

ANNUAL REPORT & ACCOUNTS 2016



President's foreword

2016 was a year that the business community won't forget. The historic vote by the British people to leave the EU will change the UK economy for generations to come.

Both before and after the referendum, the CBI was front and centre putting across the business view to help inform this debate. In these challenging times we have put the voice of business at the heart of key decisions – establishing good relationships with the new government and feeding into its programme at every opportunity.

On the domestic front, we saw important progress towards renewing our national infrastructure with big decisions on Hinkley Point and Heathrow. And the government has also shown willingness to bring in changes that respect the strength of the UK's corporate governance framework.

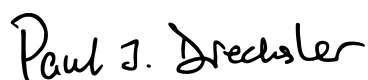
Our Annual Conference in 2016 focussed on innovation, where we saw both the Prime Minister and the Leader of the Opposition set out their visions for the future. Theresa May announced a welcome boost to research funding, while Jeremy Corbyn set out his new Contract for Business. We were pleased to once again welcome member companies of all sizes and from across the entire UK to the stage, showcasing the best of British business. A fantastic day, and thank you to all those members who helped make it a success.

Front and centre this year will be our future relationship with the EU, we will keep speaking out on the issues that matter to business, from access to EU markets and talent, to the importance of avoiding damaging cliff edges. We stand ready to support the negotiations to get the best possible deal for the UK by ensuring that the economic case is heard loud and clear.

Business welcomes the Prime Minister's ambition to create a more prosperous, open and global Britain, with the freest possible trade between the UK and the EU. Now we need to seize the opportunity. And from President Trump taking power in the US to new opportunities in China, India and beyond, our international offices will keep providing the latest intelligence, helping our members navigate a changing world.

I would like to express my appreciation for the hard work and contributions by all the team at the CBI during the past year. A big thank you to members of the CBI Board, where we were pleased to welcome David Gavaghan and Vindi Banga as new additions. Thanks also to the President's and Chairs' Committee for their challenge, support, advice and guidance. Finally a thank you to our members whose engagement is so vital to the success and impact of the CBI.

As we look forward to 2017 and the new opportunities and challenges it will bring, I know Carolyn Fairbairn and the fantastic team will continue to take the CBI from strength to strength.



Paul Drechsler
CBI President

Director-general's foreword

My first full year as Director-General of the CBI has been marked by turbulence and uncertainty on the UK and global political stage, something that has provided challenge and opportunity for the CBI in equal measure.

In 2016 we also put in place a new CBI management structure which is overseeing a strategic transformation programme – something which is already starting to bear fruit. So despite the momentous changes we have seen externally and implemented closer to home, I believe the CBI is in an excellent position for the challenges of 2017.

Four themes are governing this positive transformation: putting our members first in everything we do; sharpening the CBI's focus and impact on key decisions; growing the CBI's revenues; and all supported by great teams within the CBI and across our membership. These important changes will ensure the CBI is fit to face the future and support our members in new and innovative ways.

The first two of these themes were tested to extreme after the referendum result of 23rd June 2016. What followed is an example of what I believe the CBI does best. Within hours of the result the CBI was speaking to members and, within a matter of days, more than 500 members had given their views on the short and long term implications of the vote. This put us in an exceptionally strong position to engage with the new government quickly and with unrivalled insight. In the months since, our teams have continued to consult and listen to members, engage with government and bring together the voice of business from across the spectrum of size and sector. As a result I believe our impact has never been greater.

Critical to this effort has been the strength of the CBI leadership team, where we made some exceptional additions during the year. In early 2016 we welcomed Josh Hardie as Deputy Director-General, Policy, and Henrietta Jowitt as Deputy Director-General, Commercial. Josh and Henrietta have worked hard to design and implement transformation in both of their areas to great effect. And, towards the end of 2016 we welcomed Charles Naylor as Corporate Communications Director. They have joined an already strong line-up, with our policy heads bringing great expertise and our membership teams strong relationships with businesses right across the country. So we closed 2016 with a new senior management team ready and able to face the new challenges that 2017 might throw at us.

We also saw a refresh of our Regional Councils and Standing Committees through a number of new Chairs in 2016. Our committees and councils are the lifeblood of the CBI and drive our key policy decisions, so I am delighted to welcome Andrew Livingston, Vivian Hunt, Alison McGregor, Sara Fowler, Michael Plaut, Marnie Millard, David Gavaghan, Jacqui Ferguson, Richard Howson, Scott Egan and Janine Juggins to their roles as chairs of CBI policy Standing Committees and Regional Councils in 2016. They join an already exceptional network that spans the UK, including firms of all sizes and sectors. The breadth of our membership is something I am immensely proud of, allowing us to speak with impact and authority on behalf of the whole business community.

Turning finally to finances, membership subscription income in 2016 was similar to that of last year – total income was just under £24 million, with expenditure slightly above £23 million. This left a positive operating result of £0.8 million after the costs of implementing the strategic review, largely driven by expenditure savings. As noted already, this strategic

review is already bearing fruit. In cash terms, our cash balance of £7.4 million in 2016 is £1.6 million higher than the previous year – a direct result of the improved cash collection of 2017 membership subscriptions. This gives us great momentum heading into 2017, with the capability to grow revenues through a strong value proposition, underpinned by a robust financial position.

Looking ahead the CBI will continue to convene, campaign and problem-solve, offering more services, political insight and ground-breaking research to help businesses plot a course to a more prosperous society. We will continue our commercial focus that puts our members, front and centre of our operations.

I believe that 2017 will be a year of challenges – abroad as the UK seeks to build relationships with new trading partners, and at home with renewed constitutional challenges in Scotland – but 2017 could also bring tremendous opportunities for British business, and with your help, we can create the conditions needed for the UK to thrive. Thank you for everything you do and for all your support. I am very much looking forward to working with all our members for a prosperous and successful 2017.



Carolyn Fairbairn
Director-general

About the CBI

Our mission and purpose

We help business create a more prosperous society.

CBI speaks for business across all sectors and regions

The CBI is a confederation of 148 trade associations, alongside larger and medium-sized and smaller businesses who tend to join the CBI directly.

Across the UK, the CBI speaks on behalf of 190,000 businesses of all sizes and sectors which together employ nearly 7 million people, about one third of the private sector-employed workforce.

We provide a voice for business people and their businesses on a national and international level. We speak for companies of every size, including many in the FTSE 100 and FTSE 350, mid-caps, SMEs, micro businesses, private and family owned businesses, start-ups, and trade associations.

The CBI has significant engagement with government, helping to inform and influence policy, and in turn your business

This engagement means we're ideally placed to help our members in a number of ways:

Influence: We work tirelessly on behalf of our members to build established relationships with the government and key stakeholders to ensure that the voice of business is heard as key decisions shaping the UK business and economic landscape are made.

Insight: Our strong relationships with ministers and policymakers provide us with insights that are communicated to members through personal relationships, reports, briefings, emails and web updates to help shape business planning and decision-making.

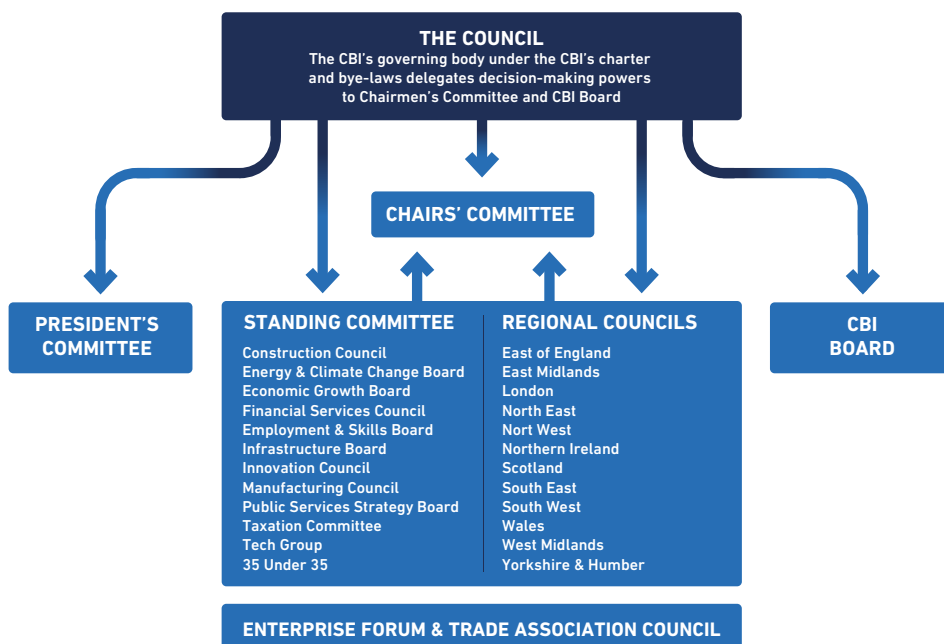
Access: Our extraordinary network provides members with invaluable access to people in business and government. Local and national events provide members with opportunities to learn and share best practices for dealing with key issues, and gain connections with potential customers, suppliers and partners..

How we work?

The CBI is a not-for-profit membership organisation, founded on 30 July 1965 when the British Employers' Confederation, the Federation of British Industries and the National Association of British Manufacturers joined together to form the Confederation of British Industry. Our Royal Charter sets out the principles for how we govern ourselves from day-to-day.

Our mandate comes from our members

The CBI receives its mandate from our 9 Regional Councils, 3 National Councils from Scotland, Wales and Northern Ireland plus 10 subject based policy standing committees, an Enterprise Forum which represents small and medium-sized enterprises and a Trade Association Council, which represents our trade association members.



Each quarter this engagement process reaches over 900 committee and council representatives across over 600 member organisations who have a direct say in what we do and how we do it, from refreshing our work plan to discussing the key business issues of the day and re-calibrating our influence.

Each of our national and regional council members are elected to a term of office by the rest of the CBI's regional membership base. Our standing committee members are invited to join based on their sector experience and technical expertise.

In 2016 we established two new Standing Committees to help modernise and diversify who we speak for. The '35 under 35' committee was approved by the Chairs' Committee in July 2016 and was created to ensure that a broader range of current and future business leaders were included in our consultation process helping to future proof CBI's proposals and their impact. The committee is made up of 35 'rising stars' under the age of 35 from our members.

In January 2016 the Chairs' Committee approved the creation of 'Tech Group'. This was established to reflect our efforts in ensuring that the CBI speaks for all parts of the business community and supports our desire to increase the CBI's representation of the digital and tech sectors.

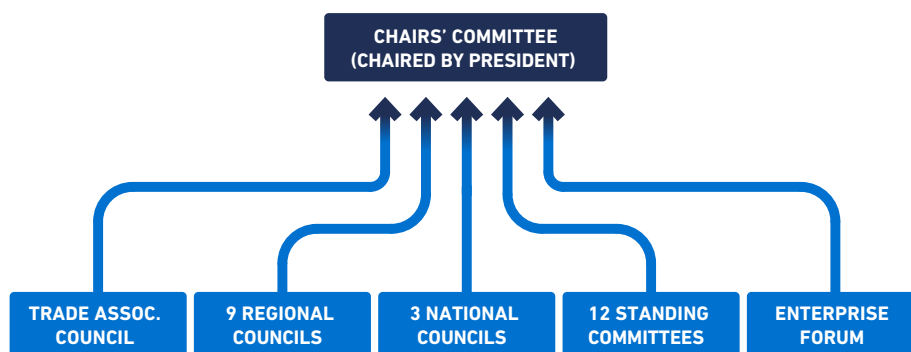
The CBI Council is the formal governing body for the CBI

As established in our Royal Charter, the Council comprises all the members of the CBI's regional and national councils, the Enterprise Forum, the Trade Association Council, the President's Committee, and past CBI Presidents. To reflect modern boardroom practices and decision-making:

- Decisions on policy matters have been delegated by the CBI Council to the Chairs' Committee;
- The Council's authority on operational and financial issues has been delegated to the CBI Board;
- The CBI President invites and convenes the President's Committee, which acts as an advisory forum for the CBI President and the senior team at the CBI on key issues of the day.

