



# Sedex Annual Report 2020

WEDNESDAY



\*AA4SZV4\*

A17

19/05/2021

#9

COMPANIES HOUSE

# Contents

<b>Introduction</b>	<b>4</b>
<hr/>	
• About Sedex	5
• Letter from the Chair	6
• Letter from the Chief Executive	7
• Sedex Executive Team	8
<b>Governance</b>	<b>9</b>
<hr/>	
• Corporate governance	10
• Governance review 2020	11
• Board of Directors	12
• Board committees	13
• Internal controls and risk management	14
• Board members	15
• Company information and professional advisors	20
<b>Strategic report</b>	<b>21</b>
<hr/>	
• Chief Executive's review	22
• Financial review for the year ended 31 December 2020	24
• Corporate social responsibility report	26
• The importance of responsible sourcing	29

INTRODUCTION →

GOVERNANCE →

STRATEGIC REPORT →

FINANCIAL STATEMENTS →

• The Sedex impact in numbers	30
• Highlights and achievements in 2020	32
• Supporting members throughout the COVID-19 pandemic	35
• Key drivers of responsible sourcing	36
• Risks and internal controls	38
<b>Financial statements for Sedex Information Exchange Limited</b>	<b>40</b>
<hr/>	
• Directors' report	41
• Independent auditor's report to the members of Sedex Information Exchange Limited	43
• Group profit and loss account	47
• Group statement of comprehensive income	48
• Group balance sheet	49
• Company balance sheet	50
• Group statement of changes in equity	51
• Company statement of changes in equity	52
• Group statement of cash flows	53
• Company statement of cash flows	54
• Notes to the financial statements	55

# Introduction

## About Sedex

**Sedex is a world leader in responsible sourcing, aiming to improve working conditions in global supply chains. We provide businesses with the tools, technology and insights they need to operate responsibly, protect workers and source sustainably and ethically.**

Using Sedex enables businesses to work together as a community, to better manage their social and environmental performance and improve working conditions throughout the supply chain.

Around 60,000 member organisations use the Sedex platform and services to share ethical data, manage business risk, meet compliance and drive positive impact on people.

---

We have 17 years of expertise and work with some of the world's most recognisable brands and standard setting organisations. Today, we reach 33 million people with our tools that members use, across 180 countries.

---

## Letter from the Chair

### I am pleased to report on Sedex's development during 2020

As for many companies and people, 2020 brought unprecedented challenges for the Sedex business, as well as for our members and workers in supply chains, as the impact of the pandemic was felt around the world. However - the year also served as a crucible for innovation and change, and it was my privilege to work with our Chief Executive and our Board as the business pivoted to adapt and innovate with new solutions. I would like to thank all the Sedex staff, who worked very hard in difficult conditions, to deliver a seamless service offering to our customers. The challenge of responsible business is a constant one, regardless of a global pandemic. In fact, the supply and demand pressures of COVID-19 highlighted for many consumers the necessity for sustainable, ethical, and resilient supply chains.

Previously, many of us took for granted supermarket shelves stocked full of out-of-season produce - only to find some of these items temporarily unavailable when global supply chains became disrupted at the height of the pandemic. As we became more dependent on home grocery deliveries, or queued for the supermarkets, we developed more appreciation for the distances our food takes to reach us, and the people that grow it for us.

This awareness of human rights in supply chains is mirrored in the continuing development of ethical trade legislation being introduced in various countries, such as in Australia and the Netherlands. As this new legislation is introduced, Sedex is working with more and more businesses looking to address responsible sourcing for the first time, and we relish the opportunity to help them with this journey.

I am pleased to share that Sedex had a healthy revenue of £16.6 million in 2020, only 4% less than in 2019 despite the backdrop of this challenging year and that our underlying EBITDA was virtually unchanged at £4.6 million.

The Board undertook a very significant governance review in 2020, aligning the composition of the Board and its standing committees with the UK Corporate Governance Code. This project culminated in Class Consent meetings in October and an Extraordinary General Meeting in December, to ratify and embed these changes. I am pleased to report that these much-needed changes have improved the quality of decision-making on the Board and will stand Sedex in good stead in the future.

While the future is uncertain, we are confident in our 5-year-strategy's capability to deliver sustainable growth. Our new virtual and remote tools provide members with the information they need to support business decision making. Our growing team - including three new executive leadership hires - have built our capability to continue innovating and responding to issues affecting members. And work is now commencing for the new incarnation of the Sedex platform, which will transform the way businesses connect to share ethical data. Despite a challenging year, green shoots are starting to show, and I am very much looking forward to the future.



**Steven Esom**  
Chair of the Board

## Letter from the Chief Executive

**Our Chief Executive, Simon McCalla, looks back on an unprecedented year predicated on disruption and adaptation.**

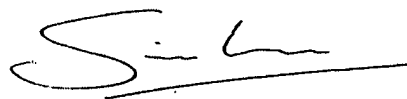
The world has changed considerably since we published our last annual report. Little did I know that 2020, my second year in post as Sedex's Chief Executive, would be one largely spent working from my kitchen table. We have all changed how we work in light of the disruption brought about by COVID-19, within the Sedex business, our member organisations, and supply chains around the world.

Despite a challenging year, I'm proud of how the Sedex team adapted to the "new normal" and is continuing to support members throughout the pandemic. While many of us work from home, suppliers around the world have adapted to significant disruption, facing reduced demand, restrictions to movement of workers, and implementing health and safety measures, such as personal protective equipment (PPE) and social distancing.

During the first lockdown here in the UK, we recognised that we needed to develop innovative new tools and services to support members to maintain visibility in supply chains where audits could not take place. As a result, we launched Sedex Virtual Assessment, a first-to-market tool, enabling Sedex members to continue supply chain assessment while restrictions remained in place around much of the world. We also published guidance for businesses, providing practical steps to manage the impacts of COVID-19 on workers in member businesses and their supply chains.

But 2020 wasn't just a year defined by COVID-19: Our workforce grew to 130, building our capability to implement our 5-year strategy. We opened our new London headquarters, which in future will provide our growing team a place to collaborate and work together. The new office space is configured to adapt to flexible working patterns, which I believe are here to stay beyond lockdown. We closed the year with a membership nearly 60,000 strong, demonstrating the influence of Sedex to bring the global business community together to enable responsible business.

Despite the ongoing disruption of COVID-19 to businesses, 2020 was still a successful and profitable year for Sedex. As we continue to navigate through the pandemic, I am looking forward to working together with our members and stakeholders to continue our mission and deliver against our 5-year strategy.



**Simon McCalla**  
Chief Executive

## Sedex Executive Team

**Simon McCalla**  
Chief Executive

**Richard Wright**  
Chief Financial Officer

**Walter Lin**  
Managing Director, Asia

**Matt Bye**  
Chief Technology Officer

**Allison Hudson**  
Director of Member and  
Customer Relations

**Mark Hooper**  
Commercial Director

**Liz Aldred**  
Director of Human  
Resources

**Jessica McGoverne**  
Director of Corporate  
Affairs

**Eve Pienaar**  
Company Secretary

# Governance

INTRODUCTION →

**GOVERNANCE →**

STRATEGIC REPORT →

FINANCIAL STATEMENTS →

## Corporate governance

At Sedex, our vision is to drive organisations globally to improve the lives of people they impact. Our corporate governance reflects the way in which Sedex is organised and managed to help fulfil this vision.

Sedex Information Exchange Limited (Sedex) is a membership organisation and is incorporated in the UK as a Company limited by guarantee. As a membership organisation Sedex operates for the mutual benefit of all our members. Sedex is a private Company and, although it is not strictly required to comply with the Corporate Governance Code, it draws on best practice principles of the Code to report to its members.

Sedex is headquartered in London, UK, with regional offices located in Gurugram, Santiago, Shanghai and Sydney, and additional support in Tokyo.

The Board of Directors is responsible for the governance of Sedex. The Board is responsible for setting the Company's vision and approves the Sedex strategic plan. The Board meets at least once on a quarterly basis and is responsible for overseeing the management of the business.

Standing agenda items for the Board meetings include the Chief Executive report, operational and financial reporting, delivery of its strategic plan and risk management measures, as well as updates on the development of tools and services for its members.

The Board holds the Executive Team to account for delivery of the business plan. The Chief Executive provides a clear communication channel between the Board and the executive. The Board reports to Sedex's members at the Annual General Meeting (AGM) and events, such as Sedex Conferences and stakeholder forums.

The Board manages conflicts of interest by checking whether conflicts arise, at every Board meeting, and ensuring that any Director who is conflicted on any agenda item recuses themselves from influencing or making a decision on that item. Board minutes for every Board meeting are approved and filed on a regular basis.

