

# **Lloyd's Register Foundation**

## **Report and financial statements**

### **31 December 2020**

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Connecting science, safety and society

# Trustees' Report incorporating the Strategic Report

## Chairman's Statement

The world has faced new and unforeseen challenges due to the Covid-19 pandemic (the pandemic), resulting in long-lasting changes to the way society operates. Despite the tragedies created by the pandemic, the 18 months to 31 December 2020 was also a period of significant achievements.

The Foundation's grants community reacted to the situation in remarkable ways: creating new interventions to protect local communities, harnessing science and technology to inform pandemic responses, and all the while reinventing their ways of working so they could continue making the world a safer place.

Recent events highlight the incredible power of science, innovation, and technology to solve major societal challenges. The Foundation is investing in new ways to accelerate discovery through to application and drive innovation that will save lives and improve safety all around the world.

In December 2020, we continued to invest in our Safety Accelerator programme by launching the Safetytech Accelerator, a not-for-profit initiative created by Lloyd's Register Group and Lloyd's Register Foundation, bringing together corporates, start-ups and the wider technology community to collaborate and accelerate the adoption of safetytech in safety-critical industries.

In 2021, the UN Climate Change Conference (COP26) takes place in the UK and it has never been more important to unite the world to tackle climate change and build a sustainable future for us all. I'm delighted that this year we have underlined our commitment to this by working closely with the High Level Climate Change Champions and are actively supporting the Race to Zero and Race to Resilience campaigns.

We also awarded a grant to support the launch in October 2020 of a new initiative that will help bring the whole maritime community together with the goal of achieving Net Zero as quickly as possible. The new Lloyd's Register Maritime Decarbonisation Hub will accelerate the sustainable decarbonisation of the maritime industry by enabling the delivery and operation of safe, technically feasible, and commercially viable zero-emission vessels by 2030. This is an important part of the Foundation's mission to enable safer and more sustainable oceans.

The Trustees continue to promote diversity and inclusion, and this year the Foundation has developed an action plan that embeds equity, diversity, and inclusion in everything that we do to create a sense of belonging for our staff and also our global community of grantholders and partners.

Sir Brian Bender retired from the Board of Trustees in 2020 and I would like to extend our thanks and appreciation for his outstanding service and welcome our new Trustee Dame Una O'Brien. I'm also pleased to welcome Sir Peter Gregson who joined the Board of Trustees as of 1 June 2021. Finally, on behalf of the Trustees, my warmest thanks go to the Foundation's Chief Executive Richard Clegg and all the Foundation staff who have achieved so much in the past 18 months.

**Thomas Thune Andersen**

Chairman, Lloyd's Register Foundation

# Trustees' Report incorporating the Strategic Report

## Foundation Chief Executive's Review

Like many other charities and organisations during the pandemic, 2019/20 presented its challenges. For the Foundation, it also served to re-emphasise the reason why we exist and the importance of our unique charitable purpose to engineer a safer world. As a result of who we are and what we stand for, we were in a unique position to be able to contribute to the global effort to tackle Covid-19. Many examples we shared on our website and newsletters at the time. I'd like to thank upfront everybody who supported those efforts from across our grants community, impact partners, and of course colleagues in the Foundation and Lloyd's Register Group. Hopefully our contribution means that the world is better prepared for the bounce back to engineer a safer, more resilient and sustainable future.

It was a hapless coincidence that the pandemic coincided with the first year of the launch of our new Foundation strategy. At the heart of our strategy is to be challenge led, evidence driven and to work in partnership with others that share our ethos in order to multiply our impact in the world. While the pandemic meant we had to recalibrate some of our operational plans and budgets in year, our strategy remained unchanged and we pressed on. Our early priorities became three-fold; to look after our people, to protect our finances, and to direct our grants and activities where they could have the biggest impact in the pandemic.

Two big achievements stand out in implementing our new strategy during the period, these being creating and ramping up of our brand-new Evidence and Insight Centre and our in-house Strategic Communications and Global Engagement capability. Both involved recruitment of people into new roles at Director level and assembling their teams. Strategically, we regard them as 'bookending' our grants and programme work, helping us to direct our efforts where greatest need exists and where we can make the greatest difference, and helping us strengthen our stakeholder engagement to build partnerships for impact.

These examples also illustrate a direction of travel for the Foundation in increasing the proportion of direct charitable activities (DCA) that we undertake alongside awarding grants. Increasing the proportion of DCA reflects our growing maturity as a Foundation and capabilities. Another example of our DCA work is the Heritage and Education Centre. In previous annual reviews I've mentioned about our investment to digitise over 1.25 million ship plans and records held in our collection stretching back almost 200 years, with the aim to make them openly and freely available via the internet for others to utilise as a unique educational and historical resource. I'm pleased to be able to say that despite the pandemic we remain on track to complete the cataloguing and digitisation of all our collection on time by the end of 2021. It's also rewarding to see the early impact from this investment as shown by the upsurge in visitors to our website accessing the online collection, with demographic data further indicating that around 31% of them are aged between 18-35.

In the early days of the pandemic environment, we had to take some swift actions in order to protect our finances, including careful management of cashflow and outgoings whilst working closely with our grants community to support their situation. We are pleased that we were still able to commit £6.8m in new grants during the period with a total charitable expenditure of £21.4m. Because of the unprecedented period that we faced, we took the decision to extend the reporting period to 18 months in this review and accounts, covering the period from 1st July 2019 to 31st December 2020. As a result of the measures taken, we now feel to be in a strong position in readiness for the bounce back which should enable us further to increase our charitable activities and expenditure over coming years.

In conclusion I would like to thank once again colleagues, Trustees and partners for all their support and forbearance during this unprecedented period.

**Professor Richard Clegg FEng, FRSC**  
Chief Executive, Lloyd's Register Foundation

# Trustees' Report incorporating the Strategic Report

## Our Strategy

From 2015-2019, The Foundation's strategy was organised in four themes:

1. Supporting excellent scientific research
2. Accelerating the application of research
3. Promoting safety and public understanding of risk
4. Promoting advancement of skills and education

In 2019, the Trustees approved a new strategy for the period 2019-2025, with the introduction of three goals replacing the four previous themes, to enable us to have even greater impact than before. Our mission and vision remain unchanged.

## Our Mission

To secure for the benefit of the community high technical standards of design, manufacture, construction, maintenance, operation and performance for the purpose of enhancing the safety of life and property at sea, on land and in the air. The advancement of public education, including within the transportation industries and any other engineering and technological disciplines.

## Our Vision: Engineering a safer world

To be known worldwide as a leading supporter of engineering-related research, training and education that makes a real difference in improving the safety of the critical infrastructure on which modern society relies. In support of this, we promote scientific excellence and act as a catalyst working with others to achieve maximum impact.

## Goal 1: Establish the best evidence and insight

We will use the best data, evidence, and insight available to understand the complex factors that affect safety better.

## Goal 2: Focus on the most pressing challenges

We will focus on the biggest safety challenges, where there's clear evidence and a compelling need for change. We have identified 7 challenges we will focus on:

1. Safety at sea
2. Safety of digital systems
3. Safety for a sustainable future
4. Safety of food
5. Skills for safety
6. Safety of physical infrastructure
7. Public understanding of risk

## Goal 3: Build global coalitions for change

We will promote safety and convene international partnerships to have greater impact than we could on our own and make a real difference.

# Trustees' Report incorporating the Strategic Report

## Investing for the Future

One of the Foundation's key attributes is our Technical Authority invested within Lloyd's Register Group and our global grants community. It enables us to be much more than just a funding provider, contributing technical solutions to deliver the challenge. We have increased our direct charitable activities including in the Heritage and Education Centre, created a new Evidence and Insight Centre, and continued to make external investments in major programmes and centres of excellence.

We are building our capability through major programmes such as:

- The National Structural Integrity Research Centre (TWI)
- Lloyd's Register Safety Accelerator (Safetytech Accelerator Limited)
- The World Risk Poll (Gallup)
- Resilience Shift (Arup)
- Assuring Autonomy International Programme (University of York)
- Discovering Safety (Health and Safety Executive)
- Data Centric Engineering (Alan Turing Institute)
- Institute for the Public Understanding of Risk (National University of Singapore)
- Engineering X (Royal Academy of Engineering)

## Heritage and Education Centre

We are investing over £10m in our Heritage and Education Centre to become a globally-renowned resource for understanding engineering and technological innovation and its impact on society. The Lloyd's Register Foundation Heritage & Education Centre is the custodian of Lloyd's Register's unique collection; one of the great resources still available for better understanding maritime history, marine engineering, naval architecture, offshore engineering and ocean technology.

Our investments will help to:

- Preserve the physical collection for future generations
- Digitise and make the collection accessible around the world through imaginative new education and outreach programmes
- Drive distinctive research to deepen understanding and further engagement
- Contribute to the understanding of the most pressing safety challenges
- Keep the collection modern and relevant

# Trustees' Report incorporating the Strategic Report

## GOAL 1: Establish the Best Evidence & Insight

### Plan

The period July 2019 to December 2020 saw the establishment of the new Evidence and Insight Centre, with the appointment of a Director who started in October 2019. The plan for the Centre during this period focused on:

- engagement with colleagues, Trustees and the Trading Group to inform the development of a strategy for the Evidence & Insight Centre (EIC)
- Board approval of the EIC strategy
- recruitment to two internal EIC posts
- commissioning work to understand how data and evidence are used in two challenge areas
- commissioning evidence and insight work in priority challenge areas
- management of the Lloyd's Register World Risk Poll

### Activities & Impact

The EIC strategy was developed following a programme of engagement with colleagues and was presented to the LRF Board in December 2019. The strategy was approved as part of the long-range strategic plan for the Foundation considered by the Board in March 2020.

A Senior Research and Data Analyst and Senior Research Manager were recruited to the team, both of whom started in May 2020 and were welcomed to the Foundation in a series of virtual interactions.

The strategy for the Evidence and Insight Centre focuses on understanding how data and evidence is being used within our challenge areas, to inform decision making on future activities. Although delayed by a number of months at the start of the pandemic, two grants calls were issued in Q4 2020 to start to explore the use of data and evidence within the safety at sea and safety of food domains. Two other early commissions were driven by priorities within the programmes team, with work on the link between psychological wellbeing and safety, and incidents and accidents at sea, being commissioned in Q4 following open calls.

The focus of the Lloyd's Register Foundation World Risk Poll (WRP) in 2019/20 was the collection and processing of data by Gallup, and detailed preparation for the analysis and reporting phase of the work. The work was delivered as planned and published in October 2020 and has provided significant learning for the next rounds of the poll.

### Future Plans for the next 18 months to June 2022

The main objectives are to:

- commission and oversee evidence context reviews in safety of sea and safety of food to enhance our understanding of how data and evidence are used in these domains
- commission and oversee deep dives into three challenge areas to generate insight to support decision making – in food, skills and education and infrastructure
- launch and disseminate the 2019 World Risk Poll, and design and begin to implement the 2021 Poll
- lead a programme of activities to enhance the Foundation's impact processes

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## GOAL 2: Focus on the Most Pressing Challenges

### Plan

July 2019 was the start of our new Strategy which identified our focus challenge areas:

1. Safety at sea
2. Safety of digital systems
3. Safety for a sustainable future
4. Safety of food
5. Skills for safety
6. Safety of physical infrastructure
7. Public understanding of risk

These challenges allow us to build on knowledge and capability previously supported by Lloyd's Register and Lloyd's Register Foundation. We created a theory of change for each challenge setting out our high-level aims.

We planned to hold a series of launch event for each challenge over the following 18 months to December 2020, bringing together groups of experts from around the world to help us identify and develop the most impactful programmes working with the most effective partners. This was to start with Safety of Food (to be launched in Rome at a UN Food and Agriculture Organisation meeting in October 2019), followed by Public Understanding of Risk (due to be launched at the World Bank's Understanding Risk conference in Singapore in May 2020). The next was to be Safety at Sea (at the UN Ocean conference in Lisbon in June 2020) followed by Safety of Digital Systems (to be launched at a conference at the Royal Society London, also in June 2020). Although the Challenges were internally launched, due to the pandemic, only the Rome event proceeded as planned. The Singapore event was delayed until November 2020 and took place virtually and the Safety at Sea and Safety of Digital Systems events have been postponed until later in 2021.

### Activities & Impact

Our new strategy and focus challenges were launched at our London conference in October 2019, where we also launched our Engineering X partnership. Engineering X is a new global movement – established by the Foundation with the Royal Academy of Engineering – to bring together the world's leading problem solvers to address the great challenges of our age. Our Insight report on Sharing Engineering Data which incorporated commitments by 18 engineering organisations was also launched at the same event.

### Safety of Food

In October 2019 in Rome we held our first challenge meeting on Safety of Food and launched our Foresight Review of Food Safety which confirmed three focus areas for future financial investment: education; traceability; and the ocean of food.

During this period, we published The Seaweed Manifesto, a visionary document to unite fragmented stakeholders to speak with a single voice. It defines a vision for the seaweed industry, explores the opportunities and benefits, as well as outlining the challenges and barriers for responsible development. With the Sustainable Ocean Business Action Platform of the United Nations Global Compact (UNGC) we convened a global, expert editorial team of selected representatives from academia, business, non-governmental organisations and UN specialised agencies. The online launch event had over 500 attendees and about 120 world-leading organisations and seaweed specialists have already demonstrated their support for this work. The Foundation was also invited to speak about its leadership at the UN General Assembly in September 2020.



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We gave a major grant to establish a Safe Seaweed Coalition, working together to encourage the development of the industry with safety and responsibility at its heart. More specifically we gave a new grant to Wageningen University to research and develop protocols for safe seaweed production. These will be piloted and tested by the Coalition with a view to developing technical certification, codes and standards.

A further grant supported our collaboration with the United Nations' Food and Agriculture Organisation (FAO) and academic partners to support education for the next generation of food safety professionals in the developing world.

## **Safety of Physical Infrastructure**

During the first 6 months of our grant in support of the Energy Institute's Toolbox they have received additional project funding of £267,000 from the oil and gas and offshore wind industries, more than matching the Lloyd's Register Foundation funding; they have translated 100 pieces of content into 4 languages using the Lloyd's Register Foundation grant, plus 3 additional languages using other funding; and launched French and Spanish versions of the site. The offshore wind sector now sees Toolbox as a major part of how they improve health and safety, and have ambitions to use it internationally, including in Taiwan and Japan.

## **Safety at Sea**

Building on our new strategic approach we commissioned several new evidence and insight reviews to help inform future actions and commitments in this challenge area (see Goal 1 above).

The Foundation's grants in this focus area had many successes during the reporting period. HiLo, which was established using a grant from the Foundation, received the inaugural IET innovation award for 'safetytech'. HiLo also received endorsement from the Global Maritime Forum to be the industry's data repository for maritime accident data and in so doing set standardisation in maritime accident reporting.

Our grant to Maritime Blockchain Labs (MBL) resulted in the establishment of a commercial offering called BunkerTrace, arising from one of its three industry demonstrator projects. BunkerTrace uses blockchain technology to provide transparency and traceability across the marine fuel supply chain. In December 2019 BunkerTrace won the Lloyd's List Europe award for Excellence in Supply Chain Management and Innovation award.

Our Data Centric Engineering Programme hosted by the Alan Turing Institute established a new sub-programme on Artificial Intelligence and Machine Learning for Marine and Maritime, led by another LRF group at Southampton University. It held a kick-off workshop in July 2020.

We also awarded a grant to Fish Safety Foundation as part of a wider initiative to collect official and unofficial evidence around the safety and wider challenges associated with global fishers. Together with UN International Maritime Organisation (IMO), UN Food and Agriculture Organisation (FAO), UN International Labour Organisation (ILO) and the Pew Trust, we are looking to gather global evidence for the first time. Our grant funds a scoping exercise to understand the technology requirements needed to make this reporting system a reality and make this into a specification that can be supported by the UN community who would host and support the initiative if viable. Working with this coalition, for the first time we will make the best attempt yet to gain a picture of fisher safety and wellbeing and being able to target interventions and monitor their impact.

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## **Safety of Digital Systems**

We launched our Foresight Review of Industrial Cyber Security in July 2020 in a Financial Times hosted webinar starring industry experts in the field, Robert Hannigan and Sadie Crease, who led the Review.

Sadie was also invited to speak to an audience of over 400 people at the Cybersecurity bootcamp for the Organisation of American States ("OAS"). The main language of business for the OAS is Spanish so our Foresight Review has been translated into Spanish – a first for the Foundation to support this launch.

In September 2020 at the Global Manufacturing and Industrialisation Summit's (GMIS) Digital Summit 2020 the Foundation announced a new partnership with UNIDO to create a Global Initiative for the Future of Industrial Safety. During the summit we participated in a working group with experts from industry, government, and other UN agencies, to help us shape the priorities for the new initiative. This project is part of the Foundation's influencing strategy which supports the development of strategic partnerships to convene people around the issue of safety in industry.

Our Assuring Autonomy International Programme (AAIP) led by the University of York continued to strengthen, winning £2.97m in a competitive UKRI call to host a Trusted Autonomous System programme node on resilience of autonomous systems. AAIP also received university approval for a new masters degree level module on Assurance of Robotics and Autonomous Systems for delivery from April 2021. In November 2020 AAIP ran its first regulator specific training programme that was co-developed for NHS regulators looking to introduce artificial intelligence, machine learning and autonomy safely. This training is helping the NHS to assess and understand the implications of the increasing number of requests they receive for introducing these technologies into hospital operations.

The safety of our built infrastructure, including bridges, ports and power stations, and the people that use them has been given a boost by the launch in October 2019 of a new manifesto and report in collaboration with the Open Data Institute, aimed at the engineering sector, encouraging organisations and companies to publish, use and share data.

## **Safety for a Sustainable Future**

In January 2020 Seth Schultz was appointed as the new Director of the Resilience Shift – our programme with Arup to accelerate a global shift to more resilient critical infrastructure – water, energy, transport and communications – in the face of climate change, population growth and resource scarcity. The Resilience Shift supports alignment to the United Nations Sustainable Development Goals (UN SDGs) by leading thinking and practice for critical infrastructure resilience. Critical infrastructure is vulnerable to shocks and stresses and when these systems fail, the results can be catastrophic. The Resilience Shift supports the urgent need for a global shift in industry practice that can address these risks across the whole infrastructure lifecycle.

In March 2020 our Trustees agreed to support a cross Lloyd's Register initiative focusing on the decarbonisation of the shipping industry. Lloyd's Register Group and Lloyd's Register Foundation have an alignment of purpose to achieve the safe decarbonisation of the world fleet with the Group occupying a leadership position through its business related activities in decarbonisation. There is a logical step in which the Foundation and Group work together to provide insight across the wider transition of maritime trade and leverage the Group's position to influence a safe change across the industry. A grant established a decarbonisation hub focused on gaining evidence and insight on the decarbonisation of the marine industry, using this to influence the industry on how to decarbonise, and establishing processes and procedures to safely adopt decarbonised technologies into the maritime industry. The hub was launched with articles placed in key target media including Lloyd's List, Hansa, Ship Insight, Sea News, and Bloomberg.

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Our Safer End of Engineered Life Engineering X programme supported six projects aimed at tackling the complex social, environmental and engineering challenges of decommissioning ships and offshore structures. Grants went to international teams, including teams in Singapore, Bangladesh, Malaysia, Vietnam, Indonesia, India, Ghana, Mexico, Italy and the UK.

In late 2020 we built up our new partnership with the UN Global Compact by seconding experts to them from the Foundation. This partnership will help us influence the promotion of our safety goals as explicit considerations as targets for delivery towards 2030 are set.

## Skills for Safety

In January 2020, the Foundation's Engineering X Engineering Skills Where They Are Most Needed Programme commissioned a Global Engineering Capability Review by the Economist Intelligence Unit. It measures the abilities of 99 countries to conduct key engineering activities in a safe and innovative way. It focuses on six measures of engineering capability around the world: the strength and sophistication of the country's engineering industry, the availability and diversity of its engineering labour force, its knowledge base, built and digital infrastructure and safety standards. Following the review, the programme committed £1m of grants to a total of 21 projects across 14 countries, upskilling workforces to improve safety practices and enhance their ability to use emerging technologies.

During the reporting period our support for Africa's first-ever postgraduate course in fire engineering based at Stellenbosch University was expanded and now includes universities from Namibia, Zambia and Kenya. It not only reaches students but has over 100 industry practitioners and governmental participants.

## Public Understanding of Risk

Our World Risk Poll published its first set of results during the period (see Goal 1 above for details). The findings of this poll have helped us steer the next phases of our work in this challenge area encouraging us to set future studies within the wider context of broader risk understanding and safety behaviours.

## COVID 19 Impacts

Whilst we continued to deliver and achieve impact in all our challenge areas, our plans during the reporting period – especially the challenge launches - were significantly affected by the global pandemic. The Foundation had to cancel many of its events and manage the financial and delivery implications of sudden lockdowns around the world. Whilst most of our research grant holders were able to continue much of their work during lockdown, many of our skills and education activities had to be delayed or cancelled or moved online.

Many of our grant holders were able to build on work and capability funded by the Foundation to support the global response to the pandemic. Examples include:

- The Resilience Shift ("RS") Programme responded quickly to capture and share learning as the pandemic started. They initiated a 'Resilient Leadership; Learning through crisis' project that worked with leaders in companies and cities (including in India, Australia, Brazil and South Africa) to chart and share how they responded to different phases of the crisis. The RS convened the Foundation's wider community of grant holders to explore what has been learnt by them and whether their future areas of work have changed as a result.
- Following the outbreak of COVID-19 in Bangladesh, our fishSAFE 2025 project team have used their networks and supply chains to buy and distribute over 200 hand sanitisers and face masks to fishers in rural communities.
- Our grantholder CHIRP Maritime led an international campaign to get seafarers recognised as key workers by governments. They have published a new series of papers looking at the impact of COVID-19 on seafarers.

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- A new Engineering X Pandemic Preparedness programme launched to support global innovation and knowledge sharing.
- The Lloyd's Register Foundation Institute for the Public Understanding of Risk (IPUR) has helped contribute to a chapter in the World Economic Forum's e-book 'Challenges and Opportunities in the Post-COVID-19 World'.
- The Data Centric Engineering programme, led by The Alan Turing Institute and funded by Lloyd's Register Foundation, launched 'Project Odysseus' - using large scale data sets to understand London's busyness and enable effective COVID-19 policy.

## **Future Plans for the next 18 months to June 2022**

Looking ahead we will continue to plan for the ongoing impact of the pandemic. We envisage major grants in cybersecurity and resilience, and will develop our partnership with GMIS more deeply.

Based on the Safety Accelerator's success to date, we believe that there is scope to scale additional impact and make the accelerator sustainable into the future and will work towards achieving this. We will be supporting the establishment of the Safetytech Accelerator which will build upon the previous successes and create additional routes to impact.

We will commission more evidence and insight studies in support of our challenge areas and will consider how our foresight work on Regulation and on Ocean Engineering will influence our future work. We will work in partnership with major industrial infrastructure owners to explore the future needs for infrastructure and start planning for additional Foresight Reviews in this area.

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## GOAL 3: Build Global Coalitions for Change

### Plan

The Foundation's communications plan for 2019-2020 focussed on raising awareness of the global safety challenges and increasing the Foundation's influence, building strategic partnerships, and enhancing impact of the work we fund.

### Activities & Impact

#### IfM Report Launched at GMIS 2019, Russia

Lloyd's Register Foundation was a key partner at the Global Manufacturing and Industrialisation Summit (GMIS) which took place in Yekaterinburg, Russia on 9-11th July 2019. GMIS is a joint initiative by the Ministry of Energy and Industry of the United Arab Emirates and the United Nations Industrial Development Organisation (UNIDO) and is a high-level global summit bringing together business and political leaders from around the world to debate the future of the manufacturing industry.

During the event, which was opened by the President of Russia, we launched a new report, collated by the University of Cambridge's Institute for Manufacturing (IfM) and led a discussion session in the main hall. The Foundation is funding the report and a series of working groups that will steer the development of safe and secure adoption of technologies in the 4<sup>th</sup> Industrial Revolution ("4IR"). The report, named 'OK Computer? Safety and Security Dimensions of Industry 4.0', reveals that current international efforts to tackle the challenges posed by 4IR technologies are focused on cyber security, with less attention being given to the safety dimension.

#### Foundation Highlights importance of industrial safety at UNIDO congress

The Foundation had a significant presence at the main annual gathering of the United Nations Industrial Development Organisation (UNIDO) in Abu Dhabi on 3-7th November 2019, promoting the importance of safety in the future of industry and new technologies in the transition to Industry 4.0. The Foundation was one of the small number of organisations with an exhibition space promoting our new strategy and the Foundation's director of programmes, Dr. Ruth Bounphrey, delivered a keynote talk in a plenary session alongside Director General Li Yong and a prestigious panel of speakers and thought leaders from around the world. The Foundation's project with GMIS was also featured, highlighting the outcomes of the working groups we supported.

#### Launch of Food Safety Foresight Report & Challenge at UN FAO

The Foundation launched a new Foresight Review, the Foresight Review of Food Safety, to an international audience during the World Committee for Food Security congress in Rome on 17th October 2019. Over 60 thought leaders from the government, academia, and major food companies such as Mars and Danone attended the Foundation's engaging discussion around the three core areas identified in the Review: education, traceability, and the ocean of food. The launch received a good level of trade media coverage including in Food Safety News, the largest food title in the US with a global reach and Food Manufacturer, the second largest food title in the UK. These two publications reached approximately 270,000 people in the sector.

#### Building Key Stakeholder Relationships: ILO meeting in London

On 4th October 2019 we welcomed visitors from the ILO's Labour Administration, Labour Inspection and Occupational Safety and Health Branch (LABADMIN/OSH) to the Foundation. As a result of careful relationship building we held a day of meetings with Mr Joaquim Pintado Nunes (Officer in Charge of this

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branch of ILO) and Laetitia Dumas (Operations Specialist). Following presentations from ILO, meetings were held with Engineering X (RAEng), LR Group, Safety Accelerator and Foundation to explore areas where we could collaborate. An immediate outcome was an invitation to present at the XXII World Congress on Safety and Health at Work in Toronto, which has been rescheduled to late 2021 due to Covid.

## **Lloyd's Register Foundation International Conference 2019**

Over 400 researchers, innovators, policymakers, and business leaders gathered in London for the Foundation's global summit on safety and risk, "Engineering a safer world" 9-10th October 2019. The delegates came from 26 different countries, including Australia, Singapore, China, the United Arab Emirates, and the USA. Keynote speakers included Doline Hatchett, from the National Transportation Safety Board, an independent US federal agency, Professor Jinsong Zhao from Tsinghua University in China, and Professor Sir Nigel Shadbolt.

On day one, the Foundation launched its new six-year strategy to tackle the world's biggest safety challenges (Goal 2), and announced a new Evidence and Insight Centre (Goal 1) to identify the sectors and areas of the world most in need of safety interventions. The Foundation also released a new report that maps data on safety-related accidents and deaths across the world for the first time. Mapping Risk, produced by the Foundation and Gallup, is a compendium of some of the main data sources on safety and risk available from around the world. The report explores areas where data collection is poor and needs improving, as well as where the number of accidents is high, in order to support the best possible decision-making around accident prevention. It was carried out by Gallup as part of the Foundation's World Risk Poll, the world's largest study into how people around the world think and feel about risk and safety including at work.

On day two, Sir Nigel Shadbolt, Chair of the Open Data Institute (ODI) launched a new manifesto and report aimed at the engineering sector, encouraging organisations and companies to publish, use and share data and announced new funding for projects increasing access to data and driving innovation in the sector. The manifesto for sharing engineering data was published by the Foundation and the Open Data Institute (ODI) and has been endorsed by engineering firms including Mott MacDonald and Tideway, as well as the Royal Academy of Engineering and the Health and Safety Executive, and others are urged to join the movement here.

Together with the Royal Academy of Engineering, we also launched 'Engineering X', a new international collaboration that brings together some of the world's leading problem solvers to address the great challenges of our age.

## **Launch of Seaweed Manifesto with UN Global Compact (UNGC)**

We launched our Seaweed Manifesto in partnership with the United Nations Global Compact during a UN Seaweed Day event which had approximately 500 participants and 667 people watched on YouTube. The event succeeded in promoting the manifesto to a broad community of potential partners – so far the manifesto website has had over 2,000 views and 117 organisations have signed up and endorsed the manifesto including major multinational companies, research organisations, and NGOs. This initiative is helping to build strategic partnerships for the Safe Seaweed Coalition which was launched in March 2021.

## **LRF Digital Summit 2020**

*The Future of Global Safety*, Lloyd's Register Foundation's Digital Summit in September 2020, brought together some of the world's leading experts to explore the impact of Covid-19 on the future of global safety. As we navigate a world that is familiar yet changed, the Summit explored our collective resilience and responsiveness to systemic shocks, and looked at how we promote people's safety in a reimagined future. It focused on leadership, governance, macro-economics and technology around three key themes – Resilience, the Future of Work and Education and Skills.

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Across the course of the Summit, 17 speakers, each experts in their fields, were joined by an audience of over 500 international participants and reflected and shared its expertise on how we can create long-term impact to promote the safety of people around the world for years to come.

## **GMIS Digital Summit & Launch of UNIDO Partnership**

In September 2020 the Foundation announced a new partnership with UNIDO to create a Global Initiative for the Future of Industrial Safety at the GMIS Digital Summit 2020 which had over 4,000 delegates registered. Richard Clegg and colleagues from UNIDO were interviewed by Sky News Arabia about the initiative, which reaches over 50 million households in the Middle East.

## **SafetyTech Expo**

In partnership with Plug and Play we hosted a Safetytech Expo event to release the Foundation's market report on the huge potential of the Safetytech market. The Safetytech Expo had 203 live participants representing 124 different companies from 34 countries (35% USA, 31% UK, 9% Germany) with many being CEO/Director level. The companies ranged from start ups to major corporations.

## **Launch of the World Risk Poll**

The launch of the World Risk Poll was a major global event, with over 400 participants attending the live event in partnership with Financial Times Live and generating media coverage in mainstream and trade media around the world including China's biggest English language TV news station, CGTV, Forbes, Daily Telegraph, Gulf News, Suddeutsche Zeitung and The Korea Herald. Since the launch on 6th October 2020, World Risk Poll stories on social media have been viewed over 60,000 times, the launch videos have been watched over 4,000 times, and website has had over 13,000 views from people in 113 different countries. We are continuing to deliver a programme of strategic events to engage with impact partners and key organisations to leverage the poll and maximise its impact.

## **Launch of the LR Maritime Decarbonisation Hub**

The industry launch of our new Decarbonisation Hub was a success with articles placed in key target media including Lloyd's List, Hansa, Ship Insight, Sea News, and Bloomberg. Over 3,000 people read online and social posts about the Hub ahead of the official PR launch on 8th December 2020.

## **Digital Communications**

### **Impact Stories Campaign**

We launched our new Impact Stories campaign on 15th May 2020 and have published a feature story and Impact Video every week. We published 30 stories in the period up to December 2020 and delivered social media and PR campaigns to promote each one to a wide range of audiences. Stories so far include feeding the planet with safe seaweed, saving lives of the poorest fishers in Bangladesh, and supporting a global network of maritime lawyers. These stories are generating high levels of engagement on our website and also across our social media channels – since the campaign began our impact stories on the Foundation website have had 5,257 page views and our impact videos have been viewed by over 30,000 people on LinkedIn alone.

# Trustees' Report incorporating the Strategic Report

## **The Global Safety Podcast with Tom Heap**

We launched a new podcast in May 2020 presented by BBC environment correspondent Tom Heap. These podcasts are aimed at opinion formers and will help raise awareness of the big global safety challenges facing society. So far we have released 5 podcasts focussing on issues such as food safety, cybersecurity, the World Risk Poll, Covid-19, and the Lloyd's Register Safetytech Accelerator.

## **Responding to Covid-19**

During 2020, we delivered a campaign to celebrate the work being done by our partners and global grants community to respond to Covid-19. We created a special section of the Foundation's website to share podcasts, news stories and special features related to the pandemic. Our most viewed story was "Trapped at sea" which promoted the work of CHIRP Maritime in highlighting the plight of seafarers during Covid-19 and the need for them to be designated as keyworkers.

## **Website & Social Media**

In 2019-2020 we have focussed on improving the volume and quality of the content we communicate across all our channels – from the website to social media and also the direct mail newsletter. This is already having a big impact on our engagement with audiences across the world. On the Foundation website, we introduced a range of high quality content – great stories accompanied with radio-style interviews and videos, a series of podcasts, and a range of news stories and features. We have had record numbers of visitors to the website during the 18 month period to December 2020 with 248,000 page views and a geographic reach of over 209 countries. More importantly, people are spending more and more time viewing our pages (we have seen a 69% increase in average time on a page since March 2020).