The CBI Chairs' Committee is responsible for setting the CBI's policy priorities

Final policy positions are mandated by our Chairs' Committee, which has a seat for all of the chairs of our Regional and National Councils and subject-based policy Standing Committees, Enterprise Forum and Trade Association Council. The Chairs' Committee meets 4 times a year following each Standing Committee and Regional Council round.



The CBI Board is responsible for decision making on operational activities

The CBI's strategic and financial decisions are determined by the CBI Board, which is chaired by the CBI President and includes the support and guidance of 5 other non-executives. The Board is assisted by an Audit Committee, chaired and guided by 3 of the 5 non-executives that sit on the Board. In line with corporate governance best practice, the non-executive members of the Board provide independent knowledge, judgement and expertise and constructively challenge the executive members of the board.

Day to day management of the CBI is in the hands of the Director-General supported by the CBI Executive Committee which acts as the senior team at the CBI.

The President's Committee acts as an advisory body to the CBI President

The President's Committee is one of the CBI's most senior steering groups, comprising a diverse mix of CEOs and Chairs from the UK's leading companies. Its purpose is to advise the CBI President and executive team on significant economic and policy issues. This group includes up to 80 of the CBI's leading members as well as the chairs of our Enterprise Forum and Trade Association Council.

CBI Annual General Meeting

Every year our members are invited to attend our Annual General Meeting. The Annual General Meeting is used to elect, or re-elect CBI Board members and the CBI President, elect the CBI Auditors annually and vote on a variety of resolutions.

Why do members join the CBI?

An improved membership offer in 2016

In 2016 the CBI made good progress identifying new and improved ways to serve our membership. We have significantly increased the range of products we offer, such as producing more webinars and podcasts, to make sure that members have access to the latest intelligence and briefings on key issues in a flexible and inclusive way.

The CBI also had success launching a range of workshops for people within member companies who are faced with the challenge of implementing government policies. A particular highlight were the workshops we delivered across the country to explain the impact of the Apprenticeships Levy to member businesses.

With a diverse, vibrant membership and business leaders steering our agenda, the CBI is able to provide a wide range of opportunities for B2B engagement. We have continued to invest in the CBI Leadership Programme, which offers future business leaders the opportunity to develop the skills to understand and influence their external environment. Our recently launched 35 Under 35 programme also supports our members to develop emerging management talent.

In 2016 we have continued to develop the range of networks we run for member specialists in finance, human resources and public affairs. These groups bring together professionals from across our membership to discuss the latest issues in the political, business and economic landscape and exchange solutions and best practice.

Furthermore, we have also re-focused the CBI's internal resource to better service members in key sectors such as manufacturing, financial services and construction. A new Product, Services and Marketing team has also been created to work alongside the existing Commercial Development team who specialise in managing the CBI's corporate events and sponsorships. The aim of this new structure will be to continue to develop exciting new member products. This new approach, combined with a specific focus on our different audiences will open up more opportunities for valued member engagement over the coming year.

The CBI - your partner in ambition

Our purpose is to help ambitious businesses of all sizes create a more prosperous society. We work hard to create a healthy, thriving business environment that provides the conditions for success for our members. By providing a voice at a regional, national and international level to policymakers, we speak on behalf of 190,000 businesses across the UK.

We help members influence the big topics beyond the control of any individual business, topics that shape the UK business and economic landscape. We have unique access to policy makers which allows us to provide the insight for business leaders to plan for success – and crucially, provide access to the networks that help you get there.

The CBI is the only membership organisation designed for all businesses. Regardless of the size, location or sector of your business, membership can help you succeed.

What we do for our members

Our members have a powerful voice to government, receive invaluable information and access to a strong network of ambitious businesses ranging from start-ups, established local companies to prestigious multi-nationals.

Combined with policy expertise and regional, national and international reach, it's the seniority of our cross-sector network that makes us different, with senior policymakers and government ministers actively seeking our input when legislative or policy decisions are being made.

What our members say

Jonathan Duck, CEO - Amtico International

"We've had a number of face to face meetings with politicians and European prime ministers. Without CBI membership, we wouldn't have had the opportunity to get our views across."

Peter Wall, Chairman - Tails

"Being a member of the CBI has given me the opportunity to represent my company and small businesses as a whole. I've sat in HMRC meetings, been to Number 10, met the Prime Minister and other Ministers, as well as worked with a number of CBI Director Generals."

Ashley Pigott, Founder and managing director - AJ Power

"Aside from the access to ministers and political insider information, another key benefit of CBI membership is the opportunity to network with other likeminded industrial contacts and hear different business opinions."

Chris Emes, Managing director - Mechaterm

"We joined the CBI because of the work they are doing to champion small and medium sized enterprises on issues such as access to improved banking facilities for SMEs. We've also attended their M-Club events for medium-sized companies."

John Dickson, Chairman - Owen Pugh Holding Ltd

"Since joining the CBI I've been invited to sit on the CBI's Construction Council, which not only enables me to explain to decision makers the impact of prompt payment on my sector, but also puts me in a room with my customers' CEOs."

Mark Thompson, Managing partner - Ryder Architecture

"The general network has been really important - it's been easier to open doors through contacts from the CBI than it otherwise would have been."

How members can benefit from CBI membership

From start-ups to established multinational companies and medium-sized family run or privately owned firms – CBI represents businesses of all sizes across every sector and region within the UK. CBI members use their membership in different ways depending on what they are looking to achieve from the partnership.

Members have the flexibility to opt for a combination of: access to government, influence over policy, good practice sharing, and B2B networking opportunities to grow their business, and insight & intelligence to help their business planning.

CASE STUDY - Minerals and mining multinational company

"We have been members of the CBI for many years and see a number of benefits, including support and nurturing of our sector and region, the chance to be a part of a coordinated lobbying effort and the opportunity to build a network of influential business executives."

CASE STUDY - Recruitment industry trade body

"The CBI acts first and foremost as a crucial source of information, providing insight which we can then share with our members. CBI membership is a two-way process: through the Trade Association Council we can feed the views of our industry into any CBI campaign, enabling the CBI to influence areas that really matter to us and our members."

CASE STUDY - Sustainability consultancy

"A significant driver for us in joining the CBI is the strength of its representation within SMEs as well the wider business community. Our objective is to bring the benefits of sustainability to all businesses and the CBI gives the chance to raise our profile in this community. The CBI has a great structure and is forward thinking in its lobbying; it has a high public profile and champions important issues, as well as recognising the different areas that impact businesses of all sizes. The strength of the CBI network means we're able to link together with different sectors across all regions."

CASE STUDY - International electricity and gas company

"CBI policy teams have a great depth of knowledge and through their events we have the opportunity to debate the CBI take on the policy landscape. We also host events, increasing our profile around an issue and giving the chance to hear from external speakers. The CBI listens to its members, is aware of how it presents itself to the government and is insightful about issues affecting business."

What do we want to achieve?

2016 saw the UK take a momentous decision about its relationship with the rest of the world. The vital decisions we take in 2017 will be arguably even more important as we define how we should reset this relationship. This will shape the prospects for people, businesses and communities across the UK for generations to come.

The CBI and its members have a fundamental role to play. Industry is committed to stepping up to provide the necessary leadership and collaborating in an open, three-way partnership between Government, business and society to make 2017 a year of progress and success. This partnership will harness all our skills, insights and experience to help build a successful, modern economy as the foundation for a prosperous, fairer and more inclusive society.

In order to make this happen we need to develop a modern Industrial Strategy that will fix the UK's productivity problems and even out the regional inequalities that have dogged our country for generations. CBI research suggests that the main drivers of these inequalities are educational attainment, regional infrastructure, management practice and the propensity of firms to export and innovate. If we improve the UK's performance in these areas and reduce these imbalances, we could see an increase of almost 10% in the size of our economy by 2024. This will make a tangible improvement to the lives of families and communities across the UK, not just London and the South East. We will have a better educated, more skilled workforce as well as improved infrastructure to support our future prosperity.

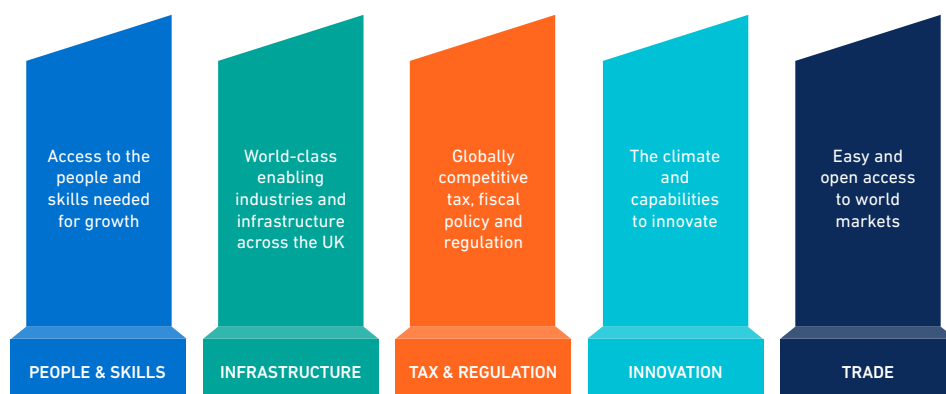
The manner in which we leave the European Union will be fundamental to the success of this strategy. The CBI will be working with the Government to help make a success of Brexit with a 'whole economy' approach. We will continue to bring insights from our membership which encompasses all sectors of the economy from every region and nation of the UK. Our research shows how interconnected the modern UK economy is and we cannot afford to leave any sector or region behind in the negotiations – to do so would be to damage others.

To succeed domestically and internationally, the UK must focus its knowledge, creativity and experience on five key areas:

- Access to people and skills
- World class infrastructure
- Globally competitive tax, fiscal policy and regulation
- The climate and capabilities to innovate
- Easy and open access to markets across the world

By getting these right, Government and business together can deliver prosperity across the UK. Getting this done depends on an open and honest dialogue and we welcome the engagement we are having with the Government. We recognise that open dialogue between business and society is just as essential and that building trust in business is critical. To achieve this, firms must work in an open and fair way with their employees, customers and suppliers. In return, the Government, employees and customers should champion the businesses that do this. 2017 must be the year when this honest dialogue begins to deliver for Britain.

Prosperity agenda



People and Skills

Access to the people and skills needed for growth

People and skills are at the heart of our economic prosperity. With a good education and the right skills, everyone has the best chance to get a job and get on in their career. And for the UK to seize new opportunities and grow, we need a trained and diverse workforce, supported by good business practice and the right policy environment.

In 2017 the CBI will be answering the following big questions:

- Making local skills markets work – how to create an effective skills market that gives employers access to the skills they need to grow, and individuals the opportunity to develop the skills they need to progress and succeed?
- Shaping the schools system – how can the schools system promote social mobility, address skills gaps and deliver good careers?
- People and productivity – how will the successful companies of the future work with their employees?

Infrastructure

Enabling world-class infrastructure which underpin a healthy economy

From the roads and railways that connect the UK, the homes people live in, to the energy supply that powers homes and businesses, infrastructure provides the essential foundations business needs to deliver jobs, growth and prosperity for all.

In 2017 the CBI will be answering the following big questions:

- 2030 low carbon vision – how can the transition to a low carbon economy create jobs, spread growth and deliver changing technologies across the UK?
- Infrastructure funding and finance – how can the UK pay for the vital transport infrastructure it needs without undermining the public finances
- National Infrastructure Commission – how can the commission continue to set out a long-term needs-based assessment for UK infrastructure?

Tax and Regulation

Globally competitive tax, fiscal policy and regulation

Setting a framework for tax, fiscal policy and regulation that unlocks entrepreneurship, growth and job creation. In a globalised world, a stable system of regulation and tax that encourages innovation and investment will help the UK stand out from the pack as an attractive place to invest, locate and do business, supporting jobs and local communities now and in the future.

In 2017 the CBI will be answering the following big questions:

- Tax in a modern economy – how can the tax system keep pace with new technology that is changing the way businesses operate and people live and work?
- The impact of Brexit – what impact will the UK's changing relationship with the EU have on the UK tax system and customs system?

