

CBI



# Annual Report and Accounts 2018



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# Foreword CBI President

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In a year once again dominated by Brexit and political partisanship, business has continued to cut through the noise as the voice of evidence, pragmatism, and shared prosperity.

During my first year as CBI President, public debate in the UK has inescapably been characterised by the ongoing sound and fury of Brexit. For many, this has not just been a discussion about how we should leave the EU, but a bigger debate about the way we want to govern our country, grow our economy, and ultimately determine our place on the world stage.

There is no doubt that these are big questions. But throughout the year, during regional and international trips, discussions with CBI members, and meetings with political stakeholders, one thing has become increasingly clear. It is that now, more than ever before, the voice of business must rise above the clatter of political dogma and be a steady source of evidence in an uncertain world.

And more than that, what business delivers for society has never been more important. While Brexit has dominated politicians time, the CBI has continued to ensure domestic policy does not wither on the vine. The voice of business has led to many significant decisions: seeing the £14bn Heathrow expansion approved, £100m funding for the National Retraining Partnership, a new Industrial Strategy council, commitments to reform the Apprenticeship Levy, and the biggest increase in government-sponsored R&D funding for 40 years. As ever, this would not have been possible without the evidence and support of our members.

The business voice has been equally powerful overseas. We have continued to engage with governments and international business organisations to build stronger ties between British business and our global neighbours, particularly in Japan, New Zealand, Canada, China, India, and Australia with trips to Davos, Beijing, Washington, and Brussels throughout the year.

Our insight brought about the creation of a new China CEO Council, led by the CBI, to drive new and innovative approaches to exporting while Free Trade Agreements are put in motion. We also formed a key part of a new Strategic Trade Advisory group, to ensure that UK business remains at the heart of a post-Brexit trading strategy.

I have also particularly enjoyed visits to meet CBI members across our regions and devolved nations – and I must say a huge thank you to our teams in Scotland, Wales, Northern Ireland for being brilliant ambassadors for enterprise.

In 2019, the CBI will continue to put evidence and clarity at the forefront of public debate and ensure the voice of business is as strong as ever. At its heart, this voice is not one of political partisanship, or of ideology. Rather, the CBI's purpose is to be the voice of our economy and of the many firms that create jobs and support livelihoods in all parts of the UK.

I would like to express my gratitude to the CBI Board, members of staff, and the President's and Chairs' Committees for all their help and advice over the past year. In particular, I would like to thank Sharon Thorne for her time as chair of the CBI's Audit Committee and as a non-executive Board director and warmly welcome Anna Marks who follows in her footsteps. And of course, my thanks go to all our members whose engagement is vital to everything the CBI is able to achieve.

I wish you all the best and hope you have every success in 2019.



**John Allan, CBE**  
President, CBI



# Foreword CBI Director-General

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2018 was a year in which business navigated uncharted waters.

In a year both as busy and uncertain as ever, the CBI had some extraordinary successes. Brexit, once again, stole the headlines, but behind the scenes there was plenty of cause for optimism. Following a year of stakeholder meetings, international visits, and CBI member roundtables, it emerged that 2018 was our strongest year yet for political influence – including engagement with over 400 frontbench and backbench MPs.

It is also significant that our 2018 annual conference was our biggest ever. The ‘next generation’ theme hit at the heart of the challenge the UK faces and the determination of firms to build a post-Brexit Britain where prosperity is shared. Once again, the Prime Minister and the leader of the Opposition have keynote addresses, but it was the ambition and innovation of the business attending and exhibiting that really gave me optimism for the future.

But there is no question that 2018 has been dominated by the Brexit debate, and business has stepped up and played its part in shaping that debate. With the support of thousands of members across the UK, we put forward essential insight into the regulatory needs of 23 industry and service sectors post-Brexit that informed policy makers on all sides. This insight directly influenced the government’s plans for a free trade area for goods and a common rule book and many areas of the political declaration drafted by the EU.

But of course, Brexit has taken its toll. The huge waste of resources consumed by contingency planning, the investment lost to uncertainty and the people suffering insecurity about their future rights have been relentless and damaging. We will continue to fight to make sure a deal is reached that delivers a majority in parliament, can be negotiated with the EU and delivers for our economy.

The cut-through that this evidence had was reflected not just in the government’s own Brexit White Paper, which included key recommendations. Although there is clearly still a long way to go before the long-term relationship between the UK and the EU becomes clear, I am confident that the unremitting support of our members puts us on firm footing to tackle further challenges in 2019.

Because there is so much more important work to do. With challenges to our economic model and the role of business, it is time for firms to take centre stage in building a post Brexit Britain where prosperity is shared. I hear the appetite members have for this, daily. 2019 must welcome a new commitment by government to work with business, and new efforts by business to show we have the solutions to boost skills, provide great jobs, invest in R&D, trade around the world and tackle the critical climate challenge. 2019 can be the year we prove that.

Our influence ongoing influence and impact has resulted in a strong commercial performance for the CBI in 2018. With a significant growth in membership, our total revenue increased by £1m on the previous year. This gives us the headroom for a substantial investment in the organisation in coming months, allowing us to deliver improved products and services, including a new website and member-only digital portal in 2019.

Inevitably, the coming year is set to be just as eventful as the last. But with the continued support of the Board, CBI staff, and above all our members, I am optimistic that we will progress ever nearer our vision of a truly competitive, open and fair UK economy. Thank you for all your hard work in 2018, and very best wishes for the year.



**Dame Carolyn Fairbairn**  
Director-General, CBI



# About the CBI

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## Who we are

### **We are the voice of business.**

The CBI speaks on behalf of **190,000 UK businesses of all sizes and sectors**, employing nearly **7 million people** between them. That's about one third of the private workforce. With offices in the UK and representation in Brussels, Washington, Beijing and Delhi, the CBI communicates the British business voice around the world.



## What we do and why we do it

### **We exist to help business create prosperity for all.**

We believe that business has the power to do good and make a difference. Companies create opportunities, build and innovate, and cultivate a better future for the next generation. That's the true purpose of business – and it's the CBI's purpose too.

### **Why members join**

The CBI is a member's partner for success. We fix challenges, mitigate risks and empower our members with a voice, inspiration and opportunities for growth.



### **We drive positive change through:**

- **Campaigning with the power of a united voice**

We represent the views of 190,000 businesses from every corner of the UK. We're a loud, influential voice campaigning for changes to the policies that matter most to business. When we talk, people listen and act.

- **Bringing business and government together**

When business and government work together, both have even greater impact. Through us, the biggest policy team outside Whitehall, business can share the real-world impact of policy decisions with those that make them.

- **Sharing solutions between brilliant minds**

We bring together business leaders hungry for change, enabling them to share best practice, challenge the status quo and innovate. Because when we benefit from the power of collective insight, the outcomes achieve more than was ever possible alone.

- **Knowing more, anticipating success**

We equip business with the insight they need to make informed decisions. Insight that can be used to benchmark, grow, or protect their business. By supporting businesses in scanning the horizon and anticipating risks and their solutions, we build each other up towards growth and prosperity.

### Through the CBI, members can:

- **Drive change**  
The CBI's campaigning expertise and access to the highest levels of government make us a strong force for change. Members can drive change and protect their businesses from the political and economic risks that stifle success.
- **Plan with confidence**  
Members can scan the horizon, anticipate risks and react positively using the insight, analysis and data that inform decisions and lay the foundations for success.
- **Explore opportunity**  
Members make valuable connections that can take their businesses to new heights. They can share ideas, innovate, benchmark for success and never miss out on an opportunity for growth.

### Members receive:

- **Influence to reduce political & economic risks**  
Members can fully understand the implications of policy change, shape the business response and influence policy makers.
- **Economic, political & regulatory intelligence**  
Supported by the CBI Economics team, members know what's going on in the UK economy and have the data and analysis to make informed decisions.
- **Inspiration, ideas & thought leadership**  
The CBI's Ideas Forum provides access to a network of the UK's most innovative senior business leaders. Members explore opportunities, collaborate and share best practice.
- **Connections, networks & access**  
CBI members choose from hundreds of events offering first-rate insight, education and networking opportunities with key political figures, business leaders, and innovative small businesses.



## CBI 2020 strategy

In 2016 the CBI Director-General, Carolyn Fairbairn, launched our 5-year CBI 2020 strategy.

The strategy is based on 5 strands: increasing our **Focus and Impact** around a clearly articulated Prosperity Agenda. **Growing the CBI** by building the CBI's revenues while reducing our cost base, underpinned by better use of data and management practices. Putting our **Members First** by investing back into the business, improving our offer. Building **Great Teams** that support our strategy and increasing **Diversity & Inclusion** to ensure that we represent the modern UK business community.



### Members First

We held over 500-member events in 2018 ranging from speeches and to dinners, roundtables, committees and council meetings, offering our members greater insight, influence and networking opportunities than ever before.



### Growing the CBI

Our income for 2018 grew to £25.5m an increase of £1.0m, up 4% on last year allowing us to invest back into the business to better service and represent our members.



### Focus and Impact

The CBI conducted over 900 political meetings over the course of 2018. In percentage terms, this means political engagement across regions, devolved nations, and the CBI's international offices has increased by just over 23% since 2017.



### Great Teams

In 2018 the CBI continued to invest in and develop its employees. We partnered with Ashridge Business School to develop and launch two comprehensive leadership and management development programmes. By the end of 2018, 54 employees had been enrolled in the Ashridge management training courses.



### Diversity and Inclusion

Our 2018 Employee Opinion Survey showed an increase of 13% to 89% of our staff believing that we as an organisation are committed to our diversity and inclusion agenda. In 2018 the CBI continued to work closely with our employee-led groups which consist of the BAME Network, Women Network and LGBT Network and have recently launched our Working Families Network to push for greater diversity and inclusion in everything we do.

## CBI Council: how we work

We have 12 Regional and National Councils and 16 policy standing committees who meet every quarter and engage over 1,000 senior business leaders from over 700 CBI member companies. Through this process our members have a direct say in what we do and how we do it, often inputting ideas and evidence to drive policy creation or a CBI campaign. Over 80% of the businesses represented on the CBI Council are outside of the FTSE350 as the CBI represents a wide range of sizes and sectors from the UK business community.

Regional and National Council members are elected to a term of office by the CBI's regional membership base. Standing committee members are invited to join based on their sector experience and technical expertise. To represent wider member views, we also use surveys, working groups, 1-2-1 meetings and member roundtable events. Our policy experts and account managers stay in regular contact with our members to consult on priorities. This is a rigorous and continuous process aimed at achieving a strong member mandate. Members may have different views and a key role for the CBI is to find consensus so that we can present governments and stakeholders with viable, evidence backed solutions with broad based support.

In 2018 all our Regional and National Council members received key political and economic intelligence from the CBI, networked with other senior business leaders on their Council and discussed bespoke issues relevant to that Council. Throughout the year each Council consulted on the main topics:



- Q1 2018:** Consulted on the CBI's Regional and National infrastructure priorities for 2018.
- Q2 2018:** Recalibrated the CBI's global trade and investment policy.
- Q3 2018:** Helped shape the CBI's 2018 Budget submission for the UK Treasury.
- Q4 2018:** Provided guidance on a CBI campaign with McKinsey on boosting employee engagement.

### **The CBI Council: our formal governing body**

The Council is comprised of all the members of the CBI's Regional and National Councils, the SME Council, the Trade Association Council, the President's Committee and Chairs' Committee

- Decisions on policy matters have been delegated by the CBI Council to the Chairs' Committee.
- The Council's authority on operational 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.

### **The CBI Chairs' Committee: Setting and steering CBI policy**

The Chairs' Committee is the CBI's most senior policy standing committee and is ultimately responsible for the CBI's mandate and setting, steering and signing off key CBI policy positions. The committee holds a seat for all of the chairs of our regional and national councils and sector-based standing committees and plays a key role in setting and steering CBI policy. The CBI Director General and the entire executive team join each meeting.

### **The CBI Board: Operational and strategic decisions**

The CBI Board is responsible for strategic and financial decisions at the CBI including the CBI business plan, strategy and long-term viability, signing off the annual budget and yearly accounts and reviewing risk and control procedures at the CBI.

The Board is assisted by an Audit Committee and a Remuneration Committee comprising of CBI Non-Executive Directors. 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 an Executive Committee.

### The President's Committee: An advisory body to the CBI President

The President's Committee is one of the CBI's most senior committees, comprising of business leaders, Chairs and CEOs drawn from the UK's leading companies. The committee acts as an advisory body and its purpose is to advise the President and CBI executive on all issues of national importance. The committee heard from a range of speakers in 2018 including Rt. Hon. Liam Fox, Rt. Hon. Greg Clark, Rt. Hon. Nicky Morgan, Rt. Hon. Keir Starmer, Rt. Hon. Dominic Raab and the Prime Minister's Business Envoy William Vereker. The meeting is chaired by the CBI President and is attended by the CBI Director General and entire CBI executive team.