## Governance review 2020

As part of the five-year strategic plan adopted by the Board in 2019, Sedex embarked on a comprehensive governance review during the course of 2020. The Board appointed a Governance Sub-Group, working closely with the Company Secretary and independent external advisers, KPMG, to review the Sedex Articles of Association and bring them into closer alignment with the UK Corporate Governance Code. Key changes approved by the Board include:

1. The distinction between Buyer, Buyer/Supplier and Supplier members has been removed, in relation to voting rights for the election of Member Directors. Each member now has one vote in the election of any Member Director, enabling a fully democratic process
2. The Board composition has changed from 15 Directors, of which nine were Member Directors (previous structure), to a smaller Board of up to 12 Directors, of which up to five are Independent Non-Executive Directors ("Independents")
3. There are still five Member Directors on the Board, to provide market insight and to represent the membership at large
4. The selection of Independent Directors, upon recommendation from the Nomination Committee, is based on skills, experience and principles of diversity and inclusion
5. The Chief Executive and Chief Financial Officer remain the two Executive Directors on the Board
6. The composition of the Standing Committees has been changed but provides that at least one Member Director and two Independents sit on each Committee to form a quorum.

These changes were recommended by the Governance Subgroup and adopted by the Board in November 2020. Class Consent meetings with each of the Buyer, Buyer/Supplier and Supplier membership classes duly ratified the changes to the Member Director voting rights, and the Company approved the changes to the Articles of Association at an Extraordinary General Meeting of the members in December.

The new Articles of Association provide that the Board continues in its current form until the 2021 AGM, at which point fresh elections will determine up to two, new Member Directors. As part of the AGM, the Board will ask the membership to ratify a one-year extension of the term of office of three current Member Directors - Kevin O'Neill, Sam Cliff and Mardee Job - for continuity.

## Board of Directors

- **Steven Esom**  
Chair of the Board
- **Simon McCalla**  
Chief Executive Officer
- **Richard Wright**  
Chief Financial Officer  
*(joined August 2020)*
- **Stephen Bolton**  
Non-Executive Director
- **Susan Barton**  
Non-Executive Director  
*(joined June 2020)*
- **Jeannie Arthur**  
Non-Executive Director  
*(joined October 2020)*
- **Tim Brooks**  
Non-Executive Director  
*(joined April 2021)*
- **Aisha Aswani**  
Member Director
- **Kevin O'Neill**  
Member Director
- **Rose McGrath**  
Member Director
- **Samuel Cliff**  
Member Director
- **Mardee Job**  
Member Director
- **Kamruzzaman Chowdhury**  
Member Director
- **Syed Ehatasum**  
Member Director  
*(resigned December 2020)*

The Company Secretary supports the Board and Standing Committees on all governance matters.

## Board committees

The Board works closely with its standing committees:

- **Nomination Committee** - oversees appointments to the Board
- **Audit & Risk Committee** - oversees risk and ensures sound risk mitigation strategies are in place, oversees financial reporting and oversees the appointment of external auditors
- **Remuneration Committee** - approves material remuneration decisions, such as Executive bonus packages.

These are the Standing Committees of the Board and they meet regularly, as the business requires (and not less than quarterly in the case of the Audit & Risk Committee). These Standing Committees report to the Board regularly as a standing item on the Board agenda.

### Composition of Standing Committees in 2020

#### Nomination Committee

- **Aisha Aswani**  
Member Director - Chair
- **Kevin O'Neill**  
Member Director
- **Rose McGrath**  
Member Director
- **Samuel Cliff**  
Member Director
- **Mardee Job**  
Member Director
- **Kamruzzaman Chowdhury**  
Member Director
- **Syed Ehatasum**  
Member Director

#### Audit & Risk Committee

- **Stephen Bolton**  
Non-Executive Director - Chair
- **Steven Esom**  
Non-Executive Director
- **Samuel Cliff**  
Member Director  
*(joined December 2020)*
- **Susan Barton**  
Non-Executive Director  
*(joined June 2020)*

## Remuneration Committee

- **Steven Esom**  
Non-Executive Director - Chair
- **Aisha Aswani**  
Member Director
- **Kevin O'Neill**  
Member Director
- **Samuel Cliff**  
Member Director
- **Mardee Job**  
Member Director

## Internal controls and risk management

The Board is responsible for approving the Company's strategy, taking account of risk attitude and risk appetite of the organisation. Risks are identified and reviewed on a regular basis and risk mitigation strategies are implemented. The Audit & Risk Committee and the Board review risk and risk mitigation plans as a standing agenda item on Board meetings. The Audit & Risk Committee reviews different elements of risk for the business, on a rolling agenda of risk "deep dives" during the course of the year.

Although Sedex adopts a prudent approach to risk, it also needs to adapt to macro-economic factors such as Brexit or the COVID-19 pandemic.

The new governance structures of Sedex allow a more agile approach with added value provided by the new complement of Independents, bringing fresh skills and experience to the Board.

The Sedex risk management system includes regular reviews of the Risk Register by the Board, and every risk identified in the Register is allocated to a member of the Executive Team, who reports regularly on risk management to the Board and Audit & Risk Committee. Overall, the Board is satisfied that for Financial Year 2020 risk management was sound and ensured the business was resilient going into 2021, despite the adverse effects of the pandemic on the economy and many of its members.

## Board members

### Steven Esom, Chair of the Board

---

Steven is an experienced board member of consumer-facing businesses and chairs a number of boards. His current directorships include Cranswick Plc, The Rank Group, Advantage Travel Partnership, British Retailing Consortium and GB Boxing, responsible for developing the Olympic medal potential boxers.

His retail career has included Executive Director at Marks & Spencer, responsible for food. Prior to that, he was Managing Director of Waitrose from 2003, rapidly expanding the business with two major acquisitions and leading the successful re-positioning of Waitrose as a leading national fresh food retailer, after initially joining the John Lewis Partnership as Waitrose's Director of Buying in 1995. Before joining the Partnership, Steven spent most of his career at Sainsbury's in commercial roles.

- Board meetings attended: 7/7
- Remuneration Committee meetings attended: 2/2
- Audit and Risk Committee meetings attended: 1/3

### Simon McCalla, Chief Executive Officer

---

Simon joined Sedex as Chief Executive Officer in early 2019 and is responsible for leading the strategic vision for Sedex, its members and the global Sedex team. He has 25 years of experience in retail, infrastructure and supply chain technology roles, working within companies including Adams Childrenswear, Next, Nominet, Volvo, Warner Bros and The White Company.

Simon is passionate about enhancing the efficiency and transparency of the supply chain and protecting the people working in it.

- Board meetings attended: 7/7
- Remuneration Committee meetings attended: 2/2

### Richard Wright, Chief Financial Officer

---

Richard is a Chartered Accountant with over 15 years' experience in financial leadership. He joined Sedex as Chief Financial Officer in August 2020 to develop robust financial strategies and processes that support Sedex's maturation as a business.

Richard's experience encompasses a range of organisations, from FTSE250 businesses to small-to-medium enterprises (SMEs). Previous industries include pharmaceuticals and medical devices, food retail, public transport and publishing.

- Board meetings attended: 2/2
- Audit and Risk Committee meetings attended: 1/1

### Aisha Aswani, Member Director

---

Aisha is responsible for defining the strategic direction and leading the Food Ethical Trade programme at the Co-op covering 2000 supplier sites in 70 countries. She has 18 years of experience working on responsible sourcing issues in both food and non-food supply chains.

Aisha has been a Member Director of Sedex since 2015, where she has held the positions of Chair of Nomination Committee and Deputy Chair of the Sedex Stakeholder Forum. She has played an active role in supporting the creation of Sedex, Stronger Together, the Food Network for Ethical Trade and collaborative ethical trade supplier forums in key sourcing countries.

- Board meetings attended: 7/7
- Nomination Committee meetings attended: 1/1
- Remuneration Committee meetings attended: 2/2

### Jeannie Arthur, Independent Non-Executive Director

---

Jeannie joined the Board in November 2020 and brings 20 years' experience creating and growing technology and data driven businesses. With an engineer and management consultant by background, she is passionate about using technology and data to solve big problems.

Alongside her role at Sedex, Jeannie is the CEO of a high-growth software company, holds a non-executive role at a global insurance scale-up company, and is trustee of Youth Business International, a global charity that supports young people from disadvantaged backgrounds to become entrepreneurs.

- Board meetings attended: 1/1

### Kamruzzaman Chowdhury, Member Director

---

A.H.M. Kamruzzaman Chowdhury has almost 25 years working experience in the apparel sector. He currently works at Snowtex Outerwear Limited in Bangladesh, where he manages human resources and sustainability.

- Board meetings attended: 5/7
- Nomination Committee meetings attended: 0/1

**Tim Brooks, Independent Non-Executive Director**

---

Tim Brooks is chair of Public Digital, a global digital transformation consultancy, and of RCNi, the commercial arm of the Royal College of Nursing. He also chairs the Advisory Council of the British Library.

Four decades' work in the media industry have seen Tim chair or manage businesses in China, India, the USA, and Australia, as well as the UK, and lead famous brands such as The Guardian and The BMJ. In his spare time he is a Samaritans listening volunteer.