Innovation

Creating a climate for cutting-edge innovation, spurring competition and increasing productivity

Innovation is at the heart of economic, social and cultural development in the UK. It drives productivity, helping to raise living standards and laying the foundations for tomorrow's world. When businesses adopt the latest innovative processes, technologies and digital strategies they create more jobs, generate investment and boost exports.

In 2017 the CBI will be answering the following big questions:

- Roadmap to 3 percent GDP – how can business and government work together to increase innovation investment?
- Making the most of disruptive technologies – what technologies are likely to disrupt key sectors of our economy and how can businesses prepare?
- Digital infrastructure – how can business and families access reliable high speed broadband across the UK?

Trade

Ensuring an openness to the world, with UK firms able to trade easily with markets old and new, and international investors eager to do business in the UK

By partnering to help more businesses invest as well as to buy and sell their products and services internationally, government and business can increase competition, keep prices down for consumers, support job creation and deliver lasting growth and prosperity.

In 2017 the CBI will be answering the following big questions:

- Future of UK trade – what are the most effective and efficient means of increasing market access for British goods and services in foreign markets? How could trade negotiations on specific market and sector opportunities deliver growth and prosperity for the UK economy?
- Why trade matters – how does trade make a difference to the nation's prosperity and the everyday lives of people across the UK?

CBI campaigns

Cutting across all of these areas, the CBI will also undertake major projects on the UK's EU negotiation, Industrial Strategy and the value of business.

EU negotiation project

When the UK voted to leave the European Union on the 23 June 2016, it was clear that businesses would be faced with change. Firms continue to manage this change and uncertainty with focus, determination and a clear message: the final result must be a coherent deal that delivers the best outcome for every region and every sector of the UK economy.

Since the EU Referendum result, the CBI has been consulting with firms from all sectors and sizes across the UK on the issues of most concern. The depth of our network at home and abroad, and our relationship with 190,000 businesses of all sizes across the UK, means the CBI is able to bring a unique whole economy perspective.

In 2017 the CBI will focus on:

- Helping business to cut through the political noise and plan for the future – we are holding Brexit Intelligence Briefings across all UK regions and nations, and are publishing papers to help businesses ask themselves the right questions as they prepare for Brexit
- Ensuring that the negotiations are focused on economic arguments and do not become too politicised – we have published an in-depth sectoral Brexit analysis, Making a Success of Brexit, and will continue to provide solutions to complex Brexit policy issues
- Understanding and influencing the European voice – As of March 2017, we have met senior political stakeholders from 17 of 27 other EU countries and engaged with our sister federations from all EU countries and beyond. A packed programme of visits is lined up for the rest of the year, including Rome, Copenhagen and The Hague.

Value of business

Moving the economy forward in a fairer and more inclusive way emerged as a clear message from the referendum. The role of business has never been more important – business leaders now have an opportunity to help shape an economy that works for everyone. The CBI will undertake new work to better position the business community to demonstrate such leadership: we will offer a clear understanding of public sentiment and how business should talk about the value they create, as well as supporting the business community to take action – underpinned by evidence – that goes to the heart of the issue.

In 2017 the CBI will focus on:

- Set up value of business taskforce and commission new public perceptions research – the CBI will convene a steering group of business leaders and challengers to help shape our work and inform the commissioning of new public perceptions research
- Establish a shared narrative of the value of business - based on the public perceptions research and shared across the business community as well as all CBI communications
- Develop business-led solutions - building on the evidence, explore a few specific actions that business can lead on and that will address the heart of the issue.

Industrial Strategy

A new, modern industrial strategy has the potential to build confidence and prosperity by unlocking growth and productivity across the regions and nations of the UK. To this challenge, the UK's companies hold many of the answers – building a skills system for years to come, ensuring Britain is a leading location for cutting-edge innovation and helping to renew our nation's infrastructure.

Building on the CBI's ground breaking UK-wide analysis into the regional drivers of productivity, the CBI will be working with government to deliver a modern industrial strategy that supports sectors where the UK holds a competitive advantage and leverages strengths across all parts of the country.

In 2017 the CBI will:

- Build a clear CBI vision of place and sector based Industrial Strategy built on systematic government engagement and involvement, and substantial representation from business of all sizes and regions
- Facilitate regional industrial strategies that can be aggregated to the whole economy rolled out through regional events with members.

A strategy to deliver for our members

Over the first half of 2016 we undertook a strategic review to establish our goals and priorities over a five-year plan period. The outcomes of this included:

- Clarifying our purpose as "we help business create a more prosperous society", and defining our mission around the five pillars of our Prosperity Agenda. This was in response to member feedback to stay focused on the issues that matter most in the long-run
- Agreeing a growth plan based around increasing our market penetration in key sectors of the economy, building our presence in the FTSE350 and delivering new services to our members
- Adapting the organisation to this strategy, with our policy teams aligned to our Prosperity Agenda, a greater sector focus and a more consistent roll-out of our offer around the UK.

We believe our strategy builds on the CBI's core strengths and will allow us to significantly increase the reach and impact of our work by the end of 2020. There are three reasons to believe the CBI is uniquely well-placed to grow:

- Unrivalled convening power within the world of business and politics;
- The power to solve problems and offer evidence based solutions;
- Unique access to government at local, national and global level.

Our strategic priorities

Members first

We put members at the heart of everything we do and ensure that we are consistently challenging our offer to meet their needs. We ensure that we are influencing the issues that matter to businesses, offering the most relevant and up-to-date economic, political and business insight, and continue to provide unrivalled access to regional, national and international networks with top business and government contacts.

Focus and impact

Building on our renewed focus of putting members at the heart of everything we do, we work hard to ensure that our Prosperity Agenda truly reflects the needs of businesses in the UK. To operate with the most impact, we dedicate our resources to the key policy and business issues impacting our members and continue to strive to offer innovative, fresh suggestions to government.

Growing CBI

We will continue to operate commercially to reach new sizes of companies, in new markets and sectors and in 2016 we begun to experiment with offering new member services.

Great teams

We work together with purpose, clarity and collaboration across teams. By demonstrating our corporate behaviours we will be best placed to deliver our strategic priorities of putting members first and operating with focus and impact in order to grow the CBI.

Behaviours that underpin our work

In 2016 we were pleased to launch our behaviours framework across the organisation. This reflects not just our strategic focus, but the behaviours and measures our staff told us they want to see the CBI embody.

The framework underpins our people processes and sets out how we approach our work-applying our skills, knowledge and experience in the most effective way possible.

How the behaviours are displayed differs according to role type and level and we have structured the behaviours into three levels: all colleagues, people manager and directors at the CBI.

This has allowed us to:

- Provide clear and consistent behaviours against which all CBI staff are all accountable;
- Support staff in identifying areas of strength and define areas for development;
- Diversify and support our recruitment and talent management, both internally and externally;
- Put behaviours at the centre of our performance development review process, recognising not only what our staff do, but how they did it.



Numbers in 2016

CBI financial performance

↑ 27.3%

Cash balance up 27.3%
(down 8%, 2015)

↓
£23m

Costs
(£24 million, 2015)

↑
£800k

Operating profit
(loss £155k, 2015)

—
£3.2m

Commercial income
(£3.2 million, 2015)

CBI governance

48

Regional and National Council
meetings across the UK held

960

CBI committee or council reps
from 659 member companies

50

Policy based Standing Committee
meetings with members

2

New committees – '35 under 35'
and 'Tech Group' created

CBI events

218

CBI events held in
2016 across the UK



CBI Annual Conference




1,226

Attended




1,197

Broadcast mentions




32.3%

Female



32

Speakers including company Presidents, CEOs and directors



10,000

Over 10,000 tweets from the day




2

Prime Minister and Leader of the Opposition as speakers

80%


of delegates rated their experience 'excellent', 'very good' or 'good'

Political engagement in 2016



68

Backbench engagement - 68 meetings



107

Frontbench engagement - 107 meetings

Social media



97,101

Twitter engagements



32,985

YouTube views



7,968

Audioboom listens

Diversity at the CBI

We have a commitment to become more diverse in who we speak for and as an employer. Initially our target was to reach 30% female participation in our member activities by the end of 2016. In gender diversity, we achieved:



We feel that it is important for us to take action as well as have good intentions. Many of the companies and business leaders that we represent and work with want us to help them do the same; they want us to be a facilitator, connector and intelligence resource for UK businesses. We will continue to do this through both our work related to diversity and inclusion policy developments and working hard towards introducing a more diverse representation of business leaders into the CBI network and at our events.

From 2017 we are increasing our target to 33% female representation on our Councils, Committees and at events. In addition, we will now apply the learnings over the last 3 years spent improving our gender diversity and inclusion for our staff and to other groups of businesses and individuals. Our objective is to be a champion of diversity in UK business and increase the range of faces and voices in all parts of the CBI: our people, our members, our events, our audiences.

From September 2016 to February 2017 28% of new recruits of staff to the CBI came from BAME (Black, Asian, and Minority Ethnic) backgrounds.

Key office holders

President

Paul Drechsler (CBE)
President, CBI

CBI Board

Paul Drechsler CBE
President

Carolyn Fairbairn
Director-general, CBI

Nigel Hopkins
Resources director, CBI*

David Gavaghan
Managing Director, Aurora
Prime Real Estate

Heidi Mottram OBE
CEO, Northumbrian Water
Limited

Linda Urquhart OBE
Chair, Morton Fraser LLP

Sharon Thorne
Managing Partner Global,
Deloitte UK, Deloitte LLP

Vindi Banga
Senior Partner, Clayton
Dubilier & Rice

CBI Executive Committee

Carolyn Fairbairn
Director-general, CBI

Charles Naylor
Corporate communications
director

Henrietta Jowitt
Deputy director-general
Commercial

Josh Hardie
Deputy director-general
Policy & Campaigns

Nigel Hopkins
Resources director, CBI*

Matthew Fell
Chief of Staff, CBI

Key office holders - Board

Paul Drechsler (CBE) President, CBI

Paul is President of the CBI and Chairman of Bibby Line Group which is headquartered in Liverpool. Before that he was Chairman of the privately-owned construction firm Wates Group. Prior to joining Wates, Mr Drechsler worked for ICI PLC, spending the first ten years of his career on Teesside. That was followed by 14 years holding various senior positions in Brazil, the USA and the Netherlands, which concluded with five years as Chief Executive of one of ICI's principal international businesses and as a Main Board Director (1998-2003). He is also Chairman of the board of the charity Teach First and a board member of Business in the Community and Chairman of its Education Leadership Team. Paul was also the Chairman of the National Skills Funding Agency until September 2015. Mr Drechsler has been a member of the CBI Board since 2012 and was Chairman of the CBI Energy Policy Committee between 2007 and 2012 and a member of the Chairs' Committee.

Carolyn Fairbairn Director-general, CBI

Carolyn is the Director-General at the CBI, she has been in the position since November 2015. Before joining the CBI, she was a Board Director at Lloyds Banking Group, Capita, the CMA and The Vitec Group. She has also held a range of senior executive positions in the media sector, including ITV and the BBC. Carolyn was a partner at McKinsey and Company, and worked in the Number 10 Policy Unit for two years. She began her career as an economist at the World Bank before joining The Economist as a journalist. She was also Chair of the Royal Television Society, and a trustee of Marie Curie Cancer Care. Carolyn holds a first class degree in Economics from Cambridge University, an MA in International Relations from the University of Pennsylvania, and an MBA from INSEAD.

Nigel Hopkins Resources director, CBI

Nigel is the CBI's Resources Director and is responsible for the organisation's Finance and Accounting, HR and IT teams. Before the CBI he has held a variety of Finance and Strategy roles in Fiat, United Technologies, Laporte and Burmah Castrol sectors and from 2004 to 2013 was Finance and Strategy Director at Remploy Ltd. Nigel is also a non-executive Director of Places for People and Chair of Instructus.

Heidi Mottram OBE CEO, Northumbrian Water Limited

Heidi was appointed to the Northumbrian Water Group and Northumbrian Water Limited Boards as Chief Executive Officer on 1 April 2010. Heidi began her career with British Rail in the mid-1980s. She held a number of roles in GNER, before joining Midland Mainline in 1999 as Operations Director. She was Commercial Director for Arriva Trains Northern from January 2004, before becoming Managing Director of Northern Rail Limited, the UK's largest rail franchise. Heidi was named Rail Business Manager of the Year in 2009 for being an "inspirational leader", and was awarded an OBE in the New Year honours list 2010, for services to the rail industry. She is also a Board member of Eurostar International Limited and a Council member of Newcastle University.

