



bsi.

Your partner in progress

Annual Report &
Financial Statements 2022





Our Purpose

Inspiring trust for a more resilient world

We would like to thank our many stakeholders, in particular the Chairs and members of BSI's standards development committees who give their time, experience and knowledge to the process of defining best practice standards.

We would also like to thank our partners across government, business, academia and consumer and societal groups as well as the international standards developing organizations, notably the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC), European Committee for Standardization (CEN), European Electrotechnical Committee for Standardization (CENELEC) and European Telecommunications Standards Institute (ETSI).

All of these partners enable BSI to perform its key role in society.





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Financial highlights

Revenue

£672.8m

+14.9%

2021: £585.6m

Operating profit

£38.2m*

-54%

2021: £83.1m

Underlying operating profit

£56.0m*

-32.6%

2021: £83.1m

Transformation investment

£27.7m

Operating expenditure

£7.1m

Capital expenditure

Standards highlights

During 2022, BSI:

Published

2,508

new standards

Managed

1,896

public consultations on our standards

Welcomed

1,278

new committee members to our total of 12,516 committee members

* Operating profit and underlying operating profit are stated after the transformation investment of £27.7m

In this report the 'Company' refers to The British Standards Institution, a Royal Charter Company, Companies House number ZC000202, which is the parent company for the financial statements. 'BSI', 'BSI Group' or 'Group' means the Company and its subsidiaries. The BSI logo, Kitemark™ and the 'Kitemark™' device are registered trademarks of The British Standards Institution in the UK and are registered, or in the process of registration, in other jurisdictions. Throughout this report the word 'underlying' is defined as 'before exceptional items'.



Profit for purpose

Our focus

We want the world to be sustainable, in the fullest sense. It means profound change alongside practical problem-solving – on climate, quality of life, and trust in a digital world. There's urgency in every aspect of the drive for sustainability. Achieving net zero, enabling ethical workplaces and supply chains, and ensuring the safety of products and services are high priorities for us.

We can't achieve these objectives on our own. We create impact by getting people together: thinking, working and innovating. A sustainable future is achievable, and we are using our unique expertise, history and convening power to accelerate its arrival, for the benefit of everyone.



Our uniqueness

Our mandate, to support a strong, resilient economy, was established by a Royal Charter granted almost 100 years ago. We were a founder member of the international and European standards systems. But our history means little, unless we're using it to improve the future.

We have gained decades of commercial experience, working with our clients and stakeholders to develop practical answers to real-world challenges. And as an organization without shareholders, we are able to invest our profits in achieving the difference we want to see in the world – long-term investments in global collaboration, in people and technology, and making our expertise available to those who need it most.



Our community

We draw on the expertise and experience of a global community of 12,500 experts, representing industry and consumers, organizations and governments. Giving voices to people and communities who aren't heard enough on the big issues that affect their lives, this network shapes and influences the knowledge of what doing better business looks like. Our intent is to be partners in progress with our community, clients and all our other stakeholders.

This partnership includes our own people. Across four commercial divisions, our highly trained and motivated colleagues bring their individual strengths and capabilities together in pursuing the shared goals of a better society and a sustainable world.





Profit for purpose

Our business

BSI offers unique insight and access for our global community of stakeholders, with a clear focus on the biggest challenges facing clients and society to accelerate progress for the benefit of everyone.

Knowledge Solutions

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

➤ [Read more on pages 15 and 16](#)

Assurance Services

Independent assessment of the conformity of a process or product to a particular standard that enables an organization or a product to be trusted in a supply chain or by a consumer. We train our clients in world-class implementation and auditing techniques to ensure they maximize the benefits of standards.

➤ [Read more on pages 17 and 18](#)

Regulatory Services

Independent assessment of the conformity of a process or product, in the Medical Devices industry, to a particular standard to bring trusted life-saving technologies to market safely.

➤ [Read more on pages 19 and 20](#)

Consulting Services

We provide technical advisory services to help our clients and other stakeholders ensure ongoing compliance with standards, regulations and best practice so that they are able to accelerate delivery of their business goals.

➤ [Read more on pages 21 and 22](#)



Chairman's statement

A year for BSI to show its strengths

The extraordinary forces we've faced, directly and alongside our clients and other stakeholders, are familiar but worth repeating: the lingering aftermath of a global pandemic, armed conflict on Europe's eastern borders, and the consequent impact on the cost of food and energy leading to heightened economic uncertainty.

And yet BSI has demonstrated its resilience and relevance. We have the opportunity, through our clients, and other stakeholders to make a big difference to the world and we are investing to make sure that we realize that potential.

Here in the UK, we've seen inflation rising to levels not seen in a generation and more political upheaval than anyone could have predicted. It has been a turbulent year, and I am very proud of how the BSI team under the leadership of our Chief Executive Susan Taylor Martin have taken on the challenges.

We have again grown our revenues by staying relevant to our clients and other stakeholders, and we have delivered good profitability, a measure of BSI's resilience and the value we continue to offer whatever the economic conditions. BSI has no shareholders, so the primary use of the profit we generate is to pursue our clear purpose and invest in our enterprise-wide capabilities and foundational digital infrastructure to increase our impact. This relative freedom from very short-term goals allows us to focus on a clear strategy and on bringing that strategy to life.

The importance of purpose

Having a clear sense of purpose is a massive impetus. Purpose shows its value at both an organizational and a personal level. People with purpose appear to live longer and healthier lives and enjoy life more. Companies with a purpose beyond just making money can be much more effective and be great places to work. Having a positive impact on the world is a mission that helps attract and retain people, clarifying decision making and focusing attention on what matters.



John Hirst
Chairman

BSI is deeply purpose-driven, an enduring legacy of our founding Royal Charter. Our strategy and investment choices are geared towards making the difference we want to see in the world through our clients and other stakeholders. The more successful we are, the more we can invest in making a greater difference.

Impact and innovation

We make much of our impact through, and working with, others. Industry experts, consumers, clients, governments and international organizations are all our partners in delivering excellence and improving business and society. This broad range of valuable partners and stakeholders is reflected in the breadth of impact we aim to have, whether that's tackling issues affecting the most vulnerable in society, working on accessible standards for small businesses, or getting international traction for the biggest global challenges.

In 2022, BSI has used its strengths to make a difference in many meaningful areas, and I will highlight three: convening a diverse, global group of voices that led to the publication of the ground-breaking Net Zero Guidelines at COP27; bringing into existence an open-access Modern Slavery standard; and codifying best practice on corporate purpose.



Chairman's statement continued

Despite a fast-changing political landscape, the team has developed ever-more fulfilling relationships with the UK government at all levels and across the UK's devolved administrations, continuing our work as the National Standards Body to bring the continuity, efficiency and impact of best practice to many areas of public life.

For the future, BSI has opened two further innovation Labs, in Singapore and Cambridge, UK. These new teams will nurture the development and application of disruptive technologies in support of our objectives and those of our clients and other stakeholders.

The Board, the Group Leadership Team, and the whole team at BSI have faced a variety of challenges this year with a level of maturity and professionalism that gives me great comfort and confidence. My thanks go to them for their great commitment and endeavour.

An exciting future

Looking forward to 2023, BSI will continue using its strengths to help industry perform better and shape a sustainable world. We will keep reinvesting profits in pursuit of our purpose, upgrading our capabilities and exploring new ways to accelerate action.

BSI continues to be a great place to work, bringing together our passions of purpose, great people and unlimited potential. The future of the world is far from certain, but the future of BSI and our work to shape thinking and make society better is very exciting.

John Hirst
Chairman

5 April 2023





Chief Executive's review

Progress with purpose

2022 was a year of continued growth, in terms of financial performance and positive impact, while investing in our expertise, infrastructure and technology.

A year ago, few of us would have predicted that the 12 months ahead was going to be even more tumultuous than the COVID dominated period from which we thought we were emerging. Armed conflict in Europe, immense pressures on trade and supply chains, rapidly rising inflation, and an energy crisis: any of these challenges on their own would have had a material influence on our lives and work. With the backdrop of a world coming to terms with deep structural change driven by climate and COVID, the context for both daily life and organizational performance has been like nothing any of us have ever experienced.

The world is changing whether or not we like, or feel in control of, what this involves. Advances in technology are accelerating change, increasing capability and uncertainty in society in perhaps equal measure. We are moving faster towards a future that seems far from clear and towards a world that may not be as sustainable as we need it to be.

With this context in mind, I am very proud of how BSI has demonstrated the strength of its unique position, purpose-driven strategy and talented people to continue making a positive impact in 2022. We succeed by helping our clients and stakeholders achieve their objectives, bringing together the expertise of our members and partners to address challenges with global, societal and individual impact.



Susan Taylor Martin
Chief Executive

Given our unique structure, we are able to reinvest our profits in improving our own capabilities and deepening the impact we have. This profit-for-purpose focus allows us to direct our resources and capabilities towards important issues that don't have narrow commercial imperatives. In the past year, for example, we have launched groundbreaking Net Zero Guidelines at COP27 and published an open-access Modern Slavery standard. We have worked on these initiatives because they are the right things to do, and we believe that a sustainable world will only be possible if issues such as these are addressed.

In last year's report I spoke about how an exceptional year in 2021 provided an opportunity to invest for the long term: in our infrastructure and our people. Our multi-year investment in systems and technology upgrades has continued in 2022, extending our ability to deliver hybrid audits, providing clients with digital monitoring of supply chain performance, positioning ourselves to embrace the opportunities of Artificial Intelligence (AI), and equipping our own people with higher quality tools. And alongside the technology, we have invested in shaping a healthy culture and strengthening our employee experience, because our people are our competitive advantage.



Chief Executive's review continued

Towards sustainability

Our sustainability story has three arcs:

1. to help our clients and stakeholders tackle their own sustainability challenges;
 - ◆ Read more on pages 24 to 25
2. to work with our partners and members on a global scale to enable progress to a sustainable world for everyone; and
 - ◆ Read more on pages 31 to 33
3. to be an example ourselves of a truly sustainable organization. Sustainability is a powerful unifying thread running through our work, and you will see examples throughout this report of how we are making progress in many areas.
 - ◆ Read more on pages 40 to 43

Continued progress will need a rich mix of different thinking, commitment to accelerating the opportunities provided by technological innovation, and trusted partnerships that can create more value than the sum of their parts. We have a unique position that allows us to bring together these elements, and we must embrace the opportunity for the benefit of all.

Innovation brings together people and technology to create new insights and answers to the most pressing issues, and it's central to our strategy. Our new Innovation Labs in Singapore (see p26) and Cambridge, UK, came on stream during 2022, and they are already experimenting with disruptive applications of emerging technology that will accelerate progress towards a sustainable world.

Strategy for impact

We can't, and shouldn't, attempt to tackle all of the challenges in the world. Our heritage has been in Quality and Health, Safety & Wellbeing. Alongside these core focus areas we have chosen to prioritize two key challenges: Sustainability and Digital Trust. They are both broad in themselves and we have further refined our priorities to reflect our clients' objectives and our own capabilities. Within sustainability, we're concentrating on carbon, water and waste, infrastructure and ethical supply chains. Our work to build trust in a digital world prioritizes cybersecurity and privacy, digital supply chains and data governance.

Bringing the strategy to life will involve stakeholders and clients choosing to work with us. Why will they choose BSI? Two reasons: our ability to shape thinking on important issues and create the environment and solutions to address them, and our commitment to being deeply digital. By 2027 our aim is for the majority of our products and services to be digitally enabled, and we will have completed the multi-year digital transformation within our own business. Our unparalleled ability and track record in convening the leading thinkers, innovators, practitioners and influencers around the world to identify and operationalize standards, best practice and regulatory frameworks will continue to support innovation and growth for our clients.

2022 performance

Despite a challenging external environment, we delivered a strong financial performance in 2022 which once again demonstrated the resilience of our business. Our Group reported revenue increased 15% to £672.8m, up 9% on a constant currency basis, with growth in every business division.

2021 was an exceptional year in terms of Group underlying operating profit, due in part to continued COVID restrictions which limited our ability to travel and suppressed our investment in the business. On the basis of that exceptional performance we took the opportunity to increase our investment in BSI for the long term. This investment is a multi-year programme, and in 2022 we invested £27.7m in the business, building out our enterprise-wide capabilities to support our growth ambitions, and accelerating our investment in our foundational digital infrastructure which is fundamental to our future success. In 2022 our investment was focused mainly on our own data and technology infrastructure, including product and service delivery, which we believe will require similar levels of investment over a further two to three years to deliver a future-fit operating model.

Largely as a result of that planned investment, our 2022 underlying operating profit of £56.0m was 33% lower than in 2021 but, importantly, in line with our 2022 financial plan. Our decision to give additional financial support to our colleagues at the lower end of the pay scale, to help with the cost-of-living challenges in high inflation countries, also had an impact. If we were to 'normalize' our underlying operating profit for the investment programme and our cost-of-living increases, our underlying operating profit would have been £85.2m at reported rates. In calculating our underlying operating profit we have excluded exceptional costs related to the non-cash impairment of goodwill and intangibles due to the lower than expected performance of certain of our consulting businesses, primarily Digital Trust Consulting (DTC), together with the costs of withdrawal from Russia because of the Ukraine war. After these exceptional costs our operating profit was £38.2m.

◆ Read more on pages 27 to 30



Chief Executive's review continued

Our Group reported revenue increased 15% to

£672.8m

2022 investment in the business

£27.7m



Standards and Knowledge Solutions

In its role as the UK National Standards Body, BSI has helped raise standards and lay foundations for positive progress in areas as diverse as the climate challenge, product safety and the protection of vulnerable workers and consumers. Our engagement with UK Government departments has continued to deepen, both within central government and across the devolved administrations. BSI has been involved with more than forty government boards, panels, taskforces and working groups. These cover a wide variety of policy agendas including trade, energy, transport, telecoms and AI.

The role of standards has been widely recognized by the UK Government with BSI routinely supporting many government initiatives, including those on digital, trade and net zero. A stronger presence in Northern Ireland, Scotland and Wales has led to a greater awareness of the role of standards with devolved administrations and stakeholders across the UK. We published an energy management standard for small to medium-sized enterprises (SMEs), BS ISO 50005, which was made available to its target audience at no cost with government financial support, helping many SMEs to save money during the energy crisis.

We are also clear that sustained and sustainable progress is only possible when collective action and rising standards are international in scope. That's why being at the heart of international standards development is crucial for BSI. Our leading roles in International Organization for Standardization (ISO), the International Electrotechnical Commission (IEC) and the European regional standards organizations are a necessity, a privilege and an opportunity for BSI to accelerate progress and maximize our positive impact. For example, a new international standard on crisis management (BS EN ISO 22361) published in 2022 started as a British Standard several years ago.

Of course, our work wouldn't be possible without our hard-working community of 12,500 expert committee members.

2022 saw a broader and more diverse range of contributing voices than ever before. The production of the ISO Net Zero Guidelines is just one example, with the great majority of the 1,200 individuals and organizations who registered to participate having never taken part in a standards-related process before. I'm proud that we have been able to provide platforms for voices that don't often have an adequate hearing: from leaders of indigenous peoples threatened by climate change, through groups representing vulnerable consumers, to individuals with direct experience of modern slavery. More importantly, it leads to better outcomes.

Our Knowledge Solutions division, which helps both shape and share standards, reported revenue growth of 5% to £70.6m in 2022. This solid financial performance was accompanied by continued digital transformation: the new ISolutions platform, launched for our standards committees; and the new Knowledge platform, which helps people find standards more easily, as well as providing a modern e-commerce environment.

➤ [Read more on pages 15 and 16](#)

Assurance Services

Assurance Services provides the confidence that standards are being used effectively for compliance and advantage, and that organizations, products and services can be trusted, in supply chains and by end-consumers. Assurance Services delivered strong revenue performance of £311.2m, up 9% on 2021. Growing use of hybrid audits, digital dashboards that allow clients to understand supply chain performance, and expansion of Internal and Supplier Audit services have all been factors in last year's resilient performance. The increasing profile of our Kitemark portfolio, including our Carbon Neutral Product and Inclusive Service Kitemarks, has been a success story during 2022. Our training courses and qualifications have continued to be in high demand, with three in every five courses delivered remotely.