**Kevin O'Neill, Member Director**

---

Kevin O'Neill has worked at the BBC for over 20 years, predominantly within the broadcaster's commercial arm, BBC Studios (formerly BBC Worldwide Ltd).

He was a member of the team that set up the BBC's ethical programme and he now oversees corporate human rights strategy and implementation across BBC Studios' TV production and distribution businesses.

As a founding member of the TV Industry Human Rights Forum, he represents the BBC alongside other broadcasters and production companies, working together to mitigate labour rights risks within television production.

- Board meetings attended: 6/7
- Nomination Committee meetings attended: 1/1
- Remuneration Committee meetings attended: 1/2

**Mardee Job, Member Director.**

---

Mardee works in the horticulture industry of Australia. She is a key technical staff member at Fresh Produce Group (FPG). She coordinates the ethical certification for FPG's sub-businesses and suppliers (national and international). In addition, trained in HACCP and Lead Food Safety Auditing, Mardee is involved in food safety and quality for the business.

Mardee graduated from the University of Sydney with a Bachelor of Environmental Systems majoring in Agricultural Systems (Honours, First Class), and has completed the Accelerated Leadership Performance Programme with the Australian School of Applied Management.

- Board meetings attended: 6/7
- Nomination Committee meetings attended: 1/1
- Remuneration Committee meetings attended: 2/2

### Rose McGrath, Member Director

---

Rose is Corporate Responsibility Manager at Aldi UK, leading on ethical trade, and is passionate about improving the lives of workers in global supply chains. Prior to working at Aldi, Rose worked for 10 years in ethical trade for the John Lewis Partnership, the UK's largest employee-owned business, which operates John Lewis department stores and Waitrose supermarkets. Rose established the ethical trade programme at Waitrose, embedding it within the business and developing it beyond the traditional compliance approach.

- Board meetings attended: 7/7
- Nomination Committee meetings attended: 1/1

### Samuel Cliff, Member Director

---

Samuel heads the Worldwide Fruit ethical trading programme, working across 32 countries worldwide. Sam champions improving labour standards in factories and farms across the Worldwide Fruit supply chain for the production and packing of apples, avocados, pears, soft-fruit and stone-fruit.

An active member of several ethical trade working groups, Samuel is a keen advocate of collaboration to drive continuous improvement across global supply chains. In previous roles, Samuel has worked on financial systems and mobile apps - in particular focussing on system/app design and user experience. He is proud to actively support the Sedex 2025 strategy as a board member and Sedex customer.

Samuel joined Sedex's Audit & Risk Committee in December 2020.

- Board meetings attended: 7/7
- Nomination Committee meetings attended: 1/1
- Remuneration Committee meetings attended: 2/2
- Audit & Risk Committee meetings attended: 1/1

**Stephen Bolton, Independent Non-Executive Director**

---

Stephen has been a fellow of the Chartered Institute of Management Accountants since 1992 and is an experienced finance director.

He has nearly 40 years of experience of operational and strategic finance, investor relations, M&A, audit risk and compliance, coupled with a strong understanding of international markets and supply chains, gained whilst working for Unilever plc and Diageo. He has an Honorary Doctor of Business from Solent University and is Vice Chairman of the Board of Governors at the university.

- Board meetings attended: 7/7
- Audit & Risk Committee meetings attended: 3/3

**Susan Barton, Independent Non-Executive Director**

---

Susan joined the Sedex Board in June 2020 and brings over 20 years of experience in strategy development, operational performance and business transformation built within the postal and professional services industries. She has held leadership positions with the UK Post Office, PA Consulting and Accenture, and is a member of the Chartered Institute of Management Accountants.

Susan is an accredited mediator and sits on the Board and Audit & Risk Committee of Jersey Post alongside her role at Sedex.

- Board meetings attended: 4/4
- Audit & Risk Committee meetings attended: 2/2

**Syed Ehatasum Kabir, Member Director**

---

Syed Ehatasum Kabir has over 19 years of experience in the apparel industry. Syed is Head of Compliance & HR at Mohammadi Group, a leading apparel manufacturing company, where he has worked for 10 years. Syed has worked across a range of apparel industries, including Rising Group and Scandex Group in administration and compliance.

Syed is also well-qualified in labour law, firefighting, first aid, Green Building and Higg Index. Across his roles, Syed has continued to uphold the social, environmental, technical and security compliance requirements for different European and US brands and retailers.

- Board meetings attended: 4/7
- Nomination Committee meetings attended: 0/1

INTRODUCTION →

GOVERNANCE →

STRATEGIC REPORT →

FINANCIAL STATEMENTS →

## Company information and professional advisors

### Company information

---

- Sedex Information Exchange Limited,  
Company number: 05015443
- Sedex global head office  
5 Old Bailey  
London  
EC4M 7BA

### Global HR lawyers

---

- Lewis Silkin  
5 Chancery Lane  
London  
EC4A 1BL

### Professional advisors

---

- KPMG  
15 Canada Square  
London  
E14 5GL

### Intellectual property agents

---

- Lane IP  
The Forum  
33 Gutter Ln  
London EC2V 8AS

### Independent auditors

---

- Goodman Jones LLP  
29-30 Fitzroy Square  
W1T 6LQ



# Strategic report

INTRODUCTION →

GOVERNANCE →

**STRATEGIC REPORT →**

FINANCIAL STATEMENTS →

## Chief Executive's review

**Sedex Chief Executive, Simon McCalla, shares Sedex's strategic review for the Group and the Company for the year ended 31 December 2020.**

2020 saw significant progress for Sedex, as we started to implement the first year of our new 5-year strategy at pace. We have continued to invest in our staff as our principle resource, growing our team to 130 people, including three new executive team members, scaling our capacity. We also began developing the new incarnation of the Sedex platform, which represents the core of our future service offering for members.

Despite the challenges of the COVID-19 pandemic, our membership remained strong in 2020, with nearly 60,000 members, indicating the strong focus businesses continue to place on social sustainability.

We recorded Group revenue at £16.6 million, tracking closely to our reported revenue in 2019 – only a total decrease of 4% despite the challenging year. Our ability to deliver this revenue was driven by the stability of membership and the provision of new products and services.

One impact of COVID-19 and the restrictions implemented in many countries around the world was that SMETA audits could not always safely take place. In response, we rapidly developed and launched Sedex Virtual Assessment, a new remote assessment tool utilising video technology to assess supplier sites, which is quickly being adopted by a growing number of Sedex members, following its launch in mid-2020. We expect to see this new tool being increasingly used as part of members' responsible sourcing programmes throughout the pandemic and beyond.

We also launched additional tools to support members at this time, including a worker voice tool in partnership with &Wider. And we released a modular self-assessment questionnaire (SAQ) for suppliers, specific to the impacts of COVID-19 on supply chains, supplementing our core SAQ to provide buyers with a better understanding of the challenges suppliers are facing.

The quality of our audits is very important to us, and so to reinforce and improve the quality we have developed an Audit Quality Programme, over the course of 2020, which is now fully operational.

Elements of this programme include setting common standards for our affiliated audit companies, and carrying out regular reviews of those companies.

We were excited to form a new partnership with technology company, Higg Co, which will create access to the Higg Facility Environmental Assessment to Sedex members and broaden environmental sustainability insights.

---

We ended the year with an underlying operating profit of £4.6 million, and £7 million in cash – an increase of 47% versus 2019 – providing us with the resource we need to invest in the business.

---

## Financial review for the year ended 31 December 2020

### Turnover

---

**Turnover for 2020 was £16.6 million (2019: £17.3 million).**

Despite the impact of the COVID-19 pandemic on businesses all around the world, turnover proved to be very resilient. The revenue from membership fees, which represents over 80% of total revenue, remained virtually unchanged from the previous year. We saw a small but growing contribution from new products and services launched in response to the COVID-19 pandemic.

The main areas of shortfall to the previous year were in audit fees and revenue from conferences. Audit fees were adversely impacted by the pandemic, particularly in the second quarter of the year, as SMETA audits were not always safe to conduct at members' sites. Audit fees then recovered well, partly as a result of the launch of Virtual Assessment, and in the final quarter of the year were 5% higher year-on-year. Revenue from conferences was also adversely affected by the pandemic as planned conferences had to be cancelled.

### Operating profit

---

**Group operating profit for 2020 was £3.0 million (2019: £15,720).**

Management views the business' underlying operating earnings before interest, tax, depreciation, and amortisation ("Underlying EBITDA") as a key performance indicator because it reflects the Group's most current and underlying profitability. 2020 Underlying EBITDA was £4.6 million (2019: £4.8 million). Although turnover was £0.7 million lower year-on-year as a result of the pandemic, this was partially offset by a reduction in underlying operating expenses of £0.5m.

A reconciliation of Underlying EBITDA to statutory operating profit is set out in Note 4 to the financial statements.

## Taxation

---

**Sedex is careful to ensure it complies with tax legislation in the jurisdictions within which it operates around the world, and does not engage in aggressive tax planning.**

Sedex has brought forward tax losses it was able to use to relieve the profits in the UK, and the tax charge of £183,000 in the year (2019: £126,000 credit) reflects the tax borne by the overseas subsidiaries. Tax losses of £3.4 million remain at the end of 2020 to relieve future profits.