Linda Urquhart OBE Chair, Morton Fraser LLP

Linda, a former Chair of CBI Scotland has been a Board member of the CBI since 2011. Linda has led one of Scotland's leading law firms, Morton Fraser, for over 15 years, first as Chief Executive, and then as Chairman. She is Chair of Investors in People Scotland, Co-Chair of the Scottish Government's Fair Work Convention, a Non-Executive Director of Adam and Company, the Scottish private bank, and Edinburgh Airport Limited. She is a Trustee of Marie Curie and the Royal Scottish Academy Foundation and an Ambassador for Girlguiding UK. Linda received an OBE for services to business in Scotland in 2012.

Sharon Thorne Managing partner global, Deloitte UK, Deloitte LLP

Sharon is Chair of the Audit Committee at the CBI and is Managing Partner Global for Deloitte UK. This is a role which recognises the importance of international trade and investment to the Deloitte network, clients and stakeholders. As part of this Sharon has oversight of overseas collaborations. She is a member of Deloitte UK's Executive and a member of the DTTL Global Board. Previous leadership roles have included Managing Partner, Regional Markets and Managing Partner Talent. Sharon is a senior audit partner and works with large listed and private clients across a broad range of sectors including retail, consumer and TMT.

David Gavaghan Managing director, Aurora Prime Real Estate

David, as well as sitting on the CBI Board is Chair of the Northern Ireland Council. He is managing director of Aurora Prime Real Estate Limited and until April 2015, he was Chief Executive of Titanic Quarter Limited – a strategic site that has the potential to become one of the most exciting developments across the islands of Ireland and Britain. David is currently Chair of Visit Belfast and Sports Changes Life as well as the environmental arm of Business in the Community in NI, Arena Network. He is also Vice Chair of the Washington Ireland Program. He is both a Fellow of the Royal Institution of Chartered Surveyors and the Institution of Civil Engineers. He has a degree in Economics and Social Studies from Trinity College Dublin having had his secondary education at Blackrock College, Co Dublin.

Vindi Banga Senior partner, Clayton Dubilier and Rice

Vindi is a Partner at Clayton, Dubilier and Rice, previously he spent 33 years at Unilever plc, where he held a number of senior positions including President of the Global Foods, Home and Personal Care businesses, and was a member of the Unilever Executive Board. At Unilever he led the creation of a One Unilever Global Foods, Home and Personal Care Global Category Organisation. Vindi is Chairman of the Kalle Group; Senior Independent Director of GSK plc and Marks and Spencer's plc. He also sits on the Governing Board of the Indian School of Business. In 2010, he was awarded the Padma Bhushan, one of India's highest civilian honours.

Key office holders - Exco

Carolyn Fairbairn Director-general

Carolyn is the Director-General at the CBI, she has been in the position since November 2015. Before joining the CBI, she was a Board Director at Lloyds Banking Group, Capita, the CMA and The Vitec Group. She has also held a range of senior executive positions in the media sector, including ITV and the BBC. Carolyn was a partner at McKinsey and Company, and worked in the Number 10 Policy Unit for two years. She began her career as an economist at the World Bank before joining The Economist as a journalist. She was also Chair of the Royal Television Society, and a trustee of Marie Curie Cancer Care. Carolyn holds a first class degree in Economics from Cambridge University, an MA in International Relations from the University of Pennsylvania, and an MBA from INSEAD.

Nigel Hopkins Resources director

Nigel is the CBI's Resources Director and is responsible for the organisation's Finance and Accounting, HR and IT teams. Before the CBI he has held a variety of Finance and Strategy roles in Fiat, United Technologies, Laporte and Burmah Castrol sectors and from 2004 to 2013 was Finance and Strategy Director at Remploy Ltd. Nigel is also a non-executive Director of Places for People and Chair of Instructus.

Henrietta Jowitt Deputy director-general – Commercial

Henrietta is the CBI's Deputy Director-General for Commercial. She is responsible for developing and implementing the CBI's commercial business strategy and member relations. In particular, evolving the CBI's membership proposition, leading the CBI's regional teams across the country, the organisation's digital strategy, and creating new member services with a focus on supporting and enabling businesses to grow. She has 30 years' experience in developing and implementing business, marketing and general management strategies. Henrietta has held a range of senior roles, including Group Head of Marketing, Strategy, Business Development and Investor Relations at an executive level within a FTSE 100 financial services business, Schroders Plc, a major private equity firm, Advent International, a professional services firm, Cushman and Wakefield, and within the Fast Moving Consumer Goods industry (FMCG). Henrietta has an MA in Natural Sciences from Oxford University and also completed the Oxford University Business School Advanced Management Program for Senior Executives. She is a Fellow of the Chartered Institute of Marketing and is an FCA approved Non-Executive Director.

Josh Hardie Deputy director-general – Policy & Campaigns

Josh is the CBI's Deputy Director-General for Policy and Campaigns and joined in March 2016. Prior to this, he was Group Director for Corporate Responsibility at Tesco, a role focused on leading on the integration of social and reputational issues into the international retailer's business strategy and developing a new approach to campaigning with customers, the Government, stakeholders and the media on issues including health, employability and sustainability. He has also held director-level roles at EdComs Ltd - a leading communications and CSR agency - creating strategies and campaigns for clients including Sky, Google, the Army, the NSPCC as well as many Government departments. He started his career at an educational charity, Education Extra, campaigning with schools and working with the Government on educational issues.

Matthew Fell

Chief of Staff

Matthew is Chief of Staff at the CBI and is responsible for developing the CBI's strategy and ensuring it is delivered effectively. He is responsible for the governance of the CBI, ensuring the executive team is responsible to the Board and the organisation to its members. Matthew joined the CBI in 1999 and has held roles responsible for a broad range of business sectors including manufacturing, small business, the digital and creative industries and financial services. Immediately prior to becoming Chief of Staff, Matthew was director for competitive markets with responsibility for competition, regulation and corporate governance.

Charles Naylor

Corporate communications director

Charles is the CBI's Director of Corporate Communications and has almost 30 years of experience of designing and leading corporate affairs strategies for firms in a variety of sectors. He has been Global Head of Communications at Centrica, Credit Suisse and HSBC and before that had senior communications and marketing roles at Hess Corporation and Shell. Charles' expertise encompasses all facets of communications from media relations, digital and social media, internal communications and public affairs, to brand and crisis communications. Charles is passionate about helping the CBI create the environment in which business can invest and succeed in order to contribute to the future prosperity of the UK. Immediately prior to becoming Chief of Staff, Matthew was director for competitive markets with responsibility for competition, regulation and corporate governance.

CBI Standing Committee Chairs

*as of 01 January 2017

| Standing Committee | Chair | Organisation |
|---------------------------------|--------------------|----------------------------|
| 35 under 35 Council | Phillippa O'Connor | PwC |
| Construction Council | Richard Howson | Carillion plc |
| Economic Growth Board | Alison Nimmo | The Crown Estate |
| Employment and Skills Board | David Frankish | NFT Distribution Ltd |
| Energy and Climate Change Board | Ben Verwaayen | Keen Venture Partners |
| Enterprise Forum | George Mackintosh | Test Plant Ltd |
| Financial Services Council | Scott Egan | RSA Insurance Group |
| Infrastructure Board | Mark Elborne | GE |
| Public Services Strategy Board | Jacqui Ferguson | Hewlett Packard Enterprise |
| Taxation Committee | Janine Juggins | Unilever UK |
| Tech Group | Steve Hatch | Facebook |
| Trade Association Council | Paul Everitt | ADS Group Ltd |

CBI Regional and National Council Chairs

*as of 01 January 2017

| Regional and National Council | Chair | Organisation |
|-------------------------------------|-------------------|--------------------------|
| East Midlands Regional Council | Richard Brooke | Barratt Homes |
| East of England Regional Council | Jane Galvin | HSBC |
| London Regional Council | Vivian Hunt | McKinsey & Company |
| North East Regional Council | Andrew Moffat | Port of Tyne |
| Northern Ireland National Council | David Gavaghan | Aurora Prime Real Estate |
| North West Regional Council | Marnie Millard | Nichols plc |
| Scotland National Council | Alison McGregor | HSBC |
| South East Regional Council | Ian Howells | Honda Motors |
| South West Regional Council | Andrew Livingston | Screwfix |
| Wales National Council | Michael Plaut | Northmace & Hendon Ltd |
| West Midlands Regional Council | Sara Fowler | EY |
| Yorkshire & Humber Regional Council | Phil Jones | Northern Powergrid |

CBI Board

The CBI Board is Chaired by the President and is constituted as a standing committee, with delegated authority of both the Council and the Finance & General Purposes Committee. It is responsible for all matters other than those specified for the Chairs' Committee and those retained by the CBI Council. The Board is to be the ultimate decision taking body on all operational, financial and governance aspects of the CBI.

Reserved list of CBI Board responsibilities:

- CBI business plan (strategy, long term viability and resourcing)
- Signing off the annual budget and annual accounts of the CBI pre AGM
- Responsible for corporate governance of the CBI
- Review of the CBI's risk and control processes
- Approval of the overall levels of insurance for the CBI
- Major changes to the benefits or funding of the CBI defined benefit pension plan
- Changes to the basis of funding to the CBI exceeding 10% of income
- Transactions with single or annual impact exceeding £1m
- Re-organisation affecting more than 10% of the staff
- Receive updates from and ensure effectiveness of the CBI Audit Committee.

Membership of the CBI Board

Membership of the CBI Board is up to five Executive Directors (which must include the Director-General, and the Resources Director) and up to five non-executive directors. There must be a majority of non-executive directors. The term of appointment for non-executive directors to be for an initial three years, with the option of a further three-year extension.

One third (rounded up if not a whole number) of the CBI directors retire by rotation at each annual general meeting. This requirement is applied separately to the executive and non-executive directors. There is no maximum number of terms of office but in practice the intention is to permit non-executive directors up to two terms of three years each.

Roles and responsibilities of a non-executive director

In line with the UK Corporate Governance Code, non-executive directors of the CBI Board provide constructive challenge, help monitor and manage corporate wide risk and provide guidance on CBI strategy.

This includes:

- Scrutiny of management's performance in meeting agreed goals and objectives and the monitoring of performance
- Satisfying themselves on the integrity of financial information and that controls and risk management systems are robust and defensible
- Providing challenge and guidance on the CBI's business plan, strategy and budget.

Non-executive and executive directors on the CBI Board must demonstrate the CBI values of honesty, pride, impact and respect to the highest level. They must demonstrate behaviours conducive to effective decision making by the collective Board.

The UK Corporate Governance Code

According to the Financial Reporting Council (FRC), corporate governance is about what the board of a company does and how it sets the values of the company and hence, is to be distinguished from the day to day operational management of the company by full time executives.

The revised UK Corporate Governance Code (now referred to as the Code in the currently applicable version) applies to accounting periods beginning on or after 1 October 2014. The Code consists of principles and provisions with the flexibility of a "comply or explain" discretionary approach. It has been enduring and is widely accepted as a guide based on the underlying principles of accountability, transparency, probity and focus on the sustainable success of an entity over the longer term.

Two principal conclusions drawn by the FRC in its review leading to the Code were that more attention had to be paid to following the spirit of the Code as well as its letter and secondly, that the impact of stakeholders in monitoring the Code should be enhanced by better interaction between the Board and its stakeholders.

The Code sets out standards of good practice under the main criteria of Board leadership and effectiveness, remuneration, accountability and relations with stakeholders.