### CBI Council in numbers

# 1175

Committee and Council representatives

# 774

CBI member companies represented on the CBI council

# 12

Regional and National Councils across the whole UK

# 16

Sector and policy based Standing Committees

# 50%

Representatives of the CBI Council at C-Suite level, while 36% are at Director level

# 80%

Portion of the CBI Council from non FTSE 350 businesses

# 2018 impact and the year ahead

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## Influencing policy, winning for business

The world will not stand still and wait for Brexit to resolve itself, and there are still many challenges requiring urgent progress in order to build a more prosperous future. The need to lift our productivity. To renew our infrastructure. To solve our skills challenge. To invest in new technology. To become competitive again.

2018 was a year of shaping the Brexit debate for the CBI, but also of moving beyond Brexit to start healing the divisions that have left investors reaching for their coats. Bringing together 190,000 businesses of every sector, every region and every size – our mandate enabled us to drive real change for business on the issues that matter most.

## People and Skills

### ✓ **Far-reaching reforms to the Apprenticeship Levy**

Secured far-reaching and much-needed reforms to the Apprenticeship Levy worth £700m, giving business the flexibility and access to funds enabling them to upskill their workforce and drive growth.

### ✓ **Access to much-needed EU talent**

With growing business concerns over access to much-needed skills and talent, the government confirmed the rights of EU nationals to live, work and move freely in the UK during the transition period, and agreed a route to permanent settlement. This was thanks to clear evidence from the CBI on the importance of EU nationals to business and the wider economy.

### ✓ **£100m to tackle the growing skills gap**

Real progress has been made to address business' concerns over the skills gaps caused by digitisation, with a £100m boost in funding awarded to The National Retraining Partnership, enabling the launch of several pilots exploring retraining and lifelong learning.

## Innovation and Digital

### ✓ **Productivity-boosting measures announced in budget**

The government will provide more concrete support for businesses trying to improve productivity, with new funding announced for management practices, training, mentoring programmes and the expansion of the Knowledge Transfer Partnership.

### ✓ **New council to help embrace the benefits of AI**

A new Artificial Intelligence (AI) Council will drive the government's AI agenda to ensure business can embrace its many benefits – from productivity to improved working conditions.

### ✓ **£800m commitment to innovation**

Business, workers and wider society all stand to benefit from the government's renewed commitment to innovation; with funding secured through EU programmes guaranteed until the end of 2020, and £800m of new funding for UK Catapult centres over the next five years.

## Infrastructure and Energy

### ✓ **£14bn Heathrow expansion**

A £14bn investment in a third runway at Heathrow will open doors for the UK's global trading relationships, boosting job creation and economic growth for the entire country. This was hard won through extensive engagement with the Department for Transport and MPs.

### ✓ **Shared value for business and for government**

In the wake of Carillion's collapse, the CBI has collaborated with the Cabinet Office to develop a new social value framework, ensuring public contracts are awarded to the right partner, not the cheapest.

### ✓ **Collaborating for clean air**

With ambitious government targets for half of new cars to be ultra-low emission by 2030, a joined-up approach between energy and automotive industries will help drive progress and ensures business can play an important role in the government's Road to Zero Strategy.

## International Trade

### ✓ **Shaping the future of global trade**

The government has recognised that business has an important role to play when it comes to securing market access and investment – creating a new China CEO Council, led by the CBI, to drive new and innovative approaches to exporting while Free Trade Agreements are being organised.

### ✓ **A business-friendly export strategy**

A new exports strategy, based squarely on CBI recommendations, will improve the UK's ability to move quickly and act in the best interests of both business and citizens at a time of unique change.

### ✓ **A voice on the future of UK trade**

A Strategic Trade Advisory Group, made up of business leaders and other key stakeholders, will ensure that growing UK business is at the heart of a post-Brexit trading strategy.

## Regional growth

### ✓ **Business voice on the industrial strategy**

Business leaders will join a new Industrial Strategy Council to ensure business plays an important role in driving how the UK responds to the challenges caused by major global trends.

### ✓ **£200m regional investment secured**

A £200m fund has been agreed to ensure that the important regional projects driving growth still have access to the investment they need post-Brexit.

### ✓ **A change in the relationship that government has with business**

Following calls from the CBI, five new Business Sector Councils have been established, with CBI Director-General, Carolyn Fairbairn, sitting on both the strategic steering council and the financial, professional and education services council. These councils enable the CBI to provide the Prime Minister and her ministerial team with regular advice and policy recommendations on the critical issues affecting business.

## Tax and Regulation

### ✓ **Kickstarting business investment**

The 2018 autumn Budget saw real progress in terms of unlocking the business investment needed to counter Brexit uncertainty: a fivefold increase to the Annual Investment Allowance and the introduction of a structural building allowance.

### ✓ **More time to review employment taxation changes**

Following pressure from the CBI, the government postponed the introduction of new employment taxation (IR35), giving business a chance to feed in their views and to prepare for the changes ahead.

### ✓ **Leading the way on corporate governance**

With pressure growing on issues like executive pay, a new voluntary corporate governance code has been launched. The code, shaped with input from CBI members, will ensure the UK can lead the way on modern boardroom practice while avoiding the need for mandatory or prescriptive controls.

### ✓ **Rethinking worker shares**

With growing concern over Labour proposals for employee ownership schemes, Labour has committed to think twice about their radical policy, following swift CBI intervention.

### ✓ **Financial services that deliver for business**

Important CBI wins for financial services (FS) on tax and regulation are helping businesses across the UK to manage costs and focus on growth, with regulators adopting digital innovations, a freeze on Insurance Premium Tax and a Treasury Select Committee pledge to consult on FS regulation post-Brexit.

## Shaping a Brexit that works for business

### January 2018

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#### **Call to remain in customs union**

The CBI set out the business vision for the UK's future economic relationship with the EU, and called to remain in a customs union – a position adopted by Labour.

### March 2018

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#### **Transition period agreed**

Following the CBI's campaign to avoid a cliff edge scenario for business, a status quo transition period of 21 months was agreed.

### April 2018

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#### **CBI shares insight into needs of business**

'Smooth Operations', a CBI report based on thousands of conversations with UK businesses and trade associations, gave policy makers essential insight into the regulatory needs of 23 industry and service sectors post-Brexit.

### July 2018

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#### **Brexit White Paper includes CBI policies**

The government's Brexit White Paper on the proposed future economic relationship adopted key CBI policy recommendations shaped by business – including a free trade area for goods and a common rule book.

### August 2018

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#### **Plans for no deal scenario published**

The government published no deal technical notices to support businesses across different sectors to plan for a no deal scenario following pressure from the CBI.

### September 2018

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#### **Utilising business feedback**

CBI members shared essential feedback with the Prime Minister's Business Envoy and Brexit Secretary ahead of the final stages of Brexit negotiations, via the CBI's President's Committee.

### October 2018

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#### **Placing evidence over ideology**

Important findings from the Brexit preparedness survey helped to put evidence over ideology, showing 8 out of 10 firms felt uncertainty was negatively impacting investment decisions.

### November 2018

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#### **Withdrawal agreement represents hard-won progress**

The withdrawal agreement included some hard-won progress for business, with two main economic benefits: avoiding a cliff-edge exit and paving the way for a long-term trade deal.

## Political engagement in 2018

In 2018, the CBI boosted its engagement with politicians across the political spectrum, hosting over 900 engagements in 12 months. In percentage terms, this means political engagement across regions, devolved nations, and the CBI’s international offices increased by over 23% compared to 2017. This growth was driven by the CBI increasing its engagement with the Labour Party, as requested by the CBI Council, and improving relationships with backbench MPs, Scottish MSPs and Welsh Assembly members across all political parties.

98

Cabinet level Meetings with the UK Government

59

Shadow Cabinet Meetings with the Official Opposition

454

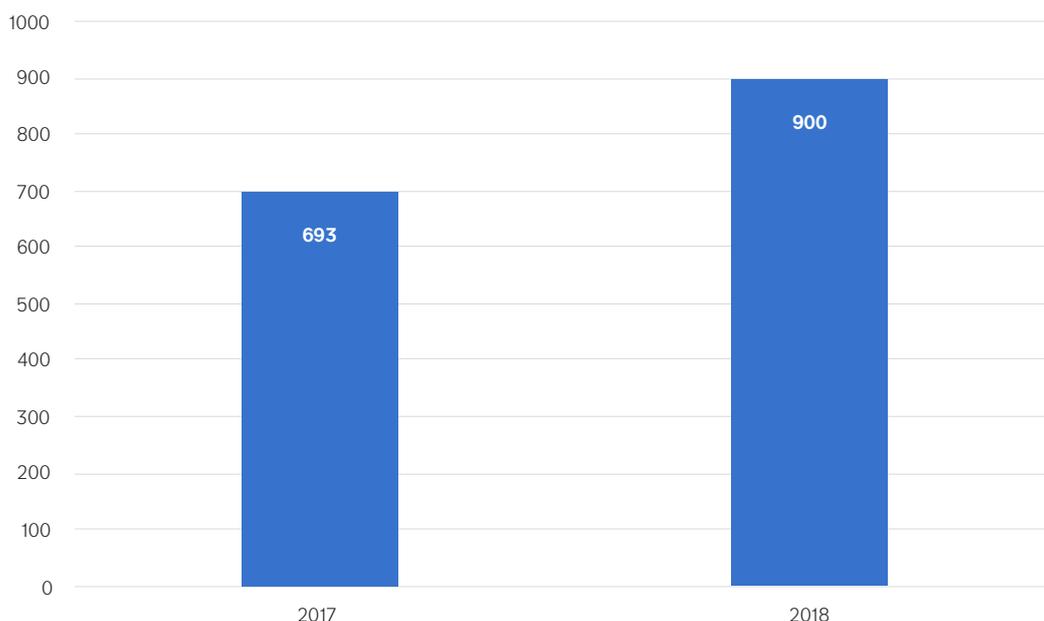
MP engagements across the political spectrum

65

engagements with devolved nation politicians across Wales, Northern Ireland and Scotland

560

Parliamentary mentions regarding the CBI in Westminster



■ CBI political engagements

## Events in 2018

In 2018, the CBI held on average one event every single day with around 500 events across the whole UK (up 25% from 2017). Events ranged from CBI Insight sessions on Infrastructure and Energy, working groups on Employment Taxes to the Annual Conference on Next Generation Business where the Prime Minister and Leader of the Opposition gave keynote speeches.

**500**

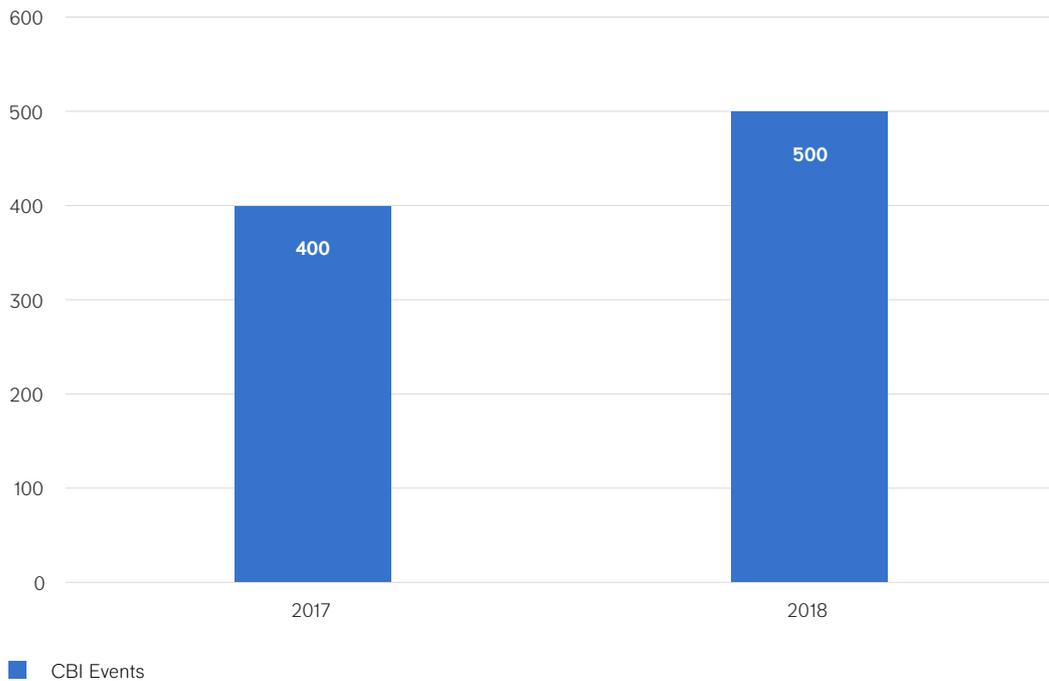
events and dinners

**9000+**

event attendees

**1969**

guests at the  
CBI Annual Conference

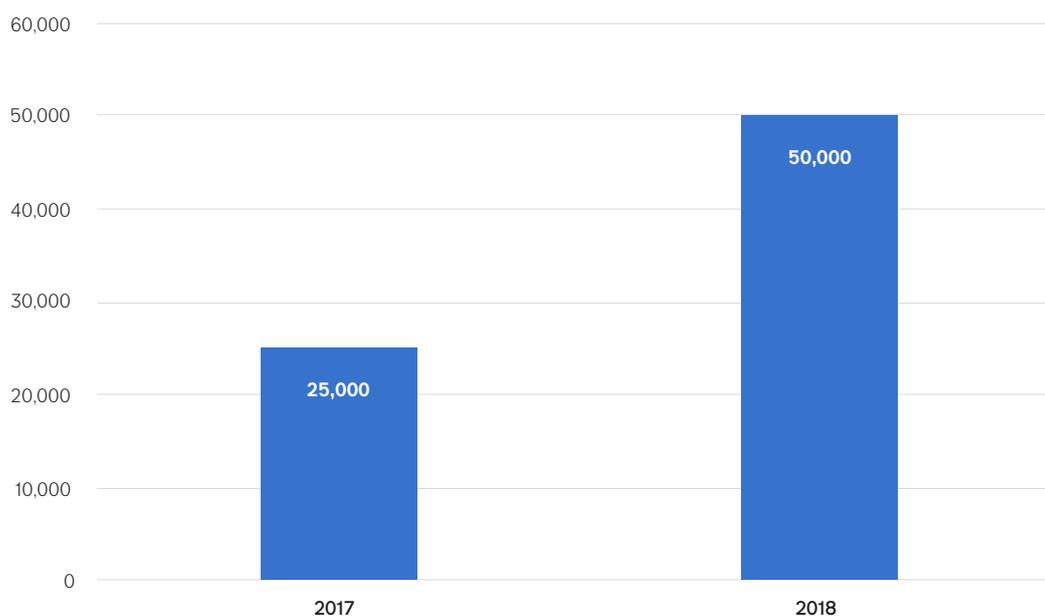


## Media and social media impact in 2018

### Print and broadcast

The CBI has maintained a strong voice in the UK-wide, devolved and regional media throughout 2018, boosting our regional and devolved nations press coverage by investing in two additional press officers.

