



## Chairman's introduction

# We are committed to demonstrating the highest standards of Corporate Governance

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

This is a commitment and responsibility by which everybody involved with BSI's governance policies and practices stands.

As a globally recognized expert in best practice, incorporated by Royal Charter and with a unique status as the UK National Standards Body, this approach is fundamentally in line with our commitment to all our stakeholders.

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

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

While we are not a stock exchange-listed company, and therefore not required to apply the Financial Reporting Council (FRC) UK Corporate Governance Code 2018 (the 'Code'), we have selected the Code as our chosen code of governance, so ensuring our governance is based upon a world-class source of best practice.

Ultimate responsibility for governance lies with our Board of Directors, the majority of whom are Non-Executive Directors (NEDs), who can collectively call on a very broad range of experience across many business areas to provide the guidance that is required.



**John Hirst CBE**  
Chairman

The Board is in turn supported by the Audit and Risk, Remuneration, Nominations and Sustainability Committees, all of which are chaired by NEDs, with NEDs also making up the majority of membership. We also have the Standards Policy and Strategy Committee, an advisory body that gathers and distils information for the Board on standardization matters.

I believe this strong core of governance at the heart of our organization has once again served BSI well as I reflect on a very busy and highly successful year, during which we have made every effort to preserve and strengthen the trust of all our stakeholders.

The BSI Code of Business Ethics (available at: [bsigroup.com/ethics](https://www.bsigroup.com/ethics)), which was refreshed and clarified during 2022, continues to underpin our internal controls, financial management and governance framework. This sets out the ethical values and high standards of integrity that are embedded in our organization and that apply to every aspect of the way we operate.



## Board of Directors

# The Board of Directors



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

## Committee membership

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

**John Hirst CBE** A N S  
Chairman

### Skills and experience

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

### Other appointments

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

**Susan Taylor Martin** N S  
Chief Executive

### Skills and experience

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

### Other appointments

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



## Board of Directors continued



### Sara Dickinson CGMA

Chief Financial Officer

#### Skills and experience

Sara joined the Board and was appointed Chief Financial Officer in January 2022. Sara has over 25 years of experience as a senior finance leader, as well as significant knowledge of scaling B2B businesses and digital transformation. Immediately prior to joining BSI she was Senior Vice President of Finance at Expedia Group Inc, a global travel tech company, and as Chief Finance Officer of Expedia Partner Solutions, the worldwide B2B division within Expedia Group. Sara has also held finance roles at Costa Coffee as Commercial Finance & FP&A Director, Sage Group PLC as Group Financial Controller and at Orbitz WorldWide Inc as Vice President & CFO EMEA.

#### Other appointments

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



### Dr Scott Steedman CBE <sup>S</sup>

Director-General, Standards

#### Skills and experience

Scott Steedman joined the Group in January 2012 and was appointed to the Board in October 2012. An engineer by profession, he started his career as a Fellow and Lecturer at the University of Cambridge before moving to industry where he spent over 20 years as a consultant working in the Built Environment sector. He was a Non-Executive Board Member of the Port of London Authority from 2009 to 2015 and served as Vice-President (Policy) for the European Committee for Standardization (CEN) from 2013 to 2017 and the International Organization for Standardization (ISO) from 2017 to 2021. He serves on the Department for International Trade Strategic Trade Advisory Group and the Department for Digital, Culture, Media and Sport Telecoms Supply Chain Diversification Advisory Council.

#### Other appointments

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



### Dame Polly Courtice <sup>N</sup> <sup>S</sup>

Non-Executive Director

#### Skills and experience

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

#### Other appointments

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



## Board of Directors continued



**Douglas Hurt** FCA A N R

Non-Executive Director

### Skills and experience

Douglas Hurt joined the Board in November 2015 as Non-Executive Director. Douglas started his career at PwC, where he qualified as a Chartered Accountant. From there he joined the GlaxoSmithKline Group, where he held many senior roles including Managing Director, Glaxo Wellcome UK. In 2006 he joined IMI PLC and was Group Finance Director until February 2015. He was Senior Independent Director and Chair of the Audit Committee of Countryside Partnerships PLC and became Chair of the Company during 2022 until the sale of the business.

### Other appointments

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



**Ian Lobley** S A N

Non-Executive Director

Senior Independent Director (from 1 March 2023)

### Skills and experience

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

### Other appointments

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



**Dr Stephen Page** N R S SP

Non-Executive Director

### Skills and experience

Stephen Page joined the Board in September 2015 as Non-Executive Director. Stephen has a wealth of boardroom experience in the opportunities and risks of the digital age, as well as corporate risks such as cybersecurity and counter-terrorism. At Accenture he held European and global leadership roles, including worldwide Managing Director, Strategic IT Effectiveness. For the past 16 years he has held a portfolio of board positions, including TSB Banking Group, the National Crime Agency, The British Library and Senior Independent Director at Nominet.

### Other appointments

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



## Board of Directors continued



**Alison Wood** A N R  
Non-Executive Director

### Skills and experience

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

### Other appointments

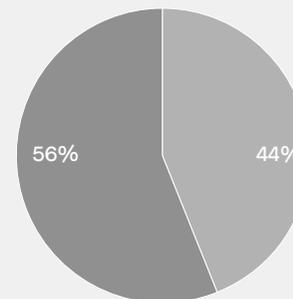
Alison is Non-Executive Director and Chair of the Remuneration Committee at TT Electronics PLC and Oxford Instruments PLC and Chair of the Board and the Remuneration Committee at Galliford Try.