Complying with the UK Corporate Governance Code

Although the CBI is not a publicly listed company it does where appropriate try to meet the principles of the Code on a comply or explain basis. In 2016 there have been, and are planned, a number of actions to improve CBI compliance with the Code:

- In 2016 the CBI introduced an induction process for all new non-executive directors and this was applied to David Gavaghan who joined the Board in September 2016;
- The Code sets out criteria for independence. Non-executive members of the CBI Board are required to advise the CBI if they do not meet these criteria and the CBI maintains a register of interests on non-executives this was continued in 2016;
- Non-executives may take independent professional advice on an issue if thought necessary;
- The CBI Board does not currently have a senior non-executive director. As the Board composition changes in 2017, this will be re-assessed;
- The Board has not undergone a process of evaluation, however the Audit Committee was self-evaluated in 2016. There is a planned self-evaluation process for the CBI Board in December 2017;
- In 2016 the non-executives did not formally assess the performance of the CBI President, there will be a formal review in 2017;
- Training and development of non-executive directors is not currently reviewed by the President but will be offered via the formal induction process of non-executive directors;
- The terms and conditions of appointment of non-executives to the CBI Board have been made available for inspection on request.

The Board met formally four times in 2016 and the attendance is as follows:

| Date joined | Non-executive directors | Q1 14 Mar 16 | Q2 13 Jun 16 | Q3 05 Sep 16 | Q4 05 Dec 16 |
|--------------------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| Jun 2012 | Paul Drechsler | YES | YES | YES | YES |
| Sep 2012 | David Gavaghan | N/A | N/A | YES | YES |
| Oct 2014 | Heidi Mottram | YES | YES | YES | YES |
| Mar 2011 | Linda Urquhart | YES | YES | YES | YES |
| Jun 2012 | Sharon Thorne | YES | YES | YES | YES |
| Non-executive directors | | | | | |
| Nov 2015 | Carolyn Fairbairn | YES | YES | YES | YES |
| Oct 2013 | Nigel Hopkins | YES | YES | AG | YES |

*AG - Apology given

Audit Committee

The Audit Committee is required to meet at least three times a year and the chair of the committee, the external auditors and Resources Director may request a meeting if they consider it necessary.

Terms of Reference for the Audit Committee:

- Review the annual accounts of the CBI with CBI management and the external auditors (including consideration of accounting policies and key financial judgements, estimates and forecasts). Based on this review the Audit Committee will recommend to the CBI Board whether or not the annual accounts should be adopted;
- Review the auditors' letter to management on issues and recommendations arising from the audit and consider management's response to the points raised by the auditors;
- Meet with the external auditors without CBI management at least once a year and report any issues from that meeting to the CBI Board or President as appropriate. The Audit Committee will also monitor any action agreed to be taken as a result of such issues;
- Review the effectiveness and strength of the CBI's finance function and the robustness of the succession plans in respect of the Resources Director;
- The Audit Committee reviews the effectiveness of the group Risk Process which the CBI Board is ultimately responsible for. Each business area is responsible for identifying, assessing and managing the risks in their respective area.
- Review and report to the CBI Board on the appointment of the external auditors annually including an assessment of their fee, independence (including the provision of non-audit services and the length of tenure) and effectiveness and consideration of the need to tender the appointment of external auditors. The last tender was held in 2013 where Buzacott LLP were appointed;
- Monitor the process for the reporting by CBI staff to the Audit Committee Chairman of any financial or other impropriety (whistleblowing) and associated investigation and corrective action;
- Review and amend (if required) the whistleblowing process;
- Review the CBI's policies and approach to ensuring compliance with the UK Bribery Act;
- Consider at least annually whether an internal audit function is needed and report on this to the CBI Board;
- Report to the CBI Board on how it has discharged its responsibilities.

Membership of the Audit Committee

Appointments to the Audit Committee are approved by the CBI Board.

External Auditors of the CBI

The Audit Committee is responsible for recommending a firm of auditors of appropriate independence and experience and for the approval of all audit fees and terms of engagement. Auditors of the CBI are approved via vote at the Annual General Meeting (currently Buzzacott LLP).

The Audit Committee's policy is to undertake a formal assessment of the auditors' objectivity and independence each year which includes:

- Review, and agreement, of non-audit services provided to the CBI and related fees;
- Review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit;
- Obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

The Audit Committee monitors regularly the non-audit services being provided to the CBI by its external auditors. The Audit Committee follows the guidelines set out in the Auditing Practices Board Ethical Standards issued in December 2011 in monitoring the non-audit services being provided to the CBI by its external auditors.

| | Q1 14 Mar 2016 | Q2 03 Jun 2016 | Q3 06 Oct 2016 | Q4 05 Dec 2016 |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| Non-executive directors | | | | |
| Sharon Thorne | YES | YES | YES | YES |
| Linda Urquhart | YES | YES | YES | YES |
| Heidi Mottram | NO | YES | NO | YES |

Remuneration Committee

The CBI Board on 13 June 2016 agreed to establish a Remuneration Committee at the CBI, an initial informal meeting of the Remuneration Committee was held on 11th September 2016 with the first formal meeting of the committee held on 13 March 2017. The committee is scheduled to meet as required but at least twice per annum.

Membership of Remuneration Committee

Committee members and the Chair of the Committee shall be appointed by the President with each such appointment being notified to and ratified by the Board. Only non-executive directors may be Committee members. There shall be at least two members of the Committee, each of whom shall be a non-executive director. If the number of members falls below two, the Board shall appoint a replacement.

Terms of Reference for Remuneration Committee:

- The Committee shall consider and make recommendations for the appointment and removal of Board members, and the President, in line with the CBI's charter;
- The Committee shall review annually and determine the remuneration of the Non-Executive Board members, Director General and members of the CBI's Executive Committee. The position of Non-Executive Director on the CBI Board is an unpaid role;
- The Committee will, on request from the Board, carry out a recruitment process, together with the President, for the post of Director General, should that post fall vacant;
- The Committee shall determine any annual bonus payments, pension arrangements and other benefits to be made to the Director General and members of the CBI's Executive Committee, and shall make its views on those matters known to the Board to ensure that they are considered in the context of any proposed business plan for the relevant year;
- On behalf of the Board, the Committee is authorised to and shall determine the terms and conditions of employment for the Director General and members of the CBI's Executive Committee, including any arrangements/variations in connection with pension contributions where HMRC limits render any existing arrangements inefficient;
- The Committee shall consider any proposal for a payment in excess of the contractual entitlements for members of the CBI's Executive Committee and Management Board, and in the event that it supports any such proposal, shall make its recommendation to the Board on each such proposal;



- The Committee shall have oversight of the CBI's terms and conditions and reward strategy and shall receive reports (at least annually) on work being done to review that strategy or on recommendations for change to the strategy following such a review (including, where applicable, to comply with new legislative/regulatory requirements in connection with pay, pensions or any other kind of benefit);
- The Committee shall ensure there is a periodic review of staff terms and conditions of employment and workforce planning arrangements to ensure they continue to be relevant to the market and the CBI's requirements;
- The Committee shall oversee the CBI's approach to the delivery of training and personal development.
- The Committee shall have oversight of the results of any staff engagement survey carried out by the CBI.

Non-executive directors

11 Sep 2016

Linda Urquhart

YES

Heidi Mottram

YES

Operational and financial statements

Operational and financial statements

This section sets out the details of how the CBI operates as a business, from working with partners and suppliers, to its people policies and includes our financial position.

Partners and suppliers

The CBI partners with many organisations for both its core commercial activities and policy work. All such arrangements are properly documented and managed so that expectations are both agreed and assessed. This is particularly important in the case of event sponsorships which remained at £2.0m in 2016 (2015: £2.1m). Both CBI national and regional events are run on a commercial basis but their primary objective is to further the CBI's principal role. The net income from these commercial activities - of £1.6m in 2016 (2015: £1.5m) - is used to fund the core activities. This resulted in a 5% increase in commercial contribution.

The CBI has a policy of not taking excess credit from its suppliers and has signed up to the Prompt Payment Code. It pays suppliers in accordance with terms and conditions agreed when orders are placed - the default is within 30 days of invoice date. At 31 December 2016 the CBI had 14 days purchases outstanding (2015: 27 days).

Employees

The CBI aims to create a working environment that enables our employees to enjoy their work, develop and provide the best possible service to the CBI, its members and the organisations the CBI works with.

The Board of the CBI has established a Remuneration Committee with overall responsibility for this policy and specifically the remuneration of the Director General and Executive Directors.

Overall Remuneration

- On Salary we aspire to be competitive in the market place, but recognise that we cannot compete against larger organisations or commercial businesses;
- On Benefits we are competitive with the market having recently introduced a Flexible Benefit scheme which was benchmarked against other similar employers;
- There are a range of bonus arrangements that can be awarded as part of the annual review, based on performance and affordability. Currently there are no financial performance related bonuses, although these may form part of our Commercial strategy as that is delivered.

Professional Development

All members of staff have a formal induction process and then are able to access Training and Development plans and courses which are mostly specific to the CBI. Ongoing development is very much encouraged and is assessed as part of the annual Staff assessment process. The CBI spends £0.25m on Professional Development each year.

Diversity

The CBI has a very open approach to recruitment of people from diverse backgrounds. The current gender profile of CBI employees at 31st December is.

The current gender profile of the CBI Management Board at 31st December is:

| Gender | No. of employees | % of employees |
|--------|------------------|----------------|
| Male | 90 | 45.5% |
| Female | 108 | 54.5% |

The current gender profile of the Executive Committee at 31st December is:

| Gender | No. of employees | % of employees |
|--------|------------------|----------------|
| Male | 4 | 67% |
| Female | 2 | 33% |

We have reviewed Gender pay gap requirements in line with recommended practice, where the average salary for male employees is 11.1% higher than that for female employees. This is significantly better than the current national gender pay gap of 18%. The CBI is committed to reducing this gap, through recruitment and looking at pay discrepancies as part of the annual pay process.

Modern Slavery Act

CBI has reviewed the obligations of the Modern Slavery Act 2015. The CBI provides services and information to its members and other stakeholders. The HR department has undertaken a high level review of existing business and supply chains as well as establishing an internal anti-slavery policy. The review confirmed that no supply chain activity had taken place.

Other Policies and Practices

CBI has additional policies addressing health, safety, grievances, and harassment and employee relations. These policies are continually reviewed against best practice standards and updated as necessary.

Environment

The CBI with data provided by Ecometrica has continued to apply its environmental policy which seeks to reduce the footprint of its activities where both possible and economically viable as a first priority. Total energy consumption in 2016 has reduced from 2015 as a result of a full year occupancy at Cannon Place. Total emissions have reduced by 19% on 2015, from 299 tonnes of CO₂e to 265 tonnes of CO₂e in 2016. The CBI continues to benefit from more efficient lighting systems which are sensory operated and heating/ventilation systems.

| Global GHG emissions data Reporting Year 1 st Jan 2016 - 31 st Dec 2016 | Tonnes of CO ₂ e |
|---|-----------------------------|
| Combustion of fuel & operation of facilities (Scope 1) | 43 |
| Electricity, heat, steam and cooling purchased for own use (Scope 2) | 204 |
| T&D losses from electricity and water cooling (Scope 3) | 18 |
| Total | 265 |
| Intensity metric: tonnes CO₂e / FTE | 1.17 |

| Year on Year Comparison | Tonnes of CO ₂ e | | Percentage change (%) |
|---|-----------------------------|-------------|-----------------------|
| Emmissions from | 2015 | 2016 | |
| Scope 1 | 38 | 43 | 13% |
| Scope 2 | 241 | 204 | -15% |
| Scope 3 | 20 | 18 | -10% |
| Total | 299 | 265 | -11% |
| Intensity metric: tonnes CO₂e / FTE | 1.44 | 1.17 | -19% |

Methodology

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated statement.

The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location-based scope 2 calculation method, together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

Governance

The CBI is committed to a system of corporate organisation and governance appropriate for a listed company complying with the new corporate governance code wherever practicable. This is adjusted as best practice and the circumstances of the CBI dictate.

Finances

The CBI's total income for 2016 at £23.8m was the same as the previous year. The income remained flat due to a lack of growth in the CBI membership subscription income which decrease by £0.1 million. Total expenditure for the year, at £23m, was £1.0m lower than the previous year. This resulted in an operating surplus of £0.8m an improvement of £0.9m on 2015, the retained surplus after taxation for the year was £0.7m compared with a £0.2m deficit in 2015.