Since January 2020, our social media followers have increased by 3,212 people with over 500,000 views of our content on social media.

## **Foundation Newsletter**

This year we managed to increase our newsletter subscribers by 131% following an audit of our existing mailable prospects and unlocking new contacts within the marketing database. Newsletter open rate remains over 30% which is significantly higher than the average industry benchmark for newsletter open rates (15-25%).

## **Internal Communications & Employee Engagement (LR)**

One of our key priorities this year is improving the level of awareness amongst Lloyd's Register Group staff of the Foundation and the work that we fund, encouraging staff to feel proud of the impact LR is having all around the world through the Foundation. We have been working closely with our colleagues in LRG Communications to ensure there is a Foundation story in the weekly newsletter Re:Connect every week and increase our presence on internal channels such as Connect and Yammer. We have also build a new internal website on the Connect platform to share information about the Foundation, its strategy, and our work in key LRG markets. In August 2020 we launched a new internal website on Connect/Sharepoint featuring useful information and resources about the Foundation, our strategy, and our global impact. We have also increased our contributions to the internal newsletter with 20 articles being featured and over 1,700 LR staff reading our articles on average every 3 months.



# Trustees' Report incorporating the Strategic Report

## **Future Plans for the next 18 months to June 2022**

Our plan for 2020-2021 will continue to raise awareness of the big global safety issues, build strategic partnerships and coalitions for change, and enhance the impact of our work. Key activities will include:

- A Safer Oceans campaign to increase global awareness of safety issues associated with the future of a sustainable ocean
- The launch and promotional campaign around our Safe Seaweed Coalition
- A major campaign to promote global awareness of Safetytech as a potential market
- A campaign on Safety Pioneers, the people who are making a big impact on safety all around the world.
- Continued engagement around the outputs of the World Risk Poll to maximise impact.
- A campaign on the Future of Infrastructure in collaboration with TWI.
- Collaborative activities around COP26 in partnership with the HLCC to promote safety as a key issue in accelerating progress towards the sustainable development goals.
- A communications campaign for The Global Initiative for the Future of Industrial Safety in partnership with UNIDO.

## INVESTING FOR THE FUTURE

Our Strategy states that as well as our three goals we will continue to invest in longer term capability and activities in support of our mission of safety and education. For this reporting period we had planned a continuation of our Safety Accelerator, and the establishment of a small grants and Alumni scheme.

### Activities & Impact

#### Accelerator

The Lloyd's Register Safety Accelerator, a partnership between Lloyd's Register Foundation and Lloyd's Register Group, was awarded the 2019 Regional and Global Lloyd's List Award for Excellence in Data and Technology Innovation. The Global Awards is a culmination of the Lloyd's List's Excellence in Shipping Awards 2019, the industry's flagship awards programme that recognises and rewards excellence across all sectors of maritime.

In June 2020, the Foundation launched its Safetytech Market report as part of the Safetytech Expo hosted by our safety accelerator partner Plug & Play. The event attracted 203 participants from across 34 countries and 124 companies. The report makes the case for why safetytech is needed, why now is its time, and how the potential market for safetytech is up to \$863bn by 2023 with the share specific to safety critical infrastructures and supply chains being estimated to be up to \$250bn. There are a number of reasons why these numbers matter: the growth of the safetytech market can be a proxy for enhancement of safety (a leading indicator); scale acts as a magnet to attract investors and start-ups into the safety space; and we have some numbers to track for impact. The event also showcased some of the start-ups that have reached the pilot stage of our Safety Accelerator and a panel discussion with our challenge partners expressing their views on safetytech.

Our Board approved the next stage in the Safety Accelerator's journey: Safety Accelerator 2.0. This will be delivered through a grant to a new non-profit distributing company limited by guarantee: Safetytech Accelerator. The company is being established by Lloyd's Register Group with whom we share the same goal of making the world safer and more sustainable through wider adoption of safetytech. The Group's clients create a significant pool of safety problem owners with whom open innovation with the global start-up community can create technology solutions, and in the process enable creation of a safetytech market whose products will save lives globally.

#### Alumni

During the reporting period we started the process of designing and piloting a new network for people who have received funding from the Foundation, and who have benefitted from the Foundation's support through our partnerships with universities, research institutes, and other initiatives. In partnership with inHive, a specialist team of network builders, we are taking steps to identify the objectives and organisation of the network, as well as its future activities, through which the Foundation wishes to continue to support scholars, researchers and others who have received support in the past. Building on the findings of the consultation we have updated the delivery plan for the first year of our 'alumni' programme. It was officially launched in March 2021, with an online launch event announcing the network and led by sessions from exceptional beneficiaries of our funding.

#### Small Grants: A Little Goes a Long Way

The reporting period saw the launch of our new small grants scheme, with two calls being run in 2020. This is a new opportunity for our community to engage with the Foundation and obtain relatively small amounts of funding (£2,000 to £10,000) that could have a big impact. We received 24 applications, a majority of which showed good understanding of the Foundation's mission. We awarded four small grants from our first round and four from the second. The total small grants commitment for rounds 1 and 2 is £70,704 (against a budget of £70,000).

## **Data Centric Engineering and Discovering Safety**

An evaluation led by the consultancy Technopolis confirmed the remarkable and significant capability we have developed and its potential to contribute to safer engineering. The reporting period saw the launch of a new open access Journal of Data Centric Engineering, and Mark Girolami, Director of the Foundation's Data Centric Engineering Programme gave the annual IET Turing talks in London, Manchester and Belfast. The London event was hosted by Ruth Bournemouth and over 450 people attended. Data-Centric Engineering programme partner The University of Western Australia has received \$5M (AUS) Australian Research Council funding for a Research Hub for Transforming Energy Infrastructure Through Digital Engineering. The hub will undertake research to transform the operation of Australia's offshore energy infrastructure, and will collaborate with the Data-Centric Engineering Marine and Maritime Engineering Group.

We also committed a grant "New data-centric engineering for a safer tomorrow," to Imperial College, partnering with the Alan Turing Institute and others, to develop new capabilities that can be used to address data centric issues across our challenges.

Building on our open and shared data insight report, we launched a joint-stimulus fund to support projects that will increase access to, and use of, data across the engineering, construction and transport sectors, with an emphasis on increasing safety. We announced the five projects that we will be supporting:

1. The Office for National Statistics Data Science Campus will be collaborating with the Royal Air Force to develop an open source framework to analyse historical flight safety reports and improve planning of future flights.
2. The University of Southampton is working with the Maritime & Coast Guard Agency on a feasibility study to develop a framework for 'open marine data' that will help reporting and responses to incidents at sea.
3. Slingshot Simulations will be working with Leeds City Council to explore bringing together open data to develop a digital twin of city air quality, to inform public understanding of health issues.
4. Atkins will be carrying out a discovery project to inventory and prioritise datasets that can support analysis of brownfield sites for contamination.
5. Barbal will be supporting the Construction Knowledge Task Group to create a standard means of organising information for practitioners to help support the development of a safer built environment. Each of the projects involve collaboration across different organisations and will lead to the creation of a range of openly licensed outputs and data.

Our Discovering Safety programme, which develops and uses data analysis and text mining methods won the Professional Research award from 'The Building Smart Awards 2020' for their work on safer building design and management, against international competition. The work was a collaboration between HSE, University of Manchester, Arup, Atkins and others.

Within the Discovering Safety Programme, Lloyd's Register is working with the Health and Safety Executive (HSE) to bring together and analyse safety data on an unprecedented scale, powered by LR's latest digital innovation - Severity Scanner. The tool has been enabled by Discovering Safety which has allowed unprecedented access to lessons learnt from past incidents in order to make the working world safer and prevent death and serious injury. The initiative will also minimise human effort and error in the RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) reporting process, helping businesses to fulfil their regulatory obligations to protect themselves from potential disruption, investigation and fines. The project leverages the technology behind LR's original solution SafetyScanner which applies machine learning to large datasets to provide health, safety and environment professionals with actionable insights. This will be applied to datasets from the Health and Safety Executive with a pilot project being carried out in partnership with hospitality business, Mitchells & Butlers. The pilot project tests that the algorithm and the tool's machine learning capabilities correctly analyse the data.

## **Education and Public Awareness**

During the reporting period we supported two sets of Christmas lectures. The 2019 Royal Institution Christmas Lectures was Secrets and Lies, the Hidden Power of Mathematics with Dr Hannah Fry helping us all make better choices, sort fact from fiction, and warns that unwavering faith in figures can lead to disaster when we get the sums wrong. In 2020 the topic (Planet Earth; a user's guide) overlaps several of our strategic priorities, including Safety in a Sustainable Future; Safety at Sea; Public Understanding of Risk, and the Resilience Shift.

In August 2020 we added to our portfolio of skills and education grants that reach disadvantaged and under-represented groups. We are very proud to continue our relationship with the International Maritime Law Institute (IMLI) with a new £282,000 grant over 3 years. This will continue to build capacity within IMO member states to improve implementation of maritime law to improve safety. Thus the grant also contributes to our Safety at Sea challenge. We target our funding at students from developing economies and nations with few or no past IMLI scholars. In this academic year 20/21 we will provide funding for scholars from The Comoros, Ethiopia and Zanzibar.

Additionally, we have been so impressed by the two 'equity and merit' students that we support at the University of Manchester (both of whom featured at our Digital Summit on 3rd September 2020) that we have agreed to a new grant of £40,000 for the academic year 20/21 to fund two more postgraduate engineering students from Rwanda and Uganda.

We launched our Alumni scheme in March 2021 and continue with our small grants calls. We will build on this to launch a Lloyd's Register scheme – working at the interface between the Foundation and the Trading Group – to support colleagues in volunteer work towards our shared mission.

We also published a Foresight Review on the Future of Regulation in April 2021 and plan to publish a further Foresight Review on Ocean Engineering later in 2021.

# HERITAGE & EDUCATION CENTRE (HEC)

## Plan

HEC will be a globally-renowned resource for understanding engineering and technological innovation and its impact on society, using the past to inform the future.

We will use innovative technologies, engage new audiences and increase our digital engagement. We will extend our external reach through new and existing project partners, strengthen our network of global users and increase our 18-35 engagement to diversify the user base demographic.

## Activities & Impact

### Website – impact overview

From 1 June 2019 to 31 December 2020, the HEC website saw:

- 401,423 page views from 77,524 users across 200 countries. When compared to the previous 18 months, the Centre has seen a 94% increase in page views, a 75% increase in users and has reached thirteen more countries globally.
- 31% of users accessing the website from 1 June 2019 to 31 December 2020 were aged 18-35. Previous periods saw the 18-35 demographic represent 28% of overall users
- 87% of all page views for the website were for archive resources
- 397 different websites have referenced content listed on the HEC website

## Social Media & YouTube

The Heritage & Education Centre has continued to schedule and produce content for its social media platforms on Twitter, Facebook & Instagram. As of the end of December 2020, the Centre's social media community numbers 1,805 followers, with 392 of these followers having joined over the past 18 months.

With the pandemic forcing most of the Centre's researchers and followers to work from home, the HEC team transitioned to monthly themes in order to continue to produce regular content as outlined in the below Education & Outreach section.

In July 2019, the Centre launched its own YouTube channel. Since launch, the channel's content has received 2,966 views, amassing 147 hours of watch time.

From 1 June 2019 to 31 December 2020, the HEC's social media platforms (Twitter, Instagram & Facebook) saw:

- 971,444 impressions (views)
- 10,854 direct engagements (users commenting, liking or sharing HEC content)

## Digitisation

The Digitisation of the Centre's Ship Plan & Survey Report Collection has seen continued progress despite the pandemic. In total, 800,309 documents had been digitised from the Collection by 31 December 2020 with 661,638 documents having been catalogued.

Our internal digitisation programme also started following the installation of a Robotic Book Scanner at 71 Fenchurch Street. Since August 2019, the Centre's Digital Archivist has digitised over 110 years' worth of editions from the *Lloyd's Register of Ships* Collection. In addition, a selection of historic internal publications, (*100A1*, *Society*, *LR Newsletters*) has also been digitised. This digitisation programme is on track to be completed by the end of 2021.

HEC's Digital Archivist has also retrieved historic archive files from the Corporate Archive's Jaz drive collection. So far, 2,700 files have been extracted and made accessible.

## **Digital**

### **Digital Recruitment**

In August 2019, the Centre successfully recruited a Digital Archivist. The purpose of this role is to assist in the internal digitisation of the HEC's archive and libraries, whilst also supporting the Digital Engagement Manager in various digital projects.

More recently, the Centre recruited a Digital Engagement Officer ("DEO"). The role will see the DEO increase access to HEC's digitised resources on external platforms, such as Wikimedia, Google Arts & Culture and ArchivesHub.

### **Internal Comms**

In July 2020, the Centre launched its brand new HEC Connect Site. The site's contents include news items on HEC's activities, interesting stories from the archive, an internal publications archive and information on the Centre's monthly themes.

Communication of ongoing HEC activities has also been achieved through the HEC monthly newsletter and through Yammer's Hysterical Historians group.

### **Website Development**

At the beginning of 2020, the first phase of development for the HEC website was launched. This development cycle focused on launching a brand new enquiry form template, an online exhibitions portal and the fixing of several bugs. This cycle created a better user experience for all users, whilst providing streamlined enquiry forms and more educational content in the form of Online Exhibitions. The launch of these features was brought forward in order to capitalise on remote learning demand during the pandemic's first wave.

In August 2020, after several months of halted development due to the pandemic, the Centre's bespoke automatic document exporter was launched; allowing the Centre to ingest and upload digitised documents to the Centre's website en-masse independently. This new auto importer feature would also prove to be cost efficient, saving an estimated £180,000 of funds that would have normally been spent on individual manual document uploads. Since launch, a further bulk four uploads have been completed; amounting to an additional 209,652 documents being made available to the public.

### **Virtual Reality Experience**

As the Centre looks to utilise innovative technologies to enhance its engagement with the public, the team developed and launched a brand new virtual reality experience. The experience, called Ship Surveyor Through the Ages, was launched in September 2019 and provides players with an opportunity to step into the shoes of a Lloyd's Register surveyor on three ships throughout history. The goal of the experience is for users to identify potential survey and safety issues on board each ship. The interactive was used at the Centre's Heritage Open Days event in 2019, as well as at the National Maritime Museum's British Science Week programme.

Following the installation of the experience at 71 Fenchurch Street, the Centre's Digital team worked on making a publicly available version of the interactive. This was successfully released in January 2020. The experience is free to download on Viveport and Steam platforms and has received over 1,400 downloads. The experience has been used and reviewed by users in countries such as Japan, Turkey and UAE.

## **Education & Outreach**

In 2019, we launched our first major exhibition at 71 Fenchurch Street, *From Coffee to Seaweed*. The exhibition explored the history of Lloyd's Register through stories, archive material and objects. The exhibition was scanned and made freely available on our website.

In September 2019, we took part in Open House and Heritage Open Days. Over 3,000 visitors attended across the three days. Collaborative work with Past Pleasures and the Women in Engineering Society has led to future projects and research. Website hits increased by 45% during these events. Prior to lockdown, we delivered tours, visits and workshops to 17 different organisations including the Society for Nautical Research, English Heritage, UCL and the National Trust.

We attended the LRF Conference and had members of the HEC grant community including the NMM and Hull attend and present at the Conference. Attendees were also able to use the VR experience to gain a greater knowledge of the life of an historic surveyor as well the expanse of the total HEC collection.

Due to the pandemic, we moved our education and outreach online. In April 2020 we set up our podcast *Washed Ashore*. As of December 2020, the podcast had been downloaded 466 times across 22 countries. In April 2020 we launched our summer webinar series, giving members of the Heritage & Education Centre team the opportunity to share stories from the collection. Subjects included the coffee house, our early history, archaeology and football. 649 people registered for our events with 262 (40% uptake) attending. The webinars were uploaded to our YouTube channel and have reached a combined total view of 653.

The Heritage & Education Centre team has also been working on curating engaging online exhibitions, stories and blogs on a plethora of themes including Pirate Radio, Sport and Arctic Exploration. This content received 16,366 page views, a 119% increase when compared to the previous 18-month period.

Collaborative partnerships are continued to be developed, exploring digital heritage and engagement and research and scholarships with a view to contextualising our collection, opening access to our archive and helping to inform the work of the present. These partners include: the University of Portsmouth; History HIT; Future Learn; Society for Nautical Research; Historic Royal Palaces; and Past Pleasures. These discussions will continue into 2020/21, with a view to launch projects and collaborative research.

## **Research & Grants**

### **Rotterdam Maritime Museum**

Our exhibition, *Waterproof: Safety at Sea*, at Rotterdam Maritime Museum closed in the summer of 2019. Over 200,000 people visited the exhibition throughout its opening.

### **CITiZAN**

In early 2019, we launched our grant with CITiZAN (£100,000, 2019-2022). CITiZAN uses citizen science to research, document and preserve archaeology around the coast of the UK. Our Ship Plan and Survey Report Collection ("SPSRC") has been used by the CITiZAN team and their volunteers to document wrecks and piece together the history of ships.

### **Curator Contemporary Maritime Impacts**

The Curator Contemporary Maritime Impacts at the National Maritime Museum (£500,000, 2018-2023) has been working on curating an exhibition, *Exposure*. The exhibition explores the life of seafarers and our relationship with the ocean through photographs taken by six people who work in the maritime world. The exhibition was due to open in November 2020 but, due to the pandemic, this has been postponed and has instead launched online. The Curator has also contributed to the *Mariner's Mirror* podcast series that the Foundation is funding.

## **Making the Link**

Following a successful application of funding for £14,300, the Royal Commission for the Ancient & Historical Monuments of Wales kicked off their 'Making the Link' project in April 2019. The project saw the Commission linking records referenced within Lloyd's Register's *Casualty Returns* to the shipwreck records of the National Monuments of Wales. In total, over 500 shipwreck records from the Royal Commission have been linked to their entries in the *Casualty Returns*. Nearly 50 'new' records have also been created, where the Royal Commission had not previously recorded them in their archive. Following the end of the grant's funding, it is anticipated that there will be continued engagement with the *Casualty Returns*, as the Royal Commission has embedded these references with their own archive website.

## **Thomas Chapman PhD Scholarships**

Despite the pandemic imposing travel restrictions and the closure of the Centre's archive, the Thomas Chapman PhD students have continued their studies. For the short period in which a return to 71 Fenchurch Street was permitted, HEC's Digital Archivist managed to digitise several research resources for the students. As such, both students received a rating of excellent in the University of Hull's 18 month review report. In order to streamline access to further digitised resources in future, the Centre's digital team have been liaising with the students to prioritise the digitisation of research resources such as historic Rules & Regulations and Technical Committee publications. In addition, HEC is also exploring the possibility of the students visiting the Centre's external archive at Woolwich when the pandemic restrictions are lifted.

## **Hull Archive Appraisal**

Having liaised with Professor David Starkey about the Hull Archive Appraisal project, progress has been limited due to the proposed original refurbishment project of the Colclutt building and the pandemic. As a result, only half of the committed £10,000 has been spent, largely because of an unused travel allocation and subsistence work at HEC.

## **1851 Trust**

In June 2019, the 1851 Trust was awarded a £141,000 grant to develop online research resources for the Trust's Stem Crew platform and to organise several roadshows, teaching children aged 11-16 about Lloyd's Register's role in developing marine safety.

In Summer 2019, roadshows in Cardiff, Liverpool, Loughborough and Leeds were delivered. In total, 480 Students were taught about STEM challenges and investigations, researched hull shapes using yacht plans from the HEC archive and designed and their own wind turbines and micro race boats. Each student then took to the water experiencing sailing for themselves, really bringing the science to life.

Following the start of the pandemic, all subsequent roadshows for 2020 were cancelled, resulting in the 1851 Trust placing more of a focus on developing digital resources for its STEM Crew platform. The platform is currently reaching over 150,000 students and 3,500 teachers across the UK and includes modules on forces, energy and modern materials.

Looking to the future, the 1851 Trust is looking to relaunch the educational roadshows either by making these virtual or by organising these with social distancing measures in place.

Lloyd's Register in China celebrated its 150-year anniversary in 2019. The HEC team supported their anniversary campaign by producing research on LR's history in China as well as images and documents. This has led to working with the University of Portsmouth to develop a PhD exploring the work and life of LR surveyors in China.

## **Digital Innovations Grant**

In early September, the Centre launched its first digitally-focused grant. The fund aims to select a tech company, university or start-up that will develop an innovative technology that can enhance the educational engagement of the Centre's archive resources. The £200,000 grant has seen applications and enquiries from: Brunel University; University of



Leed's Centre for Immersive Technologies; Heritage 5G; Tyne & Wear Archives & Museums; University of Lincoln; and TheMuseumPlatform.

### **Future Plans for the next 18 months to June 2022**

Since receiving approval from the Foundation's Board of Trustees in 2019, the Heritage & Education Centre has been working towards building a bespoke archive centre that houses all library and archive collections. Development of the plans for this space started in earnest in 2020, with the HEC team liaising with archive specialists AOC Architecture to design a dense archive store, public reading room and an invigilation room. Building work will begin in 2021. The new archive Centre highlights the Foundation's commitment to public education, ensuring accessibility and engagement with Lloyd's Register's unique heritage collections in the heart of the City of London.

- Digitise and catalogue over 1,000,000 documents from the Ship Plan and Survey Report Collection.
- Further use and curation of digital platforms for education and outreach activities.
- Further development of HEC website with online stories portal and improved image viewer.
- Funding calls to use our collection in innovative ways to engage new audiences. Supporting existing grant holders.
- Put in place archive policies and procedures to safeguard collections prior to the development of the new archive facility at 71 Fenchurch Street.

## Accountability and Stakeholder Engagement

The following section describes how the Trustees have had regard to applying section 172 of the Companies Act to promote the success of Lloyd's Register Foundation and its subsidiaries. The Trustees confirm that they have acted in good faith to promote the long-term sustainable success of the charity to achieve its charitable purpose of working together for a safer world.

### Oversight, Strategy and the Longer-term

The Trustee Board has a formal set of processes to enable it to discharge its duties in overseeing the management of the Foundation. The Board meets quarterly. The Audit, Risk and Investment Committee meets three times a year and the Grants and Direct Charitable Activities Committee meets quarterly. The Board also has a less formal, off-site meeting once a year where broader strategic issues are considered and the Board has the opportunity to meet with the Foundation's executive team. In addition, the Board meets twice a year with the Board of its operating subsidiary, Lloyd's Register Group Limited, for an update on its trading activities, with presentations by executive management, and there is a joint boards' visit to a Lloyd's Register site where both boards meet and engage with employees, customers and, where possible, Foundation beneficiaries.

The Board reviews all aspects of the Foundation's operations, risk management and objectives on a regular basis and those of its trading subsidiary, Lloyd's Register Group Limited. This is achieved by means of an annual rolling agenda of items to be considered at its meetings, split into standing agenda items, such as reports from the Foundation Chief Executive, the Foundation Chief Operating Officer and the Chief Executive of Lloyd's Register Group Limited, and annual items, such as the Board evaluation review, review of the budget and risk management updates. In conjunction with the Audit, Risk and Investment Committee, the Board has agreed a schedule of risk deep dives for presentation at each Board meeting.

The Board has oversight of planning for the longer-term through its review processes, the approval of the five-year strategy, the work of the Audit, Risk and Investment Committee, which meets with the investment fund managers at each meeting, and the annual Board update from each fund manager. This longer-term approach is reflected in the composition of grants awarded by the Foundation, which is agreed by the Grants and Direct Charitable Activities Committee and reported to the Board at its meetings as a standing item. The Board has also established delegated levels of authority for the Grants and Direct Charitable Activities Committee, above which the Board determines the award of grants. Further details on the charitable activities can be found on pages 5 to 23.

During the period under review, the Board held an additional meeting outside of the Board cycle to review the actions being taken by executive management to address the impact of the pandemic on the operations of the Foundation and its subsidiary.

The following section describes the Board's engagement with the various stakeholder groups and the impact on its key decisions taken during the period. It includes the disclosures required in respect of Section 172 of the Companies Act 2006.

### Charity Stakeholder engagement

<b>Society in general</b> As the Foundation is a company limited by guarantee and a registered charity, the beneficiary is society in general through the Foundation's charitable purpose	
<b>Why we focus on this stakeholder</b>	<b>How the Board engages and Communicates</b>
The Foundation's mission and objectives are of a public benefit nature as noted on page 44.	<p>At each Board meeting, the Foundation Chief Executive provides an update on the activities of the Foundation and the Chief Operating Officer reports on the financial and operating performance.</p> <p>There is also a report on the activities of the Grants and Direct Charitable Activities Committee and a presentation by the beneficiaries of one of the Foundation's large grants on their activities.</p> <p>During the annual joint boards' site visit, Trustees meet with beneficiaries of the Foundation's grants wherever possible.</p> <p>Trustees are invited to events connected with the activities of the Foundation.</p>
<b>How the Board has taken account of these interests / Outcome</b>	
The Trustees are updated on the activities of the Foundation against its strategy and related challenges and can assess the connection of funding back to the strategy and charitable purpose.	

<p>The report of the Grants and Direct Charitable Activities Committee provides a high level of granularity into funding applications, grants and rejections. A Trustee is chair of the committee.</p> <p>During the period under review, there were presentations from the International Consortium on Nanotechnologies by Southampton University, the Assuring Autonomy Programme led by York University and an update on the World Risk Poll, its first results, stakeholder and media plan. This enabled Trustees to have direct access to the beneficiaries of the Foundation's large grants, to hear about their work, to assess their impact and how they are working in practice.</p> <p>There was no site visit during the period under review due to the impact of the pandemic. In the previous year, the Trustees had visited the Merchant Marine Academy of Aspropyrgos, to view the impact of a maritime education project mainly funded by the Foundation.</p> <p>The Foundation Chief Executive's report presented at each Board meeting lists upcoming Foundation events, which Trustees are invited to attend. During the period under review, notable presentations were those connected with funding for the Safe Seaweed Coalition, the Safety Accelerator project and the Decarbonisation hub, the latter two projects being carried out in conjunction with its operating subsidiary, Lloyd's Register Group Limited. This enabled the Trustees to see the funding in action and to understand the benefits and challenges of projects more fully.</p>	
<p><b>Workforce</b> The Foundation defines its workforce as its employees and subcontractors.</p>	
<b>Why we focus on this stakeholder</b>	<b>How the Board engages and Communicates</b>
<p>The workforce is vital to the success of the Foundation. By demonstrating the values shared with Lloyds Register Group Limited of "We care, We share, We do the right thing" we build and maintain the relationships with our beneficiaries.</p> <p>Our workforce expects to be safe when performing their work and to work in a culture in which they can achieve their potential.</p>	<p>The Foundation has a relatively small number of employees (24) when compared to Lloyd's Register Group Limited (over 6,000 employees), as noted on page 80. As a result, the Foundation receives support from Lloyd's Register Group Limited in respect of employee and workforce engagement, and details can be found in the Strategic Report of the Lloyd's Register Group Limited annual report and accounts.</p> <p>The Foundation conducted its own separate Employee Opinion Survey ("EOS") for the first time in January 2021, using the same platform and external provider (GLINT) as Lloyd's Register Group Limited. The results were considered by the Executive Team and in consultation with staff an action plan was put in place. The outcome was also reported to the Board of Trustees at the March 2021 Board Meeting. It is intended that this will be carried out on an annual basis going forward. In previous years, including the period covered in this annual report and accounts, the Foundation participated in the EOS organised by Lloyd's Register Group Limited.</p> <p>The Board continue to promote diversity and inclusion, and the Foundation has developed an action plan that embeds equity, diversity, and inclusion in everything that we do to create a sense of belonging for our staff and also our global community of grant holders and partners.</p> <p>At each Board Meeting the Foundation's Chief Executive provides an update in his report on matters specifically relating to the Foundation's workforce.</p> <p>The Foundation Board is able to engage with senior members of the Foundation's workforce when they give Board presentations on the Foundation's activity.</p> <p>In 2019, there was a decision of the Lloyd's Register Remuneration Committee to split the committee into two separate committees, one for Lloyd's Register Group Limited and one for Lloyd's Register Foundation. The Chair and membership of both committees remained the same. A report is provided at each Trustees' Board meeting of the activities of the committees since the previous Board meeting. In respect of the Foundation, the committee deals with the remuneration of the Foundation Chief Executive and the remuneration policy for his direct reports.</p>
<p><b>How the Board has taken account of these interests / Outcome</b></p> <p>The Foundation Chief Executive's report to the Board provides updates on staffing matters specific to the Foundation, including succession planning, changes in key posts and initiatives such as diversity and inclusion and flexible working.</p> <p>A Foundation Trustee is a member of the Remuneration Committee and provides a report to the Board on Remuneration Committee meetings.</p>	
<p><b>Customers</b> The Foundation does not have customers, as such, but for this purpose regards the beneficiaries of its grants as customers</p>	
<b>Why we focus on this stakeholder</b>	<b>How the Board engages and Communicates</b>
<p>The beneficiaries of the Foundation's grants are the key way in which the Foundation fulfils its mission and purpose.</p>	<p>Details of the Foundation's engagement with the beneficiaries of its grants are set out below in the section on Grant Holders.</p>
<p><b>How the Board has taken account of these interests / Outcome</b></p> <p>The Trustees are mindful of the impact of the Foundation's activities on its beneficiaries and took steps during the period under review to adjust funding levels to allow for the impact of the pandemic on the return from its investments and the income from its trading subsidiary, Lloyd's Register Group Limited, to maintain security of funding over the longer-term. Further details on grant holder matters can be found in the section below.</p> <p>Details of Lloyd's Register Group Limited's oversight of customer matters can be found in the Strategic Report of the Lloyd's Register Group Limited report and accounts.</p>	

<b>Suppliers</b> Lloyd's Register's suppliers are those stakeholders from whom LR receives goods and services	
<b>Why we focus on this stakeholder</b>	<b>How the Board engages and Communicates</b>
Reliable suppliers are vital to the success of the Lloyd's Register Foundation. They include the provision of critical infrastructure such as IT systems and office accommodation. The Foundation relies upon a management services agreement with the Lloyd's Register Group Limited to provide key services.	The selection of suppliers and services are typically monitored by the Lloyd's Register Group's operational functions, and policies and procedures are set out in the Group Management System which is available on the Group's intranet. However, the selection of key suppliers of, for example, banking arrangements, IT systems and major property leases are reviewed by the LRG Board. Lloyd's Register Group Limited's Chief Executive Officer provides a business update on Lloyd's Register Group Limited to the Foundation Board at each meeting and details of Lloyd's Register's oversight can be found in the Strategic Report of the Lloyd's Register Group Limited annual report and accounts.
<b>How the Board has taken account of these interests / Outcome</b>  Details of Lloyd's Register's oversight of suppliers can be found in the Strategic Report of the Lloyd's Register Group Limited annual report and accounts.	
<b>Regulators</b> Regulators are those stakeholders by whom Lloyd's Register and its services are assessed and regulated	
<b>Why we focus on this stakeholder</b>	<b>How the Board engages and Communicates</b>
The key regulator for Lloyd's Register Foundation is the Charity Commission.	The Trustees receive annual training on Charity Commission guidance and updates from an external provider at its annual off-site meeting. In addition, the Company Secretary and the Foundation's executive leadership, including the Foundation Chief Executive and the Foundation Chief Operating Officer, report to the Board on engagement with the Charity Commission and on matters relating to Charity Commission regulation and guidance, either as specific items or as risk deep dives. There is a standing item at Board meetings for serious incident reporting.
<b>How the Board has taken account of these interests / Outcome</b>  The Board applies the guidance received from the Charity Commission in its review of the grants process and in its oversight of its social investment, Lloyd's Register Group Limited.	
<b>Grant Holders</b> Grant holders are those stakeholders who receive funding awards from the Foundation.	
<b>Why we focus on this stakeholder</b>	<b>How the Board engages and Communicates</b>
The Foundation furthers its objectives by way of grants to universities, individuals and other institutions.	<p>At each Board meeting, there is a report on the activities of the Foundation's Grants and Direct Charitable Activities Committee.</p> <p>At each board meeting there is a presentation by the beneficiaries of one of the Foundation's large grants on their activities.</p> <p>During the annual joint boards site visit, Trustees meet with beneficiaries of the Foundation's grants wherever possible.</p> <p>Trustees are invited to events connected with the activities of the Foundation.</p>
<b>How the Board has taken account of these interests / Outcome</b>  <p>The Trustees are updated on the activities of the Foundation against its strategy and related challenges and can assess the connection of funding back to the strategy and charitable purpose.</p> <p>The report of the Grants and Direct Charitable Activities Committee provides high level of granularity into funding applications, grants and rejections. A Trustee is chair of the committee. The Board provides oversight over the grants process and its fair application between beneficiaries.</p> <p>During the period under review, there were presentations from the International Consortium on Nanotechnologies by Southampton University, the Assuring Autonomy Programme led by York University and an update on the World Risk Poll, its first results, stakeholder and media plan. This enables Trustees to have direct access to the beneficiaries of the Foundation's large grants, to hear about their work, to assess their impact and how they are working in practice.</p> <p>There was no site visit during the period under review due to the impact of the pandemic. In the previous year, the Trustees had visited the Merchant Marine Academy of Aspropyrgos, to view the impact of a maritime education project mainly funded by the Foundation.</p> <p>The Foundation Chief Executive's report presented at each Board meeting lists upcoming Foundation events, which Trustees are invited to attend. During the period under review, notable presentations were those connected with funding for the Safetytech Accelerator project and the Decarbonisation hub, both projects being carried out in conjunction with its operating subsidiary, Lloyd's Register Group Limited. This enables Trustees to see the funding in action and to understand the benefits and challenges of projects more fully.</p>	
<b>Society and the Environment.</b> Community and the environment - the impact on social and natural communities where LR deliver our services	
<b>Why we focus on this stakeholder</b>	<b>How the Board engages and Communicates</b>
<p>The Foundation has strong links to safety in the community. To further the Foundation's aim of 'working together for a safer world', the Foundation and Lloyd's Register Group Limited have a responsibility to use their position of influence to be a thought-leader on sustainability.</p> <p>What society expects of us:</p>	The Board receives updates on the Foundation's activities at each Board meeting in the Foundation Chief Executive's report and presentations from large grant holders. They also receive regular communications on the Foundation's activities.

