workshops, training and risk reviews. Group Internal Audit and Risk now conducts all internal audits on a risk basis, and the department has been expanded to incorporate additional knowledge and qualifications in information technology and cyber security risk.

We have been recertified to ISO 27001 (Information Security) for our headquarters in Chiswick, UK, and our Cyber Security and Information Resilience businesses in 2017. We have introduced mandatory annual training on information security globally throughout BSI for all employees, and we have embarked on the expansion of ISO 27001 compliance to our other locations. We have also been recertified to ISO 14001 (Environmental Management) and OHSAS 18001 (Occupational Health and Safety Management) for our Chiswick office during 2017. Business continuity plans are in place for each of our business locations worldwide, the majority of which were formally tested during the year.

Our anti-bribery and corruption policy has been reviewed and updated, and we have mandatory annual training throughout BSI for all employees.

What we will do in 2018

Our Strategic Risk Register and subsidiary risk registers will be updated to reflect the latest Group Strategic Plan initiatives and the forthcoming internal restructure, and we will continue to roll out our programme of risk workshops, training and risk reviews to embed further enhanced risk management globally.

Further initiatives to provide assurance around cyber security risk will be implemented, and we will continue with our plan to expand ISO 27001 compliance throughout BSI.

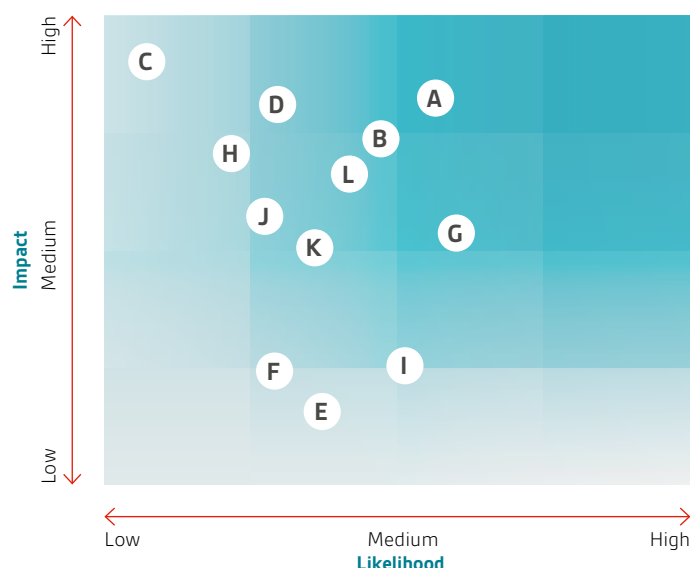
We will broaden the scope of certification for our Health, Safety and Environmental Management Systems from our head office throughout the UK and will enhance our resilience with respect to Business Continuity and Crisis Management.













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 2017

We have reviewed and updated our Principal Risk Register in 2017, with the latest version shown in this report. No risks have been dropped from the Principal Risk Register, although some have been consolidated. 2017's 'Global Economic Environment' and 'Acquisitions' risks have been consolidated into a new principal risk entitled 'Change Management' and will, henceforth, be reported here. We have added a new risk to the Principal Risk Register to cover the risk to BSI resulting from the Brexit process. This risk is seen to have increased during 2017 as uncertainty of the outcome of the negotiations remains and the deadline comes closer. The only other increase in risk levels during 2017 was to the 'information security' risk, as the global cyber threat was seen to increase during the year.



Type of risk	Risk	2017 update	Mitigating actions
1. Status			
A. Brexit	If the outcome of Brexit had an adverse effect on BSI, such as affecting our membership of CEN and CENELEC, or our ability to serve the European market as a Notified Body, this could reduce our ability to deliver our objectives, in particular in shaping European standards or providing market access.		We engage with the UK and other governments to ensure that our voice is heard during policy debates on mutual recognition arrangements with the EU. Relationships are built with European and international standards bodies and other stakeholders so they are aware of, and value, our contribution. We are in the process of establishing a Notified Body in the Netherlands, so that we can deliver certification decisions from within the European Union.
B. Government policy	We represent the UK Government as the UK National Standards Body (NSB). If our status as NSB changed, this could reduce our ability to influence international standards. Much of the work we undertake is influenced by governments around the world. Changes to government policy, in any of the many jurisdictions in which we operate, could affect our delivery.		We engage with the UK and other governments to ensure that our voice is heard during policy debates. A regulatory compliance framework, including the NSB code of conduct, is in place, along with a compliance audit programme, to ensure that we observe our obligations as the UK NSB at all times.
C. Royal Charter status	Our Royal Charter status is important as it allows us to do business independently and without external pressure. It is central to our strategy that we preserve this status.		We engage with stakeholders to ensure that we fulfil our obligations under the Royal Charter. We have adopted a governance regime which applies the principles of the UK Corporate Governance Code, where applicable, and actively review our compliance through Board and Executive Committees.
2. Compliance			
D. Accreditation compliance	A large percentage of the work we perform is governed by national and international accreditation bodies and government agencies. Loss of any of our accreditations would have a serious impact on our business.		We engage with our accreditation bodies and government agencies to ensure that any issues are dealt with before they risk the loss of accreditation or Notified Body status. A regulatory compliance framework is in place along with a compliance audit programme.
E. Financial and fiscal compliance	There is an ongoing risk in any organization of our size and complexity for irregularities to occur due to human error or fraud which could impact our financial results.		We have strong reporting lines and policies and procedures in place throughout BSI. We have internal audit teams which regularly visit all locations. There is also an annual external audit of our financial results undertaken by PricewaterhouseCoopers.
F. Legal action	Any breach of, or change in, legislation in a jurisdiction in which we do business could result in legal action against us. In addition, we could be held indirectly or directly liable for third-party claims arising at client sites or businesses.		Our legal team monitors changes in legislation that may be relevant to our business. Key employees receive legal compliance training. We seek to limit our liability for claims appropriately in our standard terms of business and other contracts.
3. Business environment			
G. Change management	The achievement of our strategic objectives depends on the management of our growing business in a complex and changing global economic environment. Failure to manage the increasing pace of change in the growth and scale of our business, as well as the successful identification and integration of acquisitions, could jeopardize this.		Strategic plans, business plans and the annual budgeting and reporting process take the external economic environment into consideration, and are scrutinized and approved by the Group Executive and Board. Appropriate governance and change management processes are in place to ensure the successful implementation of these plans.
H. Competitor action	Technological or business model shift or other competitor action could threaten our competitive position in our chosen markets.		We seek new opportunities in all areas of our business. We monitor and analyse activity in our competitive landscape at local, regional and global level, with responses put into action as appropriate.
I. Resourcing	An inability to develop, recruit or retain the right skills in the Group would mean that business performance may suffer or opportunities are not exploited.		Recruitment and retention policies 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 to deal with any issues.
J. 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 Trustee to review the investment policy, funding requirements and any opportunity to insure against this risk.
4. Reputation			
K. Reputation and brand	Our reputation and brand are extremely important to us, and failure to protect these would undermine our ability to maintain and grow our business.		We reinforce our values, policies and processes with our employees, business partners and other stakeholders. We take robust action, where necessary, to protect our reputation and brand.
L. Information security	Failure to protect against inadvertent loss of information assets or the threat of cyber-attack could adversely affect our trading, reputation and brand.		We are certified to ISO 27001 at our Group headquarters, and are rolling out compliance to this standard across BSI. We are investing in our cyber security detection and prevention infrastructure and resource. All employees receive training on information security.

Standards review

Dr Scott Steedman CBE, Director of Standards

Strengthening the capacity of the national standards system

Our programme to engage with a new generation of standards users continues to grow.



'We have broadened our engagement and evolved our standards activities to meet the needs of the UK's future trading arrangements with the EU and the rest of the world, to enable the digital transformation of business and industry and to reinforce consumer trust in products and services'

Our focus in 2017 has been on strengthening the capacity of the national standards system to support government, industry and societal stakeholders as the pace of change accelerates around us. We have broadened our engagement and evolved our standards activities to meet the needs of the UK's future trading arrangements with the EU and the rest of the world, to enable the digital transformation of business and industry and to reinforce consumer trust in products and services.

Throughout the year, there has been an increasing level of discussion with government departments planning for Brexit. I gave evidence to several Parliamentary committees on the standards system and we ran a second live webinar to explain BSI's position with regards to our continuing membership of the European Standards Organizations, CEN and CENELEC. BSI experts were seconded into the Department for Business, Energy and Industrial Strategy (BEIS) and the Department for Exiting the EU (DExEU). We worked throughout the year with industry and consumer groups to ensure that our position reflected the public policy interest and with other national standards bodies across the 34 member countries of CEN and CENELEC to plan for the future.

In June BSI hosted the CEN-CENELEC Annual Meeting in Edinburgh, which provided an opportunity to raise the profile of standards with national, European and international stakeholders. It was the largest such meeting ever held and the first time that it had been held in the UK.

After nine months in the role of ISO Vice-President (Policy), the ISO General Assembly voted in September to renew my appointment for the 2018–2019 term. Two important achievements in 2017 were the appointment of ISO's new Secretary General and securing the General Assembly's unanimous agreement on the new policy on copyright and sales. In the IEC, we have extended UK influence through close collaboration with the national committees of France and Germany and, within BSI, a new high level Electrotechnical Standards Strategic Advisory Council (ESSAC) was launched to advise on strategy and policy matters that affect the sector and its impact across the economy.

In 2017, we took a fresh approach to involve more societal organizations in BSI's standards development and to grow BSI's Consumer and Public Interest Network (CPIN). By the end of the year, fourteen leading organizations had participated in BSI's Consumer and Public Interest Strategic Advisory Committee, providing strategic direction for consumer representation in our standards work.

In the year, we published 2,452 new or revised standards, including Publicly Available Specifications (PAS), and withdrew 1,754 standards, as part of our commitment to simplify the standards landscape for business and consumers. We opened our newly refurbished meeting centre in Chiswick and welcomed 1,238 new committee members, bringing the total to 11,871 by year end. The number of committees grew slightly to 1,919 in total, including around 1,200 technical committees, as we disbanded 67 and created 76 new committees. The UK holds the secretariat and/or the chair of 306 international and European committees in ISO, IEC, CEN and CENELEC, maintaining the strong presence in global standards development that our stakeholders expect.

Our programme to engage with a new generation of standards users continues to grow. The annual Young Professionals event attracted a record attendance, from which three delegates were sponsored to attend the 2017 IEC General Meeting in Vladivostok, Russia.

The UK-China Standards Cooperation Commission (SCC) was held in London in June. This important bilateral event brought together technical experts from China and the UK and discussed standards issues concerning

graphene and reinsurance. In addition, BSI, supported by the Foreign & Commonwealth Office's Prosperity Fund, managed by the British Embassy in Beijing, worked with China's Institute of Standardization for the Nuclear Industry (ISNI) to undertake a standards alignment exercise for the UK and China on civil nuclear standards. This led to the publication of a report that outlined the application of nuclear codes and standards in the UK and China nuclear regulatory systems. The project will enable the alignment of Chinese and British standards and identify areas where UK and China could influence standards development in other countries.

There have been many highlights during the year for our standards market development teams. Our technical committees are working on around 7,000 standards at any one time, but new topics are constantly emerging. These are a few of those topics that illustrate the breadth of work in which we are engaged:

Ageing society

BSI has been leading an ISO Strategic Advisory Group (SAG) on the subject of standardization and ageing society. The SAG published its recommendations in 2017 and BSI will now lead this new technical area within ISO. The underlying principle is that we need a holistic approach to standards development for the products and services that people want in order to remain independent throughout their lives, maintaining a sense of personal value and contribution to their communities.

Occupational health and safety

In 2013, BSI secured the support of the ISO members for the well-known standard OHSAS 18001 to be used as a base document for a new ISO standard on occupational health and safety, in addition to other widely used national standards, such as Z10 in the US. The proposal sparked intense global interest but, during 2017, the BSI team successfully guided around 70 countries through the last stages of the process to produce the final draft of ISO 45001 (Occupational Health and Safety), which will be published in early 2018. An added value digital product has already been generated called BSI Essentials: 45001. This goes beyond the requirements of the standard itself, containing the final draft of 45001 and linking it to supporting guidance materials and expert commentary. BSI Essentials: 45001 has given the market early sight of the standard and will provide automatic updates, while also helping organizations of all shapes and sizes implement what will be a hugely significant publication for businesses worldwide.

Circular economy


The circular economy is a concept that challenges organizations to re-think how resources are managed to create financial, environmental and social benefits. In May 2017 we published BS 8001, the world's first

'Our technical committees are working on around 7,000 standards at any one time, but new topics are constantly emerging'

standard for implementing the principles of the circular economy. The circular economy takes a whole systems perspective and BS 8001 enables organizations to map out their own systems and understand how their operations impact them. The standard explores how, by applying circular economy principles, it is possible to capitalize on cost savings, unlock new revenue streams and become more resilient to external shocks and disruption.