The reason for the profit before tax in the current year is due to good cost control; excluding one off items costs were £0.6m lower than in 2015. One off items include strategic costs of £0.5m and a past service credit on the CBI defined benefit scheme of £0.9m. The administration expenses of £0.3m associated with the scheme have been recognised in the income statement.

Membership Income

Membership income for 2016 was flat when compared to 2015. The recruitment of new members was slower than expected in the first half of 2016, however there was a significant improvement in the last quarter of 2016. Total recruitment of new members for the year was £1.4m. Overall the number of members fell by 10 with a value loss of £96k. We continue to strive to provide value for money for members like any subscription based organisation, we face challenging market conditions such as mergers and takeovers of members and changes in key contacts.

Commercial Performance

Commercial income remains at £3.2m in 2016 and a reduction in commercial expenditure of 4.4% meant the overall commercial contribution for 2016 increased by £78k to £1.6m. The growth has been due to the successful cost management of existing activities.

Expenditure

Due to tight cost control throughout 2016 the level of overall expenditure dropped by £1.0m. When one off items such as strategic costs and a past service credit on the CBI defined benefit scheme are excluded, the reduction in expenditure was £0.6m.

The reduction was achieved through reduced payroll and professional fees, all other costs were in line with 2015 except depreciation which rose due to the continued investment in the CBI regional offices and CRM system and premise costs due to high overseas office costs as a result of the devaluation of the pound.

Capital Expenditure

2016 has seen the CBI's continued commitment to invest in IT systems and infrastructure, with the refresh of the CBI Wales office and a refreshed storage and networking solution at our disaster recovery site. We continue to redevelop our Customer Relationship Management system the new re-platforming went live in April 2016. This has provided a better experience for members when they interact with the CBI. The total capital spend for 2016 was £0.4m.

Cash

Cash and short-term deposits at the year-end were £7.4m compared to £5.8m in 2015. The increase of £1.6m is as a result of increased prepaid income, £8.3m at the year-end against £7.1m in 2015, the rise relates to the excellent collection of 2017 membership subscription with a 2017 start date (£2.9m 2016, £1.7m 2015). The balances held for ring fenced projects continued to decrease in 2016. The CBI has continued with its cash investment strategy in 2016 having set up various short term deposit accounts managed by Schroders. At the end of 2016 £2m of the £7.4m was placed on deposit, the same as in 2015.

At the end of 2016 the CBI had net current liabilities of £4.7m, (2015 £4.4m) the further increase is due to the accounting for the rent free period at Cannon Place until October 2016.

Financial Position

At the end of 2016 the CBI had negative reserves of £2.2m including a pension deficit of £1.4m. This compared to positive reserves for £0.8m and a pension surplus of £1.1m at the end of 2015. The pension deficit is due to increased stock market volatility primarily arising from the political changes.

Property

During 2016, the CBI continued to refresh its regional offices in a similar style to Cannon Place. In 2016, the Cardiff office was refurbished.

Pension Plan

The last full actuarial valuation of the Plan as at 31 December 2014 was completed during 2015, resulting in an actuarial deficit of £8.8m. The estimated actuarial deficit at 31 December 2016 has reduced from the formal valuation of £8.8m to £6.0m. During 2016 the CBI cash contributions to its defined benefit pension plan were £1.0m.

The CBI will continue to fund the plan in 2017, as agreed with the trustees in the Recovery Plan, the funding will be £1.0m per annum, which includes administrative and other costs of the plan. The CBI continues to work proactively with the trustees of the scheme to review the scheme advisers and to ensure the scheme is more proactively managed.

The Plan's accounting deficit at the end of 2016 was £1.4m on a FRS102 basis. The deficit has been recognised on the statement of financial position in accordance with FRS102 requirements.

Going Concern

The accounts have been drawn up on a going concern basis. Management has developed medium-term financial projections and future cash flows on the basis of the current business model and after consideration of the risks and uncertainties noted on page 34. The key assumptions relate to the retention and recruitment of members, the agreed funding requirements for the pension deficit and the ability of the CBI to continue to manage costs tightly. Management has applied sensitivities to these variables for the period to the end of July 2018, and concluded that it is reasonable to expect that the CBI will have sufficient resources to operate until at least this date, despite the negative balance sheet position.

The majority of the CBI's income is raised by Membership Subscriptions. If we considered there was a serious prospect that we could not raise sufficient funds to carry out our core functions, we have contingency plans in place to cover such a shortfall.

In addition, our cash reserves of £7.4m provide a buffer against volatility and we will look to increase them over time.

Viability Statement

For the reasons stated below, the directors fully expect that the CBI will be able to continue in operation and meet its liabilities as they fall due up to 2020, the period of the assessment, and we have therefore applied the going concern basis of accounting in preparing the annual financial statements. The key assumptions made can be found in the going concern note above.

In making this assessment the Directors have reviewed the principal risks which affect viability (Defined Benefit Pension scheme independence on membership and commercial income), and the Strategic Plan, which was completed in the summer of 2016. The period of the review was for 4 years to December 2020. This shows significant prospects of expanding our commercial basis, as well as keeping costs under control on areas, such as headcount. The aim of this plan is to increase our cash reserves which are currently £7.4m. The review looked at scenarios based on current performance and also the occurrence of a reasonable worst case, with a significant reduction in income. In this case the CBI has outlined plans to cover such a shortfall.

Risk

The Board has overall accountability for ensuring that risk is effectively managed across the group and, on behalf of the Board, the Audit Committee reviews the effectiveness of the group Risk Process.

Each business area is responsible for identifying, assessing and managing the risks in their respective area.

Risks are identified and assessed by all business areas half-yearly and are measured against a defined set of criteria, considering likelihood of occurrence and potential impact to the CBI.

This information is combined to form a consolidated view of risk. The top risks (based on likelihood and impact) form our Risk Profile, which is reported to the Executive Committee for review and challenge, ahead of final review and approval by the Board.

To ensure that our risk process drives continuous improvement across the business, the Management Board monitors the ongoing status and progress of key action plans against each risk quarterly, together with annual reviews by the Board and Audit Committee.

We continue to drive improvements to our risk management process and the quality of risk information generated, whilst at the same time maintaining a simple and practical approach.

The objective of our risk management approach is to identify and assess all significant risks to the achievement of our strategic objectives.

The principal risks and mitigation of these for the CBI are as follows:

| Risk | Mitigation |
|---|--|
| The actuarial deficit of the closed defined benefit pension scheme (£8.8m) represents the largest risk to the business, as above | A new repayment plan has been agreed with the Trustees reducing the annual deficit payment from £1.6m to £0.8m from 2016 |
| The ongoing sustainability of the CBI depends on membership subscriptions and commercial income (£23.3m). There is a risk in terms of potential loss of members / business, failure to grow or competition and the impact of Brexit | This is mitigated by meeting our Members' requirements and ensuring effective service delivery. We have also completed a Strategic review during the year, which has confirmed the ongoing sustainability of the business |
| High staff turnover is causing a loss of talent and staffing pressures | Clarity on roles and responsibilities has been improved, and a new Competency and Performance Development Review framework launched for 2017 |
| Relationship with new Government | Continued broad based political engagement with wide array of political stakeholders. Increased engagement with permanent secretaries, who are likely to continue in their existing posts throughout any transition |
| Serious loss of IT systems and related data, and Cyber and other digital / physical threats which may cause a loss of, or, leak of data | Full back up of IT data and duplicate IT facility. Business Continuity Plan being finalised. IT and Cyber security review carried out and most recommendations have been implemented or are in the process of being implemented. Cyber insurance is now in place and the Resource Director is responsible for Cyber security |
| Impact of devolution, a second Scottish referendum and [constitutional changes] | New Regional Growth project, in Partnership with McKinsey, was launched with outputs so far very well received by Members and this project has produced very meaningful research and positioned CBI as a thought leader |
| CBI Compliance and transparency | The CBI's Strategy and Governance teams ensure that CBI internal policies are adhered to. We are currently working on proposals for us to be more transparent in the companies represented on all the constituent standing committees of our chairs' committee |

Internal Controls and Financial Reporting

The CBI Board is ultimately responsible for the CBI's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

In preparing these accounts the members of the CBI Board are required to:

- Authority to operate the regional and overseas offices and projects within the CBI is delegated to their respective managers within limits set by the Director-General and the Resources Director under the overall supervision of the CBI Board. The appointment of managers to most senior positions within the CBI requires the approval of the Director-General
- Systems and procedures are embedded in the CBI at both corporate and directorate level to identify, control and report on the major risks including credit, liquidity, operational error and fraud. Exposure to these risks is monitored by management and by the CBI Board as a whole and the CBI Board is responsible for determining the appropriate strategy to manage those risks.
- Annual financial plans are prepared and are reviewed and approved by the CBI Board. Results are monitored regularly. Reports on progress compared with the plans and budgets are prepared each month. All expenditure, including capital expenditure, is regulated by a budgetary process and an authorisation system.
- The CBI Board monitors compliance with policies and standards and the effectiveness of internal control structures across the CBI. This is augmented by the Director-General's reports to the CBI Board on significant changes in the business or external environment that affect significant risks.
- The Audit Committee considers the controls which are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the external auditors.

The CBI Board keeps the effectiveness of this system of control under review. The key processes used by the CBI Board in carrying out its reviews of the effectiveness of internal controls include:

- Financial reports, which identify variances from plan and prior period performance, identify performance issues, and discuss the risks that arise and the steps being taken to mitigate those risks
- Discussions with senior personnel on risk and control issues
- Consideration by the Audit Committee of reports from the external auditors.

Internal Audit

The CBI does not have an internal audit function. This is presently considered appropriate given the size and organisational structure of the CBI and the close involvement of the executive directors and senior management in the day-to-day operations.



Carolyn Fairbairn
Director-general



Nigel Hopkins
Resources director

11 April 2017

Statement of Responsibilities in relation to the Accounts

Under the CBI's charter and bye-laws, the Council is required to cause proper books to be kept so as to show a true and fair view of the state of the CBI's affairs and to explain its transactions. The Council is also required to present audited accounts at each annual general meeting. The members of the CBI Board discharge these responsibilities on behalf of the Council and have elected to prepare these accounts in accordance with FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland..

In preparing these accounts the members of the CBI Board are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the CBI will continue to operate.

The Director-General and the Resources Director have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the CBI and to detect fraud and other irregularities.

The members of the CBI Board are responsible for the maintenance and integrity of the corporate and financial information included on the CBI's website. Legislation in the United Kingdom governing the preparation and dissemination of the accounts and other information included in annual reports may differ from legislation in other jurisdictions.

The members of the CBI Board who held office at the date of approval of these accounts confirm that, so far as they are aware, there is no relevant audit information of which the CBI's auditors are unaware. Each member of the CBI Board also confirms that he/she has taken such steps as he/she considers necessary to make himself/herself aware of any relevant audit information and to establish that the CBI's auditors are also aware of that information.

The members of the CBI Board consider that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable.



Carolyn Fairbairn
Director-general



Nigel Hopkins
Resources director

11 April 2017

Independent auditor

Independent auditor's report to the members of the Confederation of British Industry (CBI)

We have audited the accounts of the CBI for the year ended 31 December 2016 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Respective responsibilities of members of the CBI board and auditor

As explained more fully in the statement of responsibilities in relation to the accounts, the board members are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to CBI's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the members of the CBI board; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts:

- Give a true and fair view of the state of CBI's affairs as at 31 December 2016 and of its loss for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Our assessment of risks of material misstatement

We identified the following risks of material misstatement that had the greatest effect on our audit strategy, allocation of resources in the audit and directing the efforts of the audit team:

- **Going concern:** The accounts may be prepared on a going concern basis when this is not appropriate if the CBI is not able to continue in business for at least 12 months from the date the accounts are approved

- **Defined benefit plan:** The assumptions used to calculate the value of assets and liabilities in the defined benefit pension plan may not be appropriate
- **Recognition of income and expenditure:** The timing of revenue recognition may be incorrect or revenue recognised may be incomplete, particularly in relation to members' prepaid subscriptions and amounts included within deferred income. Staff costs may be misstated, which, as a significant proportion of the CBI's expenditure, may result in the accounts being materially misstated

Our application of materiality

The concept of materiality was applied in planning and performing our audit. The threshold at which we consider an amount as being material to the accounts as a whole was set at £238,000. This is based on the amount of total income recognised in the Income Statement for the year ended 31 December 2016. We report individual unadjusted differences on the accounts over £11,900 to the Audit Committee. Materiality is used as guidance for the audit team in exercising judgement over their approach to audit testing and interpretation of the results. The level of materiality should not be interpreted as an absolute limit but as a guide to values that may be considered to have an impact on the view given by the accounts.