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



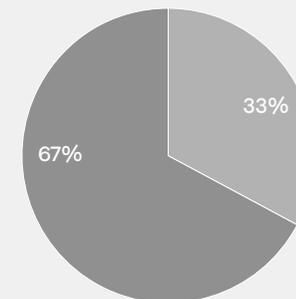
**Leigh Grant FCG**  
Company Secretary

### Board gender diversity



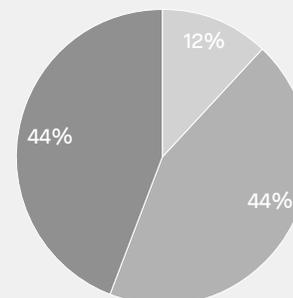
- Female Directors
- Male Directors

### Board composition



- Executive Directors
- Non-Executive Directors

### Board Director tenure



- < 1 year
- 1-5 years
- > 5 years



## Group Leadership Team

# The Group Leadership Team



**Susan Taylor Martin**  
Chief Executive



**Sara Dickinson CGMA**  
Chief Financial Officer

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

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



**Dr Scott Steedman CBE**  
Director-General, Standards



## Group Leadership Team continued



**Jonathan Chocqueel-Mangan**  
Chief Strategy & Transformation Officer



**Magdalena Duke**  
General Counsel



**Phil FitzMorris**  
Interim Chief Information Officer



**Pietro Foschi**  
Director, Assurance Services



**Dr Manuela Gazzard**  
Director, Regulatory Services



**Neil Musk**  
Director, Knowledge Solutions



## Group Leadership Team continued



**Sergio Nogueira**  
Director, Consulting Services

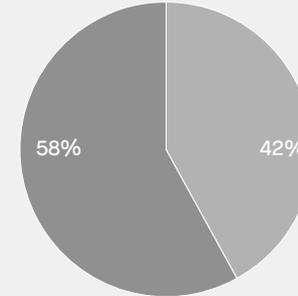


**Alison Sharp**  
Chief People Officer



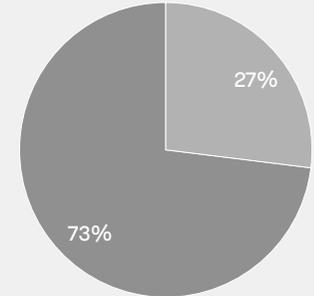
**Harold Pradal**  
Chief Commercial Officer

Group Leadership Team  
gender diversity



- Female
- Male

Management Team  
gender diversity



- Female
- Male



# Corporate governance report

## Governance Framework

### Corporate Governance in BSI

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

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

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

- Provision 4 – Actions to be taken regarding votes cast against Annual General Meeting resolutions. – BSI's Subscribing Members are not directly comparable with shareholders and different forms of consultation are in place.
- Provision 18 – Directors should be subject to re-election at the Annual General Meeting each year. – In accordance with BSI's constitution, Directors are proposed for re-election at the AGM following their appointment and one-third, rounded down, of the remainder must stand for re-election at each Annual General Meeting.

- Provision 24 – The chair should not be a member of an audit committee. – John Hirst, Chairman of BSI is a member of the Audit and Risk Committee because of the significant financial and business expertise his membership brings.
- Provision 36 – Director share schemes. – With no shareholders BSI cannot comply with this provision, however the Company does operate a Long Term Incentive Plan to help align a proportion of Directors' remuneration with long-term corporate performance.

## Board Leadership

### The role of the Board

The Board is the governing body of BSI and leads the organization through a framework of effective controls that enable risk to be assessed and managed. It sets the organization's strategy and is collectively responsible for the long-term sustainable success of the Company, working to ensure BSI's public interest responsibility is fulfilled in accordance with BSI's Royal Charter.

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

The Matters Reserved to the Board and the terms of reference for the Audit and Risk, Remuneration, Nominations and Sustainability Committees are reviewed annually and are available on the Company's website at [bsigroup.com](https://www.bsigroup.com).

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

## Board balance and independence

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

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

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



## Corporate governance report continued

### Board meetings

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

### Board Attendance

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

Attendance	Jan	Mar	May	Sep	Dec
John Hirst	●	●	●	●	●
Susan Taylor Martin	●	●	●	●	●
Sara Dickinson (appointed 24.01.2022)		●	●	●	●
Scott Steedman	●	●	●	●	●
Polly Courtice (Advisor until appointed Director 01.09.2022)	●	●	●	●	●
Tiffany Hall (resigned 19.05.2022)	●	●	●		
Douglas Hurt	●	●	●	●	●
Ian Loble	●	●	●	●	●
Stephen Page	●	●	●	●	●
Alison Wood	●	●	●	●	●

● Attended ● Attended as Advisor ● Did not attend

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

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

### Re-election of Directors

In accordance with the Company's Bye-laws, Non-Executive Directors are required to submit themselves for re-election at the next Annual General Meeting following their first appointment by the Board. Additionally, one-third, rounded down, of the other Directors are required to retire by rotation and stand for re-election at each Annual General Meeting. The Bye-laws also require the Chairman to be elected annually by the Board. Details of Non-Executive Directors subject to re-election and rotation at the 2023 Annual General Meeting can be found on page 98.