## Cashflow

---

**Cash generated from operations was £5.2 million (2019: £3.9 million).**

During 2020 there was investment of £2.2 million in Sedex's platform, including the completion of the Self-Assessment Questionnaire (SAQ), Radar (a comprehensive risk assessment tool) and Virtual Assessment, as well as work on updates to the platform anticipated to be launched in 2021.

There was £0.5 million investment in tangible fixed assets, principally relating to the fitting out of the new London office.

Cash and cash equivalents grew during the year by £2.3 million from £4.8 million to £7.1 million.

# Corporate social responsibility report

---

At Sedex, we are passionate about helping businesses become truly sustainable and ethical across their operations and supply chains. We believe that all people have the right to a safe workplace, where they are treated with respect and paid fair wages, free of harassment and discrimination. We strive to achieve these beliefs through inclusive behaviours that embody our values of being collaborative, responsible, transparent, quality driven and committed to service excellence.

---

## Our mission and purpose

---

Our vision is to drive organisations globally to improve the lives of the people they impact.

Our purpose is to collaborate with organisations to provide the most trusted and efficient information, tools and services to manage risk and drive responsible business in global supply chains.

## Our people

---

Sedex staff are the most valued asset within our business, and we continue to invest in them to support our diverse and quality driven culture. 2020 was a challenging year for all of our staff, and it has been a key goal for Sedex management to do everything that we can to support our people as best as possible. Staff-wide communications are held regularly, from the weekly briefing from the CEO to bi-weekly townhall meetings where everyone can participate. A range of health activities are available online on a weekly basis, and we continue to improve the mental health support programme for our staff

## Supporting employees to work from home

---

Many of us at Sedex have experienced multiple lockdowns, working from home while juggling responsibilities as carers or parents, without the support of time spent with friends, family, and colleagues. One of the ways in which we wanted to support staff at Sedex was to remove some of the financial burden of heating their homes, so we added an additional financial support during the winter months to try and offset this.

## Diversity and inclusion

At Sedex, we want everyone to feel they can be themselves and thrive at work - in every country, in everything we do, every day. We are focused on providing a culture characterised by inclusive everyday behaviours built on a foundation of respect and appreciation for diversity in all its forms.

The Black Lives Matter protests during the summer of 2020 represented a global voice, and one that was listened to and strongly acknowledged throughout the Sedex business. We held conscious inclusion and unconscious bias training across the entire business in partnership with the Centre for Inclusive Leadership. This training asked us all to examine experiences that made us feel othered, and how we can challenge unconscious bias constructively.

Sedex is committed to being a driving force that effects the change to stop all forms of racism and discrimination. These workshops are just the start of a wider programme focussing on inclusion, and we will be continuing our programme of training and discussion in 2021.

Gender diversity of Sedex staff at 31 December 2020 (inc. contractors)

Sedex office	Total	Male	Female
UK	95	50	45
China	18	11	7
India	5	2	3
Chile	7	3	4
Australia	3	2	1
Japan	2	1	1
Total	130	69	61

## Gender pay gap

At Sedex we value diversity and we are committed to building an inclusive culture where everyone can be themselves and do their best work. Although we are not required under government legislation to report our gender pay gap, we believe in gender equality and what the legislation aims to achieve, and therefore monitor our gap carefully.

In 2020 Sedex's global median gender pay gap was 6.7% in favour of men. Our gender pay gap data was collected on 31st December 2020. At this time there were 110 people (excluding contractors for reporting purposes) within Sedex's global workforce: 59 women and 51 men. Sedex will continue our work to close this representation gap, connecting more women to opportunities, and fostering a culture where they can thrive.

We consider inclusion at all stages of our recruitment and, as can be seen from the data below, we have a diverse workforce, which we strongly value.

Several factors contribute to gender pay and diversity gaps at an organisational level. We believe that over time, our commitment to fostering inclusion, fairness and flexibility will be reflected in our gender pay gap figures. But it's not just about closing the pay gap - it's about building a strong foundation for individual and organisational growth by ensuring that the people who work for us feel a sense of belonging and that we value everyone for the differences they bring.

Population	Male (%)	Female (%)	Black Asian and Minority Ethnic (BAME)	White
Global staff	54	45	45%	55%
Executive team	50	50	9%	91%
Board of directors	62	38	23%	77%

## The importance of responsible sourcing

Responsible sourcing is a process in which an organisation seeks to source their products and services ethically and sustainably, throughout each tier of their supply chain. At Sedex, we believe businesses can be leaders for making positive social and environmental impacts by improving the standard of working conditions for people working in global supply chains.

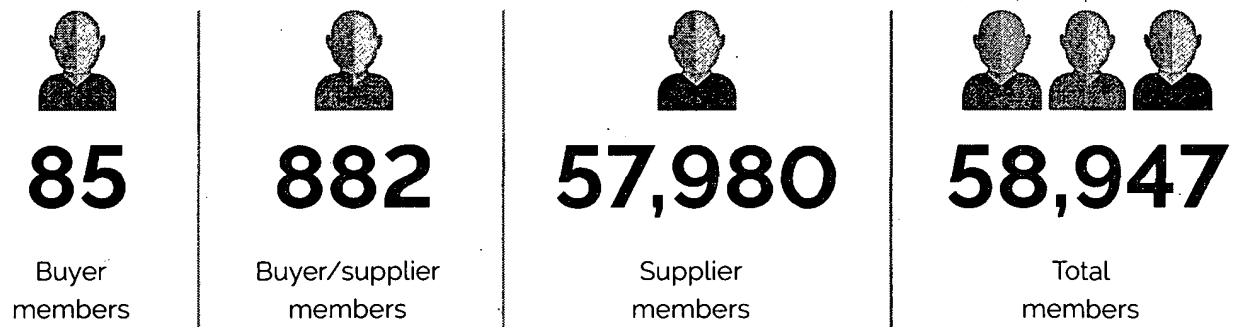
People, governments and investors are becoming increasingly mindful of the ethical creation and sustainability of a product, and are more likely than ever before to invest in more socially sustainable goods and services. Companies have a responsibility to incorporate social, environmental and ethical operations in their business, taking responsibility for the entire life cycle of products and protect the rights of workers during the production process.

The complexity of multi-tiered supply chains can make it difficult for companies to be aware of or understand the potential risks that may be affecting their business and their suppliers. To source responsibly, a business needs to be able to trace a product or service throughout each stage of their supply chain, and work with their business and suppliers to ensure working conditions are fair, and environmental practices are sustainable.

Sedex supports companies to overcome the challenge of transparency, implement responsible business practices and manage risks. Using Sedex's ethical data platform and our suite of tools and services enables businesses to share information quickly and efficiently, prioritise resources and produce action plans to deliver the greatest impact on people working in the supply chain.

## The Sedex impact in numbers

### Sedex membership

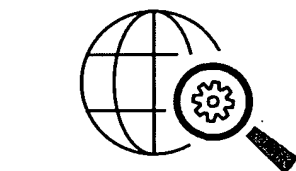


**3.96**

Average number of customers that companies are linked to on the Sedex platform.

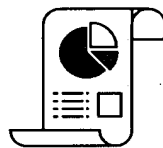
This represents a 5.5% increase since 2019, and importantly demonstrates that we are reducing duplication of audits and assessment in the supply chain.

### Audits in 2020



**26,035**

Total number of audits added  
from 1 Jan 2020 to 31 Dec 2020



**24,686**

Total number of SMETA audits added  
from 1 Jan 2020 to 31 Dec 2020



**597**

Total number of Virtual Assessments added  
from 1 Jan 2020 to 31 Dec 2020



**76,368**

Total number of SMETA non-compliances closed in 2020.  
from 1 Jan 2020 to 31 Dec 2020

## Top 5 non-compliance issues 2020

Non-compliance is where the practices of the site of employment do not meet the requirements of either the local law or the ETI Base Code. Sedex encourages audit sharing to reduce audit duplication and the administrative burden on suppliers. It is very important that the standard procedure is followed and that non-compliances are recorded where the site practice does not meet either the law, the ETI (Ethical Trade Initiative) Base Code or both.

Instances of non-compliance can be raised where either there is no management system in place, the system is not effective for ensuring compliance or where a lapse in the system puts workers at risk or disadvantage.

Site managers have a responsibility to implement appropriate health and safety measures to safeguard the human rights of workers on site. To support non-compliances being resolved, Sedex provides our members with a range of guidance, tools, courses and e-Learning materials, available via the Sedex platform.

