

ATTACHMENT

1. FinCom report

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FinCom/143/RM
For IEC use only
2020-10-12

INTERNATIONAL ELECTROTECHNICAL COMMISSION

FINANCE COMMITTEE (FinCom)

SUBJECT
Confirmed report on the Finance Committee (FinCom) web-meeting held on 8 September 2020

BACKGROUND
The following is the **confirmed report** of the FinCom web-meeting held on 8 September 2020

Present:

Mr J. Cops, Treasurer (Chair)
Mr P. Metzger, General Secretary

Group A members	Members from other countries	Member representing CA Systems
Mr T. Yanagisawa, Japan	Mr K. Craig, Australia Mr C. Gabriel, Austria Mr F. Vertemati, Italy	Mr. P. Selva

FinCom Secretary: Ms K. Fraga

Finance department: Mr P. Potter-Lesage, Chief Financial Officer (CFO)
Ms F. Vieira, Head of Finance

Apologies: Mr S. Rood, USA
Mr M. Teigeler, Germany

ITEM 1 *OPENING OF THE MEETING*

1. The Treasurer opened the meeting, welcoming all FinCom members. He recalled that FinCom was meeting more regularly than usual to closely monitor the evolution of the global health crisis and the financial impact on IEC.

[Secretariat note: comments received in writing from Mr M. Teigeler were read out under the relevant agenda item]

ITEM 2 *APPROVAL OF THE REVISED DRAFT AGENDA*

Document: FinCom/133B/DA

2. FinCom approved the revised draft agenda.

ITEM 3 *MATTERS ARISING SINCE THE PREVIOUS MEETING*

Documents: FinCom/131/RM, FinCom/134/INF

[Secretariat note: the presentation provided by the Treasurer and Head of Finance to support the meeting discussion can be found in attachment 1]

3. The Treasurer gave a few introductory remarks, recalling that Council had recently approved the appointment of KPMG as the IEC Auditors for 2020, 2021 and 2022. To date, the financial impact of Covid-19 on IEC operations had not been dramatic, possibly because many of the income amounts were annual fees or subscriptions. However, based on feedback from the marketplace, there were suggestions that the impact would be felt at a later stage in the course of 2021 or 2022. Central Office would continue to monitor the impact on a monthly basis.

4. At the invitation of the Treasurer, the General Secretary updated FinCom on the progress of the **governance review**, which was being hindered by the virtual-only format. Nevertheless, the IEC Governance Review Task Force (IGTF) had been holding monthly meetings and additional interactions with the CAB, SMB and with National Committees had taken place, with more planned. Given the time constraints of the virtual format, IGTF had realized that it would not be possible to present a proposal to Council for consideration in 2020 and had decided to postpone the anticipated submission date to 2021. Two key aspects related to finance were being discussed by IGTF. The first was designing the future governance of the IEC Conformity Assessment (CA) finances; some time was needed to identify the challenges and opportunities before a proposal could be developed. Secondly, the question of how the board would interact with advisory groups on finance in the future as well as how to develop a more integrated approach to managing resources was being discussed. It was clear that no matter what direction the discussions take, Council will remain the ultimate decision-maker in terms of the budget and accounts.

5. Continuing with an update on **Covid-19**, the General Secretary informed that Central Office staff continued the gradual return to the office. With regard to business continuity for the two core operations of standards development and CA activities, the vast majority of business had been converted into a virtual format, with only 10% of meetings being cancelled to date. In the last few weeks Central Office had observed a slight increase in delayed standards projects. It was too early to draw conclusions, but this would be monitored carefully; for the moment, this was not translating to a reduced output in terms of the number of publications. Moving to the financial impact, as the Treasurer had mentioned earlier, the situation was very good given the circumstances, but he cautioned that the spectre of a second wave was still present. Discussion took place regarding additional indicators that would help FinCom with the financial planning. It was noted that the meeting statistics were incomplete as data regarding TC/SC working groups was not currently tracked in a holistic manner. FinCom recognized that the Covid impact assessment document provided indicators regarding the current impact and requested that intelligence regarding future predictions be integrated.

Action 6/2020: In addition to the current forecasts regarding the impact on 2020 sales, Central Office to request NCs and CO-Appointed Sales Outlets to providing indications regarding anticipated impact on 2021 sales.

Action 7/2020: IEC CA System Executive Secretaries to be requested to seek impressions from National Certification Bodies to gauge how their businesses are impacted in 2020 and the anticipated impact in 2021.

Action 8/2020: General Secretary and Treasurer to evaluate possible additional indicators that would help anticipate the future impact on IEC finances.