## Corporate governance report continued

### Board Effectiveness

#### Board evaluation

An evaluation process is carried out annually to support continuing improvement in the effectiveness of the Board and Board committees. This process is led by an external facilitator at three-year intervals. Cederas facilitated the external evaluation in 2020, and the Board agreed that BSI should facilitate the review internally in 2022, as was done in 2021, with support from Independent Board Review, a division of Independent Audit Limited. This process was completed in December and concluded that the Board and its Committees were effective and working well, as well as highlighting opportunities for improvement which included:

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

#### Board induction, training and development

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

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

#### Support and independent advice

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

#### Directors' conflicts

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

### Sustainability

Sustainability is embedded into BSI's Governance and is core to its purpose. BSI's success is strongly bound to how BSI navigates the opportunities and risks of sustainability and climate change.

Climate change risk is captured as part of Environmental, Social and Governance risk in the Principal Risk Register, and in the Task Force on Climate-related Financial Disclosures (TCFD) reporting, which is reviewed by the Board.

The Board sets various policies relating to sustainability and climate change, and in particular the Group Sustainability Code, which was developed with reference to:

- BS ISO 26000: Guidance on Social Responsibility;
- BS ISO 20400: Guidance on Sustainable Procurement;
- The UN Universal Declaration of Human Rights;
- The ILO Declaration on Fundamental Principles and Rights at Work;
- The UN Guiding Principles on Business and Human Rights;
- The International Labour Organization (ILO) Core Conventions;
- The UN Global Compact; and
- The Ethical Trading Initiative (ETI) Base Code, as well as the BSI Code of Business Ethics and relevant BSI internal policies.

The Sustainability Code sets the foundational principles from which we work and the expectations we place on our business partners.



## Corporate governance report continued

The Board receives regular updates on progress against specific operational sustainability targets including climate mitigation in our own operations, community engagement and the development of sustainability-related products and services across the Group.

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

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

### Internal Control

#### Control Framework

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

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

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

#### Identification and evaluation of key Risks

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

#### Monitoring and corrective action

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

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

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

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

#### Information and financial reporting systems

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

#### BSI Code of Business Ethics

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

### Stakeholder Engagement

In order for the Company to meet its responsibilities to stakeholders, the Board has to ensure effective engagement with them and encourage their participation. Details and examples of BSI's engagement with stakeholders is set out in the Section 172 statement on pages 34 to 38.

By Order of the Board

**John Hirst CBE**  
Chairman

5 April 2023



## Corporate governance report continued

### Governance Structure

#### The Board

##### Chairman

###### Role and responsibilities

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

##### Senior Independent Director

###### Role and responsibilities

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

##### Non-Executive Directors

###### Role and responsibilities

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

##### Group Chief Executive

###### Role and responsibilities

- Leads the Group Leadership Team and is accountable for the Group's performance, consistent with the strategy, controls, culture and risk appetite agreed by the Board.
- Sets a clear vision and strategy for the Group, working with the Group Leadership Team, positively communicating that vision and strategy.
- Develops and maintains effective management systems and internal controls.

##### Executive Directors

###### Role and responsibilities

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

##### Company Secretary

###### Role and responsibilities

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

#### Board Committees

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

##### Audit and Risk Committee

- Read the report of the Committee on pages 73 to 78

##### Nominations Committee

- Read the report of the Committee on pages 79 and 80

##### Sustainability Committee

- Read the report of the Committee on pages 81 and 82

##### Remuneration Committee

- Read the report of the Committee on pages 83 to 97

##### Standards Policy and Strategy Committee

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

#### Executive Committees

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

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



# Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the consolidated financial statements in accordance with UK adopted international accounting standards and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the parent company for that period.

In preparing the financial statements, the Directors are required to:

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

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

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



ensure that the financial statements comply with the Companies Act 2006.

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

## Directors' confirmations

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

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

By Order of the Board

**Leigh Grant FCG**  
Company Secretary

5 April 2023



## Report of the Audit and Risk Committee



**Douglas Hurt FCA**

Chair of the Audit and Risk Committee

### Audit and Risk Committee Attendance

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

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

● Attended

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

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

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

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

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

While the Committee operates to a pattern of work around the Group's annual reporting cycle, it also regularly considers matters in areas that could create risk, such as reviewing

anti-bribery measures, fraud protection activity and other financial compliance matters, as well as reviewing the whistleblowing process on behalf of the Board.

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

## The Committee

### Committee Membership

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

During the year ended 31 December 2022 the Committee comprised:

**Douglas Hurt**

**John Hirst**

**Ian Lobley**

**Alison Wood**

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

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



## Report of the Audit and Risk Committee continued

The Chief Executive, Chief Financial Officer, Group Financial Controller, the Group Risk Director, the Head of Internal Audit and Risk, and Head of Compliance along with the external auditors, are invited by the Committee to attend its meetings as appropriate.

Douglas Hurt is a Chartered Accountant and was Finance Director of IMI plc for nine years until 2015 and also chairs the Audit Committees of Hikma Pharmaceuticals plc, and Vesuvius plc, and is deemed to have recent and relevant financial experience. Members of the Committee have broad experience in international business to business organizations and in many of the sectors in which BSI concentrates. As such, the Committee as a whole is deemed to have relevant competence in the sector in which the company operates.