Circular economy

The world's first standard on the circular economy (BS 8001) was shortlisted for an edie Sustainability Leaders Award.



Building Information Modelling (BIM)

In recent years, the UK construction industry has worked with BSI to develop and implement a suite of internationally recognized standards supporting Building Information Modelling (BIM). These standards set out a basis for digital collaboration during the design, construction and through-life stages of any built asset, and have already had a transformational effect on the sector. With the support of the UK Government, we have created an online portal, www.bim-level2.org, which is home to all the necessary standards and implementation guidance for industry. In 2017, we published the latest PAS in the series, covering health and safety information requirements. Since April 2016, the website has received over 120,000 users, 50% from outside the UK. Nearly 137,000 copies of our BIM Level 2 standards have been downloaded since 2013, with around 25% of these from outside the UK. Three of these UK standards are currently being developed into global standards in the ISO 19650 (Organization of Information about Construction Works) series.

Standards review continued

Smart cities and the Internet of Things

2017 saw the publication of three new PAS on smart cities, developed to address some of the major barriers of using data to improve services for citizens. PAS 183 provides a decision-making framework for sharing data and information in a smart city. PAS 184 gives practical guidance on how to develop project proposals for smart city solutions, and PAS 185 provides a framework for developing a security strategy for data and information in the smart city. These new standards complement BSI's earlier work on smart cities, which is now being developed further as the basis of new ISO standards. In addition to the standards, we have been offering smart city leadership programmes and linking these to our work on the Internet of Things and the automatic resource discoverability framework standard, PAS 212.

Digital manufacturing

BSI has been working with the High Value Manufacturing Catapult, the Institute for Manufacturing, and industry stakeholders to develop a strategy for standards that would enable digital adoption by UK manufacturing supply chains. During the year, BSI was invited by Juergen Maier, CEO of Siemens UK, to work with his team as part of the UK Government-backed Made Smarter Review, which produced a number of standards related recommendations. We are now working on the first of the new standards, PAS 1085, which sets out how to consider cyber security in digitalized manufacturing supply chains, and PAS 280, which defines a framework for the delivery of digitally enabled innovative services.

Connected and Autonomous Vehicles (CAV)

In March we published a standards strategy report for the UK for Connected and Autonomous Vehicles (CAV), prepared jointly with the Innovate UK funded Transport Systems Catapult. The standards strategy highlighted the emerging standards in the area and priorities for new standards to overcome the barriers to deployment of CAV in the UK and the development of CAV technologies. One of the first new standards in this field will be PAS 1885 (Principles of Automotive Cyber Security).

Blockchain and Distributed Ledger Technology (DLT)

We commissioned a research report on standards and Blockchain, which has been widely cited since its publication. The research was based on stakeholder needs in the UK and drew on 100 academic articles and fourteen in depth interviews. The findings pointed to the need for standards in terminology, security, privacy, governance, identity and interoperability. BSI used this as the basis to build a UK stakeholder view to ensure that the work programme of the proposed new international committee matched the standards needs of the UK.

'I would like to express my appreciation to the work of the many thousands of individuals who have given their time and effort this past year to shape the consensus standards on which our economy depends'

Big data

BSI also undertook research and stakeholder workshops to develop a standards roadmap to support the effective use of data in the UK and globally. A new technical committee was established to work on four new British Standards, which aim to increase public acceptance of big data projects by describing the systems and best practices that organizations need to have in place in order to communicate the way data will be used. These include the terms and conditions of how an individual's data will be used, the roles and responsibilities of data managers and the definition of governance and ethical frameworks.

In closing, I would like, once again, to express my appreciation to the work of the many thousands of individuals who have given their time and effort this past year to shape the consensus standards on which our economy depends. 95% of their work, year on year, is on international and European standards, which make up over 85% of the national standards (BS) catalogue. Their support, through BSI, ensures that UK leadership in the international standards system continues to strengthen, increasing the productivity and competitiveness of British industry and the safety and quality of products and services on the UK market.



Dr Scott Steedman CBE

Director of Standards

22 March 2018



We help our clients to ensure that their supply chains are agile

Speed of decision making and the ability to adapt in today's ever-changing business environment are vital for any organization that wishes to thrive. External expertise and insight are crucial when you are faced with social changes, regulatory issues and other unpredictable obstacles. BSI can help you be more agile.



Watch our video on agility
bsigroup.com/agile

Courtney Foster
Supply Chain Solutions Manager

agile

Financial review

Craig Smith FCCA, Group Finance Director

Record levels of revenue and profit

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

Overview

BSI delivered strong financial results again in 2017, with record levels of revenue and profit, and increases to the cash and deposits balance and the net asset value of the balance sheet.

By comparison to 2016, which brought with it some significant economic, political and social challenges, 2017 was a far quieter year for the global trading environment. The exception to this would be the continued uncertainty in the UK market from the negotiations for the terms and conditions under which the UK will leave the European Union in March 2019. However, despite this, Sterling recovered against the US Dollar during 2017 and the UK delivered a stronger trading performance than some had feared it would at the time of the 2016 Brexit vote. Many of our other important trading markets experienced good economic growth.

BSI is fortunate in having a very broad spread of business across geographies, business streams, sectors and domains. As such, our overall results are less susceptible to shifts in macro-economic trends. In 2017, we were able to report higher levels of underlying revenue and underlying operating profit than ever before in the history of BSI. In addition, the Group's net asset value increased and the deficit of our UK defined benefit pension scheme fell during the year, predominantly due to the contributions made to the scheme by BSI during the year. We ended 2017 with significant funds in the bank and no external debt. BSI remains in robust financial health.

Exchange rates

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

We translate our balance sheets into Sterling at year-end exchange rates. For our income statement we use a weighted average rate. The exchange rates we used for our major trading currencies can be seen in the table on page 39.

Revenue

BSI Group revenue increased by 18% in 2017 to £473.0m. Organic revenue growth at constant exchange rates was 10%, slightly higher than the equivalent 9% reported in each of 2014, 2015 and 2016. This was supplemented by another 5% (2016: 3%) inorganic growth from the annualization of the results of our 2016 acquisitions and a single month of trading from the 1 December 2017 acquisition of the Neville Clarke Group of companies. Despite the rise in the value of Sterling across 2017, the average exchange rate of Sterling compared to our other trading currencies, fell compared to 2016, and this led to a positive currency effect of 3% (2016: 9%).



'BSI is fortunate in having a very broad spread of business across geographies, business streams, sectors and domains. As such, our overall results are less susceptible to shifts in macro-economic trends'

This overall growth meant that our underlying revenue continued its trend of increasing every year since 1999, and was at its highest level in the 116-year history of the Company.

Each of our regions and business streams reported revenue growth in 2017. EMEA grew by 11%, the Americas by 29% and Asia Pacific by 17%. Our Knowledge stream increased its revenues by 2%, Assurance by 14% and Compliance by 59%. All of our 2016 acquisitions were in the Compliance stream and the full-year results in 2017 helped the overall growth rate. The small amount of revenue from our 2017 acquisition was reported in the Assurance and Compliance streams. Further details of the performance of the regions and business streams, and their organic growth at comparable exchange rates, are given in the Business review on pages 22 to 28.

Underlying operating profit (UOP)

In recent years we have invested heavily in the infrastructure and resource of BSI, and built a stable platform for profitable growth. This was, again, delivered in 2017. Underlying operating profit increased by 19% from £50.1m in 2016 to £59.5m in 2017. UOP has more than doubled over the past three years and is now at the highest level reported by the Group in its history.

As with underlying revenue, there are three components of this increase. Organic UOP at constant exchange rates grew by 16% (2016: 31%), our 2016 and 2017 acquisitions contributed 2% (2016: 1%) and there was an exchange difference from the change in value of Sterling between 2016 and 2017 of 1% (2016: 10%).

At an overall Group level our gross profit margin decreased from 47.8% in 2016 to 46.6% in 2017. In a group of companies such as BSI, with such a wide geographical spread and diverse blend of business streams, product mix can have an effect on overall margins. Since 2015 we have acquired several Consultancy businesses, which now account for almost 15% of our total revenue. These businesses have a naturally lower level of gross profit margin than the majority of our other streams, and their increasing proportion of the overall mix has been the major factor in the reduction in the gross profit margin percentage for the Group as a whole.

Selling, distribution and administration costs increased more slowly than revenue, by 14%, in 2017. Internal revenue and profit budget targets were again beaten in 2017, and this led to high levels of incentive payments, both annual and long term. In addition, the investments in the business to create an infrastructure to support the high levels of growth of the business in the recent past and expected in the future meant that costs increased. Depreciation and amortization increased to £11.8m (2016: £10.7m) due to the recent acquisitions and increased levels of capital expenditure. Foreign exchange losses, resulting predominantly from the repatriation of funds to the UK in line with our treasury policy, were £1.6m in 2017 (2016: £2.5m gain) as Sterling strengthened during 2017, having weakened in 2016, particularly following the Brexit referendum.

These levels of gross profit and selling, distribution and administration costs resulted in an underlying operating profit of £59.5m (2016: £50.1m) as explained above. This gives rise to an underlying operating profit margin of 12.6%, marginally higher than the 12.5% reported last year.

Exceptional items and operating profit

The consideration paid for all of our recent material acquisitions has included some element of deferred amount payable to employees three years after the acquisition date should certain employment criteria be met at this time. This amount is accrued over the three years following the acquisition. These costs of £2.9m (2016: £1.6m) have been separately reported as an exceptional item in the 2017 accounts. There were also deal costs of £0.4m relating almost entirely to the 2017 acquisition of Neville Clarke (2016: £0.8m relating to the 2016 acquisitions).

In 2016 we instigated and partially completed a refurbishment of our head office in Chiswick, UK, and showed an exceptional item of £0.4m relating to this work. This project was completed in early 2017. Much of the cost of this refurbishment will be capitalized and depreciated over the time remaining on our lease in Chiswick. However, a further £0.2m has been charged as an exceptional item in 2017.

Late in 2017 we embarked on a restructuring of BSI, whereby the primary focus of the Group will shift to three global businesses of Knowledge, Assurance and Professional Services. There will be some exceptional costs relating to this restructuring, and £0.7m has been charged in 2017. As a result of the above, the total exceptional costs in 2017 were £4.2m (2016: £2.8m). This meant that our operating profit for the year was £55.3m, an increase of 17% over the 2016 figure of £47.3m.

'In recent years we have invested heavily in the infrastructure and resource of BSI, and built a stable platform for profitable growth, which was delivered in 2017'

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 2017 but finance income continued to be low due to the current prevailing interest rates at which we were able to invest. As a result, finance income was £0.2m (2016: £0.2m). BSI has no debt and so our finance costs related predominantly to the net interest cost on the liability of our UK defined benefit pension scheme and were £2.5m in 2017 (2016: £2.3m). Profit before tax increased by 17% from £45.2m in 2016 to £53.0m in 2017.

Taxation

The Group effective tax rate (ETR) on profit before tax in 2017 was 30.6% (2016: 30.5%). Eliminating the prior year adjustments arising on underprovided UK and foreign tax, the current year ETR was 27.9% compared to 29.2% last year.

Notably, this current year ETR includes the impact of the 2017 tax reforms introduced by the current US administration. These reforms have seen a drop in the applicable US federal tax rates from 35% to 21% and so a resulting deferred tax credit is reflected in the income statement.

However, we consider the ETR on UOP, which excludes financing costs and exceptional items, to be a better indicator of the tax management of the operating businesses. In 2017 the ETR on UOP decreased to 28.0% (2016: 28.6%). The mix of the differing tax rates between the countries in which we make our profit impacts the overall rate.

Balance sheet and cash flow

The net asset value of the Group increased by £37.4m or 45% in 2017, from £82.9m to £120.3m. The main contributors to this were the profit for the year of £36.8m (2016: £31.4m) and the decrease in the deficit of the UK defined benefit pension scheme of £14.1m (2016: £33.2m increase).

BSI remained highly cash generative during 2017, with cash generated from operations, before contributions to the UK defined benefit pensions scheme, of £61.3m (2016: £61.1m). Our strong cash position at the beginning of 2017, and the generation of cash during the year, ensured that we were able to fund our acquisition without recourse to external funding. £1.9m was spent on acquisitions in 2017 (2016: £29.3m) but, despite this outflow and our significant capital expenditure during the year, we ended 2017 with zero debt and £67.8m as cash and deposits (2016: £48.1m). This means that, in 2018, we are again well placed to fund any prospective acquisitions or other investments internally. Our purchases of property, plant and equipment and intangible assets were £10.8m in 2017 (2016: £12.1m). We continued to invest in our information and communications technology infrastructure as well as in more client-facing programmes such as British Standards Online (BSOL), the BSI eShop website, our Compliance Navigator product, Entropy Software and Supply Chain

Financial review continued

'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'

Balance sheet and cash flow continued

Solutions offerings. Included in this capital expenditure figure was an investment of £0.6m in the development of new training courses (2016: £0.4m).