➤ [Read more on pages 17 and 18](#)



Chief Executive's review continued

Regulatory Services

Regulatory Services help our clients in medical device manufacturing bring trusted, life-saving technologies to market in a timely and predictable manner. The division delivered another year of impressive growth, with revenue of £201.6m, up 28% on last year. Regulatory change continued to be the biggest influence on our performance. As market leader we have an important role to play in supporting the industry through the EU's shift from the Medical Device Directive to the Medical Device Regulation. During 2022, we continued to invest in our technical expertise and improving our operations. This year we also invested in our AI capabilities as we work towards designation as an AI Notified Body for certification of high-risk AI products.

🔗 [Read more on pages 19 and 20](#)

Consulting Services

In our Consulting Services division we are working with clients on cutting-edge solutions to particular issues relating to environment, health and safety, sustainability, physical and digital supply chains, and cybersecurity and digital trust. Revenue performance in 2022 was good, with growth of 18% to £89.4m. We have streamlined the structure of the division to focus more clearly on client priorities that correspond with our strengths and capabilities. Although revenue performance was strong, significant cost headwinds impacted our profitability and as a result we have taken a non-cash impairment on the carrying assets.

🔗 [Read more on pages 21 and 22](#)

People and culture

It is a privilege to lead an organization that has continued to deliver tremendous impact despite the challenges of 2022. Two years into my role as CEO, it continues to be the talented and passionate people in BSI who power my belief in our potential as an organization.

As we look towards building a resilient and relevant organization for the future, we have taken action to implement a range of reward interventions in 2022 to support the attraction, retention and overall wellbeing of our workforce in the context of a volatile external landscape. To that end, we awarded a quarter of our global colleagues, who were most affected by the current inflationary environment, a cost-of-living support payment in October. Being in a strong financial position as an organization enabled us to make this monetary award. We continue to support all of our colleagues through new benefits, tools and resources to help them take control of their financial wellbeing. We have also enhanced the competitiveness of our total cash compensation, with variable pay enhancements for non-leadership colleagues, and developed a compelling employee value proposition to enable us to attract and retain the talent we need to deliver our business objectives.

Building a high-performance organization underpins our strategy, and engagement is therefore a key focus for me and the Group Leadership Team. This year we had record participation in our full and 'pulse' engagement surveys and a stable engagement score overall. We are continuing to work with leaders on building and maintaining an inclusive, connected community, in which every colleague feels valued and excited to come to work. We want every colleague to be encouraged and supported to develop their career and able to share their ideas and insights within teams that champion diverse thinking, innovation and constructive discussion in support of our purpose and strategy.

1,100

people taken through our culture programme

We will only realize our ambitions if we can attract and keep the best people and maintain an environment that allows them to thrive. Being purpose-led means we attract people who are genuinely committed to being part of our mission. We must not take that commitment for granted, and our investment in people, culture and working environment is a direct investment in our purpose. Whether it's the work we've done to stay competitive with our reward structure, the culture programme we've taken 1,100 of our people through, or the multi-year upgrade of our systems we're undertaking, this investment will show its value in the quality and impact of the work we will do for years to come.

🔗 [Read more on pages 13 and 14](#)

Looking ahead

Our culture of collaboration, commitment to sustainability and continued investment in our strategy are our foundations for the future. We need to act boldly and with purpose to keep increasing the impact we make, staying focused on our priorities and nurturing the partnerships that make sustained progress possible. We have the people, the potential and the purpose to achieve our objectives, and the possibilities are without limits.

Susan Taylor Martin
Chief Executive

5 April 2023



A BSI impact story

Circular Computing

Is circular the shape of a sustainable economy?

That laptop you're using – is it keeping up with you? If not, you're probably considering a new machine.

You may not know that producing your new laptop will use well over 100,000 litres of water and 1,000+ kg of mined materials and cause 100+ kg of CO₂ emissions.

In fact, everything you switch on has taken a bite out of the earth's limited resources during its manufacture. The so-called linear economy – making-using-disposing-replacing – is a challenge for a sustainable world.

With BSI's help, the circular economy has taken a big step forward.

BSI's client Circular Computing disassembles used laptops and upgrades those parts that are no longer fit for purpose. The rest of the components are reused in the same machine. With a respray to finish, the new capability comes with the feel of a new purchase.

The technology needed to do this is impressive, but there's one component that Circular Computing couldn't produce on its own – trust. How does a buyer have the confidence that this remanufactured laptop is better than the original?

The answer has been a Kitemark for remanufactured and reconditioned products, a supporting standard and comprehensive auditing of compliance. Circular Computing was the first recipient of the Kitemark, guaranteeing the performance quality of remanufactured machines.

BSI is a trusted agent of change. Whether through a Kitemark or assuring rigorous compliance against standards, our work is an essential part of establishing trust where it's most needed.

The impact is real. Remanufacturing, instead of replacing, three laptops saves around a tonne of CO₂ or enough to fill a three-bedroomed house. For Circular Computing's large corporate users, who may be replacing laptops every few years, the equivalent of whole 'towns' of CO₂ production could be avoided.

A low carbon future will mean stepping away from conventional consumer models and thinking circular.





Director-General, Standards Review

British Standards with global impact

2022 has been a year of progress for BSI in helping to improve many important areas of life. Achieving positive impacts for people, for industry and for government is a constant thread throughout our work, building on the foundations of our Royal Charter.

Towards a sustainable world

Using the international workshop process of the International Organization for Standardization (ISO) we delivered, in just four months, the Net Zero Guidelines at COP27 (see p33 for the story behind this landmark publication). A combination of convening power, robust process and the clear ambition of everyone involved delivered real results in a very short time frame.

Our sustainability work was accelerated by a successful secondment to the UK government's Business, Energy and Industrial Strategy department (BEIS), and a new Sustainability Standards Network that we set up to help us engage with the sustainability community in the UK.

We introduced a formal standards governance process for the Integrity Council for the Voluntary Carbon Market (ICVCM) and oversaw the public consultation on the Core Carbon Principles and related Assessment Framework to be launched in 2023. We planned the implementation of the London Declaration, signed in 2021, which will see international and national standards reviewed and revised to reflect current climate science and incorporate the voices of those most affected.



Scott Steedman

Director-General, Standards

We are working on the Future Flight Challenge, exploring greener ways to fly, including electric aircraft and drone deliveries. We have been supporting the Department for Transport with standards to accelerate the development of decarbonized freight transport under their Zero Emission Road Freight Demonstrator project.

Protection for everyone

Alongside the environmental challenge of climate change, 2022 saw growing demand for a 'just transition', reflecting the importance of ensuring standards address not only technical and governance issues, but social issues as well. We published a new national standard on organizational responses to modern slavery, which is available at no cost online, and a breakthrough Publicly Available Specification (PAS) standard that will help designers address sensory or neurological diversity in the built environment.

New standards and contributions on workplace diversity, equality and inclusion, purpose-driven organizations, product safety, the needs of an ageing population, and workplace behaviour are all aimed at improving quality of life.



Director-General, Standards Review continued

UK Government engagement and international collaboration

Throughout the political upheaval of 2022, we continued to strengthen our relationships with central and regional government, as well as the devolved administrations, where we introduced dedicated staff to support our engagement in Scotland, Wales and Northern Ireland. Indeed, during 2022, across all our government activity we saw more committed engagement with a broader range of government departments than ever before.

Many of our successes in 2022 built on the work of prior years. We supported the Office for Product Safety and Standards (OPSS) in its work on product safety and through continued development of the Designated Standards system. Working with the Alan Turing Institute and the Department for Digital, Culture, Media and Sport (DCMS), we launched the AI Standards Hub and hosted discussions on the development of a future Artificial Intelligence assurance ecosystem, which could support future regulation in the UK.

We were invited to join the Transition Plan Taskforce (TPT) organized by HM Treasury, which is developing the 'gold standard' for non-financial reporting guidelines for UK businesses to be aligned with the requirements of the International Financial Reporting Standards (IFRS) International Sustainability Standards Board (ISSB) and other reporting systems. We see a vital role for national standards based on international standards that will support the roll out of corporate transition plans and build trust in UK industry worldwide.

The success of the Commonwealth Standards Network (CSN), which we launched in 2018, has encouraged the Foreign, Commonwealth & Development Office (FCDO) to create a global standards partnership in Africa (to be piloted in Ghana and Rwanda) based on the CSN model of knowledge sharing.

We have delivered training on international standards in the ASEAN region to support developing countries, including a digital transformation standards toolkit, to help countries join the global digital economy.

Our work to support the government's regulatory diplomacy activity is a vital part of our role as the national standards body to boost trade and growth. Throughout 2022, I continued to be a member of the Department for International Trade's Strategic Trade Advisory Group, and we have advised on trade discussions including those with the Trans-Pacific Partnership and the Gulf states. We agreed a new partnership this year with the Standards Council of Canada.

Our membership on behalf of the UK of ISO, the International Electrotechnical Commission (IEC) and the European standards organizations, the European Committee for Standardization (CEN), the European Electrotechnical Committee for Standardization (CENELEC), and the European Telecommunications Standards Institute (ETSI) is one of our most important policy roles and provides the main platform for UK stakeholders to have their voices heard in the international standards landscape. After five years as Vice President (policy) for ISO I resumed my role as the UK member on the ISO Council.

In November I was elected to the Board of the IEC, taking over from our industry representative Rodney Turtle of Schneider Electric on the completion of his term.

Our engagement with ETSI continued at a high level and we continued to hold seats on the boards of CEN and CENELEC. We worked closely with DCMS to support the UK to re-join the Council of the International Telecommunications Union (ITU) after a gap of over 20 years. I continued to represent BSI on the Telecoms Diversification Advisory Council, where we are seeking to strengthen UK influence on international standards for future digital infrastructure.

Standards, stakeholders and partners

None of this impact would be possible without the work of our many Committees, Committee chairs, Standards makers and our wider stakeholder community who all give us so much, without which we could not deliver our core purpose. We are deeply grateful to the 12,500 Committee Members who volunteer in support of BSI's work as the National Standards Body.

12,500

Committee Members who volunteer in support of BSI's work as the National Standards Body

Alongside our policy, sector engagement, standards content and product development work, we completed work on our governance standards, BS 0, PAS 0 and Flex 0, which describe our processes for the development of flexible standards for fast-changing environments.

As the nation emerges from the pandemic into a new era of geopolitical challenge, as businesses pivot to join the digital economy and we accelerate our work on net zero transition, we will stay sharply focused on our stakeholder needs. The impact we bring through the National Standards Body is at the heart of our efforts to create a trusted market framework that will deliver the assurance that consumers, industry and government seek in an unpredictable world.

Scott Steedman
Director-General, Standards

5 April 2023



Our People

People, culture and progress

Our culture is an important enabler of our mission to make a positive impact on the world – and our people are BSI's primary source of competitive advantage. Having a People strategy aligned to our purpose sets BSI apart.

1,100

colleagues participated in immersive culture-shaping workshops

We exist to make a positive impact on society through our work with businesses, governments and other stakeholders, and we drive progress through our people. In turn that demands we create a culture that empowers our people to deliver our purpose and create a high-performing organization that attracts and retains talented individuals.

An impactful culture

BSI has a unique culture; our people are proud of our purpose and the impact we can make. The nurturing and shaping of our future culture needs to be intentional to deliver sustainable high performance. We are mid-way through a multi-year program that provides our entire workforce with the opportunity to shape our future culture, enabling all of us to contribute our best work.

In 2021, our most senior leaders went through the program, and in 2022 we rolled it out to management levels and teams across the globe, with a further 1,100 colleagues participating in an immersive workshop. We established in-house capability to ensure we can maintain the focus as we complete the deployment for all our workforce during 2023, and we have made sure all our people can fully participate in their own language.



Alison Sharp
Chief People Officer

Enabling and celebrating inclusion and wellbeing

Through our 'human connections' series, we have continued to mature our approach across diversity, inclusion and wellbeing, encouraging open conversations among our people and giving them the opportunity to share their perspectives on topics they care deeply about.

Since beginning this series in October 2020, we have seen affinity groups established by individuals who are passionate about an element of diversity and inclusion. These communities exist across BSI and their focus is to seek improvements, highlight education opportunities and share stories. We are continually evolving this approach by recognising broader aspects of inclusion such as the differences people experience with neurodivergent conditions like dyslexia and autism. Continuing to broaden our understanding of the communities across BSI enables us together to create a high performance environment.



Our People continued

Attracting, developing, and retaining talent

The continued success and impact of BSI is reliant on the talent, expertise and commitment of our people. Attracting them and providing them with the opportunity to build meaningful careers with us is a priority. We recognize that remuneration must be competitive, and we monitor the market to ensure we are able to attract and retain talent.

In 2022, global inflationary pressures created financial challenges for many of our people, and we implemented a suite of measures to address these challenges across a range of circumstances, with specific attention on those individuals likely to be struggling most with shrinking disposable income. We increased variable pay opportunities, provided higher increases for individuals at lower earning levels and introduced a cost of living payment for 1,500 colleagues across 19 countries.

Simply put, our compensation and reward philosophy is aimed at rewarding the right kind of performance to deliver our purpose, while simultaneously protecting the short- and long-term financial interests of BSI. Following extensive review, all our people now have a form of performance-based and competitive variable pay as part of their total remuneration.

Supporting career satisfaction and growth

We want BSI to be a great place to work, where people can build their careers and thrive. In 2022, we developed and implemented a fresh approach to talent management. We recognize that it's essential when recruiting for future talent to have diverse long- and short-lists, particularly in our Board and senior leadership roles. In 2023, we plan to build on

this work to identify future global leadership talent, deploying the approach further down the organization and connecting it to our career pathways for leadership and other critical skill areas.

When people, culture and purpose are truly intertwined, great things happen. 2022 has been another year of purposeful progress.





Business review

Knowledge Solutions

Revenue

£70.6m

2021: £67.4m

Growth

5%

2021: 3%

5% at constant exchange rates*

Proportion of total revenue

11%

2021: 11%

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

During 2022, I took over from Shirley Bailey-Wood who retired after seven years as Director for Knowledge. We would like to thank Shirley for her commitment to BSI and wish her all the best in her retirement.

Knowledge Solutions combines two major business lines. The Solutions business provides British, European and international standards to UK and some international clients. The Services business provides consulting and advisory services, which help stakeholders develop standardization approaches around emerging topics, as well as international development support for standards. Our primary objective is to ensure UK and international stakeholders can easily access the relevant standards needed to help operate their business safely, resiliently, and sustainably, and to help accelerate trust and growth in new markets and topics through standardization.

During the year, Knowledge has explored various ways to increase the reach and impact of our standards. For example, UK government financial support enabled us to make the energy management standard BS ISO 50005 available to UK Small and Medium-Sized enterprises (SMEs) at no cost. This standard offers best practice sustainable energy management support for SMEs, enabling them to develop a practical, low cost-approach to energy management – reducing energy consumption, energy bills and greenhouse gas emissions.

**Neil Musk**

Director, Knowledge Solutions

Partners in progress

The extraordinary work of our Committee Chair and Committee managers enabled Knowledge Solutions to continue to publish new and revised standards throughout the year. Many of the major international standards have either originated with BSI or we have provided the secretariat services to support international standardization. A great example of this in 2022 was the launch of the international BS EN ISO 22361 standard around crisis management, which helps organizations plan, establish, maintain, review and continually improve a strategic crisis management capability. BSI had led the development of this standard over many years, initially developing the standards thinking as a Publicly Available Specification (PAS), which we then evolved into a British Standard. BSI then helped introduce it as a European standard and finally, via ISO, helped create a global standard.