### Key responsibilities of the Committee

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

The key responsibilities of the Committee include:

- monitoring the integrity of the financial statements of the Company and the Group including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- reviewing the content of the Annual Report to advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy;

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

### Activities of the Committee

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

Items reviewed at Committee meetings in 2022 included:

- the Annual Report and the consolidated and parent company financial statements;
- internal audit reports, the results of completed audits and follow-up activity;

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



## Report of the Audit and Risk Committee continued

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

### Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review, with management and the external auditors, the appropriateness of the annual financial statements. The Committee focuses on:

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

### Significant issues and material judgements

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

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

#### Impairment review

Management undertakes an annual review, or at other times if circumstances indicate a possible issue, to determine

if the carrying value of goodwill and other intangible assets is impaired. This impairment review requires the exercise of judgement and application of assumptions by management including estimates used in deriving future cash flows and discount rates applied to these cash flows. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting.

#### Finite life intangible assets

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

#### Goodwill

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

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

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

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

#### Retirement benefit surplus

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

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

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

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

#### Taxation

##### Recognition of deferred tax

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



## Report of the Audit and Risk Committee continued

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

### Provision for tax risk

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

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

### Fair, balanced and understandable

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

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

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

### Going concern statement and viability statement

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

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

### External audit

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

### Audit tender

In 2013, in accordance with best practice, the Company undertook a re-tendering exercise for the selection of the auditors. A thorough review process was carried out and PwC

were retained as the Company's external auditors but with a new team. Owen Mackney was appointed as Audit Partner in 2018 in line with the Auditing Practices Board standards for the rotation of lead audit partner after five years,

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

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

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

### 2022 Audit Plan

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

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



## Report of the Audit and Risk Committee continued

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

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

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

### Independence

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

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

### External auditors' effectiveness

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

The results were analyzed, and a full report was submitted for review by the Committee. The report was discussed with PwC, and the Committee concluded that PwC provided an effective, independent and objective audit. The Committee agreed to recommend to the Board the reappointment of PwC as the Group's external auditors and a resolution to this effect will be tabled at the 2023 Annual General Meeting.

### Non-audit services

The fees paid to the external auditors for audit and non-audit work are set out in Note 7 of the financial statements. The ratio of audit work to non-audit work was 1,885:1.

Any proposed provision of non-audit work by the external auditors that is not immaterial is subject to thorough review by the Chief Financial Officer, in conjunction with the external auditors, to ensure there is no threat to the independence or objectivity of the external auditors and is then approved by the Committee, subject to a de minimis delegation to the Chief Financial Officer.

### Internal Audit

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

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

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

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

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

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

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



## Report of the Audit and Risk Committee continued

### Risk Management

The Board has ultimate responsibility for the organization's risk management and internal control systems. On its behalf, the Committee keeps under review the adequacy and effectiveness of those systems.

During the year the Committee received regular reports from management reviewing the Group's principal risks and considered whether the mitigating actions were adequately addressing the risks in order to contain them within the Board's defined risk appetite. Details of the organization's risks and ongoing mitigating actions are given on pages 52 and 58.

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

A new Enterprise Risk Management tool has been rolled out which will help highlight to the Committee where risks are higher than the Board's risk appetite. The Committee also reviewed the work of the internal audit function where it was assessing aspects of the Group's risk management framework.

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

### Internal Controls

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

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

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

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

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

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

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

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

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

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

### Areas of focus for 2023

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

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

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

By Order of the Board

**Douglas Hurt FCA**  
**Chair of the Audit and Risk Committee**

5 April 2023



## Report of the Nominations Committee



### John Hirst CBE

Chair of the Nominations Committee

### Nominations Committee Attendance

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

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

● Attended

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

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

### Committee Membership

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

During the year ended 31 December 2022 the Committee comprised:

**John Hirst**

**Dame Polly Courtice** (appointed 1 September 2022)

**Tiffany Hall** (resigned 19 May 2022)

**Douglas Hurt**

**Ian Lobley**

**Stephen Page**

**Susan Taylor Martin**

**Alison Wood**

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

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

### Key responsibilities of the Committee

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

### Activities of the Committee

An annual work plan is in place that specifies the key agenda items for each scheduled meeting of the Committee to ensure that all responsibilities of the Committee have been addressed.

During the year the main activities of the Committee included:

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



## Report of the Nominations Committee continued

### Diversity

The Board recognizes the importance of diversity in the Boardroom.

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

At all times the Board and its Committee comply with the Group Equality and Diversity Policy. The Board reports annually on diversity. The gender diversity statistics of the Board for the year ended 31 December 2022 and at the date of the Annual Report are presented on page 63.

### Areas of focus for 2023

For 2023, the Committee will:

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

By Order of the Board

**John Hirst CBE**

**Chair of the Nominations Committee**

5 April 2023



## Report of the Sustainability Committee



### Dame Polly Courtice

Chair of Sustainability Committee

### Sustainability Committee Attendance

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

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

● Attended ● Did not attended

Sustainability lies at the heart of BSI's public-interest purpose of providing solutions that help to catalyze change and shape a better future for all. The Committee has overseen the continued development of sustainability as a Group focus area and the building of strategy across the four pillars of convening, proposition, operations and capability.