Debtor days increased slightly during 2017 to 61 days (2016: 60 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 2017, with receivables written off amounting to £1.4m (2016: £0.7m) 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 £14.1m, or 14%, from £104.1m to £90.0m during 2017.

A contribution was made to the scheme during the year, in accordance with the schedule of contributions agreed with the Pension Trustee, of £13.5m (2016: £12.5m). There was a net interest cost of £2.5m (2016: £2.3m) and operating expenses of £0.6m (2016: £0.5m) recognized in the consolidated income statement, together with a re-measurement gain of £3.7m (2016: £42.9m loss) recognized in the consolidated statement of comprehensive income, arising mainly from changes in financial assumptions.

The discount rate used when calculating the liability is determined by reference to market yields on high quality corporate bonds. The discount rate used was 2.45% compared to 2.6% in 2016. This accounted for the vast majority of the increase in the scheme liabilities. BSI seeks to be close to the mid-point in the range of possible assumptions in the valuation of the assets and liabilities of the pension fund and confirms this with its external advisors each year.

The Group remains committed to reducing this deficit and works closely with the Pension Trustee Board to do so. A triennial valuation of the scheme took place with an effective date of 31 March 2016 and a schedule of contributions was agreed with the Trustee that is expected to eliminate the deficit by 31 March 2023. This schedule required contributions of £40.5m in the period 2017 to 2019 inclusive. A payment of £10.5m was made into the scheme in March 2017, and a further £3.0m was paid in December 2017, satisfying the Group's obligations under the schedule of contributions for the year.

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 2017 was £1.4m (2016: £1.3m).

Treasury

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

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

BSI continued to be highly cash generative and held cash and deposits of £67.8m at the end of 2017. This was up 41% from the equivalent figure at the end of the previous year (2016: £48.1m). During the year there was cash expenditure on acquisitions of £1.9m (2016: £29.3m), capital expenditure of £10.8m (2016: £12.1m) and a contribution to the UK defined benefit pension scheme of £13.5m (2016: £12.5m). Although the Group is debt free, it recognizes the occasional need for external funding and held bank overdraft facilities of £2.6m (2016: £2.7m), on an unsecured basis, at the end of 2017, although none were utilized. The Group maintains regular contact with its main banks and is confident of being able to secure debt facilities should these be required. Counterparty credit risk with banks exists but we consider this to be low.

The Group has significant operations outside the UK and so has exposure to currency fluctuations. Note 3 to the consolidated financial statements shows the translational exposure that the Group would suffer should any of the major currencies in which it trades move by 10% against Sterling. If all currencies moved by 10% against Sterling in the same direction, the impact to UOP would be around £2.8m (2016: £1.7m).

Accounting policies

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



Craig Smith FCCA
Group Finance Director
22 March 2018

Exchange rates

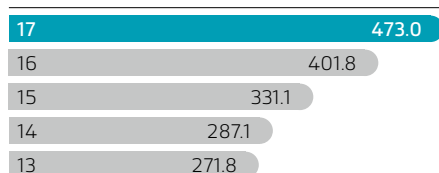
	Year end 2017	Year end 2016	Average 2017	Average 2016
Australian Dollar	1.72	1.70	1.69	1.80
Chinese Renminbi	8.79	8.52	8.75	8.90
Euro	1.13	1.17	1.14	1.21
Japanese Yen	152	143	145	144
US Dollar	1.34	1.23	1.30	1.33

Financial KPIs

Revenue

£473.0m

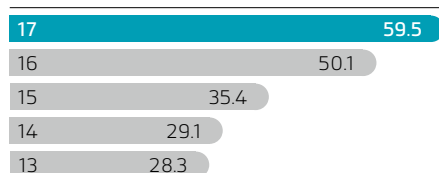
+18%



Underlying operating profit

£59.5m

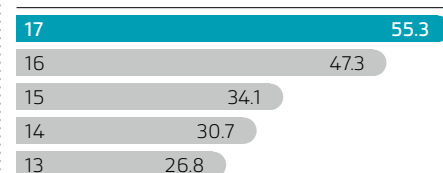
+19%



Operating profit

£55.3m

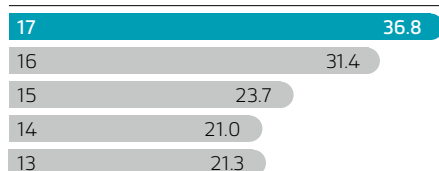
+17%



Profit for the year

£36.8m

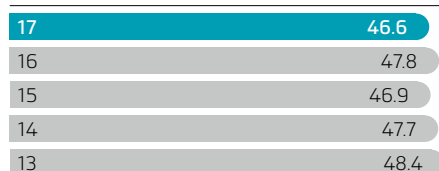
+17%



Gross profit margin

46.6%

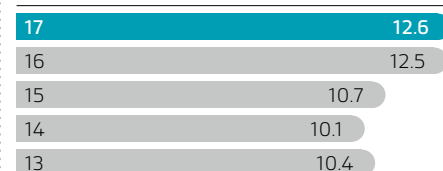
-1.2ppt



Underlying operating profit margin

12.6%

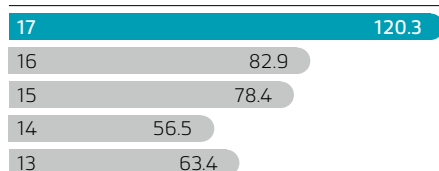
+0.1ppt



Net asset value

£120.3m

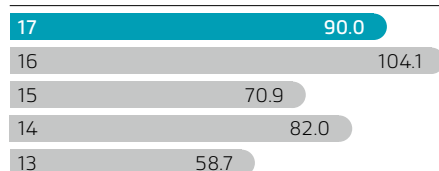
+45%



UK defined benefit pension fund deficit

£90.0m

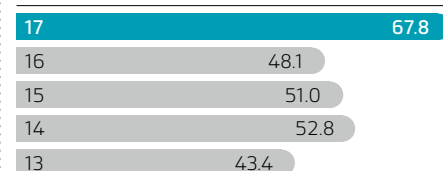
-14%



Cash and deposits

£67.8m

+41%



Social responsibility review

Alicja Lesniak, Chair of the Social Responsibility Committee

Enabling a resilient world

At BSI, we are committed to ensure that social responsibility remains an intrinsic element of our business, so that we make decisions and act today to enable a better, more resilient, world for present and future generations.



'Social responsibility is a business imperative. I am really proud of the significant progress made by BSI colleagues over the last few years to further embed social responsibility in the way we do business, enabling a resilient world'

Our commitment

Being socially responsible is about being accountable for the impacts of our decisions and activities on society and the environment through transparent and ethical behaviour. A socially responsible business is a more resilient business and contributes to sustainable development.

At BSI, we are committed to ensure that social responsibility (SR) remains an intrinsic element of our business, so that we make decisions and act today to enable a better, more resilient, world for present and future generations.

Our approach

Responsibility to business and society has been a part of our role since our inception in 1901. We pride ourselves on our ethical approach to everything that we do. Our code of business ethics and strong governance framework underpin this. We use ISO 26000 (Guidance on Social Responsibility) to steer us, as well as our corporate values and excellence behaviours. During 2016, we undertook a comprehensive stakeholder

engagement exercise to ensure that we continue to focus on what really matters. As a result, we added a new initiative to our strategic plan to develop our approach to SR under the banner 'Enabling a resilient world' and agreed to enhance and clarify our approach to educational outreach, diversity and inclusion and socially responsible procurement.

Our actions in 2017 have, therefore, deliberately focused on these areas, and we have dedicated extra time and resource, including the appointment of a full time Group Head of Social Responsibility and additional support for the SR Champion Network. I am pleased to share our 2017 highlights and the progress that we are making to enable a resilient world.

Our business

SR is an integral part of our business and we seek to lead by example. Our aim is to integrate SR further into the way we go about our own day-to-day business, and encourage others to do the same. It is our policy to implement appropriate relevant standards to enable our own resilience as part of our ongoing business. In addition to the guidance of ISO 26000, we adopt the principles of ISO 9001 (Quality Management), ISO 14001 (Environmental Management), OHSAS 18001 (Health and Safety Management), ISO 22301 (Business Continuity Management), ISO 27001 (Information Security) and BS 65000 (Organizational Resilience), and seek independent assurance where relevant and appropriate.

As part of our annual review process to ensure our policies and processes are fit for purpose, we reviewed the level of compliance to these standards and have developed a plan to enhance the level of assurance in higher risk areas of our business. We updated our charitable donations policy and process, and our SR code of conduct. We also identified the need to develop a specific Group SR procurement policy to ensure the consistent application of our SR code of conduct throughout our supply chain.

We continue to ensure that our colleagues have the information they need to support the implementation of these standards, policies and processes. All employees have been asked to complete a test of understanding or take an online training course on the following policies this year: business ethics, health, safety, environment, quality and sustainability, anti-bribery and corruption, competition law, information security, SR procurement and our SR code of conduct.

Socially responsible procurement

Following a full review of our procurement policies and processes we identified the need to develop a specific Group SR procurement policy to ensure the consistent application of our SR code of conduct throughout our supply chain. From 2018, we will work with business partners we have identified as potentially higher risk to understand and assess their approach to social responsibility and help implement improvements, where required.

Our Chief Executive wrote to our suppliers to introduce our updated SR code of conduct which applies equally to our business partners as it does to ourselves. This communication included our expectations around their approach to modern slavery in line with the provisions of the Modern Slavery Act (2015). Further information about our approach to tackling modern slavery, can be found in our Slavery and Human Trafficking Statement on the BSI website:

➔ www.bsigroup.com/social-responsibility

We recognize that we can also encourage others to integrate SR into their businesses through the range of products and services that we offer. We have again enhanced our client offering this year. Additions include the world's first standard on the circular economy, the first international standard on sustainable procurement and an updated data protection standard to support the European General Data Protection Regulation (GDPR), the BSI Organizational Resilience index, our Human Trafficking and Supply Chain Slavery index, and new Kitemarks for functional safety, Building Information Modelling (BIM), asset management and customer service. BSI also held a leadership position in the development of ISO 45001, the first international standard for occupational health and safety, which will publish in 2018.

Our people

BSI is a successful and growing enterprise that values the contribution made every single day by our people. Our aim is to create a supportive culture where every person feels enabled to be the best that they can be.

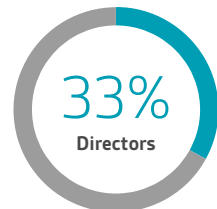
We have made significant investments in upgrading our worldwide offices over the years and are increasingly investing in technology to ensure that we provide a working environment where our colleagues can reach their potential. We continue to invest in learning and development opportunities for our colleagues. In 2017, we added a new management and leadership programme to our offering in the Americas and launched online platforms to help colleagues become more targeted about their learning and development needs in our

EMEA region. In addition to the more formal training, we supplement this by hosting local awareness raising events, such as an annual health fair in our US headquarters, and sharing tips and reminders in our internal newsletters. We have structured wellbeing programmes in the UK, the US and Australia, and intend to replicate best practice across our network.

Increasingly, we are offering work placements in our countries, which benefit both our employees and our local communities and support our educational outreach programme. We are looking to build on the local programmes already established in the countries in which we operate, including the UK, the US and Australia, to provide a globally consistent experience for everyone involved.

Diversity and inclusion

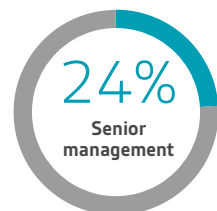
We are committed to creating an inclusive culture where people feel they belong and are valued. We conducted some initial research into our approach to diversity and inclusion. A deeper dive, which will, in part, be informed by the employee engagement survey results, is planned for 2018, with the view to the development of a structured, global, long-term diversity and inclusion strategy.



● Percentage female

● Percentage male

2016: 33% female, 67% male



● Percentage female

● Percentage male

2016: 19% female, 81% male



● Percentage female

● Percentage male

2016: 44% female, 56% male

Social responsibility review continued

Our people continued

Each year, we celebrate the success of our colleagues, and recognize those who demonstrate our values of inclusivity, integrity and continual improvement through the peer-nominated Chief Executive Awards, in addition to celebrating our achievements through local recognition schemes.