Non-compliance issue subcategory	Total issues
<b>Benefits &amp; Insurance</b> When social security and employment benefits are not received by some or all members of the workforce e.g. legally required leave payments are not paid; no social insurance paid for employees	17,579
<b>Chemicals</b> Inadequate safety measures and training around handling, storage and disposal of hazardous materials and chemicals	12,551
<b>Machinery</b> Inappropriate protection equipment, training and safety measures for machinery, causing danger to health and safety	10,076
<b>Overtime</b> Overtime is used irresponsibly and working hours are excessive	10,064
<b>Fire Safety - Fire alarms &amp; Evacuation</b> Inadequate fire prevention and safety measures to reduce or eliminate the risks of workplace fires	7,942

## Highlights and achievements in 2020

### At the end of 2020 we had 58,947 members

Nearly 60,000 companies in 180 countries are working with Sedex, reflecting Sedex's role in supporting responsible business.

### Opening our new London headquarters

Our new London office has been designed to bring teams closer together, with more collaboration spaces and plenty of room to accommodate new colleagues as we grow. We are looking forward to working together in our London home in the future, as lockdowns ease and we start to return to the office after working from home for most of 2020.

### Launching new tools to enable members to address the pandemic

The importance of visibility of supply chains hasn't changed during the COVID-19 pandemic, but the ease of maintaining this visibility has become more challenging when audits could not be conducted. Sedex was quick to respond to the situation, providing three new tools our members could use to assess risk and working conditions - Virtual Assessment, a Modular Self-Assessment Questionnaire, and worker voice technology.

Sedex Virtual Assessment provides a practical alternative where SMETA audits cannot take place, with auditors using video technology to assess a site remotely. Virtual Assessment utilises SMETA's methodology to understand any issues regarding labour, health and safety, business ethics and environmental impact. In 2020, 597 Virtual Assessments were conducted around the world, with India, Argentina and Colombia leading the way.

Our worker voice tool, Direct Worker Reporting, was launched in partnership with &Wider and helps businesses listen directly to workers, supplementing assessment data with direct feedback from workers using mobile voice technology. This new tool enables businesses to gain regular insights directly and anonymously from workers, providing more information to understand the working conditions at a site.

## The launch of our new SAQ and risk assessment tool

---

This year saw the launch of Radar, a new risk assessment tool to help businesses understand labour rights and environmental risks in their businesses and supply chains. Our new Self-Assessment Questionnaire (SAQ) enabled suppliers to share more comprehensive data than before and provided them with a report that shows them how they are managing business risk and what they can do to improve.

## Supporting members to understand gender breakdown in supply chains

---

In November we launched our Gender Data Report, a new dashboard providing Sedex members with insight into the gender breakdown of their supply chains. This report presents key gender indicators so companies can track, measure and report on progress on gender equality in their supply chains.

## A new partnership with Higg Co

---

We are pleased to have formed a new partnership with technology company, Higg Co. This partnership enables Sedex members to access the Higg Facility Environmental Assessment at a discount, broadening environmental sustainability insights. As part of this partnership, Sedex and Higg Co are also exploring ways to make social and environmental data easier to share between platforms, streamlining supply chain communications between suppliers and their buying organisations. This new collaboration aims to broaden global due diligence efforts across industries and strengthen communications and transparency between supply chain partners.

## The launch of our Audit Quality Programme

---

We are committed to improving the quality and data of SMETA audits, and to promoting industry best practice among our Affiliate Audit Companies (AACs). To support this, we have developed our Audit Quality Programme (AQP), a quality assurance programme that will improve the detection and reporting of on site issues during audits, ensure consistency of auditing techniques among AACs, and continuously raise the quality of SMETA audits. A key element of this is a programme of reviewing the AACs, 'auditing the auditors'. Another element is that we are making it a requirement that all AACs be members of APSCA. APSCA is the professional membership body for social auditing, and membership will introduce a common set of standards for AACs. We are also introducing new training and support for AACs, as well as KPIs to actively monitor the performance of AACs.

### **Growing our service offering in China**

---

This year we offered new consulting services in China, providing Chinese businesses support with responsible sourcing. This new suite of consulting services supports companies at different maturity levels to grow their responsible business capabilities. The offering includes workshops and training to identify opportunities to improve responsible business conduct, strategy consultancy and a corporate social responsibility report writing service.

### **Commencing development of our new platform**

---

The development of our new platform is now underway, which will provide a new hub for ethical data and the Sedex tools our members use every day. The new platform represents transformative change for Sedex, as we expand and evolve our service offering. The new platform will enable business to make use of data at scale, simplify managing supply chains, and make sharing data even easier.

### **Revising our Articles of Association to enable fairer voting rights for members**

---

At an Extraordinary General Meeting (EGM) in December, Sedex members voted unanimously to change Sedex's Articles of Association. All members now have equal voting rights at Board elections and the Board will consist of up to five Member Director roles, up to five Independent Directors, and two Executive Directors (CEO and CFO). Members will be able to vote on the appointment of Member Directors at Board elections.

## Supporting members throughout the COVID-19 pandemic

In 2020, we launched three new tools to enable Sedex members to maintain visibility of their supply chain throughout the pandemic, as well as several other initiatives, such as guidance and training, to support members more holistically.

To better understand the initial needs from businesses, we ran a global survey and consultation with members, to understand the concerns that were affecting their business at the beginning of the pandemic. The survey ran in April 2020, and received 3,346 responses from business in 118 countries, providing us with an overview of the most common issues for these businesses as they adapted to cope with the impacts of the COVID-19 pandemic.

### Our COVID-19 impacts survey revealed:

- 67% of businesses expect decreases in revenue as a result of COVID-19, with 34% of members stating this will be significant or critical
- 99% of respondents are taking actions to protect the health and safety of their workforce during the pandemic
- The garment and footwear sector and construction sectors are being hit the hardest economically
- The most common challenge is supply chain disruption and inability to get input or raw materials, felt by 43% of businesses. 20% of businesses have had orders cancelled by customers and 4% have experienced delayed payment terms
- 56% of suppliers stated that their customers are taking supportive actions - particularly in services such as cleaning and transport and logistics
- 37% of respondents have too many workers employed with less work and have needed to take actions to lay off workers, reduce hours or furlough their workforce.

These insights compiled with our own research, enabled us to provide guidance and recommendations for businesses – to alleviate the impacts on suppliers and support businesses to manage the impacts of COVID-19 on their employees and workers in their supply chains.

## Key drivers of responsible sourcing

There are several drivers continuing to drive the adoption and growth of responsible business practices and ethical sourcing globally.

### Consumer and investor demand

Consumers and investors are becoming increasingly mindful of the sustainability and ethical creation of goods and services and are more likely than ever before to invest in more sustainable products. Companies that are able to share information about their social sustainability practices have an opportunity to build trust with the businesses they work with and their customers. Research in 2020 found that 66% of global consumers are willing to pay more for sustainable goods, and consumers increasingly expect companies to be socially and environmentally responsible.

### Legislation

New ethical trade legislation is increasingly being introduced around the world. In 2020, the UK's Modern Slavery Act 2015 has had proposed reforms to include greater reporting requirements and enhanced visibility. Australia's Modern Slavery Act 2018 (NSW) is being reviewed in Parliament, and The Netherlands' Child Labour Due Diligence Law 2020 is due to come into effect mid-2022. These laws are changing the way companies that operate in these countries do business to tackle modern slavery, and through global supply chains - improve ethical and social standards around the world.

### Increasing awareness in the media

Media reporting about sustainable procurement has grown in recent years, particularly over the past year, as the pandemic caused supply chain disruption and impacted global working conditions.

### Business leadership

Ensuring sustainable and responsible business operations has never been more important and operating ethically and sustainably is now a priority for the C-suite agenda. Whether responding to external pressures or leading change from within, chief executives and leadership teams are increasingly focusing on the ethical nature of their operations and supply chains. According to the United Nations Global Compact, nearly three-quarters of CEOs believe that with increased involvement and action, businesses can play a crucial role in contributing to the United Nations Sustainable Development Goals.

## Global heating and climate breakdown

---

Companies have a responsibility to take into consideration the environment and global ecosystems in addition to ethical and social factors in their supply chains. Climate breakdown is already having an impact on

people around the world, and companies need to be responsible for the entire life cycle of products and protect the rights of workers during the production process.

---

Sedex supports companies to overcome these complex challenges. Using the right technology allows businesses to share information quickly and efficiently, prioritise their resources and take action where it will deliver the greatest impact. It enables and facilitates greater transparency throughout what is often a large and complex global supply chain.

---

## Risks and internal controls

### Our risk management approach

Potential risks to the business are reviewed on a regular basis by the Board, the Audit and Risk Committee and the Executive Team, and continue to inform our business strategy. We recognise that to have an effective risk management framework, we need to continue developing appropriate risk management culture, controls and supporting processes.

The Board operates in a financially prudent manner with low to medium risk appetite. Risks are identified and reviewed on a regular basis and risk mitigation strategies are implemented.

### Internal controls and risk management

The Board has primary responsibility for the Group's overall approach to risk management and systems of internal control. The Board has delegated oversight of management of risk and internal control to the Audit and Risk Committee. During the year, and in line with its responsibilities pursuant to its terms of reference, the Audit and Risk Committee reviews the identification, evaluation and management of the risks facing the business and considers the effectiveness of associated controls and processes. The Audit and Risk Committee reports regularly to the Board. Appropriate measures are put in place to mitigate these risks.