At a time when countries and companies globally are seeking to accelerate their transition to net zero and a more sustainable world, standards are increasingly being recognized as a key enabler.

The Board's Sustainability Committee oversees the governance of sustainability, supporting and challenging the Group Leadership Team on its strategies and plans to ensure they are suitably ambitious and in line with BSI's purpose. Support is provided by the Group Operational Excellence Sustainability Team.

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

- ensuring that sustainability is embedded in the products and services that BSI provides. BSI led the development of the London Declaration, a commitment to incorporating climate concern into new and existing standards and, as UK National Standards Body, works to build those principles into UK Standards;  
[Read more on pages 24 and 25](#)
- providing leadership to an international audience showing that standards are a key part of the systemic solution to climate change. BSI also aims to offer comprehensive standards-led business solutions from a range of BSI offers and will be able to integrate sustainability into those from the outset; and  
[Read more on pages 31 and 32](#)

- striving to operate in a more sustainable way in all its operations and activities. During 2022, BSI developed even more ambitious plans to reach net zero and looked to lower carbon emissions wherever and whenever possible. BSI's sustainability work is underpinned by the Group's ongoing commitment to the UN Sustainable Development Goals and BSI's participant status of the UN Global Compact. The Committee is also responsible for BSI's charitable activities and there is an incredible level of support from colleagues across the world for that. BSI aims to be its own best example of sustainability when engaging with its clients and other stakeholders.  
[Read more on pages 40 to 43](#)

### Committee Membership

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

During the year ended 31 December 2022 the Committee comprised:

**Dame Polly Courtice** (Chair)

**John Hirst**

**Susan Taylor Martin**

**Scott Steedman** (appointed 14 September 2022)

**Tiffany Hall** (resigned 19 May 2022)

**Stephen Page**

**Ian Lobley**

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



## Report of the Sustainability Committee continued

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

### Key responsibilities

These include:

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

### Activities of the Committee

During the year Committee activities included:

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

### Charitable donations

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

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

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

### Committee priorities for 2023

The threat to our planet requires continued dramatic action and it is vital that we build pace. At the same time, BSI needs to support progress on wider sustainability challenges such as inequality and human rights transgressions, alongside emerging environmental challenges such as biodiversity loss and ecosystems decline. Because of this, the work of this Committee will only become more important, supporting and enabling BSI to lead in this area, to be a partner of organizations that seek to respond to these global challenges, and to ensure BSI is an exemplar of best practice.

During the forthcoming year the Committee will continue to advise the Board on major trends and influence the shape of the Group's strategy, policies, services and practices, encouraging BSI to continuously raise its level of sustainability ambition as is core to its purpose.

By Order of the Board

**Dame Polly Courtice**  
**Chair of the Sustainability Committee**

5 April 2023



## Directors' remuneration report



### Alison Wood

Chair of the Remuneration Committee

### Remuneration Committee Attendance

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

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

● Attended

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

The Committee has therefore established a remuneration policy for BSI based upon the need to attract, retain and motivate Executive Directors with the necessary drive, leadership and management skills in a competitive international market for such individuals, while providing them with the incentive to deliver to challenging financial and non-financial targets.

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

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

### Aligning remuneration to the delivery of BSI's purpose

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

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

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

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

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

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



## Directors' remuneration report continued

### Addressing wider workforce remuneration

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

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

### Executive reward Outcomes in 2022

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

### Fixed annual pay review

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

### 2022 annual bonus

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

### Long Term Incentive Plan (LTIP) 2020

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

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

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

### Agenda for 2023

The Committee will continue to monitor the design and operation of the Group's variable pay elements to make sure they are effective in providing incentives to the Executive Directors to execute the Group's strategy successfully and to achieve the Group's objectives. It will also keep the fixed pay elements under review to make sure the Executive Directors remain a stable and motivated team as they work towards the achievement of the strategic plan and BSI's public interest purpose. The Committee will maintain its oversight over wider workforce remuneration and will monitor the measures taken by BSI to address cost-of-living concerns.

By Order of the Board

**Alison Wood**  
Chair of the Remuneration Committee

5 April 2023



## Directors' remuneration report continued

### The Remuneration Committee

#### Committee Membership

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

During the year ended 31 December 2022 the Committee comprised:

**Alison Wood**

**Tiffany Hall** (to 19 May 2022)

**Douglas Hurt**

**Stephen Page**

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

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

#### Key Responsibilities of the Committee

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

The key responsibilities of the Committee include:

- setting the Remuneration policy for the Executive Directors considering all factors the Committee deems necessary, including relevant legal and regulatory requirements;
- determining policy for the remuneration of the Group's Leadership Team and other key staff;
- reviewing the continuing appropriateness and relevance of the remuneration policy;
- reviewing and having regard to the remuneration trends across the company and Group;
- reviewing Executives' approach to establishing a baseline for wider workforce remuneration strategy;
- approving the design of, and determining targets for, any Director's performance related pay schemes operated by the Group and approving the total annual payments made under such schemes; and
- setting, each year, targets for both the Annual Bonus Plan and LTIP.