We realize that we cannot be complacent, and continually seek to engage our colleagues' views to ensure that we remain an employer of choice. In December, we undertook a global employee engagement survey, run by an independent specialist. The survey, which we undertake every two years, sought feedback on BSI's approach to leadership, how we live our values, our customer focus, social responsibility, opportunities for growth and recognition, wellbeing and team working. We had a response rate of 78% and will be analysing the data in detail, and taking action to respond to the feedback from our people, during 2018.

We aim to create a workforce that reflects the local diversity of the countries in which we operate through our recruitment process. Appointments are made on merit, seeking increasingly to take the benefits of diversity into consideration. The percentage of female employees in the total workforce increased slightly during 2017. Our senior management team comprises 28 different nationalities. The percentage of females in this team increased by five percentage points from 2016 levels, and is now at its highest level since disclosure of these statistics began. The composition of our Board of Directors was unchanged in 2017, and comprises six male and three female Directors. Diversity and inclusion will continue to be a major focus for us in 2018.

Our communities

We understand the value of working in partnership with our local communities. Our aim is to contribute positively to the communities within which we work. We actively encourage our colleagues to spend a day volunteering each year and to share knowledge and skills with their local communities. Colleagues across the globe have taken up this opportunity to give something back, with

increasing numbers volunteering their time to inspire young minds about science, technology, engineering and maths (STEM) both at our sites and in classrooms.

In the UK we hosted insight days for students at our testing laboratories in Hemel Hempstead and our office in Chiswick. We have also delivered guest lectures to college and university students in a number of our countries and, in some instances, developed an ongoing relationship. For example, in Hong Kong, we recently agreed to deliver regular lectures to students of the Technological and Higher Education Institute (THEi) as a voluntary programme. Colleagues from our Supply Chain Solutions business delivered SR talks to students in both our EMEA and Americas regions.

We maintain an active policy of charitable giving, and have supported a number of colleagues' fundraising initiatives across the Group. Our colleagues have chosen to take part in a variety of activities and challenges to raise funds for charitable causes, including cancer, clean water, education, deaf and disabled people, heart disease, mental health, orphaned children and wildlife conservation. We have also organized a number of events to collect second-hand items such as books, clothing, dolls and electronic equipment to donate to charitable causes and, in Indonesia, colleagues joined forces with local business to organize a blood donation event. Additionally, our colleagues in the Americas have actively supported the disaster relief efforts following Hurricane Harvey, Hurricane Irma and the September 2017 serious earthquake in Mexico.

Over 550 colleagues took part in our annual Walk for Water Challenge to support our global charity partner WaterAid. In 2017, our fundraising supported WaterAid's Clean Water for Schools Programme in East Africa.

Our environment

We recognize the importance of good environmental stewardship and aim to minimize our negative impacts and improve our performance. Adopting the principles of good environmental management across our sites helps us in this regard. During 2017, we transitioned to the 2015 version of ISO 14001 (Environmental Management) in our

This year, our Walk for Water Challenge supported WaterAid's 'Clean water for schools' programme in East Africa. Photo credit: Behailu Shiferaw. Students at Liben Gamo Primary School, Ethiopia.



Students from across the country went behind the scenes at BSI's Kitemark House in Hemel Hempstead, UK.



Corporate Centre and Knowledge Solutions business at our headquarters in Chiswick, UK. This new version of the standard requires organizations to demonstrate that they improve their environmental performance.

As we upgrade our offices over time, we are acutely aware of the significant environmental impact and we adopt the highest relevant standards to help minimize this. Our latest refurbishment project in Chiswick, UK, completed in 2017 and we achieved an SKA Silver rating for sustainable fit-outs. As we move offices, it is equally important to ensure that we minimize our negative impacts and we will be developing specific environmental guidance on the decommissioning of sites in 2018.

BSI employees and their families spent a day planting trees at Ricoh's tree planting event in Singapore, which aimed to raise environmental awareness and protect our environment.



Educational outreach

We have put structure and focus around existing local education programmes. Our global educational outreach programme is now structured around three pillars: education talks, mentoring and work placements. During 2017, we developed both a guide and a slide library to support colleagues giving talks to students aged fourteen and above. In 2018, we intend to add more structure to the mentoring and work placement aspects by working in partnership with local education providers and brokers.

Colleagues and their families in Brazil celebrated children's day by creating toys from recycled items for orphaned children.



BSI Malaysia colleagues participated in the 'Run for Hope', an annual charity run which supports children with disabilities.



BSI Americas colleagues participated in a beach clean-up event at Hermosa Beach, Los Angeles.



Social responsibility review continued

Our environment continued

In our day-to-day operations, we have a number of initiatives to manage our resource use. A number of our sites are reducing storage space and enhancing their reuse and recycling arrangements, for example moving from single-use to reusable cups, auctioning art for reuse, donating old IT equipment for reuse and recycling. In Brazil, colleagues celebrated children's day by bringing their children to the office and creating toys from recycled items for orphaned children.

Other offices are forming partnerships to raise environmental awareness and to protect our environment. In Singapore, colleagues and their families spent a day planting trees at an event organized by our business partner, Ricoh. This initiative forms part of the Singapore Government's 2014 plan to transform Singapore from a 'Garden City' to a 'City in the Garden'. In Turkey, a tree is planted for every client certified. A number of colleagues in the Americas have taken part in environmental restoration projects as part of team-building activities.

Greenhouse gases

We continued to take steps to manage more actively our energy use and greenhouse gas (GHG) emissions. We have reviewed our greenhouse gas accounting procedures in accordance with ISO 14064 (Greenhouse Gas Quantification and Reporting), the GHG protocol corporate standard and UK Government guidance, to ensure that we account for significant GHG emissions within our operational control. As a result, from 2017 onwards, we will include our significant scope 3 emissions where we have reliable and accurate data, so will report on air travel emissions for our six largest operating countries, and start to use an economic intensity ratio, based on Group revenue, to permit comparison of performance over time.

We now routinely measure our GHG emissions mid-year and are in the process of developing a communications and engagement plan to encourage colleagues to reduce more actively their energy use and GHG emissions. Some measures that countries are already undertaking include installing motion sensors for lighting, switching to more energy efficient lighting, turning off the heating and air conditioning at the weekend, reviewing emissions of the company car fleet, car sharing, web conferencing, and the careful allocation of jobs to our auditors to minimize travel where possible.

Overall, while our revenue has increased, our scope 1 and 2 emissions are broadly comparable to 2016. The largest emission reductions have been due to infrastructure changes, such as our Chiswick, UK, office refurbishment and the installation of motion sensors for lighting at our Hemel Hempstead, UK, laboratory. Where we have seen scope 1 increases in emissions at a country level, this is closely associated with an increase in client activity.

Social responsibility is a business imperative. I am really proud of the significant progress made by BSI colleagues over the last few years to further embed social responsibility in the way we do business, enabling a resilient world.



Alicja Lesniak

Chair of the Social Responsibility Committee

22 March 2018

'As we begin our 117th year, the Board is confident that 2018 will be another year in which, together with all BSI's stakeholders, we can look forward to both capitalizing on our profound strength and continuing to invest in building the capacity to deliver yet more for all those who depend on BSI, all around the world, and to continue to earn the trust they place in us'

Greenhouse gas emissions

Our global carbon footprint is measured in tonnes of carbon dioxide equivalent (tCO₂e). Emissions are shown in compliance with the Department for Environment, Food and Rural Affairs (Defra) Greenhouse Gas Reporting Guidance and have been calculated using the latest conversion factors published by Defra and the International Energy Agency for overseas electricity data.

Our December 2017 acquisition of Neville Clarke is not yet included in our data. Data for scope 3 emissions was not collected in 2016.

Greenhouse gas emissions (tCO ₂ e)	2017	2016
Scope 1 emissions	4,000	3,800
Scope 2 emissions	2,500	2,600
Scope 3 emissions	10,200	—
Total	16,700	6,400

Intensity ratio (tCO ₂ e/£m revenue)	2017	2016
Scope 1	8.46	9.46
Scope 2	5.29	6.47
Scope 3	21.56	—
Total	35.31	15.93

Definitions

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

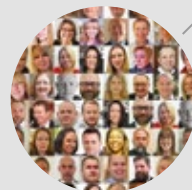
Scope 2 emissions arise indirectly and result from the off-site generation of electricity, heating and cooling purchased by BSI.

Scope 3 emissions include air travel for our six largest operating countries, Australia, China, India, Japan, the UK and the US.

resilient

A resilient organization is trusted, secure, robust, responsible, innovative and agile

A resilient organization anticipates and adapts both to incremental change and sudden disruption to survive and prosper in a dynamic, interconnected world. It requires continuous improvement across products, processes and people to ensure an organization that can pass the test of time. BSI can help you be more resilient.



Watch our video on resilience
bsigroup.com/resilient

Board of Directors

Our Board

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



Sir David Brown
Chairman

A N SR

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



Howard Kerr
Chief Executive

N SR

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



Craig Smith FCCA
Group Finance Director

A N SR

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.



Dr Scott Steedman CBE
Director of Standards

SP

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

Committee membership

A Audit Committee

N Nominations Committee

R Remuneration Committee

SP Standards Policy and Strategy Committee

SR Social Responsibility Committee

● Committee Chair



Lucinda Riches CBE
Senior Non-Executive Director

A N R

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



Douglas Hurt FCA
Non-Executive Director

A N R

Douglas Hurt joined the Board in November 2015 as Non-Executive Director. Douglas started his career at PricewaterhouseCoopers, where he qualified as a Chartered Accountant. From there he joined the GlaxoSmithKline Group, where he held many senior roles including Managing Director, Glaxo Wellcome UK. In 2006 he joined IMI PLC and was Group Finance Director until February 2015. He is currently Senior Independent Director and Chairman of the Audit Committee of Tate & Lyle PLC, Vesuvius PLC and Countryside Properties PLC.



Alicja Lesniak FCA
Non-Executive Director

A N SR

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



Dr Stephen Page
Non-Executive Director

N R SP SR

Stephen Page joined the Board in September 2015 as Non-Executive Director. Stephen has a wealth of experience in the risks and opportunities of the digital age, as well as corporate risks such as cyber security and counter-terrorism. At Accenture he held European and global leadership roles including worldwide Managing Director, Strategic IT Effectiveness. For the past eleven years he has held a portfolio of board and senior advisory positions. He is currently a Non-Executive Director of TSB Banking Group PLC, Nominet UK and the British Library.



Alison Wood
Non-Executive Director

N R

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



Grainne Brankin
Company Secretary

Grainne Brankin joined the Group in June 2017 as General Counsel and Company Secretary. Grainne qualified at Clifford Chance and has experience of a wide range of international corporate and commercial 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.

Group Executive

Our Group Executive

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



Howard Kerr
Chief Executive



Craig Smith
Group Finance Director



Dr Scott Steedman CBE
Director of Standards



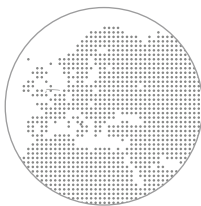
Grainne Brankin
General Counsel

Our regions →

...delivered through local relationships and resources

➔ Read more on **p4**

EMEA



Americas



Asia Pacific



Our streams →

...a specialized combination of products and services

➔ Read more on **p6**



Knowledge



Assurance



Compliance



Angela Paradise
Group Human Resources
Director



Pietro Foschi
Group Strategic
Delivery Director



David Brown
Director of Corporate
Development



Shirley Bailey-Wood MBE
Director, Information
Solutions



Mark Basham
Managing Director,
BSI EMEA



Todd VanderVen
President, BSI Americas



David Horlock
Managing Director,
BSI Asia Pacific

Our sectors →

...across many sectors
but focusing on a few

➔ Read more on **p8**



Healthcare



Food



**Built
Environment**



**Aerospace
and Automotive**



**All other
sectors**

Our domains →

...Organizational Resilience
across the business

➔ Read more on **p10**



Introduction by the Chairman

Sir David Brown



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

The ultimate accountability for the governance of BSI lies with our widely experienced Board of Directors, which has a majority of Non-Executive Directors and so is able to draw upon the experience of individuals of recognized stature from many areas of business. The Board is supported by Audit, Remuneration, Nominations and Social Responsibility Committees which are chaired by, and primarily consist of, Non-Executive Directors. These formal Committees are complemented by the Standards Policy and Strategy Committee which, informed by the views of those interested in standards, does invaluable work in gathering and distilling information on standardization matters and advises the Board accordingly.

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

A handwritten signature in black ink, appearing to read 'D. Brown', with a horizontal line underneath.