<ul style="list-style-type: none"> <li>- Corporate responsibility</li> <li>- Trusted advisor to our industries promoting safety and efficiency.</li> </ul>	
<b>How the Board has taken account of these interests / Outcome</b> <p>The Board has underlined the Foundation's commitment to carbon neutrality by actively supporting decisions to work closely with the High Level Climate Change Champions and supporting the Race to Zero and Race to Resilience campaigns.</p> <p>The Board has supported the work being done jointly by the Foundation and Lloyd's Register Group Limited, working with the Carbon Trust to measure our carbon and emission footprint in order to inform and achieve the Science Based Targets submission (more details can be found at page 29). During 2021 we have signed up to the UN's Business Ambition for 1.5C and joined the Race to Zero in the lead up to COP26.</p> <p>The Board also awarded a grant to support the launch in October 2020 of a new initiative that will help bring the whole maritime community together and achieve Net Zero as quickly as possible. The new Lloyd's Register Maritime Decarbonisation Hub will accelerate the sustainable decarbonisation of the maritime industry by enabling the delivery and operation of safe, technically feasible, and commercially viable zero-emission vessels by 2030. This is an important part of the Foundation's mission to enable safer and more sustainable oceans.</p> <p>As noted above, the Trustees are updated on the activities of the Foundation against its Strategy and related challenges and can assess the connection of funding back to the strategy and charitable purpose.</p> <p>The actions taken by the Lloyd's Register Group on ESG factors are reported in a separate publication on <a href="http://www.unglobalcompact.org">www.unglobalcompact.org</a>.</p> <p>Lloyd's Register was a contributor to the development of the Sustainable Ocean Principles along with stakeholders from the private sector, NGOs, academic institutions and UN agencies and signed the United Nations Global Compact in 2018. In September 2019, Chief Executive Officer of Lloyds Register Group Limited, Alastair Marsh took part in the UN Secretary General's launch of the Climate Action Summit at the United Nations Headquarters in New York. This included a panel discussion on how the Sustainable Ocean Principles can drive action, alongside Eldar Sætre, CEO Equinor, Patrick Pouyanné, CEO Total, Kristin Holth, CEO Ocean, DNB and Yngve Slyngstad, CEO, NBIM.</p>	

## Trading Group Stakeholders

Additional stakeholders specific to the Trading Group are summarised below:

<b>Workforce</b> The Trading Group defines its workforce as its employees and subcontractors.	
<b>Why we focus on this stakeholder</b>	The workforce is vital to the success of the Trading Group. By demonstrating the values of "We care, We share, We do the right thing" they build and maintain the relationships with customers and continue to support the Group's reputation for technical excellence and client service.
<b>Customers</b> The Trading Group is an operating company. Its customers are those stakeholders to whom it provides services.	
<b>Why we focus on this stakeholder</b>	Customers are at the heart of everything that the Trading Group does. Its customers expect LRG to not only deliver world-class testing, inspection and certification services but increasingly also become a trusted advisor to, helping them to maximise their operating efficiency, profitability and sustainability. <p>Customers care about:</p> <ul style="list-style-type: none"> <li>- Safety</li> <li>- Sustainability</li> <li>- Trusted long-term partnerships</li> <li>- Technical expertise</li> </ul>
<b>Suppliers</b> Lloyd's Register's suppliers are those stakeholders from whom LR receives goods and services	
<b>Why we focus on this stakeholder</b>	Reliable suppliers are vital to the success of the Trading Group as they include not only the provision of critical infrastructure such as IT systems but also contractors who provide services alongside our workforce to complement services provided to clients by the Trading Group.
<b>Regulators</b> Regulators are those stakeholders by whom Lloyd's Register and its services are assessed and regulated	
<b>Why we focus on this stakeholder</b>	Many of the services provided by the Trading Group, are subject to compliance with regulation and accreditation.

### How the Foundation Board engages and Communicates and how the Foundation Board has taken account of these interests / Outcome

The Foundation board has delegated day to day responsibility for the management of the stakeholders referred to above to the Lloyd's Register Group board. It exercises oversight through reporting received from the updates provided by the Lloyd's Register Group Limited Chief Executive at each trustee board meeting where there are matters to report, as well as receiving a trading update on the activities of the Lloyd's Register Group.

Additionally, the Foundation Board meets twice a year with the Board of the Trading Group for an update on its activities, with presentations by executive management. Each year, there is a joint boards' visit to a Lloyd's Register site where both boards meet and engage with employees and customers.

Further details of Lloyd's Register Group Limited's oversight of the above matters can be found in the Strategic Report of the Lloyd's Register Group Limited annual report and accounts.

## Energy and Carbon Reporting

The table below reports on all sources of Greenhouse Gas (GHG) emissions and energy usage in the Group's operations as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended).

Working with The Carbon Trust, the below table has been prepared in accordance to ISO14064-3 which is the standard that specifies principles, requirements and provides guidance for verifying and validating greenhouse gas statements. Of scope 3 emissions, 48,755t CO<sub>2</sub>e (38%) related to business travel.

GHG Scope	Category	Total Emissions (t CO <sub>2</sub> e)	% of total value chain
Scope 1	Scope 1 - Gas, lease car miles and F-gas	4,314	3%
Scope 2	Scope 2 - location based electricity consumption	5,501	4%
Scope 3	Scope 3 - indirect emissions (not included in scope 2)	117,086	91%
		126,901	100%

Total t CO <sub>2</sub> e / £m turnover 18-months to 31 December 2020	101.4
Total Scope 1 and 2 emissions - location based (t CO <sub>2</sub> e)	9,815
Total Scope 3 emissions (t CO <sub>2</sub> e)	117,086
Total Scope 1, 2, and 3 emissions - location based (t CO <sub>2</sub> e)	126,901

## Energy efficiency actions taken

The Foundation, including the Trading Group, has measured and reported GHG emissions for the past 4 years under the Global Reporting Index (GRI) which are validated by Corporate Citizenship.

Our carbon and emission footprints have been measured by the Carbon Trust across Scope, 1, 2 and 3 in late 2020 and this will inform our submission to the achieve the Science Based Targets (SBTi) submission.

Actions to reduce our carbon footprint during the period include:

### Property

Setting office environmental standards

- Eight Environmental Principles set standards against waste, energy, natural resource use and low impact travel. In the past year our 40 largest offices were assessed against those principles enabling us to form a greater understanding of the level of environmental controls.

Sustainability in property management

- We seek to comply with building standards (such as BREEAM), include renewable energy provision for gas and electricity and improve waste reporting and management throughout our properties.

Reduction in property footprint

- We continually review the extent of our property portfolio and look to reduce our footprint where possible.

Information Systems

- We continue to reduce the data and applications hosted on private data centres on LR premises through migration to the cloud to minimise the consumption of energy from data storage and IT services.

### Travel

- 50% reduction in commuting through remote working solutions eg MS Teams.
- Reduction in travel to client sites through Remote Solutions, for example remote surveys, inspections and assessments.
- Reduction in business travel and greener options.
- Migration of job provision and company cars to electric and hybrid vehicles.
- Following the easing of restrictions imposed during the pandemic the level of travel is expected to increase, albeit reduced compared to pre-pandemic levels.

## **Behaviours and engagement**

We have established an environmental behaviours and engagement programme, called 'Green Shares', with the aim of making environmental issues personal and raising awareness of global mega-trends.

## **Science-based Target Initiative**

Although LR has measured and reported our verified emission footprint for 4 years, this year we have been working with the Carbon Trust to develop the robustness and maturity of our measurement.

This allows LR to establish and commit to an ambitious science-based emissions reduction target in line with the latest climate science. We have submitted our target for validation to the SBTi and anticipate approval by the end of 2021.

## **Measurement and reporting**

LR reports our corporate sustainability progress in an ESG Report in addition to our Annual Report and Accounts and on our website ([www.lr.org](http://www.lr.org)).

Our current reporting commitments include:

- Global Reporting Index (GRI) to 'core' option
- UNGC Communication on Progress (COP) to 'Active'
- Science Based Targets Initiative (2020/21)

During 2021 we have signed up to the UN's Business Ambition for 1.5C and joined the Race to Zero in the lead up to COP26.

## Foundation Financial Review and Policies

Lloyd's Register Foundation (the Foundation) generates its income from the investments that it holds.

These fall into two categories:

- Financial investments: a portfolio of listed investments; and
- A Social Investment: 100% ownership of the unlisted shares in the immediate subsidiary company Lloyd's Register Group Limited ("LRG" or "the Trading Group").

The Trustees consider that the policies outlined in this section constitute the framework for their key financial risk management policies.

### Results for the period

The Foundation had total income for the 18 months ended 31 December 2020 of £15.5m (12 months to 30 June 2019: £10.4m) consisting of income from its listed investments and gift aid from LRG.

Investment income of £15.5m (12 months to 30 June 2019: £10.4m) comprised £3.0m (12 months to 30 June 2019: £nil) of gift aid from the Trading Group and £12.5m (12 months to 30 June 2019: £10.4m) of income from the return on the investment portfolio.

The Foundation had total expenditure of £22.9m during the 18 months to 31 December 2020 (12 months 2019: £17.4m). The increase in expenditure reflects the longer accounting period. The shortfall relative to income was met through the sale of certain listed investments.

#### Lloyd's Register Foundation

	<b>18 months ended 31 December 2020 £m</b>	12 months ended 30 June 2019 £m
Gift aid from Trading Group	<b>3.0</b>	—
Income from listed investments and other resources	<b>12.5</b>	10.4
Total income	<b>15.5</b>	10.4
Investment management costs	<b>(1.5)</b>	(0.9)
Charitable activity costs	<b>(21.4)</b>	(16.5)
Total expenditure	<b>(22.9)</b>	(17.4)
Net gains on listed investments	<b>36.2</b>	13.9
Net income and net movement in funds	<b>28.8</b>	6.9

Charitable expenditure of £21.4m for the 18 month period (12 months to 30 June 2019: £16.5m) includes grants of £10.5m (12 months to 30 June 2019: £11.7m) which are discussed further in the Trustees' Report.

The Group Financial Review can be found on pages 63 to 64 and forms part of this Strategic Report.



## **Subsidiaries: Social Investment**

The Foundation has one direct, wholly-owned subsidiary company: Lloyd's Register Group. Together we share the same mission to make the world a safer place and work closely to maximise our global impact.

LRG is itself the head of a global trading group of companies with over 260 years of history, focused on adding value to society through independent assurance and expert advice for clients who own, operate, design and build the critical infrastructure upon which society relies. The profits generated by the Trading Group help fund the public benefit activities of the Foundation. The Trading Group carries out a mix of charity-related and non-charitable activities globally. The Charities (Protection and Social Investment) Act 2016 ("the Act") sets out a general power for Trustees to make social investments (pursuing both a financial and social return). This effectively enshrines in legislation the basis for mixed-motive investment. The extent to which public benefit is delivered by the work of the Trading Group forms part of the Trustees' assessment of the return on their investment.

The Trading Group's trading operations include many activities which are of a public benefit nature, aligned to the Foundation's mission of securing high technical standards of design, manufacture, construction, maintenance, operation and performance and to advance engineering-related public education.

The Trading Group's Marine & Offshore business includes the safety inspection of over 6,000 ships each year and the ongoing development of Rules for their safe construction, maintenance and disposal. For example, the Group's Marine business has helped the International Maritime Organisation devise international safety standards such as the Ballast Water Management Convention and helped the International Labour Organisation devise the Maritime Labour Convention. Following its input into the creation of these internationally recognised safety standards, the Trading Group then performs design approvals, surveys and audits to verify its customers' assets comply with these requirements.

The majority of the Group's Energy business was sold on 31 October 2020; until its disposal, its activities included verifying the safe design and operation of rigs, platforms, Floating Production Storage and Offloading Installations ("FPSOs") and refineries.

The Business Assurance and Inspection Services business includes the Trading Group's CE marking activity helping to assure the safety of a range of consumer products. As the only supplier of management system certification to the major UK nuclear sites its contribution to nuclear safety for society is significant. In addition, the Trading Group devotes significant effort and resources to helping other standards-setting bodies to devise new or improved safety standards as well as auditing and providing advice relating to ISO 14001 certification.

Overall, the Trading Group's activities include considerable investment in furthering the understanding of technology through research conducted by the Marine & Offshore business stream and through a focus on 'Data and digital innovation' as one of its five core areas of business development. Typical areas of research include: advance materials; propulsion and powering; energy production and storage; robotics; marine biotechnology; and autonomous systems. The Trading Group has established key strategic relationships based around important digital capabilities and areas of focus for growth through investment or collaboration. This emphasis on research and data and digital innovation directly benefits public understanding of technology and means that when technology is deployed it is safe, suitable and dependable and therefore safe for society in its application.

The Trustees base their expectations of future financial return from the Foundation's investment in the Trading Group on quarterly reports to their Board meetings and an annual five-year plan review from the executive leadership of the Trading Group. The performance of this unlisted investment is considered in the 'Investment performance: Social Investment' section. We monitor the social return on our investment in 4 key areas:

**LR commercial products and services** – they demonstrably contribute to making the world a safer place through the clients and sectors they serve.

**LR leading by example** – acting as a beacon, driving positive change in the world, being a good global citizen in core areas linked to our charitable objects. Key priorities include: maritime decarbonisation, sustainability, ocean stewardship, occupational health and safety, diversity and inclusion, ethics, delivering the UN Sustainable Development Goals and participation in COP26.

**LR as a trusted advisor and impact partner to the Foundation** – providing a real-world, industrial, end-user perspective that helps inform the Foundation’s strategy and deliver key programmes. Examples of LRG as an impact partner include projects such as: the Safetytech Accelerator, the Maritime Industry Decarbonisation Hub, and HILO.

**LR employees supporting our charitable ethos in their local communities** – our key initiative in this area is our LR Pathways to Impact project. Other examples include Mercy Ships (Rotterdam) and HELMEPA (Greece).

## **Funds**

In September 2012, the Trading Group transferred £206.4m of assets to the Foundation as an expendable endowment. The Trustees have the power to convert the capital within the fund to income and expend such amounts converted on the Foundation’s objectives as they see fit. £125.0m of the endowment can only be converted to income from 2022 at the earliest as discussed below in the reserves policy section.

Income generated from the assets held within the expendable endowment is shown in the Foundation’s general fund, as it may be used in furtherance of the Foundation’s charitable objectives.

Capital returns on the assets held within the expendable endowment are retained within the endowment and form part of the endowment into the future, subject to the same rules as the existing endowment funds.

## **Reserves policy**

The Trustees review the Foundation’s reserves policy on an ongoing basis and at least each financial year.

The Foundation’s reserves underpin its long-term financial viability. The Foundation (charity only) has total reserves of £327.6m of which £308.3m is held in an expendable endowment as at 31 December 2020.

The level of general funds is maintained to facilitate meeting the medium-term overhead costs, forecast grant awards and direct charitable activities. The general reserves include the Foundation’s £40.1m investment in LRG held at cost. This Social Investment is integral to the Foundation’s ability to generate future income and to delivering its public benefit, as noted elsewhere in this Strategic Report. Grant commitments approved and communicated to grantees to be claimed in future periods are also included in the general reserves fund. The Trustees have considered the Foundation’s level of general reserves. The Foundation does not currently have large overheads and, in general, is able to rely on recurring income from its endowment and from the Trading Group. Excess funds are placed on investment and may be drawn down upon if required. For that reason, the Trustees do not currently consider that the charity has a need to hold other funds as general reserves.

The target for the expendable endowment is to maintain the real value of the initial £206m donation received from the Trading Group following the establishment of the Foundation in 2012.

However, should the Trustees consider there be a shortfall in the general funds, part of the expendable endowment could be used to continue to meet the Foundation’s short-term plans while the long-term reserve policy is reviewed. The original terms of the expendable endowment contained a condition that the Foundation must retain £100.0m of that sum until 1 July 2017 which was extended to 1 July 2020. The terms of the gift were amended in the period to increase the amount to £125.0m and extend the period until at least 2022, with possible further extensions to 2034. During that period, there is a contractual obligation to transfer an amount not exceeding £125.0m to the Trading Group’s UK defined benefit pension scheme should the Trading Group become insolvent.

Having reviewed the policy and the current reserves position, the Trustees consider the levels of reserves to be satisfactory.

## **Financial position**

At 31 December 2020, the Foundation had unrestricted funds of £19.3m (30 June 2019: £22.4m). Of the £327.6m total funds (30 June 2019: £298.8), £40.1m is invested in the Trading Group (30 June 2019: £40.1m).

## **Going concern**

A review of financial performance and the Foundation's reserves position is set out above, and the consolidated group is set out on page 64 to 65. In the opinion of the Trustees, the Foundation has adequate financial resources and is able to manage its business risks. The Foundation's planning process, including financial projections, has taken into consideration the current economic climate and its potential impact on the sources of income and planned expenditure. The Trustees have a reasonable expectation that the Foundation has adequate resources to continue in operational existence for the foreseeable future.

The Trustees believe that there are no material uncertainties that call into doubt the Foundation's ability to continue in operation. Accordingly, the Foundation's financial statements have been prepared on the basis that the charity is a going concern.

## **Grant-making policy**

The Foundation has a formal governance structure for grant decision making. The Foundation can receive grant proposals and applications at any time. All proposals and applications are reviewed initially at its monthly grant applications meetings.

Donations above £2.0m must be approved by the Board; Donations below £2.0m can be approved at the Grants Application Meeting (GAM), with the approval of the Grants and Direct Charitable Activities Committee Chair, or below £1.0m solely by the GAM.

Details of available funding and the application process are published on the Foundation's website and notified on social media. Grant holders are required to submit staged reports as part of the process to track delivery against the agreed grant objectives, as well as to monitor the impact and public benefit being generated.

## **Investment policy**

The Trustees have delegated decision making on investment matters relating to all assets except the investment in the Trading Group (reviewed directly by the Board of Trustees) to an Audit, Risk and Investment Committee, which is governed by agreed Terms of Reference. In order to provide appropriate focus on the investment arrangements, day-to-day investment choice is delegated to investment managers, who have been given targets against which they are measured. With the guidance and oversight of the investment managers, Trustees take account of the following classes of risk: capital; liquidity; market; valuation; counterparty; tax; and Environmental, social and governance issues.

The Foundation's financial objective is to at least maintain the real value of the 2012 initial donation from the Trading Group of £206m, whilst generating a stable and sustainable return to meet the Foundation's objectives as laid down under its governing document.

The investment portfolios are a mix of unrestricted funds and an expendable endowment, the income from which serves to provide funds for the ongoing charitable work of the Foundation. In this context, a number of portfolios exist, each of which has specific objectives.

The Foundation seeks to produce an optimum level of return within an acceptable level of risk. The current investment objective for the majority of the investment portfolio is to generate a return of inflation as defined by the Consumer Price Index ("CPI") which the government has set at a target rate of 2% per annum plus 4% per annum over the long term. These returns, when combined with the anticipated future gift aid donations from the Trading Group, should enable the present and future financial requirements of the Foundation to be met whilst maintaining the real value of the initial donation. Where there is a shortfall, as in the 18 months to 31 December 2020, part of the investment portfolio may be realised. The Trustees review the performance of the Trading Group on a regular basis.

A set of measurable performance objectives has been developed for the investment managers and pooled funds. Performance in each asset category is compared quarterly with a suitable performance benchmark. The managers are expected to demonstrate skill in the management of their portfolios consistent with the performance objectives, given

the level of risks adopted. Investment performance is considered three times a year by the Audit, Risk and Investment Committee.

Cash-based investments support the Foundation's working capital, overhead expenses and anticipated near term grant awards and as such are invested in a prudent manner with a secondary objective of achieving reasonable rates of return relative to the deposit market.

The Trustees are fully supportive of responsible investment as it aligns with the Foundation's aims to provide a benefit to society and is also central to long-term value creation. The Foundation's investment managers are required to adopt the same philosophy and whilst day-to-day investment decisions are delegated to them. The Trustees regularly receive investment reports enabling them to monitor the investments and the managers' performance. The Trustees expect them to take an active interest in the management of the investee companies, engaging with management on issues of corporate governance and with regard to social, environmental or ethical considerations all of which impact shareholder value.

#### **Investment performance: listed investments**

During the period, the investments performed well, delivering a total return of 10.2% (2019: 7.3%). This comprised an annualised income yield of 2.6% (2019: 3.1%) and a capital yield of 7.6% (2019: 4.2%). The return on the endowment is higher than the long-term objective stated within the investment policy above.

#### **Investment performance: Social Investment**

The £44.0m of gift aid paid by the Trading Group in 2016/17 reflected a particularly strong profit performance in 2015/16 which was not repeated during the period to 31 December 2020. The Foundation held sufficient levels of unrestricted funds to be able to continue its planned grant making activity, and the profits generated by the Trading Group from 1 July 2016 to 31 December 2020 were largely reinvested to secure long term growth and increased profitability in the future rather than paid to the Foundation as a Gift Aid return on investment.

The Trading Group weathered the COVID-19 storm better than many organisations. At the start of the pandemic, the Trading Group put steps in place to make the business resilient, including new ways of working, remote provision of services and prudent management of cashflow. This allowed the Trading Group to honour its commitments to keep colleagues safe, protect jobs and livelihoods where possible, and continue to serve and support its clients.

In spite of the effects of the pandemic on global trade, the Trading Group has seen many notable new business wins. The Marine & Offshore (M&O) business achieved a number of excellent new ship construction orders at a time when the overall level of ordering has been very low. The BA&S business has continued momentum, winning new accounts in many sectors against a background of regulators putting audits on hold. The Trading Group has seen some notable 'firsts' among our new business wins, which is a sign of success in executing its strategy, creating a strong platform for growth in future years.

The pandemic accelerated the pace of change in the uptake of remote provision of services. About a third of the surveys carried out in 2020 were done remotely. They are a growing proportion of the 30,000 surveys completed around the world each year. Throughout the pandemic, the Trading Group has continued to invest in the training and development of its people, helping them adapt to new ways of working and changing customer needs.

In October 2020, as part of an ongoing strategic review, the Trading Group sold its Energy business to private equity investor Inspirit Capital, to create a new engineering and technical consultancy. The Trading Group will continue to deliver services across the energy industry, supporting clients and pursuing growth opportunities through its Offshore Compliance, Digital Products and Inspection Services businesses.

Brexit came into effect on 31 January 2020 and The Trading Group achieved notified body status on all its impacted EC Directive services for BA&S before the transition period ended. The Trading Group continues to work with employees directly affected by Brexit to mitigate its impact on their working with the business.

The Trading Group has made great progress in its digital services offering for marine clients. Since the end of the financial period, the Trading Group has acquired Navico Group's C-MAP commercial marine business which brings new

functionality and capability to the i4 Insights platform through shore-side and ship-side voyage optimisation and cloud-based fleet management and fleet analytics software.

On 29 June 2021, the Group announced the sale of 100% of its Business Assurance and Inspection Services business line, including cybersecurity business Nettitude, to Goldman Sachs Asset Management. The deal is expected to complete during the second half of calendar year 2021.

#### *Financial results*

Summarised consolidated financial information as disclosed in the Trading Group's consolidated financial statements for the 18 months ended 31 December 2020 is provided in note 12 to the Foundation's financial statements. Further details of the financial performance of the Trading Group is included within LRG's financial statements.

The Trustees will continue to maintain and develop the effective working relationship with the Trading Group. They will allow the Trading Group to retain funds for investment in operating improvements and potential acquisitions, but continue to expect cash distributions.

## Governance and management

The Foundation is governed by a Board of Trustees, which is responsible for setting the Foundation's strategy, operating with good governance and monitoring the fulfilment of the Foundation's objective – delivering public benefit.

The Board is currently made up of eight Trustees who are also the Members and Directors of the Foundation for Companies Act 2006 purposes. The Board considers Foundation policies, receives committee reports and recommendations, approves annual budgets, reviews the performance of the Trading Group, and guides the Foundation Chief Executive.

### **Thomas Thune Andersen, Chairman (appointed 22 June 2012)**

Thomas is the Chairman of the Lloyd's Register Foundation and Chairman of Lloyd's Register Group Limited. He is a member of the Foundation's Nominations Committee and the Lloyd's Register Group Limited Remuneration Committee. Thomas, a former member of the executive Board of the A.P. Moller-Maersk Group with more than 30 years tenure in its maritime and energy sectors, was appointed to the Board of the former Lloyd's Register in June 2010. Thomas is Chairman of Ørsted A/S and of VKR Holding A/S, and a Non-Executive Director of IMI plc, BW Group Limited and Green Hydrogen Systems A/S. He is a member of the World Economic Forum Chairmen's Council and the Danish Committee on Corporate Governance.

### **Lambros Varnavides (appointed 24 July 2012)**

Lambros is the former Managing Director and Global Head of Shipping at The Royal Bank of Scotland. Lambros was Chairman of the Baltic Exchange during 2017 and is Vice President of The Baltic Exchange Charitable Foundation, as well as a member of its Finance Committee. He is a court assistant to the Worshipful Company of Shipwrights and chairs its Finance Committee. He is also a Younger Brother of Trinity House Corporation, a liveryman of the Honourable Company of Master Mariners (including its Finance Committee), a Freeman of the Watermen and Lightermen of the River Thames and an Honorary Visiting Professor at the Business School, City University. Lambros was appointed Senior Independent Trustee of Lloyd's Register Foundation in September 2015 and chairs the Grants and Direct Charitable Activities Committee.

### **Carol Sergeant CBE (appointed 1 January 2014)**

Carol holds non-executive positions on the boards of Danske Bank AS and Belmont Green Finance Limited. She is a member of the Governing Council and Trustee of the Centre for the Study of Financial Innovation, an Ambassador for the Money Advice Trust and a member of the Global Advisory Board of the Business School, City University and Chairman of its Global Women's Leadership Programme. She has previously been Chairman of the BSI Standards Strategy and Policy Committee, Managing Director on the board of the Financial Services Authority, Chairman of Protect, the UK Whistleblowing Charity, a non-executive director of TP ICAP plc, BNY Mellon SA/NV, and Secure Trust Bank, and Chief Risk Officer at Lloyds Banking Group, having begun her career at the Bank of England. Carol holds a degree in Modern Languages from Cambridge University and an MBA from the Business School, City University (formerly Cass). Carol is a member of the Foundation's Audit, Risk and Investment Committee.

### **Rosemary Martin (appointed 1 July 2014)**

Rosemary is Group General Counsel and Company Secretary of Vodafone Group Plc. She previously served as CEO of the Practical Law Group, having spent 11 years with Reuters Group plc with the last five years as Group General Counsel and Company Secretary. Before joining Reuters, Rosemary was a partner with Rowe & Maw (now Mayer Brown). She is currently a Trustee of Vodafone Foundation, a member of the UK Takeover Panel's code committee, a member of the Supervisory Board of Vantage Towers AG and a member of the Council and audit committee of the University of Sussex. She was a Non-Executive Director of EY until August 2018 and a Non-Executive Director of HSBC Bank Plc (the European arm of HSBC Group) until April 2016. Rosemary was admitted as a solicitor in 1984 and holds a degree in Philosophy and Literature and an MBA in Legal Practice. Rosemary was appointed Chairman of the Foundation's Nominations Committee in August 2020 and represents the Foundation on the Lloyd's Register Group Limited Remuneration Committee.

**Andreas Sohmen-Pao (appointed 26 June 2018)**

Andreas is Chairman of BW Group and its listed affiliates, BW Offshore, BW Energy, BW LPG BW Epic Kosan and Hafnia. He is also Chairman of the Singapore Maritime Foundation. He has served as a non-executive director of The Hong Kong and Shanghai Banking Corporation Limited, The London P&I Club, The Esplanade Co Ltd, Singapore National Parks Board, Sport Singapore and the Maritime and Port Authority of Singapore, amongst others. Andreas graduated from Oxford University with an honours degree in Oriental Studies and holds an MBA from Harvard Business School.

**Ishbel Macpherson (appointed 25 June 2019)**

Ishbel spent over 20 years in corporate finance in the City of London with BZW, ABN AMRO Hoare Govett and Dresdner Kleinwort Benson. At Dresdner Kleinwort Benson she led the mid-market corporate finance, corporate broking, corporate broking support and investment trust teams. Since leaving the City, Ishbel has become an experienced Non-Executive Director having or having had roles with over 10 publicly listed companies as chairman, chairman of audit committees, remuneration committees and as senior independent director. Currently, she is Senior Independent Director and Chairman of the Remuneration Committee at Dechra Pharmaceuticals plc. Ishbel is also a Non-Executive Director of Lloyd's Register Group Limited and Chairman of its Audit and Risk Committee. She is also Chairman of the Foundation's Audit, Risk and Investment Committee.

**Dame Una O'Brien (appointed 1 January 2021)**

Dame Una O'Brien is a member of the Board of Trustees of Macmillan Cancer Support, a member of the Council of the London School of Hygiene & Tropical Medicine and a member of the Board of Visitors at the Ashmolean Museum, Oxford. Una has a wide-ranging experience of healthcare policy and government, having held a wide variety of senior policy roles in Whitehall departments and the NHS over a 30-year career in public service. Whilst working primarily in and for the Department of Health, she was also the Principal Private Secretary to the Secretary of State for Transport and worked in the Prime Minister's Efficiency Unit under both Conservative and Labour governments. Between 2010 and 2016, she was the Permanent Secretary at the Department of Health, the first woman to hold the post in the department's history.

**Professor Sir Peter Gregson FREng (appointed 1 June 2021)**

Sir Peter is a British research engineer and the Chief Executive and Vice-Chancellor of Cranfield University until 31 July 2021. He was previously President and Vice-Chancellor of Queen's University Belfast. Prior to that he was deputy Vice-Chancellor at Southampton University.

He is a strategic leader with extensive executive and non-executive experience of working at the highest levels of academia, industry and Government. Sir Peter has been Non-Executive Director of Rolls Royce Group plc. He has served on the Council of the Royal Academy of Engineering and the Central Laboratory of the Research Councils. He has contributed to the Strategic Leadership Consultations of the Windsor Leadership Trust, the Harvard University Programme for University Presidents and the American Council on Education Fellows Programme. He has served on the Steering Committee of the US/Ireland R&D Partnership, the Northern Ireland Economic Development Forum and Council of CBI Northern Ireland.

## **Governance structure**

The Board is supported by four committees, which have been delegated authority on certain matters (Audit, Risk and Investment; Grants; Nominations; and the Remuneration Committee which was established in June 2019). Details of which Trustees, executives and independent members sit on these committees are provided in the 'membership of committees' section below.

## **Trustee recruitment and training**

The Board and the Nominations Committee invest considerable time in identifying Trustees with appropriate skills which will benefit the Foundation. They are equally keen therefore that any new Trustee is properly inducted into the Board. All new Board members go through a structured period of training.

During the period under review, the Board and the Nominations Committee carried out a review and selection process for a replacement Trustee following the retirement of Sir Brian Bender on 1 August 2020 and in preparation for future succession planning. The current composition of the Trustee Board, its skills and experience were considered. An external recruitment agency provided a shortlist of candidates which was reviewed by the Nominations Committee. The Committee then made its recommendations to the Board for approval. As a result of the process, Dame Una O'Brien and Sir Peter Gregson were each appointed as additional Trustees with effect from 1 January 2021 and 1 June 2021 respectively.