A good year

Knowledge Solutions' business saw strong demand for standards subscriptions. Single copy sales of standards remained challenging due mainly to a slowdown in new and revised publications following COVID and the publishing cycle of our higher selling standards. Compliance Navigator, our compliance knowledge tool for the Medical Devices industry, continued to grow strongly, as did our distribution of standards through our third-party partners.



Business review continued

Our Services business showed strong growth in consulting and advisory, particularly in the second half of the year, boosted by major new high impact mandates especially around sustainability. This growth is a result of significant investment in our sector and engagement expertise and outreach over the last few years. International Projects continued to be affected by COVID-related slowdowns and a challenging overseas development funding environment, but has delivered some high impact work around the world.

The ongoing strength of our committees is essential to our work, and so attracting, retaining and supporting Committee Members is of great importance to us. During 2022, we invested in the team supporting Committee Member engagement with the aim of reinforcing our support for Committee Members and Committee Chairs and ensuring we continue to attract a strong and diverse pipeline of Committee Members. We focused the earlier of our two major standards conferences around young professionals, tailoring the experience to appeal to those less familiar with standards, as well as investing in areas like university and professional body outreach.

Investing in better experiences

During 2022, Knowledge Solutions delivered two major new systems, with the aim of improving both our Committee Member and client experience. For Committee Members, BSI implemented ISO's ISolutions platform. This unified and improved the experience for our committee members across international and domestic committees. For clients, BSI delivered the new 'Knowledge' platform, which has already replaced the previous BSI Shop for retail single-copy customers and new subscription clients, and to which existing subscription clients are being migrated during 2023. The Knowledge platform provides a much more intuitive, modern experience with improved features such as significantly enhanced searchability.





Business review continued

Assurance Services

Revenue

£311.2m

2021: £284.7m

Growth

9%

2021: 8%**5% at constant exchange rates***

Proportion of total revenue

46%

2021: 49%

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

Assurance Services made a difference to many lives in 2022. We serve approximately 53,000 clients across all our activities, and some 16.8m employees of our clients fall within the scope of our Assessment and Certification services. We delivered 33,000 training course days in 2022 (up from 32,000 in 2021) to 158,000 people (2021: 144,000). Over 4,500 of these delegates achieved one of our 72 professional qualifications, and our training portfolio grew by 15% to 356 courses. We accelerated our innovation agenda and the development of 'Assurance of the Future', particularly our work on BSI Hybrid Audits, predictive analytics and adaptive learning.

Resilient performance

Our Assessment and System Certification business continued to demonstrate its resilience and delivered solid revenue growth and consistent profitability thanks to enhanced productivity, robust pricing adjustments and continuing delivery of Hybrid Audits. Further strengthening our portfolio of services, both Sustainability and Digital Trust grew significantly in 2022 thanks to focused investments in new solutions, resources, and capabilities.

Our Sustainability portfolio grew with a major focus on Carbon, Greenhouse Gas (GHG) emission verification services, Modern Slavery, and our Prioritizing People Model® for workplace safety and wellbeing.

**Pietro Foschi**

Director, Assurance Services

Our Digital Trust services continued to be a major area for us in priority sectors including Transport and Mobility, Professional Services and Information and Communications Technology (ICT). In 2022, we expanded our Trusted Information Security Assessment Exchange (TISAX) services to cover more than 14 countries and launched several new solutions including General Data Protection Regulation (GDPR) certification and road vehicle cybersecurity certification. We successfully launched our Service Delivery Excellence framework to support our multinational clients across all markets, powered by our Connect Digital self-service platform. This was a key success factor in several large contract wins in 2022.

Product Certification continued to expand, enhancing our service portfolio and delivering more market relevance for organizations and consumers alike. The impact of our strategic focus on transforming our portfolio to be more consumer-friendly has yielded an unprecedented level of exposure for the BSI Kitemark. Our Kitemark portfolio has grown to include the certification of smart Electric Vehicle (EV) charging and the protection of vulnerable consumers – the Kitemark for inclusive service – the pilot of which involved companies serving over 36m customers.



Business review continued

The introduction of the BSI Kitemark for carbon-neutral products will underpin BSI's relevance in the sustainability space for organizations and consumers. Our Training and Educational Services grew significantly, reaching pre-pandemic levels, despite a challenging economic environment. On-demand eLearning grew five-fold, and with greater adoption of Virtual Instructor Led Training (VILT) globally, three in five of all courses were provided remotely in 2022.

As we continue to focus our strategy on Digital Trust, we are transferring the Digital Trust training-related services currently under Consulting Services to Global Training in Assurance Services. This move will allow us to better leverage the global scale of Assurance Services for Digital Trust courses – where we deliver public courses drawing on publicly available information – and deliver a single training platform for our clients.

Continuing progress

Over the coming years, we will focus on expanding our In Vitro Diagnostic Regulation (IVDR) reach internationally to educate delegates about the requirements of this regulation and ensure they are well prepared for the changes taking place. With so many organizations unfamiliar with IVDR, or unaware that IVDR applies to them, we have a great opportunity to engage and inform.

We are also exploring opportunities in healthcare by introducing courses in Good Management Practice (GMP) and Good Distribution Practice (GDP).





Business review continued

Regulatory Services

Revenue

£201.6m**2021: £157.9m**

Growth

28%**2021: +10%****19% at constant exchange rates***

Proportion of total revenue

30%**2021: 27%**

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

The mission of Regulatory Services is to ensure patient safety while supporting timely market access for global medical device innovation. We are the market leader across a wide range of regulatory frameworks including as an EU Notified Body and UK Approved Body for medical devices and in vitro diagnostic devices.

Our business is global, and as well as certifying the top twenty-five global medical device manufacturers, we work with some of the most innovative small-and medium-sized enterprises around the world. Over 6,500 manufacturers work with us because they trust the depth and rigour of our assessments, underpinned by the deep technical expertise and experience of our people.

**Manuela Gazzard**

Director, Regulatory Services

Strong performance driven by regulatory change

The EU is seeing the most fundamental change in the medical devices regulatory environment in 30 years as we transition from the Medical Devices Directive (MDD) to the Medical Device Regulation (MDR) and In Vitro Diagnostic Regulation (IVDR). Through our investment in operational and technical expertise we are in a strong position to enable our clients to manage this transition successfully. Our investment has also allowed us to expand our client base, driving strong growth and demonstrating our commitment to our critical role in the EU regulatory system.

As one of only four UK Approved Bodies, we continue to lead the market with the highest number of UK Conformity Assessment (UKCA) certificates issued to clients, providing manufacturers with ongoing access to the UK market.



Business review continued

Innovation

We have continued to innovate in our own business, investing in tools and technology to enhance client centricity through improving our service offering. These investments drive efficiency, predictability, and support BSI's – and our clients' – sustainability agenda by reducing our carbon footprint. A key example of this is our investment in hybrid auditing, where we were the first Notified Body to introduce this as a widely used approach.

All industries are considering how Artificial Intelligence (AI) can be used to drive the performance and safety of products. The EU is leading the way in developing regulation, with the AI Act expected to be finalized later this year, though many other jurisdictions globally are also grappling with how to regulate AI efficiently and effectively.

The AI Act envisions a key role for Notified Bodies in assessment of AI systems and we are looking to draw on our regulatory expertise of high-risk medical devices as we prepare to move into this wider sector. We know that there will be an enormous demand for assessment services for AI and to respond to this need we have created a new AI business line within Regulatory Services. We are investing in our AI business by recruiting leading scientists in the AI field as well as investing in tools and technology to ensure that we remain at the forefront of innovation.

Purpose-led investment in people

The success of Regulatory Services is down to the capabilities, passion and commitment of our people which underpins the trust that clients have in BSI. We pride ourselves in being the market leading Notified Body as well as the go-to organization for the highest risk and most innovative medical devices. To support our clients, we have scaled up our team, which is now over 1,000 people globally. We recruit the most

skilled and experienced experts and put them through a rigorous and comprehensive training programme that is widely recognized as being the best across the sector. We offer ongoing support through excellent career pathways, opportunities for progression and modern, flexible working conditions. As a result, we have a highly engaged workforce, focused on our mission to accelerate innovation and keep patients safe.





Business review continued

Consulting Services

Revenue**£89.4m****2021: £75.6m****Growth****18%****2021: 11%****7% at constant exchange rates*****Proportion of total revenue****13%****2021: 13%**

* Constant exchange rates assume 2021 revenues are retranslated at 2022 exchange rates.

I was appointed Group Director, Consulting Services on 6 February 2023, but joined BSI to lead our Consulting Services division in an interim capacity in July 2022, taking over from Thorsten Querfurt who stepped down after just over three years with BSI.

Demand and impact

Our Consulting Services division is focused on two strategically important areas for BSI: the first includes Environmental, Health, Safety, Supply Chain and Sustainability, and the second covers Cybersecurity and Information Resilience – which we call Digital Trust. For the majority of 2022, we operated our business as two distinct business lines Environmental, Health, Safety, Sustainability and Security (EH3S) and Digital Trust Consulting (DTC). In both these areas, our offering is highly practical and action-focused procedural consulting.

During 2022, our revenue increased 18% to £89.4m, up 7% on a constant currency basis. There is clearly demand for our deep, technical expertise in our key areas of focus. Collaborative solutions to our clients' most pressing problems included providing intelligence on driving efficiencies in supply chains and improving employee health and wellbeing. Our Supplier Compliance Audit Network (SCAN) has continued to grow and make a positive impact, reducing

**Sergio Nogueira**

Director, Consulting Services

duplicative supplier audits and therefore generating savings for SCAN clients. The AidTrust programme, improving the traceability of donated medicines, progressed from a pilot in 2021 to a full-blown offering in 2022, tracing over one million units. We have experienced strong demand for our Digital Trust offerings within the public sector particularly in relation to our offerings in Cyber risk advisory, Architecture testing and Data Privacy but the competition in the market has led to a softening in the private sector and a squeeze on our margins as discussed below.

Competitive pressures

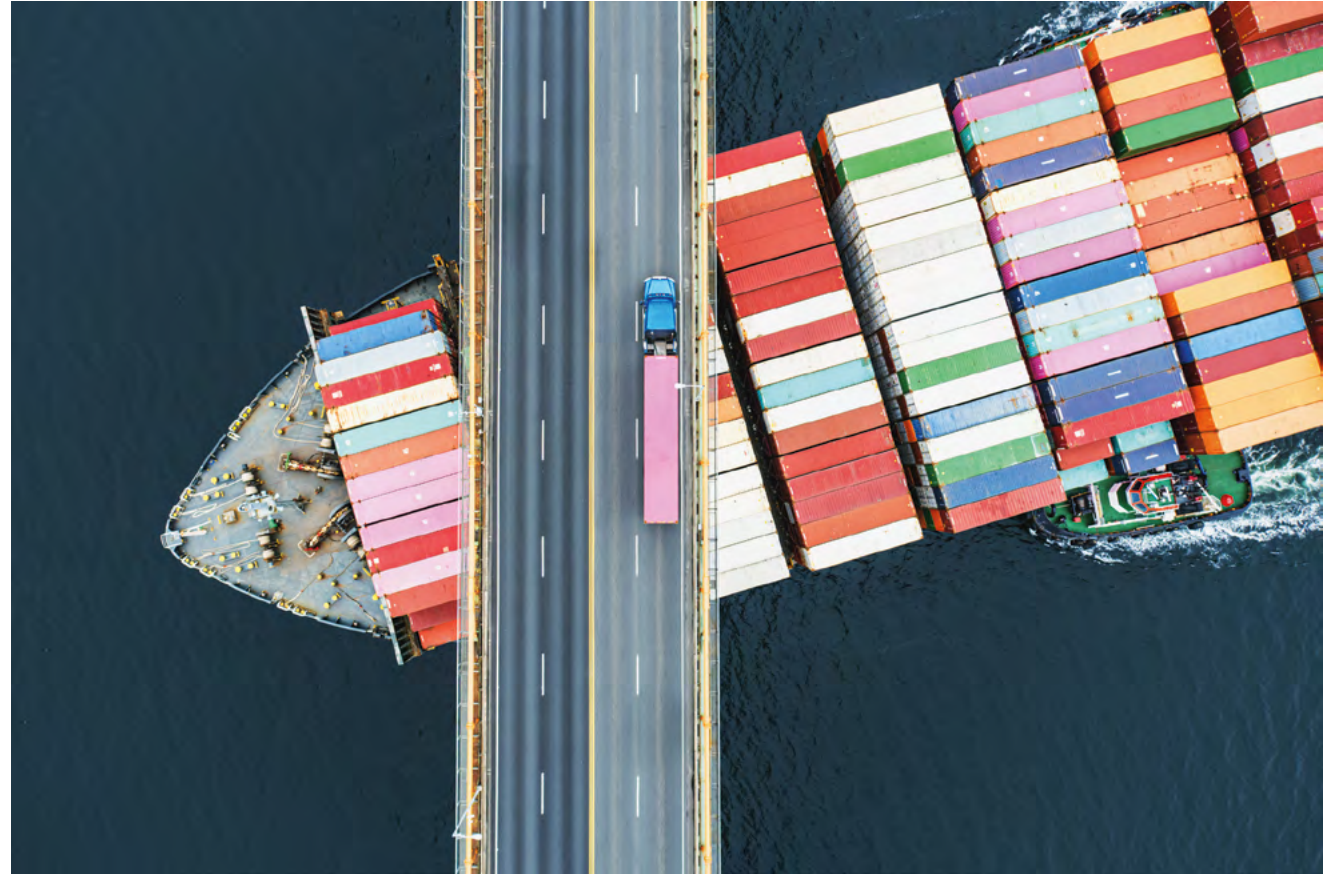
During 2022, we saw intensifying competition affect pricing and a growing need to ensure our compensation was market competitive. As a result, the increase in revenue did not fully flow through to profit and this was particularly marked in the DTC business. This fall in profitability was a key contributing factor to the DTC goodwill impairment. We are now on embarking on a journey to sustainable and profitable growth. We have redoubled our efforts to improve our commercial governance, and we have reduced costs by leveraging a single operating platform to align business processes and consolidating our middle-office functions. In addition to driving improved efficiency, we have also invested in our account management and increased our collaboration across the Group in areas where there is no risk of contravening our impartiality rules.



Business review continued

Refreshed strategy

During 2022, we refreshed our Consulting Services strategy in line with the changing needs of our clients and our own core competencies and areas of differentiation. Looking ahead, we will focus our engagement with clients through our activities in Environmental, Health and Safety (EHS), Supply Chain and Sustainability (SCS) and Digital Trust Consulting (DTC). With our revised strategy and operating structure now in place, we are confident that we can support our clients and help strengthen their sustainability and resilience, ultimately accelerating their growth.





A BSI impact story

AidTrust

Sustained focus on lost US\$1bn of donated medication

The beep from the barcode scanner breaks the quiet in the consulting room. The doctor hands over the course of tablets, another patient on the road to better health. This private patient has paid for their medication, but the doctor's practice has not. A drug treatment donated by a pharmaceutical company has been diverted from its intended recipient, for this doctor's personal financial benefit.

It's the barcode scan that has revealed where these valuable drugs have actually ended up. Our sustained expansion of AidTrust, a supply chain traceability program developed with our partner Trace Labs and launched in 2021, is getting traction.

Pharma companies donate medication worth millions of dollars each year to communities in low- and middle-income countries (LMIC), in regions including sub-Saharan Africa and the Indian sub-continent. Aid organizations are responsible for supplying medicines to patients even in the most remote areas, and everyone involved wants to be confident about the drugs' quality and destination. Because they often don't arrive. In fact, at least US\$1 billion or around 10% of donated medication leaks out of a supply chain that includes warehousing, distribution, and hospital inventories.

Where 2021 was about proving AidTrust could track medicines from donation to patient, 2022 has been about scaling the process across 28 treatment centres, tracing millions of units that make up tens of thousands of treatments, through to the patients who need them.