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

#### Activities of the Committee

During the year the Committee, among other things:

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

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

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



## Directors' remuneration report continued

### 2022 remuneration

#### Single figure total

(audited information)

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

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

2. Taxable benefits in 2021 include a £165,000 'Loss-of-Office' payment.

Salaries and fees shown above are before any reduction in respect of salary sacrificed pension contributions made by the Company. None of the Directors waived emoluments in respect of the year ended 31 December 2022 (2021: none).



## Directors' remuneration report continued

### Discretionary decisions made in 2022

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

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

### Fixed pay

#### Base salary during 2022

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

### Variable pay

#### Annual bonus for 2022

Annual bonuses for the year ended 31 December 2022 were provided under the Group Annual Bonus Plan to Susan Taylor Martin, Sara Dickinson and Scott Steedman by the Committee, in accordance with the current Policy. Actual annual bonus amounts earned are based on salary and dependent upon the achievement of targets for Group Profit, Group Revenue and personal objectives. For this purpose, Group Profit was defined as 'Underlying Operating Profit at budget exchange rates before the cost of Purposeful Investments (specific Board instructed expenditures) and exchange differences arising from centralized funding and Group charges. Exceptional items will continue to be excluded from the calculation. Personal objectives are set and are measured by the Chairman for the Chief Executive and by the Chief Executive for the other Executive Directors; all are reviewed by the Committee.

The table below sets out the basis upon which potential 2022 annual bonuses were determined:

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



## Directors' remuneration report continued

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

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

### 2022 Annual bonus targets.

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

### 2022 Annual bonus payments (unaudited information)

	On-target GPB	Actual Award Based on profit	Actual Award Based on revenue	Actual On-target Award based on personal objectives	Total Actual Award	Total Award
Susan Taylor Martin	60%	65%	9%	15%	88.9%	£432,868
Sara Dickinson	40%	43%	6%	10%	59.3%	£194,443
Scott Steedman	40%	35%	6%	20%	61.3%	£189,079

### Long Term Incentive Plan 2020 (LTIP 2020) due to vest in 2022 (audited information)

In 2020 the Executive Directors were awarded Participation Units (PUs) under the LTIP. This was done in accordance with the policy set out in the Annual Report 2019 Directors' remuneration report, with the proportion of those PUs vesting depending on the achievement of Group Profit for the LTIP and revenue targets for the third financial year after award, i.e. for the year ended 31 December 2022. Each vesting PU would provide £1.00.



## Directors' remuneration report continued

For the LTIP awards made in 2020, the target levels for 2022 were Group Profit of £73.8m (25% PU allocation) and Group Revenue of £628.0m (75% PU Allocation) at 2020 budget exchange rates. Group Profit for LTIP purposes is defined as Underlying Operating Profit before LTIP charges, the amortisation of acquired intangibles and all foreign exchange adjustments which may be adjusted for elements beyond the control of management or material post-LTIP Award Date approved projects at the discretion of the Remuneration Committee.

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

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

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

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

### LTIP awarded in 2022 (audited information)

In 2022 the Executive Directors were awarded PUs under the LTIP. This was done in accordance with the policy set out in the Annual Report 2021 Directors' remuneration report. A proportion of those would vest, depending upon the achievement of Group Profit for the LTIP and Group Revenue targets for the third financial year after award, i.e. for the year ended 31 December 2024.

The PUs awarded under the LTIP in 2022 were:

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



## Directors' remuneration report continued

### Total LTIP awards held

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

### Pension contributions

The Company paid the equivalent of 11% of Susan Taylor Martin's base salary and 11% of Sara Dickinson's base salary as salary supplements in lieu of pension contributions. The Company paid a total of 15% of Scott Steedman's base salary into the BSI UK Pension Plan and as a salary supplement in lieu of pension contributions. Salary supplements were calculated as the equivalent cost to BSI, taking into account the National Insurance paid.

### Loss of office payments (audited information)

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

### Payments to past Directors (audited information)

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

### Executive Directors' Non-Executive Directorships

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

### Statement of implementation of Directors' remuneration policy

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



## Directors' remuneration report continued

### Remuneration of the Chief Executive

#### Table of historic data (audited information)

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

#### Chief Executive pay ratio

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

#### Notes:

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

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

#### Methodologies

- Option A: Calculates the pay of UK employees in the same way as for the Chief Executive and determining the lower quartile, median and upper quartile staff values from this sample.
- Option B: Uses gender pay gap data to determine the best equivalents for the quartile and median staff pay levels.
- Option C: Uses other available pay data to determine the same three statistics.



## Directors' remuneration report continued

### Fees

Effective 1st May annual Board fees were as follows:

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

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

### Remuneration policy 2023

The Directors' remuneration policy is set out in the table below on pages 96 and 97. It applies to remuneration awards made from 1 January 2023 and is set for a period of one year. The changes from 2022 are set out in the final column. The Committee aims to maintain a Directors' remuneration policy that is stable and clearly defined but which evolves, over the longer term, to remain relevant to the needs of the Group's business and to reflect the wider employment market. The policy establishes demanding performance targets that align the Annual Bonus Plan with shorter-term objectives and the LTIP with the Group's longer-term strategy. The Committee reviews the policy in advance of the remuneration policy year to ensure it is appropriate and effective in meeting these requirements.