6. The Treasurer informed FinCom that he had convened his third annual meeting with the treasurers of the IEC CA Systems. The allocation of costs to the IEC CA Systems had been a matter of discussion as the goal was to bring the current contribution closer to the real costs through an incremental increase across five years from 2022 onward. He proposed to give FinCom more information about this at its November 2020 meeting. The IEC CA System representative added that it was a difficult discussion and that the division of costs across the four IEC CA Systems still need to be refined. Other topics covered included the FinCom recommendation on Capital and Reserves, the creation of designated funds, the impact of Covid-19 on the IEC CA System budgets, and the goal of delivering an aggregated budget for Council approval in the future as part of the 1 IEC concept.

7. Moving to the topic of **new revenue generation**, the Treasurer explained that as a consequence of the investments IEC was making for the future, the Capital and Reserves were gradually decreasing and hence discussions were underway about how to replenish the reserves through new revenue streams. The Council Board advisory group on New Revenue Generation (NRG) was currently working on four projects: IEC marketplace, Commented redlines, Consolidated information service, as well as consultancy services and training. The Treasurer invited FinCom members to attend the NRG Open Session that would take place virtually on 20 November as part of the General Meeting (registration via the Meeting Registration System). For the moment, the anticipated revenue from these projects was not included in the 2021 budget but it was hoped that additional revenue would be seen in the course of the year. Costs associated with the projects were included in the investments section and reflected in additional personnel costs. The CFO added that a number of cross-selling opportunities for the IEC CA Systems and the IEC Standards & Services were being investigated, and that identification of future products would be continually explored.

8. As requested, a document regarding the **IEC CA Systems' operational structures** had been developed to help FinCom understand how the IEC CA Systems are structured. A FinCom member stressed that support for the concept of integrating the IEC CA Systems further into the overall IEC structure but underlined that each IEC CA System had a unique operational structure. It would be important to move forward carefully in the integration phase. The high degree of expertise within the secretariats of the CAB and the IEC CA Systems was also not to be underestimated. The Treasurer concurred with the comments and indicated that the 1 IEC project would be a gradual process.

ITEM 4 **SUSTAINABLE DEVELOPMENT GOALS**
Document: **FinCom/137/DC**

9. The Treasurer recalled that the original request for a marketing budget to support the promotion of SDGs came from an SMB Ad hoc Group and noted that a CB task force had now been created to continue the work on SDGs. Concerns were raised regarding the business case, the amounts requested and the proposal to recruit additional staff in Central Office for SDGs. FinCom also cautioned on budgeting additional investments at this point in time.

Recommendation 4/2020: FinCom recommended to not include the requested funding for marketing to support the promotion of SDGs in the 2021 budget. FinCom also recommended that the Treasurer invite the CB task force to further evaluate IEC-wide needs and Central Office to subsequently indicate whether the current resources would be able to accommodate the additional activities. Should additional funding be requested, a clear business case should be presented to FinCom.

ITEM 5 *TRADEMARK REGISTRATIONS*

Document: FinCom/138/INF

10. At the invitation of the Treasurer, the Head of Finance introduced the expenditures associated with trademark registrations from 2015 to July 2020. The bulk of the investments were in 2019, with particularly high amounts for IECEX, where there were greater risks of trademark misuse. For the future, costs had been renegotiated recently and were lower than originally planned. It was also anticipated that the recently hired Legal Officer would be able to take some of the tasks which could further reduce consultancy fees. She closed by adding that the costs had been accounted for as an intangible asset on the individual IEC CA Systems' Balance Sheets, depreciated across 10 years. The same approach would be applied to the IEC Standards & Services costs associated with trademarks in the future. Involvement of the NCs was underlined as essential, particularly given that evidence of use of the trademarks was needed, and it was confirmed that this message had been repeated to NCs extensively.

ITEM 6 *UPDATE ON IT PROJECTS*

Document: FinCom/139/INF, Excel

11. The Treasurer introduced the Central Office proposed new presentation of financial estimates and costs associated with IT projects. Internal resources had now been integrated into the project costs as FinCom had suggested. FinCom members gave their thanks and shared their support for the new presentation and stressed that it would be important to improve the evaluation of return on investment for each project. It was noted that in some cases, the return would not be financial, and that return would sometimes be seen at the level of the NCs rather than at IEC.

Action 9/2020: IT costs to be presented in the new format at the FinCom November 2020 meeting.

Action 10/2020: Central Office to consider how to evaluate return on investments.