During the training for new Trustees, the Chairman talks to them about the history of the Foundation, its role in Society and the way the Board operates. The Company Secretary provides a fuller briefing on the operations of the Foundation, its structure, its risks, its key documentation and will provide a general overview of Trustees' duties and responsibilities and charity law. The new Board members meet with the Foundation Chief Executive and are also encouraged to meet with the senior staff in both the Foundation and in the Trading Group, to assist them in their understanding of the Group, and can therefore apply appropriate oversight.

Each year the Trustees undertake an evaluation of the Board's effectiveness, with an external review every third year. During the period under review the Trustees undertook an internal evaluation of the skills composition and operational effectiveness of the Board with support from Leadership Advisor Group to collate responses, whilst preserving anonymity. Leadership Advisor Group had no other connection with the Foundation or Lloyd's Register Group Limited. The review did not identify any significant shortcomings. In addition, the Trustees received refresher training on the roles and responsibilities of charity trustees delivered by an external provider.

## **Remuneration of Trustees**

The Trustees are the Directors of the Foundation. Trustees are not remunerated for their services as Trustees of the Foundation. The Foundation pays for Trustees' travel expenses to Board meetings.

## **Remuneration Committee**

Two separate remuneration committees operate within the Group, one for Lloyd's Register Group Limited and one for Lloyd's Register Foundation. A report is provided at each Trustees' Board meeting of the activities of the Foundation Remuneration Committee since the previous Board meeting.

It is the role of the Foundation's Remuneration Committee to:

- Aim to ensure that the Foundation reward structure reflects best practice;
- Provide advice to the Board of Trustees on the remuneration policy for the Foundation's Chief Executive Officer and his direct reports;
- Implement the remuneration policy in practice through determination of all aspects of the remuneration of the Foundation Chief Executive;
- Approve the salary and bonus proposals and payments for the Foundation's Chief Executive and review remuneration decisions with reference to the Foundation employee salary budget, including approval of the overall level of any annual pay increase applied in the Foundation;
- Review and approve all changes to terms in pension scheme arrangements for the Foundation Chief Executive;



- Review and advise upon the level of remuneration for senior direct reports to the Foundation Chief Executive;
- Have oversight of the diversity and gender spread across the globe, insofar as it relates to remuneration matters of the Foundation; and
- Oversee any major changes to remuneration strategy for the Foundation.

The Foundation is anchored in the charity sector, but is differentiated by greater commercial and technical involvement than would be the norm in many charitable organisations. Therefore, our pay and benefits provide market competitiveness within those other sectors from which we have to attract and retain senior talent to lead the Foundation and deliver its charitable aims. These include the charity, science and technology sectors.

In determining the general policy regarding the total remuneration of the Foundation's Chief Executive and his direct reports, the Board of Trustees has directed the Committee to have regard to the following guidelines:

- Our aim is to pay at the market median, but roles that need specific skills, specialisms or business experience may command a remuneration premium as a result of the value they add.
- Reward and affordability align to efficient and effective delivery of the Foundation's short and long-term strategies and priorities and will include links to the business performance of the Trading Group.
- We recognise high performance by individuals and teams through the use of variable pay.
- We believe in the principles of fairness and equality of opportunity in employment. We are committed to all our colleagues receiving equal pay for the same or broadly similar work, regardless of gender, ethnicity or other non-performance related differences.

The remuneration of the charity's key management personnel is set to:

- provide a base salary designed to attract and retain key management which also reflects their level of responsibility and experience;
- see that they are fairly and responsibly rewarded for their individual contributions; and
- take account of competitive rates of total remuneration, based upon surveys of comparative organisations which are undertaken from time to time.

The Committee has access to, and takes cognisance of, professional advice both from within the organisation and from independent external consultants. The current external advisor is EY and the Group Human Resources Director acts as Secretary to the Committee.

The highest paid Foundation employee serving in the 18-month period received aggregate emoluments, including performance based remuneration, of £517,000 (12 months to June 2019: £287,000). He is a member of a Company defined contribution pension scheme, and £10,000 was paid by the Company during the period (12 months to June 2019: £nil).

## Membership of committees:

	Status	Foundation Board	Grants and Direct Charitable Activities	Audit, Risk and Investment	Nominations	Remuneration <sup>2</sup>
Thomas Thune Andersen	Trustee	Chair	—	—	Member	Member
Rosemary Martin <sup>3</sup>	Trustee	Member	—	—	Chair	Member
Carol Sergeant	Trustee	Member	—	Member	—	—
Lambros Varnavides	Trustee	Member	Chair	—	—	—
Andreas Sohmen-Pao	Trustee	Member	—	—	—	—
Ishbel Macpherson <sup>1</sup>	Trustee	Member	—	Chair	—	—
Una O'Brien <sup>4</sup>	Trustee	Member	—	—	—	—
Peter Gregson <sup>5</sup>	Trustee	Member	—	—	—	—
Allan Whalley	Independent	—	—	Member	—	—
Michelle Davies	Company Secretary	—	—	—	—	—
Richard Clegg	Foundation Chief Executive	—	Member	—	—	—
Michael F. Lykiardopulo	Independent	—	—	—	Member	—

Notes:

<sup>1</sup> Appointed 25 June 2019. Member of the Audit, Risk and Investment Committee from 25 June 2019. Appointed Chair of the Audit, Risk and Investment Committee on 1 January 2020 on the retirement of Ron Henderson.

<sup>2</sup> Established on 25 June 2019. The Remuneration Committee has the same membership composition as the Remuneration Committee of Lloyd's Register Group Limited and is chaired by Chris Finlayson, a Non-Executive Director of Lloyd's Register Group Limited.

<sup>3</sup> Appointed Chair of the Nominations Committee on 1 August 2020 on the retirement of Sir Brian Bender.

<sup>4</sup> Appointed 1 January 2021

<sup>5</sup> Appointed 1 June 2021

## **Executive**

The Foundation Chief Executive, Richard Clegg, is responsible to the Board for the operation of the Foundation.

## **The Advisory Council**

The Advisory Council continues to assist the Foundation on delivering its charitable aims by providing independent expert advice, support and constructive challenge in areas, including developing general strategy and plans, identifying new funding opportunities and emerging priorities, maximising impact plus suggesting other bodies with which to work. The Advisory Council meets twice a year.

For details of the members of the Advisory Council see [lrfoundation.org.uk/about-us/advisory-council](https://lrfoundation.org.uk/about-us/advisory-council).

## **100A1 Ambassadors**

The Foundation launched an ambassador programme in early 2017, 100A1 Ambassador. As a global charity committed to enhancing the safety of life and property and advancing public education, the Foundation's aim through the ambassador programme is to build an international network of friends, stakeholders and beneficiaries who are willing to promote the mission of the Foundation and its causes. For details of the Foundation's 100A1 Ambassadors see [lrfoundation.org.uk/about-us/100a1-ambassadors](https://lrfoundation.org.uk/about-us/100a1-ambassadors).

## **360Giving**

We are committed to being as transparent as possible so the Foundation is pleased to be one of the growing number of significant UK grant-givers to share grants data through the 360Giving standard. 360Giving supports organisations to publish their grants data in an open, standardised way and helps people to understand and use the data in order to support decision-making and learning across the charitable giving sector. For more information see [lrfoundation.org.uk/programmes/360giving-data](https://lrfoundation.org.uk/programmes/360giving-data).

## **Employees**

The Foundation and its Trading Group are equal opportunities employers.

Full consideration is given to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled, it is the Foundation's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Foundation and its Trading Group aim to provide employees with information on matters of concern to them as employees and to enable them to engage with the operations and objectives of the organisation.

## Management of risk

The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management and internal controls. LRF's risk management framework establishes that system and enables the leadership teams and those charged with governance to identify, evaluate, prioritise and respond to the risk landscape in a consistent and managed way. This framework was established several years ago and, although regularly refreshed and updated, it has not changed significantly in the 18 months to 31 December 2020.

Risk management is overseen by the Board and its Audit, Risk and Investment Committee (ARIC), to whom the monitoring of the identification, review and assessment of key risks to the Foundation has been delegated. These risks are described in a Risk Register which is reviewed at each meeting of the Committee. The updated Risk Register is also tabled at meetings of the Board where the Chair of the Audit, Risk and Investment Committee provides a report following each meeting of the Committee. The risks are evaluated according to their impact and likelihood and the Register describes the current mitigations and controls and plans for future development.

The key elements of LRF's risk management framework for evaluating, categorising and presenting risks are as follows:

- risks are evaluated using a combination of impact and likelihood;
- each risk is evaluated at three points: the unmitigated (gross) risk; the current (net) risk score considering all current controls; and the target risk score considering the impact of future mitigating actions;
- each risk is categorised according to whether it is a strategic, operational or legal and compliance risk;
- each risk is flagged as to whether it is being monitored or managed;
- each risk has its own velocity score to assess the speed at which the exposure can impact LRF;
- to ensure a common approach and consistency when assessing the impact and likelihood, a risk evaluation scale is used; and
- the complete risk register is expressed graphically in a risk heatmap to allow comparison between risks.

A timetable is in place to manage the various elements of risk management across the Foundation, including:

- Board risk deep dives at three of the four meetings;
- the LRF Risk Register is included in Board papers for every meeting; and
- LRF's Risk Register is updated and reviewed by Senior Management, ARIC and the Board every six months.

At the current time, the Board considers the following to be its key risks and associated mitigating controls and procedures:

Risk	Mitigation
<p><b>Investment performance</b> Investment income can be impacted (positively and negatively) by external events, stock market performance, the global economy, the operational performance of the Lloyd's Register Group, and the ability of the respective management teams to respond to and manage through a downturn.</p> <p>This risk also encompasses the ability to forecast and manage cashflows across income and expenditure accurately.</p>	<ul style="list-style-type: none"> <li>Continued close review by the Audit, Risk and Investment Committee with active management and frequent reporting by third party investment managers.</li> <li>The portfolio is split between two competing managers to enable a champion/challenger approach.</li> <li>Regular reporting of the Trading Group's strategy and financial performance to the Trustees.</li> <li>Cash flow and reserves are projected in the 5 Year Plan and performance against the plan is monitored by the Board.</li> <li>Monthly cash and treasury management by a dedicated Financial Controller.</li> <li>Management of short and medium term funds in conjunction with the longer term endowment funds.</li> <li>Implementation of medium term lower risk fund to cover cash requirements for the period 12-24 months in the event of a sustained major market downturn.</li> </ul>
<p><b>Grant giving and direct charitable activities</b> Grants awarded and / or direct charitable activities (DCA) do not achieve stated objectives. This impacts the Foundation's achievement of its charitable purpose. This could arise from mismanagement of the project, misappropriation of funds or other unforeseen circumstances and might result in reputational damage and regulatory impact.</p>	<ul style="list-style-type: none"> <li>A detailed and thorough process exists for the evaluation and approval of grant/DCA applications, including applicant due diligence where there is uncertainty or risk.</li> <li>Regular monitoring of the progress and impact of grants by the Foundation Chief Executive and its Grants and Direct Charitable Activities Committee (GDCA) with a focus on the need for strong evidence of impact. Grant impact deep dives are also undertaken at the GDCA and Board.</li> <li>Controls over grant/DCA applications, including due diligence and 'red flag' reviews, guidance documents with strong screening processes in place.</li> <li>Clear guidelines are in place directing the monitoring and recording of impact for grants, the Heritage and Education Centre (HEC) and internal charitable activity, including recipient reporting against the agreed progress and escalation policy for overdue progress reports.</li> <li>A metrics library has been created to use for pathways to impact for grants, DCA, HEC and internal charitable activity (such as the foresight reviews).</li> <li>Whistleblowing, anti-bribery and corruption, modern slavery and serious incident requirement clauses have been added to grant agreements and progress monitoring reports.</li> </ul>
<p><b>Negative reporting in the media of LR Foundation</b> There is an inherent risk that the Foundation receives negative coverage as a result of:</p> <ul style="list-style-type: none"> <li>an issue or incident relating to a Foundation grant recipient or investee;</li> <li>negative press relating to the LR Group;</li> <li>controversial conclusions in published output of Foundation funded research or by the Evidence and Insight Centre; and</li> <li>a misunderstanding of the social investment relationship between the Group and Foundation;</li> </ul>	<ul style="list-style-type: none"> <li>Crisis planning and media training are in place with a view to ensuring that Trustees and staff are prepared to respond appropriately to media coverage that concerns the Foundation.</li> <li>Detailed review including technical and peer reviews of published material/reports are undertaken.</li> <li>Discussion and early warnings between LRF and the Trading Group on any reports that could be sensitive.</li> <li>Public statements controlled by the LRF Communications Manager and external advice taken where appropriate.</li> <li>Horizon scanning/social media review for issues/trends that could impact LRF's reputation.</li> <li>All grants to LRG are approved by LRF Board.</li> </ul>
<p><b>Compliance</b> Failure to comply with UK or international law, regulatory requirements or sanctions. Key areas of compliance are charity law, anti-bribery and corruption, sanctions and conflicts of interest.</p>	<ul style="list-style-type: none"> <li>The Foundation Chief Executive and the Trading Group's General Counsel and Company Secretary keep compliance under close review.</li> <li>Advice and support is sought from external advisers where appropriate.</li> </ul>
<p><b>Safety and Security Incidents (including safeguarding)</b> Grantee/DCA related staff or recipients of grantee services operate in environments that are not under the direct control of the Foundation. There may be incidents or issues that arise in a grantee organisation that impact individuals' safety and/or wellbeing, including vulnerable individuals.</p>	<ul style="list-style-type: none"> <li>Consideration of grantee health, safety and security risk, where relevant, is incorporated into the grantee application and due diligence process. A specific policy for safeguarding vulnerable individuals has been implemented and grantees are required to confirm their compliance with this policy.</li> </ul>

Safeguarding is also applied to both LRF and LRG staff.	<ul style="list-style-type: none"> <li>Whistleblowing and serious incident requirement clauses have been added to grant agreements and progress monitoring reports.</li> <li>LRF applies LRG policies and procedures, with the office HSES risk being managed by LRG.</li> </ul>
<b>Disaster</b> Fire or similar event at the Foundation's offices results in destruction of irreplaceable historic records and artefacts.	<ul style="list-style-type: none"> <li>The Foundation's offices at 71 Fenchurch Street, London, have appropriate fire suppression systems and incident response plans, which are tested regularly. The programme of digitisation of the archive will also preserve a duplicate copy.</li> <li>A modern, purpose built archive at 71 Fenchurch Street is planned. Work is expected to be completed in late 2021/early 2022. During the works, records and artefacts are being stored in a secure offsite location.</li> </ul>
<b>Cyber attack</b> An advanced targeted cyber attack could result in the loss of sensitive information.	<ul style="list-style-type: none"> <li>Sensitive information is identified and is subject to appropriate security measures, which are tested regularly.</li> <li>Technology based security is provided by the LR Group. All Foundation staff have undertaken information security awareness training in the past year.</li> <li>Multifactor authentication has been implemented to protect administrative, privileged and standard users.</li> </ul>

The Trading Group has Internal Audit and Risk, and Technical Assurance and Quality functions which provide independent and objective opinions and assurance on the adequacy of the Foundation's and Trading Group's risk processes, internal controls and governance frameworks. The resources of the Internal Audit and Risk, and Group Legal functions are available to the Foundation's Audit, Risk and Investment Committee.

## **Public benefit**

As described throughout this Trustees' Report, the Trustees place specific focus on the public benefits arising from the output and activities of the Foundation having regard to the Charity Commission guidance on public benefit.

## **Research and development**

The Trading Group carries out research and development activities. The amount of £18.0m (12 months to 30 June 2019: £17.1m) has been charged to the consolidated statement of financial activities in the period.

## **Organisational structure**

The Foundation has a total of 24 members of staff supported by secondees from the Trading Group. A service level agreement exists between the Foundation and the Trading Group for the provision of specialist business support in areas including finance; HR; communications; legal; and IT. The Foundation pays for these services at an agreed market rate.

## **Disclosure of information to the Auditor**

Having made enquiries, each of the Trustees, listed above, in office at the time of approving the Trustees' Report confirm that:

- so far as each Trustee is aware, there is no information relevant to the preparation of its report and the financial statements of which the Foundation's Auditor is unaware; and
- each Trustee has taken all steps a trustee might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Foundation's Auditor is aware of that information.

## **Independent Auditor**

Deloitte LLP has expressed a willingness to continue in office.

## **Governing document**

Lloyd's Register Foundation is a company limited by guarantee registered in England, incorporated in 2012, governed by its Memorandum and Articles of Association.

## **Financial statements and Trustees' Report**

The company and consolidated financial statements have been prepared in accordance with the accounting policies set out on pages 53 to 54 and 69 to 72 respectively and comply with applicable laws and the FRS102 Charity SORP (Statement of Recommended Practice) except for the disclosures relating to employee benefit banding (see page 80).

This Trustees' Report on pages 1 to 44 and 63 to 64 has been prepared in accordance with Part 8 of the Charities Act 2011 and the Companies Act 2006 and incorporates the Strategic Report and has been approved by order of the Board.

*Michelle K Davies*

Michelle Davies  
Company Secretary

26 October 2021

## Legal and administrative details

### Company number

07905861 (England and Wales)

### Charity number

1145988 (England and Wales)

### Bankers

Royal Bank of Scotland  
1 Princes Street  
London  
EC2R 8PB

### Statutory Auditor

Deloitte LLP  
London  
United Kingdom

### Investment managers

Sarasin & Partners LLP  
Juxon House  
100 St. Paul's Churchyard  
London  
EC4M 8BU

Fidelity International  
25 Cannon Street  
London  
EC4M 5TA

### Investment custodians

Bank of New York Mellon  
One Canada Square  
Canary Wharf  
London  
E14 5AL

### Solicitors

Geldards LLP  
Dumfries House  
Dumfries Place  
Cardiff  
CF10 3ZF

### Registered and principal office

71 Fenchurch Street  
London  
EC3M 4BS

## Statement of Trustees' responsibilities

The Trustees (who are also Directors of the Foundation for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Foundation and the Group and of the incoming resources and application of resources, including the income and expenditure, of the Foundation and Group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Foundation will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Foundation and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Foundation and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Foundation's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# Audit, Risk and Investment Committee Report

This report describes the constitution and activities of the Audit, Risk and Investment Committee in place during the 18 month period ended 31 December 2020.

## Summary of the role of the Audit, Risk and Investment Committee

The membership of the Audit, Risk and Investment Committee is:

Mr R A Henderson (Committee Chair until 31 December 2019)  
Ms I J S Macpherson (Committee Chair from 31 December 2019)  
Mrs C F Sergeant  
Mr A Whalley

The Audit, Risk and Investment Committee is a sub-committee of the Board of Trustees. The Committee reviews the application and effectiveness of the financial policies and processes of the Lloyd's Register Foundation.

The Committee assists the Board of Trustees in monitoring the integrity of the Foundation's published financial statements and the compliance of the Foundation's Annual Report and Accounts comply with UK accounting standards, the Companies Act and the Charities SORP.

The Committee also reviews the performance of the Foundation's investment portfolio and its investment managers and makes decisions on behalf of the Board of Trustees as to an appropriate investment strategy for the Foundation.

The Group's Internal Audit and Risk function reports to the Committee on any issues which it considers impact on the adequacy and effectiveness of the Foundation's internal financial controls and risk management systems. No material items have been reported to the Committee by Group Audit and Risk during the financial period.

The Committee oversees the relationship with the external auditor including approval of the audit plan and scope of the audit. The annual assessment of the auditor's independence and review of the level of fees payable for non-audit services did not identify any significant matters. Since the end of the period under review, there has been a rotation of the audit partner in accordance with regulatory requirements.

The annual financial statements are reviewed by the Committee before recommending their approval by the Board of Trustees, focusing particularly on any significant adjustments resulting from the audit and major judgmental areas and whether they consider them to be fair and reasonable. The Audit, Risk and Investment Committee meets three times a year, and at least once a year a meeting is held between the Chair of the Committee, the Group Internal Audit and Risk Director and the external auditor, at which no employees are present.

The Committee met four times during the period under review. Matters considered by the Committee during the period and subsequently include the review of:

- the findings of an internal audit report into grant governance – grant application, payment and monitoring;
- financial controls, including fraud protection;
- reviewed the 30 June 2019 and 31 December 2020 Reports and Consolidated Financial Statements and the Auditor's Report thereon;
- the creation of short and medium term investment funds;
- the internal audit charter; and
- the statement of investment policy.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LLOYD'S REGISTER FOUNDATION

## Report on the audit of the financial statements

### Opinion

In our opinion the financial statements of Lloyd's Register Foundation (the 'charitable company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2020 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the 18 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Foundation statement of financial activities (incorporating an income and expenditure account);
- the Foundation balance sheet;
- the Foundation cash flow statement;
- the related notes to the Foundation financial statements 1 to 19;
- the consolidated statement of financial activities;
- the consolidated balance sheet;
- the consolidated statement of cash flows; and
- the related notes to the consolidated financial statements 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 financial statements section of our report.

We are independent of the group and of the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC'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 going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report (incorporating the Strategic Report and the financial review of the Lloyd's Register Foundation Group), other than the financial statements and our auditor's report thereon. Our opinion on the financial statements 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 financial statements 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 respect of these matters.

## Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LLOYD'S REGISTER FOUNDATION

unless the Trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements 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.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the Trustees' report.

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Hadleigh Shekle, FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
26 October 2021

# FOUNDATION STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2020

	Note	General funds 18 months to 31 December 2020 £000	Endowment funds 18 months to 31 December 2020 £000	Total funds 18 months to 31 December 2020 £000	General funds 12 months to 30 June 2019 £000	Endowment funds 12 months to 30 June 2019 £000	Total funds 12 months to 30 June 2019 £000
<b>Income</b>							
Income from investments:							
Gift aid from Trading Group		3,000	—	<b>3,000</b>	—	—	<b>—</b>
From listed investments and other investments		12,518	—	<b>12,518</b>	10,385	—	<b>10,385</b>
<b>Total income</b>	3	15,518	—	<b>15,518</b>	10,385	—	<b>10,385</b>
<b>Expenditure on raising funds</b>							
Investment management costs	4	—	(1,563)	<b>(1,563)</b>	—	(925)	<b>(925)</b>
<b>Charitable activities:</b>							
Total grant activities	5	(10,522)	—	<b>(10,522)</b>	(11,661)	—	<b>(11,661)</b>
Total direct activities	5	(10,853)	—	<b>(10,853)</b>	(4,787)	—	<b>(4,787)</b>
<b>Total expenditure</b>		(21,375)	(1,563)	<b>(22,938)</b>	(16,448)	(925)	<b>(17,373)</b>
<b>Net expenditure before gains on investments</b>		(5,857)	(1,563)	<b>(7,420)</b>	(6,063)	(925)	<b>(6,988)</b>
Realised gains on disposal of listed investments		1,476	18,200	<b>19,676</b>	184	1,789	<b>1,973</b>
Unrealised gains on listed investments		1,240	15,286	<b>16,526</b>	1,112	10,828	<b>11,940</b>
<b>Net (expenditure) / income and net movement in funds</b>		(3,141)	31,923	<b>28,782</b>	(4,767)	11,692	<b>6,925</b>
<b>Reconciliation of funds</b>							
Funds brought forward		22,414	276,356	<b>298,770</b>	27,181	264,664	<b>291,845</b>
Funds carried forward		19,273	308,279	<b>327,552</b>	22,414	276,356	<b>298,770</b>

All of the Company's income is derived from continuing activities.

There are no recognised gains or losses for the current and preceding year other than those shown above.

# FOUNDATION BALANCE SHEET AT 31 DECEMBER 2020

	Note	31 December 2020 £000	30 June 2019 £000
<b>Fixed assets</b>			
Investments	10	<u>360,084</u>	<u>358,624</u>
		<b>360,084</b>	<b>358,624</b>
<b>Current assets</b>			
Cash at bank and in hand		<b>13,046</b>	206
Debtors	11	<u>—</u>	<u>210</u>
		<b>13,046</b>	<b>416</b>
<b>Creditors: amounts falling due within one year</b>	13	<u>(21,951)</u>	<u>(31,606)</u>
<b>Net current liabilities</b>		<b>(8,905)</b>	<b>(31,190)</b>
<b>Total assets less current liabilities</b>		<b>351,179</b>	<b>327,434</b>
<b>Creditors: amounts falling due after one year</b>	14	<u>(23,627)</u>	<u>(28,664)</u>
<b>Net assets</b>		<u><b>327,552</b></u>	<u><b>298,770</b></u>
<b>The funds of the charity</b>			
Unrestricted – general fund		<b>12,843</b>	18,700
Revaluation reserve	17	<u><b>6,430</b></u>	<u>3,714</u>
<b>Total unrestricted funds</b>		<b>19,273</b>	<b>22,414</b>
Endowment funds		<b>225,588</b>	227,151
Revaluation reserve	17	<u><b>82,691</b></u>	<u>49,205</u>
<b>Total endowment funds</b>		<u><b>308,279</b></u>	<u>276,356</u>
<b>Total charity funds</b>	16	<u><b>327,552</b></u>	<u><b>298,770</b></u>

The financial statements on pages 50 to 64 were approved by the Trustees on 26 October 2021 and signed on their behalf by:

*IJS Macpherson*

Ishbel Macpherson, Trustee

**Lloyd's Register Foundation**

Company registration number 07905861

# FOUNDATION CASH FLOW STATEMENT FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2020

		<b>18 months to 31 December 2020</b>	<b>12 months to 30 June 2019</b>
	Note	£000	£000
<b>Cash flows from operating activities:</b>			
<b>Net cash used in operating activities</b>	A	<b>(37,420)</b>	<b>(34,371)</b>
<b>Cash flows from investing activities:</b>			
Dividends and income from investments		<b>15,518</b>	10,385
Purchase of investments		<b>(248,969)</b>	(119,479)
Proceeds from sale of listed investments		<b>283,711</b>	141,577
<b>Net cash provided by investing activities</b>		<b>50,260</b>	32,483
<b>Change in cash and cash equivalents in the period</b>		<b>12,840</b>	(1,888)
<b>Cash and cash equivalents at the beginning of the period</b>	B	<b>206</b>	2,094
<b>Cash and cash equivalents at the end of the period</b>	B	<b>13,046</b>	206

## A. Reconciliation of net income to net cash flow from operating activities

	<b>18 months to 31 December 2020</b>	<b>12 months to 30 June 2019</b>
	£000	£000
<b>Net income for the reporting period (as per the statement of financial activities)</b>	<b>28,782</b>	6,925
<b>Adjustments for:</b>		
Gains on investments	<b>(36,202)</b>	(13,913)
Dividends and income from investments	<b>(15,518)</b>	(10,385)
Decrease / (increase) in debtors	<b>210</b>	(210)
Decrease in creditors	<b>(14,692)</b>	(16,788)
<b>Net cash used in operating activities</b>	<b>(37,420)</b>	<b>(34,371)</b>

## B. Analysis of cash and cash equivalents

	1 July 2019	Cash flow	<b>31 December 2020</b>
	£000	£000	£000
Cash at bank and in hand	206	12,840	<b>13,046</b>
Total cash and cash equivalents	206	12,840	<b>13,046</b>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

## 1. Basis of accounting

Lloyd's Register Foundation is a private charitable company limited by guarantee, incorporated in the United Kingdom, registered in England and Wales and a registered charity. It is governed by its memorandum and articles.

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments. They have been prepared in accordance with the Charities Statement of Recommended Practice ("SORP") FRS102 "Accounting and Reporting by Charities" ("the Charities SORP"), the reporting requirements of the Companies Act 2006 and applicable accounting standards in the United Kingdom. The Foundation meets the definition of a public benefit entity under FRS102. The charitable company has adapted the Companies Act formats to reflect the Charities SORP. The financial statements have been prepared on the going concern basis as discussed in the Trustees' report on page 33.

The functional currency of the company is considered to be Pound Sterling as this is the currency of the primary economic environment in which the company operates.

## 2. Accounting policies

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all periods presented.

### a. Income

Income is accounted for on an accruals basis and included in the statement of financial activities when the Company is legally entitled to the income, receipt is probable and the amount can be quantified with reasonable accuracy.

### b. Expenditure

Expenditure is accounted for on an accruals basis.

Expenditure on raising funds is costs associated with generating income from investment management.

Expenditure on charitable activities comprises all the costs incurred by the Foundation in undertaking its work to meet its charitable objectives as opposed to the cost of generating the funds to finance these activities. Charitable activities are all the resources expended by the charity in the delivery of goods and services, including its programme and project work that is directed at the achievement of its charitable aims and objectives. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken.

Grants awarded are recognised when the Charity formally notifies the recipient of the award following approval by the Trustees. The liability recognised is for the full amount of the award, unless a break clause is able to be exercised by the Foundation, whether payable immediately or across a number of financial years as grants are subject to qualitative review rather than strict performance criteria. Where material, grant liabilities in excess of one year are discounted to net present value to reflect the time value of money which is based on the investment returns with a similar risk profile.

Support costs are defined as those costs that are incurred indirectly that cannot be allocated to specific activities, and relate to both grant making and direct activities that then give the Foundation the capability to carry out its charitable activities. They are allocated to the SORP expenditure headings on the basis of underlying expenditure which reflects the level of activity performed.

Short-term employee benefits are recognised as an expense in the period in which they relate.

### c. Investments

Listed investments are stated at market value. The statement of financial activities includes realised gains and losses on investments sold in the year and unrealised gains and losses on revaluation of investments.

Investment in the Trading Group (Lloyd's Register Group Limited), which is a mixed motive investment, is valued at cost less any impairment.

### d. Cash

Items considered to be cash are those held in hand, in current accounts and on short-term deposit (where the term is less than three months) with recognised financial institutions.

### e. Taxation and Value Added Tax

The Foundation is a UK registered charity and is exempt from Corporation Tax under Chapter 3 of Part 11 to the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that surpluses are applied to its charitable purposes.

The Foundation is not registered for VAT and therefore suffers irrecoverable VAT. This expense is recorded and disclosed with the cost of the underlying goods or services.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### f. Fund accounting

The Foundation's general fund comprises accumulated unrestricted surpluses and deficits.

Endowment funds comprise one expendable endowment fund, a part of the September 2012 donation from the Trading Group. Generally, capital is retained within the fund, with income forming part of the Foundation's general fund. Trustees have the power to convert capital to income should they wish to expend capital subject to the contractual obligations of the initial donation as outlined in note 16.

### g. Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Foundation becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). With the exception of fixed asset investments, financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Debtors are recognised at the settlement amount due. Creditors are recognised where the Foundation has a present obligation resulting from a past event that will result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Short term creditors are recognised at their settlement amount while grant liabilities are discounted to net present value where the impact is material.

### h. Significant accounting estimates and assumptions

The Foundation makes estimates and assumptions to produce the Financial Statements. The accounting estimates will, by nature, differ from the actual results. The key estimate that may have a significant risk of causing a material adjustment to the carrying value of assets or liabilities within the next financial year relates to the discounting of grant liabilities. The rate applied to discount grant liabilities payable after more than twelve months requires an estimate of the appropriate discount rate, as well as an estimate of when the liability will be called down as a claim to be paid. A discount rate of 2.1% (30 June 2019: 2.1%) has been applied having considered the range of the market rate of interest the Foundation could borrow money over the life of the grants and the opportunity cost of income from investments foregone. A 1.0% increase in the discount rate would reduce grant liabilities by £0.4 million while a 1.5% decrease in the discount rate would increase grant liabilities by £0.7 million. There are no other significant accounting estimates or judgements for the Foundation.

## 3. Investment income

	General funds £000	Endowment funds £000	<b>Total 18 months to 31 December 2020 £000</b>	Total 12 months to 30 June 2019 £000
Gift aid from Trading Group	3,000	—	<b>3,000</b>	—
Listed and other investments:				
Fixed Interest – UK	1,757	—	<b>1,757</b>	1,319
Fixed Interest – Overseas	65	—	<b>65</b>	62
Equities – UK	2,287	—	<b>2,287</b>	2,144
Equities – Overseas	3,730	—	<b>3,730</b>	3,230
Pooled Funds	4,626	—	<b>4,626</b>	3,553
Cash Instruments	41	—	<b>41</b>	71
Bank interest	12	—	<b>12</b>	6
	<u>12,518</u>	<u>—</u>	<u><b>12,518</b></u>	<u>10,385</u>
Total	<u>15,518</u>	<u>—</u>	<u><b>15,518</b></u>	<u>10,385</u>

## 4. Expenditure on generating funds

Expenditure on generating funds represents investment management costs, which are charged to the endowment fund.



## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 5. Analysis of expenditure on charitable activities

				18 months to 31 December 2020 £000
Grant making activities:	Grants £000	Direct costs £000	Support costs £000	
Goal 1: Evidence and Insight	158	30	44	232
Goal 2: Challenge area: Safety at Sea	834	160	234	1,228
Goal 2: Challenge area: Safety of Food	1,879	360	526	2,765
Goal 2: Challenge area: Safety of Digital Systems	123	24	35	182
Goal 2: Challenge area: Public Understanding of Risk	281	54	79	414
Goal 2: Challenge area: Safety for a sustainable future	900	173	252	1,325
Goal 2: Challenge area: Safety of physical infrastructure	173	33	48	254
Heritage and education centre	14	3	4	21
Foundational *	2,414	462	677	3,553
	<u>6,776</u>	<u>1,299</u>	<u>1,899</u>	<u>9,974</u>
Unwinding of discounting of grant liabilities	548	—	—	548
	<u>7,324</u>	<u>1,299</u>	<u>1,899</u>	<u>10,522</u>
Activities undertaken directly:				
Goal 1: Evidence and Insight	—	3,124	734	3,858
Heritage and education centre	—	4,163	978	5,141
Foundational *	—	1,501	353	1,854
	<u>—</u>	<u>8,788</u>	<u>2,065</u>	<u>10,853</u>
	<u>7,324</u>	<u>10,087</u>	<u>3,964</u>	<u>21,375</u>

Expenditure associated with Building global coalitions for change (Goal 3) span all activities and are not separately identified.

No grant expenditure has been incurred during the period relating to Skills for Saftey (Goal 2 Challenge area).

\* Our Charitable mission of safety and education requires us to take a long term view. Whilst our Strategy will build up the role of evidence and insight, focus on pressing challenges, and build partnerships, we must also look beyond the five year time frame, investing in longer term programmes and initiatives. Examples of our longer term 'foundational' programmes include: establishing a long term funded network of those who have been supported by the Foundation in developing their careers to date; developing the global establishment of the discipline of 'Data-centric engineering'; and continuing our Foresight programme looking ahead at how safety can be secured in a future of technological, demographic, societal, economic and environmental change.

Following the adoption of the new strategy and an increased proportion of direct charitable activity, a revised approach to the allocation of support costs has been performed for the 18 months to 31 December 2020. Where costs relate predominantly to grant making activity they have been allocated to grants in proportion to the level of expenditure. These costs were included within the total support costs in the prior period. Support costs of £3,964,000 are allocated across all the Foundation's activities. These include costs associated with IT, HR, finance, property and other central services of the Charity's staff where not considered directly attributable. Included within support costs are staff costs of £1,629,000 and governance costs of £65,000 (12 months to 30 June 2019: £54,000).

For the 12 months to 30 June 2019 the costs of grant monitoring were included within support costs of £2,831,000. As described above grant monitoring costs have been separately identified for the 18 months to 31 December 2020. In the prior year the remaining support costs were allocated across the grant programme as this was considered the primary focus of the charity. As described above, these costs and governance costs are now allocated across all of the Foundation's activities.

Governance costs includes fees payable to the Foundation's auditor for the audit of the Foundation's annual accounts of £54,000 (12 months to 30 June 2019: £49,000).

Analysis of expenditure on charitable activities, in line with the four strategic themes adopted under the previous strategy, in the 12 months to 30 June 2019 is shown below.

	Grants (note 6) £000	Activities undertaken directly £000	Support costs £000	12 months to 30 June 2019 £000
Grant making activities:				
Supporting excellent scientific research	1,084	—	396	1,480
Accelerating the application of research	1,735	—	634	2,369
Promoting safety and public understanding of risk	3,122	—	1,142	4,264
Advancement of skills and education	1,755	—	642	2,397
	<u>7,696</u>	<u>—</u>	<u>2,814</u>	<u>10,510</u>
Unwinding of discounting of grant liabilities	1,151	—	—	1,151
	<u>8,847</u>	<u>—</u>	<u>2,814</u>	<u>11,661</u>
Activities undertaken directly:				
Supporting excellent scientific research	—	53	—	53
Accelerating the application of research	—	1,138	6	1,144
Promoting safety and public understanding of risk	—	3,326	11	3,337
Advancement of skills and education	—	253	—	253
	<u>—</u>	<u>4,770</u>	<u>17</u>	<u>4,787</u>
Total charitable expenditure	<u>8,847</u>	<u>4,770</u>	<u>2,831</u>	<u>16,448</u>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 6. Grants awarded

Grants are awarded to institutions and fund tuition costs, employment costs or other costs of research. Grants awarded in the 18 months to 31 December 2020 are analysed by institution below.

	Number of grants	Safety at Sea £000	Safety of Food £000	Safety of Digital Systems £000	Public Under standing of Risk £000	Safety of Physical infra-structure £000	Safety for a sustainable future £000	Heritage And education centre £000	Evidence and Insight £000	Found-ational £000	Total 18 months to 31 December 2020 £000
2019 Conference Student Communicator of the Year	1	—	—	—	—	—	—	—	—	2	2
Anglia Ruskin University	1	—	—	—	—	—	—	—	—	9	9
Audit XPRT Limited	1	—	—	—	—	—	—	—	—	30	30
Cardiff University Seafarers International Research Centre	1	—	—	—	—	—	—	—	19	—	19
CNRS Station Biologique de Roscoff	1	—	920	—	—	—	—	—	—	—	920
Connundram Limited	1	—	—	—	—	—	—	—	—	30	30
Cranfield University	1	—	—	—	—	—	—	—	—	10	10
Energy Institute	1	—	—	—	—	200	—	—	—	—	200
Fish Safety Foundation	1	84	—	—	—	—	—	—	—	—	84
Food and Agriculture Organization of the United Nations	1	—	82	—	—	—	—	—	—	—	82
Helm Inovation Limited	1	—	—	—	—	—	—	—	—	10	10
HiLo Maritime Risk Management	1	456	—	—	—	—	—	—	—	—	456
Imperial College London	1	—	—	—	—	—	—	—	—	545	545
Institute of Economics & peace	1	—	—	—	200	—	—	—	—	—	200
International Maritime law Institute	1	282	—	—	—	—	—	—	—	—	282
International Maritime rescue federation	1	—	—	—	—	—	—	—	—	20	20
Lloyds Register Group Limited	1	—	—	—	—	—	900	—	—	—	900
Mission Critical Application Limited	1	—	—	125	—	—	—	—	—	—	125
M-Squared Lasers Limited	1	—	—	—	—	—	—	—	—	30	30
Nanyang Technological University	1	12	—	—	—	—	—	—	—	—	12
National Space Centre	1	—	—	—	—	—	—	—	—	394	394
Nottingham Trent University	1	—	—	—	—	—	—	—	41	—	41
Ohalo Limited	1	—	—	—	—	—	—	—	—	30	30
Open Data Institute	1	—	—	—	—	—	—	—	—	61	61
Open Data Institute Ltd	1	—	—	—	—	—	—	—	—	205	205
Philippines Visayas Foundation Inc	1	—	—	—	—	—	—	—	—	10	10
Reality AI	1	—	—	—	—	—	—	—	—	30	30
Royal Commission on the Ancient and Historical Monuments of Wales	1	—	—	—	—	—	—	14	—	—	14
RS Standards	1	—	—	—	—	—	—	—	48	—	48
SafetyTech Accelerator Limited	1	—	—	—	—	—	—	—	—	800	800
Science Museum	1	—	88	—	—	—	—	—	—	—	88
Sensing Feeling	1	—	—	—	—	—	—	—	—	35	35
Shipwrights	1	—	—	—	—	—	—	—	—	79	79
SnapDNA Corporation	1	—	—	—	—	—	—	—	—	30	30
Stolar Global Imaging	1	—	—	—	—	—	—	—	—	30	30
Tall Ships Youth Trust	1	—	—	—	—	—	—	—	—	74	74
Teeside University	1	—	—	—	—	—	—	—	—	9	9
University of Manchester	1	—	—	—	—	—	—	—	—	40	40
University of Southern California	1	—	—	—	190	—	—	—	—	—	190
University of Strathclyde	1	—	—	—	—	—	—	—	50	—	50
Wageningen Research	1	—	789	—	—	—	—	—	—	—	789
Grants Returned		—	—	(2)	(109)	(27)	—	—	—	(99)	(237)
	41	834	1,879	123	281	173	900	14	158	2,414	6,776
Impact of discounting grants awarded		—	—	—	—	—	—	—	—	—	—
		834	1,879	123	281	173	900	14	158	2,414	6,776

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Grants awarded in the 12 months to 30 June 2019 are analysed by institution and split between the four strategic themes adopted under the previous strategy.

	Number of grants	Supporting excellent scientific research £000	Accelerating the application of research £000	Promoting safety and public understanding of risk £000	Advancement of skills and education £000	<b>Total 12 months to 30 June 2019 £000</b>
1851 Trust	1	—	—	—	141	141
Aalto University	1	—	680	—	—	680
Bartlett Judge Associates Ltd	1	120	—	—	—	120
British Science Association	1	—	—	50	—	50
Cambridge University Press	1	250	—	—	—	250
The Chancellor, Masters and Scholars of the University of Oxford	1	—	—	143	—	143
The CHIRP Charitable Trust	1	—	—	150	—	150
Educational Volunteers Foundation of Turkey	1	—	—	—	201	201
European Ferry Company SPRL	1	—	—	41	—	41
FISH Safety Foundation	1	—	—	449	—	449
Global Manufacturing Organisation Limited	1	—	—	250	—	250
Gallup	1	—	—	249	—	249
HELEMPA	1	—	—	—	289	289
HiLo Maritime Risk Management Ltd	1	—	—	490	—	490
International Maritime Law Institute	1	—	—	—	174	174
LexaTexer	1	—	30	—	—	30
Marine Institute of Memorial University	1	—	—	150	—	150
Massachusetts Institute of Technology	1	98	—	—	—	98
MonoLets, Inc	1	—	30	—	—	30
Museum of London Archeology	1	—	—	—	100	100
NumberBoost	1	—	30	—	—	30
Open Data Institute Ltd	1	—	99	—	—	99
NeuroControls GmbH	1	—	30	—	—	30
The Royal Institution	2	—	—	228	—	228
RNLI	1	—	—	4	—	4
Senseye, Inc	1	—	40	—	—	40
Seoul National University	1	600	—	—	—	600
Tall Ship Youth Trust	1	—	—	—	126	126
University College of London	2	—	—	468	688	1,156
University of Botswana	1	25	—	—	—	25
University of Manchester	1	—	—	—	38	38
University of Nottingham	1	—	827	—	—	827
University of Southampton	1	—	—	450	—	450
WORKERBASE GmbH	1	—	30	—	—	30
Grant adjustments		(9)	(61)	—	(2)	(72)
	36	1,084	1,735	3,122	1,755	<b>7,696</b>
Impact of Discounting Grants Awarded		—	—	—	—	—
		<b>1,084</b>	<b>1,735</b>	<b>3,122</b>	<b>1,755</b>	<b>7,696</b>

### 7. Grants awarded but not paid

	<b>31 December 2020 £000</b>	30 June 2019 £000
At start of period	<b>58,777</b>	75,547
Awarded in the year	<b>7,013</b>	7,768
Unwinding of discounting (note 5)	<b>548</b>	1,151
Grant adjustments (note 6)	<b>(237)</b>	(72)
Paid in the period	<b>(22,114)</b>	(25,617)
At end of period	<b>43,987</b>	58,777

The aging of grants payable is shown in note 14.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 8. Employees

	General funds £000	Endowment funds £000	18 months to 31 December 2020 £000	12 months to 30 June 2019 £000
Wages and salaries	2,625	—	2,625	1,312
Social security costs	297	—	297	117
Pension costs	304	—	304	154
	<u>3,226</u>	<u>—</u>	<u>3,226</u>	<u>1,583</u>

The average number of employees engaged in charitable activities was 24 (12 months to 30 June 2019: 21).

Included within employee costs above is £527,000 (12 months to 30 June 2019: £287,000) remuneration received by key management personnel which includes £10,000 of employer defined contribution pension costs. See note 31 of the consolidated financial statements for the key management personnel of the Foundation Group.

The following number of employees earned emoluments within the bands shown below. Emoluments include benefits in kind, but exclude employer defined contribution pension costs.

	18 months to 31 December 2020 Number	12 months to 30 June 2019 Number
£60,001 - £70,000	5	2
£70,001 - £80,000	2	—
£80,001 - £90,000	1	1
£100,001 - £110,000	2	—
£120,001 - £130,000	1	1
£130,001 - £140,000	1	1
£140,001 - £150,000	1	—
£170,001 - £180,000	1	—
£220,001 - £230,000	1	—
£280,001 - £290,000	—	1
£510,001 - £520,000	1	—

The Foundation made no termination payments during the current or prior period.

### 9. Trustees

The Trustees are the directors of the Foundation. The Trustees do not currently receive remuneration in respect of their duties as Trustees. No Trustees received reimbursement for out of pocket expenses (12 months to 30 June 2019: £nil). No expenses were paid on behalf of Trustees during the 18 months to 31 December 2020 (12 months to 30 June 2019: £1,000) in respect of travel expenses to Board meetings.

The Foundation maintained throughout the year Trustees' and Officers' liability insurance in respect of itself and its Trustees.

### 10. Investments

	31 December 2020 £000	30 June 2019 £000
Listed investments at market value comprise:		
Fixed Interest – UK	35,962	35,373
Fixed Interest – Overseas	380	965
Equities – UK	46,815	50,925
Equities – Overseas	146,106	142,273
Pooled Funds	84,387	84,249
Derivatives	847	473
Cash instruments	3,606	739
Cash at investment managers and accrued interest	<u>1,931</u>	<u>3,577</u>
	<u>320,034</u>	<u>318,574</u>
Unlisted investments		
Investment in subsidiaries – mixed motive investment at cost less impairment	<u>40,050</u>	<u>40,050</u>
	<u>360,084</u>	<u>358,624</u>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### Listed investments and cash held by investment managers

	18 months to 31 December 2020 £000	12 months to 30 June 2019 £000
At start of period	314,997	322,311
Additions at cost	248,969	119,479
Disposals proceeds	(282,065)	(140,706)
Realised gains on disposals	19,676	1,973
Unrealised gains	16,526	11,940
At end of period	318,103	314,997
Cash at investment managers and accrued interest	1,931	3,577
	<b>320,034</b>	<b>318,574</b>

### Subsidiaries (note 12)

The Foundation has invested £40,050,000 (30 June 2019: £40,050,000) in its only immediate subsidiary, Lloyd's Register Group Limited. The subsidiaries and joint ventures of Lloyd's Register Group Limited are shown in note [31] to Lloyd's Register Foundation Group Consolidated Financial Statements.

## 11. Debtors

	31 December 2020 £000	30 June 2019 £000
Amounts due from related companies	—	5
Prepayments and accrued income	—	205
	<b>—</b>	<b>210</b>

## 12. Trading Group

The Foundation has a mixed motive investment in one trading subsidiary, Lloyd's Register Group Limited which has its own global group of trading companies (the Trading Group). The Foundation owns 100% of the issued share capital of Lloyd's Register Group Limited. The Trading Group's principal activities are the provision of independent inspection and compliance services to clients in capital intensive industries, in particular marine industry.

The summarised financial information of the consolidated Trading Group is provided below, as per the Trading Group's consolidated financial statements for the 18 months ended 31 December 2020 (2019: 12 months ended 30 June 2019).

	18 months to 31 December 2020 Continuing £000	18 months to 31 December 2020 Discontinued £000	18 months to 31 December 2020 Total £000	12 months to 30 June 2019 £000
<b>Turnover</b>	1,104,227	148,966	<b>1,253,193</b>	892,847
Cost of sales	(744,920)	(146,257)	<b>(891,177)</b>	(656,273)
<b>Gross profit</b>	359,307	2,709	<b>362,016</b>	236,574
Administrative expenses	(332,964)	(37,811)	<b>(370,775)</b>	(227,102)
Other operating income	8,127	-	<b>8,127</b>	—
Administrative expenses before exceptional costs	(309,883)	(31,645)	<b>(341,528)</b>	(206,881)
Operating profit before exceptional costs	57,551	(28,936)	<b>28,615</b>	29,693
Exceptional costs	(23,081)	(6,166)	<b>(29,247)</b>	(20,221)
<b>Operating profit</b>	34,470	(35,102)	<b>(632)</b>	9,472
Loss on disposal	-	(42,722)	<b>(42,722)</b>	—
Share of net operating loss of joint ventures	(1,713)	(200)	<b>(1,913)</b>	(593)
Net investment income	24,411	-	<b>24,411</b>	22,410
Other finance costs	(1,614)	-	<b>(1,614)</b>	(1,214)
<b>(Loss) / profit before taxation</b>	55,554	(78,024)	<b>(22,470)</b>	30,075
Taxation on (loss) / profit	(28,687)	4,799	<b>(23,888)</b>	(16,562)
<b>(Loss) / profit for the financial year</b>	26,867	(73,225)	<b>(46,358)</b>	13,513

	31 December 2020 Total £000	30 June 2019 Total £000
Assets	1,020,787	1,092,998
Liabilities	(548,354)	(564,338)
<b>Net Assets</b>	<b>472,433</b>	<b>528,660</b>
<b>Shareholder's funds</b>	<b>472,433</b>	<b>528,660</b>

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

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

	31 December 2020 £000	30 June 2019 £000
Trade creditors	82	—
Amounts due to related companies	771	948
Grants payable	20,360	30,113
Accruals and deferred income	738	545
	<b>21,951</b>	<b>31,606</b>

### 14. Creditors: amounts falling due after one year

	31 December 2020 £000	30 June 2019 £000
Grants payable	23,627	28,664
	<b>23,627</b>	<b>28,664</b>

The timing of grants payable is shown in the table below:

	31 December 2020 £000	30 June 2019 £000
Due within one year	20,360	30,113
Due within 1-2 years	18,044	18,290
Due within 2-5 years	6,571	11,908
Impact of discounting	(988)	(1,534)
	<b>23,627</b>	<b>28,664</b>
Net grants payable	<b>43,987</b>	<b>58,777</b>

### 15. Contingent liabilities

The Foundation has a contractual obligation until at least 2022 to transfer up to £125m of the investment assets received from the Trading Group in September 2012 to the Lloyd's Register Superannuation Fund Association in the event of an insolvency of Lloyd's Register Group Limited. The Trustees consider the risk of insolvency, and therefore the risk of payment of the contingent liability, to be minimal. Additional funding commitments to related parties are detailed in note 19.

### 16. Funds

	1 July 2019 £000	Income £000	Expenditure £000	Other movements £000	31 December 2020 £000
Total unrestricted funds	22,414	15,518	(21,375)	2,716	19,273
Endowment funds:					
Expendable endowment	276,356	—	(1,563)	33,486	308,279
	<b>298,770</b>	<b>15,518</b>	<b>(22,938)</b>	<b>36,202</b>	<b>327,552</b>

Other movements relate to realised and unrealised gains and losses on investment assets.

	1 July 2018 £000	Income £000	Expenditure £000	Other movements £000	30 June 2019 £000
Total unrestricted funds	27,181	10,385	(16,448)	1,296	22,414
Endowment funds:					
Expendable endowment	264,664	—	(925)	12,617	276,356
	<b>291,845</b>	<b>10,385</b>	<b>(17,373)</b>	<b>13,913</b>	<b>298,770</b>

Other movements relate to realised and unrealised gains and losses on investment assets.

In September 2012, the Trading Group transferred a portfolio of investments to the Foundation, with a market value of £206.4m. The transfer was made as a gift of an expendable endowment. The gift also contained a condition that the Foundation must agree to keep £100.0m of that sum as a contingent asset of the Trading Group's UK pension scheme. The terms of the gift were amended during the period to increase the contingent asset to £125.0m and extend the period until 2022, with possible further extensions to 2034. During that period the monies can only be transferred to the Pension Scheme in the event of the insolvency of the Trading Group.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 17. Revaluation reserve

	1 July 2019 £000	Unrealised gains £000	Realised revaluation reserve £000	31 December 2020 £000
Unrestricted – general funds	3,714	1,240	1,476	6,430
Endowment funds:				
Expendable endowment	49,205	15,286	18,200	82,691
	<u>52,919</u>	<u>16,526</u>	<u>19,676</u>	<u>89,121</u>

	1 July 2018 £000	Unrealised losses £000	Realised revaluation reserve £000	30 June 2019 £000
Unrestricted – general funds	2,418	1,112	184	3,714
Endowment funds:				
Expendable endowment	36,588	10,828	1,789	49,205
	<u>39,006</u>	<u>11,940</u>	<u>1,973</u>	<u>52,919</u>

### 18. Analysis of net assets between funds

	General funds £000	Endowment funds £000	Total 31 December 2020 £000	Total 30 June 2019 £000
Fixed assets	51,805	308,279	360,084	358,624
Current assets	13,046	—	13,046	416
Creditors: amounts falling due within one year	(21,951)	—	(21,951)	(31,606)
Creditors: amounts falling due after one year	(23,627)	—	(23,627)	(28,664)
	<u>19,273</u>	<u>308,279</u>	<u>327,552</u>	<u>298,770</u>

	General funds £000	Endowment funds £000	Total 30 June 2019 £000	Total 30 June 2018 £000
Fixed assets	82,268	276,356	358,624	366,809
Current assets	416	—	416	2,094
Creditors: amounts falling due within one year	(31,606)	—	(31,606)	(22,559)
Creditors: amounts falling due after one year	(28,664)	—	(28,664)	(54,499)
	<u>22,414</u>	<u>276,356</u>	<u>298,770</u>	<u>291,845</u>

### 19. Related party transactions

In accordance with the provisions of Financial Reporting Standard 102 the related party transactions entered into by the charity are detailed below. The transactions that arose were in the normal course of business.

The charity awarded a grant of £600,000 in the 12 months to 30 June 2014 to the Worshipful Company of Shipwrights where Lambros Varnavides serves as a member of the Finance Committee. The interest was disclosed before the grant was made and Mr Varnavides did not participate in the grant making decision. Of the grant awarded, £nil was outstanding as at 31 December 2020 (30 June 2019: £79,000) following the write back of the remaining grant payable. A new grant of £79,000 was awarded during the 18 months to 31 December 2020 and £nil remains outstanding at 31 December 2020.

In order to accelerate the application of research carried out at The Welding Institute (TWI), TWI and the Trading Group have formed a joint venture, Fullagar Technologies Limited. A grant of £666,000 was awarded to TWI in the 12 months to 30 June 2018 to pull TWI research into products and services. Of the grant awarded, £nil was outstanding at 31 December 2020 (30 June 2019: £440,000).

Two grants have been awarded to the Trading Group during the 18 months to 31 December 2020:

- A £900,000 grant to support decarbonisation in the marine sector. £495,000 remains outstanding as at 31 December 2020.
- A £800,000 grant to support the new SafetyTech Accelerator programme. £800,000 remains outstanding as at 31 December 2020.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

In addition to the grants provided, a further £4.3m may become payable to the Trading Group over the following 10 years, with the majority payable within the first three years. The additional payments are dependent upon periodic reviews of the project outcomes. The commitments are planned to be funded from general funds, following receipt of future investment income.

During the 18 months to 31 December 2020, the Foundation was charged the following amounts from the Trading Group:

- £1,495,000 in respect of the provision of services including accommodation and IT support (12 months to 30 June 2019: £1,001,000); and
- £427,000 in respect of Trading Group employees seconded to the Foundation (12 months to 30 June 2019: £486,000).

The above recharges do not include any amounts in respect of services for key management personnel.



# FINANCIAL REVIEW OF LLOYD'S REGISTER FOUNDATION GROUP

## Strategic report of the Foundation

The Foundation has a direct mixed motive investment in one trading subsidiary, Lloyd's Register Group Limited which has its own global group of trading companies ("the Trading Group"). The Foundation owns 100% of the issued share capital of Lloyd's Register Group Limited. The Trading Group's principal activities are the provision of independent inspection and compliance services to clients in capital intensive industries, in particular the marine and energy industries. The activities of the Trading Group in furthering the charitable objects of the Foundation are discussed on pages 31 and 32.

The Foundation's consolidated total income for the 18 months to 31 December 2020 of £1,290.1 million (12 months to 30 June 2019: £916.3 million) comprises of income recognised by the Trading Group of £1,277.6 million (12 months to 30 June 2019: £905.9 million) and investment income recognised by the Foundation of £12.5 million (12 months to 30 June 2019: £10.4 million). Income recognised by the Trading Group includes turnover of £1,253.2 million (12 months to 30 June 2019: £892.8 million), investment income of £16.3 million (12 months to 30 June 2019: £13.1 million) and grant income of £8.1 million (12 months to 30 June 2019: £nil).

The Foundation's consolidated total expenditure for the 18 months to 31 December 2020 of £1,334.4 million (12 months to 30 June 2019: £903.0 million) relates principally to the Trading Group of £1,313.2 million (12 months to 30 June 2019: £885.7 million) with the remainder relating to the activities of the charitable entity.

Consolidated net assets for the Foundation at 31 December 2020 are £761.4 million (30 June 2019: £787.4 million), a decrease of £26.0 million from the prior period.

Net consolidated funds (cash and short term deposits) for the Foundation at 31 December 2020 are £272.2 million (30 June 2019: £81.9 million), an increase of £190.3 million (12 months to 30 June 2019: decrease of £17.1 million) from 30 June 2019.

The performance of the Charitable entity is discussed on pages 30 to 35, and the results of the Trading Group below. The Accountability and Stakeholder Engagement disclosures on page 27 and Energy and Carbon Reporting on page 28 refers to the consolidated Foundation Group.

## Results of the Trading Group

This financial review of the Trading Group forms part of the strategic report.

The summarised financial information of the consolidated Trading Group is provided in note 18 to the consolidated financial statements, as per the Trading Group's consolidated financial statements for the 18 months ended 31 December 2020.

Turnover for the 18-month period to 31 December 2020 was £1,253.2 million (12 months to 30 June 2019: £892.8 million).

During the 18-month period, the Group recognised grant income of £8.1m (12 months to 30 June 2019: £nil) including £7.7m received as part of Government initiatives to provide financial support as a result of Covid-19. After the balance sheet date, the Board of the Trading Group agreed its intention to repay Covid-19 related government support where practical.

Operating profit before exceptional costs for the 18 months to 31 December 2020 was £28.6 million, (12 months to 30 June 2019: £29.7 million) of which £57.6 million (2019: £61.4 million) relates to the continuing operations of the Group offset by operating losses before exceptional items from discontinued operations of £28.9 million (2019 loss: £31.7 million). Discontinued operations comprise the Energy business which was disposed of on 31 October 2020. The reduction in the Group's operating profit before exceptional costs from continuing operations despite the longer accounting period reflects the impact that the pandemic had on the Group's retained businesses during the period.

Exceptional costs for the 18-month period of £29.2 million included £12.1 million of redundancy costs on restructuring activity associated with changes in processes and resource requirements following restructuring within back office functions and the Energy business performed during 2020. The Group also increased its onerous lease provision by £11.4 million following changes in expected future use of its leased property driven by changes in the Aberdeen real estate market and, in part, as a result of the disposal of the Energy business.

Statutory operating loss for the 18-month period, after exceptional costs, was £0.6 million (12 months to June 2019: profit £9.5 million).

## Financial position of the Trading Group

Net assets for the Trading Group at 31 December 2020 are £472.2 million (30 June 2019: £528.7 million), a decrease of £56.5 million from the prior period.

## Branches of the Group

The Lloyd's Register Foundation group (the Group) has branches, as defined in section 1046(3) of the Companies Act 2006, which are outside the UK.

## Financial risk management policies and objectives

The Group is exposed to certain financial risks as a result of its operations and the activities that it carries out. These financial risks include litigation, foreign exchange risk, credit risk, and interest rate risk.

## FINANCIAL REVIEW OF LLOYD'S REGISTER FOUNDATION GROUP

### Litigation

In the normal course of business, the Trading Group receives claims for compensation from clients and other associated parties. The Trading Group has in place appropriate policies and procedures to mitigate litigation risk. Although insurance cover is carried to mitigate this risk, the results of litigation can be uncertain and the Trading Group remains exposed to a potential shortfall in this cover.

### Foreign exchange risk (price risk)

Foreign exchange exposure is an expected risk of operating across a number of geographies. The Trading Group monitors the impact of foreign exchange on a regular basis. Where possible, the Trading Group uses natural hedges (offsetting costs incurred in a particular currency against revenues earned in that currency) that arise from its normal operating activities to manage its foreign exchange exposures. Where cash-pooling is not permitted by local regulations, non-GBP entities submit cash to head office companies by paying dividends. Derivative financial instruments are used by the Trading Group's third-party investment manager to manage the exposure to foreign exchange risk associated with the Company's investment portfolio. Residual foreign exchange exposure is monitored and is considered tolerable.

### Liquidity risk and going concern

The Group has net cash of £272.2 million (30 June 2019: £81.9 million). In addition, the Group holds listed investments of £394.2 million (30 June 2019: £454.4 million) of which £74.2 million (30 June 2019: £136.4 million) is held in escrow to make good the deficit on overseas defined benefit pension scheme in future periods.

The Trustees consider that the cash held by the Group, together with its listed investments, are sufficient to address the Group's liquidity requirements, both in the near and longer term.

The Trustees therefore have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

### Credit risk

It is company policy to perform an assessment of the creditworthiness of new clients and, where appropriate, assign a credit limit to clients' accounts.

### Interest rate risk

Derivative financial instruments are used by the Group's third party investment manager to manage the exposure to foreign exchange risk associated with the Company's investment portfolio. Aside from this potential risk the Group has only limited exposure to interest rate risk as it has no external borrowings or other interest-bearing financial instruments.

### Further details of the Trading Group

Further details of the financial performance of the Trading Group is included within the Lloyd's Register Group Limited's statutory accounts.

**THE CONSOLIDATED FINANCIAL STATEMENTS**

# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES, INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2020

	Note	Trading funds £000	Trading funds £000	Trading funds £000	General funds £000	Endowment funds £000	Total funds 18 months to 31 December 2020 £000	Total funds 12 months to 30 June 2019 £000
		Continuing	Discontinued	Total				
<b>Income</b>								
Income from investments:								
Listed investments	4	7,183	—	7,183	12,506	—	19,689	15,444
Property	4	8,592	—	8,592	—	—	8,592	6,583
Other	4	491	—	491	12	—	503	1,404
Activities for generating funds	5	1,104,227	148,966	1,253,193	—	—	1,253,193	892,847
Grant income	5	8,127	—	8,127	—	—	8,127	—
<b>Total income</b>		<b>1,128,620</b>	<b>148,966</b>	<b>1,277,586</b>	<b>12,518</b>	<b>—</b>	<b>1,290,104</b>	<b>916,278</b>
<b>Expenditure on raising funds</b>								
Investment management costs		—	—	—	—	(1,563)	(1,563)	(925)
Cost of activities for generating funds		(1,082,705)	(184,068)	(1,266,773)	—	—	(1,266,773)	(883,747)
Loss on disposal of discontinued operations	17	—	(42,722)	(42,722)	—	—	(42,722)	—
Other finance costs – pensions		(1,614)	—	(1,614)	—	—	(1,614)	(1,214)
Net interest in the results for the period in joint ventures		(1,913)	—	(1,913)	—	—	(1,913)	(593)
Other		(149)	—	(149)	—	—	(149)	(102)
<b>Total costs of raising funds</b>		<b>(1,086,381)</b>	<b>(226,790)</b>	<b>(1,313,171)</b>	<b>—</b>	<b>(1,563)</b>	<b>(1,314,734)</b>	<b>(886,581)</b>
<b>Expenditure on charitable activities</b>								
Total grant activities	7	—	—	—	(8,822)	—	(8,822)	(11,661)
Total direct activities	7	—	—	—	(10,853)	—	(10,853)	(4,787)
<b>Total expenditure</b>		<b>(1,086,381)</b>	<b>(226,790)</b>	<b>(1,313,171)</b>	<b>(19,675)</b>	<b>(1,563)</b>	<b>(1,334,409)</b>	<b>(903,029)</b>
<b>Net income / (expenditure) before (losses) / gains on investments</b>	11	<b>42,239</b>	<b>(77,824)</b>	<b>(35,585)</b>	<b>(7,157)</b>	<b>(1,563)</b>	<b>(44,305)</b>	<b>13,249</b>
Unrealised (losses) / gains on investments		(4,130)	—	(4,130)	1,240	15,286	12,396	26,057
Realised gains / (losses) on disposal of investments		16,978	—	16,978	1,476	18,200	36,654	(2,306)
<b>Net income / (expenditure) before taxation</b>		<b>55,087</b>	<b>(77,824)</b>	<b>(22,737)</b>	<b>(4,441)</b>	<b>31,923</b>	<b>4,745</b>	<b>37,000</b>
Taxation	10	(28,687)	4,799	(23,888)	—	—	(23,888)	(16,562)
<b>Net income / (expenditure)</b>		<b>26,400</b>	<b>(73,025)</b>	<b>(46,625)</b>	<b>(4,441)</b>	<b>31,923</b>	<b>(19,143)</b>	<b>20,438</b>
Transfers between funds				(3,000)	3,000	—	—	—
Share of loss of joint venture transferred to goodwill following step acquisition				1,036	—	—	1,036	—
Foreign exchange differences on translation of net assets of overseas operations				(3,668)	—	—	(3,668)	1,812
Net actuarial movements on defined benefit pension schemes	24			(6,328)	—	—	(6,328)	(27,318)
Tax relating to components of other comprehensive income				(6,215)	—	—	(6,215)	1,772
Gain on asset transferred from own use to investment property	15			8,306	—	—	8,306	—
<b>Net movement in funds</b>				<b>(56,494)</b>	<b>(1,441)</b>	<b>31,923</b>	<b>(26,012)</b>	<b>(3,296)</b>
Funds brought forward				528,659	(17,635)	276,356	787,380	790,676
Funds carried forward				472,165	(19,076)	308,279	761,368	787,380

There are no recognised gains or losses for the year other than those shown above. An analysis of the prior year funds is shown in note 6.