Sir David Brown

Chairman

22 March 2018

Governance framework

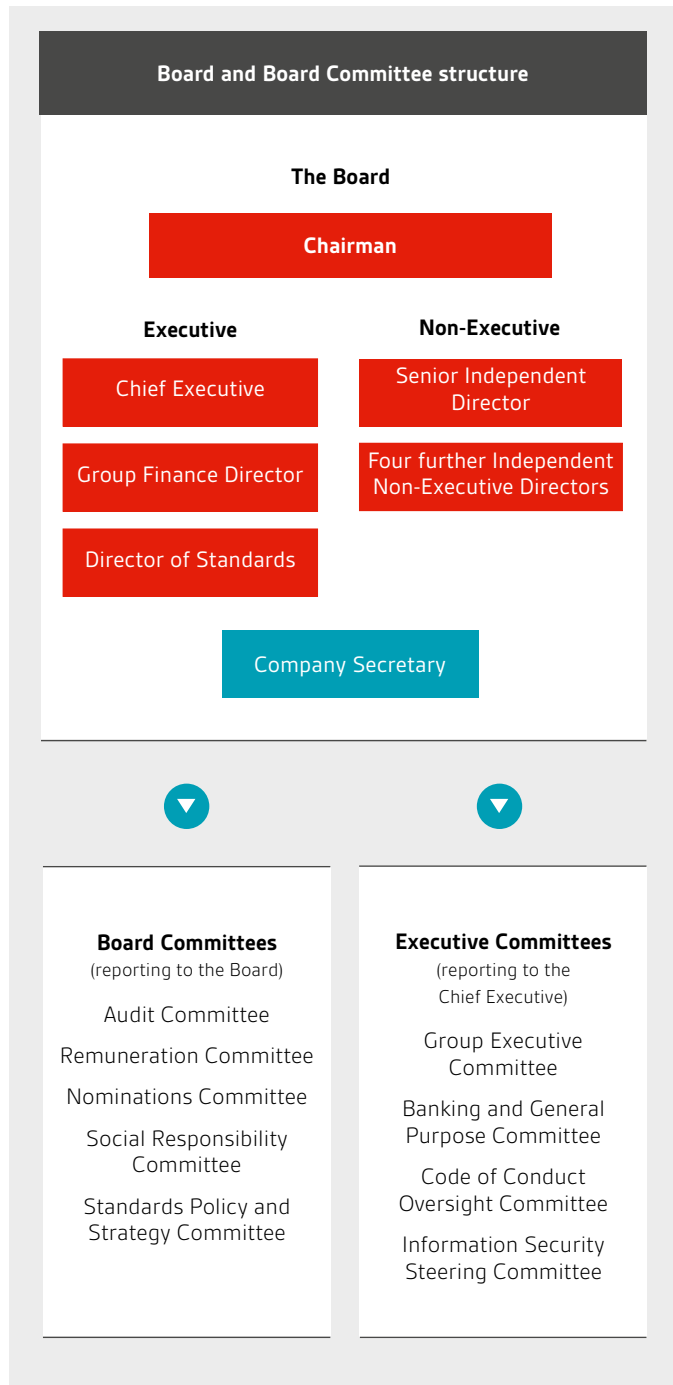
The Board of The British Standards Institution is committed to the highest standards of corporate governance which it considers fundamental to the success of the business. The British Standards Institution is governed by its Royal Charter and Bye-laws. As a Royal Charter Company, BSI is not subject to oversight by investors but, nevertheless, has complied throughout the accounting period with the FRC UK Corporate Governance Code 2016 (the 'Code') wherever relevant and practical. In particular, the provisions of the Code relating to shareholders are not applicable to the Company (E.1 of the Code). In addition, Sir David Brown, Chairman, is a member of the Audit Committee (not in compliance with C.3.1 of the Code) where his knowledge and experience are considered to be beneficial.

The Board

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

In 2017 the Board comprised the Chairman, Sir David Brown; the Chief Executive, Howard Kerr; two further Executive Directors, responsible for finance and standards; and five independent Non-Executive Directors.

There were no changes to the composition of the Board in 2017, or to date. The Directors of the Company and their roles are given in their biographical details on pages 46 and 47.



Corporate governance report continued

The Board continued

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

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

Board balance and independence

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

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

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

Rotation of Directors

In accordance with the Company's Bye-laws, Directors are required to submit themselves for re-election at the next Annual General Meeting following their first appointment by the Board. Additionally, one-third, rounded down, of the other Directors are required to retire by

rotation and stand for re-election at each Annual General Meeting. The Bye-laws also require the Chairman to be elected annually by the Board.

Board meetings

There were seven meetings of the Board during the year ended 31 December 2017. The Board is regularly briefed on financial performance as well as risks, uncertainties and future prospects. In addition to regular updates and formal items, matters considered and agreed upon during 2017 are shown in the table opposite.

Evaluation, training and support

An evaluation process is carried out annually to support continuing improvement in Board, Board Committee and individual Director effectiveness. The intention is to have this process led by an external facilitator at three-year intervals. Independent Board Review, a division of Independent Audit Limited, facilitated the evaluation in 2014, with the Company undertaking the following two years' reviews internally on a consistent basis to track progress. The externally facilitated evaluation process undertaken in 2017 was also carried out by Independent Board Review, which was able to build upon the benefits of those previous reviews to structure a revised information gathering process for BSI using focused questionnaires, combined with follow-up telephone conversations, to gain a greater depth of understanding. Independent Board Review independently analysed the responses and presented its findings and suggestions in a paper. The exercise was valuable and led to constructive discussion regarding areas for development and focus, with the conclusion that, while the Board was effective and working well, there was always potential to improve. It was agreed to implement the changes suggested from the evaluation, which included a review of the structure of Board meetings to allow more time for discussion and the desirability of Non-Executive Directors continuing to gain further knowledge of the Group's business and operations. The process also confirmed that the Board Committees were effective and working well but suggestions for their continuing improvement would be actioned.

Board meeting attendance

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

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

● Attended ○ Did not attend

When Directors were not able to attend meetings, they reviewed the papers in advance and passed their comments to the Chairman. After the meeting they received a debrief from him.

Training in matters relevant to their role on the Board is available to all Directors. When appointed, new Directors are provided with a full and tailored induction in order to introduce them to the business and management of the Group. The Directors are supplied with the best available information in a form and of a quality to support them in the decision-making process. The Board is supported by the Company Secretary, who is available to give ongoing advice to all Directors on Board procedures and corporate governance. There is a procedure for Directors to have access, if required, to independent professional advice, at the expense of the Company.

Board Committees

The Board delegates certain of its responsibilities to standing Committees. These Committees have written terms of reference that set out their authorities and duties and are reviewed annually. The Non-Executive Directors play an important governance role on these Committees. The Board considers that the membership of the Audit Committee, Remuneration Committee and Nominations

Committee and their terms of reference are in line with the Code's recommendations and best practice. The Committees are:

Audit Committee

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

- A report by the Audit Committee, including details of its membership, is set out on pages 56 to 59.

Remuneration Committee

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

- The Directors' remuneration report, which includes details of the Remuneration Committee's membership, is set out on pages 62 to 71.

Board focus during 2017

January

- Review of the Group's competitor landscape in its key markets
- Business update on Knowledge Solutions
- Review of the Group's risk registers and the related drafting for the Annual Report
- Consideration of the Company's 2016 preliminary results

March

- Evaluation of the effectiveness of the Chairman and the Chief Executive
- Review of Non-Executive Directors' fees
- Approval of cyber security initiatives
- Consideration of the 2016 results and approval in principle of the Annual Report
- Approval of the organizational development plan
- Review of SPSC membership (tenure and fees)
- Business update on Medical Devices

May

- Review of BSI's Code of Business Ethics
- Report by the Chief Executive on the China Strategic Review
- Received a report from the SPSC on the work of the Committee and its future priorities
- Review of the Group's key competitors in its business streams
- Review of a customer insight report on vision, value proposition and priorities
- Determination of membership fees

June (two meetings)

- Review of Group strategy with the Group's Executive management
- Consideration of the Group 2018–2020 strategic plan

- Appointment of new Company Secretary
- Annual review of social responsibility policies
- Review of market and competitor challenges and opportunities
- Approval of the finance transformation programme
- Business update on the Americas region
- Proposal for organizational design plan and new structure

September

- Consideration of the governance of Group subsidiary companies
- Agreement of information technology investments for professional services business and human resources
- Review and approval in principle of the proposed acquisition of the Neville Clarke Group
- Business update on the EMEA region
- Approval of the Group's 2018–2020 strategic plan
- Review of the Group's accreditations and regulatory compliance processes
- Review of the Group's organizational structure to ensure alignment with the strategic plan

December

- Annual evaluation of the Board and its Committees
- Review of Non-Executive Director mentoring, site visits and public initiatives
- Report on BSI UK Defined Benefit Pension Scheme
- Updates on the new organizational structure and Neville Clarke Group acquisition
- Business update on the Asia Pacific region
- Approval of the Group's 2018 budget

Corporate governance report continued

Board Committees continued

Nominations Committee

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

- A report by the Nominations Committee, including details of its membership, is set out on pages 60 and 61.

Standards Policy and Strategy Committee

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

- Details of standards activities are given by Dr Scott Steedman, Director of Standards, on pages 32 to 34.

Social Responsibility Committee

The Social Responsibility Committee is responsible for enhancing the commitment of the Group to social responsibility based upon the guidelines set out in ISO 26000. The Committee is chaired by Alicja Lesniak, Non-Executive Director, and its members are Sir David Brown, Group Chairman, Dr Stephen Page, Non-Executive Director, and Howard Kerr, Chief Executive, with the Group Head of Social Responsibility in attendance.

- The Social responsibility review is set out on pages 40 to 44.

Internal control

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

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

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

The Group has, as part of the internal audit department, a risk and compliance function which monitors compliance with the Group Compliance Framework on behalf of the Board.

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

- The principal risks and uncertainties facing the business are detailed on pages 30 and 31.

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

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

The Group's internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. There is an ongoing process, established in accordance with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting 2014, for identifying, evaluating and managing the significant risks faced by the organization, which has been in place during the year under review and up to the date of approval of this Annual Report and financial statements.

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

By Order of the Board



Sir David Brown

Chairman

22 March 2018

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

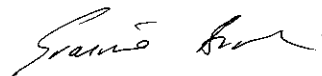
The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

By order of the Board



Grainne Brankin
Company Secretary
22 March 2018

Report of the Audit Committee

Introduction by Lucinda Riches, Chairman of the Audit Committee



During the year, the Audit Committee (the 'Committee') maintained its focus on ensuring the integrity of the Group's financial reporting by maintaining strong oversight over the adequacy and effectiveness of the Group's internal financial controls and the internal control and risk management system. On behalf of the Board, the Committee has primary responsibility for addressing financial risk in the Group and works with the Group Finance Director and the finance team, and is aided in its work by BSI's internal audit department and the external auditors, to ensure areas of financial risk are being identified and mitigated. In the context of a developing environment of governance and regulation the Committee helps BSI make sure that financial reporting is compliant as well as fair, balanced and understandable.

The Committee monitors the effectiveness of internal audit in the Group's overall risk management system. BSI's internal audit department does essential work in enhancing and protecting organizational value by providing risk-based and objective assurance, advice and insight. The Committee reviews the work of the department with its head to ensure non-conformities and other issues are detected by applying appropriate investigatory rigor and properly addressed with lessons learnt for the future. The Committee monitors the Internal Audit work plan in accordance with the risk-based approach developed the previous year which is intended to focus the resources of the department on where they can be used most effectively. The Committee helps to maintain the department's proficiency and in 2015 an External Quality Assessment (EQA) was carried out, with

recommended areas of improvement against the Institute of Internal Auditors' professional standards elements carried out. The Committee monitored an internal audit self-assessment process in 2016 and 2017 and it is intended that a further EQA will be carried out in 2018.

The Committee is responsible for overseeing the work of the external auditors, PricewaterhouseCoopers LLP and, prior to their audit, discussed and agreed with them the nature and scope of the audit. In 2016 a new risk-based approach to the audit plan, relevant to the developing profile of the Group, was successfully applied and the 2017 audit also used this approach. The Committee is also responsible for the relationship with the external auditors and their quality, expertise and judgement as well as assessing the effectiveness of the audit process. The Committee is responsible for ensuring that possible conflicts of interest with the external auditors are identified and avoided, including by monitoring the operation of the Group's policy on the engagement of the external auditors to supply non-audit services. The Committee approved the fees of the external auditors and recommended their re-appointment at the AGM.

While the Committee operates to a pattern of work around the Group's annual reporting cycle it also regularly considers matters in areas that could create risk such as reviewing the 'whistle-blowing' process, anti-bribery measures and fraud protection activity as well as other financial compliance matters. The Committee also takes the opportunity to 'deep-dive' on areas of interest and, during the year, its activities included considering the relationship between brand risk and reputational risk and monitoring the finance transformation project.