What started as a single client solution has now become a solution for the healthcare sector. The principles can be applied wherever digital traceability of goods can build certainty and trust. Our sustained innovation investment in a pressing issue is accelerating its impact.





Sustainability: our clients

Global sustainability built on trust

BSI is a trusted agent of change for organizations and corporations. If we are to drive real change for our clients, enabling them to thrive in a digital, sustainable world and supporting them in their business goals and stakeholder obligations, we must help address the most complex problems of our age.

BSI has an essential role to play in building trust in global market frameworks. Ensuring that we build and embed frameworks, best practice and standards that create trust between consumers, companies and governments, will foster innovation and progress and help make the world a better place.

New standards for social justice

Standards make it easier for organizations to understand and implement ways of working that help them operate in a more sustainable way. During 2022, BSI published a range of standards covering a broad range of challenges that organizations face.

A new British Standard addressing Modern Slavery was perhaps the highest profile of these.

Made available as a free download, the standard will help companies tackle an issue that affects an estimated 40 million people.

Our sustainability review for 2022 comes in three parts.

1. By helping our clients become more sustainable we are also contributing to the progress we want to see. [▶ This section](#)
2. We accelerate progress by helping to create the frameworks, guidelines and shared understanding that enable global transformation. [▶ Pages 31 to 33](#)
3. We believe we should live by our own standards and guidelines. [▶ Pages 40 to 43](#)

The buildings that people work and live in will improve with the help of standards published in 2022 covering building design for neurodiversity and building safety competence. The built environment is an important element of sustainability in society, and we are continuing our work to raise standards and share best practice. Increasingly living environments will need the infrastructure to support electric transport, and our work to standardize accessible EV charging can accelerate the growth and usability of national charging networks. BSI has also worked with the government to bring together energy reduction and net zero objectives for larger organizations through new PAS standards for Energy Savings Opportunity Scheme (ESOS) Net Zero Audits.

Protecting and supporting consumers who are vulnerable, ageing, or simply buying products they believe to be safe, is a key focus of BSI. New standards help our clients make a tangible difference to the everyday lives of many people.



Sustainability: our clients continued

A circular economy

Standards are only one part of the story. Effective, long-lasting solutions to issues are a combination of partnership-led problem-solving, new standards supported by the right training, and ongoing audit to build trust. Innovation in the circular economy provided one example of this integrated approach in action this year.

The constant replacement of products with newly manufactured alternatives, the so-called linear economy, creates challenges for a sustainable environment with its demands on raw materials, limited natural resources and space for landfill. The circular economy, where products are upgraded rather than replaced, reduces these demands. Our contribution to the development of the circular economy through the Kitemark for remanufactured and reconditioned products has involved creating trust in the minds of potential buyers that upgraded products are as good as the new replacement they could have chosen.

🔗 See page 10 for an impact story on this trust-building in action

Accelerating sustainability with trust

Trust in a complex and increasingly digital world is a big enabler of sustainability progress. Supply chains have grown in complexity in recent years, and our clients need confidence that what is happening along that chain reflects their own objectives: from environmental impact to the way people are treated. Our Supplier Management Programme continues to equip our clients with the tools and training to understand how supplier practices match up against standards, regulations and best practice, and to address gaps. The continuing expansion of BSI Connect is helping client companies use digital dashboards, for supplier management that is more timely and convenient.

Timely, comprehensive auditing gives our clients confidence in their own sustainability and supports the trust their customers can have in the products and services they buy. A significant growth in digital audits in 2022 has continued our progress in facilitating quicker and more responsive auditing using technology that ranges from teleconferencing to drone and satellite imagery. BSI carried out some 95,000 days of digitally-delivered audits in 2022, over 35% of all audit days, reducing our own carbon footprint while increasing the quality of service provided.

In 2023, we'll continue building on all of this progress, bringing all that BSI has to offer to bear on the sustainability challenges and opportunities that our clients face.

95,000

days of digitally delivered audits in 2022





A BSI impact story

Innovation Lab Singapore

Emerging innovations for tomorrow's trust challenges

In a shop near you, a couple check labels on the groceries they're buying. They've heard about the impact that palm oil production could have on habitats. If only they can be sure that when the listed ingredients say any palm oil has been produced sustainably, it really has.

On the other side of the world, a small team of auditors has just arrived to assess and verify the sustainability claims of a remote palm oil plantation covering an area equivalent to 10,000 football pitches. They have three days.

As the push for greater sustainability increases and production environments grow in size and complexity, the job of creating trust in sustainability certification is becoming more challenging. Is a palm oil plantation tree line exactly where it's supposed to be? Is there evidence of recent deforestation? How much methane is the local palm oil mill or agricultural landfill site releasing?

Answers to these challenges may lie in innovative integration of technology: satellite imagery, drones and Artificial Intelligence (AI) to name just three.

Opened in January 2022, BSI Innovation Lab Singapore has a clear mission aligned with BSI's strategy: to support emerging and disruptive technology applications that can enhance our clients' digital trust and sustainability.

The Innovation Lab team are working closely with clients, partners and innovators to nurture these solutions of the

future. Based in the heart of Singapore's start-up district, the Innovation Lab is a vital component in BSI's growing innovation network that includes teams in Cambridge, UK, and Phoenix, USA.

Many of the enablers of sustainability are not yet available. BSI is accelerating their development.





Financial review

Successfully delivering performance and investment in an uncertain environment

Despite 2022 having seen pressures, both economically and geopolitically, our business has remained very strong, delivering in line with our planned expectations. We were able to hold our focus on our purpose-driven strategy, and we continue to fund this through our solid financial performance.

We continued to adapt to the ongoing COVID pandemic impact as it evolved throughout the year, affecting both how we delivered for our clients and stakeholders, and how we worked together as an organization. As for most businesses and industries in 2022, BSI also contended with several external issues. Early in the year we were directly impacted by the war in Ukraine and had to exit our Russian business. We also saw inflationary pressures build globally, impacting both our business and our colleagues and the ongoing pressure for talent.

I am pleased to confirm that despite these economic challenges we initiated the multi-year transformation programme, noted in our 2021 Annual Report and financial statements, to invest in our infrastructure and our people. We envisage this programme will run throughout the next two to three years and it is specifically aligned to our digital and sustainability strategy, ensuring we can deliver on our purpose for the long term.

As this is a multi-year programme, 2022 represented a year of investment only and our financial performance for the year was set on this basis. The investment in 2022 focused



Sara Dickinson
Chief Financial Officer

on transforming our own data and technology infrastructure, investing in our colleague development and on our Regulatory Services operations and products. The investment spend was made up of £27.7m income statement charge and £7.1m capital expenditure. Our underlying operating profit excluding this investment charge to the income statement and one-off cost-of-living support to colleagues was £85.2m.

Our business demonstrated its ongoing resilience and underlying strength, evidenced in the profit performance before investments. This resilience comes from our focus on our purpose, our portfolio of business operations, our global footprint and the breadth of the clients and stakeholders we work with. We came into 2022 with a newly formed strategic direction and this focus helped guide decision making throughout the year. Additionally, we have enhanced our risk management approach over the last two years, enabling us to effectively respond to the rapidly changing external environment.



Financial review continued

2022 Financial performance

The adjacent table sets out the headline financials for 2022 and the year over year movements at reported rates. We saw strong revenue growth and the drivers for this and our underlying operating profit performance are detailed below.

In 2022, we are reporting exceptional items of £17.8m. This is made up of the costs to exit our Russia business (£1.2m) and the impairment of Goodwill and acquired Intangibles associated with our Consulting Services division (£16.6m). Details of the impairment review are set out in note 13 of the consolidated financial statements. During 2022, the DTC business faced significant cost headwinds on operational delivery despite delivering top line growth. We have now refocused the business and although we believe the strategy will deliver, strategic change creates execution risk and as a result of uncertainty around future profits, an impairment loss has been recognized. This loss is a non-cash item. As discussed above, the underlying operating profit includes £27.7m of transformation investment cost which is new in 2022 and is the primary reason for the year over year reduction.

	2022 £m	2021 £m	Change £m	Change
Revenue	672.8	585.6	87.2	15%
Underlying operating profit	56.0	83.1	(27.1)	-33%
Exceptional items	(17.8)	–	(17.8)	100%
Operating profit	38.2	83.1	(44.9)	-54%
Net finance cost	(0.6)	(2.1)	1.5	-71%
Profit before tax	37.6	81.0	(43.4)	-54%
Income tax expense	(18.3)	(22.1)	3.8	-17%
Profit for the year	19.3	58.9	(39.6)	-67%
Effective tax rate	48.7%	27.3%	21.4%	
Net assets	345.9	327.6	18.3	6%
Cash and deposits	164.6	187.1	(22.5)	-12%

Revenue from our business divisions

We saw overall strong revenue performance with double digit growth of 15% on a reported basis impacted by the strengthening of US Dollar (9% on a constant currency basis). This performance demonstrated the resilience of our business and supported our ongoing ability to invest in our people, strategy and purpose delivery even in uncertain times.

Our Regulatory Services division continued to see significant year over year revenue growth of 28% on a reported basis as we focused on meeting client demand and creating flexibility in our operational delivery to support this. The Assurance division saw solid revenue performance, up 9% on a reported basis. Our Systems Certification and Training businesses successfully embraced new hybrid and remote delivery methods, responding to regulatory and client needs in the new post-COVID operating environment. In the Knowledge Solutions business, we delivered 5% revenue growth as we saw building strength in our subscriptions model and good delivery in our services business. In 2022, we took time to further refine our strategy and consolidate the focus for the Consulting Services division, which, together with the strengthening of USD, helped to drive 18% revenue growth.

Our business review on pages 15 to 22 provides additional context to our divisional performance and how we are partnering with clients and stakeholders.



Financial review continued

Underlying operating profit (UOP) and operating profit

In 2022, we reported UOP of £56.0m, a reduction of £27.1m on the prior year. This reflects the conscious investment of £27.7m noted above, focused on enhancing how we work in the future to support our clients and stakeholders, and delivering our purpose.

Additionally, as we have come out of the pandemic we have flexed our operations to embrace new hybrid delivery methods reflecting the ways of working our clients and stakeholders are now looking for. This, combined with actions we have taken in response to the cost of living and inflationary pressures experienced by our colleagues, means we have seen gross profit margins return to pre-pandemic levels of 50.2%, a 1.9% reduction on 2021 and again something we had planned for. Selling and distribution costs increased by 21.6% year over year reflecting both investment in our delivery models and marketing activities. Within administrative expenses we see the impact of the transformation investment of £27.7m. This is the primary driver of the 29.3% increase noted on page 111 of the financial statements, alongside salary and one-off cost-of-living compensation uplifts as we invested to support our colleagues.

Our UOP margin of 8.3% reflects all of the transformational and colleague-focused investments. We are excited to be able to take these transformational steps and believe these actions set BSI up for future long-term successful partnering with our clients and stakeholders. The operating profit of £38.2m is after the exceptional items already noted.

There is a loss of £47.4m reported in the parent company which is primarily driven by the £27.7m of transformation spend described above together with £14.3m additional investment in building capability to deliver our multi-year transformation. The parent company balance sheet remains in a robust position with net assets of £53.8m and we will continue to review the funding of the parent company as we continue to execute on our transformation programme.

Exchange rates

The international nature of our business means our reported financial performance is impacted by movements in global exchange rates, most notably in our major trading currencies of Euro and US Dollar. Note 3 to the consolidated financial statements indicates the sensitivity of the Group's operating profit to movements in the major trading and operating currencies.

Current group policy to not pursue active currency hedging activities was maintained in 2022. As we evolve our operations we will continue to review this approach.

Balance sheet and cash flow

The net assets of the Group increased year over year by £18.3m, mainly driven by the retained profit for the year of £19.3m.

The Cash and deposits balance reduced by £22.5m when compared to 2021. This is primarily the result of movements in working capital, business transformation investments and payments of £15.7m to the defined benefits pension plan offsetting the cash generated from underlying operations. The increase in working capital was driven by the growth in trade receivables of £28.3m (29.8%) as trading revenues grew by 15%, accounting for half of this. The balance is driven by an increase in debtor days of 16% as we saw a lengthening in billing cycles particularly in the US which is being addressed going forwards through increased resources and process changes.

Additionally, we saw material non-repeating trade payables items accrued at the end of 2021 and paid out in 2022. Bad debt written off in the year remained broadly stable as a percentage of revenue at 0.2% (0.17% in 2021). As discussed, we did not expect the significant transformation investment programmes to be cash generative in-year.

Treasury

We maintained our treasury policies for cash management and cash repatriation to the UK where applicable in 2022, and also remained free of debt. We took steps to take advantage of the improvement in global interest rates during the year and set up short-term interest earning deposits. The interest earned has contributed to the positive improvement year over year in our net finance costs. As we look towards 2023, we are investing in our global treasury operations to better support our business growth and delivery.

At the date of the balance sheet we had £53m in short-term deposits, which in accordance with our accounting policies have been separately disclosed and not treated as cash.



Financial review continued

Taxation

The Group Effective Tax Rate (ETR) on profit before income tax was 48.7% in 2022. This is after the inclusion of non-tax deductible exceptional items such as the impairment charges and the uncertain tax risk provision taken in the year of £3m. Therefore, we consider the ETR on UOP of 32.7% to be a better indicator of the tax rate for the Group. Whilst the ETR on UOP has increased year over year, this increase was anticipated given the reduction in UOP as the transformation cost impact outstripped the growth in trading contribution.

Pensions

I am pleased to note that we completed the triennial valuation of the BSI Retirement Benefits Plan (the Plan) as at 31 March 2022, signed by the trustee and BSI on 26 January 2023.

The actuarial valuation of the Plan as at 31 March 2022 revealed a technical provisions shortfall of £20m. This represents a substantial improvement in this deficit which was £67m as at 31 March 2019. The improvement reflects £45m of deficit contributions paid into the scheme, together with changes in financial markets and improvements in mortality assumptions offset by Retail Price Index reform and changes to discount rates.

Given the improvement to the scheme position and the estimated further improvement since the valuation in March 2022, BSI has agreed with the Trustee that the remaining £7.5m of deficit remediation due to be paid by June 2023 will be paid into an account governed by an escrow agreement. The contributions will be paid into the plan or returned to BSI dependent on the outcome of the actuarial valuation at the next triennial valuation on 31 March 2025.

The IAS 19 accounting valuation of the scheme as at 31 December 2022 was a net pension asset of £20.1m (2021: £19.3m). The present value of the defined benefit obligation reduced from £428.6m to £298.3m principally driven by the increase in year-on-year discount rates. While the scheme liabilities have fallen, the fair value of the plan assets has also fallen by £129.5m to £318.4m. Overall, interest rate and inflation hedging strategies reduced asset values by a similar magnitude as the reduction in the scheme liabilities, which also included ongoing deficit contributions of £15m.

• For further information see Note 15b.i of the consolidated financial statements

Accounting policies

Details of all the principal accounting policies we use appear in Note 2 to the consolidated financial statements.

Looking forward to 2023

In summary, 2022 was a year of strong performance which enabled us to pursue the significant investment programme we had planned for. As we look towards 2023, we will continue our transformational investment activities pursuing our digital and sustainability strategic goals.

Sara Dickinson
Chief Financial Officer

5 April 2023



Sustainability: our stakeholders

Co-creating an environment for progress

Progress on sustainability is accelerated by collaboration. Our work with stakeholders around the world is one way in which we are helping make change happen.

Alongside traditional legislative approaches, we can help to accelerate progress.

Climate change is at the top of the sustainability agenda, and carbon reduction has been the 2022 priority in our sustainability strategy. One of the obstacles to achieving net zero has been the lack of clarity about how best to get there.

Following the success of the London Declaration, which was the commitment proposed by BSI and signed by ISO in 2021 to ensure our standards support climate action, BSI launched the Our 2050 World initiative to drive transformational collective actions on achieving net zero by optimizing the use of standards by organizations around the world.