Whether promoting the views of the business community on Brexit, the economy or the domestic policy agenda, the CBI has represented its members consistently and with purpose. 2018 saw a 100% increase in articles generated compared with 2017 at nearly 50,000 articles in UK newspapers and online.



■ Articles in print and online media referring to the CBI

### Social media

In 2018 the CBI invested in a new social media role to boost our engagement across our social media channels. Over 2018 our twitter account developed a range of different creative styles with one video of our Director General describing the CBI's Brexit position being viewed 140,000 times.

# 25%

growth in Twitter followers compared to 2017

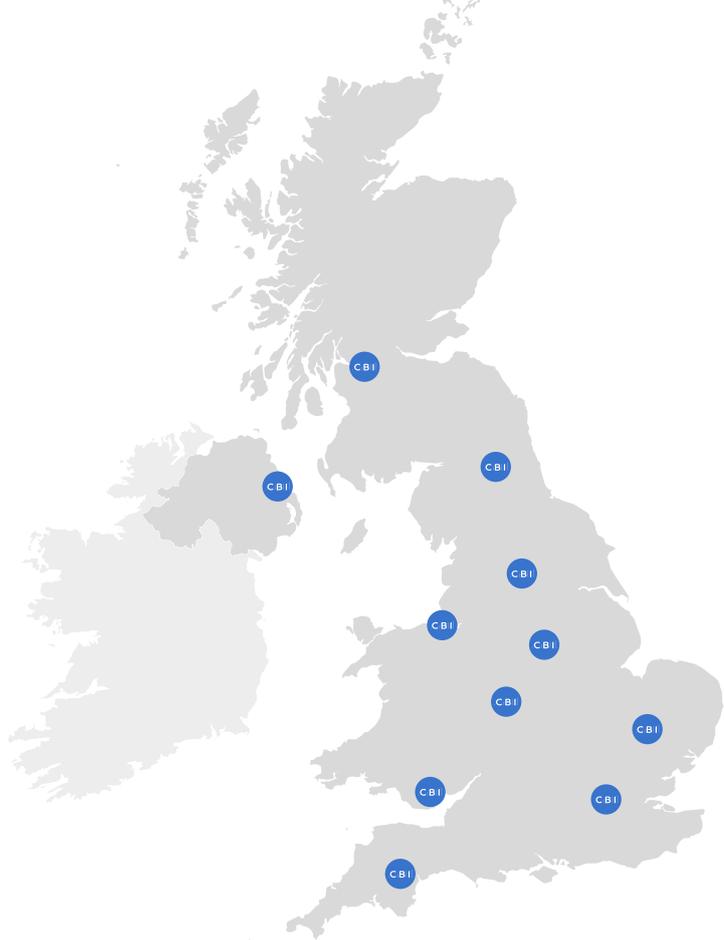
# #1

Largest ever social presence at Annual Conference with the event trending #1 on UK Twitter

# 500k

More dynamic content delivered more often with 500k video views in 2018

## Regional impact in 2018



### East Midlands

The formation of the East Midlands Development Corporation to oversee HS2 development at the Toton interchange offers a dual win for the region. It addresses our priorities on maximising the benefits of HS2 for the East Midlands economy and promotes better collaboration from the LEPs and businesses in an area where fragmentation is seen as a real issue by our members.

### East of England

Stansted Airport was granted planning permission in 2018 which would see the capacity of the airport expanded, allowing passenger growth from 35m to 43m passengers each year. The CBI in the East of England has long campaigned on this, and welcomed the news, with expansion set to deliver 5,000 additional jobs at the airport alone with wider economic benefit throughout the whole region.

### London

The capital saw strides forward on major infrastructure projects long-supported by the CBI London team, through its roles on the London Business Board and within key business engagement forums for Transport for London and Department for Transport. In January, the £1bn redevelopment of London Bridge added 66% new capacity to the network. In May, policymakers reasserted their commitment to Crossrail 2 by commissioning its Independent Affordability Review. The CBI London team will continue to work closely with the GLA on the details for delivery and expansion of flagship policies like Crossrail 1 and aviation capacity in London and the South.

### **North East**

Following an announcement in 2017, the North of Tyne Combined Authority was established in 2018 as part of a devolution deal for the North East region. The CBI has continually called for further devolution across England as a means to drive investment and productivity across the regions. This deal is expected to offer a range of benefits for business including investment and increased international profile for businesses in the region.

### **North West**

The next stages of the Made Smarter partnership between government and business, a key part of the Industrial Strategy, will be rolled out across the North West. This is aimed at engaging SME manufacturers in the region to boost productivity through intensive business support, access to funding and mentoring – all key asks within the CBI's work on unlocking regional productivity. This is expected to generate a 25% increase in productivity and add £115m to the North West economy.

### **South East & Thames Valley**

This year saw the conclusion of the public consultation for the proposed Lower Thames Crossing. Designated as nationally significant infrastructure, the £6bn project, long supported by the CBI, will link Kent with Essex and beyond and be a catalyst for economic regeneration. Still on the infrastructure theme, Transport for the South East, which is aiming to receive statutory status in 2020, published its economic Connectivity Renew – a precursor to producing its blueprint which will set out the transport requirements which, with the right investment, has the potential to significantly increase the region's growth.

### **South West**

Following South West membership engagement with Amanda Spielman, HM Chief Inspector, Ofsted, it was agreed that Ofsted would look to include exposure to industry as part of the wider teacher training inspection framework. In addition to this, it was encouraging that Ofsted agreed to further a culture of curiosity about education and employer engagement by their inspectors during school visits.

### **West Midlands**

The awarding of the 5G test beds to the WMCA and Worcestershire represents a significant win. Better utilisation of and access to digital infrastructure as well as improved mobile connectivity were two of the six regional infrastructure priorities for the West Midlands.

### **Yorkshire and Humber**

Both Sheffield City Region and West Yorkshire were selected to bid for the government's transforming cities fund in 2018, with both combined authorities receiving a share of the initial £60m allocation (£4.2m and £2.2m respectively). The bids focused on strategic upgrades to transport, and reflect a key win for the CBI who has long called for devolved funding and decision making to unlock infrastructure investment decisions across the North.

 **Scotland**

CBI Scotland continues to have a crystal-clear focus on boosting business competitiveness and productivity. As a result, CBI Scotland has had an impact across a wide range of areas in 2018 from the establishment of an exporting mentoring programme for business as part of a £20m Scottish government support package, pushing upskilling and retraining up the Scottish government agenda with the announcement of a National Retraining Partnership, to successfully stopping the introduction of an additional property levy on out-of-town businesses.

 **Northern Ireland**

Over the course of 2018 the CBI Northern Ireland conducted an evidence-based report investigating the contribution of migrant labour to the Northern Irish economy. The report drew out the increased dependence of the economy on foreign labour and quantified the long-term negative impact of reduced immigration to the region. It was circulated widely, from regional businesses to all levels of Government, and was used to influence the White Paper published in December 2018; specifically on the regional Shortage Occupation List for Northern Ireland and the call for consultation on the proposed wage threshold.

 **Wales**

CBI Wales engaged with all candidates during the leadership election to replace the First Minister, producing a manifesto outlining the CBI's priorities. We secured a review of industry 4.0 and a recognition of digitalisation within the government's new Economic Action Plan. We work closely with the UK Government in Wales to ensure Welsh business has a voice on the UK industrial strategy, helping to secure three Growth Deals and an additional £300m for the M4 relief road.

## Global impact in 2018



### United States of America, Washington D.C.

In 2018 the North American team for the CBI was central to delivering policy wins on the CBI's International Trade policy by successfully releasing our 2018 version of Sterling Assets, detailing UK investment into the United States, along with partner Eli Lilly. In addition, the team influenced US / UK trade policy by delivering substantive consultations to Department of International Trade and the United States Trade Representative on the future of US / UK trade.



### European Union, Brussels

CBI has met with the EU's Chief Brexit Negotiator Michel Barnier and has regularly engaged with his deputy Sabine Weyand and members of his team to ensure that both sides understand the economic aspects of their political decisions. In addition, we have been instrumental in ensuring that there has been a pan-European business position calling for the need for a Withdrawal Agreement with a transition period and that the EU- UK economic partnership agreement be the most ambitious EU trade deal ever agreed. Moreover, we have met with Ambassadors and political figures from all EU Member States, including the Irish Prime Minister Leo Varadkar and the Austrian Chancellor Sebastian Kurz.



### China, Beijing

Following the UK Prime Minister's China visit in 2018 the CBI's China office was appointed the Secretariat and business lead for the newly formed UK-China CEO Council. The office has organised UK-China business engagement in Beijing and the regional cities of Chengdu and Shenzhen in 2018 and is preparing a bilateral business and policy paper entitled 'Why UK' for publication in 2019. CBI China continues to lobby and push for the opening up of China's markets to UK business on behalf of CBI members in partnership with the CBBC (China British Business Council), British Chambers of Commerce and the UK's DIT (Department of International Trade). CBI China has been extending its business and policy reach to Korea, Japan and the ASEAN region.

## 2019 prosperity agenda in focus

### The CBI prosperity agenda

The CBI's purpose is to help businesses create a more prosperous society. In 2018 our Prosperity Agenda focused on 5 priorities to help firms achieve this.

#### ✓ **People and Skills**

People sit at the heart of our economic prosperity. With a good education and the right skills, everyone has the chance for success. For the UK to seize new opportunities, we need a trained and diverse workforce, supported by good business practice and the right policy environment.

#### ✓ **Infrastructure and Energy**

Great infrastructure keeps the economy moving. Patchy connectivity prevents business from delivering prosperity, while failing to cut emissions will have catastrophic impacts on wider society. The CBI helps develop the solutions that will deliver the benefits of a connected, greener economy.

#### ✓ **Innovation and Digital**

Businesses that innovate new products, processes and technologies become more productive and grow quickly. We help create the conditions that enable businesses to come up with new ideas and invest in research and development.

#### ✓ **Tax and Regulation**

Globally competitive tax and regulation is hugely important to businesses in the UK. When it comes to issues like the corporate tax rate and capital investment, stability, simplicity and certainty in policymaking matter.

#### ✓ **International Trade**

With goods imported to and exported from every corner of the globe, easy access to global markets is vital to UK prosperity. And as the government recasts its trading relationships, there has never been a more important time for business to ensure its voice is heard.

## 2019 policy and campaigns in focus

In 2019, now more than ever, business and government need to answer the question – how do we become a country of shared prosperity? Prosperity improves livelihoods, fuels ambition and reward. But for the UK's prosperity to be inclusive, it must be shared by all those who drive our country forward, in all regions and nations.

The CBI and our members will focus on three big areas throughout 2019:

**Showing the world that the UK is the best place to grow a business.** New approaches that answer the big questions investors ask – nationalisation, access to people, the cost of doing business – that go to the heart of restoring our reputation as a stable and trusted business environment.

**A clear, consistent vision for where the UK can compete and win on the world stage.** This means turbo charging the industrial strategy and getting cross-party support so that it endures, embracing the grand challenges, and showing that this can be driven by clean growth and leadership in tech and AI that is trusted.

**Demonstrating that business delivers shared prosperity.** Our Everyone's Business work sets the framework and helps business deliver on the expectations of their stakeholders. Bold ideas on employee engagement and businesses stepping up to support schools will give tangible evidence.