### Principal risks and uncertainties

The principal risks and uncertainties facing the business are detailed below. Risks are assessed on a residual basis according to our current view of their potential severity (being the combination of impact and likelihood) and taking into account the expected effectiveness of measures in place to mitigate the risks. The list below is not an exhaustive list of all risks the Group faces but is a list of only the principal risks and uncertainties.

Risk	Controls and mitigation
Loss of members	<ul style="list-style-type: none"> <li>• The business has a diverse global base</li> <li>• Products and services are regularly being improved to expand customer base and improve retention</li> <li>• Dedicated account managers to support strategic accounts</li> <li>• Regular customer engagement</li> <li>• Monitoring of competitors</li> <li>• Despite the Covid-19 crisis, membership numbers have been very resilient</li> </ul>

Risk	Controls and mitigation
Inadequate funding	<ul style="list-style-type: none"> <li>• Regular forecasting of revenue, spend and cash flows</li> <li>• Purchase order and invoice approval processes</li> <li>• Regular monitoring of performance against budget</li> <li>• As at 31 December 2020 the Group had over £7 million of cash and cash equivalents</li> </ul>
IT resilience	<ul style="list-style-type: none"> <li>• Platforms and customer data are cloud based with backups</li> <li>• Updates to the platforms and tools rigorously tested before launch, with separate testing, development and live environments</li> </ul>
Cyber crime	<ul style="list-style-type: none"> <li>• Threats are continuously monitored by Sedex and third parties</li> <li>• Robust firewalls and security measures are in place and regularly reviewed</li> <li>• Online payments are processed through a secure third-party payment gateway</li> <li>• Internal IT security and GDPR training for all staff</li> </ul>
IT development does not deliver desired outcomes on time and on budget	<ul style="list-style-type: none"> <li>• Engagement with customers throughout development cycle</li> <li>• Agile development approach</li> <li>• Programme management system in place</li> <li>• Modular nature of programme</li> </ul>
Legislation hinders effective operation of business	<ul style="list-style-type: none"> <li>• Careful monitoring of new and forthcoming legislation</li> <li>• Sedex has in-house legal expertise</li> <li>• Legal support from leading law firm</li> </ul>
COVID-19 impact	<ul style="list-style-type: none"> <li>• Regular monitoring of the business' performance</li> <li>• Remote working enabled for all staff in accordance with requirements in each territory</li> <li>• Employee well-being monitored</li> </ul>

# Financial statements

INTRODUCTION →

GOVERNANCE →

STRATEGIC REPORT →

**FINANCIAL STATEMENTS →**

# Sedex Information Exchange Limited

## Directors' report

For the year ended 31 December 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

### Principal activities

---

The principal activity of the group continued to be that of the provision of a business information exchange platform accessed via the internet. The platform's purpose is to enable members to share information on ethical trading practices across supply chains.

Sedex Information Exchange Limited is a membership organisation limited by guarantee.

### Directors

---

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

- J Arthur (*appointed 29 October 2020*)
- A Aswani
- S Barton (*appointed 9 June 2020*)
- S Bolton
- T Brooks (*appointed 1 April 2021*)
- M Job
- K Chowdhury
- S Cliff
- S Esom

- S Kabir (*resigned 3 December 2020*)
- S J McCalla
- R McGrath
- G Milligan (*resigned 9 June 2020*)
- K O'Neill
- R Wright (*appointed 3 August 2020*)

### Results and dividends

---

The results for the year are set out on page 47.

### Research and development

---

The business continues to invest in R&D for its IT platform, with continued focus on constantly improving the access and functionality available to members.

### Auditor

---

The directors intend to propose a resolution at the forthcoming Annual General Meeting for the appointment of RSM UK Audit LLP as auditor of the Company.

## Statement of directors' responsibilities

---

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

### Statement of disclosure to auditor

---

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

*Simon McCalla*

On behalf of the board

**S J McCalla**

Director

Wednesday, 21 April 2021

# Independent auditor's report to the members of Sedex Information Exchange Limited

## Opinion

We have audited the financial statements of Sedex Information Exchange Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the group profit and loss account, the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows, the company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

## 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

- The information given in the strategic report and the directors' report 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 have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

## Responsibilities of directors

---

As explained more fully in the directors' responsibilities statement, the directors 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 directors 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 directors are responsible for assessing the group's and the parent 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 unless the directors either intend to liquidate the group or the parent 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to industry sector regulations and unethical and prohibited business practices, and we considered the extent to which noncompliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and UK Tax Legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls). We have reviewed all interaction with foreign subsidiaries and obtained an understanding of the substance of the transactions. These procedures included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading minutes of meetings of those charged with governance;
- Obtaining and reading correspondence from legal and regulatory bodies including HMRC;
- Identifying and testing journal entries;

- Challenging assumptions and judgements made by management in their significant accounting estimates.
- Reviewing the reasonableness of all intra group transactions with foreign subsidiaries.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members; and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

---

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Goodman Jones LLP*

**Julian Flitter** (Senior Statutory Auditor)  
for and on behalf of  
Goodman Jones LLP  
Chartered Accountants  
Statutory Auditor  
Wednesday, 21 April 2021

## Sedex Information Exchange Limited Group profit and loss account

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Turnover</b>	3	16,574	17,260
Cost of sales		(1,686)	(5,975)
<b>Gross profit</b>		14,888	11,285
Administrative expenses		(11,851)	(11,269)
<b>Operating profit</b>	5	3,037	16
Interest receivable and similar income	9	13	10
<b>Profit before taxation</b>		3,050	26
Tax on profit	11	(183)	126
<b>Profit for the financial year</b>		<b>2,867</b>	<b>152</b>

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# Sedex Information Exchange Limited

## Group statement of comprehensive income

For the year ended 31 December 2020

	2020	2019
	£'000	£'000
<b>Profit/(loss) for the year</b>	2,867	152
<b>Other comprehensive income</b>		
Currency translation differences	22	(1)
<b>Total comprehensive income for the year</b>	<u>2,889</u>	<u>151</u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

# Sedex Information Exchange Limited

## Group balance sheet

As at 31 December 2020

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	13		3,121		2,437
Tangible assets	14		540		71
			<u>3,661</u>		<u>2,508</u>
<b>Current assets</b>					
Debtors	18	3,135		3,605	
Cash at bank and in hand		<u>7,072</u>		<u>4,809</u>	
		10,207		8,414	
<b>Creditors: amounts falling due within one year</b>					
	19	<u>(11,654)</u>		<u>(11,001)</u>	
<b>Net current liabilities</b>					
			<u>(1,447)</u>		<u>(2,587)</u>
<b>Total assets less current liabilities</b>					
			2,214		(79)
<b>Creditors: amounts falling due after more than one year</b>					
	20		<u>(721)</u>		<u>(1,317)</u>
<b>Net liabilities</b>					
			<u>1,493</u>		<u>(1,396)</u>
<b>Capital and reserves</b>					
Profit and loss reserves			<u>1,493</u>		<u>(1,396)</u>

The financial statements were approved by the board of directors and authorised for issue on 21 April 2021 and are signed on its behalf by: **S J McCalla** - Director

*Simon McCalla*

# Sedex Information Exchange Limited

## Company balance sheet

As at 31 December 2020

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	13		12		59
Tangible assets	14		527		57
Investments	15		104		104
			<u>643</u>		<u>220</u>
<b>Current assets</b>					
Debtors	18	4,794		5,290	
Cash at bank and in hand		<u>5,566</u>		<u>3,698</u>	
		10,360		8,988	
<b>Creditors: amounts falling due within one year</b>					
	19	<u>(9,996)</u>		<u>(9,848)</u>	
<b>Net current liabilities</b>					
			<u>364</u>		<u>(860)</u>
<b>Total assets less current liabilities</b>					
			1,007		(640)
<b>Creditors: amounts falling due after more than one year</b>					
	20		<u>(630)</u>		<u>(1,317)</u>
<b>Net liabilities</b>					
			<u>377</u>		<u>(1,957)</u>
<b>Capital and reserves</b>					
Profit and loss reserves			<u>377</u>		<u>(1,957)</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £2,334,000 (2019 - loss of £24,000).