Our 2050 World is a collaboration that we convene with ISO, the United Nations Framework Convention on Climate Change (UNFCCC) Global Innovation Hub, and the UN's Race to Zero campaign. Over the course of four months during 2022, we used the ISO International Workshop Agreement (IWA) process to lead the development of the ISO NET Zero Guidelines, launched at COP27, bringing together voices from across the spectrum of stakeholders in climate change including many who were new to the international standards system.

One key stipulation in the London Declaration is that those most vulnerable to climate change should be consulted and involved in the development of standards. Among the hundreds of people and organizations who registered for the Net Zero Guidelines process as first-time participants in standards development were indigenous representatives and other voices rarely heard in international standards development.



Sustainability: our stakeholders continued

For carbon credits to play an effective part in reaching global emissions goals, the credits need to be credible and verifiable. People want to trust the impact that is claimed. The Integrity Council for the Voluntary Carbon Market (ICVCM) is an independent body whose aim is to bring this level of trust. During 2022, BSI oversaw the Integrity Council's open public consultation on draft Core Carbon Principles and the associated Assessment Framework and Procedure. This foundational work will further strengthen global efforts to meet our collective emissions targets.

In 2023, we are expanding our focus across other core sustainability priorities:

- the better management and fair use of water;
- effective waste management;
- infrastructure that better balances the needs of society and the impact on the environment; and
- ethical supply chains.

Our leadership and convening power at regional and international level is a powerful enabler of action that in turn has a very broad impact. We know that we can't achieve our objectives by working alone. Working with and through our members, clients, other stakeholders and partners is how the momentum for long-lasting change will build.





A BSI impact story

ISO Net Zero Guidelines

Bringing the world's voices together in pursuit of net zero

"This is a ground-breaking moment. We are rewiring global capitalism as we speak – I couldn't be more excited."

The words of Nigel Topping, UN Climate Change High-Level Champion, at the launch of the ISO Net Zero Guidelines at COP27 in Sharm el-Shaikh. The landmark guidelines were the outcome of BSI's Our 2050 World collaboration with ISO, the UN's Race to Zero campaign and the UNFCCC Global Innovation Hub.

Why ground-breaking? Fragmentation of voices and action are a barrier to progress in any field. When it comes to meeting climate objectives, consensus and alignment could be the difference between success and catastrophe.

Consensus around net zero involved a conversation between hundreds of voices from over 100 countries to produce, in just four months, a document that will be a baseline for net zero action around the world.

BSI is a UK organization but our reach as a global convener of expertise and ideas is a game-changer for the challenges facing our world. Providing a platform for new voices is at the heart of our work.

Three quarters of those involved in the development of these guidelines were new to the process of developing standards: new voices, under-represented voices, people who can find it hard to be included in the biggest debates.

We used the ISO International Workshop Agreement (IWA) process, which included written contributions, as well as virtual workshops, allowed broader access, and these multi-language guidelines already have a readership covering 140 countries.

Within two months of launch, the guidelines were being referenced in the UK government review of its net zero pathway and had made the UN Climate Champions 2022 Yearbook of Climate Action.

Reaching global consensus can happen quickly and impactfully with the right intent, collaboration and power to convene.

"This is a ground-breaking moment. We are rewiring global capitalism as we speak – I couldn't be more excited."





Section 172 Report

Stakeholder engagement

“BSI has continued to evolve the ‘human connections’ initiative which enables diverse and inclusive topics to be discussed. Since commencing the initiative in 2020, affinity groups have been established in every region.”

In working for the success of the Company, the law recognizes that Directors should have regard to the organization’s stakeholders. To do that, the Directors must understand the business and societal environments in which the Company operates, how the Company impacts others within those environments, and how those others will impact its success.

This Report explains how BSI has engaged with its key stakeholders and established dialogues which help the Directors to understand better stakeholders’ needs and expectations and incorporate them into the Board’s decision making process.

Employees

For engagement with colleagues, BSI uses the alternative arrangements path set out in the Financial Reporting Council (FRC) UK Corporate Governance Code by pursuing a multi-stranded approach to workforce engagement. Mechanisms in place consisted of:

Engagement and Pulse surveys

- The BSI ‘Ways of Working’ engagement survey was run in January with a follow up pulse engagement survey in October 2022. The surveys provided insight into colleagues’ views about working for BSI and their opinions on a variety of workplace matters such as flexible working. Participation rates were high and the results indicated that colleagues were seeing a much clearer articulation of BSI’s vision and strategy. Based on an analysis of the results, a high-level plan is being actioned to demonstrate to colleagues their voices are heard with concerns addressed and that subsequent decisions are taken considering the issues raised.

Culture work and the role of Champions and Facilitators

- The ‘Shaping BSI’s Culture’ programme commenced with the Group Leadership Team and their direct reports. In support of this initiative, sixteen in-house culture facilitators have since been trained, representing all regions, levels and areas of the business. In November 2022, the Chief Executive and Chief People Officer met the sixteen culture facilitators to hear directly from them about the impact of the programme, the views of participants and where BSI could be even better. Over 1,000 colleagues have taken part in the ‘shaping BSI’s Culture’ programme.

Human Connections

- BSI has continued to evolve the ‘human connections’ initiative which enabled diverse and inclusive topics to be raised and discussed.
- Since commencing this initiative in 2020, affinity groups have been established in every region where individuals passionate about diversity and inclusion have formed a community across the Group to seek improvements, highlight education opportunities and share stories.

Information and Dialogue

- A regular cadence of global calls with the senior leadership population has been established followed by ‘town hall’ meetings with all colleagues. These allow management to keep the workforce updated and to receive feedback directly from colleagues.
- The Board undertook two international visits in 2022, and a visit to the Milton Keynes offices in September, and opportunities were created to meet with colleagues and hear directly from them.

➤ Read Our People report on pages 13 and 14 for further information



Section 172 Report continued

The need to foster the company's business relationships with suppliers, customers and others

BSI has identified the following key stakeholders:

The UK Government

- Detailed and varied engagement with the UK government remains a high priority across BSI, which now has a dedicated government engagement team. There is mutual participation in meetings and invitations to events and conferences (for example the BSI Standards Conference). There are regular meetings with ministers and with many Government departments to discuss issues relevant to their portfolios. Meetings are also held with officials from the Scottish government, Welsh government and the Northern Ireland Executive. Regular meetings are held with officials at our lead department, the Department for Business and Trade (DBT) (formerly called the Department for Business, Energy and Industrial Strategy (BEIS)), which is represented on the Standards Policy and Strategy Committee (SPSC). A representative from DBT is invited to the Annual General Meeting (AGM). Input from the DBT representative at SPSC meetings and the AGM affects BSI decision making.
- The Director-General, Standards regularly meets with Parliamentarians and gives evidence to House Committees. BSI participates in two All-Party Parliamentary Groups (APPG).
- In addition to frequent informal contact, regular meetings are held between senior officials and the Director-General, Standards and other senior staff, and the Chief Executive attends key meetings. Reports of meetings are provided through monthly reporting, and thereby incorporated into the Director-General, Standards' reports to the Board.

Subscribing Members

- BSI has a range of ways to engage with Subscribing Members which include monthly newsletters, dedicated content on the website and a Member portal which includes the ability to provide feedback and submit enquiries. Member satisfaction surveys are also carried out.
- All Subscribing Members are invited to the AGM where they can vote on resolutions in person or by proxy, ask questions and meet the Board. The AGM is now also online as a hybrid event, and a recording of the 2022 event is available on the Company's website. The Annual Report and financial statements provides an update to all stakeholders, including Subscribing Members, on BSI's performance over the previous financial year as well as its plans and prospects. The Director-General, Standards reports to the Board on engagement with Subscribing Members.



“In 2022, BSI introduced a new consistent voice of the client satisfaction methodology across all of BSI, which has improved the quality and timeliness of client feedback and BSI's responsiveness to it.”

Clients and key accounts

- BSI engages regularly with clients through a variety of means, and regular meetings are held with management from the largest accounts. BSI engages with larger key global clients through direct communication between these clients and dedicated Global Account Directors (GADs) who act as the key information sharer to and from BSI. Regular engagements are carried out with senior BSI leaders and key global clients. Key global clients are able to participate in the development of innovative new projects by BSI.
- BSI has a regular programme of events for clients, including training academies, and works with them to co-create new solutions and to use BSI's ability to convene, for example, gathering sustainability leaders of healthcare companies in a round table to share challenges and best practices. The Board is informed of client and key account engagement through monthly highlight reporting and discussions with the Group Leadership Team.
- Client satisfaction surveys are also carried out. In 2022, BSI introduced a new consistent voice of the client satisfaction methodology across all of BSI, which has improved the quality and timeliness of client feedback and BSI's responsiveness to it.



Section 172 Report continued

- The Board met with several of BSI's major clients during their visits to Japan and Dubai and heard first hand from them about their experiences working with BSI.

Standard makers and Committee Members

- A key stakeholder engagement mechanism for the Board is the Standards Policy and Strategy Committee (SPSC), which is the senior independent advisory committee to the Board on BSI's activities as the National Standards Body and oversees the standards development process on behalf of the Board. The SPSC engages with the Knowledge division executives and Board members on the identification and representation of industry sectors, academia, government regulators and civil society. It provides advice on their active involvement in committees, identifies priority areas and new solutions to meet stakeholder needs, and monitors changes in business or society which could impact the National Standards Body. The SPSC seeks active communication with stakeholders to understand their views. There is a regular focus in SPSC meetings on Standards Makers' issues. Standards makers' issues also feature in the Director-General, Standards' report to the Board. The SPSC regularly updates the Board on its activities and has a representative Director on the Committee who updates the Board at every meeting. Other Directors frequently attend SPSC meetings.
- As the National Standards Body, BSI has an obligation to provide all interested stakeholders with the opportunity to influence the content of the standards that affect them. Participation by Committee Members and Nominating Bodies is critical to BSI's standards development activities, and BSI works to ensure mechanisms are in place so that Committee Members are able to participate effectively in standards development.



- BSI engages with Standards Makers and Committee Members through a variety of channels. These include the BSI Committees' platform, regular contact with BSI committee managers, monthly newsletters, BSI Standards Conferences, webinars, specific events with Committee Chairs and Nominating Bodies, the corporate website, meetings with Nominating Bodies and the Annual report. A number of Committee Chairs are invited to the Annual General Meeting.
- Standards Development Managers (SDMs) play a key role and may be asked to reinforce or remind Committee Members about important messages at their meetings and informally gather views from members of the Committees they manage. Ad hoc calls may be made, or emails sent, to gather feedback as needed for particular topics or questions.

“As the National Standards Body, BSI has an obligation to provide all interested stakeholders with the opportunity to influence the content of the standards that affect them.”

Standards Developing Organizations

- BSI representatives sit on almost every board and strategic committee in the International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), European Committee for Standardization (CEN) and European Committee for Electrotechnical Standardization (CENELEC), including at Council or Board level. BSI is also the National Standards Organization and a corporate member of the European Telecommunications Standards Institute (ETSI). BSI prepares proposals to create new International and European standards often based on existing British Standards or Publicly Available Specifications (PAS). BSI sits on the UK steering group guiding UK input to the International Telecommunication Union - Telecommunication (ITU-T). BSI participates in the coordination group of ISO, IEC and ITU-T technical programmes. BSI has regular meetings with the Secretaries-General of ISO and IEC and many other National Standards Bodies, National Committees of the IEC and other standards organizations to discuss strategic issues.
- Insight from other Standards developing organizations is a key input into the development of BSI's Knowledge strategy. BSI has National Committees to mirror the work programmes of ISO, IEC and CEN/CENELEC. Every Board meeting has a report from the Director-General, Standards which includes an update on engagement with the international and European regional standards system.



Section 172 Report continued

Accreditation bodies and competent authorities

- BSI maintains formal relations with governmental and non-governmental accreditation bodies around the world. The Company holds accreditation for all its certification businesses, wherever located. This ranges from international accreditation for key services to the more specific, local, accreditation to meet the requirements of domestic specialisms. BSI is also designated as both an Approved Body in the UK (it was the first to hold this UK designation for medical devices) and a Notified Body in Europe.
- Engagement activities include BSI's attendance at the United Kingdom Accreditation Service (UKAS) Policy Advisory Council as well as regular meetings and joint initiatives with Accreditation bodies and competent authorities. The Board receives regular reports on BSI's engagement with Accreditation bodies and competent authorities from the Group Assurance Director and Chief Executive.

Consumers and UK industry

- BSI carries out engagement activities with consumers via consumer bodies such as the independent Consumer and Public Interest Network (CPIN) which is hosted by the BSI Knowledge division. CPIN supports engagement with a regular programme of meetings, conferences and events. BSI provides the secretariat to CPIN and the CPIN Chair sits on the SPSC.
- BSI maintains links with many other societal organizations and launched the Sustainability Standards Network in 2022 to build better connections with Non-Governmental Organizations (NGOs) active in this domain. BSI promotes these activities at BSI Standards Conferences.

BSI attends consumer stakeholder conferences, (for example Electrical Safety First and the Chartered Trading Standards Institute (CTSI)). Consumer engagement activities are included in monthly reports to the Board.

- BSI works closely with industry bodies leading development in practice and research concerning new ways of auditing, the employment of new technologies in audit programmes and client interaction.
- BSI also works closely with many industry bodies, associations, institutions and companies to understand better their needs and expectations for standards at international, European and national levels. BSI works with industry on standards strategies and roadmaps, and fast track consensus solutions.
- Industry has representation on Standards Committees and is invited to join meetings and events such as the BSI Standards Conferences and regional stakeholder events. The CBI is represented on SPSC. There is key account management for major trade associations who are Nominating Bodies.

Pensioners

- The Executive Directors regularly engage with BSI's Defined Benefit Scheme Trustee and provide regular updates to the Board.
- [Read the Chief Executive's Review on pages 6 to 9 for further information](#)
- [Read the Director General, Standards' Review on pages 11 and 12 for further information](#)

The likely consequences of any decision in the long term

During the year the Board, with the involvement of the Group Leadership Team developed BSI's long term strategy to achieve its public-interest purpose and approved the long-range and annual financial plan.

- The Board is focused on delivering the results of the agreed long term strategy. The Board is responsible for building the organization and developing its business in order to achieve the success that will allow it to fulfil its public interest purpose.
- Progress is monitored using financial and non-financial performance measures. The long-range plan and financial plan are reviewed and revised each year in light of changing business needs and geopolitical trends.
- Core to the long term approach is the work of the Board in ensuring strong, long-lasting relationships with all stakeholders based on understanding the impact BSI has on each of them, as well as the impact they have on BSI.
- BSI's long term view is focused on sustainability. Sustainability is therefore at the heart of the Board's thinking and BSI's long-term strategy involves building sustainability and a digital focus into the organization as well as developing means to help clients and other stakeholders to progress their own sustainability ambitions.
- [Read the Financial Review on pages 27 to 30 for further information](#)



Section 172 Report continued

The impact of the company's operations on the community and the environment

Sustainability is a priority area for BSI.

- BSI actively engages with its stakeholders regarding sustainability through the channels described above.
- The Board's Sustainability Committee oversees the governance of sustainability on its behalf. The Chair of the Committee updates the Board on its activities, including sustainability engagement activities, at every Board meeting. Other Directors frequently attend Sustainability Committee meetings.

🔗 [Sustainability – our clients pages 24 and 25](#)

🔗 [Sustainability – our stakeholders pages 31 to 33](#)

🔗 [Sustainability – our business pages 40 to 43](#)

The desirability of the company maintaining a reputation for high standards of business conduct

BSI's business is founded on its reputation for high standards of business conduct.