### What this means for our Prosperity Agenda in 2019:

#### ✓ **Evidence over ideology: a Brexit that works for all**

A no deal scenario is estimated to cost the UK a long-term reduction in GDP of 8% - a bad deal for citizens and a bad deal for business. With the clock running to zero, it's clear that a good deal is vital for every region and across every sector. That's why we're calling for the government to put evidence over ideology and deliver a Brexit that works for all.

#### ✓ **Boost productivity by driving the adoption of digital technology**

There's too big a gap between the productivity of the 'best' and the 'rest' of UK businesses. The biggest difference between them? The use of tried and tested digital technologies and management best practices. We need to ensure more firms get the support they need to adopt the innovation that has been proven to work.

✓ **Unlocking decision making in the absence of an Executive in Northern Ireland**

Without an Executive, economic progress in Northern Ireland has stalled. Since January 2017, there has been no devolved government in Northern Ireland. For businesses this has resulted in policy paralysis where key issues – from infrastructure to skills – have seen little, or no, progress.

✓ **Boost Scottish productivity across all industries**

Scottish productivity performance has fallen short of its international competitors for decades. Despite the government's long-held ambitions to see Scotland among the top 25% most productive countries in the EU, it remains 20% off the target. Businesses have a crucial role to play in finding solutions within their own organisations, but government must help create the right environment to drive bigger change, faster.

✓ **Open and controlled: access to labour post-Brexit**

Changes to immigration rules after Brexit will be a significant change for employers. Businesses recognise the status quo cannot continue. We're calling for a new approach to immigration: one that is open to support our economy, but with new controls to build public trust and confidence.

✓ **Unlocking regional growth**

The most productive area of the UK remains almost three times more productive than the least. Higher regional productivity could add £200bn to the UK economy over the next decade, lifting pay packets and raising living standards. We can achieve this through an industrial strategy that is fit for the long haul, and by devolved regional powers that drive local economic growth.

✓ **Progressive business rates that work for everyone**

The UK's legacy business rates system does not reflect digitisation, advancements in technology or changing business models, and a patchwork of reliefs is not going to solve that. We're calling on the government for fundamental reforms to business rates: a fair and progressive system that works for every business.

✓ **Secure continuity of worldwide trade agreements post-Brexit**

UK businesses trade all over the world, often through preferential arrangements gained through trade agreements. We risk losing these arrangements if post-Brexit continuity is not secured. If our preferential arrangements are not rolled over into UK bilateral trade deals, UK companies become uncompetitive overnight, lose profits and risk being wiped out of some markets entirely.

✓ **Make Britain a 21st century exporting superpower**

For the last 20 years, we've been importing more than we export. Selling goods and services overseas increases business productivity and growth, as well as benefiting regional and national economies. The CBI is calling on the Department for International Trade to increase exports from the current 30% to 35% of the UK's GDP.

✓ **Turbo charge the Industrial Strategy**

The Industrial Strategy must be a genuine, long-term vision for the UK. It should be a unifying force, with cross-party political consensus and driving genuine joined-up government, informing everything from skills to infrastructure. The grand challenges should be the arrowhead of the strategy, underpinned by strong local industrial strategies with a focus on differentiation. Our calls for the industrial strategy council have been heeded and it should hold government's feet to the fire on delivery.

✓ **Lead the world on the journey to net 0**

The CBI has backed calls for the government to adopt a target for the UK to be net zero on carbon emissions by 2050. We're clear that by taking early action, the task becomes more manageable. This year our work will focus on power, heat and transport and the actions required by business and government over the next decade to put us firmly on the path to net zero.



# CBI people, stakeholders and diversity

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## Culture and behaviours of the CBI

The long term aims of our Great Teams strategy are to attract, retain and develop great people, enabling the CBI to help businesses create a more prosperous society.

We work together to:

- Attract great talent
- Reward and recognise great performance
- Create a diverse and inclusive environment
- Create opportunities for progression and development
- Lead and manage effectively

Throughout 2018 we continued our work on making the CBI a great place to work and embedding our six CBI behaviours to guide a consistent approach to work that enables us to deliver on our strategy.

Our 2018 Employee Opinion Survey confirmed we are moving in the right direction:

**87%**

of respondents would recommend the CBI as an employer

**94%**

of respondents are proud of what the CBI does

**100%**

of respondents are happy to regularly support their colleagues to deliver their objectives

We are also moving positively towards a lower staff turnover rate, with voluntary staff turnover for 2018 at 17% down from 23% in 2017. In 2018 we had 69 new starters join us on permanent contracts.

We've continued to embed our CBI Behaviours in the organisation following their launch to the business in December 2016, with the behaviours continuing to underpin all our people processes as well as setting out how we approach our work.

## The 6 CBI Behaviours



**Agile** – Is proactive and responsive, taking advantage of opportunities to provide a strong and proactive member service



**Collaborative** – Builds rapport and engages, to share knowledge and skills, to build partnerships and achieve results



**Analytical** – Data driven; gathering information and using logic to analyse, problem solve, evaluate risk and make decisions



**Innovative** – Has the energy, tenacity and stamina to drive change; innovating in small steps as well as big leaps



**Commercial** – Understands our environment and has a commercial and financial mind-set, ensuring all activities deliver added value



**Takes ownership** – Is accountable, showing pride and passion for what we do and communicates our purpose with clarity

To increase role modelling of the CBI Behaviours from our leaders and further embed them in the business, we partnered with Ashridge Business School in 2018 to develop and launch two comprehensive leadership and management development programmes. By the end of 2018, 54 employees had been enrolled in the Ashridge management training courses.



## Building a more diverse and inclusive CBI

Over the last year the CBI has furthered its commitment to diversity and inclusion which has seen significant changes internally. Our 2018 Employee Opinion Survey showed an increase of 13% to 89% of our staff believing we as an organisation are committed to our diversity and inclusion agenda.

Our diversity and inclusion strategy has continued to focus on three specific areas: people, membership of our councils and committees, and events.

### People

Our commitment to cultivating a diverse and inclusive working environment has led to several initiatives being introduced into our recruitment practices. These include: the introduction of more diverse interview panels, incorporating inclusive leadership questions in management level interviews and engaging with diversity-focused agencies that align with our recruitment practices.

In the last year we also focused our efforts on increasing BAME representation at all levels and this led to the introduction of the **"Rooney rule"** for management vacancies. This means that all shortlists for any management role must include at least one BAME candidate. We have continued our focus on ensuring **20% of our appointments are BAME**, worked closely with our BAME network on BAME progression and have recently signed up to Business in the Community **Race at Work Charter**.

As an organisation we are also doing more to support the wellbeing of our staff and their mental health. We have developed a mental health strategy to create more awareness and support through training programmes, and the creation of several support tools so we can create an environment where employees can thrive. We also offer an Employee Assistance programme for all staff and their families, as well as mental and physical health support through our private medical insurance.

Other initiatives promoting diversity and inclusion include:

- We have renewed our level 2 accreditation Disability Confident Scheme by the DWP in our commitment to support disabled staff within the workplace.
- We work closely with our employee-led groups, the BAME Network, Women Network and LGBT Network, and have recently launched our Work Families Network.
- We have introduced and updated several internal policies to promote inclusion such as our Bullying and Harassment Policy, Maternity and Shared Parental leave.
- We actively champion flexible working amongst all our staff and our Executive Diversity Sponsor has committed to reviewing flexible working requests when necessary to ensure we take an equal approach across the organisation.

## Data

We monitor our data closely and each month we review the diversity demographic of our staff and encourage our staff to complete the voluntary equality data. As of 31 December 2018, the CBI had a headcount of 228 and FTE of 223 (excluding those who were on maternity leave).

### Employee Demographic

#### Proportion of Men and Women as of December 2018

Male	46%
Female	54%

#### Proportion of BAME and White employees as of December 2018

BAME	12%
White	80%
Undisclosed	8%

#### Proportion of management roles held by BAME and White employees

BAME	6%
White	94%

#### Gender profile of the Executive Committee

Male	50%
Female	50%

## Gender and Ethnicity Pay Gap reports for 2018

Publishing the CBI's gender and ethnicity pay gaps allows us to demonstrate our commitment to achieving parity, enabling us to understand our challenges around the gender and ethnicity pay gaps and measure our progress against our inclusion action plan.

Our Executive Committee has already achieved gender balance with a 50:50 gender split at this level, with our Management Board following closely behind at 55:45 male to female ratio.

2018 will be the first year that the CBI has voluntarily published its BAME Pay Gap, further demonstrating our commitment to driving progression and representation for diverse groups and reducing our pay gaps. We are committed to making progress and being open and honest about our position and have now signed the Race at Work Charter.



**Gender pay gap report:**

[https://www.cbi.org.uk/media/2509/12459\\_gender-pay-gap-paper-final.pdf](https://www.cbi.org.uk/media/2509/12459_gender-pay-gap-paper-final.pdf)



**BAME pay gap report:**

<https://www.cbi.org.uk/media/2520/bame-pay-gap-paper.pdf>

## Our events

We have worked hard to ensure all our events are inclusive and the content appeals to a diverse audience. In the last year we saw an increased number of events across the regions with an underlying focus on championing diversity and inclusion.

We actively ensure diverse representation at events in our efforts to attract a more diverse audience. At our events, invitees are now asked to optionally disclose their gender when registering. For our Annual Conference we also introduced the option to disclose ethnicity and age which enabled us to have a greater understanding of the diversity of those attending. We are also committed to encouraging our staff to look at panels and events they are asked to speak at and challenge hosts to improve their line-up and speaker diversity.

## Gender diversity on the CBI Council at the end of 2018

In December 2018 the CBI Chairs' Committee discussed the CBI's strategy and approach to improving the range of voices on all our committees and councils and re-committed to a target of reaching 30% gender diversity on all Standing Committees and Regional and National Councils by December 2019. A strong diversity in the CBI Council allows not only for more ideas and fresh perspectives to filter through but strengthens the CBI's mandate as speaking for British business across all sectors and regions in the UK.

In 2019 each Council and Committee will look to develop a diversity plan and take actions to boost the diversity and inclusion of their Council or Committee to ensure that they are making progress towards hitting our 30% target.



	2018 Q4 No. of women	Q4 2018%
<b>Standing Committees</b>	<b>112</b>	<b>25%</b>
Construction Council	2	9%
Economic Growth Board	4	16%
Employment and Skills Board	7	43%
Energy and Climate Change Board	4	21%
SME Council	12	24%
Financial Services Council	11	30%
Infrastructure Board	2	10%
Innovation Council	6	23%
International Trade & Investment	7	33%
Manufacturing Council	4	11%
Public-Private Partnership Council	5	17%
Sharing Economy UK Board	2	40%
Taxation Committee	10	34%
Tech Group	6	22%
Trade Association Council	13	28%
Under 35 Committee	17	47%
<b>CBI Board</b>	<b>4</b>	<b>44%</b>
<b>CBI Chairs' Committee</b>	<b>8</b>	<b>30%</b>
<b>CBI President's Committee</b>	<b>8</b>	<b>11%</b>

	2018 Q4 No. of women	Q4 2018%
<b>Regional and National Councils</b>	<b>123</b>	<b>22%</b>
East Midlands Council	4	11%
East of England Council	8	17%
London Council	20	32%
North East Council	11	26%
North West Council	11	27%
Northern Ireland Council	9	24%
Scotland Council	11	26%
South East and Thames Valley Council	9	18%
South West Council	9	21%
Wales Council	16	30%
West Midlands Council	8	19%
Yorkshire & the Humber Council	7	18%

## Employee Engagement in 2018

It's difficult to know what people mean when they talk about 'employee engagement'. And in an organisation like the CBI, where talented and passionate people spend so much time thinking about the external world of work and politics, it can be hard to focus on our internal machinery at all. However, as the elected Chair of the CBI's Staff Forum throughout 2018, it has become clear to me that this organisation doesn't simply pay lip service to the voice of its employees - but rather listens to, and acts on, the concerns and ideas of its members of staff with openness and sincerity.

Formed of volunteers from across different teams, regions, and levels of seniority, the CBI's Staff Forum is the organisation's main vehicle for engaging employees in business decisions and ensuring that a staff voice is fairly and democratically represented at a senior level. The group meets once a month to discuss how we can make the CBI a better place to work, and reports into the CBI's Executive Committee. In 2018, the Forum supported projects which led to:

- Improved sustainability and recycling including ending the use of plastic cups and cutlery throughout our London, Cannon Place office.
- Creation and design of a new social activities fund to support employee-led activities including football and pilates classes inclusive to all CBI staff.
- Establishing an all-staff away day as an opportunity for employees to hear from the CBI's Executive Committee and measure progress towards the organisation's strategy.

Elsewhere in the organisation, the employee voice can be heard through the annual CBI 'employee opinion survey' supported by HR, a significant rubric against which to qualitatively measure staff feedback. Our 2018 results were hugely positive, including the fact that 94% of employees are proud of what the CBI does, and 100% are happy to support their colleagues to deliver their objectives. In 2019, the Staff Forum will feed into two working groups which have been set up to look at internal communication and improving pay & progression routes - and will continue to provide a unified staff voice on key business issues throughout the year.