The prior period balance for net interest in the results for the period in joint ventures has been reclassified to expenditure on raising funds to ensure comparability.

# CONSOLIDATED BALANCE SHEET

## AT 31 December 2020

	Note	31 December 2020 £000	30 June 2019 £000
<b>Non Current Assets</b>			
Goodwill	14	58,239	91,188
Intangible fixed assets	14	44,832	55,909
Tangible assets	15	173,824	183,575
Investments	16	394,355	459,766
Pension surplus	24	142,735	119,981
Deferred tax assets	10	19,092	24,799
Interests in joint ventures: share of net assets	16	314	7,713
		<b>833,391</b>	<b>942,931</b>
<b>Current assets</b>			
Debtors	19	247,505	386,223
Cash at bank and in hand		272,200	81,886
		<b>519,705</b>	<b>468,109</b>
<b>Creditors: amounts falling due within one year</b>	20	<b>(231,176)</b>	<b>(279,426)</b>
<b>Net current assets</b>		<b>288,529</b>	<b>188,683</b>
<b>Total assets less current liabilities</b>		<b>1,121,920</b>	<b>1,131,614</b>
<b>Creditors: amounts falling due after one year</b>	21	<b>(23,627)</b>	<b>(28,664)</b>
Provisions for liabilities	22	(73,415)	(65,549)
<b>Net assets excluding pension liability</b>		<b>1,024,878</b>	<b>1,037,401</b>
Pension liability	24	(263,510)	(250,021)
<b>Net assets including pension liability</b>		<b>761,368</b>	<b>787,380</b>
<b>The funds of the group</b>	27,28		
Non charitable trading funds		645,427	629,900
Revaluation reserve		90,248	148,780
General fund	29	(19,076)	(17,635)
<b>Unrestricted funds excluding pension liability</b>		<b>716,599</b>	<b>761,045</b>
Pension reserve		(263,510)	(250,021)
<b>Total unrestricted funds</b>		<b>453,089</b>	<b>511,024</b>
Endowment funds		225,588	227,151
Revaluation reserve	28	82,691	49,205
<b>Total endowment funds</b>	27	<b>308,279</b>	<b>276,356</b>
<b>Total group funds</b>		<b>761,368</b>	<b>787,380</b>

The financial statements on pages 66 to 100 were approved by the Trustees on 26 October 2021 and signed on their behalf by:

Ishbel Macpherson, Trustee *IJS Macpherson*

**Lloyd's Register Foundation**

Company registration number 07905861

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
<b>Net cash inflow / (outflow) from operating activities</b>	30	<b>95,350</b>	(58,635)
<b>Cash flows used in investing activities</b>			
Decrease / (increase) in loans		285	(152)
Proceeds from sale of investments		394,804	172,022
Proceeds from sale of tangible fixed assets		3,547	2,382
Purchase of investments		(278,835)	(146,723)
Purchase of intangible fixed assets		(3,563)	(7,387)
Purchase of tangible fixed assets		(9,513)	(11,900)
Interest paid		(286)	(474)
Investment income		28,784	24,386
Additional investment in existing joint ventures		(903)	(4,821)
Acquisition of unlisted investments		—	(300)
Payment of deferred consideration on acquisitions		(6,872)	(1,353)
Acquisition of subsidiaries		(3,020)	—
Disposal of subsidiaries		(10,002)	—
<b>Net cash flows generated by investing activities</b>		<b>114,426</b>	25,680
<b>Cash flows from financing activities</b>			
(Decrease) / increase in borrowings		(15,841)	15,841
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>193,935</b>	(17,114)
<b>Cash and cash equivalents at beginning of period</b>		<b>81,886</b>	99,000
Net increase / (decrease) in cash and cash equivalents		193,935	(17,114)
Effect of foreign exchange rate changes		(3,621)	—
<b>Cash and cash equivalents at end of period</b>		<b>272,200</b>	81,886

## Analysis of cash and cash equivalents

Group	At 1 July 2019 £000	Cash flow £000	Effect of foreign exchange rate changes £000	At 31 December 2020 £000
Bank balances	81,886	193,935	(3,621)	272,200
	81,886	193,935	(3,621)	272,200

## Reconciliation of net cash flow to movements in net funds

	Cash and cash equivalents £000	Bank overdraft £000	Deferred consideration payable £000	2020 Net funds £000	Cash and cash equivalents £000	Bank overdraft £000	Fair value of derivatives £000	Deferred consideration payable £000	2019 Net funds £000
At 1 July 2019	81,886	(15,841)	(6,338)	59,707	99,000	—	(450)	(5,797)	92,753
Foreign exchange	(3,621)	—	—	(3,621)	—	—	—	—	—
Cash flow	193,935	15,841	6,872	216,648	(17,114)	(15,841)	—	422	(32,533)
Other movements	—	—	(534)	(534)	—	—	450	(963)	(513)
<b>At 31 December 2020</b>	<b>272,200</b>	<b>—</b>	<b>—</b>	<b>272,200</b>	<b>81,886</b>	<b>(15,841)</b>	<b>—</b>	<b>(6,338)</b>	<b>59,707</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 18 MONTH PERIOD ENDED 31 DECEMBER 2020

## 1. Basis of accounting and consolidation

The Group financial statements consolidate the financial statements of the Foundation and its subsidiary undertakings. The results of subsidiaries acquired or sold are consolidated from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed asset investments and derivative financial instruments. They have been prepared in accordance with the Statement of Recommended Practice FRS 102 "Accounting and Reporting by Charities" ("the Charities SORP"), with the exception of banding disclosures of employee benefits (excluding pension costs) in £10,000 bandings from £60,000 for employees of the Foundation's trading subsidiaries (see note 12), the reporting requirements of the Companies Act 2006 and applicable accounting standards in the United Kingdom. The charitable company has adapted the Companies Act formats to reflect the Charities SORP. The financial statements have been prepared on the going concern basis as discussed further in the Trustees' report on page 33.

The functional currency of the Group is considered to be Pound Sterling as this is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are also presented in pounds sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

## 2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

### a. Income

Income is accounted for on an accruals basis and included in the statement of financial activities when the Group is legally entitled to the income, receipt is probable and the amount can be quantified with reasonable accuracy.

Turnover from surveys and inspection, which are the main activities of the Trading Group is recognised by reference to the stage of completion of the contract activity as at the balance sheet date. This is normally measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs once the final outcome can be assessed with reasonable certainty. All income is recorded net of VAT and similar sales taxes.

### b. Expenditure

Expenditure is accounted for on an accruals basis.

Expenditure on raising funds includes costs associated with trading activities and investment management.

Expenditure on charitable activities comprise all the costs incurred applied by the Foundation in undertaking its work to meet its charitable objectives as opposed to the cost of generating the funds to finance these activities. Charitable activities are all the expenditure by the charity in the delivery of goods and services, including its programme and project work that is directed at the achievement of its charitable aims and objectives. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken.

Grants awarded are recognised when the Group formally notifies the recipient of the award following approval by the Trustees. The liability recognised is for the full amount of the award, unless a break clause is able to be exercised by the Group, whether payable immediately or across a number of financial years as grants are subject to qualitative review rather than strict performance criteria. Where material, grant liabilities in excess of one year are discounted to net present value to reflect the time value of money which is based on investment returns with a similar risk profile.

Support costs are defined as those costs that are incurred indirectly that cannot be allocated to specific activities, and relate to both grant making and direct activities that then give the Foundation the capability to carry out its charitable activities. They are allocated to the SORP expenditure headings on the basis of underlying expenditure which reflects the level of activity performed.

### c. Tangible fixed assets

Tangible fixed assets (other than investment properties) are stated at cost, net of depreciation and impairment.

Depreciation of tangible fixed assets is provided using the straight line method, commencing with the year in which they are ready for use, at rates estimated to write off their cost over their respective useful lives as follows:

Motor vehicles	5 years
Office fittings and equipment	8 years
Computer equipment	5 years
Plant and machinery	5 to 20 years
Freehold buildings	5 to 40 years
Leasehold improvements	Length of the lease

Depreciation is not provided in respect of freehold land as it is deemed to have an infinite useful life.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### d. Intangible fixed assets: goodwill

Goodwill arises on the acquisition of subsidiary undertakings and businesses and represents the excess of the fair value of the consideration given over the fair value of identifiable assets and liabilities acquired.

Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over its estimated useful economic life up to a maximum of 10 years. It is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

In accordance with Section 35 of FRS 102, Section 19 of FRS 102 has not been applied in these financial statements in respect of business combinations effected prior to the date of transition.

### e. Intangible fixed assets

Intangible assets relating to intellectual property rights acquired from third party developers are recognised at cost and amortised on a straight line basis over their estimated useful economics lives, which is estimated to be 10 years. Provision is made for any impairment.

Intangible assets relating to purchased software is recognised at cost including any directly attributable costs of preparing the software for its intended use and amortised using the straight line method over their useful economic lives which are estimated to be from 3 to 11 years. Provision is made for any impairment.

Intangible assets acquired as part of a business combination are measured at fair value at the acquisition date and are amortised over a period of six years which is estimated to be their useful economic life.

### f. Investments

Listed investments are stated at market value. Unlisted investments are stated at cost. The statement of financial activities includes realised gains and losses on investments sold in the year and unrealised gains and losses on revaluation of investments.

Investment properties includes one property that is in mixed functional and investment use. Areas of the building occupied by third party tenants are deemed to be in investment use and are held at market value with any change in fair value recognised in the consolidated statement of financial activities. Where own use property is transferred and becomes an investment property, the property is revalued at the date of transfer from its net book value to fair value, with the revaluation recorded in other comprehensive income, with subsequent changes in fair value recognised in the profit and loss account. A valuation of the building is pro-rated according to the value of floor space occupied by third party tenants. The valuation is carried out by a surveyor holding a relevant qualification (via an independent property company).

### g. Cash

Items considered to be cash are those held in hand, in current accounts and on term deposit (where the term is less than three months) with recognised financial institutions.

### h. Taxation and Value Added Tax

The Foundation is a UK registered charity, and is exempt from Corporation Tax under Chapter 3 of Part 11 to the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes.

The Trading Group includes companies and branches that operate overseas and that are subject to foreign tax. Direct tax relating to those entities is included within the consolidated financial statements as a trading cost, and analysed in note 10 to the financial statements. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The Foundation is not registered for VAT and therefore suffers irrecoverable VAT. This expense is recorded and disclosed with the cost of the underlying goods or services.

### i. Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future, or a right to pay less or to receive more tax in the future.

Deferred tax assets are recognised only to the extent that on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax relating to investment property is measured using the tax rates and allowances that apply to the sale of the asset.

### j. Fund accounting

The Foundation's general fund comprises accumulated unrestricted surpluses and deficits.

Non-charitable trading funds represent the accumulated surpluses and deficits retained within the Trading Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Endowment funds comprise one expendable endowment fund, a part of the September 2012 donation from the Trading Group. Generally, capital is retained within the fund, with income forming part of the Foundation's general fund. Trustees have the power to convert capital to income should they wish to expend capital subject to the contractual obligations of the initial donation as outlined in note 27.

### **k. Financial assets and liabilities:**

Financial assets and financial liabilities are recognised when the Foundation becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). With the exception of fixed asset investments and derivative financial instruments, financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Debtors are recognised at the settlement amount due. Creditors are recognised where the Foundation has a present obligation resulting from a past event that will result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are recognised at their settlement amount.

Income from quoted securities, which is recorded on an accruals basis, is recognised in investment income as are changes in the fair value of the listed investment portfolio. The Group does not apply hedge accounting for any of its financial instruments.

### **l. Foreign currencies:**

i. Foreign currency denominated assets and liabilities of the Group and its overseas operations are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in the statement of financial activities and accumulated in net funds.

ii. Income and expenditure for the period are translated at the appropriate rates prevailing during the period, updated on a monthly basis.

iii. Other exchange differences are shown in net income within the statement of financial activities except for exchange differences on monetary items receivable or payable from/to a foreign operation for which settlement is neither planned nor likely to occur (forming part of the net investment in the foreign operations) which are accumulated in net funds.

### **m. Leases**

The costs of operating lease rentals are charged to the profit and loss account in the period to which they relate even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

### **n. Rental income**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

### **o. Research and development expenditure**

Research expenditure is written off as incurred. Development expenditure, including all costs of developing internally generated intangible assets, is also written off, except for costs of bringing purchased software into use, where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as part of the cost of the purchased software as an intangible asset and amortised over the period during which the Group is expected to benefit. This period is between 1 and 10 years. Provision is made for any impairment.

### **p. Interest receivable**

Interest receivable from bank and short term deposits includes interest accrued. Income from listed investments is recorded on an accruals basis when the income becomes payable to the Group.

### **q. Short-term employee benefits**

Short-term employee benefits are recognised as an expense in the period in which they relate.

### **r. Pensions**

For defined benefit schemes the amounts charged to costs of activities for generating funds are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the statement of financial activities and included within other finance costs - pensions. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in the statement of financial activities.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate Trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

Pension scheme surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet.

For defined contribution schemes the amount charged to the statement of financial activities account in respect of pension costs and other retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### s. Investment in joint ventures

In the Group financial statements, investments in joint ventures are accounted for using the equity method. Investments in joint ventures are initially recognised at the transaction price and are subsequently adjusted to reflect the Group's share of the profit or loss and other comprehensive income of the joint venture.

### t. Heritage assets

The Group's collection of pictures, furniture and fittings, ship models, books and archive material are considered to be heritage assets. No value is attributed to them in the balance sheet and no depreciation charged on the grounds that for many of the assets, reliable historical cost information is not available and that the depreciated historical cost of these assets is now immaterial.

### u. Provisions

Provision is made on a case-by-case basis in respect of defending claims received and where appropriate, the estimated cost of settling claims. Provisions for employee benefits arising on termination of employment, are recognised when a company is demonstrably committed to a formal plan for termination and is without realistic possibility of withdrawal from the plan.

## 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgements in applying the Group's accounting policies*

The directors do not consider there to be any critical judgements, apart from those involving estimations (which are dealt with separately below), in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

#### *Revenue recognition*

The Group has long-term customer contracts under which service delivery can extend over a number of years. In accounting for such long-term contracts, an estimate is required of the costs to complete the contract to determine the percentage of completion, which is used to determine the amount of revenue to be recognised. These estimates are used to forecast the ultimate profitability of each contract. If, at any time, these estimates indicate that a contract will be unprofitable, the entire estimated loss for the contract is recognised immediately. If the estimates change, the measurement of the percentage of completion will change, with a consequential remeasurement of cumulative revenue recognised to date on the contract. Consequently the determination of cost estimates on long-term customer contracts that span more than one accounting period are considered a critical judgement. However, there are no such long-term projects that are individually material to the Group's reported result.

#### *Goodwill impairment*

The Group assesses at each reporting date whether there is any indication that the goodwill recognised in respect of acquisitions is impaired. Where an indicator is identified, an impairment review is performed which requires the estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £58,239,000 (30 June 2019: £91,188,000).

#### *Pension plans*

The Group operates pension schemes worldwide, including defined benefit pension schemes, the most significant of which is in the United Kingdom. For a description of the related accounting policies, refer to Note 2 above. Changes in significant assumptions could materially affect the amounts, particularly the rate used to discount the projected benefit obligation. Note 24 to the financial statements describes the principal discount rate, salary increase, inflation, mortality and pension payment increase assumptions that have been used to determine the pension and post-retirement charges. The calculation of any charge relating to pensions is dependent on the assumptions used, which reflects the exercise of judgement. The assumptions adopted are based on advice of the Group's actuaries, on prior experience and market conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 4. Investment income

	Trading funds £000	General funds £000	Endowment funds £000	Total funds 18 months to 31 December 2020 £000	Total funds 12 months to 30 June 2019 £000
Fixed Interest – UK	7,183	1,757	—	8,940	6,384
Fixed Interest – Overseas	—	65	—	65	62
Equities – UK	—	2,287	—	2,287	2,144
Equities – Overseas	—	3,730	—	3,730	3,230
Pooled Funds	—	4,626	—	4,626	3,553
Cash Instruments	—	41	—	41	71
	7,183	12,506	—	19,689	15,444
Bank interest	491	12	—	503	1,404
Income from UK investment property	8,592	—	—	8,592	6,583
	16,266	12,518	—	28,784	23,431

### 5. Activities for generating funds

	18 months to 31 December 2020 £000	12 months to 30 June 2019 £000
<b>Turnover by class of business of the Trading Group:</b>		
Marine and Offshore	622,844	427,026
Energy	148,966	123,427
Digital Products *	27,511	20,709
Business Assurance and Inspection Services	453,872	321,685
	<b>1,253,193</b>	<b>892,847</b>

\*During the 18 months ended 31 December 2020, the Trading Group has created a new business line, Digital Products. The Digital Products business line focuses on combining deep technical expertise with data, models, and modern software and applications. The comparative period has been re-presented to separately show the turnover for this new business line, for which turnover was previously reported within the Marine and Offshore and Energy business lines, depending on the market of the customer being served.

#### Grant income

Grant income includes Government grants of £7.7m (12 months to 30 June 2019: £nil) received as part of Government initiatives to provide financial support as a result of the pandemic. There are no future related costs in respect of these grants.

#### Expenditure on generating funds

Costs of generating funds include investment management costs and all expenses of the Trading Group including those attributable to public benefit activities but excluding any charitable donations made directly by the Trading Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 6. Breakdown of total funds for 2019

	Trading funds £000 Continued	Trading funds £000 Discontinued	Trading funds £000 Total	General funds £000	Endowment funds £000	<b>Total funds 2019 £000</b>
<b>Income</b>						
Income from investments:						
Listed investments	5,065	—	5,065	10,379	—	<b>15,444</b>
Property	6,583	—	6,583	—	—	<b>6,583</b>
Other	1,398	—	1,398	6	—	<b>1,404</b>
Activities for generating funds	769,420	123,427	892,847	—	—	<b>892,847</b>
<b>Total income</b>	<b>782,466</b>	<b>123,427</b>	<b>905,893</b>	<b>10,385</b>	<b>—</b>	<b>916,278</b>
<b>Expenditure on raising funds</b>						
Investment management costs	—	—	—	—	(925)	<b>(925)</b>
Cost of activities for generating funds	(723,949)	(159,798)	(883,747)	—	—	<b>(883,747)</b>
Other finance costs – pensions	(1,214)	—	(1,214)	—	—	<b>(1,214)</b>
Net interest in the results for the year in joint ventures	(593)	—	(593)	—	—	<b>(593)</b>
Other	(102)	—	(102)	—	—	<b>(102)</b>
<b>Total costs of raising funds</b>	<b>(725,858)</b>	<b>(159,798)</b>	<b>(885,656)</b>	<b>—</b>	<b>(925)</b>	<b>(886,581)</b>
<b>Expenditure on Charitable activities</b>						
Grants:						
Supporting excellent scientific research	—	—	—	(2,129)	—	<b>(2,129)</b>
Accelerating the application of research	—	—	—	(2,709)	—	<b>(2,709)</b>
Promoting safety and public understanding of risk	—	—	—	(4,365)	—	<b>(4,365)</b>
Advancement of skills and education	—	—	—	(2,458)	—	<b>(2,458)</b>
Total grant activities	—	—	—	(11,661)	—	<b>(11,661)</b>
Direct activities:						
Supporting excellent scientific research	—	—	—	(53)	—	<b>(53)</b>
Accelerating the application of research	—	—	—	(1,144)	—	<b>(1,144)</b>
Promoting safety and public understanding of risk	—	—	—	(3,337)	—	<b>(3,337)</b>
Advancement of skills and education	—	—	—	(253)	—	<b>(253)</b>
Total direct costs	—	—	—	(4,787)	—	<b>(4,787)</b>
<b>Total expenditure</b>	<b>(725,858)</b>	<b>(159,798)</b>	<b>(885,656)</b>	<b>(16,448)</b>	<b>(925)</b>	<b>(903,029)</b>
<b>Net income / (expenditure) before gains / (losses) on investments</b>	<b>56,608</b>	<b>(36,371)</b>	<b>20,237</b>	<b>(6,063)</b>	<b>(925)</b>	<b>13,249</b>
Unrealised gains / (losses) on investments	14,117	—	14,117	1,112	10,828	<b>26,057</b>
Realised (losses) / gains on disposal of investments	(4,279)	—	(4,279)	184	1,789	<b>(2,306)</b>
<b>Net income / (expenditure) before taxation</b>	<b>66,446</b>	<b>(36,371)</b>	<b>30,075</b>	<b>(4,767)</b>	<b>11,692</b>	<b>37,000</b>
Taxation	(24,099)	7,537	(16,562)	—	—	<b>(16,562)</b>
<b>Net income / (expenditure)</b>	<b>42,347</b>	<b>(28,834)</b>	<b>13,513</b>	<b>(4,767)</b>	<b>11,692</b>	<b>20,438</b>
Foreign exchange differences on translation of net assets of overseas operations			1,812	—	—	<b>1,812</b>
Net actuarial movements on defined benefit pension schemes			(27,318)	—	—	<b>(27,318)</b>
Tax relating to components of other comprehensive income			1,772	—	—	<b>1,772</b>
<b>Net movement in funds</b>			<b>(10,221)</b>	<b>(4,767)</b>	<b>11,692</b>	<b>(3,296)</b>
Funds brought forward			538,880	(12,868)	264,664	<b>790,676</b>
Funds carried forward			528,659	(17,635)	276,356	<b>787,380</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 7. Analysis of expenditure on charitable activities

				18 months to 31 December 2020 £000
Grant making activities:	Grants £000	Direct costs £000	Support costs £000	
Goal 1: Evidence and Insight	158	30	44	232
Goal 2: Challenge area: Safety at Sea	834	160	234	1,228
Goal 2: Challenge area: Safety of Food	1,879	360	526	2,765
Goal 2: Challenge area: Safety of Digital Systems	123	24	35	182
Goal 2: Challenge area: Public Understanding of Risk	281	54	79	414
Goal 2: Challenge area: Safety for a sustainable future	—	173	252	425
Goal 2: Challenge area: Safety of physical infrastructure	173	33	48	254
Heritage and education centre	14	3	4	21
Foundational *	1,614	462	677	2,753
	5,076	1,299	1,899	8,274
Unwinding of discounting of grant liabilities	548	—	—	548
	5,624	1,299	1,899	8,822
Activities undertaken directly:				
Goal 1: Evidence and Insight	—	3,124	734	3,858
Heritage and education centre	—	4,163	978	5,141
Foundational *	—	1,501	353	1,854
	—	8,788	2,065	10,853
	5,624	10,087	3,964	19,675

Expenditure associated with Building global coalitions for change (Goal 3) span all activities and are not separately identified.

No grant expenditure has been incurred during the period relating to Skills for Saftey (Goal 2 Challenge area).

\* Our Charitable mission of safety and education requires us to take a long term view. Whilst our Strategy will build up the role of evidence and insight, focus on pressing challenges, and build partnerships, we must also look beyond the five year time frame, investing in longer term programmes and initiatives. Examples of our longer term 'foundational' programmes include: establishing a long term funded network of those who have been supported by the Foundation in developing their careers to date; developing the global establishment of the discipline of 'Data-centric engineering'; and continuing our Foresight programme looking ahead at how safety can be secured in a future of technological, demographic, societal, economic and environmental change.

Following the adoption of the new strategy and an increased proportion of direct charitable activity, a revised approach to the allocation of support costs has been performed for the 18 months to 31 December 2020. Where costs relate predominantly to grant making activity they have been allocated to grants in proportion to the level of expenditure. These costs were included within the total support costs in the prior period. Support costs of £3,964,000 are allocated across all the Foundation's activities. These include costs associated with IT, HR, finance, property and other central services of the Charity's staff where not considered directly attributable. Included within support costs are staff costs of £1,629,000 and governance costs of £65,000 (12 months to 30 June 2019: £54,000).

For the 12 months to 30 June 2019 the costs of grant monitoring were included within support costs of £2,831,000. As described above grant monitoring costs have been separately identified for the 18 months to 31 December 2020. In the prior year the remaining support costs were allocated across the grant programme as this was considered the primary focus of the charity. As described above, these costs and governance costs are now allocated across all of the Foundation's activities.

Governance costs includes fees payable to the Foundation's auditor for the audit of the Foundation's annual accounts of £54,000 (12 months to 30 June 2019: £49,000).

Analysis of expenditure on charitable activities, in line with the four strategic themes adopted under the previous strategy, in the 12 months to 30 June 2019 is shown below.

	Grants £000	Activities undertaken directly £000	Support costs £000	12 months to 30 June 2019 £000
Grant making activities:				
Supporting excellent scientific research	1,084	—	396	1,480
Accelerating the application of research	1,735	—	634	2,369
Promoting safety and public understanding of risk	3,122	—	1,142	4,264
Advancement of skills and education	1,755	—	642	2,397
	7,696	—	2,814	10,510
Unwinding of discounting of grant liabilities	1,151	—	—	1,151
	8,847	—	2,814	11,661
Activities undertaken directly:				
Supporting excellent scientific research	—	53	—	53
Accelerating the application of research	—	1,138	6	1,144
Promoting safety and public understanding of risk	—	3,326	11	3,337
Advancement of skills and education	—	253	—	253
	—	4,770	17	4,787
Total charitable expenditure	8,847	4,770	2,831	16,448

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 8. Grants awarded

Grants are awarded to institutions and fund tuition costs, employment costs or other costs of research. Grants awarded in the 18 months to 31 December 2020 are analysed by institution below.

	Number of grants	Safety at Sea £000	Safety of Food £000	Safety of Digital Systems £000	Public Under standing of Risk £000	Safety of Physical infra-structure £000	Safety for a sustainable future £000	Heritage And education centre £000	Evidence and Insight £000	Found-ational £000	Total 18 months to 31 December 2020 £000
2019 Conference Student Communicator of the Year	1	—	—	—	—	—	—	—	—	2	2
Anglia Ruskin University	1	—	—	—	—	—	—	—	—	9	9
Audit XPRT Limited	1	—	—	—	—	—	—	—	—	30	30
Cardiff University Seafarers International Research Centre	1	—	—	—	—	—	—	—	19	—	19
CNRS Station Biologique de Roscoff	1	—	920	—	—	—	—	—	—	—	920
Connundram Limited	1	—	—	—	—	—	—	—	—	30	30
Cranfield University	1	—	—	—	—	—	—	—	—	10	10
Energy Institute	1	—	—	—	—	200	—	—	—	—	200
Fish Safety Foundation	1	84	—	—	—	—	—	—	—	—	84
Food and Agriculture Organization of the United Nations	1	—	82	—	—	—	—	—	—	—	82
Helm Inovation Limited	1	—	—	—	—	—	—	—	—	10	10
HiLo Maritime Risk Management	1	456	—	—	—	—	—	—	—	—	456
Imperial College London	1	—	—	—	—	—	—	—	—	545	545
Institute of Economics & peace	1	—	—	—	200	—	—	—	—	—	200
International Maritime law Institute	1	282	—	—	—	—	—	—	—	—	282
International Maritime rescue federation	1	—	—	—	—	—	—	—	—	20	20
Mission Critical Application Limited	1	—	—	125	—	—	—	—	—	—	125
M-Squared Lasers Limited	1	—	—	—	—	—	—	—	—	30	30
Nanyang Technological University	1	12	—	—	—	—	—	—	—	—	12
National Space Centre	1	—	—	—	—	—	—	—	—	394	394
Nottingham Trent University	1	—	—	—	—	—	—	—	41	—	41
Ohalo Limited	1	—	—	—	—	—	—	—	—	30	30
Open Data Institute	1	—	—	—	—	—	—	—	—	61	61
Open Data Institute Ltd	1	—	—	—	—	—	—	—	—	205	205
Philippines Visayas Foundation Inc	1	—	—	—	—	—	—	—	—	10	10
Reality AI	1	—	—	—	—	—	—	—	—	30	30
Royal Commission on the Ancient and Historical Monuments of Wales	1	—	—	—	—	—	—	14	—	—	14
RS Standards	1	—	—	—	—	—	—	—	48	—	48
Science Museum	1	—	88	—	—	—	—	—	—	—	88
Sensing Feeling	1	—	—	—	—	—	—	—	—	35	35
Shipwrights	1	—	—	—	—	—	—	—	—	79	79
SnapDNA Corporation	1	—	—	—	—	—	—	—	—	30	30
Stolar Global Imaging	1	—	—	—	—	—	—	—	—	30	30
Tall Ships Youth Trust	1	—	—	—	—	—	—	—	—	74	74
Teeside University	1	—	—	—	—	—	—	—	—	9	9
University of Manchester	1	—	—	—	—	—	—	—	—	40	40
University of Southern California	1	—	—	—	190	—	—	—	—	—	190
University of Strathclyde	1	—	—	—	—	—	—	—	50	—	50
Wageningen Research	1	—	789	—	—	—	—	—	—	—	789
Grants Returned		—	—	(2)	(109)	(27)	—	—	—	(99)	(237)
39		834	1,879	123	281	173	—	14	158	1,614	5,076
Impact of discounting grants awarded		—	—	—	—	—	—	—	—	—	—
		834	1,879	123	281	173	—	14	158	1,614	5,076

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Grants awarded in the 12 months to 30 June 2019 are analysed by institution below.

	Number of grants	Supporting excellent scientific research £000	Accelerating the application of research £000	Promoting safety and public understanding of risk £000	Advancement of skills and education £000	<b>Total 12 months to 30 June 2019 £000</b>
1851 Trust	1	—	—	—	141	141
Aalto University	1	—	680	—	—	680
Bartlett Judge Associates Ltd	1	120	—	—	—	120
British Science Association	1	—	—	50	—	50
Cambridge University Press	1	250	—	—	—	250
The Chancellor, Masters and Scholars of the University of Oxford	1	—	—	143	—	143
The CHIRP Charitable Trust	1	—	—	150	—	150
Educational Volunteers Foundation of Turkey	1	—	—	—	201	201
European Ferry Company SPRL	1	—	—	41	—	41
FISH Safety Foundation	1	—	—	449	—	449
Global Manufacturing Organisation Limited	1	—	—	250	—	250
Gallup	1	—	—	249	—	249
HELEMPA	1	—	—	—	289	289
HiLo Maritime Risk Management Ltd	1	—	—	490	—	490
International Maritime Law Institute	1	—	—	—	174	174
LexaTexer	1	—	30	—	—	30
Marine Institute of Memorial University	1	—	—	150	—	150
Massachusetts Institute of Technology	1	98	—	—	—	98
MonoLets, Inc	1	—	30	—	—	30
Museum of London Archeology	1	—	—	—	100	100
NumberBoost	1	—	30	—	—	30
Open Data Institute Ltd	1	—	99	—	—	99
NeuroControls GmbH	1	—	30	—	—	30
The Royal Institution	2	—	—	228	—	228
RNLI	1	—	—	4	—	4
Senseye, Inc	1	—	40	—	—	40
Seoul National University	1	600	—	—	—	600
Tall Ship Youth Trust	1	—	—	—	126	126
University College of London	2	—	—	468	688	1,156
University of Botswana	1	25	—	—	—	25
University of Manchester	1	—	—	—	38	38
University of Nottingham	1	—	827	—	—	827
University of Southampton	1	—	—	450	—	450
WORKERBASE GmbH	1	—	30	—	—	30
Grants Returned		(9)	(61)	—	(2)	(72)
Impact of Discounting Grants Awarded	36	1,084	1,735	3,122	1,755	<b>7,696</b>
		—	—	—	—	—
		<b>1,084</b>	<b>1,735</b>	<b>3,122</b>	<b>1,755</b>	<b>7,696</b>

### 9. Grants awarded but not paid

	<b>18 months to 31 December 2020 £000</b>	12 months to 30 June 2019 £000
At start of period	<b>58,777</b>	75,547
Awarded in the period	<b>5,313</b>	7,768
Unwinding of discounting (note 7)	<b>548</b>	1,151
Grant adjustments (note 8)	<b>(237)</b>	(72)
Paid in the period	<b>(21,709)</b>	(25,617)
At end of period	<b>42,692</b>	58,777

The aging of grants payable is shown in note 21.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 10. Taxation

The Foundation is a UK registered charity and is not subject to UK corporation tax on its charitable activities.