Over the forthcoming year 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. It will also continue its work in ensuring that reporting on the Group's performance, business model and strategy is provided in a clear and informative way.

A handwritten signature in black ink, appearing to read 'Lucinda Riches'.

Lucinda Riches
Chairman of the Audit Committee
22 March 2018

The Audit Committee

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

● Attended

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

Membership

During the year ended 31 December 2017 the Committee comprised:

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

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

The appointment of a company chairman to an audit committee is not in compliance with the recommendations of the FRC UK Corporate Governance Code. However, Sir David Brown, Chairman of BSI, is a member of the Committee as his knowledge and experience are considered beneficial. Sir David Brown has a distinguished career in telecommunications and electronics which included chairmanship of Motorola Ltd. His many professional affiliations include Fellowship of the Royal Academy of Engineering and he is a former President both of the Institution of Electrical Engineering and the Chartered Quality Institute.

Douglas Hurt is a Chartered Accountant and has held many senior financial roles including Group Finance Director at IMI PLC. He is Non-Executive Director and Chairman of the Audit Committee at both Tate & Lyle PLC and Countryside Properties PLC. Alicja Lesniak is a Chartered Accountant and during her career has held many senior financial roles including Chief Financial Officer of Ogilvy and Mather Worldwide and Aegis PLC. Lucinda Riches was an investment banker for over 20 years at SG Warburg and successor firms and is a Non-Executive Director of UK Financial Investments Limited, CRH PLC and Ashtead Group PLC. All are considered to have recent and relevant financial experience.

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

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

Key responsibilities of the Committee

These include:

- monitoring the integrity of the financial statements of the Company and the Group including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- reviewing the content of the Annual Report to advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Company's and the Group's performance, business model and strategy;
- meeting with the auditors, in advance of the annual audit, to consider and discuss the nature and scope of the audit;
- considering and approving the role of the Internal Audit function and monitoring its effectiveness;
- reviewing the 'whistle-blowing' procedure;
- overseeing the relationship with the external auditors as well as assessing the effectiveness of the audit process and the quality, expertise and judgement of the external auditors;

Report of the Audit Committee continued

Key responsibilities of the Committee continued

- approving the fees of the external auditors and making recommendations for their appointment, re-appointment and removal;
- developing and implementing policy on the engagement of the external auditors to supply non-audit services; and
- meeting with the auditors without the Executive Directors being present.

The Committee focuses its agenda on financial reporting risk and reviewing the continuing validity of critical accounting judgements and estimates. It considers risk in its broader sense to ensure that appropriate financial controls are in place. The Committee reviews the annual internal audit plan to ensure appropriate focus and resource. The Committee provides challenge and support to the Group Finance Director and Group finance team.

Internal audit

The Committee is responsible for the remit of the internal audit function and for monitoring the effectiveness of its work. In 2015 an EQA was carried out by the Chartered Institute of Internal Auditors during which BSI's internal audit function was independently assessed against the CIA International Professional Practice Framework (IIPPF). The EQA found that the internal audit function provides a professional and collaborative audit service. The EQA recommended some areas of further development and these were carried out. It is intended that an EQA will be carried out every three years, with a self-assessment process against the IIPPF elements undertaken in the years between, and this was carried out in 2016 and 2017. It is intended that a further EQA will be carried out in 2018. During the year the Committee reviewed the internal audit charter to ensure the activity of the internal audit function is appropriate to the current needs of the organization.

Activities of the Committee

During the year the Committee, among other things:

- received and considered, as part of the 2016 year-end process, an audit report from PricewaterhouseCoopers LLP on matters including audit progress and findings, quality of earnings, reporting matters, judgement areas, taxation, systems and controls, risk management, corporate governance and auditor independence;
- reviewed the draft financial statements and the 2016 Annual Report and after due consideration recommended them to the Board;
- agreed the scope and content of the annual Letter of Assurance by senior managers of the Group and reviewed a report on the returns received;
- agreed the 2017 audit plan with the auditors based on the more risk-based approach developed to address the developing profile of the Group;
- agreed areas of audit focus with the external auditors which, for 2017, were primarily the detection of fraud in revenue recognition and management override of controls, as well as the UK defined benefit pension scheme's valuation, impairment of goodwill and intangible assets and other matters of potential risk;

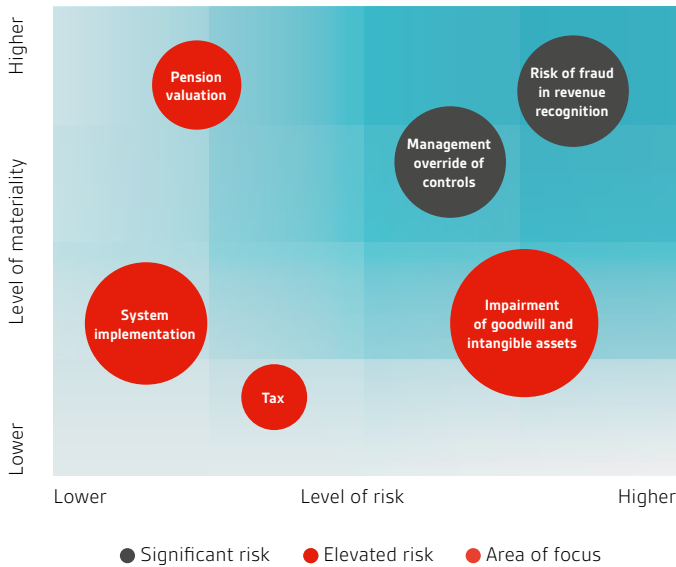
- received reports on issues raised through the Company's 'whistle-blowing' hotline and similar channels and ensured that proper processes were in place to investigate and address the matters reported;
- considered the internal audit department's reports, looked at its findings from each location/business area and reviewed and discussed with the Head of Internal Audit and Risk how and when issues were addressed and closed;
- approved an internal audit plan for 2017, based on a risk-based approach of principal risks overlaid with country risk with regard to the assurance map;
- reviewed the results of the Internal Audit self-assessment process against the IIPPF elements and monitored the actions taken by it in response to the findings of the 2015 EQA;
- met the Head of Internal Audit without the presence of management;
- approved the fee payable to the external auditors and agreed that an effective, high quality audit can be conducted for the fee;
- considered occurrences of fraud and attempted fraud against the Group and reviewed the measures taken to help prevent further instances;
- considered the relationship between brand risk and reputational risk and the approach taken to address each;
- considered and approved the external auditors' letters of engagement and letters of representation;
- received a comprehensive treasury and tax update and monitored the Group's response to legislative and regulatory changes in these areas;
- considered and confirmed the procedures of the Company, as the National Standards Body, for compliance with its financial obligations under the Memorandum of Understanding with the UK Government;
- monitored the progress of the finance transformation programme;
- reviewed the minutes of the Banking and General Purpose Committee and discussed matters of interest with the treasury and finance teams; and
- received a regular update regarding key finance function staffing around the Group.

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

During the year, the annual Committee evaluation process took place as set out in the Evaluation, training and support section of the Corporate governance report on page 52. The process confirmed that the Committee was working well and was effective and led to some valuable discussion.

Significant areas of risk

Areas of risk considered by the Committee in relation to the financial statements for the year ended 31 December 2017 were:



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

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

External audit

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

- assessing the culture; skills, character and knowledge; quality control; and judgement, responsiveness and communications of the external auditors;
- discussing with the external auditors the key controls they rely on to address identified risks to audit quality;
- keeping the external auditors' team under review to ensure it has the necessary expertise, experience and understanding of the business, as well as having the time and resources to carry out its audit effectively; and
- regularly reviewing, and feeding back to the external auditors, an assessment of their performance on matters including meeting the audit programme, the thoroughness and perceptiveness of their reviews and the quality of their technical expertise.

The fees paid to the external auditors for audit and non-audit work are set out in Note 7 to the financial statements. The ratio of audit work to non-audit work was 3.2:1.

The Committee safeguards the external auditors' objectivity by reviewing their report where they detail the measures they take to maintain their independence and manage any potential conflicts of interest. BSI's external auditor independence policies reflect best practice. Any proposed provision of non-audit work by the external auditors that is not material is subject to thorough review by the Finance Director, in conjunction with the external auditors, to ensure there is no threat to the independence or objectivity of the external auditors. Any concerns that the Group Finance Director may have, and all other such matters, are discussed with the Chairman of the Committee and, if required, referred to the Committee for its consideration. It was considered in the best interests of the Group to retain PricewaterhouseCoopers LLP for non-audit work in connection with corporate tax compliance and advisory services in the US and China, due to their relevant expertise and knowledge of the Group's business. This work was completed and ceased in 2017.

PricewaterhouseCoopers LLP have been the BSI Group's external auditors for more than ten years. There are no contractual obligations restricting the Company's choice of auditors. In 2013, in accordance with best practice, the Company undertook a re-tendering exercise for the selection of the auditors. A thorough review process was carried out and PricewaterhouseCoopers LLP were retained as the Company's external auditors but with a new team. John Minards has been the audit partner since that time. In line with best practice, 2017 will be John Minards' final year as audit partner and he will be succeeded by Owen Mackney. At least once every ten years the external audit services contract will be put out to tender.

The Committee considers that the relationship with the external auditors continues to work well, remains satisfied with their effectiveness and has no current intention of re-tendering the external audit services contract. The Committee has recommended to the Board that PricewaterhouseCoopers LLP be re-appointed as the Company's auditors at the 2018 Annual General Meeting.

By Order of the Board

Lucinda Riches
Chairman of the Audit Committee
22 March 2018

Report of the Nominations Committee

Introduction by Sir David Brown, Chairman of the Nominations Committee



With no changes to the Board in 2017 the Nominations Committee (the 'Committee') focused on strategic matters. As is the Committee's established practice, it undertook its annual rolling review of the Board and Committee succession plan, having regard to the implications of the Group's strategic trajectory for the longer-term composition of the Board. In light of the 2018–2020 strategic plan the Committee considered whether there was any significant gap in the Board's collective expertise that should influence succession planning and, while it was agreed that there was no such gap at present, the Committee would keep the matter under review. The Committee also received and discussed an update from the Chief Executive on the Group's talent and succession programme for the senior leadership team and intends to review this regularly to help ensure that the Group has the appropriate talent in place to meet the opportunities and challenges arising from the implementation of its strategy.

For 2018, in addition to addressing any Board recruitment as necessary, the Committee will continue to consider the implications on Board composition of the Group's strategic plan and will also review the senior leadership succession plan for critical roles below the Board.

Sir David Brown
Chairman of the Nominations Committee
22 March 2018

The Nominations Committee

In 2017, the Committee maintained its continuing assessment of the balance of skills, knowledge, experience and diversity on the Board.

Nominations Committee attendance

The Committee met four times in the year ended 31 December 2017.

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

● Attended

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

Membership

During the year ended 31 December 2017 the Committee comprised:

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

Key responsibilities of the Committee

These include:

- reviewing the size, structure and composition of the Board and making recommendations to the Board on these matters;
- drawing up succession plans for the Directors; and
- maintaining an overview of the leadership needs of the organization generally.

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

Activities of the Committee

During the year the Committee, among other things:

- made a recommendation to the Board regarding the annual re-appointment of the Chairman;
- nominated the Directors standing for re-election at the Annual General Meeting;
- considered Board succession with regard to Board and Board Committee weight and balance, considering both Executive and Non-Executive Directors;
- considered the organization-wide talent development programme and succession planning and reviewed proposed action and resource plans;
- reviewed the Group leadership's competencies and leadership capabilities in the context of the new organizational structure; and
- considered the findings of the Committee evaluation process.

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

Board equality and diversity policy

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

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

Since all Board appointments are made on merit, taking the benefits of diversity fully into account, the Board considers that it would be inappropriate to set targets for the percentage of female Directors. However, it will report annually on the diversity of the Board. Details of the gender distribution of the Board, as well as of senior management and employees in the BSI Group as a whole, may be found in the Social responsibility review on page 41.

By Order of the Board



Sir David Brown
Chairman of the Nominations Committee
22 March 2018

Introduction by Alison Wood, Chairman of the Remuneration Committee



In setting Executive remuneration and advising on the reward framework for the wider organization, the Remuneration Committee (the 'Committee') aims to ensure alignment with the objects and 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.

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

This report sets out performance and reward in 2017 and the (unchanged) policy for 2018 for the Executive Directors. The report also outlines the way the Committee is driving the design of an improved remuneration structure for Executive Directors, the executive team and the wider organization to ensure that our reward strategy continues to fully align with the delivery of the ambitious future of BSI, in particular as the National Standards Body (NSB), increasingly now on a global basis, and with the growth plans of the BSI business.