- BSI adheres to the FRC UK Corporate Governance Code, a key source of best practice in governance.
- The BSI Code of Business Ethics was updated and approved by the Board during 2022. The updated version was developed to be used by employees for ethical decision making, and provides key information and guidance to all employees and business partners on the fundamental compliance areas relevant to the organization. These encompass workplace behaviours, anti-bribery and corruption practices, business responsibilities, sustainable practices and responsible use of information.
- The BSI Code of Business Ethics embodies the high standards of business conduct that are fundamental to the way in which the Group operates, as well as the high standards of behaviour required from all colleagues in the Group. BSI is pleased to share the BSI Code of Business Ethics with clients and other stakeholders.
- High standards of business conduct establish the trust essential for sound business relationships that ultimately support the success of the business. The Board has introduced the updated BSI Code of Business Ethics to help ensure BSI maintains its reputation.

🔗 [Read the Corporate Governance report on pages 67 to 71 for further information](#)

“The BSI Code of Business Ethics embodies the high standards of business conduct that is fundamental to the way in which the Group operates.”

The need to act fairly as between members of the company

BSI, as a Royal Charter Company, does not have shareholders so the Board recognizes the importance of the Company's stakeholders and the need to have regard to them in its decision making process. Stakeholders are central to the delivery of BSI's public interest purpose.

Each year the Board undertakes a stakeholder identification and prioritization process. This is to ensure that the Board understands the organization's stakeholders and its engagement with them, and that it maintains an appropriate balance between those stakeholders in its decision making.

The Board takes the requirements of Section 172 into account in its decision making.



A BSI impact story

Vulnerable consumers

Everyone can be vulnerable

Eileen, a fiercely independent 90-year-old, proudly lives alone in a small rural village. She has lived through tough times. But for her nothing has been as challenging as losing her mobility, and that independence, due to a worsening spinal condition.

Her bank, Santander, spotted that she was visiting her branch less often and withdrawing ever higher amounts of cash when she did – a worry for a vulnerable person living alone.

Eileen was impressed at the concern shown and explained her dilemma: she gave cash to her carers for her shopping and other outgoings. The branch immediately recommended their carers' card product – a low-balance debit card Eileen could safely share with others, avoiding the need for large amounts of money at home. A simple and effective solution, but for a vulnerable person like Eileen it's a life-changer.

BSI's purpose allows us to help highlight voices that don't always get heard in our fast-changing world. And with the vulnerable more likely to be excluded from products and services, we launched the first UK standard aimed at protecting them. This led to the creation in 2022 of the international Consumer Vulnerability standard.

The Kitemark for inclusive service goes a step further by providing a rigorous audit of an organization's products and services against the standard, demonstrating that they are as inclusive as possible.

The nine forward-looking pilot organizations, including Santander and Anglian Water, understand the impact of consumer vulnerability: they have an inclusive and flexible approach to addressing the specific issues facing the vulnerable, often accelerating product and service innovation.

Enrique Alvarez Labiano, Chief Customer Officer at Santander, said that the Kitemark certification helps "illustrate our commitment to financial inclusion by ensuring that our products and services are simple, personal and fair."

For Peter Holland, Director of Customer and Wholesale Services at Anglian Water, it helps illustrate Anglian Water's "passion for providing an inclusive service, and helps them look for new ways to adapt and meet the needs of the most vulnerable."

Amid the cost of living crisis and the growing number of vulnerable adults, privileging their voices and protecting their interests has never been so critical. We are proud to have played our part in ensuring robust yet practical solutions to help organizations address this critical issue.





Sustainability: our business

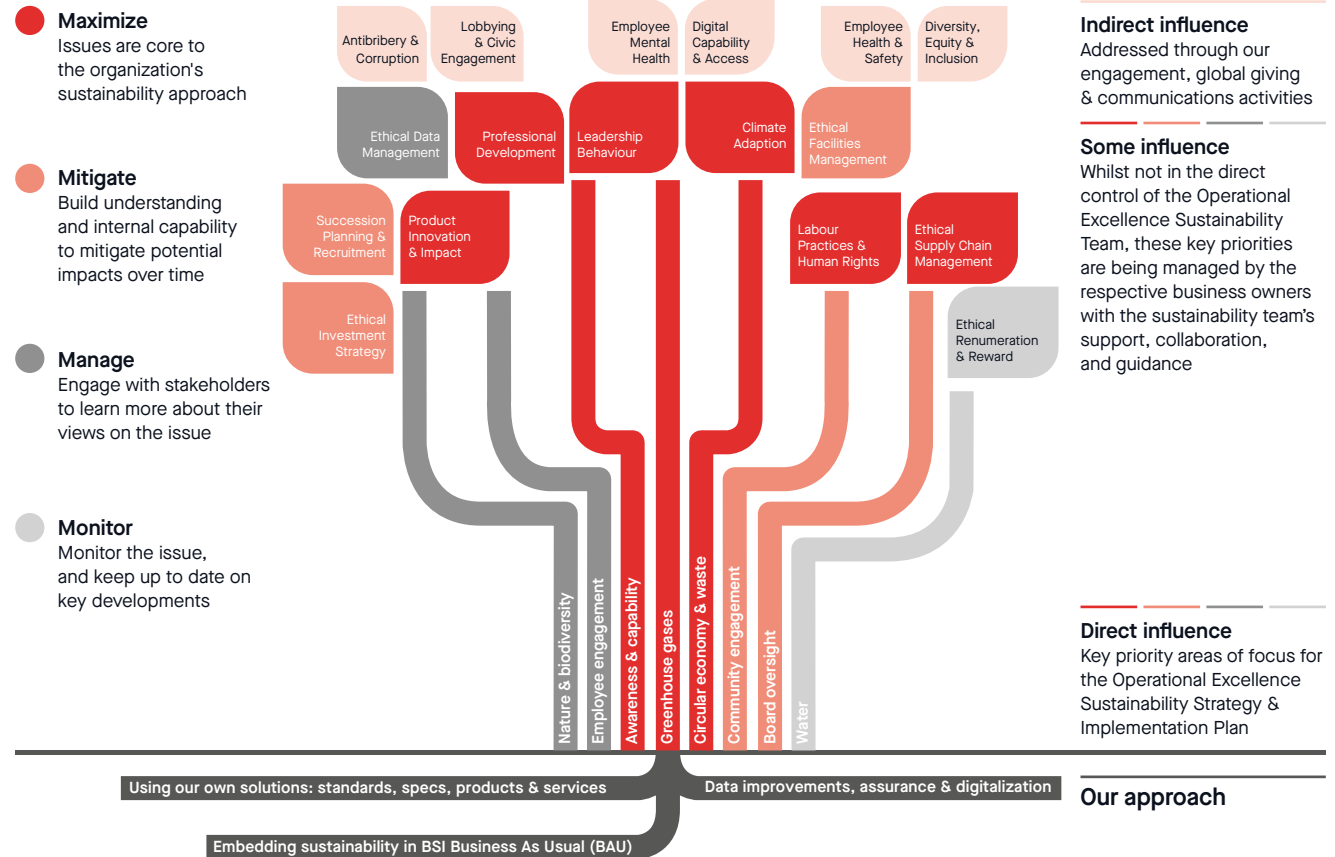
Defining our priorities

We believe that any long-term progress towards sustainability starts at 'home'. For a business this means everything from how office buildings operate, through to the way processes work, to the day-to-day behaviour of colleagues.

BSI is committed to following sustainability best practice and becoming our own best-in class case study – utilizing standards and BSI's own client sustainability solutions wherever possible to lead the way in our sector and beyond.

To define our sustainability strategy in a structured way, we undertook a robust and comprehensive materiality review to identify the planet, people and governance issues that were most critical to us and our stakeholders.

Across multiple industries, a materiality assessment is best practice for analyzing and agreeing on the topics that matter most to an organization and its stakeholders, whether risks or opportunities. Adopting a risk lens in a materiality assessment allows organizations to understand the potential consequences if issues aren't managed.





Sustainability: our business continued

Focusing on opportunity can reveal business benefits such as cost-saving efficiencies and new revenue streams. We will conduct a thorough materiality assessment every three years, to ensure we are actively refreshing our priorities and approach.

The output of the materiality assessment fed directly into our Operational Sustainability Excellence strategy executed in 2022, as well as our plan and priorities for the next three years. The areas of critical importance to BSI and our stakeholders, including Greenhouse Gas (GHG) emissions and ethical supply chain management, appear in red. Carrying the greatest risks and opportunities for BSI, they are our top priorities.

BSI is a proud member of the United Nations Global Compact (UNGC). The UNGC has 10 principles that participants commit to support, covering human rights, labour, environment, and anti-corruption. Throughout this report we've documented how we are upholding these principles in practical and effective ways.

Additionally, for many years now the UN Sustainable Development Goals have provided the foundational underpinning for our strategic priorities and planning, with goal 17: Partnership for the Goals underlining our purpose and impact on our clients and the world.

Planet

Our road to net zero

BSI has made a public commitment to reach net zero in our own operations by 2030. To do this, our organization will need to reduce GHG emissions (Scopes 1 and 2) by 90% of our 2022 baseline measurement. We are also committing to reduce our Scope 3 emissions (Fuel and Energy, Business Travel, and Upstream Leased Assets) by 42% in the same timeframe and in line with the Paris Agreement. Our Global GHG Disclosures for 2022 can be found on pages 44 to 47.

Reducing our carbon footprint involves change in every corner of the business. Responsibility for GHG emissions reduction is shared between all our businesses around the globe. We have given leadership ownership and accountability for this GHG emissions reduction by implementing a Carbon Allowance Model, introducing a carbon budget for each division and function. This roll out supports a comprehensive pathway in 2023 to reach our carbon reduction goals.

The Carbon Allowance Model is a flexible framework within the overall BSI target, which allows each division and function of the business to focus on the priorities that matter most to them, supporting a diverse and mature approach to reach our GHG emissions reduction goals while empowering our leaders to own these solutions.

Incentivising leaders to lower BSI's GHG emissions footprint is important; increasing the opportunity for people to make good choices is just as important. In 2020, we added electric vehicles to our company car leasing scheme in the UK. In 2022, 40% of the UK fleet is either electric or hybrid, and we are proud that our order book shows that increasing to 99%. Finally, our travel policy includes a sustainability decision tree, providing focused support for our people when trying to make responsible travel decisions.

Adopting standards and BSI's own solutions to achieve our goals is a strategic cornerstone in our approach: thus the measurement and reporting of our GHG data is being done under ISO 14064-1 requirements. We are also implementing the new ISO Net Zero Guidelines (ISO IWA 42). Additionally, the GHG data capture for BSI around the globe will be done by a software tool developed by the winner of our own CEO Innovation Challenge.

In 2020, we became a carbon neutral business, and we commit to continued investment in quality carbon credit projects with our trusted partners as we work to dramatically reduce our overall emissions year on year. We robustly vet all of our carbon credits in line with our GHG Framework.

Changing how we work

Achieving our GHG emissions reduction goals by 2030 will require all our people to make business decisions through a new lens. Colleague engagement is central to how we achieve our targets, and ensuring that sustainability becomes business as usual is foundational for this work. We are investing in new training modules, support channels and a transformed Intranet to ensure our colleagues have what they need to engage in this behaviour change journey. The investments we have made in supporting a collaborative and creative culture have also enabled better cross-functional communication and progress.



Sustainability: our business continued

Across our own buildings and operations, sustainability is influencing major changes in our processes and practice. In 2022, BSI achieved global certification for ISO 14001 (Environmental Management Systems) and ISO 45001 (Occupational Health and Safety Management). Our procurement questionnaire, risk assessment, and supplier onboarding processes also now have sustainability at their heart.

Renewal of energy contracts, exploration of solar-voltaic solutions at our Hemel Hempstead and Milton Keynes offices, removal of single-use plastics and monitoring food waste are all changes to the way we work and the impact our premises have on the environment. Sustainability is embedded in our facilities improvement plan, how leases are approved, the design process in our lab testing facilities and in specific developments we undertake.

Looking ahead to 2023

We will continue to build momentum towards lower GHG emissions, expanding our work on Scope 3 emissions in our supply chains. Our dedication to using standards and our own client sustainability solutions to strengthen and support our operations will continue, including implementing ISO 50001 in our Hemel Hempstead office.

Creating a truly sustainable business involves long-term commitment to change. We are transforming how we work by connecting with our outward-facing purpose and living the change we want to see.





Sustainability: our business continued

People

Sustainability incorporates not just how an organization behaves responsibly in relation to the natural environment, but also how respectfully and holistically it behaves towards its people and the communities in which it operates. BSI is dedicated to ensuring that our people feel engaged, empowered and encouraged to give back and participate in creating meaningful, positive impact in ways that are most significant for them and to our priority areas.

Global Giving and Volunteering

Giving back is an integral part of the culture at BSI, and we could not be prouder of the ways in which our people give their time, expertise and resources in our communities around the world. To honour those efforts and commemorate the UN International Day of Charity (5 September 2022), BSI produced a film showcasing the charitable efforts of our people around the globe (see the film at <https://youtu.be/GhCRrl2YOa0>).

For the past three years, the UN Sustainable Development Goals (UNSDG) have provided the cornerstone of our Global Giving approach, with BSI colleagues voting for one goal to focus on to deliver focused impact. In 2022, we chose to concentrate our charitable resources on UNSDG goal 1: No Poverty. In total, we delivered £260,724 to charities all over the world during the year, through a series of group and individual fundraising events and activities.

The structure of our Global Giving budget enables our people to choose regional Non-Governmental Organization (NGO) partnerships and enables maximum engagement on the ground. A few highlights from the year:

- our Americas event partnership with Stars of Hope, an organization that brings communities together to support survivors of natural disasters and tragic events. Sixty of our local team members participated in an event that raised US\$3,000 towards their support efforts.
- in Southern Africa, our team participated in the 5km Spar Virtual Challenge in support of the Petals Project, supporting education for young women and removing limitations to their future success.
- and despite the continued constraints of COVID restrictions, our team in Japan was able to give their time and energy to the Cocorodama project, supporting families whose children have been diagnosed with incurable diseases.

The humanitarian crisis in Ukraine has been devastating, and the tragedy continues to unfold. In 2022, we donated £125k to the Disasters Emergency Committee and local NGOs in the region delivering relief to people on the ground.

Each year, BSI offers all employees a Volunteer Day, a paid day of leave to give their time and expertise to a charitable organization of their choice. In 2022, 180 employees used over 1,196 hours against this benefit, giving their time to causes they care the most about. In response to the Ukraine crisis, we offered two Volunteer Days for 2022.

Our Match Fund program is another component of our charitable support across BSI, enabling our people to double their charitable efforts for the organizations they care the most about, and in 2022, we matched £12,812 of our colleagues' efforts to raise funds in their own communities.

Looking ahead to 2023

Our charitable giving efforts have progressively evolved through the years, and we look forward to keeping up the momentum. In 2023, we are implementing a new Global Giving strategy with a focus on impact. The materiality work completed in 2022 identified the key People and Planet issues most important to our stakeholders, and we will be working with regional NGO partners with a long-term lens to solve those issues within which we feel best positioned to make meaningful, positive impact.



Global Greenhouse Gas (GHG) Disclosures

Global Greenhouse Gas (GHG) Disclosures for 2022

The BSI GHG Emissions Calculations Methodology is aligned with ISO 14064-1.

Our framework is additionally informed by the GHG Protocol Corporate Accounting and Reporting Standard and the latest UK Government guidance. We have adopted the 'operational control' approach to calculating our emissions and have used a combination of International Energy Agency (IEA), 'UK Government GHG Conversion Factors for Company Reporting – 2022' emission factors and Greenhouse Gas Protocol-provided emission factors to calculate our carbon emissions across the globe. Emissions are reported as tCO₂e, and electricity emissions have been reported as 'location-based'. 'Market-based' emissions are also calculated, to review and track the progress towards the decarbonisation of our energy supplies around the globe. For specific details on how we report our GHG emissions please refer to the BSI GHG Emissions Reporting Framework: bsigroup.com/ghgmeasurement

We are constantly seeking to improve the way we collect and analyse our emissions data. In 2022, we again sought limited assurance – provided by KPMG – over selected emissions metrics as described below. The limited assurance report is available at bsigroup.com/ghgreport and we recommend that it is read in full.