Many companies and branches within the Trading Group are in jurisdictions where there is no such exemption, and so the overall Group is subject to tax.

	Group	
	18 months to 31 December 2020 £000	12 months to 30 June 2019 £000
<b>Current tax on profit</b>		
UK corporation tax	1,977	729
Double tax relief	(1,822)	(169)
	155	560
Foreign tax	25,545	17,649
	25,700	18,209
Adjustment in respect of prior periods		
• UK corporation tax	(313)	333
• Foreign tax	(2,996)	(1,413)
<b>Total current tax</b>	<b>22,391</b>	<b>17,129</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,176)	(1,072)
Adjustments in respect of previous periods	3,673	505
<b>Total deferred tax</b>	<b>1,497</b>	<b>(567)</b>
<b>Total tax on profit</b>	<b>23,888</b>	<b>16,562</b>

The standard rate of tax applied to the reported profit is 19% (2019: 19%).

On 3 March 2021, new measures to increase the main corporation tax rates to 25% from 1 April 2023 were announced in the UK budget 2021. On 24 May 2021, these new measures were substantively enacted. Deferred tax assets and liabilities have not been remeasured for the increased tax rate as this new legislation was not substantively enacted as at the balance sheet date. The increase in the tax rate is expected to increase the deferred tax liability by £7.8m.

During the period beginning 1 January 2021, the net reversal of deferred tax assets and liabilities is expected to increase the corporate tax charge for the period by £5.7m (2019: £6.8m). This is due to the reversal of timing differences expected within the next 12 months.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the income before tax is as follows:

	Group	
	18 months to 31 December 2020 £000	12 months to 30 June 2019 £000
<b>Net income before taxation</b>	<b>4,745</b>	<b>37,000</b>
Profit multiplied by the average standard rate of United Kingdom corporation tax of: 19 % (2019: 19%)	902	7,030
Effects of:		
• Tax exempt profits	(8,497)	(4,230)
• Overseas rate differences	4,335	3,915
• Goodwill amortisation not deductible for tax purposes	4,820	3,628
• Expenses not deductible for tax purposes	833	1,570
• Brought forward unprovided timing differences now recognised in year	653	(1,926)
• Impact of UK qualifying corporate donations	(1,149)	—
• Current year unprovided timing differences	8,236	3,464
• Fair value gain on investment property not subject to tax	1,202	—
• Disposal of subsidiary undertakings	8,117	—
• Other taxes	4,072	3,686
• Adjustments in respect of prior periods	364	(575)
<b>Group total tax charge for period</b>	<b>23,888</b>	<b>16,562</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### Deferred tax (assets) / liabilities

	2020 £000	2019 £000
At 1 July 2019 asset	(7,789)	(4,819)
Arising in the year	10,287	(2,991)
Foreign exchange differences	438	21
At 31 December 2020 liability / (asset)	<u>2,936</u>	<u>(7,789)</u>
Deferred tax asset	(19,092)	(24,799)
Deferred tax liability (note 22)	<u>22,028</u>	<u>17,010</u>
	<u>2,936</u>	<u>(7,789)</u>
<b>Deferred tax is recognised as follows:</b>		
Accelerated capital allowances	1,813	1,133
Deferred tax arising in relation to retirement benefit obligations	16,872	8,484
Tax losses	(10,076)	(10,612)
Other timing differences	<u>(5,673)</u>	<u>(6,794)</u>
	<u>2,936</u>	<u>(7,789)</u>

Deferred tax liabilities on short-term timing differences are recognised whenever the treatment for tax purposes has enabled deductions to be taken in advance of the financial statements.

Deferred tax assets on short-term timing differences and any overseas losses have not been recognised unless the asset is expected to be recovered in the foreseeable future. Deferred tax assets not recognised amount to £28.3 million (2019: £50.7 million). Unrecognised assets will potentially become recoverable against future profits generated in the relevant overseas operations.

### 11. Net income / (expenditure) before (losses) / gains on investments

This is stated after charging / (crediting):

	18 months to 31 December 2020 £000	12 months to 30 June 2019 £000
Staff costs (note 12)	720,549	505,331
Charge for bad and doubtful debts	1,676	1,403
Research and development costs	17,986	17,143
Loss on disposal of fixed assets	930	151
Amortisation of intangible fixed assets (note 14)	14,619	9,074
Depreciation of tangible fixed assets (note 15)	13,782	8,581
Amortisation of goodwill (note 14)	23,744	19,236
Impairment of goodwill (note 14)	1,723	—
Rentals payable under operating leases	54,290	38,173
Unrealised fair value gains on forward currency contracts	—	(450)
Realised fair value losses on forward currency contracts	—	612
Exceptional costs (note 17)	29,247	20,221
Auditor's remuneration:		
Audit of parent	54	49
Audit of subsidiaries	2,483	1,894
Other services	89	114
Tax compliance services	37	57
Foreign exchange loss	9,772	1,196
Loss on disposal of subsidiary (note 17)	42,722	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 12. Employees

	Trading funds £000	General funds £000	<b>Total funds 18 months to 31 December 2020 £000</b>	<b>Total funds 12 months to 30 June 2019 £000</b>
Wages and salaries	588,231	2,625	<b>590,856</b>	416,274
Social security costs	68,224	297	<b>68,521</b>	47,017
Pension costs (note 23)	60,868	304	<b>61,172</b>	42,040
	<b>717,323</b>	<b>3,226</b>	<b>720,549</b>	<b>505,331</b>

In addition, £12.1 million (12 months to 30 June 2019: £6.2 million) of redundancy costs have been incurred.

The average number of employees, analysed by function was:

	<b>18 months to 31 December 2020 Number</b>	<b>12 months to 30 June 2019 Number</b>
Charitable activities	<b>24</b>	21
Trading activities	<b>6,660</b>	7,117
	<b>6,684</b>	<b>7,138</b>

The Charities SORP, which is applicable to the Foundation, recommends that charities disclose the number of employees whose total employee benefits (excluding employer pension costs) for the reporting period fell within each band of £10,000 from £60,000 upwards.

Employee benefit banding disclosures for the Foundation only employees are provided on page 58 in compliance with the requirements of the Charities SORP.

In addition, the Trustees are providing summary information on employee benefits in the Foundation's trading subsidiaries (the 'Trading Group'). On an annualised basis the emoluments received by employees of the Trading Group in the period to 31 December 2020 were as follows: two employees received total employee benefits of over £1,000,001; 10 employees received between £500,001 and £1,000,000; three employees received between £400,001 and £500,000; six employees received between £300,001 and £400,000; 39 employees received between £200,001 and £300,000; 627 employees received between £100,001 and £200,000; and 1,871 employees received between £60,001 and £100,000.

The Trustees have chosen, however, not to provide this disclosure on a consolidated basis in £10,000 bandings for the employees of the Foundation's trading subsidiaries (the 'Trading Group') as they believe that these disclosures will not be material to users of the Foundation's financial statements for the following reasons:

- In 2012, Lloyd's Register converted its status from an industrial and provident society to a company limited by shares, with the Foundation created as a new parent to hold the shares in Lloyd's Register Group Limited. One of the principal reasons for this action was to facilitate the furtherance of the charitable goals of Lloyd's Register. It is the view of the Trustees, that the employment of individuals within the Trading Group has not arisen from the deployment of the resources of the Foundation, but rather it is the endeavours of past and present employees of the Trading Group that have given rise to the ability to create a charity that is financially strong and that is capable of furthering its charitable objectives. The work of the Trading Group contributes to the achievement of the charitable objectives of the Foundation however to do so it is necessary to recruit employees with the necessary skills by offering employee benefits which are competitive within their respective markets. Accordingly, this disclosure is not necessary to enable potential stakeholders to assess whether the balance between expenditure on employment of individuals to generate trading profits (which benefit the charity) and expenditure on charitable purposes is appropriate.
- The Trading Group had an average of 6,660 employees for the 18 months ended 31 December 2020 (year ended 30 June 2019: 7,117). These employees are located throughout the world and their salaries reflect local market conditions. Provision of the disclosure required by the Charities SORP for the consolidated group would not aid comparability with other companies in the Charities sector because of the vast geographical diversity of the Trading Group's employee base and the employee benefits received by Trading Group employees can only be understood in the context of the market trends in the many countries in which the Trading Group operates. The vast majority of the Trading Group's employees are not in roles which exist in other charitable groups, and therefore any benchmarking against similarly sized charitable groups would not be meaningful for stakeholders.

This disclosure addresses the requirement of Financial Reporting Standard 100 'Application of Financial Reporting Requirements' (FRS 100), which requires that when an entity does not provide a disclosure required by a Statement of Recommended Practice, the financial statements explain which recommended disclosures have not been provided and the reasons why.

### 13. Trustees

The Trustees are the directors of the Foundation. The Trustees do not currently receive remuneration in respect of their duties as Trustees. No Trustees received reimbursement for out of pocket expenses (12 months to 30 June 2019: £nil). No expenses were paid on behalf of Trustees during the 18 months to 31 December 2020 (12 months to 30 June 2019: £1,000) in respect of travel expenses to Board meetings.

The Foundation maintained throughout the year Trustees' and Officers' liability insurance in respect of itself and its Trustees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 14. Intangible fixed assets

	Goodwill	Software and other intangibles*	Total
	£000	£000	£000
<b>Cost:</b>			
At 1 July 2019	307,444	81,508	388,952
Additions	11,136	3,563	14,699
Disposals	(203,899)	(21)	(203,920)
Exchange adjustment	(7,966)	—	(7,966)
At 31 December 2020	106,715	85,050	191,765
<b>Amortisation:</b>			
At 1 July 2019	216,256	25,599	241,855
Charged during the period	23,744	14,619	38,363
Impairments	1,723	—	1,723
On disposals	(185,585)	—	(185,585)
Exchange adjustment	(7,662)	—	(7,662)
At 31 December 2020	48,476	40,218	88,694
<b>Net book value:</b>			
<b>At 31 December 2020</b>	<b>58,239</b>	<b>44,832</b>	<b>103,071</b>
At 30 June 2019	91,188	55,909	147,097

\*Other intangibles relate to customer relationships acquired as part of business combinations.

The rights to software intellectual property relating to geological surveys were acquired in September 2013 for £10,193,000. The carrying amount as at 31 December 2020 was £2,819,000 (30 June 2019: £4,030,000) and the software has an estimated remaining useful life of three years.

The Group has developed a group-wide enterprise resource planning and financial reporting solution. The net book value as at 31 December 2020 was £20,793,000 (30 June 2019: £24,824,000). The intangible asset is being amortised over the estimated useful life of 10 years.

The net book value of an operational system specific to the Marine business at 31 December 2020 was £14,964,000 (30 June 2019: £19,035,000). The remaining estimated useful life is five years.

During the period, the Group impaired £1.7m of goodwill to align the carried forward net book value to the forecast income generation of the relevant operation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### Acquisitions

#### Hanseaticsoft GmbH

On 11 December 2020, the Group increased its ownership of HanseaticSoft GmbH (Hanseaticsoft) from 55% to 79% and acquired control of the entity. Consideration was £3.0m in cash with £7.0m of cash previously transferred to acquire the 55% ownership. At 30 June 2019, the group applied equity accounting for HanseaticSoft due to joint control with other shareholders.

HanseaticSoft is a fleet management platform software company.

The acquisition has been accounted for using the acquisition method of accounting. The fair value of net liabilities acquired was £1.1m.

	Book value £000	Fair value adjustments £000	<b>Fair value £000</b>
Fixed assets	31	—	<b>31</b>
Current assets	344	—	<b>344</b>
Cash	202	—	<b>202</b>
Current liabilities	(1,702)	—	<b>(1,702)</b>
	<u>(1,125)</u>	<u>—</u>	<u><b>(1,125)</b></u>
Total consideration payable			<b>10,011</b>
Less net liabilities acquired			<u><b>1,125</b></u>
Goodwill arising on acquisition			<u><b>11,136</b></u>

The useful economic life of the goodwill arising on acquisition is estimated to be 10 years based on the expected life of the customer contracts and software coding underpinning the business.

Intangibles assets have not been separately recognised and are subsumed within goodwill. They relate to customer relationships and internally developed software. Lloyd's Register Group Limited has adopted the changes in the FRS102 triennial review, resulting in an accounting policy choice to recognise such intangible assets within goodwill.

The consolidated profit and loss account for the 18-month period ended 31 December 2020 includes the result of the Hanseaticsoft since the acquisition date and contributed £nil of turnover and £nil of profit after taxation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 15. Tangible fixed assets

	Investment property* £000	Land and buildings £000	Leasehold improvements £000	Office fittings and equipment £000	Plant and machinery £000	Computer equipment £000	Motor vehicles £000	Total £000
<b>Cost or valuation:</b>								
At 1 July 2019	134,279	30,526	20,023	42,252	3,998	59,607	2,949	<b>293,634</b>
Additions	—	499	2,422	1,916	1,360	2,058	1,258	<b>9,513</b>
Disposal of business	—	—	(1,396)	(594)	(3,059)	(3,478)	(485)	<b>(9,012)</b>
Transferred to investment property	2,288	(6,655)	—	—	—	—	—	<b>(4,367)</b>
Revaluations	2,096	—	—	—	—	—	—	<b>2,096</b>
Disposals	—	(1,724)	(446)	(2,977)	(576)	(2,064)	(1,337)	<b>(9,124)</b>
Exchange differences	—	—	(476)	(465)	(42)	(479)	(221)	<b>(1,683)</b>
At 31 December 2020	<u>138,663</u>	<u>22,646</u>	<u>20,127</u>	<u>40,132</u>	<u>1,681</u>	<u>55,644</u>	<u>2,164</u>	<b>281,057</b>
<b>Depreciation:</b>								
At 1 July 2019	—	18,266	10,329	28,178	2,716	48,309	2,261	<b>110,059</b>
Charged in period	—	722	2,659	4,835	454	4,686	426	<b>13,782</b>
Disposal of business	—	—	(223)	(520)	(2,196)	(3,128)	(231)	<b>(6,298)</b>
Transferred to investment property	—	(4,367)	—	—	—	—	—	<b>(4,367)</b>
Disposals	—	(48)	(446)	(1,788)	(169)	(1,585)	(632)	<b>(4,668)</b>
Exchange differences	—	—	(391)	(354)	(37)	(345)	(148)	<b>(1,275)</b>
At 31 December 2020	<u>—</u>	<u>14,573</u>	<u>11,928</u>	<u>30,351</u>	<u>768</u>	<u>47,937</u>	<u>1,676</u>	<b>107,233</b>
<b>Net book value:</b>								
<b>At 31 December 2020</b>	<u>138,663</u>	<u>8,073</u>	<u>8,199</u>	<u>9,781</u>	<u>913</u>	<u>7,707</u>	<u>488</u>	<b>173,824</b>
At 30 June 2019	<u>134,279</u>	<u>12,260</u>	<u>9,694</u>	<u>14,074</u>	<u>1,282</u>	<u>11,298</u>	<u>688</u>	<b>183,575</b>

\*79% (2019: 73%) of the mixed used property is classified as an investment property.

### Heritage assets

The Group has accumulated a collection of heritage assets as described in the accounting policies. As a result of their age and, in many cases unique nature, reliable historical cost information is not available for these assets and could not be obtained except at disproportionate expense. The latest insurance valuation of these assets was £7.0m.

### Investment property

Investment property includes one freehold property that is in mixed functional and investment use. Areas of the building occupied by or marketed to third party tenants are deemed to be in investment property use and are held at market value. A proportion of 79% (2019: 73%) is deemed an investment property, based on the value of space let or marketed to third party tenants. The transfer of part of the property from own use to investment property resulted in revaluation gain of £8,306,000 which is recognised in other comprehensive income (within the statement of financial activities). The property valuation, with an effective date of 31 December 2020, was carried out on a market value basis by a surveyor holding a qualification from the Royal Institution of Chartered Surveyors who has recent experience in the location and class of investment property valued. If the investment property had not been revalued it would have been included at £27,965,000 (2019: £30,094,000).

Significant assumptions included in the valuation of the investment property include current investment yields and estimated future rental values, having regard to the age and general condition of the property.

As set out in note 4, rental income from investment properties for the 18 months ended 31 December 2020 was £8,592,000 (12 months ended 30 June 2019: £6,583,000).

The Group leases the investment property to a portfolio of tenants. Lease agreements are up to 20 years and typically include rent review clauses. At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2020 £000	2019 £000
Within one year	<b>5,724</b>	5,795
In the second to fifth years inclusive	<b>19,835</b>	15,861
After five years	<b>21,741</b>	20,692
	<b>47,300</b>	42,348

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 16. Investments

	2020 £000	2019 £000
Listed investments at market value comprise:		
Fixed Interest – UK	109,403	170,012
Fixed Interest – Overseas	380	965
Equities – UK	46,815	50,925
Equities – Overseas	146,106	142,273
Pooled Funds	84,387	84,249
Derivatives	847	473
Cash Instruments	3,606	739
	<b>391,544</b>	449,636
Cash at investment managers and accrued interest	<b>2,691</b>	5,308
	<b>394,235</b>	454,944
Unlisted investments	—	4,417
Long-term loans	120	405
	<b>394,355</b>	459,766
Investments in joint ventures: share of net assets	<b>314</b>	7,713
	<b>394,669</b>	467,479

#### Listed investments and cash held by investment managers

	2020 £000	2019 £000
At 1 July 2019	449,636	453,039
Additions at cost	278,608	146,723
Disposals proceeds	(391,960)	(171,000)
Realised gains / (losses) on disposals	36,654	(2,306)
Unrealised gains	18,606	23,180
At 31 December 2020	<b>391,544</b>	449,636
Cash held by investment managers and accrued interest	<b>2,691</b>	5,308
	<b>394,235</b>	454,944

#### Subsidiaries

A complete list of the subsidiaries and joint ventures is included in note 32.

#### Joint ventures

The following entities are treated as joint ventures of the Group:

Company	Share of company owned	Country of incorporation and registration	Principal activity
Lloyd's Register Apave Limited	51%	United Kingdom	Engineering inspection
Lloyd's Maritime Information Services Ltd	50%	United Kingdom	Dormant
Common Structural Rules Software LLC	50%	United States of America	Software development
Fullagar Technologies Limited	50%	United Kingdom	Development of inspection systems

The shareholders' agreements in place for the above entities means that the Group does not have overall control of the Company despite the nominal level of ownership.

The following shows the share of net assets, including goodwill recognised on acquisition, recognised by the Group for these entities:

	2020 £000	2019 £000
Lloyd's Register Apave Limited	199	104
Lloyd's Maritime Information Services Limited	115	115
Common Structural Rules Software LLC	—	19
Hanseaticsoft GmbH (note 11)	—	6,789
Fullagar Technologies Limited	—	—
Xinjiang LR Tunhe Social Economic Consulting Company Limited (note 17)	—	686
	<b>314</b>	7,713

At 31 December 2020 the Common Structural Rules Software LLC joint venture had net liabilities. The Group's share of the net liabilities amounted to £51,000 (30 June 2019: £nil) and was recognised within other provisions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 17. Sale of subsidiary undertakings

On 31 October 2020 the Group completed the disposal of the majority of its Energy business comprising certain legal entities as well as certain business assets to Indigo Solutions Holdings Limited, subsequently renamed Vysus Group Holdings Limited. The results of the Energy business for the 18 month period ended 31 December 2020 and the year ended 30 June 2019 are disclosed as discontinued operations in the Group's consolidated statement of financial activities.

Net assets disposed of and the related sale proceeds were as follows:

	<b>Total £000</b>
Fixed Assets	<b>3,204</b>
Current Assets	<b>39,524</b>
Creditors*	<b>(18,580)</b>
Provisions for liabilities	<b>(1,402)</b>
Net assets	<b>22,746</b>
Goodwill	<b>18,314</b>
Disposal costs	<b>1,662</b>
Loss on disposal	<b>42,722</b>
*Includes £4.0m loan payable to Lloyds Register Group Limited	
Sale proceeds	—
Net cash outflows in respect of the sale comprised:	
Cash and cash equivalents received	—
Less: cash and cash equivalents disposed of	<b>8,340</b>
Disposal costs	<b>1,662</b>
	<b>10,002</b>

### 18. Trading Group

The Foundation has a mixed motive investment in one trading subsidiary, Lloyd's Register Group Limited which has its own global group of trading companies (the Trading Group). The Foundation owns 100% of the issued share capital of Lloyd's Register Group Limited. The Trading Group's principal activities are the provision of independent inspection and compliance services to clients in capital intensive industries, in particular marine.

The summarised financial information of the consolidated Trading Group position is provided below, as per the Trading Group consolidated accounts for the 18 month period ended 31 December 2020.

	<b>18 months to 31 December 2020 Continuing £000</b>	<b>18 months to 31 December 2020 Discontinued £000</b>	<b>18 months to 31 December 2020 Total £000</b>	<b>12 months to 30 June 2019 £000</b>
<b>Turnover</b>	1,104,227	148,966	<b>1,253,193</b>	892,847
Cost of sales	(744,920)	(146,257)	<b>(891,177)</b>	(656,273)
<b>Gross profit</b>	359,307	2,709	<b>362,016</b>	236,574
Administrative expenses	(332,964)	(37,811)	<b>(370,775)</b>	(227,102)
Other operating income	8,127	-	<b>8,127</b>	—
Administrative expenses before exceptional costs	(309,883)	(31,645)	<b>(341,528)</b>	(206,881)
Operating profit before exceptional costs	57,551	(28,936)	<b>28,615</b>	29,693
Exceptional costs	(23,081)	(6,166)	<b>(29,247)</b>	(20,221)
<b>Operating profit</b>	34,470	(35,102)	<b>(632)</b>	9,472
Loss on disposal	-	(42,722)	<b>(42,722)</b>	—
Share of net operating loss of joint ventures	(1,713)	(200)	<b>(1,913)</b>	(593)
Net investment income	24,411	-	<b>24,411</b>	22,410
Other finance costs	(1,614)	-	<b>(1,614)</b>	(1,214)
<b>(Loss) / profit before taxation</b>	55,554	(78,024)	<b>(22,470)</b>	30,075
Taxation on (loss) / profit	(28,687)	4,799	<b>(23,888)</b>	(16,562)
<b>(Loss) / profit for the financial year</b>	26,867	(73,225)	<b>(46,358)</b>	13,513

	<b>31 December 2020 Total £000</b>	<b>30 June 2019 Total £000</b>
Assets	<b>1,020,787</b>	1,092,998
Liabilities	<b>(548,354)</b>	(564,338)
<b>Net Assets</b>	<b>472,433</b>	528,660
<b>Shareholder's funds</b>	<b>472,433</b>	528,660

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### Exceptional costs within administrative expenses

The Group has continued to incur material administrative expenses associated with its restructuring and development programmes. The costs related to:

- redundancy and severance incurred following the implementation of the Group's new ERP system and continued downturn in some of the Group's key markets of £12.1m (2019: £6.2m);
- increase in an onerous lease provision of £11.4m (2019: £1.2m);
- a £1.7m impairment of Goodwill (refer to note 14);
- a £4.0m impairment of a loan to Vysus Group Holdings Limited (refer to note 17);
- in the prior year, a cost of £1.8m was recognised in relation to Guaranteed Minimum Pension (GMP) equalisation as a result of a High Court ruling in October 2018. Previously UK pensions legislation set by the government caused gender inequalities for GMPs earned in period from 17 May 1990 to 5 May 1997, the court ruling removes the inequality; and
- in the prior year, the research and implementation phases of major IT development projects of £11.0m.

### 19. Debtors

	2020 £000	2019 £000
Trade debtors	123,654	201,040
Other debtors	6,776	9,916
Prepayments and accrued income	90,006	146,133
Taxation recoverable	27,069	29,134
	<b>247,505</b>	<b>386,223</b>

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

	2020 £000	2019 £000
Bank overdraft	—	15,841
Trade creditors	20,772	31,511
Grants payable	19,065	30,113
Other creditors	365	1,634
Other taxation and social security	19,063	18,356
Taxation	14,731	14,814
Accruals and deferred income	157,180	167,157
	<b>231,176</b>	<b>279,426</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 21. Creditors: amounts falling due after one year

	2020 £000	2019 £000
Grants payable	23,627	28,664
	<b>23,627</b>	<b>28,664</b>

The timing of grants payable is shown in the table below:

	2020 £000	2019 £000
Due within one year	19,065	30,113
Due within 1-2 years	18,044	18,290
Due within 2-5 years	6,571	11,908
Impact of discounting	(988)	(1,534)
	<b>23,627</b>	<b>28,664</b>
Net grants payable	<b>42,692</b>	<b>58,777</b>

### 22. Provisions for liabilities

	Legal claims £000	Acquisition- related £000	Employee related £000	Onerous lease £000	Deferred tax £000	Other £000	Total £000
At 1 July 2019	4,625	6,338	21,497	8,692	17,010	7,387	<b>65,549</b>
Exchange revaluation	164	—	(178)	—	121	(349)	<b>(242)</b>
Charged / (credited) to profit and loss account	209	534	34,472	12,929	(1,598)	4,993	<b>51,539</b>
Charged to other comprehensive income	—	—	—	—	6,495	—	<b>6,495</b>
Disposal of operations (note 17)	(109)	—	(1,129)	—	—	(164)	<b>(1,402)</b>
Utilisation of provision	(930)	(6,872)	(37,671)	(2,302)	—	(749)	<b>(48,524)</b>
At 31 December 2020	<b>3,959</b>	<b>—</b>	<b>16,991</b>	<b>19,319</b>	<b>22,028</b>	<b>11,118</b>	<b>73,415</b>

**Legal claims:** In the normal course of business, Lloyd's Register Group entities may receive claims for compensation from clients. Substantial insurance cover is carried for this purpose. Where appropriate, provision is made for the uninsured costs arising from such claims. Adequate provision has been made for the claims notified. The timing on these liabilities is dependent upon the conclusion of the continuing legal proceedings which typically span several years.

**Acquisition-related:** Provisions relating to amounts payable in future periods for acquisitions completed by the balance sheet date. Settlement of these provisions is expected within one year.

**Employee related:** Provision is made for redundancy and relocation costs with respect to the restructuring programmes in addition to certain employee benefits, including £6.8m (2019: £9.6m) relating to the settlement of Netherlands pension obligations, and repatriation of expatriate workers and other employment related costs. Settlement of these provisions is expected within four years.

**Deferred tax:** Liabilities are recognised in relation to deferred tax in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax.

**Onerous lease:** Provision is made for the future anticipated rent expense and related costs of leasehold property (net of estimated sublease income) where the space is vacant or currently not planned to be used for ongoing operations. Settlement of these provisions is expected within 13 years.

**Other:** Included in this category are provisions maintained to meet contractual obligations to perform restoration on leasehold properties on exit. In addition, provision is made for losses on long-term contracts, expected liabilities on self-insurance programmes, a share of net liabilities of joint ventures and other project related costs. With the exception of a small number of leasehold properties, settlement of these provisions is expected within 10 years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 23. Financial instruments

The carrying values of the Group's financial assets and liabilities measured at fair value through profit and loss are summarised by category below.

	2020 £000	2019 £000
<b>Financial assets</b>		
Investments in listed investments (note 16)	391,544	449,636
<b>Financial liabilities</b>		
Bank overdraft (note 20)	—	15,841

The Group's gains and losses in respect of financial instruments are summarised in note 11. The fair value of investments in listed investments is measured using quoted market prices in an active market.

The Group has entered into call options that enable it to increase its interest in an unlisted investment. At 31 December 2020, the fair value of the call options was £nil (30 June 2019: £nil).

### 24. Retirement benefits

#### Defined benefit pension schemes

##### Worldwide

The Group operates pension schemes in many of the countries in which the Group operates including defined benefit final salary schemes. Assets of certain schemes are held separately from those of the Group ('funded' schemes) whilst others are unfunded.

##### UK

The main funded scheme, the Lloyd's Register Superannuation Fund Association was closed to future accrual from 1 October 2010. The scheme continues to fund benefits accrued to that date, and valuations of the scheme are carried out on a triennial basis. The most recent completed valuation was carried out as at 31 March 2019. This showed that the funding position of the scheme had declined from the previous valuation. The funding shortfall was £17m for the 2019 valuation, a decrease from £81m in the previous valuation's Recovery Plan as at 31 March 2016. In the 18 month period ended 31 December 2020, special contributions of £6.03m (12 months to 30 June 2019: £6.03m) were paid.

#### Other long-term employee benefits

The Group also contributes to other long-term schemes which provide other benefits. Significant employee benefits are as follows:

- USA: provision of medical insurance for retired employees subject to age qualification restrictions. This benefit is unfunded with an obligation at 31 December 2020 of £1.4m (30 June 2019: £1.5m).
- Korea: provision of a statutory lump sum payable to qualifying employees on leaving service. This is a funded benefit with an obligation at 31 December 2020 of £13.6m (30 June 2019: £17.9m), assets of £5.1m (30 June 2019: £5.9m) a net obligation of £8.5m (30 June 2019: £12.0m).
- UK: the UK has other benefits schemes including the Unfunded, Unregistered Retirements Benefits Scheme (see the Remuneration Committee report of Lloyd's Register Group Limited). These benefits are unfunded with an obligation at 31 December 2020 of £10.2m (30 June 2019: £10.0m).

#### Other long-term employee benefits included within provisions (note 22)

Long-term unfunded employee benefits included within provisions are:

- UK: £4.9m (30 June 2019: £2.4m) in respect of the Executive Directors and Executive Leadership team participate in a Long Term Incentive Plan described in more detail in the Remuneration Committee report of Lloyds Register Group Limited.
- Australia: £1.7m (30 June 2019: £1.6m) provision for paid sabbatical leave.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### Assumptions

The disclosures have been calculated by qualified independent actuaries, based on the assumptions of the Directors and the most recent full actuarial valuations for funded schemes (completed at various dates) and to 31 December 2020.

The value of the defined benefit liabilities has been measured using the projected unit method.

The financial assumptions used at 31 December 2020 and 30 June 2019 for the different areas are summarised below.

	UK <sup>(1)</sup>		Japan <sup>(2)</sup>		Eurozone <sup>(3)</sup>		Rest of the World <sup>(4)</sup>	
	2020	2019	2020	2019	2020	2019	2020 <sup>(5)</sup>	2019 <sup>(5)</sup>
<b>Liabilities:</b>	%	%	%	%	%	%	%	%
Rate of price inflation	<b>2.9</b>	3.2	<b>1.0</b>	1.0	<b>1.8</b>	1.8	<b>2.0 to 5.0</b>	2.0 to 5.0
Rate of increase in salaries	<b>n/a</b>	n/a	<b>1.8</b>	1.8	<b>1.8</b>	1.8	<b>1.8 to 4.5</b>	1.8 to 5.0
Rate of increase in pensions	<b>Various</b>	Various	<b>0.8</b>	0.8	<b>Nil to 1.8</b>	Nil to 1.8	<b>2.0 to 5.0</b>	2.2 to 5.0
Discount rate	<b>1.4</b>	2.3	<b>0.5</b>	0.5	<b>0.3 to 1.0</b>	0.8 to 1.4	<b>2.2 to 6.3</b>	2.3 to 7.1

<sup>(1)</sup> Main United Kingdom funded scheme.

<sup>(2)</sup> Japanese unfunded liability.

<sup>(3)</sup> The Eurozone rates have been used to assess the overall deficit within the separate funded schemes in Europe.

<sup>(4)</sup> This represents a grouped disclosure for the remaining liabilities.

<sup>(5)</sup> Represents the range of assumptions used for the countries covered in the region.

For mortality tables, the Group has used various different tables appropriate to the territory under review. The most significant contribution to the Group pension liability is from the United Kingdom. The UK mortality table has been updated to reflect recent analysis undertaken as part of the triennial funding valuation. The updated table is based on the self-administered pension schemes (SAPS) "S3NA" mortality tables with an allowance for future improvements based on the Continuous Mortality Investigation (CMI) 2019 long-term projections adjusted by 100% for males and 102% for females, with a period smoothing parameter of 7.5 and a long-term trend of 1.25% per annum.