Transparency in remuneration reporting is an important aspect of good governance and this report aims to reflect developing best practice to the extent practicable for a company of BSI's type and size. This year, for example, more detail is provided about Executive Directors' performance against personal targets under the Annual Bonus Plan.

Performance and reward for 2017

2017 saw a continuation of BSI's strong financial performance. The Group has continued to execute its strategy, securing significant organic growth in its core Knowledge, Assurance and Compliance streams as well as the successful completion of an acquisition. The NSB has increased its outreach globally and has played a significant role in informing the UK government's considerations on the impact of Brexit on the UK's position in the global standards arena. This work has been essential to ensure the long-term resilience of BSI and national standards.

In addition, the business has continued to drive operational imperatives across all territories, resulting in an uplift in profit in each. The payments made to the Executive Directors under BSI's variable pay arrangements reflect the success of the Group in 2017. I am pleased to report that Group profit for the Annual Bonus Plan (GPB) and revenue exceeded the challenging target levels set before the year began and resulted in bonus payments under the Annual Bonus Plan approaching maximum levels permitted under the scheme.

LTIP awards, intended to provide incentive for growth over a longer time scale, in accordance with the Group's strategic plan, vested at the maximum level in 2017, as the thresholds for the management operating profit (MOP) and revenue targets set in 2015 were exceeded. In 2017 the Group once more achieved record levels of revenue and profit and the Executive Directors' variable pay earnings reflected their success in achieving and exceeding the strategic targets set in earlier years.

When reviewing the overall reward of the Executives, particularly the variable remuneration element, the Committee takes into consideration the extent to which the achievement of the rewards under schemes have positively contributed to the longer-term resilience of the Group.

Further details may be found in the 'Variable pay' section on pages 65 to 67.

Discretionary decisions made in 2017

The Committee retains discretionary power regarding certain areas of Executive Directors' remuneration. During 2017 the Committee did not exercise any of its discretionary power with regard to Executive Director remuneration.

Remuneration policy for 2018

There have been no revisions to the policy for 2018. The target weighting for the LTIP has been designed to encourage an emphasis on longer-term revenue growth in accordance with the strategic plan while the annual bonus targets the delivery of excellence in execution with the focus on annual profit achievement.

Details are set out in the 'Remuneration policy 2018' table on pages 68 and 69.

In keeping with prior years, for 2018, the targets set for the LTIP award are intended to provide incentives to the Executive Directors to achieve the significant growth in revenue and profits by 2020 that are set out in the strategic plan, while the Annual Bonus Plan will provide incentive to build profit, recognizing the impact of the investments into the business needed in 2018 to support longer-term growth.

2018 focus

There are two areas of focus in 2018 for the Committee. Firstly, there is a developing global perspective shared by the Group's wider stakeholders on reward. This is based on the theme of fairness, in particular with regard to pay disparity across organizations and gender pay equality. The Committee will continue to drive for increased transparency and disclosure so that we can monitor progress in these areas.

Secondly, BSI intends to bring about further growth under a strategic plan which involves, as discussed elsewhere in the Annual Report, the re-organization of the Group and significant investment in technology and headcount. During 2018 the Committee will continue to drive a more fundamental review of the Group's remuneration structure which commenced in 2017. The review aims to provide a remuneration structure for Executive Directors, the executive team and the wider organization that will help attract, retain and motivate the people BSI needs to grow as intended in the strategic plan. To this end, advice is being sought and benchmarking exercises are being undertaken to make sure that the Group's remuneration structure supports the achievement of its aims in a demonstrable way.



Alison Wood
Chairman of the Remuneration Committee
22 March 2018

Directors' remuneration report continued

The Remuneration Committee

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

Membership

During the year ended 31 December 2017 the Committee comprised:

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

When appropriate, Sir David Brown, Howard Kerr, Craig Smith, Alicja Lesniak and the Group HR Director, Angela Paradise, or her predecessor, Devyani Vaishampayan, have been invited to the Committee to attend its meetings. Directors do not attend meetings in 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 2017 external advice was sought from Willis Towers Watson on Executive remuneration benchmarking and Mercer regarding the Chairman's fee.

Remuneration Committee attendance

The Committee met four times in the year ended 31 December 2017.

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

● Attended

Key responsibilities of the Committee

These include:

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

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

Activities of the Committee

During the year the Committee, among other things:

- agreed salary increases for the Executive Directors and the executive team;
- reviewed and confirmed the targets for the 2017 Annual Bonus Plan and 2017 LTIP awards;
- approved the Directors' remuneration report in the Company's 2016 Annual Report;
- reviewed the fee of the Chairman in light of a benchmarking exercise by Mercer and recommended that an increase be put to members at the Annual General Meeting;
- considered and agreed payments under the 2016 bonus plan and the LTIP awards granted in 2014;
- agreed a proposal to review the remuneration strategy of the Group;
- considered the scope of existing and new incentive schemes;
- received proposals for rationalizing bonus schemes across the Group;
- considered the treatment of annual bonus and LTIP awards of the retiring Company Secretary and other executives who would be leaving the Group;
- reviewed progress by advisors Willis Towers Watson on their benchmarking of Group Executive roles in light of the reorganization;
- agreed that the effect of the Neville Clarke Group acquisition on 1 December 2017 would be disregarded for 2017 incentive plans; and
- considered the findings of the Committee evaluation process.

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

Aligning remuneration to the delivery of BSI's strategy

BSI's key financial objectives are to reach revenue of at least £625m and underlying operating profit of at least £80m by 2020 by pursuing a strategy of a judicious blend of organic and acquisitive growth.

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

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

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

The Committee keeps the variable pay targets under continual review to ensure that they properly reflect the aspirations of the strategic plan.

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

Each year the Board sets stretching targets for profit and revenue growth. Payments made to the Executive Directors for 2017 reflect the achievement of the 2017 Annual Bonus Plan targets, shown below on this page, and of the 2015 LTIP targets, shown on page 66.

2017 remuneration

Single figure total (audited information)

Director	Salaries and fees		Taxable benefits ¹		Pension benefits ²		Variable pay receivable for 2017				Total	
	Year ended	Year ended	Year ended	Year ended	Year ended	Year ended	Bonus		LTIPs		Year ended	Year ended
	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	Year ended	Year ended	Year ended	Year ended	31 Dec	31 Dec
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executives												
Howard Kerr ³	434	421	24	26	—	—	348	362	350	342	1,156	1,151
Craig Smith ⁴	324	314	25	21	—	—	213	220	201	196	763	751
Dr Scott Steedman ⁵	269	235	15	15	7	13	188	173	158	154	637	590
	1,027	970	64	62	7	13	749	755	709	692	2,556	2,492
Chairman												
Sir David Brown	156	151	6	6	—	—	—	—	—	—	162	157
Non-Executives												
Douglas Hurt	39	37	—	—	—	—	—	—	—	—	39	37
Alicja Lesniak	44	42	1	—	—	—	—	—	—	—	45	42
Dr Stephen Page	39	37	1	1	—	—	—	—	—	—	40	38
Lucinda Riches	44	42	—	—	—	—	—	—	—	—	44	42
Alison Wood	44	42	1	1	—	—	—	—	—	—	45	43
	366	351	9	8	—	—	—	—	—	—	375	359
Total	1,393	1,321	73	70	7	13	749	755	709	692	2,931	2,851

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 £58,301 (2016: £55,413) supplement in lieu of pension contributions.

4 Salary includes £37,109 (2016: £35,066) supplement in lieu of pension contributions.

5 Salary includes £23,069 (2016: £15,358) supplement in lieu of pension contributions.

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 2017 (2016: none).

Fixed pay

Base salary during 2017

Per annum base salary	To 28 February 2017 £'000	From 1 March 2017 £'000
Howard Kerr	367.00	377.50
Craig Smith	280.75	288.25
Dr Scott Steedman	220.50	250.00

Variable pay

Annual bonus for 2017

Annual bonuses for the year ended 31 December 2017 were provided under the Annual Bonus Plan to Howard Kerr, Craig Smith and Dr Scott Steedman, by the Committee, in accordance with the policy set out in the Annual Report 2016 Directors' remuneration report. Actual annual bonus amounts earned are based on salary and dependent upon the achievement of targets for Group profit for the Annual Bonus Plan (GPB), revenue and personal objectives. GPB was defined as 'underlying operating profit before discretionary bonus charges, LTIP charges and all foreign exchange adjustments'. Personal objectives are set and are measured by the Chairman for the Chief Executive and by the Chief Executive for the other Executives; all are reviewed by the Committee.

Directors' remuneration report continued

The Remuneration Committee continued

Variable pay continued

Annual bonus for 2017 continued

The table below sets out the percentage of base salary upon which potential 2017 annual bonuses were based:

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

The target levels set for 2017 were GPB of £72.9m and revenue of £484.5m at budgeted exchange rates. A threshold, representing 90% of both targets, had to be met before any bonus is earned. The total bonus percentage for on-target performance would be doubled if GPB reaches 110% of target. Bonus is earned on a straight-line basis from threshold to target and from 100% to 110% of GPB target if applicable. Personal objectives for Howard Kerr included achievement of the financial results in a way consistent with the strategic plan, senior leadership development and succession and strategic delivery within the risk appetite set by the Board. Craig Smith's personal objectives included the support and promotion of BSI's Group social responsibility initiative, the optimization of the information technology function in light of the business reorganization and to drive the finance transformation programme. Scott Steedman's personal objectives included the development of BSI's social responsibility initiative within his area of responsibility, a detailed review of profitability in the Knowledge Solutions business and to review the cost framework of the standards development committees.

Actual GPB at budget exchange rates achieved for 2017 was £79.4m (109% of GPB target). This is calculated as UOP at actual exchange rates of £59.5m, adjusted by adding back LTIP charges of £1.7m bonus charges of £13.2m, amortization of acquired intangibles of £2.3m and an exchange adjustment of £2.7m. Actual revenue achieved for 2017 was £473.0m. This is increased by an £8.4m exchange adjustment to £481.4m at 2017 budget exchange rates. As agreed by the Committee, the effect of the 1 December 2017 Neville Clarke Group acquisition was disregarded. The annual bonuses earned in respect of 2017 were:

2017 annual bonus payments (audited information)	Percentage of base salary					Total actual award	Actual award
	Actual award based on GPB	Actual award based on on revenue	Actual on-target award based on personal objectives	Payable on achievement of 109% of GPB			
Howard Kerr	30%	9.48%	8.00%	44.70%	92.18%	£347,980	
Craig Smith	24%	7.58%	6.40%	35.76%	73.74%	£212,567	
Dr Scott Steedman	24%	7.58%	7.83%	35.76%	75.17%	£187,926	

Long Term Incentive Plan vesting in 2017 (audited information)

In 2015, Howard Kerr, Craig Smith and Dr Scott Steedman, as participants in the LTIP, were awarded participation units (PUs), in accordance with the policy set out in the Annual Report 2014 Directors' remuneration report, with the proportion of those PUs vesting depending on the achievement of management operating profit (MOP) and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2017. MOP was defined as 'underlying operating profit adjusted for items considered by the Remuneration Committee to be beyond the control of management' and was set in advance of the performance period. Each vesting PU would provide £1.00.

For the LTIP awards made in 2015, the target levels for 2017 were MOP of £40.7m and revenue of £371.3m at 2015 budget exchange rates. Vesting would be on a predetermined scale beginning with 10% vesting at the minimum performance threshold of MOP of £38.6m and revenue of £352.8m, 50% vesting at the on-target performance and a maximum of 150% vesting at the maximum performance threshold of MOP of £43.0m and revenue of £385.6m. Vesting would be on a straight-line basis between performance levels.