The financial statements were approved by the board of directors and authorised for issue on 21

April 2021 and are signed on its behalf by: **S J McCalla** - Director

Company Registration No. 05015443

*Simon McCalla*

# Sedex Information Exchange Limited

## Group statement of changes in equity

For the year ended 31 December 2020

	Profit and loss reserves
	£'000
<b>Balance at 1 January 2019</b>	(1,547)
<b>Year ended 31 December 2019:</b>	
Loss for the year	152
Other comprehensive income:	
Currency translation differences	(1)
Total comprehensive income for the year	151
<b>Balance at 31 December 2019</b>	(1,396)
<b>Year ended 31 December 2020:</b>	
Profit for the year	2,867
Other comprehensive income:	
Currency translation differences	22
Total comprehensive income for the year	2,889
<b>Balance at 31 December 2020</b>	1,493

# Sedex Information Exchange Limited

## Company statement of changes in equity

For the year ended 31 December 2020

	Profit and loss reserves
	£'000
<b>Balance at 1 January 2019</b>	(1,933)
<b>Year ended 31 December 2019:</b>	
Loss and total comprehensive income for the year	(24)
<b>Balance at 31 December 2019</b>	<u>(1,957)</u>
<b>Year ended 31 December 2020:</b>	
Profit and total comprehensive income for the year	<u>2,334</u>
<b>Balance at 31 December 2020</b>	<u><u>377</u></u>

# Sedex Information Exchange Limited

## Group statement of cash flows

For the year ended 31 December 2020

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	27		5,181		3,897
Income taxes paid			(174)		(337)
<b>Net cash inflow from operating activities</b>			<b>5,007</b>		<b>3,560</b>
<b>Investing activities</b>					
Purchase of intangible assets		(2,217)		(1,334)	
Purchase of tangible fixed assets		(540)		(21)	
Interest received		13		10	
<b>Net cash used in investing activities</b>			<b>(2,744)</b>		<b>(1,345)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>2,263</b>		<b>2,215</b>
Cash and cash equivalents at beginning of year			4,809		2,594
<b>Cash and cash equivalents at end of year</b>			<b>7,072</b>		<b>4,809</b>

# Sedex Information Exchange Limited

## Company statement of cash flows

For the year ended 31 December 2020

	Notes	2020		2019	
		£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	28		2,186		1,346
Income taxes refunded/(paid)			-		111
<b>Net cash inflow/(outflow) from operating activities</b>			<u>2,186</u>		<u>1,457</u>
<b>Investing activities</b>					
Purchase of tangible fixed assets		(535)		(12)	
Interest received		-		1	
Dividends received		<u>217</u>		<u>704</u>	
<b>Net cash generated from/(used in) investing activities</b>			<u>(318)</u>		<u>693</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			1,868		2,150
Cash and cash equivalents at beginning of year			<u>3,698</u>		<u>1,548</u>
<b>Cash and cash equivalents at end of year</b>			<u><u>5,566</u></u>		<u><u>3,698</u></u>

# Sedex Information Exchange Limited' above Notes to the financial statements

For the year ended 31 December 2020

## 1. Accounting policies

### Company information

---

Sedex Information Exchange Limited ("the company") is a private company limited by guarantee and domiciled and incorporated in England and Wales. The registered office is 5 Old Bailey, London, EC4M 7BA.

The group consists of Sedex Information Exchange Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### 1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Sedex Information Exchange Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2020, except those of Sedex India Private Limited, for which adjustments are made to recognise the results for the year ended 31 December 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign subsidiaries are converted from their own currency to pounds sterling using the year end conversion rate for the balance sheet and using the average yearly exchange rate for profit and loss items. Any differences are treated as exchange rate differences.

### 1.3 Going concern

The group has continued to trade profitably during the global pandemic caused by the spread of Covid-19, which significantly affected the world's economy, with profits in 2020 higher than in 2019 and the group's net cash has increased during 2020.

The directors have reviewed forecasts for the group's profitability and cash flows for the next two years, and considered scenarios that could adversely affect performance. In all the scenarios considered, the group continues to have a positive cash balance throughout the period.

The directors therefore have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

### 1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

The main source of turnover is from membership income. The membership income is recognised over the period of the membership term.

### 1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

### 1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Intangible assets internally generated are recognised at the cost of employment in regard to the development less accumulated amortisation and accumulated impairment losses. The identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software over 5 years on straight line basis

Development Costs over 5 years on straight line basis

### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings & equipment between 3 and 5 years straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

### 1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

### 1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

### 1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

### Basic financial assets

---

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

### Impairment of financial assets

---

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is

reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

### Classification of financial liabilities

---

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

### Basic financial liabilities

---

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

### 1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### Current tax

---

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### Deferred tax

---

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

### 1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

### 1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

### 1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### 1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

## 2. Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### Key Judgements:

The company review all costs relating to new developmental software on a case by case basis and only capitalise the costs when there is likely economic benefit generating from that work. This is reviewed regularly and capitalised software no longer deemed to be generating economic benefit is subsequently written off. The future economic benefit is calculated looking at forecasted revenues and financial models to estimated a Net realisable value to ensure this is higher than cost.

## 3. Turnover and other revenue

An analysis of the group's turnover is as follows:

	2020	2019
	£'000	£'000
<b>Turnover analysed by class of business</b>		
Membership	13,216	13,404
Services	3,157	3,717
Other income	201	139
	<u>16,574</u>	<u>17,260</u>

	2020	2019
	£'000	£'000
<b>Other significant revenue</b>		
Interest income	13	10

	2020	2019
	£'000	£'000
<b>Turnover analysed by geographical market</b>		
United Kingdom	4,836	5,103
Rest of Europe	3,230	3,433
USA/Canada	1,248	1,743
Rest of World	7,260	6,981
	<u>16,574</u>	<u>17,260</u>

#### 4. Underlying EBITDA

	2020	2019
	£'000	£'000
Underlying EBITDA	4,641	4,776
Onerous contract costs	-	(1,500)
Onerous contract exit provision	-	(2,050)
Depreciation and Amortisation	(1,604)	(1,210)
Operating profit	<u>3,037</u>	<u>16</u>

Management views the business' underlying operating earnings before interest, tax, depreciation, and amortisation ("Underlying EBITDA") as a key performance indicator because it reflects the Group's most current and sustainable profitability.

During 2019, the directors considered that a contract with a supplier became an onerous contract. Therefore, the full value of the contract was provided for in 2019.

## 5. Operating profit/(loss)

	2020 £'000	2019 £'000
<b>Operating profit/(loss) for the year is stated after charging:</b>		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	60	6
Depreciation of owned tangible fixed assets	71	40
Amortisation of intangible assets	1,533	1,170
Impairment of intangible assets	-	192
Loss on disposal of intangible assets	-	1
Operating lease charges	526	313

## 6. Auditor's remuneration

	2020 £'000	2019 £'000
<b>Fees payable to the company's auditor and associates:</b>		
<b>For audit services</b>		
Audit of the financial statements of the group and company	36	36
Audit of the financial statements of the company's subsidiaries	-	2
	36	38

## 7. Employees

The average monthly number of persons (including directors) employed by the group and company during the period was:

	Group		Company	
	2020	2019	2020	2019
	Number	Number	Number	Number
	120	123	86	82

Their aggregate remuneration comprised:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Wages and salaries	5,309	5,030	2,874	3,473
Social security costs	687	782	388	396
Pension costs	250	217	169	127
	6,246	6,029	3,431	3,996

## 8. Directors' remuneration

	2020	2019
	£'000	£'000
Remuneration for qualifying services	580	414

Two directors (2019: one) were members of defined benefit pension schemes.

Remuneration for the highest paid director were as follows:

	2020	2019
	£'000	£'000
Remuneration for qualifying services	365	234

## 9. Interest receivable and similar income

	2020	2019
	£'000	£'000
<b>Interest income</b>		
Interest on bank deposits	13	10
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	13	10

## 10. Interest payable and similar expenses

	2020	2019
	£'000	£'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	-	-

## 11. Taxation

	2020	2019
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	-
Adjustments in respect of prior periods	-	(363)
Total UK current tax	-	(363)
Foreign current tax on profits for the current period	183	237
Total current tax	183	(126)

The actual (credit)/charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2020	2019
	£'000	£'000
Profit/(loss) before taxation	<u>3,050</u>	<u>26</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	579	5
Utilisation of brought forward losses not previously recognised as a deferred tax asset	(494)	(37)
Tax effect of expenses that are not deductible in determining taxable profit	61	66
Accelerated capital allowances	(62)	-
Other timing differences	63	-
Change in unrecognised deferred tax assets	-	(6)
Effect of overseas tax rates and losses	61	104
Change in accounting policy	-	(1,066)
Adjustment to prior years due to R&D tax credits	(25)	(363)
Deferred tax asset not recognised on unutilised tax losses carried forward	<u>-</u>	<u>1,171</u>
Taxation (credit)/charge	<u>183</u>	<u>(126)</u>

## 12. Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

		2020	2019
	Notes	£'000	£'000
In respect of:			
Intangible assets	13	<u>-</u>	<u>192</u>
Recognised in:			
Cost of sales		<u>-</u>	<u>192</u>

## 13. Intangible fixed assets

Group	Software £'000	Development Costs £'000	Total £'000
<b>Cost</b>			
At 1 January 2020	438	6,046	6,484
Additions - internally developed	-	2,217	2,217
At 31 December 2020	438	8,263	8,701
<b>Amortisation and impairment</b>			
At 1 January 2020	376	3,671	4,047
Amortisation charged for the year	51	1,482	1,533
At 31 December 2020	427	5,153	5,580
<b>Carrying amount</b>			
At 31 December 2020	11	3,110	3,121
At 31 December 2019	62	2,375	2,437