**Alice Elliot**

Elected Chair  
CBI Staff Forum



## Supplier Relationships in 2018

The CBI partners with many organisations to support its policy work, our events and other member-facing commercial activities and to support the running of the organisation.

In entering into any partnership or supplier agreement we are always very conscious of the high-profile nature of the CBI. We therefore place a premium on scrutinising and choosing suppliers that provide high-quality products and services and who are also a good fit with the CBI brand. All such arrangements that we enter into are properly documented and managed so that expectations are both agreed and assessed. This is particularly important in the case of sponsorship for our events, which are in the public eye and which are an increasingly important part of our business.

The CBI has a policy of not taking excess credit from its suppliers and has signed up to the Prompt Payment Code. We pay suppliers in accordance with terms and conditions agreed when orders are placed - the default is within 30 days of invoice date. At 31 December 2018 the CBI had 17 days purchases outstanding (2017: 13 days).

The CBI is committed to acting ethically and with integrity. Although we are below the threshold for reporting, this includes taking sensible steps to ensure that modern slavery is not taking place anywhere in our organisation or within our supply chain. We have carried out a high-level review of our suppliers and believe that all of our active suppliers, totalling approximately 800 businesses, are low to medium risk given the country and context of operation, the type of organisation, our knowledge of the supplier and our level of spend. We also work with the suppliers to our office in Cannon Place to ensure that those providing services to us are paid the London Living Wage.



**The CBI's 2019 Modern Slavery Statement can be found on the CBI website:**

<https://www.cbi.org.uk/legal/modern-slavery-statement/>

# Corporate social responsibility and compliance

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## CSR Policy

The CBI's CSR Policy is about acting responsibly in the world around us: the people and businesses with whom we engage, the community that we live and work in and the environment that we inhabit.

## Suppliers

We take care to deal with our suppliers with integrity and to ensure that they uphold the same values in the way that they operate. Our policies towards our suppliers are detailed in the section above.

## Community

We endeavour to play a positive part in our community taking into account the size of the organisation and our not-for-profit nature. A Volunteering Policy is in place through which employees can volunteer with an organisation of their choice for up to two days a year on a fully-paid basis. We also run an annual programme with the Social Mobility Foundation to offer young people from low-income backgrounds the chance to work with us for a week.

## Environment

The CBI has continued to seek to reduce the footprint of its activities where both possible and economically viable. In the past year we have improved our recycling facilities in the Cannon Place office and removed single-use products from the staff restaurant wherever possible. We have promoted the use of technology to facilitate remote meetings and hence minimise travel through the start of the roll out of Webex conferencing facilities. The adoption of digital solutions, such as partnering with Board Intelligence, has also helped us reduce the amount of paper used for council and other meetings by having a platform to host our council meeting papers.

Data provided to the CBI by the landlords of the offices in which we operate and analysed by Ecometrica show that energy consumption decreased in 2018 on a comparable basis to 2017 due mainly to the continued application of controls on heating and lighting in the Cannon Place offices. For the first time we have started to report on the environmental impact of our business travel. This has seen the total emissions increase by 64% compared to 2017, from 227 to 373 tonnes of CO<sub>2</sub>e, which represented an increase in relation to the number of staff (FTE; Full Time Equivalents) of 58%.

**Global GHG emissions data for Reporting Year  
1st January – 31st December 2018**

Emissions from:	Tonnes of CO <sub>2</sub> e
Combustion of fuel and operation of facilities (Scope 1)	36
Electricity, heat, steam and cooling purchased for own use (Scope 2)	150
T&D losses from electricity and water cooling (Scope 3)	13
<b>Business travel including flights, hotel stays and rail (Scope 3)</b>	<b>174</b>
<b>Total</b>	<b>373</b>
<b>Intensity metric: tonnes CO<sub>2</sub>e / FTE</b>	<b>1.71</b>

Year on Year Comparison	Tonnes of CO <sub>2</sub> e		Percentage change (%)
	2017	2018	
Emissions from:			
Scope 1	42	36	-14%
Scope 2	169	150	-11%
Scope 3	16	187	1069%
<b>Total</b>	<b>227</b>	<b>373</b>	<b>64%</b>
<b>Intensity metric: tonnes CO<sub>2</sub>e / FTE</b>	<b>1.08</b>	<b>1.71</b>	<b>58%</b>

## Compliance

### Scotland Lobbying Act

In 2018, in compliance with the Lobbying (Scotland) Act 2016, the CBI registered 53 counts of regulated lobbying with the Members of the Scottish Parliament, Special Advisers to the Scottish Government or Ministers of the Scottish Government. This data is publicly available via the Lobbying Register website.

### EU Transparency Register

The CBI in 2018 remained registered on the European Union's Transparency Register under the registration number: 73725676990-18. In 2018 the CBI registered 3 meetings with Commissioners, Members of their Cabinet or Director-Generals of the EU. This data is publicly available via the EU Transparency Register website.

### Modern Slavery Act

The CBI is committed to acting ethically and with integrity and we have taken steps to ensure that modern slavery is not taking place anywhere in our organisation or within our wider supply chain and are committed to producing a Modern Slavery Statement annually which outlines the steps taken in 2018 and plans for 2019 in ensuring this.



The CBI's 2019 Modern Slavery Statement can be found on the CBI website:

<https://www.cbi.org.uk/legal/modern-slavery-statement/>

### Anti-bribery policy

The CBI is committed to ensuring its staff act with integrity and honesty and operates a £25 threshold on gifts received by CBI staff above which they are required to be logged on an internal hospitality register. In April 2018 the CBI re-communicated its anti-bribery policy to all managers and directors and asked them to confirm they had read and understood the anti-bribery policy. In 2018 the average 'gift' to CBI staff was around £43 and the bulk of entries in the hospitality register remained small tokens of thank you after a CBI event or project with a member or business dinners to which CBI staff had been invited to attend.

# CBI's Corporate Governance

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## Key office holders of the CBI

### CBI President



John Allan, CBE, President

<https://www.cbi.org.uk/about-us/our-people/leadership-team/john-allan>

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### Director-General



Dame Carolyn Fairbairn, Director-General

<https://www.cbi.org.uk/about-us/our-people/leadership-team/carolyn-fairbairn>

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### CBI Board



**Chair: John Allan, CBE, President**

Elected CBI President at the Annual General Meeting, 19 June 2018

### Executive Directors:



**Dame Carolyn Fairbairn, Director-General**

First attended CBI Board, December 2015



**Neil Tomkins, Director of Finance and Corporate Services**

First attended CBI Board, December 2017

### Non-Executive Directors:



**Anna Marks, Partner, Deloitte LLP\***

First attended CBI Board, June 2018



**Alison McGregor**

First attended CBI Board, December 2017



**David Gavaghan, Managing Director, Aurora Prime Real Estate**

First attended CBI Board, September 2016



**Heidi Mottram, CBE, CEO, Northumbrian Water Limited**

First attended CBI Board, December 2014



**Paul Drechsler, CBE, Vice President**

First attended CBI Board, September 2012



**Dame Vivian Hunt, Managing Partner, McKinsey & Company**

First attended CBI Board, June 2019

\*Denotes Chair of CBI Audit Committee

## CBI Executive Committee

The CBI Executive Committee is chaired by the Director-General on a weekly basis and is responsible for the day-to-day running of the CBI.



**Dame Carolyn Fairbairn**

Director-General

<https://www.cbi.org.uk/about-us/our-people/leadership-team/carolyn-fairbairn>



**Henrietta Jowitt**

Deputy Director-General, Commercial

<https://www.cbi.org.uk/about-us/our-people/leadership-team/henrietta-jowitt>



**Josh Hardie**

Deputy Director-General, Policy & Campaigns

<https://www.cbi.org.uk/about-us/our-people/leadership-team/josh-hardie>



**Neil Tomkins**

Director of Finance and Corporate Services

<https://www.cbi.org.uk/about-us/our-people/leadership-team/neil-tomkins>



**Matthew Fell**

Chief UK Policy Director

<https://www.cbi.org.uk/about-us/our-people/leadership-team/matthew-fell>



**Rain Newton-Smith**

Chief Economist

<https://www.cbi.org.uk/about-us/our-people/leadership-team/rain-newton-smith>

## CBI Chairs' Committee

The CBI Chairs' Committee is comprised of all the Chairs from the CBI's Regional and National Councils and sector based Standing Committees, it is responsible for setting and steering CBI policy on behalf of the CBI Council. The committee meets quarterly and is chaired by the CBI President.

Member	Organisation	Regional and National Council
Alexander Vaughan	Costain	South East Council
Donald McGarva	Amino	East of England Council
Emily Cox	Lloyds Banking Group	North East Council
Graham Hutcheon	Edrington	Scotland Council
Ian Funnell	ABB	North West Council
Isabel Deding	Arup	London Council
Jonathan Duck	Amtico International	West Midlands Council
Mandie Stravino	Derby College Group	East Midlands Council
Richard Flint	Sky Betting & Gaming	Yorkshire and Humber Council
Susan Davy	Pennon Group PLC	South West Council
Trevor Lockhart	Fane Valley	Northern Ireland Council
Wayne Harvey	Deloitte	Wales Council

Member	Organisation	Committee
Adrian Gregory	ATOS	Private – Public Partnership Council
Alison Nimmo	The Crown Estate	Economic Growth Board
David Frankish	NFT Distribution Ltd	Employment and Skills Board
George Mackintosh	TestPlant Ltd	Enterprise Forum
Helen Dickinson	British Retail Consortium	Trade Association Council
James Wates	Wates Group Ltd	Construction Council
Janine Juggins	Unilever UK Ltd	Taxation Committee
Katherine Bennett	Airbus	International Trade Council
Olivia Knight	Patchwork	Sharing Economy UK
Paul Clarke	Ocado Group plc	Innovation Council
Phillippa O'Connor	PwC	Under 35 Council
Scott Egan	RSA Insurance Group	Financial Services Council
Stephen Paine	Deutsche Bank	Infrastructure Board
Steve Hatch	Facebook	Tech Group
Tom Crotty	INEOS Holdings Ltd	Manufacturing Council

## CBI Board

### Purpose of the 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 previous 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 the ultimate decision taking body on all operational, financial, strategic and corporate governance aspects of the CBI.

### Responsibility of the CBI Board

- CBI business plan (strategy, long term viability and resourcing);
- Signing off the annual budget and annual accounts of the CBI;
- 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 pension plans;
- 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 and Remuneration Committee.

## Membership of the CBI Board

Membership of the CBI Board must include the Director-General, and the Director of Finance and Corporate Services. There must be a majority of Non-Executive Directors at all times. The term of appointment for non-executive directors is for an initial 3 years, with the option of a further 3-year extension. Appointments to the position are made by the CBI President and is subject to member approval at the CBI Annual General Meeting.

One third of the CBI Board 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 3 years each.

On 26 March 2018 Sharon Thorne, Non-Executive Director at the CBI, attended her final meeting of the CBI Board and stepped down on 15 June 2018 as her second and final term had come to an end.

Anna Marks was appointed by the President to join the CBI Board (and subsequently chair the CBI Audit Committee) on 04 April 2018 and elected at the CBI Annual General Meeting on 19 June 2018.

## 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;
- Demonstrating behaviours conducive to effective decision making by the collective Board.

## CBI Board attendance for 2018

	Q1 26 Mar 2018	Q2 11 Jun 2018	Q3 08 Oct 2018	Q4 10 Dec 2018
<b>Non-executive directors</b>				
Alison McGregor	ATTENDED	APOLOGY	APOLOGY	ATTENDED
Anna Marks*	N/A	ATTENDED	ATTENDED	APOLOGY
David Gavaghan	ATTENDED	ATTENDED	ATTENDED	ATTENDED
Heidi Mottram	APOLOGY	APOLOGY	ATTENDED	ATTENDED
John Allan	ATTENDED	ATTENDED	ATTENDED	ATTENDED
Paul Drechsler	ATTENDED	ATTENDED	ATTENDED	ATTENDED
Sharon Thorne**	ATTENDED	ATTENDED	N/A	N/A
Vindi Banga	APOLOGY	APOLOGY	ATTENDED	APOLOGY
<b>Executive directors</b>				
Carolyn Fairbairn	ATTENDED	ATTENDED	ATTENDED	ATTENDED
Neil Tomkins	ATTENDED	ATTENDED	ATTENDED	ATTENDED

\*N/A denotes that Anna Marks had not yet joined the CBI Board and was therefore unable to attend the meeting.

\*\*N/A denotes that Sharon Thorne had stepped down from the CBI Board due to ending her second and final term as a Non-Executive Director.