Actual MOP at 2017 budget exchange rates was £68.1m, calculated as UOP at actual exchange rates of £59.5m, adjusted by adding back the amortization of acquired intangibles of £2.3m, LTIP charges of £1.7m, above target bonus charges of £1.9m and an exchange adjustment of £2.7m. Actual revenue achieved for 2017 was £473.0m. This is increased by an £8.4m exchange adjustment to £481.4m at 2017 budget exchange rates. As agreed by the Committee, the effect of the 1 December 2017 Neville Clarke Group acquisition was disregarded. Maximum vesting was provided under the LTIP and the number of PUs vesting and the payments made were:

Long Term Incentive Plan vesting 2017	PUs awarded 2015	Vesting	Payment 2017
Howard Kerr	233,495	150%	£350,243
Craig Smith	134,000	150%	£201,000
Dr Scott Steedman	105,000	150%	£157,500

Long Term Incentive Plan awarded in 2017 (audited information)

In 2017 the Executive Directors were awarded PUs under the LTIP. A proportion of those would vest, depending upon the achievement of Group profit for the LTIP (GPL) and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2019. GPL is defined as underlying operating profit before LTIP charges and all foreign exchange adjustments. The PUs awarded under the LTIP in 2017 were:

2017 LTIP awards	Basis – salary multiple	PUs awarded 2017	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%	245,890	10%	50%	150%	31 December 2019
Craig Smith	50%	140,375	10%	50%	150%	31 December 2019
Dr Scott Steedman	50%	110,250	10%	50%	150%	31 December 2019

Total LTIP awards held

LTIP awards held	Howard Kerr	Craig Smith	Dr Scott Steedman	Vesting at minimum performance at threshold	Vesting at on-target performance	Vesting at maximum performance	End of period (i.e. performance period)
PUs awarded 2017	245,890	140,375	110,250	10%	50%	150%	31 December 2019
PUs awarded 2016	239,860	137,500	107,500	10%	50%	150%	31 December 2018
Total PUs held	485,750	277,875	217,750				

Pension contributions

The Company paid 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. These payments were subject to deductions relating to the reimbursement of employer national insurance contributions on them.

Loss of office payments (audited information)

No payments for loss of office were made in 2017 (2016: £nil).

Payments to past Directors (audited information)

No payments to past Directors were made in 2017 (2016: £nil).

Remuneration of the Chief Executive

Table of historic data (audited information)

	Chief Executive single figure remuneration total £'000	Annual bonus payout against maximum	LTIP vesting rates against maximum
2017	1,156	92.2%	100.0%
2016	1,151	98.7%	100.0%
2015	1,119	97.8%	100.0%
2014	765	95.3%	—
2013	596	50.5%	—
2012	576	51.0%	—
2011	792	59.1%	67%
2010	706	100.0%	—
2009	798*	64.8%	—

* Includes £215,000 relocation contribution.

Howard Kerr was Chief Executive for each year shown.

2017 remuneration change from 2016

	% change in salary	% change in taxable benefits	% change in bonus
Chief Executive	+2.8%*	-8.0%	-3.9%
UK employees	+2.6%	-12.5%	+25.4%

* +3.1% if salary paid in lieu of pension contributions is included.

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

Directors' remuneration report continued

The Remuneration Committee continued

Executive Directors' Non-Executive Directorships

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

Distribution of profit above budget

In accordance with the arrangements set out above, and other incentive arrangements in place, 25% of profits made above budget were used for variable pay awards across the Group.

Statement of implementation of Directors' remuneration policy

During 2017, all Directors' remuneration was awarded within the policy set out in the Directors' remuneration report in the Annual Report and financial statements 2016.

Remuneration policy 2018

The Directors' remuneration policy is set out in the table opposite. It applies to remuneration awards made from 1 January 2018 and is set for a period of one year. There were no areas of change from the policy operated in 2017. The Committee aims to maintain a Directors' remuneration policy that is stable and clearly defined but which evolves, over the longer term, to remain relevant to the needs of the Group's business and to reflect the wider employment market. The policy establishes demanding performance targets that align the Annual Bonus Plan with shorter-term objectives and the LTIP with the Group's longer-term strategy. The Committee reviews the policy in advance of the remuneration policy year to ensure it is appropriate and effective in meeting these requirements.

Policy discretion

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

Element and how it supports long and short-term strategy

Operation and recovery

Salary and fees
(Fixed)

By attracting, retaining and motivating individuals of the quality required to further the interests of the Company.

The base salaries of Executive Directors are determined by reference to an individual's responsibility and performance and are reviewed annually. Consideration is given to remuneration in comparable organizations when appropriate and external benchmarking is carried out biennially. Executive Directors may, by agreement with the Board, serve as Non-Executive Directors of other companies and retain any fees paid for their services. Non-Executive Directors receive a fee for their services to the Company which is reviewed annually.

Benefits
(Fixed)

By providing a benefits package appropriate to the role of the individual and competitive with similar organizations.

Benefits in kind for Executive Directors principally include, where appropriate, the provision of a company car and fuel, annual leave as well as medical and life insurance. The Non-Executive Directors do not receive benefits in kind except reimbursement of the costs of travel to meetings at the Company's principal office and grossed-up tax thereon.

Pension benefits
(Fixed)

By providing a cost-effective retirement benefit as part of an overall remuneration package.

For Executive Directors the Company makes contributions into defined contribution pension arrangements or provides a cash alternative.

Bonuses
(Variable)

By providing Directors with incentive to align their performance to the delivery of the shorter-term goals of the business.

Awarded to Executive Directors subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives. Clawback has been introduced for awards from 2016 onwards. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate.

LTIPs
(Variable)

By providing Directors with incentive to align their performance to the delivery of longer-term strategic aims and goals of the business and to retain senior Executive talent.

These are awarded to Executive Directors subject to the fulfilment of longer-term criteria, determined with reference to BSI's objectives. The targets are established annually and amended if necessary. Awards are subject to malus and clawback provisions. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate. If employment ceases during the vesting period awards will normally lapse in full.

Notes:

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

Maximum value

Performance metrics

Changes from 2017 policy

Not applicable.

Not applicable.

Not applicable.

Maximum bonuses for Howard Kerr, Craig Smith and Dr Scott Steedman are 100%, 80% and 80% of base salary, respectively.

Award payments are dependent upon the achievement of targets weighted as follows: as a percentage of base salary, targets are based for Howard Kerr: i) 30% on Group profit for the Annual Bonus Plan (GPB), ii) 10% on revenue, and iii) 10% on personal objectives, plus up to 50% if GPB reaches 110% of target; and for Craig Smith and Dr Scott Steedman: i) 24% on GPB, ii) 8% on revenue, and iii) 8% on personal objectives, plus up to 40% if GPB reaches 110% of target.

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.

Directors' remuneration report continued

Remuneration policy 2018 continued

Statement of principles for new Executive Director recruitment

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

Policy on notice periods

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

	Appointment commenced	Notice period provided for
Howard Kerr	1 November 2008	12 months by either party
Craig Smith	15 August 2011	6 months by either party
Dr Scott Steedman	1 October 2012	6 months by either party

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

	Date of appointment	Role
Sir David Brown	27 May 2010	Non-Executive Director
	1 December 2011	Deputy Chairman
	31 March 2012	Chairman
Douglas Hurt	1 November 2015	Non-Executive Director
Alicja Lesniak	1 October 2014	Board Advisor
	1 June 2015	Non-Executive Director
	18 May 2017	re-appointed
Dr Stephen Page	1 September 2015	Non-Executive Director
Lucinda Riches	19 May 2011	Board Advisor
	17 May 2012	Non-Executive Director
	22 May 2014	re-appointed
	18 May 2017	re-appointed
Alison Wood	1 September 2014	Non-Executive Director
	1 September 2017	re-appointed

Approach of the Company in setting Non-Executive Director fees

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

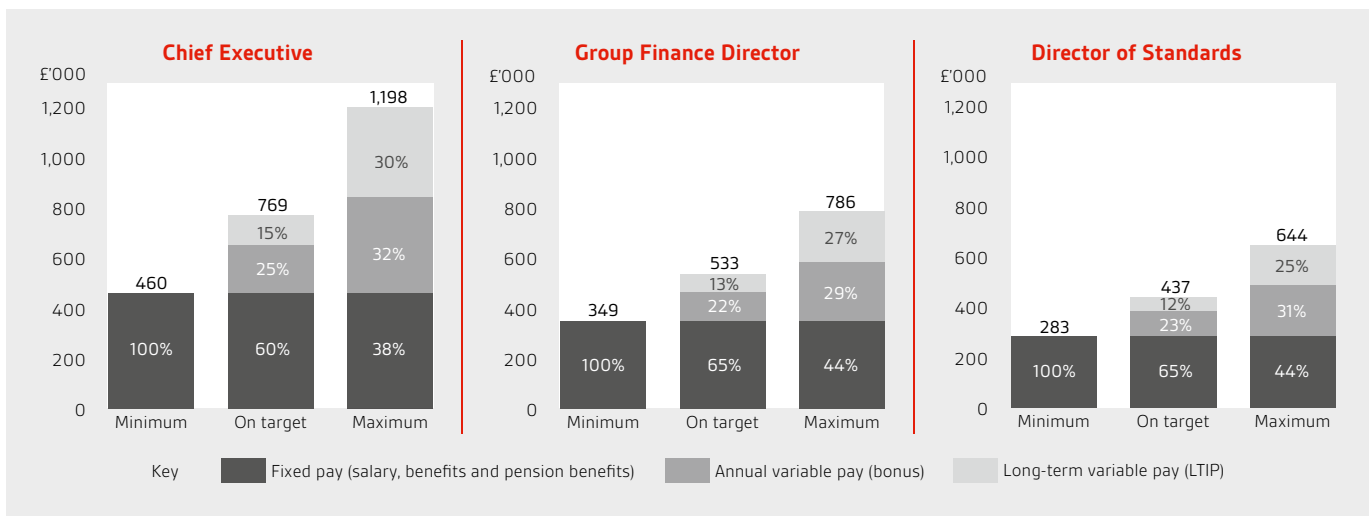
Policy on termination payments

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

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

Illustration of the application of the Directors' remuneration policy for 2018

The charts below provide an illustration of what could be received by each Executive Director for 2018, which is the year of application of the stated remuneration policy:



Notes:

- Minimum means fixed pay only (i.e. base salary, benefits and pension benefits), i.e. below the payment threshold for variable pay awards.
- On target means fixed pay, an award equivalent to 50%, 40% and 40% of base salary to Howard Kerr, Craig Smith and Dr Scott Steedman, respectively, under the Annual Bonus Plan and vesting of 50% of the PUs awarded to each Director under the LTIP.
- Maximum means fixed pay, an award equivalent to 100%, 80% and 80% of base salary to Howard Kerr, Craig Smith and Dr Scott Steedman, respectively, under the Annual Bonus Plan and vesting of 150% of the PUs awarded to each Director under the LTIP.
- For the purpose of this illustration: fixed pay is based on base salary at 31 December 2017 and actual 2017 benefit and pension benefit amounts; annual bonus awards for potential payment with respect to the 2018 financial year are based on base salary at 31 December 2017; and LTIPs are based on the 2016 awards potentially vesting for the performance period ending 31 December 2018.

Consideration of employment conditions elsewhere in the Group

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

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

Audited information

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

By Order of the Board

Alison Wood
 Chairman of the Remuneration Committee
 22 March 2018

Directors' report

The Directors submit their report and audited financial statements for The British Standards Institution and its subsidiaries for the year ended 31 December 2017.

It is the Directors' responsibility to prepare the Annual Report and Accounts and they consider that The British Standards Institution Annual Report and financial statements 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

Directors' report disclosures

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

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

Corporate governance

The Corporate governance report is set out on pages 50 to 54.

The Board

The members of the Board are listed on pages 46 and 47 and all held office throughout the year. The Directors were as follows:

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

The Company Secretary is Grainne Brankin.

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

Under the Company's Bye-law 9, one-third (rounded down) of the Directors are required to retire by rotation and stand for re-election and therefore Craig Smith and Alison Wood will be standing for re-election at the 2018 Annual General Meeting.

Annual General Meeting

The 2018 Annual General Meeting will be held at 4pm on Thursday 17 May 2018 at 389 Chiswick High Road, London W4 4AL. The business to be considered at the meeting is set out in a separate Notice of Meeting dispatched to the members.

Independent auditors

The BSI Group's auditors for the year ended 31 December 2017 were PricewaterhouseCoopers LLP. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed at the forthcoming Annual General Meeting.

Directors' and officers' liability

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

Employees

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

Further details of the Group's engagement with its employees are set out in the 'Our people' section of the Social responsibility review on pages 41 and 42.

Equality and diversity

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

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

Social and environmental issues

A review of the Group's social responsibility activities during the year is set out in the Social responsibility review on pages 40 to 44. This review also contains disclosures of the Group's greenhouse gas emissions. The Company made no political donations during the year (2016: £nil).

Principal risks and uncertainties

The principal risks and uncertainties facing the business are detailed on pages 30 and 31.

Financial instruments

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

Directors' interests

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

Post-balance sheet events

There were no post-balance sheet events.

Going concern

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

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

Viability statement

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

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

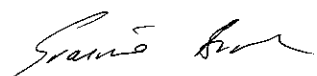
In 2017, the Directors drew up the strategic plan for the Group until the end of 2020. BSI has a long history of underlying revenue and operating profit growth dating back to the last century and this plan showed a continuation of these trends.

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

Based upon the strategic plan to 2020, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for at least that period of time.

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

By Order of the Board



Grainne Brankin
Company Secretary
22 March 2018