Our 2022 data includes Scopes 1 & 2 emissions for all our global operations. These include natural gas, electricity, heat and fuels, where BSI contracts directly with utilities and fuel suppliers. It also includes gases used for testing in our laboratories in the UK and refrigerant gases from our global operations, where BSI has the operational control over the equipment containing refrigerant gases. Finally, Scopes 1 & 2 emissions also include emissions from vehicles owned or leased by BSI around the globe (both Scope 1 for fuels and Scope 2 for electric).

Global Scope 3 emissions in all BSI's operating locations for 2022 include natural gas, electricity, and heat usage where BSI does not have operational control (Scope 3, Category 8), fuel & energy related emissions (Scope 3, Category 3) and business travel emissions from road mileage (employee-owned vehicles), air travel, hotel stays and other travel, including rail and public transport (Scope 3, Category 6).

There haven't been any changes of boundaries compared to 2021. However, a material over-reporting has been identified in 2021 data (as stated below), involving emissions from employee-owned vehicles in the United States. We have considered revisiting our 2021 data for the matters noted above in line with the restatement policy as outlined in our framework document and have decided to restate our 2021 emissions with amended data in Table 1, Table 2 and their footnotes. Whilst data was comparable between 2022 and 2021 (with the exception of the emission source in the country noted above), the amended values provide a more accurate comparison of BSI's travel-related emissions.

Overall, total emissions have increased by 61% from 2021 (as amended) to 2022.

Our Scope 1 and Scope 2 emissions have increased by 25.2% from 2021 to 2022. This increase can be attributed to one main factor: the increase in mileage from vehicles owned/leased by BSI as colleagues travel more after the pandemic.



Global Greenhouse Gas (GHG) Disclosures continued

Our Scope 3 emissions increased by 66.3% from 2021 (as amended) to 2022. Business travel increased in 2022 due to the easing of travel restrictions and an increased need for business travel to client sites.

For 2022, BSI's total tCO₂e intensity ratio per million pounds of global revenue (for Scopes 1, 2 and 3 combined) increased by 40.5%, from 17.3tCO₂e/£m revenue in 2021 (as amended) to 24.3tCO₂e/£m in 2022. The sharp increase in business travel has driven the intensity ratio increase.

Business travel remains our main source of emissions due to the nature of BSI's activities travelling to work with our clients. Please refer to pages 17 and 19 for measures we have taken to reduce emissions associated with travel using hybrid and immersive tools, and to page 41 for measures to reduce emissions potential associated with our travel and office use through EV/hybrid vehicles and our global travel policy.

We have been carbon neutral in our operations since 2020 through the use of offsetting. We intend to retain this status going forward while we navigate our 2030 GHG reduction commitment, allowing us to progressively reduce our reliance on carbon credits each year. Our 2022 emissions have been 100% offset through our offsetting partner. For further information on our offsets and offsetting strategy please refer to page 41.

In 2022, we have set the strategy to achieve our 2030 GHG reduction commitment, enabling us to be net zero in our own operations (Scopes 1 & 2) and to achieve a

science-aligned target for our Scope 3 emissions (reaching a 42% reduction in our Scope 3 emissions by 2030). Both commitments, against 2022 emissions as baseline, represent a significant challenge. Many of our markets were still in lockdown during parts of 2022 and therefore, it is considered that 2022 might again be a low travel year for BSI. However, our hybrid and remote technologies developed during the COVID pandemic and our aggressive net zero strategy give us confidence in being able to achieve this difficult but necessary challenge. Our Carbon Allowance Model, the backbone of our strategy, has commenced its implementation throughout the business. For further information on the deployment of our strategy please refer to page 41.

The following tables show our GHG emissions data for 2022, 2021 and 2020. Please note that due to material changes between the scope of reporting from 2021 onwards, as described in the 2021 Annual Report, the figures for 2022 and 2021 are not directly comparable to the figures for 2020. We report our total emissions tonnage as well as an intensity ratio per million pounds of global revenue to enable year-on-year comparison.

Table 1: Global GHG emissions (tCO₂e)*

	2022	2021	2020
Total Scope 1 emissions	1,021 ^A	689	640
Total Scope 2 location-based emissions	599 ^A	605	391
Total Scope 3 emissions (Categories 3, 6 & 8) ^{***}	14,726 ^A	8,853 ^{**}	6,144
Total	16,346	10,147	7,175

* KPMG has provided independent limited assurance over selected Global GHG emissions metrics (indicated by the symbol "A") for the year ended 31 December 2022 in accordance with International Standard on Assurance Engagements (UK) 3000 Assurance Engagement Other Than Audits or Reviews of Historical Financial Information and the International Standard on Assurance Engagements 3410 Assurance of Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. The limited assurance report is available at bsigroup.com/ghgreport and we recommend that it is read in full.

** In preparing the Scope 3 emissions data for 2022, management further reviewed the 2021 calculation in relation to business travel and identified a calculation error which has resulted in the restatement of 2021 Scope 3 emissions data from 14,333tCO₂e to 8,853tCO₂e. Total GHG emissions in 2021 has therefore reduced to 10,147tCO₂e from 15,627tCO₂e.

*** Please refer to Definitions for Tables 1 & 2 for details on limitations for year 2020



Global Greenhouse Gas (GHG) Disclosures continued

Table 2: Global intensity ratio (tCO₂e/£m revenue)*

	2022	2021	2020
Total Scope 1 emissions	1.5	1.2	1.2
Total Scope 2 location-based emissions	0.9	1.0	0.7
Total Scope 3 emissions (Categories 3, 6 & 8)**	21.9	15.1	11.4
Total	24.3	17.3	13.3

* 2020 intensity has not been restated. Any comparisons of 2021 or 2022 with 2020 cannot be accurately made.

** Please refer to Definitions for Tables 1 & 2 for details on limitations for year 2020

Definitions for Tables 1 & 2:

Total Scope 1 emissions: arise directly from sources that are owned or controlled by BSI, and include natural gas and fuels where BSI contracts directly with utilities and fuel suppliers. It also includes gases used for testing in our laboratories in the UK and refrigerant gases from our global operations where BSI has the operational control over the equipment containing refrigerant gases. Finally, Total Scope 1 emissions also include emissions from fuel and hybrid vehicles owned or leased by BSI around the globe.

Total Scope 2 location-based emissions: arise indirectly from the off-site generation of electricity and heat purchased by BSI or used in BSI owned or leased electric vehicles.

Total Scope 3 emissions:

This comprises:

- **Scope 3, Category 3:** fuel- and energy-related emissions (upstream well-to-tank and transmission- and distribution-related emissions from energy purchased by BSI or used in BSI owned or leased electric vehicles),
- **Scope 3, Category 6:** business travel emissions from road mileage (employee-owned vehicles), air travel, hotel stays and other travel (including rail and public transport) in all BSI's operating locations, and
- **Scope 3, Category 8:** natural gas, electricity and heat usage where BSI does not contract directly with utilities suppliers.

2020 Scope 3 emissions consisted only of the following:

- **Scope 3, Category 6:** emissions from air travel in our six largest operating countries (UK, USA, Japan, India, Australia and China) and from colleague-owned vehicles in all BSI's operating locations, and
- **Scope 3, Category 8:** natural gas and electricity usage where BSI does not contract directly with utilities.

We account for emissions from our significant Scope 3 categories as defined in the GHG protocol where feasible to do so. We are constantly improving our data collection capability to bring our remaining emissions sources within the scope of our reporting.





Global Greenhouse Gas (GHG) Disclosures continued

Streamlined Energy and Carbon Reporting (SECR)

In compliance with SECR requirements for businesses operating in the UK, we report our UK-based carbon emissions and UK-based carbon intensity ratios. This is the third year we have reported our UK emissions in this way.

Table 3: Streamlined Energy and Carbon Reporting (SECR)

	2022		2021		2020*	
	UK GHG emissions (tCO ₂ e)	UK intensity ratio (tCO ₂ e/£m revenue)	UK GHG emissions (tCO ₂ e)	UK intensity ratio (tCO ₂ e/£m revenue)	UK GHG emissions (tCO ₂ e)	UK intensity ratio (tCO ₂ e/£m revenue)
Scope 1	567	2.46	319	1.52	1,216	6.4
Scope 2 location-based	371	1.61	390	1.86	390	2.1
Scope 3	748	3.25	824	3.94	826	4.4
Total	1,686	7.32	1,533	7.32	2,432	12.9
Total energy use (kWh)	8,193,144		7,477,024		7,828,598	

* To ensure accurate year on year comparison of our performance, we have restated our 2020 SECR balances. This is because previously published 2020 data included flight emissions data, which was not required to be disclosed under SECR.

Definitions for Table 3:

Scope 1: Emissions associated with directly purchased fuel including transport fuels, natural gas, LPG & propane.

Scope 2: Emissions associated with directly purchased electricity.

Scope 3: Emissions associated with gas and electricity usage in BSI locations where we do not operationally control the utility and colleague-owned vehicles.

UK energy use (kWh): From on-site combustion, road transport and electricity use.

UK CO₂e intensity ratio (tCO₂e/£m gross UK revenue): total UK GHG emissions (tCO₂e) produced per gross UK revenue in £ million.

Not included: Emissions from air travel and other bottled gases.

Our Scope 1 UK-based emissions have increased in 2022 compared to 2021 due to a significant increase in company owned car mileage.

Our Scope 2 UK emissions have slightly dropped due to a slight reduction in the electricity usage in 2022 compared to 2021. The majority of our UK-based Scope 2 emissions are from our UK laboratories.

Our UK Scope 3 has slightly dropped, mostly driven by the drop in energy consumption in sites where BSI does not control the utility contract.

Energy efficiency actions taken in the year

In 2022, BSI undertook a number of activities to reduce energy usage and emissions. We improved energy efficiency at our offices by installing LED lighting in our site at Hemel Hempstead. The increase in EVs and hybrid cars within our fleet continues to move quickly with c. 40% of the UK fleet now EV or Hybrid. At the end of December 2022, 99% of the vehicles in the order bank were EV or Hybrid, which will translate in a further increase in the EV and Hybrid proportion within our fleet in 2023.



Climate change risk management

Climate change risk management

Environmental, Social and Governance is recognized as one of our principal risks (see Principal risks and uncertainties on p52), and climate change risk is an integral part. We recognize that climate change represents a risk to both our operating effectiveness and our commercial viability.

Climate-related risks and opportunities are identified through a multi-disciplinary company-wide risk management process that assesses all organizational activities that could give rise to a potential substantive financial or strategic impact. The Group Leadership Team take overall responsibility for establishing systems of internal control and for reviewing and evaluating their effectiveness. The Board has overall responsibility for the Company's system of risk management and internal controls, and the Board regularly reviews the Company's principal risks and its internal controls.

Our climate risk analysis has identified both physical and transitional risks to our operations, along with potential climate-related opportunities as we transition towards a low-carbon economy. These arise from the tangible effects of climate change on our operations, infrastructure and workforce. We have also identified potential opportunities for BSI related to the transition to a low-carbon economy across five categories: Resource Efficiency, Energy Source, Products/Services, Markets, and Resilience.

Climate-related risks and mitigations that we identify are managed in the same way as other risks through our integrated risk management framework, and by specific business owners within separate functions and divisions. Quarterly risk reviews with the function and division leadership teams are used to assess the effectiveness of their risk mitigation activities.

BSI supports the principles of the Task Force on Climate-related Financial Disclosures (TCFD) and we are preparing for full mandatory disclosure.

Supporting the goals of the Paris climate agreement, TCFD was created by the Financial Stability Board to provide a framework for companies and other organizations to improve the reporting of climate-related risks and opportunities.

For more information on BSI's alignment to TCFD recommended disclosures so far:

- ◆ Governance: See pages 81 and 82
- ◆ Strategy: See page 40 to 43
- ◆ Risk management: See pages 48 to 51
- ◆ Metrics and targets: See pages 44 to 47



Climate change risk management continued

Physical risks

Physical risks from climate change can be classified as acute risks, which are event-driven, or chronic risks, which account for longer-term consequences. BSI's risk management team used a variety of relevant and credible resources to assess the actual and potential physical risks that could impact BSI's global facilities and operations.

Climate variables	Potential impact	Financial implication
Access to BSI facilities	BSI sites may be vulnerable to interruption from extreme weather events. If any disaster were to occur, our ability to access BSI facilities could be impaired.	Operations may be disrupted or impaired, resulting in a loss of revenue.
Travel to client sites	BSI worldwide operations are vulnerable to interruption by extreme weather or climate-related events. If any disaster were to occur and prevent travel to client sites, our ability to service those clients could be impaired.	Delivery of services to clients may be impaired, resulting in a loss of revenue.
Colleague health and welfare	As a global business, our workforce is at risk of extreme weather and climate-related events. Any impact on the health and safety of our workforce could impair our ability to service our clients.	Reduced revenues and higher costs from negative impacts on the workforce.

Physical risks in our operations are managed using our internal controls and risk management policies such as Business Continuity Plans, remote working technologies, safe systems of work, global communications systems and colleague training.



Climate change risk management continued

Transitional risks

Companies and investors may be exposed to risks that arise from the transition to a low-carbon economy, these risks are called “transitional risks”. The transition will entail changes to policies, legal requirements, technological changes, shift in market behaviours and preferences, and reputational considerations. Based on the pace, nature, and focus of these changes, transition risks represent varying levels of financial and reputational risk to organizations. Climate change risks have emerged across all sectors and will likely impact BSI’s operations and services that we provide directly to our operations or indirectly to our clients and the markets we serve. Moreover, impactful climate events have influenced and are likely to continue to influence financial performance and brand.

Climate variables	Climate-related issue	Potential impact	Financial implication
Policy and Legal	Enhanced emission reporting obligations/exposure to litigation	Changes to government policy or relationships, in any of the jurisdictions in which we operate, could affect our ability to deliver our objectives, shape standards, or provide services to clients.	BSI could face legal action if we do not meet EU, USA, and other climate-related regulations resulting in loss of revenue due to potential fines.
Market	Change in revenue mix and sources, resulting in decreased revenues	Many of BSI’s clients work in sectors that could be negatively impacted by regulatory, market, or technological changes if they are unable to transition to a low-carbon economy. This impact could cause them to face financial losses and terminate or reduce services from BSI.	Reduction in diverse clientele could result in decreased revenue streams.
Reputation	Increased stakeholder concern or negative stakeholder feedback	Failure to meet stakeholder expectations on increasing environmental and/or social governance obligations could lead to reputational or commercial risk for the Group. This includes risks arising from increasing client expectations and social attitudes towards the environmental impact of our standards which may impact our ability to market them.	Impact on BSI’s reputation could result in loss of revenue from clients.

Transitional risks are managed by our framework of functional and divisional leadership teams as part of their emerging risk reviews and may include engagement with clients to understand their current and future needs, and innovation of new services and delivery models. Significant new product development and projects are reviewed by the Group Leadership Team for alignment with Group strategy.



Climate change risk management continued

Opportunities

Based on our analysis, we have identified potential climate-related opportunities for BSI as it transitions towards a low-carbon economy.