The assumptions shown above are arrived at following discussion with, and in accordance with advice received from the scheme actuaries.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### Amounts recognised in the consolidated balance sheet:

	United Kingdom		Japan		Eurozone		Rest of the World		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Cash and cash equivalents	103.3	18.5	—	—	0.2	0.3	4.2	2.9	107.7	21.7
Equity instruments	—	58.3	—	—	3.3	3.4	30.8	29.3	34.1	91.0
Debt instruments	1,057.2	971.7	—	—	20.4	19.6	25.6	29.3	1,103.2	1,020.6
Other	14.7	17.9	—	—	0.2	—	10.1	11.5	25.0	29.4
Market value of assets	1,175.2	1,066.4	—	—	24.1	23.3	70.7	73.0	1,270.0	1,162.7
Present value of scheme liabilities	(1,043.9)	(957.4)	—	—	(34.8)	(34.1)	(75.5)	(80.7)	(1,154.2)	(1,072.2)
	131.3	109.0	—	—	(10.7)	(10.8)	(4.8)	(7.7)	115.8	90.5
Present value of unfunded liabilities	(10.2)	(10.1)	(53.7)	(59.0)	(61.5)	(59.6)	(111.2)	(91.8)	(236.6)	(220.5)
Net pension asset / (liability)	121.1	98.9	(53.7)	(59.0)	(72.2)	(70.4)	(116.0)	(99.5)	(120.8)	(130.0)

The net pension liability is reported on the balance sheet as:

	31 December 2020	30 June 2019
	£m	£m
Pension surplus	142.7	120.0
Pension liability	(263.5)	(250.0)
Net pension liability	(120.8)	(130.0)

All of the above amounts are recognised on the Lloyd's Register Group Limited balance sheet with the exception of certain post-retirement benefits payable to Group operations in Korea, USA, and in the prior period, Norway. The net liabilities for the Korean, USA and Norwegian schemes are shown below.

	Korea		USA		Norway		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	£m	£m	£m	£m	£m	£m	£m	£m
Net pension assets	5.1	5.9	35.6	35.9	—	1.6	40.7	43.4
Net pension liabilities	(13.6)	(18.0)	(40.6)	(40.2)	—	(1.6)	(54.2)	(59.8)
	(8.5)	(12.1)	(5.0)	(4.3)	—	—	(13.5)	(16.4)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### Amounts recognised within income and expenditure (statement of financial activities):

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Current service cost	9.9	6.3
Curtailment (gains) / losses*	(0.2)	2.1
Administrative expenses	2.2	1.2
	<b>11.9</b>	<b>9.6</b>
Interest cost on schemes' liabilities	40.9	31.5
Interest income on schemes' assets	(39.3)	(30.3)
Total amount included under Other finance costs	<b>1.6</b>	<b>1.2</b>

\*2019 curtailment losses include £1.8m in relation to Guaranteed Minimum Pension equalisation (see note 18).

In addition, there is a charge in respect of contributions to defined contribution plans for the 18 months to 31 December 2020 of £48.9m (12 months to 30 June 2019: £32.3m).

The actual return on scheme assets for the 18 months to 31 December 2020 was £167.5m (12 months to 30 June 2019: £114.5m).

### Amounts recognised in the Consolidated Statement of Comprehensive Income (statement of financial activities):

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Gain on pension scheme assets	128.2	84.2
Experience gains	24.4	2.6
Change in assumptions	(158.9)	(114.1)
Actuarial loss	<b>(6.3)</b>	<b>(27.3)</b>

### Changes in the present value of the defined benefit obligations are as follows:

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Opening defined benefit obligation	(1,292.8)	(1,189.4)
Current service cost	(9.9)	(6.3)
Curtailements	0.2	(2.1)
Member contributions	(0.1)	—
Interest cost	(40.9)	(31.5)
Actuarial loss	(134.5)	(111.5)
Exchange adjustments	6.6	(6.3)
Benefits paid	80.6	54.3
Closing defined benefit obligation	<b>(1,390.8)</b>	<b>(1,292.8)</b>

### Changes in the market value of plan assets are as follows:

	18 months to 31 December 2020 £m	12 months to 30 June 2019 £m
Opening market value of plan assets	1,162.7	1,080.7
Expected return on plan assets	39.3	30.3
Benefits and expenses paid	(82.8)	(55.5)
Employer contributions	28.1	20.5
Member contributions	0.1	—
Actuarial gain on assets	128.2	84.2
Exchange adjustments	(5.6)	2.5
Closing market value of plan assets	<b>1,270.0</b>	<b>1,162.7</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 25. Contingent liabilities

	2020 £000	2019 £000
In respect of bank guarantees	8,752	9,283
Escrow account for pension schemes	74,201	136,370
	<b>82,953</b>	<b>145,653</b>

The Group has issued guarantees to its customers and other stakeholders in relation to its contractual operations in compliance with local legislation and industry practice. The Directors do not assess the likelihood of transferring economic benefits in respect of these guarantees to be probable. No associated liability has been recognised on the Group's Consolidated Balance Sheet.

Due to the funding shortfall on the main defined benefit scheme in the UK, part of Lloyd's Register Limited's portfolio of listed investments was transferred to an escrow account during the year ended 30 June 2011, the beneficiary of which is the Lloyd's Register UK Pension Scheme. Following the results of the latest pension scheme valuations, the remaining balance reverted to Lloyd's Register Group Limited unencumbered.

### 26. Operating lease commitments

At 31 December 2020, the Group had total future lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2020 £000	2019 £000	2020 £000	2019 £000
Within one year	17,921	20,019	7,590	7,935
Between two to five years	40,663	56,357	11,798	8,711
After five years	49,515	68,190	—	65
	<b>108,099</b>	<b>144,566</b>	<b>19,388</b>	<b>16,711</b>

### 27. Funds

Trading funds are the retained reserves of the Trading Group, and include the Trading Group's pension deficit.

	Brought forward £000	Incoming resources £000	Resources expended £000	Other movements £000	Total £000
<b>31 December 2020</b>					
Trading funds	528,659	1,269,459	(1,303,131)	(22,822)	<b>472,165</b>
Unrestricted funds - general funds	(17,635)	12,518	(19,675)	5,716	<b>(19,076)</b>
Endowment funds:					
Expendable endowment	276,356	—	(1,563)	33,486	<b>308,279</b>
	<b>787,380</b>	<b>1,281,977</b>	<b>(1,324,369)</b>	<b>16,380</b>	<b>761,368</b>
<b>30 June 2019</b>					
Trading funds	538,880	905,893	(885,063)	(31,051)	<b>528,659</b>
Unrestricted funds - general funds	(12,868)	10,385	(16,448)	1,296	<b>(17,635)</b>
Endowment funds:					
Expendable endowment	264,664	—	(925)	12,617	<b>276,356</b>
	<b>790,676</b>	<b>916,278</b>	<b>(902,436)</b>	<b>(17,138)</b>	<b>787,380</b>

Other movements include realised and unrealised gains and losses on investment assets, taxation change and also include transfers between funds, foreign exchange differences on the translation of net assets in overseas operations, share of loss of joint venture transferred to goodwill following step acquisition and actuarial movements relating to defined benefit pension schemes.

Transfers between funds relates to a gift from the Trading Group to the Foundation.

In September 2012, the Trading Group transferred a portfolio of investments to the Foundation, with a market value of £206.4m. The transfer was made as a gift of an expendable endowment. The gift also contained a condition that the Foundation must agree to keep £100.0m of that sum as a contingent asset of the Trading Group's UK pension scheme. The terms of the gift were amended during the period to increase the contingent asset to £125.0m and extend period until 2022, with possible further extensions to 2034. During that period the monies can only be transferred to the Pension Scheme in the event of the insolvency of the Trading Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 28. Revaluation reserve

	Brought forward £000	Unrealised gains arising in year £000	Released from revaluation reserve in period and other movements £000	Total £000
<b>31 December 2020</b>				
Trading funds – listed investments	72,519	2,080	(65,424)	<b>9,175</b>
Trading funds – investment property	72,547	2,096	—	<b>74,643</b>
Unrestricted – general funds	3,714	1,240	1,476	<b>6,430</b>
Endowment funds:				
Expendable endowment	49,205	15,286	18,200	<b>82,691</b>
	<u>197,985</u>	<u>20,702</u>	<u>(45,748)</u>	<u><b>172,939</b></u>
<b>30 June 2019</b>				
Trading funds – listed investments	16,774	11,240	44,505	<b>72,519</b>
Trading funds – investment property	69,670	2,877	—	<b>72,547</b>
Unrestricted – general funds	2,418	1,112	184	<b>3,714</b>
Endowment funds:				
Expendable endowment	36,588	10,828	1,789	<b>49,205</b>
	<u>125,450</u>	<u>26,057</u>	<u>46,478</u>	<u><b>197,985</b></u>

### 29. Fund distribution

	Trading funds £000	Unrestricted funds £000	Endowment funds £000	Total at 31 December 2020 £000
Non-current assets	513,357	11,755	308,279	<b>833,391</b>
Current assets	506,659	13,046	—	<b>519,705</b>
Creditors: amounts falling due within one year	(211,697)	(19,479)	—	<b>(231,176)</b>
Creditors: amounts falling due after one year	—	(23,627)	—	<b>(23,627)</b>
Provisions	(73,415)	—	—	<b>(73,415)</b>
Pension deficit	(263,510)	—	—	<b>(263,510)</b>
Inter-fund balance	771	(771)	—	<b>—</b>
	<u>472,165</u>	<u>(19,076)</u>	<u>308,279</u>	<u><b>761,368</b></u>
	Trading funds £000	Unrestricted funds £000	Endowment funds £000	Total at 30 June 2019 £000
Non-current assets	624,357	42,218	276,356	<b>942,931</b>
Current assets	467,693	416	—	<b>468,109</b>
Creditors: amounts falling due within one year	(248,768)	(30,658)	—	<b>(279,426)</b>
Creditors: amounts falling due after one year	—	(28,664)	—	<b>(28,664)</b>
Provisions	(65,549)	—	—	<b>(65,549)</b>
Pension deficit	(250,051)	—	—	<b>(250,021)</b>
Inter-fund balance	947	(947)	—	<b>—</b>
	<u>528,659</u>	<u>(17,635)</u>	<u>276,356</u>	<u><b>787,380</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 30. Reconciliation of operating surplus to net cash outflow from operating activities

	2020 £000	2019 £000
Net (expenditure) / income resources before taxation and other recognised gains and losses	(44,305)	13,249
Loss on disposal of subsidiary undertaking	42,722	—
Net interest in the results for the period in joint ventures	1,913	593
Pension interest cost	1,614	1,214
Loss on disposal of fixed assets	930	151
Exchange adjustment	(582)	5,082
Depreciation	13,782	8,581
Amortisation and impairment charges relating to intangibles	40,086	28,310
Impairment of long term loans	4,000	—
Impairment of unlisted investments	4,417	—
Decrease / (increase) in debtors	108,475	(24,665)
Decrease in creditors	(24,510)	(32,857)
Increase / (decrease) in provisions	11,313	(5,328)
Foreign tax paid	(23,464)	(21,066)
Tax received	3,410	3,005
Defined benefit contributions in excess of funds charges	(15,793)	(13,099)
Curtailment (losses) / gains	(160)	2,100
Net investment income	(28,498)	(23,905)
Cash generated / (used) in operations	<u>95,350</u>	<u>(58,635)</u>

Cash at bank and in hand includes cash held in local bank accounts in countries where exchange controls or other legal restrictions mean the balances are not available for general use by the Company or other Group subsidiaries. In total, £18.9m (2019: £22.4m) of cash was held by overseas entities which cannot be remitted to other Group entities and £nil (2019: £1.2m) which is held in bank accounts controlled by the Group however access to the funds is currently restricted. In addition to these balances, the immediate movement of cash assets held by other Group entities is subject to compliance with local regulation and legal restrictions; however the Group does not consider this cash unavailable for use by the Group. Countries where such restrictions exist and significant cash balances are held are China (£12.6m) due to exchange controls and Korea (£8.7m) where remittance is permitted following external audit.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 31. Related party transactions

The Foundation defines its key management personnel as the Trustees, the Foundation's Chief Executive and Board of Directors and the Executive Leadership Team of the Trading Group. The total remuneration for key management personnel for the 18 month period to 31 December 2020 totalled £16,046,000 (12 months to 30 June 2019: £8,298,000).

The following transactions took place between Lloyd's Register Group Limited undertakings in which the Group holds less than 100%:

	Turnover arising from trading with other LR Group companies £000	Operating costs charged by LR Group companies £000	Amounts owed (to) / from Group companies at 31 December 2020 £000
<b>Subsidiaries</b>			
i4Insight, Inc	—	—	(128)
Lloyd's Register Industrial Services (India) Pvt Ltd	—	—	1
Lloyd's Register International (Thailand) Ltd	639	(436)	1,958
Lloyd's Register Middle East LLC Abu Dhabi	3,201	(5,106)	(5,602)
Lloyd's Register Oman LLC	521	(911)	1,764
Lloyd's Register Qatar LLC	663	(2,178)	(52)
LR Technical Services Sdn Bhd*	394	(2,608)	—
Senergy International Sdn Bhd*	—	(371)	—
Senergy Global Resources Sdb Bhd*	6,074	—	—
Hanseaticsoft GmbH	5	(575)	(907)
<b>Joint ventures</b>			
Lloyd's Register Apave Limited	—	(3,062)	(615)
Xinjiang LR Tunhe Social Economic Consulting Company Limited*	—	(78)	—

\* Transactions reported in the 16 month period to disposal on 31 October 2020.

The following transactions took place between Lloyd's Register Group Limited undertakings in which the Group holds less than 100% for the 12 months to 30 June 2019:

	Turnover arising from trading with other LR Group companies £000	Operating costs charged by LR Group companies £000	Amounts owed (to) / from Group companies at 30 June 2019 £000
<b>Subsidiaries</b>			
i4Insight, Inc	—	—	—
Lloyd's Register Industrial Services (India) Pvt Ltd	—	—	3
Lloyd's Register International (Thailand) Ltd	113	(440)	(869)
Lloyd's Register Middle East LLC Abu Dhabi	976	(2,232)	(3,131)
Lloyd's Register Oman LLC	338	(915)	1,297
Lloyd's Register Qatar LLC	630	(402)	354
LR Technical Services Sdn Bhd*	112	(1,648)	1,205
Senergy International Sdn Bhd*	189	(360)	(3,154)
Senergy Global Resources Sdb Bhd*	4,330	—	155
<b>Joint ventures</b>			
Lloyd's Register Apave Limited	—	(1,255)	(626)
Xinjiang LR Tunhe Social Economic Consulting Company Limited*	40	(40)	—
Hanseaticsoft GmbH	—	(133)	(179)

During the period the Group has increased its investments in Common Structural Rules Software LLC from \$19,625,000 to \$20,775,000 and in i4Insight, Inc from \$3,200,000 to \$5,200,000.

Amount due from HanseaticSoft GmbH includes a €800,000 (2019: €200,000) loan. The loan is for a minimum of two years and interest accrues at 6%. The loan total loan facility amounts to €800,000. Interest income recognised in respect of the loan amounts to €47,000 (12 months to 30 June 2019: €3,000).

The Group provides administrative services to the Group's pension schemes. The following transactions took place between Lloyd's Register Group Limited and Lloyd's Register Superannuation Fund Association.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

	<b>2020</b>	2019
	<b>£000</b>	£000
Administrative services provided	<b>360</b>	240
Administrative services payable	<b>20</b>	20

The charity awarded a grant of £600,000 in the 12 months to 30 June 2014 to the Worshipful Company of Shipwrights where Lambros Varnavides serves as a member of the Finance Committee. The interest was disclosed before the grant was made and Mr Varnavides did not participate in the grant making decision. Of the grant awarded, £nil was outstanding as at 31 December 2020 (30 June 2019: £79,000) following the write back of the remaining grant payable. A new grant of £79,000 was awarded during the 18 months to 31 December 2020 and £nil remains outstanding at 31 December 2020.

In order to accelerate the application of research carried out at The Welding Institute (TWI), TWI and the Trading Group have formed a joint venture, Fullagar Technologies Limited. A grant of £666,000 was awarded to TWI in the 12 months to 30 June 2018 to pull TWI research into products and services. Of the grant awarded, £nil was outstanding at 31 December 2020 (30 June 2019: £440,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

### 32. Group companies

The following are the subsidiaries and joint ventures of the Group at 31 December 2020. All subsidiaries are consolidated. Details are given of the principal country of operation. The equity share capital of these entities is wholly owned by the Group except where its percentage interest is shown otherwise. All companies are incorporated in their principal country of operation except where stated.

There are four entities included in the below list where the Group owns less than 50% of the subsidiary. All of these entities are incorporated in countries where local legislation requires local nationals to hold at least 50% of the issued share capital of each company. For each of these entities, arrangements exist which afford the Group control of the company's financial and operating policies so as to obtain benefit from its activities.

Company	Country of Origin	Registered Address	% of Ownership
Acoura Holdings Ltd <sup>1</sup>	UK	71 Fenchurch Street, London EC7M 4BS, UK	100
Acoura Compliance Ltd	UK		100
Acoura Consulting Ltd	UK		100
Classification and Quality Services Ltd	UK		100
Classification Holdings Ltd	UK		100
Lloyd's Maritime Information Services Ltd	UK		50
Lloyd's Register Apave Limited	UK		51
Lloyd's Register Asia <sup>1</sup>	UK		100
Lloyd's Register Asia Trustees Limited <sup>1</sup>	UK		100
Lloyd's Register Central and South America Ltd <sup>1</sup>	UK		100
Lloyd's Register EMEA <sup>1</sup>	UK		100
Lloyd's Register EMEA Trustees Ltd <sup>1</sup>	UK		100
Lloyd's Register GMT Ltd	UK		100
Lloyd's Register Group Services Limited <sup>1</sup>	UK		100
Lloyd's Register Inspection Ltd <sup>1</sup>	UK		100
Lloyd's Register International <sup>1</sup>	UK		100
Lloyd's Register Limited	UK		100
Lloyd's Register Nominee 1 Ltd	UK		100
Lloyd's Register Nominee 2 Ltd	UK		100
Lloyd's Register of Shipping Trust Corporation Limited	UK		100
Lloyd's Register Quality Assurance Ltd <sup>1</sup>	UK		100
Lloyd's Register Trust Corporation Limited	UK		100
Lloyd's Register Superannuation Trustees Ltd	UK		100
Lloyd's Register Verification Ltd <sup>1</sup>	UK		100
Lloyd's Register Group Ltd	UK		100
Perry Scott Nash Training Ltd	UK		100
Seasafe Marine Software & Computation (UK) Ltd	UK		100
Nettitude Ltd	UK		100
Threat2Alert Limited	UK		100
Nettitude Forensics Limited	UK		100
Safetytech Accelerator Limited	UK		100
Fullagar Technologies Limited	UK	Bevan Braithwaite Building Granta Park, 50 Great Abington, Cambridge, CB21 6AL	50
Lloyd's Register Finance Limited	UK	Kingswells Causeway, Prime Four Business Park, Kingswells, Aberdeen, Scotland, AB15 8PU	100
Senergy Holdings Ltd	UK		100
Interactive Petrophysics Limited	UK		100
Senergy Resources Limited	UK		100
Lloyd's Register Digital Products (formerly Senergy Software Limited)	UK		100
Lloyd's Register Aligned Services Ltd (formerly Senergy Aligned Services Limited)	UK	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland, UK	100
Acoura Certification Ltd	UK		100
Acoura Marine Ltd	UK		100
Acoura Ltd	UK		100
SFQC Ltd	UK		100
Food Certification Scotland Ltd	UK	Polygon Hall, Le Marchant Street, St Peter Port, GY1 4HY, Guernsey	100
Food Certification International Ltd	UK		100
71FS Insurance Company Limited <sup>1</sup>	GUERNSEY	Skybridge House, Dublin Airport, North Swords, Dublin, K67P6K2	100
WQ-IC Limited	IRELAND		100
Lloyd's Register Bangladesh Pvt Ltd	BANGLADESH	11 <sup>th</sup> Floor, 9 Mohakhali C/A, Dkaka – 1212, Dhaka, Bangladesh	100
Lloyd's Register Drilling Integrity Services Australia Pty Ltd	AUSTRALIA	Level 1, 503 Murray Street, Perth WA 6000, Australia	100
Lloyd's Register Belgie vzw <sup>1</sup>	BELGIUM	Lloyd's Register Belgie VZWD, Rijnkaai 37, 20000 Antwerp, Belgium	100

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register Do Brasil Ltda	BRAZIL	Rua da Gloria, 311-11, Andar, Rio de Janeiro, RJ, 20.241.180, Brazil	100
Lloyd's Register Quality Assurance Canada Limited	CANADA	5420 North Service Road, Suite 506 Burlington, Ontario L7L 6C7 Canada	100
Lloyd's Register Canada Limited	CANADA	1888 Brunswick Street, Suite 400, Halifax NS B3J 3j8, Canada	100
MARTEC Limited	CANADA	1888 Brunswick Street, Suite 400, Halifax NS B3J 3j8, Canada	100
Lloyd's Register Classification Society (China) Co Ltd	CHINA	19 <sup>th</sup> Floor, 550 Yan An dong Road, Huangpu District, Shanghai, China	100
Lloyd's Register Industrial Technical Services (Shanghai) Co. Ltd	CHINA	20 <sup>th</sup> Floor, Ocean Towers, No 550 Yan An Dong Road, Huang District, Shanghai, China	100
LRQA (Shanghai) Co Ltd	CHINA	20th Floor, Ocean Towers, No 550 Yan An Dong Road, Huang District, Shanghai, China	100
Lloyd's Register Advisory Services China(Shanghai) Ltd	CHINA	Room 1906, No.550 Yan'an East Road, Huangpu District, Shanghai, China	100
Lloyd's Register Central and South America (Curaçao) NV	CURAÇAO	Alablancaweg No. 30 Wilhelminalaan 13, Curaçao	100
Lloyd's Register Egypt LLC	EGYPT	Apartment no 303-3 <sup>rd</sup> Floor, 13 Ramo Gardens Street – EL Nasr Road, Nasr City, Cairo, Egypt	100
Lloyd's Register Quality Assurance France SAS	FRANCE	Tour Societe Suisse, 1, bld Vivier Merle, 69003, Lyon, France	100
Lloyd's Register Deutschland GmbH	GERMANY	Lloyd's Register EMEA, Adolf-Grimme-Allee 3, 50829 Köln, Germany	100
Hanseaticsoft GmbH	GERMANY	Frankenstraße 29, 20097 Hamburg, Germany	79
Hellenic Lloyd's SA	GREECE	87 Akti Miaouli, Piraeus, 18538, Greece	100
Lloyd's Register Italia S.R.L. <sup>1</sup>	ITALY	Via Sottoripa 1A/112 16124 Genova GE, Italy	100
Lloyd's Register Quality Assurance Italy Srl	ITALY	Piazza della Vittoria 6, 16121, Genova, Italy	100
Lloyd's Register Industrial Services (India) Pvt Ltd <sup>1</sup>	INDIA	63-64 Kalpataru Square, 6 <sup>th</sup> Floor, Kondivita Lane, Off Andheri-Kurla Road, Andheri (E), Mumbai, 400 059, India	51
Lloyd's Register Marine and Inspection Services (India) LLP	INDIA	63-64 Kalpataru Square, 6 <sup>th</sup> Floor, Kondivita Lane, Off Andheri-Kurla Road, Andheri (E), Mumbai, 400 059, India	100
PT Lloyd's Register Indonesia	INDONESIA	Menara Dea Tower 1, 12 <sup>th</sup> Floor, JL Mega Kuningan Barat IX Kav, E4.3 No1, Kawasan Mega Kuningan, Jakarta, 12950, Indonesia	100
Lloyd's Register Japan Kabushiki Kaisha	JAPAN	Queen's Tower A, 2-3-1 Minatomirai, Nishi-Ku, Yokohama	100
Lloyd's Register Kazakhstan LLP	KAZAKHSTAN	29/6 Satpayev Street, Floor, Rakhat Palace Hotel, Almaty, Kazakhstan	100
Lloyd's Register Advisory Services Korea Ltd	KOREA	(CJ Logistics Bldg., Joongang-dong 6-ga) 10F, 119, Daegyo-ro, Jung-gu, Busan	100
Lloyd's Register Quality Assurance (Korea) Ltd	KOREA	17 <sup>th</sup> Floor, Sinsong Building, 25-4 Yeouido-dong, Yeongdeungpo-gu, Seoul, 150-711, Korea	100
LRQA Lietuva UAB	LITHUANIA	Lvovo Str 25, Vilnius, LT-09320, Lithuania	100
Lloyd's Register Malaysia Sdn Bhd	MALAYSIA	Level 28, Naza Tower, Platinum Park No. 10, Persiaran KLCC	100
Lloyd's Register of Shipping (Malaysia) Bhd	MALAYSIA	50088 Kuala Lumpur TBC No 10, Persiaran KLCC, 50088, Kuala Lumpur, Malaysia	100
Senergy Global Resources Sdn Bhd	MALAYSIA	Level 10, Menara LGB, No 1, Jalan Wan Kadir, Taman Tun Dr Ismail, 6000 Kuala Lumpur, Malaysia	49

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Company	Country of Origin	Registered Address	% of Ownership
Lloyd's Register Services (Malaysia) Sdn. Bhd.	MALAYSIA	Level 10, Menara LGB, No 1, Jalan Wan Kadir, Taman Tun Dr Ismail, 6000 Kuala Lumpur, Malaysia	100
Lloyd's Register Mozambique Lda	MOZAMBIQUE	Mozambique, Maputo	100
LR Advisory Services BV (Netherlands) (formerly Lloyd's Register Drilling Integrity Services Holding B.V)	NETHERLANDS	Cidade DISTRITO URBANO 1 Bairro da Polana, Av. Marginal Tenente Ovaldo Tazama Torres Rani Torre 1, 2 Piso, Fracao 5	100
Lloyd's Register Nederland BV	NETHERLANDS	Gapingseweg 1A, Serooskerke, 4343JA, Walcheren, Netherlands	100
LR Verification BV <sup>1</sup>	NETHERLANDS	Wnna-Zuid 168, 3012NC, Rotterdam, Netherlands	100
Lloyd's Register EMEA (Nigeria) Ltd Gte	NIGERIA	KP van der Mandelelaan 41 A, 3062 MB Rotterdam, Netherlands	100
Lloyd's Register West Africa Ltd	NIGERIA	6th Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	100
Lloyd's Register Oman LLC	OMAN	6 <sup>th</sup> Floor, B Wing, Shippers Plaza, 4 Park Lane, Apapa, Lagos, Nigeria	100
Lloyd's Register Pakistan (Private) Limited	PAKISTAN	Bait Al Bahja, Building No 603, Room 21, Way No 2710, Ruwi CBD, Muscat, Sultanate of Oman, PO BOX 2715, RUWI PC 112, Oman	70
Lloyd's Register (Polska) Sp Zoo	POLAND	Lloyd's Register, BRR Towers, 14 <sup>th</sup> and 15 <sup>th</sup> Floor, 11 Chundrigar Road, Karachi, 74400 Sindh	100
Lloyd's Register Qatar LLC	QATAR	Al. Zwyciestwa 13a, 80-219, Gdansk, Poland	49
Lloyd's Register (Romania) SRL	ROMANIA	Regus Building D-Ring Road, Doha, PO Box 10285, Qatar	100
Lloyd's Register Saudi Arabia Ltd	SAUDI ARABIA	Sos. Iancului 31, Etaj 3, 021716 Bucuresti, Romania	100
Lloyd's Register D.O.O. (Beograd)	SERBIA	Office Number 7 Second Floor, West Tower Building, AL Khobar, Abdul Azeez Street, Saudi Arabia	100
Lloyd's Register Quality Assurance España SL	SPAIN	Vojvode Stepe 78, Beograd, Serbia	100
Lloyd's Register España SA	SPAIN	Calle Princesa 29, 28008, Madrid, Spain	100
Lloyd's Register Drilling Integrity Services Asia Pacific Pte. Ltd	SINGAPORE	Princesa, 29-1, 28008, Madrid, Spain	100
Lloyd's Register Singapore Pte Limited	SINGAPORE	1 Fusionopolis Place, #09-11 Galaxis, 138522, Singapore	100
Lloyd's Register Pte. Ltd	SINGAPORE	1 Fusionopolis Place, #09-11 Galaxis, 138522, Singapore	100
LRQA Sverige AB	SWEDEN	1 Fusionopolis Place, #09-11 Galaxis, 138522, Singapore	100
Lloyd's Register RiskSpectrum AB	SWEDEN	Goateborgsvagen 74, Box 2107, 43302, Savedalen, Sweden	100
Lloyd's Register International (Thailand) Ltd	THAILAND	Box 1288, 172 25 Sundbyberg, Sweden	49
Lloyd's Register Gozetim Ltd Sti	TURKEY	3388/78 Floor 22, Sirinrat Building, Rama IV Road Klong-Ton Sub-district, Klong-Toey District, Bangkok, 10110, Thailand	100
Lloyd's Register (Ukraine)	UKRAINE	Ataturk Caddesi, Sitkibey Plaza, No 82 Kat 3 Daire 12, Kozyatagi, Istandul, Turkey	100
Lloyd's Register Middle East LLC	UAE	63 Bolshaya Morskaya Street, Office 203,100 Mykolaiv, 54001, Ukraine	49
Lloyd's Register Americas, Inc. <sup>1</sup>	USA	The Blue Tower Building, Khalifa Street, Abu Dhabi, UAE	100
Common Structural Rules Software LLC	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	50
Lloyd's Register North America, Inc.	USA	16855 Northchase Drive, Houston, TX 77060, USA	100
Lloyd's Register Americas Advisory Services, Inc.	USA	1330 Enclave Parkway, Houston, Texas, 77077, USA	100
Lloyd's Register Quality Assurance, Inc.	USA		100
Lloyd's Register Technical Services, Inc.	USA		100
LR Insurance, Inc.	USA		100
Nettitude, Inc.	USA	50 Broad Street, New York, NY 10004	100

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Company	Country of Origin	Registered Address	% of Ownership
i4Insight, Inc	USA	1209 Orange Street, Wilmington, Delaware 19801, USA	80
Lloyd's Register Asia (Vietnam) Company	VIETNAM	Suite 450 Petrovietnam Tower, 8 Hoang Dieu Street, Ward 1, Vung Tau City, Ba Ria, Vung-Tau Province, Vietnam	100

<sup>1</sup> Wholly owned directly by Lloyd's Register Group Limited

Shareholdings in two entities are held on Trust on behalf of Vysus Group Holdings Limited following the disposal of the majority of the Group's Energy operations (note 17). These companies are excluded from the Group financial statements from the date of disposal.

Company	Country of Origin	Registered Address	Shareholding %
Lloyd's Register Technical Services Sdn Bhd	MALAYSIA	No 10, Persiaran KLCC, 50088, Kuala Lumpur, Malaysia	49
Lloyd's Register Energy & Transportation S de CV.de RL	MEXICO	Calle Habaneras 271 401, Jardines de Virginia, Boca del rio, Veracruz, 94294, Mexico	100

The following subsidiaries have taken advantage of the exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Company	Place of registration	Registered number
Classification and Quality Services Limited	England and Wales	03973758
Classification Holdings Limited	England and Wales	03704447
Lloyd's Register Finance Limited	Scotland	SC720138
Lloyd's Register GMT Limited	England and Wales	06428883
Lloyd's Register Group Services Limited	England and Wales	06193893
Lloyd's Register Verification Limited	England and Wales	04929226
Senenergy Aligned Services Limited	Scotland	SC718186
Senenergy Resources Limited	Scotland	SC746964
Senenergy Holdings Limited	Scotland	SC252441

### 33. Post balance sheet events

On 3 March 2021, the Group completed the first stage of the acquisition of C-MAP commercial, a leading provider of marine cartography and digital publications, shore-side and shipside voyage optimisation and cloud-based fleet management & fleet analytics software. The Group acquired the trade and assets representing the C-MAP operations in USA, Norway, Greece, Singapore and India.

On 10 June 2021, the Group purchased the remaining share capital in its subsidiary Hanseastics GmbH for consideration of €2.9m bringing its total shareholding in the company to 100%.

On 29 June 2021, the Group announced the sale of 100% of its Business Assurance & Inspection Services business line, including cyber-security business Nettitude, to Goldman Sachs Asset Management. The deal is expected to complete during the second half of calendar year 2021, following customary antitrust and regulatory approvals.

On 16 July 2021, the Group completed the second stage of the acquisition of C-MAP commercial and acquired the trade and assets representing the C-MAP operations in Russia.

In September 2021, the Group completed the acquisition of Greensteam, a marine data intelligence company specialising in improving vessel efficiency through machine learning.