Quarter	Main items for discussion
	<p data-bbox="448 282 855 304"><b>Standing items for each meeting in 2018:</b></p> <ul data-bbox="448 338 1238 477" style="list-style-type: none"> <li data-bbox="448 338 836 360">• Minutes of the previous meeting.</li> <li data-bbox="448 367 1145 389">• Update on recent CBI work and activity by the Director-General.</li> <li data-bbox="448 396 1238 450">• Update on the CBI finances and quarterly performance by the Director of Finance and Corporate Services and Chair of Audit Committee.</li> <li data-bbox="448 456 956 479">• A check in on the CBI's Great Teams project.</li> </ul>
Q1	<ul data-bbox="448 499 1206 669" style="list-style-type: none"> <li data-bbox="448 499 1206 553">• Reviewed the CBI's commercial segmentation project as presented by the Deputy Director-General for Commercial.</li> <li data-bbox="448 560 1206 613">• Discussed strategic risks and challenges facing the CBI's policy work and positioning.</li> <li data-bbox="448 620 1182 669">• Discussed a paper that looked at measures to reduce staff turnover rates at the CBI.</li> </ul>
Q2	<ul data-bbox="448 685 1302 797" style="list-style-type: none"> <li data-bbox="448 685 1302 739">• A full review and discussion on the CBI 2020 strategy presented by the Director of Finance and Corporate Services.</li> <li data-bbox="448 745 1302 801">• Discussion looking at the CBI's policy work on domestic agenda issues and the domestic policy priorities for the CBI in the coming months.</li> </ul>
Q3	<ul data-bbox="448 813 1294 1019" style="list-style-type: none"> <li data-bbox="448 813 1294 875">• A discussion on the workings of the CBI Board and actions that could be taken to make the Board work more effectively as a group.</li> <li data-bbox="448 882 1155 904">• An overview on the process for Presidential succession planning.</li> <li data-bbox="448 911 1235 934">• A review of the CBI strategic risk register and planned mitigating actions.</li> <li data-bbox="448 940 1294 1019">• Reviewed a presentation on political stakeholder research carried out by an agency on behalf of the CBI to assess the CBI reputation, brand and impact with political stakeholders and where the CBI needed to improve.</li> </ul>
Q4	<ul data-bbox="448 1030 1291 1272" style="list-style-type: none"> <li data-bbox="448 1030 1267 1106">• Overview of the 2018 Annual Report contents and process presented by the CBI's Governance Manager.</li> <li data-bbox="448 1113 1291 1167">• Overview and discussions on the CBI's operational plans for a 'No Deal' Brexit presented by the CBI's Director of Finance and Corporate Services.</li> <li data-bbox="448 1173 1283 1227">• Review and sign off of the CBI 2019 Budget as presented by CBI's Director of Finance and Corporate Services and Director-General.</li> <li data-bbox="448 1234 1283 1272">• Discussion on the CBI policy priorities for 2019 led by the Deputy Director-General for Policy and Campaigns and the Chief UK Policy Director.</li> </ul>

## CBI Audit Committee

### **Purpose of the CBI Audit Committee**

The CBI Audit Committee is a key sub-committee of the CBI Board. It is chaired by a Non-Executive Director of the CBI Board who works closely with the CBI Director of Finance and Corporate Services. The Audit Committee plays a primary role in signing off the CBI accounts and is responsible for risk and compliance.

### **Responsibilities of the Audit Committee**

- The integrity of the financial statements of the CBI;
- The corporate accounting and financial reporting process;
- Systems for identification and management of risk and internal controls at the CBI;
- External audit and internal audit (or other arrangements as appropriate);
- Compliance with laws, regulations and ethical codes of practice;
- Ensuring the long-term viability of the business by providing constructive challenge and review of the CBI's strategic and financial plans.

### **Membership of the Audit Committee**

Membership of the CBI Audit Committee is comprised of the CBI Director of Finance and Corporate Services in an executive capacity and three Non-Executive Directors from the CBI Board. Appointments of both members of the committee and its Chair are made by the CBI President with each appointment being notified to and ratified by the Board. Representatives from the CBI auditors (Buzacott LLP) attend each Audit Committee meeting.

Succeeding Sharon Thorne, Anna Marks was appointed chair of the CBI Audit Committee in 2018. This followed a selection process undertaken by the CBI President, Paul Drechsler in early 2018, approval from the CBI Board and election at the CBI Annual General Meeting on 19 June 2018.

## 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 a vote at the Annual General Meeting and held under review by the CBI Audit Committee (currently Buzacott LLP as of June 2018).

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 regularly monitors 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.

## CBI Audit Committee attendance in 2018

	Q1 26 Mar 2018	Q2 11 Jun 2018	Q3 08 Oct 2018	Q4 05 Dec 2018
<b>Non-executive directors</b>				
Anna Marks*	N/A	ATTENDED	ATTENDED	ATTENDED
David Gavaghan	ATTENDED	ATTENDED	ATTENDED	ATTENDED
Heidi Mottram	ATTENDED	APOLOGY	ATTENDED	ATTENDED
Sharon Thorne**	APOLOGY	ATTENDED	N/A	N/A
<b>Executive directors</b>				
Neil Tomkins	ATTENDED	ATTENDED	ATTENDED	ATTENDED

\*N/A denotes that Anna Marks had not yet joined the CBI Audit Committee and was therefore unable to attend the meeting.

\*\*N/A denotes that Sharon Thorne had stepped down from the CBI Audit Committee due to ending her second and final term as a Non-Executive Director.

## Overview of key items discussed in 2018

Quarter	Main items for discussion
	<p data-bbox="448 398 855 423">Standing items for each meeting in 2018:</p> <ul data-bbox="448 454 1307 595" style="list-style-type: none"> <li data-bbox="448 454 836 479">• Minutes of the previous meeting.</li> <li data-bbox="448 483 1262 535">• Update from the Director of Finance and Corporate Services on the income, expenditure and the operating result for the previous quarter.</li> <li data-bbox="448 539 991 564">• An update from the CBI auditors, Buzzacott LLP.</li> <li data-bbox="448 568 1307 595">• Meeting between the Non-Executive Directors without CBI employees present.</li> </ul>
Q1	<ul data-bbox="448 613 1307 779" style="list-style-type: none"> <li data-bbox="448 613 1214 665">• The Director of Finance and Corporate Services provided an update on the CBI's GDPR compliance.</li> <li data-bbox="448 669 1110 721">• The Audit Committee signed off the 2017 Annual Report and Accounts for the CBI.</li> <li data-bbox="448 725 1198 779">• The CBI auditors, Buzzacott LLP, presented a post audit report to the committee and presented key findings.</li> </ul>
Q2	<ul data-bbox="448 797 1307 940" style="list-style-type: none"> <li data-bbox="448 797 1246 851">• The Director of Finance and Corporate Services led a discussion with the committee on the CBI's closed DB Pension Scheme.</li> <li data-bbox="448 855 1307 907">• The Audit Committee discussed a paper looking at the funding approach and targets for the CBI's cash reserve policy.</li> <li data-bbox="448 911 1142 940">• The annual review of the CBI auditor's effectiveness took place.</li> </ul>
Q3	<ul data-bbox="448 958 1307 1048" style="list-style-type: none"> <li data-bbox="448 958 863 983">• The CBI risk register was reviewed.</li> <li data-bbox="448 987 1270 1012">• The Director of Finance and Corporate Services updated on the CBI pension.</li> <li data-bbox="448 1016 1230 1048">• An update on the CBI's cyber security and related testing was presented.</li> </ul>
Q4	<ul data-bbox="448 1066 1307 1120" style="list-style-type: none"> <li data-bbox="448 1066 1062 1090">• The CBI's budget for 2019 was presented and reviewed.</li> <li data-bbox="448 1095 1230 1120">• Buzzacott LLP presented their audit strategy for the CBI's 2018 accounts.</li> </ul>

## CBI Remuneration Committee

In 2018 the remit and purpose of the CBI's Remuneration Committee (RemCo) was reviewed by the CBI Board. At the Board meeting on 10 December 2018, it was agreed that going forward, RemCo will consist of two non-executive members of the CBI Board, initially John Allan as President and Heidi Mottram. The CBI Director-General and Director of Finance and Corporate Services will also be invited to attend. The RemCo will have one standing meeting a year, usually in February, to approve Executive Committee salaries after the annual performance reviews finish in January of each year and before the annual salary increments are implemented for the coming year (in March). Other meetings will take place as and when required.

### Responsibility of the Remuneration Committee

- Approving the salaries and bonuses of Executive Committee members as proposed by the Director-General;
- Reviewing and confirming the Director General's salary, bonus and non-standard benefits;
- Approving new appointments to the Executive Committee;
- All other remuneration matters will be raised and discussed via the CBI Board unless specifically delegated to the Remco by the Board itself.

### CBI Remuneration Committee attendance in 2018

<b>Non-Executive Director</b>	<b>10 Dec 2018</b>
Heidi Mottram	ATTENDED
John Allan	ATTENDED
<b>Executive directors</b>	
Dame Carolyn Fairbairn	ATTENDED
Neil Tomkins	ATTENDED

### Overview of key items discussed in 2018

The only meeting in 2018 discussed and confirmed the workings of the Remuneration Committee, agreed the overall CBI approach to salary and bonus structure and confirmed the Director-General's salary for 2018.

## 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.

An induction process for new CBI Board members continued in 2018 to give an induction to the various key areas of the business. Anna Marks joined the CBI Board and Audit Committee in 2018 and, as such, attended an induction session undertaken on 12 June 2018.

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 the criteria and the CBI maintains a register of interests on non-executives. This is updated annually around April of each year.

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.

In 2018 the Non-Executives of the CBI Board did not formally assess the performance of the CBI President as John Allan began his term as CBI President in June 2018.

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 of the CBI Board.

The terms and conditions of appointment of Non-Executives to the CBI Board have been made available for inspection on request.

# Operational and Financial Report

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## Financial performance in 2018

### Income

The CBI's total income for 2018 of £25.5m was an increase of £1.0m (3.8%) on the previous year. The growth came from membership subscriptions which increased by £1.3m, whilst commercial income saw a drop of £0.3m.

- **Membership Income** for 2018 was £21.8m, up by £1.3m (6%) from 2017. Recruitment for the year was £1.6m which was £0.2m lower than the previous year, however, due to the timing of the recruitment it didn't have a significant impact on the membership income recognised in the financial year. The main drivers of the increase were the higher value of 2018 subscriptions and the strong recruitment at the end of 2017, the main effect of which was felt in 2018. As a result of the change to invoicing in 2018, a bad debt provision of £0.1m was recorded at the year-end for the first time. Overall the net number of members dropped slightly (by 9) over the course of the year.
- **Commercial Income** is derived from our events (sponsorship and delegate fees), our surveys and our leadership programmes. Overall commercial income decreased by £0.3m to £3.3m in 2018. The associated commercial expenditure fell by £0.2m to £1.5m which meant that the net contribution from commercial activities was only £0.1m below the previous year at £1.8m.

### Expenditure

Total expenditure for the year was £24.2m, an increase of £0.9m (4%) compared to the previous year.

The main factor behind the increase in costs was payroll (up by £0.9m on 2017) reflecting the impact of the annual salary increase and an increased headcount. Other costs that increased during the year were travel (£0.1m higher than 2017) and other staff costs (£0.2m higher due mainly to recruitment costs). In 2018 there was also a one-off past pension service cost of £0.2m which was a provision for guaranteed minimum pension equalisation on the CBI defined benefit scheme.

Expenditure decreased year-on-year in a number of areas: commercial activities (£0.2m as described in the section on Commercial Income above), legal fees (£0.1m), promotion and marketing costs (£0.1m) and depreciation (£0.2m).

## Operating Result

The increase in income was more or less off-set by the increase in expenditure. Hence, Operating result before tax was in line with the previous year at £1.2m – if the one-off pension cost is excluded then Operating result before tax would be £1.4m. The retained surplus after taxation for the year was £1.0m, slightly up on the surplus in 2017.

## Capital Expenditure

In 2018 the CBI continued its commitment to invest in IT hardware and in its office infrastructure. There were two regional office moves, in Nottingham and Newcastle, and a refresh of the Northern Ireland office. We launched a new CRM system and started work on a new website and survey system, ready for launch in 2019. The total capital spend for 2018 was £0.4m, up £0.1m from 2017.

## Cash

Cash and short-term deposits at the year-end were £8.4m compared to £7.1m at the end of 2017. The positive operating result for 2018 was accentuated by higher levels of deferred income which meant that there was strong underlying cash generation. After pension funding and capital expenditure there was still an overall increase in cash of £1.3m over the course of the year.

The CBI has continued with its cash investment strategy in 2018 having set up various short-term deposit accounts managed by Schroders and Close Brothers. At the end of 2018 £2.5m of the £8.4m was placed on deposit, the same as 2017.

## Financial Position

At the end of 2018 the cash generated by the year's surplus helped reduce the net current liabilities position to £2.9m from £3.7m at the end of 2017.

Having moved into a positive reserves position at the end of 2017, this increased significantly to £6.7m at the end of 2018 due to a pension surplus of £6.8m. This compared to reserves of £0.5m and a pension surplus of £1.0m at the end of 2017. The significant increase in the pension surplus is due to a change in the investment approach to a liability driven investment strategy and by converting equity investments into corporate bonds.

## Pension Plan

The last full actuarial valuation of the Plan (as at 31 December 2017) was completed during 2018. This gave a valuation on an actuarial basis of a surplus of £1.1m. During 2018 the CBI cash contributions to its defined benefit pension plan were £1.0m.

The CBI will continue to fund the plan in 2019 but, as agreed with the Trustees, the funding will be reduced to £0.6m, which includes all 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 proactively managed.