### Policy discretion

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

### Statement of principles for new Executive Director recruitment

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



## Directors' remuneration report continued

### Policy on notice periods

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

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

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

	Date of original appointment	Role
John Hirst	15 October 2018	Chairman
Douglas Hurt	1 November 2015	Non-Executive Director
Polly Courtice	1 September 2022	Non-Executive Director
Ian Loble	1 May 2019	Non-Executive Director
Stephen Page	1 September 2015	Non-Executive Director
Alison Wood	1 September 2014	Non-Executive Director

### Approach of the Company in setting Non-Executive Director fees

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



## Directors' remuneration report continued

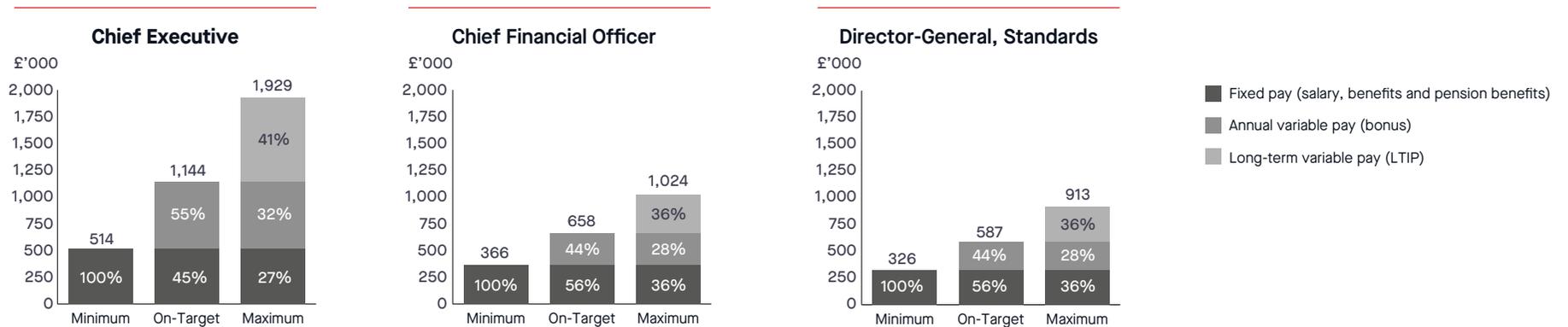
### Policy on termination payments

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

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

### Illustration of the application of the Directors' remuneration policy for 2023

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



#### Notes:

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



## Directors' remuneration report continued

### Consideration of employment conditions elsewhere in the Group

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

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

### Relative importance of spend on pay

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

### Audited information

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

By Order of the Board

**Alison Wood**

**Chair of the Remuneration Committee**

5 April 2023



## Directors' remuneration report continued

### Remuneration policy 2023

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics	Changes from 2022 policy
<p><b>Salary and fees</b> (Fixed)</p> <p>By attracting, retaining and motivating individuals of the quality required to further the interests of the Company.</p>	<p>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.</p>		Not applicable.	None
<p><b>Benefits</b> (Fixed)</p> <p>By providing a benefits package appropriate to the role of the individual and competitive with similar organizations.</p>	<p>Benefits in kind for Executive Directors principally include, where appropriate, the provision of a company car and fuel, annual leave and medical and life insurance. The Non-Executive Directors do not receive benefits in kind except reimbursement of the costs of travel to meetings at the Company's principal office and grossed-up tax thereon.</p>		Not applicable.	None
<p><b>Pension benefits</b> (Fixed)</p> <p>By providing a cost-effective retirement benefit as part of an overall remuneration package.</p>	<p>For Executive Directors the Company makes contributions into defined contribution pension arrangements or provides a cash alternative.</p>		Not applicable.	None
<p><b>Bonuses</b> (Variable)</p> <p>By providing Directors with incentive to align their performance to the delivery of the shorter-term goals of the business.</p>	<p>Awarded to Executive Directors subject to the fulfilment of specific short-term criteria, determined with reference to BSI's objectives. Awards are subject to claw back provisions. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate.</p>	<p>Maximum bonus for the Chief Executive is 150% of base salary, 100% of base salary for Executive Directors.</p>	<p>Award payments are dependent upon the achievement of targets based on Prosperity: Group Profit – 50%, Group Revenue – 15%; People: Culture Impact – 5%; and Planet: GHG Reduction – 5% as well as Personal Performance: 25%</p>	<p>Additional non-financial KPIs have been introduced and weightings amended.</p>



## Directors' remuneration report continued

Element and how it supports long and short-term strategy	Operation and recovery	Maximum value	Performance metrics	Changes from 2022 policy
<p><b>LTIPs</b> (Variable)</p> <p>By providing Directors with incentive to align their performance to the delivery and execution of strategic aims and goals of the business and to retain senior Executive talent.</p>	<p>These are awarded to Executive Directors subject to the fulfilment of financial and non-financial performance criteria, determined with reference to BSI's strategic objectives. The targets are established annually and amended if necessary. Awards are subject to malus and claw back provisions. The Remuneration Committee retains the discretion to adjust payments up or down in exceptional circumstances where it feels this course of action is appropriate. If employment ceases during the vesting period awards will normally lapse in full.</p>	<p>Maximum LTIP for the Chief Executive is 125% of base salary. 80% of base salary for Executive Directors.</p>	<p>Award payments are dependent upon the achievement of targets based on Prosperity: Group Profit – 50%, Group Revenue – 15%; People: Culture Impact – 5%; and Planet: GHG emission reduction – 5% as well as Personal Performance: 25%</p>	<p>Structure changed from a three-year cliff vest to a deferred cash award LTIP. A third of the maximum incentive over the three-year period is based on achievement against annual performance targets. Payment of annual awards are deferred until April 2026.</p>



## Directors' report

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

It is the Directors' responsibility to prepare the Annual report and financial statements and they consider that the Annual report and financial statements 2022, taken as a whole, is fair, balanced and understandable and provides the information necessary to assess the Company's performance, business model and strategy.