An overview of the scope of our audit

Our audit focused on the risks of material misstatement as identified above. Our audit work on revenue recognition focused on the different revenue streams received by CBI, including members' subscriptions, commercial activities and project income. We obtained evidence that the total staff costs were in accordance with expectations and that employees joining and leaving during the year had been correctly accounted for. We obtained evidence that the recognition and disclosures made in respect of the CBI's defined benefit pension plan were in accordance with financial reporting standards and that the assumptions used by the actuary in calculating the value of assets and liabilities in relation to the pension plan were reasonable.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- The part of the Corporate Governance Statement relating to CBI's compliance with the nine provisions of the UK Corporate Governance Code specified for our review does not comply with the UK Corporate Governance Code;
- The information given in the annual report is inconsistent in any material respect with the accounts;
- There are material omissions or matters to draw attention to in the assessment of principal risks facing CBI in the annual report.

Buzzacott LLP

Buzzacott LLP
130 Wood Street
London
EC2V 6DL

11 April 2017

Income Statement - For the year ended 31 December 2016

| | Notes | 2016 £000 | 2015 £000 |
|--|-------|----------------|----------------|
| Income | | | |
| Members' subscriptions | 1(d) | 20,137 | 20,252 |
| Rents and licence fees | | 93 | 86 |
| Commercial activities | | 3,207 | 3,201 |
| Project income | | 0 | 15 |
| Interest on short-term deposits | | 27 | 25 |
| Other income | | 363 | 296 |
| Total | | 23,835 | 23,875 |
| Expenditure | | | |
| Payroll | 3 | 12,258 | 12,275 |
| Pension costs | 3 | 772 | 819 |
| Travel and subsistence | | 559 | 635 |
| Other staff costs | | 921 | 925 |
| Office expenses | | 1,198 | 1,134 |
| Premises costs | | 2,753 | 2,644 |
| Subscriptions to other organisations | | 1,060 | 1,024 |
| Commercial activities | | 1,581 | 1,653 |
| Legal and professional costs | | 877 | 1,034 |
| Promotional activities and surveys | | 255 | 241 |
| Functions and entertaining | | 220 | 307 |
| Project costs | | 243 | 147 |
| Depreciation | | 870 | 780 |
| Finance charges | 1(e) | 347 | 402 |
| Past pension service credit | 5 | (910) | - |
| Miscellaneous expenses | 13 | 15 | 10 |
| Total | | 23,019 | 24,030 |
| Profit/(loss) before tax | 2 | 816 | (155) |
| Taxation charge | 6 | 29 | 70 |
| Retained surplus/(deficit) for the year | | 787 | (225) |
| Statement of Comprehensive Income for the year ended 31 December 2016 | | | |
| Retained surplus/(deficit) for the year | | 787 | (225) |
| Actuarial losses recognised in the pension scheme | 13 | (4,565) | (1,105) |
| Current tax benefit arising on Employer contributions to the DB pension scheme | 6 | 92 | 318 |
| Deferred tax benefit arising on Employer contributions to the DB pension scheme | | 141 | - |
| Deferred tax benefit/(cost) arising on actuarial gains | | 517 | (67) |
| Total recognised losses for the year | 11 | (3,028) | (1,079) |

All amounts other than the exceptional item relate to continuing activities.

Statement of Financial Position - At 31 December 2016

| | Notes | £000 | 2016 £000 | £000 | 2015 £000 |
|---|-------|-----------------|----------------|----------|--------------|
| Fixed assets | | | | | |
| Tangible fixed assets | 7 | | £3,333 | | 3,791 |
| Current assets | | | | | |
| Debtors and prepayments | 8 | 1,641 | | 1,347 | |
| Short-term deposits | | 2,032 | | 2,000 | |
| Cash at bank | | 5,374 | | 3,817 | |
| | | 9,047 | | 7,164 | |
| Less current liabilities | | | | | |
| Amounts falling due within one year | | | | | |
| Creditors, accruals and deferred income | 9 | (13,753) | | (11,545) | |
| Net current liabilities | | | (4,706) | | (4,381) |
| Total assets less current liabilities | | | (1,373) | | (590) |
| Deferred tax asset | 10 | | 555 | | 350 |
| Net liabilities excluding pension (liability)/asset | | | (818) | | (240) |
| Pension (liability)/asset net of deferred tax | 13 | | (1,385) | | 1,065 |
| Net (liabilities)/assets including pension (liability)/asset | | | (2,203) | | 825 |
| Represented by | | | | | |
| Accumulated (deficit)/surplus | 11 | | (2,203) | | 825 |

These accounts were approved and authorised for issue at the CBI Board meeting on 11 April 2017 and were signed by:



Carolyn Fairbairn
Director-general



Nigel Hopkins
Resources director

11 April 2016

Company Registration Number: RC000139

Statement of Cash Flows - For the year ended 31 December 2016

| | 2016 £000 | 2015 £000 |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| (Loss)/profit before tax | 816 | (155) |
| Adjusted for: | | |
| Depreciation | 870 | 780 |
| Loss on disposal of fixed assets | - | 102 |
| Past pension service credit | (910) | - |
| Finance (credit)/charges | 347 | 402 |
| Increase in debtors | (294) | (189) |
| Increase in creditors | 647 | 1,040 |
| Increase in deferred income | 1,561 | 239 |
| Contributions to pension plan | (1,000) | (1,830) |
| Interest receivable | (27) | (25) |
| Net cash from operating activities | 2,010 | 364 |
| Cash flows from investing activities | | |
| Interest received | 26 | 25 |
| Purchase of tangible fixed assets | (412) | (763) |
| Net cash from investing activities | (386) | (738) |
| Cash flows from financing activities | | |
| Interest and other charges paid | (35) | (144) |
| Net cash used in financing activities | (35) | (144) |
| Change in cash and cash equivalents | 1,589 | (518) |
| Cash and cash equivalents at 1st January | 5,817 | 6,335 |
| Cash and cash equivalents at 31st December | 7,406 | 5,817 |
| Analysis of cash and cash equivalents | 2016 £000 | 2015 £000 |
| Cash at bank | 5,374 | 3,817 |
| Short-term deposits | 2,032 | 2,000 |
| Total cash and cash equivalents | 7,406 | 5,817 |

Notes to the accounts

1. Accounting policies

(a) Basis of preparation

The Confederation of British Industry was set up by royal charter. These accounts have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The accounts have been prepared on the historical cost basis.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the CBI's accounts.

The accounts have been prepared under FRS 102 and presented in sterling and rounded to the nearest £'000.

(b) Going concern

The accounts have been drawn up on a going concern basis. Management has developed medium-term financial projections and future cash flows on the basis of the current business model and after consideration of the risks and uncertainties noted on page 34. The key assumptions relate to the retention and recruitment of members, the agreed funding requirements for the pension deficit and the ability of the CBI to continue to manage costs tightly. Management has applied sensitivities to these variables for the period to the end of July 2018, and concluded that it is reasonable to expect that the CBI will have sufficient resources to operate until at least this date, despite the negative balance sheet position. There are net liabilities of £2.2m after recognising a FRS102 pension deficit of £1.39m, with net liabilities of £0.8m before the pension liability. The increase in net current liabilities to £4.7m has been caused by the continued recognition of lease incentives for our Cannon Place head office.

The majority of the CBI's income is raised by Membership Subscriptions. If we considered there was a serious prospect that we could not raise sufficient funds to carry out our core functions, we have contingency plans in place to cover such a shortfall. In addition, our cash reserves of £7.4m provide a buffer against volatility and we will look to increase them over time.

(c) Critical accounting estimates and areas of judgement

Preparation of the accounts requires the management of the CBI to make significant judgements and estimates. The items in the accounts where these judgements and estimates have been made include:

- Estimating the useful economic life of tangible fixed asset
- Valuation of the pension scheme and assumptions used in the valuation.

(d) Members' subscriptions

Income from members' subscriptions is recognised as and when received and is spread over the relevant subscription period. Subscription income received relating to future years is deferred to the relevant year. Any membership income received in the month after the year end related to the previous year is treated as accrued income.

Commercial income is recognised in the month when the commercial activity takes place. Income received for events in the future is deferred until the event occurs.

(e) Capitalisation & depreciation

The CBI capitalises assets with a value of £500 or more. Depreciation is provided on assets on the basis of their cost and from the date they are brought into use on a straight line basis over their estimated useful lives, generally as follows:

- **Office furniture and equipment**
10%-33% per annum
- **Plant and machinery**
5%-10% per annum
- **Computer hardware and software**
25% per annum
- **Leasehold improvements**
over the term of the lease or the estimated life of the asset if shorter.
- **Motor vehicles**
25% per annum

(f) Leases

Regular annual rental charges and income under operating leases are charged or credited to the income and expenditure account when the amounts are incurred.

Assets acquired under finance leases are capitalised in fixed assets at the net present value of the minimum lease payments and depreciated in accordance with accounting policy (e) above. The finance charge is apportioned to accounting periods using the actuarial method.

(g) Taxation

The charge for taxation is based on the profit before tax and takes into account deferred tax.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required under FRS102.

(h) Foreign currency

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the retained surplus for the year.

(i) Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

(j) Expenditure

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the CBI to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis.

(k) Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than a month from the date of acquisition. Deposits for more than a month but less than one year have been disclosed as short term deposits.

(l) Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount we anticipate we will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

(m) Financial instruments

The CBI only has financial assets and financial liabilities of a kind that qualify as basic financial instruments and are not considered to be of a financing nature. Such financial instruments, except for investments classified as fair value through profit or loss, are initially recognised at the transaction value and subsequently measured at their settlement value.

(n) Pensions

The CBI currently provides a group pension plan and other personal pension plans to staff and makes regular payments into the schemes. All the schemes are defined contribution plans. The amounts paid by the CBI are charged to pension costs in the year.

The CBI previously operated a pension plan providing benefits based on final pensionable pay. This scheme was closed to all staff on 31st March 2012. The assets of the plan are managed by third-party investment managers and are held separately in trust. Independent professionally qualified actuaries undertake regular valuations of the plan. These inform the level of contributions paid by the CBI to fund the benefits set out in the rules of the plan.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using an attained age method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit or surplus (to the extent it is recoverable) is recognised in full. The movement in the scheme deficit/surplus is split between operating charges, finance items and, in the statement of comprehensive income

2. Operating result

| Operating result before taxation is stated after charging: | 2016 £000 | 2015 £000 |
|---|----------------------|----------------------|
| Auditor's remuneration | | |
| Audit | 32 | 33 |
| Other services – tax and related advice | 13 | 8 |
| Rentals payable under operating leases | | |
| Land and buildings | 1,557 | 1,516 |
| Motor vehicles and equipment | 64 | 70 |
| Depreciation | 870 | 780 |
| and after crediting: | | |
| Rentals receivable under operating leases: | | |
| Land and buildings | 93 | 86 |

The CBI contributed £2k (2015: £2k) to charities in lieu of sending corporate Christmas cards. The CBI makes no political contributions.

3. Staff costs

| | 2016 No. | 2015 No. |
|--|-------------|-------------|
| The average number of staff employed by the CBI during the year was: | 215 | 223 |
| | £000 | £000 |
| Their aggregate payroll costs were: | | |
| Salaries | 11,010 | 10,992 |
| Social security costs | 1,248 | 1,283 |
| | 12,258 | 12,275 |
| Pension costs | 772 | 819 |
| | 13,030 | 13,094 |

4. Remuneration of directors and key management personnel

The key management personnel of the CBI in charge of directing, controlling, running and operating the CBI on a day to day basis are the directors.

During the year 21 (2015: 16) of the staff included within staff costs in note 3 were called directors. Their total emoluments, including the estimated money value of non cash benefits, were £2,347k (2015: £1,935k). Of this £249k related to severance costs (2015: £165k). All but 2 (2015: 2) of the directors are members of one of the CBI's pension plans. The CBI cost of the plans for these directors was £150k (2015: £180k).