The Plan's accounting surplus at the end of 2018 was £6.8m on a FRS102 basis. The surplus has been recognised on the statement of financial position in accordance with FRS102 requirements.

## Going concern and risk management

The accounts have been drawn up on a going concern basis (see Note 1 b, Accounting Policies).

## Viability Statement

The long-term viability of the CBI depends on our ability to continue to grow membership revenue and to develop alternative, but complementary, income streams, underpinned by maintaining healthy cash reserves.

The current Strategic Plan goes to the end of 2020 but we have extended the financial projections to the end of 2021 for the purposes of this viability statement.

Progress against the Strategic Plan targets are reviewed on a regular basis by the Executive Committee and at least annually by the CBI Board. The plans are assessed in the context of the risks and opportunities facing the CBI. The principal risks taken into account (as set out in more detail in the Risk section below) are:

1. Impact of a No Deal Brexit
2. Failure to drive growth of non-membership income
3. Loss of key people
4. Effects of a cyber or data breach
5. Resignation of a few high-value members
6. Loss of trust in the relationship with government

The impact of the crystallisation of risks 1, 2, 5 and 6 would ultimately have a financial impact on our revenue. Risks 3 and 4 may also impact revenue indirectly but would also have a cost impact. Sensitivity analysis has been undertaken to model the reductions in revenue and increases in certain costs and to also identify the mitigating actions that could be taken to adjust the wider cost base of the CBI. The CBI is considered viable if the model demonstrates that a cash balance can be maintained that is within the policy for cash reserves (i.e. between 3 and 6 months of cash cover).

On the basis of the Strategic Plan and an assessment of principal risks, their possible impact and the mitigation that would be undertaken, the Board has a reasonable expectation that the CBI will be able to continue in operation and meet its liabilities as they fall due over the period to December 2021.

## **Risk**

The Board has overall accountability for ensuring that risk is effectively managed and, on behalf of the Board, the Audit Committee reviews the effectiveness of the CBI's 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 annually 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 Executive Committee regularly monitors the ongoing status and progress of key action plans against each risk, 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
No Deal Brexit has a negative impact on CBI operations, its influence and revenue.	No Deal planning has been undertaken to envisage the impact on the CBI. There are no supply chain or revenue streams that will immediately be put at risk by No Deal, but the CBI will need to adjust the nature of its offer to members and financing has been identified to fund this. The possibility of a decline in membership caused by an economic downturn has been taken into account in the scenarios considered for the viability statement referred to above.
Failure to meet commercial (non-membership) revenue targets and lack of diversification of income streams.	The Commercial team has been restructured and specific responsibility allocated in order to grow the non-membership income streams. This applies both to those areas where we have traditionally generated income (such as sponsorship of events) and to new areas for the CBI.
Talent and people: staffing pressures and dependencies arising from high turnover (24% in 2018)	Staff turnover metrics are closely monitored by management, and have improved in 2018 compared to previous years, especially in the Policy teams.  The pay benchmarking exercise in late 2017 helped address immediate concerns around remuneration. The Great Teams strategy is in place to target the key drivers around the attraction and retention of talent, including leadership management development. An Employee Opinion Survey was carried out in November 2018 and action groups have been established to tackle the key concerns raised by staff: communication and progression routes within the CBI.
Cyber threats cause a loss of IT systems or key data. This can be either an external breach of security through technical weakness or mistakes by staff.	There is full back up of IT data and a duplicate IT facility. The Business Continuity Plan was completed in 2017 and trial runs were undertaken in 2018. Penetration testing was carried out by a third party in August 2018 and phishing tests are on-going to maintain staff awareness of IT security issues.
Multiple resignations of high value members	High value strategic accounts have been identified and shared with the Management Board to ensure ongoing effective account management and to mitigate any resignation risks. The new approach to segmenting our member offer will ensure that we focus on providing what different members are looking for, including those with higher-value subscriptions.
Breakdown of relationship with Government due to loss of relevance or trust	The CBI ensures that it has a strong policy pipeline and a diverse and engaged membership base to remain the 'go to' business organisation for the government. The strength of our ideas and solutions means we are actively being sought out at the moment, and engagement remains strong across Government departments on all the major business portfolios. We have recently concluded some YouGov stakeholder research to identify areas where the CBI can further strengthen to be more impactful with our stakeholders.
Price, credit, liquidity and cashflow risks	The CBI used financial instruments for large payments in different currencies to minimise the risk from currency fluctuations.

## Internal controls & 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, not absolute, assurance against material misstatement or loss.

The Audit Committee reviews the ongoing process for identifying, evaluating and managing the risks faced by the CBI. This is reported to and also reviewed by the CBI Board. The CBI continues to review and improve the effectiveness of its system of financial and non-financial controls, including operational and compliance controls, risk management and the high-level internal control arrangements.

The CBI's key internal control procedures include the following:

- 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 Director of Finance and Corporate Services 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 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.



Dame Carolyn Fairbairn  
**Director-General**



Neil Tomkins  
**Director of Finance and  
Corporate Services**

## 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 Director of Finance and Corporate Services 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.



Dame Carolyn Fairbairn  
**Director-General**



Neil Tomkins  
**Director of Finance and  
Corporate Services**

# Independent Auditor's Report

## To the members of the Confederation of British Industry (CBI)

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### Opinion

We have audited the accounts of the CBI for the year ended 31 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and the notes to the accounts. 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.

In our opinion the accounts:

- Give a true and fair view of the state of CBI's affairs as at 31 December 2018 and of its profit for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the accounts section of our report. We are independent of the CBI in accordance with the ethical requirements that are relevant to our audit of the accounts in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual report in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- The disclosures in the Annual report that describe the principal risks and explain how they are being managed or mitigated;

- The Board members' confirmation in the Annual report that they have carried out a robust assessment of the principal risks facing the CBI, including those that would threaten its business model, future performance, solvency or liquidity;
- The Board members' statement in the accounts about whether the Board members considered it appropriate to adopt the going concern basis of accounting in the preparation of the accounts and the Board members identification of any material uncertainties to the CBI's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date of approval of the accounts;
- The Board members' explanation in the Annual report as to how they have assessed the prospects of the CBI, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the CBI will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

### **Key audit matters**

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

**Financial viability:** The accounts may be prepared on a going concern basis when this is not appropriate, ie. 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, which may result in the pension asset shown in the Statement of Financial Position being misstated.

**Recognition of income and expenditure:** The timing of revenue recognition may be incorrect or revenue recognised may be incomplete or overstated, particularly in relation to members' prepaid subscriptions, amounts included within deferred income and the provision for bad debts. 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 £255,000. This is based on the amount of total income recognised in the Income Statement for the year ended 31 December 2018. We report individual unadjusted differences on the accounts over £12,750 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 key audit matters as identified above. 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. Our audit work on revenue recognition focused on the different revenue streams received by CBI, including members' subscriptions, commercial activities and project income and the assumptions used in calculating the value of the provision for bad debts. 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.

### **Other information**

The Board members are responsible for the other information. The other information comprises the information included in the Annual report, other than the accounts and our Auditor's report thereon. Our opinion on the accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

Fair, balanced and understandable: the statement given by the Board members that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary to assess the CBI's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit;

Audit committee reporting: the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the CBI and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual report.

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 five principles 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.

### **Responsibilities of members of the CBI Board**

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, and for such internal control as the Board members determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the accounts**

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

### **Other matters which we are required to address**

We were appointed by the Board to audit the accounts for the year ended 31 December 2013. Our total uninterrupted period of engagement is six years, covering the years ended 31 December 2013 to 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the CBI and we remain independent of the CBI in conducting our audit. In addition to the audit, we have provided tax compliance services.

### **Use of our report**

This report is made solely to the members, as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the CBI and CBI's members as a body, for our audit work, for this report, or for the opinions we have formed.



Buzzacott LLP  
Statutory Auditors  
130 Wood Street  
London  
EC2V 6DL

Date 12th June 2019

# Income Statement - For the year ended 31 December 2018

	Notes	2018 £000	2017 £000
<b>Income</b>			
Members' subscriptions	1(d) & 2	21,791	20,542
Rents and licence fees		134	107
Commercial activities		3,315	3,571
Interest on short-term deposits		32	15
Other income		179	285
<b>Total</b>		<b>25,451</b>	<b>24,520</b>
<b>Expenditure</b>			
Payroll	4	12,892	11,967
Pension costs	4	819	755
Travel and subsistence		688	583
Other staff costs		1,097	878
Office expenses		1,100	1,131
Premises costs		2,949	3,052
Subscriptions to other organisations		1,163	1,147
Commercial activities		1,525	1,686
Legal and professional costs		401	508
Promotional activities and surveys		97	191
Functions and entertaining		251	229
Project costs		102	62
Depreciation	1(e)	590	837
Finance charges	6	358	261
Past pension service cost	14	180	-
Miscellaneous expenses		12	7
<b>Total</b>		<b>24,224</b>	<b>23,294</b>
<b>Operating result before tax</b>	3	<b>1,227</b>	<b>1,226</b>
Taxation charge	7	262	310
<b>Retained surplus for the year</b>		<b>965</b>	<b>916</b>
<b>Statement of Comprehensive Income for the year ended 31 December 2018</b>			
		<b>2018 £000</b>	<b>2017 £000</b>
Retained surplus for the year		965	916
Actuarial gains recognised in the pension scheme	14	6,247	2,141
Current tax benefit arising on Employer contributions to the DB pension scheme	7	121	152
Deferred tax cost arising on Employer contributions to the DB pension scheme		(170)	(170)
Deferred tax cost arising on actuarial gains		(1,000)	(328)
<b>Total recognised gains for the year</b>		<b>6,163</b>	<b>2,711</b>

All amounts relate to continuing activities.

# Statement of Financial Position - At 31 December 2018

	Notes	£000	2018 £000	£000	2017 £000
<b>Fixed assets</b>					
Tangible fixed assets	8		2,473		2,796
<b>Current assets</b>					
Debtors and prepayments	9	11,118		10,816	
Short-term deposits		2,567		2,542	
Cash at bank		5,820		4,570	
		19,505		17,928	
<b>Less current liabilities</b>					
Amounts falling due within one year					
Creditors, accruals and deferred income	10	(22,359)		(21,673)	
<b>Net current liabilities</b>			(2,854)		(3,745)
<b>Total assets less current liabilities</b>			(381)		(949)
Deferred tax asset	12		291		410
<b>Net liabilities excluding pension asset</b>			(90)		(539)
Pension asset net of deferred tax	14		6,761		1,047
<b>Net asset including pension asset</b>			6,671		508
<b>Represented by</b>					
Accumulated surplus			6,671		508
<b>Accumulated surplus/(deficit)</b>					
Opening surplus/(deficit)			508		(2,203)
Total recognised gains for the year			6,163		2,711
<b>Closing surplus</b>			6,671		508

These accounts were approved and authorised for issue at the CBI Board meeting on 10 June 2019 and were signed by:



Dame Carolyn Fairbairn  
**Director-General**



Neil Tomkins  
**Director of Finance and  
Corporate Services**

# Statement of Cash Flow - For the year ended 31 December 2018

	2018 £000	2017 £000
<b>Cash flows from operating activities</b>		
Operating Result before taxation	1,227	1,226
<b>Adjusted for:</b>		
Depreciation	590	837
Loss on disposal of fixed assets	140	30
Past pension service cost	180	-
Finance charges	358	261
Increase in debtors	(302)	(9,175)
(Decrease)/Increase in creditors	(427)	1,397
Increase in deferred income	1,104	6,510
Contributions to pension plan	(1,004)	(1,000)
Interest receivable	(32)	(15)
<b>Net cash from operating activities</b>	<b>1,834</b>	<b>71</b>
<b>Cash flows from investing activities</b>		
Interest received	19	15
Purchase of tangible fixed assets	(407)	(331)
<b>Net cash used in investing activities</b>	<b>(388)</b>	<b>(316)</b>
<b>Cash flows from financing activities</b>		
Interest and other charges paid	(172)	(49)
<b>Net cash used in financing activities</b>	<b>(172)</b>	<b>(49)</b>
<b>Change in cash and cash equivalents</b>	<b>1,274</b>	<b>(294)</b>
Cash and cash equivalents at 1st January	7,112	7,406
<b>Cash and cash equivalents at 31st December</b>	<b>8,387</b>	<b>7,112</b>
	2018 £000	2017 £000
<b>Analysis of cash and cash equivalents</b>		
Cash at bank	5,820	4,570
Short-term deposits	2,567	2,542
<b>Total cash and cash equivalents</b>	<b>8,387</b>	<b>7,112</b>

# Notes to the accounts

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## 1. Accounting policies

### (a) Basis of preparation

The Confederation of British Industry was set up by royal charter, registered number RC000139 (England and Wales). 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.

The CBI’s registered office is Cannon Place, 78 Cannon Street, London, EC4N 6HN

### (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 57. The key assumptions relate to the retention and recruitment of members, the agreed pension funding requirements and the ability of the CBI to continue to manage costs tightly, at the same time as investing to grow the business. Management has applied sensitivities to these variables for the period to the end of July 2020, and concluded that it is reasonable to expect that the CBI will have sufficient resources to operate until at least this date.