Company	Software £'000
<b>Cost</b>	
At 1 January 2020 and 31 December 2020	435
<b>Amortisation and impairment</b>	
At 1 January 2020	376
Amortisation charged for the year	47
At 31 December 2020	423
<b>Carrying amount</b>	
At 31 December 2020	12
At 31 December 2019	59

## 14. Tangible fixed assets

Group	Fixtures, fittings & equipment £'000
<b>Cost</b>	
At 1 January 2020	494
Additions	540
At 31 December 2020	1,034
<b>Depreciation and impairment</b>	
At 1 January 2020	423
Depreciation charged in the year	71
At 31 December 2020	494
<b>Carrying amount</b>	
At 31 December 2020	540
At 31 December 2019	71

Company	Fixtures, fittings & equipment £'000
<b>Cost</b>	
At 1 January 2020	472
Additions	535
At 31 December 2020	1,007
<b>Depreciation and impairment</b>	
At 1 January 2020	415
Depreciation charged in the year	65
At 31 December 2020	480
<b>Carrying amount</b>	
At 31 December 2020	527
At 31 December 2019	57

## 15. Fixed asset investments

	Notes	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Investments in subsidiaries	<b>16</b>	-	-	104	104

Company	Shares in group undertakings £'000
<b>Movements in fixed asset investments</b>	
<b>Cost or valuation</b>	
At 1 January 2020 and 31 December 2020	104
<b>Carrying amount</b>	
At 31 December 2020	104
At 31 December 2019	104

## 16. Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Sedex Australia PTY Limited	Australia	See Below	Ordinary	100.00	-
Sedex Information Exchange (Shanghai) Limited	China	See Below	Ordinary	100.00	-
Sedex Chile SPA	Chile	See Below	Ordinary	100.00	-
Sedex Solutions Limited	UK	See Below	Ordinary	100.00	-
Sedex India Private Limited	India	See Below	Ordinary	100.00	-

### Registered office addresses

- 1 161 Castlereagh St, Sydney, New South Wales 2000, Australia
- 2 Room 701-703, Office Block of Shanghai International Equatorial Hotel, 65 West Yan An Road, Shanghai 200040, China
- 3 Santiago, SR(A)(ES), Providencia, Avenida Providencia 1650 1303, Chile
- 4 5 Old Bailey, London, EC4M 7BA, United Kingdom
- 5 14th Floor, Tower 5B, DLF Epitome, DLF Cyber City Phase – III, Gurugram, Haryana 122002, India

Name of undertaking	Capital and Reserves	Profit/(Loss)
	£'000	£'000
The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:		
Sedex Australia PTY Limited	23	87
Sedex Information Exchange (Shanghai) Limited	774	313
Sedex Chile SPA	24	59
Sedex Solutions Limited	580	462
Sedex India Private Limited	(60)	63

The principal activity of Sedex Solutions Limited is the provision of professional consultancy services to the membership organisations of Sedex Information Exchange Limited.

The main business scope of Sedex Information Exchange (Shanghai) Limited includes business information consulting and business administration consulting in Southeast Asia.

The main business scope of Sedex Chile SPA includes business information consulting and business administration consulting in South America.

The main business scope of Sedex Australia PTY Limited includes business information consulting and business administration consulting in Oceania.

The main business scope of Sedex India Private Limited includes business information consulting and business administration consulting in Central Asia.

For the financial period ended 31 December 2020, the following subsidiary companies were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies: Sedex Solutions Limited, company registration no. 08183688

## 17. Financial instruments

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000

### Carrying amount of financial assets

Debt instruments measured at amortised cost

	<u>2,536</u>	<u>2,639</u>	<u>4,521</u>	<u>4,702</u>
--	--------------	--------------	--------------	--------------

### Carrying amount of financial liabilities

Measured at amortised cost

	<u>3,113</u>	<u>4,027</u>	<u>2,482</u>	<u>3,708</u>
--	--------------	--------------	--------------	--------------

## 18. Debtors

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year:</b>				
Trade debtors	2,185	2,504	2,182	2,504
Corporation tax recoverable	274	243	32	32
Amounts owed by group undertakings	-	-	2,244	2,107
Other debtors	351	283	95	91
Prepayments and accrued income	<u>325</u>	<u>575</u>	<u>241</u>	<u>556</u>
	<u>3,135</u>	<u>3,605</u>	<u>4,794</u>	<u>5,290</u>

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

	Notes	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade creditors		105	538	103	357
Amounts owed to group undertakings		-	-	58	21
Corporation tax payable		50	11	-	-
Other taxation and social security		192	322	183	316
Deferred income	21	8,298	7,390	7,331	6,575
Other creditors		1,476	1,603	1,476	1,474
Accruals		1,533	1,137	846	1,105
		<u>11,654</u>	<u>11,001</u>	<u>9,996</u>	<u>9,848</u>

## 20. Creditors: amounts falling due after more than one year

	Notes	Group		Company	
		2020 £'000	2019 £'000	2020 £'000	2019 £'000
Deferred income	21	721	567	630	567
Other creditors		-	750	-	750
		<u>721</u>	<u>1,317</u>	<u>630</u>	<u>1,317</u>

## 21. Deferred income

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Deferred income	<u>9,020</u>	<u>7,957</u>	<u>7,961</u>	<u>7,141</u>
Deferred income is included in the financial statements as follows:				
Current liabilities	8,298	7,390	7,331	6,574
Non-current liabilities	<u>721</u>	<u>567</u>	<u>630</u>	<u>567</u>
	<u>9,020</u>	<u>7,957</u>	<u>7,961</u>	<u>7,141</u>

## 22. Retirement benefit schemes

Defined contribution schemes	2020	2019
	£'000	£'000
Charge to profit or loss in respect of defined contribution schemes	<u>250</u>	<u>217</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund. The total amount outstanding at the year end was £34,272 (2019 - £34,046)

## 23. Share capital

The company is limited by guarantee, not having a share capital and consequently the liability of members is limited, subject to an undertaking by each member to contribute to the net assets or liabilities of the company on winding up such amounts as may be required not exceeding £1.

## 24. Operating lease commitments

### Lessee

At the reporting end date the group had outstanding commitments for future minimum payments under non-cancellable operating agreements, which fall due as follows:

	Group		Company	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Within one year	498	135	343	135
Between two and five years	1,211	2	1,109	2
	<u>1,709</u>	<u>137</u>	<u>1,452</u>	<u>137</u>

The above includes payments for rental leases of £1,708,864 (2019: £136,587)

## 25. Related party transactions

### Company

The company has taken advantage not to disclose intercompany transactions in accordance with FRS 102.33.1A Related Party Disclosures.

The company has provided guarantees in respect of the debts of its subsidiary, Sedex Solutions Limited, in accordance with S.479C Companies Act 2006, thus enabling them to claim exemption from audit under S.479S Companies Act 2006.

## 26. Controlling party

The company is controlled by its members.

## 27. Cash generated from group operations

	2020	2019
	£'000	£'000
Profit/(loss) for the year after tax	2,867	152
<b>Adjustments for:</b>		
Taxation (credited)/charged	183	(126)
Investment income	(13)	(10)
Loss on disposal of intangible assets	-	1
Amortisation and impairment of intangible assets	1,533	1,362
Depreciation and impairment of tangible fixed assets	71	40
Foreign exchange gains/(losses) on cash equivalents	22	(1)
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	500	(1,486)
(Decrease)/increase in creditors	(1,045)	2,346
Increase in deferred income	1,063	1,619
<b>Cash generated from operations</b>	<u>5,181</u>	<u>3,897</u>

## 28. Cash generated from/(absorbed by) operations - company

	2020	2019
	£'000	£'000
Profit for the year after tax	2,334	(24)
<b>Adjustments for:</b>		
Taxation credited	-	(161)
Investment income	(217)	(705)
Amortisation and impairment of intangible assets	47	47
Depreciation and impairment of tangible fixed assets	65	36
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	496	(1,940)
(Decrease)/increase in creditors	(1,358)	3,030
Increase in deferred income	819	1,063
<b>Cash generated from/(absorbed by) operations</b>	<b>2,186</b>	<b>1,346</b>

## 29. Analysis of changes in net funds - group

	1 January 2020	Cash flows	31 December 2020
	£'000	£'000	£'000
Cash at bank and in hand	4,809	2,263	7,072

## 30. Analysis of changes in net funds - company

	1 January 2020	Cash flows	31 December 2020
	£'000	£'000	£'000
Cash at bank and in hand	3,698	1,868	5,566



Head Office: 5 Old Bailey, London, EC4M 7BA

+44 (0)20 7902 2320 [communications@sedex.com](mailto:communications@sedex.com) [www.sedex.com](http://www.sedex.com)

© 2005 Sedex. All rights reserved. Sedex is a registered trademark of Sedex Limited.