Opportunity	Description of climate-related issue	Opportunity rating	Potential impact	Financial implication
Resource Efficiency	Use technologies such as hybrid audits and immersive auditing	High	Use of these technologies will help us reduce our GHG emissions related to business travel.	Operational costs are lowered, helps achieve cost savings, and reduces our exposure to fossil fuel prices.
Energy Source	Use of low emission sources of energy	Medium	Incorporates efficiencies in our energy consumption and helps us reduce our GHG emissions.	Reduces our operational costs and reduces exposure to fossil fuel prices.
Products and Services	Development of new products to provide sustainability and climate change-related services and solutions	High	For our clients, climate risks and impacts are key driving factors behind purchases. With the increase in regulatory requirements and market demand, BSI has seen an increase in demand for its sustainability products and services as more consumers are actively looking to procure these services to address their business needs.	Increase in revenue through demand for sustainability services and innovative solutions to address climate risks. Provides a better competitive position to reflect changing consumer demands, resulting in increased revenues.
Markets	Access to new markets	High	Market demand driven by regulatory requirements provides an opportunity for BSI to venture into new and emerging markets and sectors, and drives innovation to create new products and services that address market needs.	Market demand driven by regulatory requirements provides an opportunity to increase revenue through access to new and emerging markets and sectors.
Resilience	Building resilience through diversification across sectors and geographies	High	BSI's clients work in sectors that could be negatively impacted by regulatory, market, or technological changes, which could cause them financial losses and terminate or reduce services with BSI. Diversification across sectors and geographies helps build resilience against these impacts and provides a level of mitigation against the potential impact of economic downturns.	New business opportunities through wider market. Increase in revenue through new products and services supporting clients' resiliency.

Any climate-related opportunities are assessed by our functional and divisional leadership teams, and business plans developed accordingly.



Principal risks and uncertainties

Risk management

The Board of BSI understands that effective risk management is an integral part of business operations.

The identification, evaluation and mitigation of risk are integrated into key business processes from strategic planning to day-to-day performance management. We have a continual and dynamic process for identifying, evaluating and managing the risks in the business, based on ISO 31000 (Risk Management). Risks identified are maintained within risk registers for all business divisions, functions, and countries.

Our management is accountable for managing risks within their area of responsibility and for sharing information relating to these risks with their colleagues, to ensure there is a coordinated response to risks identified across BSI. The Group Risk function facilitates regular risk reviews that are undertaken by the divisional and functional leadership teams.

The Board understands that it is responsible for the risk management system and for reviewing its effectiveness on an ongoing basis, and considers the risk management system to be effective.

What we did in 2022

An updated risk governance structure, including the establishment of a Group Risk Committee chaired by the Chief Executive, was introduced in 2022 and is now fully embedded. In line with the Group's focus on digitization, an automated Enterprise Risk Management (ERM) tool has been implemented, allowing greater visibility of risks. The implementation was supported by a programme of risk workshops and training. A network of risk champions has been formed to strengthen the coordination and sharing of risk management practices across our divisions and functions.

What we will do in 2023

Areas of focus in 2023 will include enhancement of our suite of key risk indicators to complement ongoing risk reviews. In line with best practice, we will undertake a detailed assurance mapping exercise. Risk registers will be kept under review throughout the year and our Principal Risks will continue to be reviewed in depth at each Group Risk Committee meeting.

Insurance

BSI maintains a global insurance programme covering all major insurable risks to the Group's business assets and operations worldwide. Potential liabilities are regularly assessed and quantified to ensure levels of cover are optimized in accordance with risk tolerance and appetite.

Changes to principal risks during 2022

Principal Risks are kept under review by the Board, which is responsible for setting risk appetite. As part of its review, the Board also considers whether these risks are being managed within appetite. As part of our risk governance, the Board undertook a robust assessment of the current risks facing BSI, and these are identified in the Principal Risk Register below along with any changes over the last twelve months.

We have renamed "National Standards Body (NSB)/Royal Charter status" as "NSB appointment", and "Financial and fiscal compliance" as "Fraud and unauthorized transactions" to better reflect the nature of those risks. We have repositioned wellbeing from "Health and Safety" to "Talent and wellbeing" to reflect the interconnectedness with recruitment and retention of colleagues. We have separated "Reputation" from "Brand" to recognize the difference in definition, profile and mitigation strategy for those risks. We consider "Pandemic" risk to have decreased sufficiently to no longer be considered a Principal Risk now that the impact on business disruption has sufficiently declined.



Principal risks and uncertainties continued

- ↑ Increased
- ↔ No change
- ↓ Decreased

Type of risk	2022 update	Mitigating actions
<p>1. Government policy</p> <p>Changes to government policy or relationships, in any of the jurisdictions in which we operate, could affect our ability to deliver our objectives, shape standards or provide services to clients.</p>	↔	<p>We engage with the UK and other governments to ensure that our voice is heard during policy debates. Relationships are built with our stakeholders and standards bodies, so that they are aware of, and value, our contribution.</p>
<p>2. NSB appointment</p> <p>BSI is appointed by the UK Government as the National Standards Body (NSB). This status is formally codified in a Memorandum of Understanding (MoU) between the Government and BSI.</p> <p>Our NSB appointment is central to our purpose. Failure to comply with the requirements set out in the Memorandum of Understanding could put this at risk.</p>	↔	<p>BSI maintains close relations with the UK Government to ensure we have a common understanding of our responsibilities as the NSB.</p> <p>A regulatory framework is in place across BSI to ensure we comply with the requirements of the MoU. We review our performance as the NSB through discussions at the Board and Executive Committees including the Standards Policy and Strategy Committee (SPSC), which is an advisory committee to the Board comprising independent members representing industry, government and civil society.</p>
<p>3. Accreditation compliance</p> <p>A large percentage of global business is dependent on BSI maintaining accreditation or recognition with various accreditation bodies, recognition bodies and scheme owners. Loss of such accreditation or recognition may damage BSI's reputation, have serious business impact to such business and potentially trigger contractual claims.</p>	↔	<p>Continual dialogue is maintained with all of BSI's accreditation bodies, recognition bodies and scheme owners. BSI has a strict regulatory compliance framework, with dedicated officers to manage BSI's compliance, with various methods of reporting leading to that team, supported by continued training to all connected personnel, as well as having dedicated legal support qualified in the subject matter of this business. BSI monitors its compliance through audit, a whistleblowing hotline, a complaints procedure and contractual provision with third parties.</p>
<p>4. Designation compliance</p> <p>The conduct of BSI's regulated businesses relies on statutory authority and accreditation in the relevant jurisdiction in which the group company conducting such business is incorporated. Statutory authority is specific only to the relevant group company and cannot be assigned. Loss of statutory authority would cause BSI to cease all associated trade. This would damage BSI's reputation and cause BSI to suffer contractual claims as well as the possibility of exposure to tortious liability.</p>	↔	<p>BSI maintains strong relations with the authorising authority relevant to each group company concerned. BSI has a strict regulatory compliance framework, with dedicated officers to manage BSI's compliance, with various methods of reporting leading to that team, supported by continued training to all connected personnel, as well as having dedicated legal support qualified in the subject matter of this business. BSI remains in close dialogue with clients within this business, particularly those with their own regulatory departments. BSI is a subject matter expert in the regulations governing this business and leads various trade associations that include its competitors, proposing interpretation and clarification of governing regulations.</p>








Principal risks and uncertainties continued

Type of risk	2022 update	Mitigating actions
<p>5. Fraud and unauthorized transactions</p> <p>Failure in financial controls either on their own or via a fraud could result in financial loss and/or misstated financial reporting</p>	↔	<p>A Group-wide financial controls framework is in place and supported by strong reporting lines and levels of delegated authority.</p> <p>Regular assessments of financial controls are undertaken to ensure they remain fit for purpose and aligned to the organizational structure. We have an internal audit team that performs risk-based audits, supported by an annual external audit of our financial results by PricewaterhouseCoopers.</p> <p>Our anonymous whistleblowing hotline reporting allows colleagues and third parties to Speak Up and report their concerns to the highest level of management.</p>
<p>6. Litigation</p> <p>Any breach of, or change to, legislation in a jurisdiction in which we trade could result in legal action against us. We could be held directly or indirectly liable for third party claims arising at client sites or businesses.</p>	↔	<p>Our Legal team operates globally and maintains relationships with external law firms to ensure we are aware of forthcoming changes to legislation. Key colleagues receive relevant training and compliance policies and procedures are in place.</p>
<p>7. Change management</p> <p>The Group's ability to deliver change initiatives on time and within budget is key to enabling our strategic ambitions. Failure to execute such programmes effectively and efficiently could result in significantly increased costs and impede our ability to deliver change sustainably.</p> <p>The pace of change may expose BSI to execution risk as multiple initiatives are delivered across processes and systems that serve our operations and clients. The impact on our people of the wide-ranging change agenda could lead to engagement challenges with the potential to negatively impact benefits realisation.</p>	↑	<p>Governance and change management processes are in place to ensure the successful implementation of new initiatives. This includes the establishment of a Change Board responsible for portfolio-level decision making and prioritising efforts that underpin the Strategic Plan.</p> <p>Our approach to change management actively engages and empowers colleagues to shape the change experience. This engagement enables teams to define the desired experience for the changes being implemented and ensures business capacity for the absorption of change.</p> <p>Delivery progress is monitored at an enterprise level to ensure we implement changes carefully and pragmatically, so as not to impact service delivery to clients.</p>





Principal risks and uncertainties continued

-  Increased
-  No change
-  Decreased

Type of risk	2022 update	Mitigating actions
<p>8. Talent and wellbeing</p> <p>An inability to develop, recruit or retain the right skills and diverse workforce in the Group could mean that business performance may suffer, or opportunities are not exploited.</p> <p>The mental and emotional wellbeing of our workforce is of continued focus. Failure to give colleague wellbeing due consideration could result in increased absence, reduced productivity and lowered employee engagement.</p>		<p>To help prevent overall colleague turnover, we continue to focus on improving communication with colleagues, investing in colleague development, diversity and inclusion through our Human Connections series and affinity groups, and providing market competitive pay and benefits.</p> <p>As part of our Listening Strategy, we continue to undertake group-wide engagement and pulse surveys. Based on colleague feedback, actions are formulated to address key engagement opportunities and improve colleague engagement.</p> <p>Succession planning is in place across senior and critical roles across the organization. Attracting and retaining talent requires appropriate reward interventions in line with business performance and market circumstances. In response to recent unprecedented global inflationary pressures, we implemented a range of pay and broader reward and financial wellbeing interventions to support our people.</p> <p>We recognize flexibility as a core dimension of workplace wellbeing. We have developed a flexible framework to help all teams across BSI develop their ways of working with a focus on wellbeing and work-life balance. Ergonomic risk assessments and training have been extended to incorporate flexible working.</p>
<p>9. Reputation</p> <p>Risk could arise from the actions of a Group entity, colleague or a third party with whom we do business. Failure to uphold our high standards of conduct could adversely impact our reputation and ability to deliver our vision.</p>		<p>Our Group policies, procedures and Code of Business Ethics set out the detailed values and behaviours that enable us to make the right decisions for our clients, colleagues, suppliers and other stakeholders. This is supported by a whistleblowing hotline, and the taking of robust action where necessary to protect our reputation.</p>



Principal risks and uncertainties continued

Type of risk	2022 update	Mitigating actions
<p>10. Brand</p> <p>Our brand ensures we are recognized as exemplars of trust, integrity, and resilience in an increasingly digital and sustainable world. As technology and consumer behaviours continue to evolve, the power of our brand allows us to deliver mission critical solutions that result in trusted, more resilient organizations while demonstrating that we are also a trusted and resilient partner for our clients.</p> <p>It is important that we maintain the relevance of our brand and service offering to create greater trust between our clients, consumers, companies, and governments while providing assurance, fostering progress and accelerating innovation to make the world a better place.</p>		<p>Through continued investment in our brand, and our focus on strategic themes like sustainability, Digital Trust, innovation, and partnerships with stakeholders, we continue to develop our position as trusted thought leaders.</p> <p>Our Innovation Labs provide us with unique opportunities to collaborate with clients and partners and identify and explore new ideas with them. We continue to expand our innovation capability with the opening of a new Innovation Lab to add to the existing three.</p> <p>Our Voice of the Client programme ensures we remain focused on client perceptions and are able to capitalize on opportunities to serve our clients better.</p>
<p>11. Information security</p> <p>BSI is dependent on IT systems for day-to-day operations. Failure to protect against cyber breaches or other security incidents, whether from state-sponsored, criminal or other sources, could result in disruption or suspension of IT services, impacting our trading operations and loss of data.</p> <p>Failure to protect against inadvertent loss of our, or our client or other stakeholder's information or personal data could result in BSI receiving fines, a loss of client confidence and/or adversely affect our or our stakeholders' reputation.</p>		<p>We continue to invest in our cybersecurity programme which includes mitigation and risk reduction activities across people, process, and technology.</p> <p>Our Information Security team capabilities are complimented by access to third party cybersecurity expertise. This includes a Global Security Operations Centre (SOC) that provides 24x7x365 monitoring, detection, alerting and response.</p> <p>BSI is globally certified to ISO 27001 Information Security. Regular vulnerability and penetration testing is conducted for all external facing and business critical group services, applications, and websites. IT disaster recovery and back-up plans are in place and tested regularly.</p> <p>Other measures include enhanced endpoint protection, encryption of data, network firewalls, web, and email content protection. Multi-factor authentication for remote access and cloud-based services is in place and cybersecurity awareness training is undertaken by all colleagues.</p>




Principal risks and uncertainties continued

- Increased
- No change
- Decreased

Type of risk	2022 update	Mitigating actions
<p>12. Health and safety</p> <p>The health and safety of our colleagues is of the highest priority for the Group. Failure to meet safety standards in the workplace could result in injury or death and lead to adverse financial, legal or reputational consequences.</p>		<p>We have a Health and Safety Management System and are certified globally to ISO 45001. As part of the management system, we have in place a comprehensive hazard identification and risk assessment process covering activities across the business. This is supported by a comprehensive suite of health and safety guidance and training that is available to all our colleagues.</p>
<p>13. Environmental, Social and Governance (ESG)</p> <p>ESG issues are becoming increasingly fundamental for all companies. Failure to meet stakeholder expectations on increasing environmental and/or social governance obligations could lead to reputational or commercial risk for the Group.</p> <p>This includes risks arising from increasing client expectations and social attitudes towards the environmental effect of our standards which may affect our ability to market them. Increasing stakeholder and client demand to reduce and report out BSI's global emissions is another important market-related transitional risk.</p> <p>Additionally, efforts in this area may impact our ability to attract and retain talent, given increasing colleague focus on sustainability-related topics.</p>		<p>Sustainability is one of BSI's top strategic priorities. We have a Sustainability Strategy that is underpinned by an implementation plan. 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.</p> <p>As the UK National Standards Body, BSI is at the core of several initiatives centred around climate action. The London Declaration, which BSI signed with ISO, will help ensure climate science is fully considered in all new and existing international standards.</p> <p>We are globally certified to ISO 14001 Environmental Management System and as such are subject to both internal and external audits. We are carbon neutral and have a target to be net zero in our own operations by 2030. Our reporting on global emissions is subject to limited assurance procedures by a third party.</p> <p>The Board is committed to the highest standards of corporate governance. BSI applies the principles of the Financial Reporting Council (FRC) UK Corporate Governance Code where applicable and has established internal governance procedures that reflect best practice.</p>



Principal risks and uncertainties continued

Type of risk	2022 update	Mitigating actions
<p>14. Macroeconomic uncertainty</p> <p>As a global business, changes to global economic conditions have the potential to impact us and how we service our clients. Failure to anticipate or adapt to global events and macroeconomic uncertainty may impact our financial performance. This may arise in the form of inflationary pressures, exchange rate variations or geopolitical instability.</p>	<p style="text-align: center;"></p>	<p>The breadth of BSI's service offering, innovation capabilities and its diversification across sectors and geographies provides resilience against the potential impact of economic downturns.</p> <p>The economic environment is monitored as part of our financial planning cycle. This includes regular cost and pricing reviews to manage inflationary pressures across our footprint. Throughout the year the Board also considers specific macroeconomic and geopolitical events and any potential impact to BSI.</p> <p>Treasury activities are conducted in accordance with policies approved by the Board. This includes active management of financial risk arising from the international nature of our business, particularly in terms of interest rates and foreign exchange.</p>