The majority of the CBI’s income is raised by membership subscriptions. If the CBI considered that there may be a serious prospect that it could not raise sufficient funds to carry out its core functions, there are contingency plans in place to cover such a shortfall. In addition, the cash reserves of £8.4m provide a buffer against volatility which the CBI will look to increase 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 assets.
- Valuation of the pension scheme and assumptions used in the valuation.
- Estimating the bad debt provision for outstanding membership subscription.

### **(d) Members' subscriptions and commercial income**

Membership subscriptions are invoiced two months before the start of the subscription period. Income from members' subscriptions is recognised at the start date of the subscription period, with any income relating to future years being deferred to the relevant year. The bad debt provision for outstanding membership subscription at the year end has been calculated using historic data of resignations from the three previous years and then adjusting for specific items. The CBI has also estimated the resignation value of subscriptions invoiced but unpaid at the year end relating to next year based on the resignation value of 2018 subscriptions.

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 £1,000 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
Computer hardware and software	-	25%-33% per annum
Motor vehicles	-	25% per annum
Plant and machinery	-	5%-10% per annum
Leasehold improvements	-	Over the term of the lease or the estimated life of the asset if shorter

**(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 rate 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 or the rate agreed where a forward contract was used. 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. The CBI's bad debt provisions are based on historic data from previous years and the current information available.

**(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 that 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 year end 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 the CBI anticipates it 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 majority of the CBI's financial assets and financial liabilities are of a kind that qualify as basic financial instruments. The CBI also enter into a number of forward contracts to mitigate exchange rate movements on payments in foreign currencies. Any forward contracts outstanding at the year end are revalued, with the gain or loss recognised in the income statement. Other than the forward contracts all other transactions are initially recognised as 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 of 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, and finance items in the statement of comprehensive income.

## 2. Members subscriptions

	2018 £000	2017 £000
Subscriptions	21,877	20,542
Provision for bad debts	(86)	-
	<b>21,791</b>	<b>20,542</b>

No provision was included in 2017 as the CBI only recognised income when received.

## 3. Operating result

	2018 £000	2017 £000
<b>Operating result before taxation is stated after charging:</b>		
Auditor's remuneration:		
Audit	33	33
Other services - tax and related advice	4	4
Rentals payable under operating leases:		
Land and buildings	1,600	1,730
Motor vehicles and equipment	59	62
Depreciation	590	837
<b>and after crediting:</b>		
Rentals receivable under operating leases:		
Land and buildings	134	107

The CBI contributed £2k (2017: £2k) to charities in lieu of sending corporate Christmas cards.

The CBI makes no political contributions.

## 4. Staff costs

	2018 No.	2017 No.
The average number of staff employed by the CBI during the year was:	218	210
	<b>£000</b>	<b>£000</b>
Their aggregate payroll costs were:		
Salaries	11,638	10,690
Social security costs	1,254	1,277
	<b>12,892</b>	<b>11,967</b>
Pension costs	819	755
Land and buildings	13,711	12,722

## 5. 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.

Of the staff included within staff costs in note 4, 20 were called directors in 2018, (2017: 22). Their total emoluments, including the estimated money value of non cash benefits, were £2,141k (2017: £2,231k). Of this £38k related to severance costs (2017: £0k). All but 3 (2017: 3) of the directors are members of one of the CBI's pension plans. The CBI cost of the plans for these directors was £154k (2017: £143k).

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

	2018 £000	2017 £000
Carolyn Fairbairn - Director-General	342	341
Neil Tomkins - Finance Director and Corporate Services	153	20
Nigel Hopkins - Resources Director	-	44
	<b>495</b>	<b>405</b>

Payments of £68k (2017: £70k) were made for money purchase pension schemes for the Director-General's benefit.

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

## 6. Finance charges

	2018 £000	2017 £000
Bank charges and foreign exchange differences	172	49
Defined benefits scheme admin expenses	186	212
	<b>358</b>	<b>261</b>

## 7. Taxation

### (i) Analysis of taxation for the year:

<i>Income statement</i>	2018 £000	2017 £000
<i>Current tax</i>		
UK corporation tax on operating result	143	296
Adjustment in respect of earlier years	13	-
	<b>156</b>	<b>296</b>
<i>Deferred tax</i>		
Accelerated capital allowances	(204)	(38)
Trade losses used	218	-
Adjustment in respect of earlier years	92	52
<b>Taxation charge on operating result</b>	<b>262</b>	<b>310</b>

**(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 19% (2017: 19.25%).

The differences are explained below:

*Income statement*

Operating result before tax	1,227	1,226
Tax at standard rate of corporation tax	233	236
Expenses not deductible for tax purposes	(63)	22
Adjustment in respect of earlier years	92	52
<b>Tax charge on operating result for the year (note 7(i))</b>	<b>262</b>	<b>310</b>

*Statement of comprehensive income*

Tax at standard rate of 19% (2017: 19.25%) on total profit/(losses) recognised recognised in the statement of comprehensive income	1,049	346
--	-------	-----

*Comprised*

Movement in deferred tax asset due to pension scheme surplus	1,170	498
Current taxation credit for the year	(121)	(152)
	<b>1,049</b>	<b>346</b>

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 (2017: £1,000k). 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 £22k (2017: £13k).

## 8. Tangible Fixed assets

	Plant & machinery	Office furniture & equipment	Computer hardware & software	Leasehold improvements	Total £000
<b>Cost:</b>					
At 1 January 2018	73	688	3,359	2,538	6,648
Additions	-	46	354	7	407
Disposals	-	-	(1,204)	-	(1,204)
At 31 December 2018	73	734	2,509	2,535	5,851
<b>Depreciation:</b>					
At 1 January 2018	35	330	2,729	758	3,852
Charge for year	10	64	338	178	590
Disposals	-	-	(1,064)	-	(1,064)
At 31 December 2018	45	394	2,003	936	3,378
<b>Net book value:</b>					
At 31 December 2018	28	340	506	1,599	2,473
At 31 December 2017	38	358	630	1,770	2,796

## 9. Debtors and prepayments

	2018 £000	2017 £000
Trade debtors	9,588	9,250
Other debtors	164	136
Forward contracts	371	408
Prepayments and accrued income	995	1,022
	11,118	10,816

## 10. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	448	332
Corporation tax	22	13
Other taxes and social security	1,907	2,301
Forward contracts	352	407
Other creditors and accruals	3,367	3,501
Deferred income	16,223	15,119
	22,359	21,673

Other taxes and social security includes employer contributions of £136k (2017: £59k) to the defined contributions plans.

Other creditors and accruals includes an accrual for holiday pay of £175k (2017: £160k).

## 11. Financial Instruments

The carrying amount of the CBI's financial instruments at 31 December 2018 were:

<b>Financial assets</b>	<b>2018 £000</b>	<b>2017 £000</b>
Measured at undiscounted rate receivable	9,687	9,502
Measured at fair value through profit or loss	371	408
Bank and cash	8,387	7,112
	<b>18,445</b>	<b>17,022</b>

<b>Financial liabilities</b>	<b>2018 £000</b>	<b>2017 £000</b>
Measured at undiscounted rate receivable	3,825	3,833
Measured at fair value through profit or loss	352	407
	<b>4,177</b>	<b>4,240</b>

## 12. Deferred tax asset

<b>Deferred tax is principally a result of accelerated capital allowances</b>	<b>2018 £000</b>	<b>2017 £000</b>
At 1 January	(410)	(555)
Debit for the year	(204)	(38)
Trade losses used	323	183
At 31 December	<b>(291)</b>	<b>(410)</b>

Deferred tax is calculated at 17% (2017: 17%) being the taxation rate expected to be applicable when the timing differences reverse. The amount of net reversal of the deferred tax asset expected to occur in 2019 is £130k. The CBI is expecting to make a surplus in 2019 which will use up the remaining deferred tax asset.

## 13. Commitments

At 31 December 2018 the CBI had the following future minimum commitments under non-cancellable leases:

	<b>2018</b>		<b>2017</b>	
	<b>Land and buildings £000</b>	<b>Vehicles and Equipment £000</b>	<b>Land and buildings £000</b>	<b>Vehicles and Equipment £000</b>
Within one year	1,516	46	1,486	53
In the second to fifth years inclusive	5,049	-	4,627	46
Over five years	7,008	-	7,623	-
	<b>13,573</b>	<b>46</b>	<b>13,736</b>	<b>99</b>

There were capital commitments of £Nil at 31 December 2018 (2017: £Nil)

## 14. 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 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 Plan are determined by the results of triennial formal actuarial valuations, the last of which was carried out as at 31 December 2017. The results of the valuation as at 31 December 2017 have been rolled forward to 31 December 2018 by a qualified actuary independent of the Company.

The Company paid £814k in deficit reductions and £186k to cover Plan expenses over the year to 31 December 2018. As the Plan is closed to future accrual, there were no regular contributions in 2018. At 31 December 2018 the pension Plan had an accounting surplus of £6,761k under FRS102. From 1 January 2019 the company contributions will reduce to £600k to cover both deficit reduction and Plan expenses.

In addition, in 2018 a past service cost has been recognised of £180k in relation to the provision for Guaranteed Minimum Pension equalisation.

### 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 Plan and consequently increases in the Plan's liabilities. The Company and the Plan's Trustees review the mortality assumption on a regular basis to minimise the risk of using inappropriate assumptions.
- **Investment risk** - the Plan 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 Plan's Trustees review the structure of the portfolio on a regular basis to minimise these risks.
- **Inflation risk** - increases to benefits in the Plan are linked to inflation. If inflation is greater than expected, the liabilities will increase.

Components of benefit cost recognised in Income Statement	2018 £000	2017 £000
Net interest cost on net defined assets	(38)	36
Administration Expenses	224	176
Past service cost recognised	180	-
Net benefit cost in income statement	366	212
Actual return on plan assets	(768)	5,359
Amount recognised in Statement of Comprehensive Income		
Actuarial (gains)/losses arising from changes in assumptions	(7,023)	589
Experience gains on liabilities	(2,494)	-
Actuarial losses/(gains) on assets	3,270	(2,730)
Gains recognised in Statement of Comprehensive Income	(6,247)	(2,141)

### Funded Status

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

	2018 £000	2017 £000
Plan assets	98,055	101,561
Plan liabilities	(89,909)	(100,300)
Pension surplus	8,146	1,261
Related deferred tax liability	(1,385)	(214)
Net pension asset	6,761	1,047

The assumptions used to determine the Plan's defined benefit obligation:

		2018	2017
Future inflation assumption	-RPI	3.4%	3.4%
	-CPI	2.4%	2.4%
Future increase in pensions in payment (LPI max 5%, min 3% p.a.)		3.8%	3.8%
Discount rate		2.9%	2.5%

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%.

Life expectancy at 31 December	Male		Female	
	2018	2017	2018	2017
From 65 and now 65	22.9	23.0	24.4	24.5
From 65 and now 45	24.5	24.6	26.2	26.3

The change in Plan liabilities during the year were:

	2018 £000	2017 £000
Plan liabilities at start of year	100,300	100,360
Interest cost	2,464	2,665
Past service costs	180	-
Actuarial gains arising from changes in demographic assumptions	(661)	(2,882)
Actuarial (gains)/losses arising from changes in financial assumptions	(6,362)	3,471
Experience gains	(2,494)	-
Benefits paid	(3,518)	(3,314)
Plan liabilities at end of year	89,909	100,300

The change in Plan assets during the year were:

	2018 £000	2017 £000
Plan assets at start of year	101,561	98,692
Interest income	2,502	2,629
Experience (losses)/gain	(3,270)	2,730
Employer contributions	1,004	1,000
Administration expenses	(224)	(716)
Benefits paid	(3,518)	(3,314)
Plan assets at end of year	98,055	101,561

Following the triennial actuarial valuation as at 31 December 2017, and having moved into a surplus position with respect to the statutory funding objective of Technical Provisions, the CBI and the trustee agreed to reduce the funding of £83k to £50k per month. This funding rate will commence 1 January 2019 with the aim of becoming 100% funded on a Self Sufficiency basis.

The CBI paid contributions to the Plan of £1,000k in the year (2017: £1,000k).

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

	2018 £000	2017 £000
Equities	-	12,009
Bonds	32,512	10,273
Absolute return funds	-	28,413
Property	3,866	3,612
LDI	60,098	45,252
Cash and Other	1,579	2,002
	98,055	101,561

	2018 £000	2017 £000
<b>Experience adjustments DB Pension Plan</b>		
Fair value of asset, end of year	98,055	101,561
Defined benefit obligation, end of year	89,909	100,300
Funded status	8,146	1,261
Experience adjustment on Scheme assets gain	3,270	(2,730)

Deferred tax is calculated at 17% (2017:17%) being the taxation rate expected to be applicable when the Plan deficit reverses.

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

	<u>Increase in Liabilities</u>
Decrease discount rate by 0.25%	3,775
Increase rate of inflation by 0.25%	2,200
Life expectancies increase by 1 year	<u>3,255</u>



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