### Strategic report

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

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

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

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

### Corporate Governance

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

### The Board

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

**John Hirst**

**Susan Taylor Martin**

**Sara Dickinson** (appointed 24 January 2022)

**Scott Steedman**

**Dame Polly Courtice** (appointed 1 September 2022)

**Tiffany Hall** (resigned 19 May 2022)

**Douglas Hurt**

**Ian Lobley**

**Stephen Page**

**Alison Wood**

The Company Secretary is Leigh Grant.

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

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

The Company's Bye-law 8 requires Directors to submit themselves for re-election at the next Annual General Meeting following their appointment by the Board as a new Director. Dame Polly Courtice will therefore, be standing for election at the 2023 Annual General Meeting. In addition, under the Company's Bye-law 9, one-third (rounded down) of the Directors are required to retire by rotation and stand for re-election and John Hirst and Ian Lobley will be standing for re-election at the 2023 Annual General Meeting.

### Annual General Meeting

The 2023 Annual General Meeting will be held at 11.30 am on Thursday 25 May 2023 at The Hilton London Tower Bridge, 5 More London Place, Tooley St, London SE1 2BY, as well as online. The business to be considered at the meeting is set out in a separate Notice of Meeting dispatched to the members.

### Independent auditors

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

### Directors' and officers' liability

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

### Employees

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

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



## Directors' report continued

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

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

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

### Donations

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

### Financial instruments

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

### Streamlined Energy and Carbon Reporting

BSI also publishes an annual Streamlined Energy and Carbon Reporting (SECR) disclosure in line with UK Government expectations. This details our UK-based scope 1, 2 and 3 emissions. Please refer to page 47 for our SECR disclosure table and commentary.

### Directors' interests

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

### Post-balance sheet events

There were no post-balance sheet events.

### Going concern

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

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

The Board maintains an effective risk management system and takes reasonable steps to manage the risks faced by the business. This includes managing and mitigating any liquidity risks that may arise, through a number of key controls, including a robust business planning cycle, formal cash management and financial reporting.

The Group's planning cycle comprises three in-year forecasts, a financial plan and a long-term three-year strategic plan. These processes generate income statement and cash flow projections for assessment by Group management and the Board. Each forecast is analyzed to ensure key assumptions are valid and appropriate for the business, assisted by comparisons against prior forecasts, the previous year and actual results, so as to understand the drivers of the changes, their future impact on the business and allow management to take action where appropriate to manage risks.

The Group also operates a formal Treasury policy, effectively managing the Group's cash balances and investing in AAA rated money market funds and short-term deposits with key relationship banks. Through weekly and monthly reporting, the Chief Financial Officer and Group Treasury, monitor rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs in all markets. These rolling forecasts enable visibility of the expected Group cash flow together with the Group's liquidity reserve, comprising cash and cash equivalents.

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



## Directors' report continued

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

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

### Viability statement

The Directors have considered the ongoing viability of the Group. The preparation of this viability statement includes an assessment of the Group's long-term prospects and ability to meet future commitments and liabilities as they fall due over our long-term plan period of three years.

### Viability assessment

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

Each year, the Board agrees a strategic plan for the business. The 2023 to 2025 plan was based on the expected economic environment across all our markets over the plan period together with the Group's updated strategic objectives, initiatives as agreed by the Board and reflects the risk appetite also set by the Board. BSI has a long history of underlying revenue growth, operating profit stability and investing short-term profits for the long-term benefit of the business. The latest strategic plan showed a continuation of these trends.

The viability assessment has been undertaken in line with the Group's planning horizon of three years (2021: five years). Although BSI is a mature business and the Directors have no reason to believe that the Group will not be viable over a longer period, the Board has chosen to conduct the viability assessment over a three-year period because:

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

The viability assessment consisted of stress testing the forecasts underlying the strategic plan by modelling severe but plausible downside scenarios in which a number of the Group's principal risks and uncertainties materialize within the viability period. These scenarios included external factors such as changes in UK regulation or public policy and internal factors such as our strategic change programme

failing to deliver the level of digital transformation required to maintain our market share. In preparing these scenarios, consideration was given to the direct revenue and contribution impact of the affected division and the potential halo effect on the wider business together with the likely time frame over which the scenario would affect the business. In relation to the digital transformation scenario, assumptions reflected the erosion of market share over time reducing revenue growth and contribution.

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

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



## Directors' report continued

### Conclusion

The Board assessed the prospects and viability of the Group considering the Group's strategy and business model, and the principal risks to the Group's future performance, liquidity and reputation. As a result of the review of the strategic plan up to the end of 2025 and an assessment of the impact of severe but plausible scenarios on that plan, in addition to our current strong financial position, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due for at least to the end of the viability period to December 2025.

By Order of the Board

**Leigh Grant FCG**  
**Company Secretary**

5 April 2023