The emoluments of the executive members of the CBI Board were:

| | 2016 £000 | 2015 £000 |
|--------------------------------------|--------------|--------------|
| John Cridland - Director-general | - | 312 |
| Katja Hall - Chief policy director | - | 211 |
| Carolyn Fairbairn - Director-general | 341 | 43 |
| Nigel Hopkins - Resources director | 130 | 127 |
| | 471 | 693 |

Payments of £68k (2015: £70k) were made for money purchase pension schemes for the Director-Generals' benefit.

CBI Members serving on Committees or in other roles are not remunerated.

5. Finance charges

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Bank charges, bad debts and foreign exchange differences | 35 | 144 |
| Defined benefits scheme admin expenses | 312 | 258 |
| | 347 | 402 |

6. Taxation

(i) Analysis of taxation for the year

| Income statement | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Current tax | | |
| UK corporation tax on operating result | 92 | - |
| Deferred tax | | |
| Accelerated capital allowances | (63) | 70 |
| Taxation charge on operating result | 29 | 70 |

(ii) Factors affecting the current tax charge for the year

The tax assessed for the year differs from that at the standard rate of corporation tax of 20% (2015: 20.25%).

The differences are explained below:

| Income statement | 2016 £000 | 2015 £000 |
|---|----------------------|----------------------|
| (Loss)/profit before tax | 816 | (155) |
| Tax at standard rate of corporation tax | 163 | (31) |
| Expenses not deductible for tax purposes | 62 | 23 |
| Non-taxable income | (196) | - |
| Current year tax loss not recognised | - | 78 |
| Current tax charge on operating result for the year (note 6(ii)) | 29 | 70 |

Statement of comprehensive income

| | | |
|--|--------------|-------|
| Tax at standard rate of 20% (2015: 20.25%) on total losses recognised in the statement of comprehensive income | (751) | (224) |
|--|--------------|-------|

Comprised

| | | |
|---|--------------|-------|
| Movement in deferred tax asset due to pension scheme deficit | (676) | 67 |
| Effect of future corporation tax rate reduction to 17% (2015:18%) | 17 | 27 |
| Current taxation credit for the year | (92) | (318) |
| | (751) | (224) |

Tax relief is available on pension plan contributions in excess of the expenditure deductible from the income statement amounting to an additional tax deduction of £1,000k (2015: £1,830k). This additional tax relief arises from funding a deficit in the plan and is accounted for in the statement of comprehensive income. The net corporation tax liability for the year is nil (2015: nil).

7. Tangible Fixed assets

| | Plant & machinery | Office furniture & equipment | Computer hardware & software | Leasehold improvements | Total £000 |
|----------------------------|----------------------------------|---|---|-----------------------------------|-----------------------|
| Cost: | | | | | |
| At 1 January 2016 | 69 | 652 | 2,910 | 2,452 | 6,083 |
| Additions | - | 13 | 357 | 42 | 412 |
| At 31 December 2016 | 69 | 665 | 3,267 | 2,494 | 6,495 |
| Depreciation: | | | | | |
| At 1 January 2016 | 55 | 164 | 1,676 | 397 | 2,292 |
| Charge for year | 8 | 82 | 601 | 179 | 870 |
| At 31 December 2015 | 63 | 246 | 2,277 | 576 | 3,162 |
| Net book value: | | | | | |
| At 31 December 2016 | 6 | 419 | 990 | 1,918 | 3,333 |
| At 31 December 2015 | 14 | 488 | 1,234 | 2,055 | 3,791 |

8. Debtors and prepayments

| | 2016 £000 | 2015 £000 |
|--------------------------------|----------------------|----------------------|
| Trade debtors | 512 | 743 |
| Other debtors | 139 | 122 |
| Prepayments and accrued income | 990 | 482 |
| | 1,641 | 1,347 |

9. Creditors: amounts falling due within one year

| | 2016 £000 | 2015 £000 |
|---------------------------------|---------------|---------------|
| Trade creditors | 407 | 778 |
| Other taxes and social security | 981 | 744 |
| Other creditors and accruals | 3,756 | 2,975 |
| Deferred income | 8,609 | 7,048 |
| | 13,753 | 11,545 |

Other taxes and social security includes employer contributions of £59k (2015: £65k) to the defined contributions plans.

Other creditors and accruals includes an accrual for holiday pay of £124k (2015: £141k)

10. Deferred tax asset

| Deferred tax principally on accelerated capital allowances | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| At 1 January | (350) | (102) |
| (Debit)/credit for the year | (63) | 70 |
| Trade losses c/f | (142) | (318) |
| At 31 December | (555) | (350) |

Deferred tax is calculated at 17% (2015: 18%) being the taxation rate expected to be applicable when the timing differences reverse.

11. Accumulated surplus/(deficit)

| | 2016 £000 | 2015 £000 |
|--------------------------------------|----------------|--------------|
| Opening surplus | 825 | 1,904 |
| Total recognised losses for the year | (3,028) | (1,079) |
| Closing (deficit)/surplus | (2,203) | 825 |

12. Commitments

At 31 December the CBI had the following future minimum commitments under non-cancellable leases:

| | 2016 | | 2015 | |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | Land and buildings £000 | Vehicles and Equipment £000 | Land and buildings £000 | Vehicles and Equipment £000 |
| Within one year | 1,518 | 70 | 1,474 | 79 |
| In the second to fifth years inclusive | 4,989 | 118 | 5,044 | 179 |
| Over five years | 8,403 | - | 9,562 | - |
| | 14,910 | 188 | 16,080 | 258 |

There were capital commitments of £Nil at 31 December 2016 (2015: £Nil)

13. Pension schemes

The CBI operates a defined benefits pension plan in the UK - the Confederation of British Industry Retirement Benefits Plan ('the Plan'). The Plan was closed to new entrants on 1 May 2009 and to further benefit accruals from the 31 March 2012. All Staff are offered membership of a group pension plan, to which the CBI contributes, or a contribution to approved personal pension plans, all of which are defined contribution arrangements. The Plan's assets are held in separate trustee administered funds.

Contributions to the Scheme are determined by the results of triennial formal actuarial valuations, the last of which was carried out as at 31 December 2014. The results of the valuation as at 31 December 2014 have been rolled forward to 31 December 2016 by a qualified actuary independent of the Company.

The Company paid £1.0m in deficit reduction contributions and to cover Plan expenses over the year to 31 December 2016. As the Scheme is closed to future accrual, there were no regular contributions in 2015. At 31 December 2016 the pension scheme had an accounting surplus of £1,385k under FRS102.

Risks

The main risks the Company is exposed to by the Plan are:

- **Mortality risk** - the assumptions adopted by the Company make allowance for future improvements in life expectancy. However, if life expectancies improve at a faster rate than assumed, this would result in greater payments from the Scheme and consequently increases in the Scheme's liabilities. The Company and the Scheme's Trustees review the mortality assumption on a regular basis to minimise the risk of using inappropriate assumptions
- **Investment risk** - the Scheme invests its assets in a portfolio of asset classes. There is residual risk that as the selected portfolio matures, there is the possibility of not being able to reinvest the assets at the assumed rates. The Scheme's Trustees review the structure of the portfolio on a regular basis to minimise these risks
- **Inflation risk** - increases to benefits in the Scheme are linked to inflation. If inflation is greater than expected, the liabilities will increase.

Components of benefit cost recognised in income statement

| | 2016 £000 | 2015 £000 |
|---|--------------|--------------|
| Net interest cost on net defined assets | (72) | (58) |
| Administration Expenses | 384 | 316 |
| Past service credit recognised | (910) | - |
| Net benefit cost in income statement | (598) | 258 |
| Actual return on plan assets | 18,686 | 801 |

Amount recognised in OCI

| | | |
|--|----------|---------|
| Actuarial losses/(gains) arising from changes in assumptions | 20,084 | (1,882) |
| Experience losses on liabilities | - | 736 |
| Actuarial (gains)/losses on assets | (15,519) | 2,251 |
| Loss recognised in OCI | 4,565 | 1,105 |

Funded Status

The funded status of the Plan at the year end and the related amounts recognised on the statement of financial position, follow:

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Plan assets | 98,692 | 82,381 |
| Plan liabilities | (100,360) | (81,082) |
| Pension (deficit)/surplus | (1,688) | 1,299 |
| Related deferred tax asset/(liability) | 283 | (234) |
| Net pension (liability)/asset | (1,385) | 1,065 |

The assumptions used to determine The Plan's defined benefit obligation at end of year:

| | | At 31 December 2016 | 2015 |
|--|------|------------------------|------|
| Future inflation assumption | -RPI | 3.4% | 3.3% |
| | -CPI | 2.4% | 2.3% |
| Future increase in pensions in payment (LPI max 5%, min 3% p.a.) | | 3.8% | 3.7% |
| Discount rate | | 2.7% | 3.9% |

The life expectancies are based on the S1NA light tables, with adjustments to reflect the Plan's membership. Future improvements are based on the CMI projections model with a long-term improvement of 1.5%.

| | 2016 | Male 2015 |
|--------------------------------|------|--------------|
| Life expectancy at 31 December | | |
| From 65 and now 65 | 23.3 | 23.2 |
| From 65 and now 45 | 25.4 | 25.3 |

The change in Plan liabilities during the year were:

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Plan liabilities at start of year | 81,082 | 82,549 |
| Interest cost | 3,095 | 2,994 |
| Past service gains | (910) | - |
| Actuarial gains arising from changes in demographic assumptions | - | (898) |
| Actuarial losses/(gains) arising from changes in financial assumptions | 20,084 | (984) |
| Experience losses | - | 736 |
| Benefits paid | (2,991) | (3,315) |
| Plan liabilities at end of year | 100,360 | 81,082 |

The change in Plan assets during the year were:

| | 2016 £000 | 2015 £000 |
|------------------------------|--------------|--------------|
| Plan assets at start of year | 82,381 | 83,381 |
| Interest income | 3,167 | 3,052 |
| Experience gain/(losses) | 15,519 | (2,251) |
| Employer contributions | 1,000 | 1,830 |
| Administration expenses | (384) | (316) |
| Benefits paid | (2,991) | (3,315) |
| Plan assets at end of year | 98,692 | 82,381 |

Following the triennial actuarial valuation as at 31 December 2014 the CBI and the trustee agreed deficit funding of £83k a month. This funding rate commenced 1 January 2016 to eliminate the Plan deficit by 30 June 2023, the date at which the Recovery Plan ends.

The CBI paid contributions to the Plan of £1,000k in the year (2015: £1,830k).

The Plan Asset Allocation at the year end was as follows:

| | 2016 £000 | 2015 £000 |
|-----------------------|---------------|---------------|
| Equities | 10,985 | 21,090 |
| Bonds | 11,514 | 20,216 |
| Absolute return funds | 26,292 | 19,233 |
| Property | 3,197 | 3,250 |
| LDI | 44,752 | 16,424 |
| Cash and Other | 1,952 | 2,168 |
| Total | 98,692 | 82,381 |

Experience adjustments DB Pension Plan

| | 2016 £000 | 2015 £000 |
|--|--------------|--------------|
| Fair value of asset, end of year | 98,692 | 82,381 |
| Defined benefit obligation, end of year | 100,360 | 81,082 |
| Funded status | (1,668) | 1,299 |
| Experience adjustment on DBO loss | - | 732 |
| Experience adjustment on Scheme assets (gain)/loss | (15,519) | 2,251 |

Deferred tax is calculated at 17% (2015: 18%) being the taxation rate expected to be applicable when the Plan deficit reverses. For the possible impact of proposed taxation rate reductions in later years see note 6.

The impact on the assets/(liabilities) of the Plan and the deficit (before consideration of deferred tax) shown in the statement of financial position of changes in the major assumptions is shown below:

| | Increase in Liabilities |
|--------------------------------------|-------------------------|
| Decrease discount rate by 0.25% | 4,921 |
| Increase rate of inflation by 0.25% | 3,018 |
| Life expectancies increase by 1 year | 3,797 |

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