ITEM 7 *HR PLANNING*

Document: FinCom/140/INF

12. At the invitation of the Treasurer, the General Secretary advised that the goal was to increase integration in the planning and execution of projects within Central Office. He was in the process of implementing the final touches on the new management structure, which would be put in place in October in Central Office, with the goal of supporting the increased integration. Since his arrival, he had recruited a small number of individuals that he had deemed indispensable in finance and legal. He stressed that he was accustomed to working with a stable budget and that if needed, he would apply flexibility across the cost lines, while maintaining expenditures within the overall budget. A FinCom member indicated that an overview on personnel planning was needed to understand the cost structures and assign appropriate amounts of resources to meet the priorities of the organization. A further question was raised regarding the need for additional information about the balance of use of in-house resource versus outsourcing, particularly for IT projects. It was also requested that a succession plan for key functions be established.

Action 11/2020: General Secretary to contact Mr Yanagisawa once the new organization chart is in place to see if any further information was needed.

ITEM 8 *YEAR TO DATE OPERATIONS*

Document: FinCom/141/INF

13. At the invitation of the Treasurer, the Head of Finance introduced the year-to-date operations at end-August. She informed that total operational income was up by 5% compared to the previous year and 2% against budget. Net Sales and Royalties were higher than in the previous year but forecasted to be below budget at the end of the year in view of the input received

from the National Committees, CO-Appointed Sales Outlets and Central Office Sales department. Total operational expenditure was down by 6% on 2019 August results and 9.5% below budget. In particular there were dramatically reduced expenditure on meeting and travel as a consequence of Covid-19. With depreciation and financial market impacts considered, the final year-to-date operational and financial result at end-August showed a negative amount of CHF 100 000, however royalties for Q3 were still not completely received. She closed by adding that given the circumstances, IEC financial operations were performing well, however she cautioned that the real economic impact of Covid-19 could be felt by IEC in Q4/2020 with other potential longer-term effects in 2022/23.

ITEM 9 *DRAFT IEC STANDARDS & SERVICES 2021 BUDGET AND MULTI-YEAR OUTLOOK FOR 2022/2023*
Document: **FinCom/142A/DC, ExCo**

Thorough discussion took place regarding the items in the proposed budget. For income, FinCom agreed with the proposal to maintain total membership dues stable against 2019 figures. It was noted that net sales and royalties are calculated as an average of the 2020 Budget and the 2020 revised forecast figures which take into account the monthly feedback on trends and expectations received from National Committees and IEC CO-appointed Sales Outlets as well as the IEC Sales department in the face of the Covid-19 pandemic. For expenditure, the personnel costs proposed were higher than in 2019 to reflect the additional recruitments that had taken place part way through the year in 2019 related to the Masterplan, as well as additional hires deemed essential by the General Secretary. Meeting and travel costs were proposed at 50% compared to the 2019 budget as it was anticipated that global travel would not return to previous levels until at least June 2020. FinCom confirmed that the addition of the blue box to highlight expenditure on investments was valuable and would help increase understanding for the members.

14. FinCom also reviewed the multi-year budget outlook and requested some changes, particularly to reflect anticipated income from investments associated with the CB Advisory Group on New Revenue Generation (NRG).

Recommendation 5/2020: FinCom concurred with the draft 2021 budget developed during the FinCom meeting and recommended that the Treasurer present the draft to Council for approval at its 2020 meeting.

Recommendation 6/2020: FinCom recommended that the Treasurer present the draft multi-year budget outlook, as discussed during the FinCom meeting, to Council for information at its 2020 meeting.

ITEM 10 *ANY OTHER BUSINESS*

[Secretariat note : there was no other business]

ITEM 18 *FUTURE MEETING DATES*
Document: **FinCom/129/INF**

15. FinCom members confirmed the future meeting dates as provided in document **FinCom/129/INF**. The Treasurer advised that he would be updating National Committees on the draft 2020 budget at the upcoming NC Secretary web-Forum, to be held on 16 September, and he invited FinCom members to join that meeting. He also indicated that an Open Session on NRG would take place at the IEC General Meeting on 20 November and encouraged FinCom members to join that session.

ITEM 9 *CLOSE OF MEETING*

16. The Treasurer closed the meeting, thanking FinCom members for their participation and Central Office for their support.

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ANNEX TO DOCUMENT FinCom/143/RM

Recommendations list

Recommendation 4/2020: FinCom recommended to not include the requested funding in the 2021 budget. FinCom also recommended that the Treasurer invite the CB task force to further evaluate IEC-wide needs and Central Office to subsequently indicate whether the current resources would be able to accommodate the additional activities. Should additional funding be requested, a clear business case should be presented to FinCom.

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Actions list

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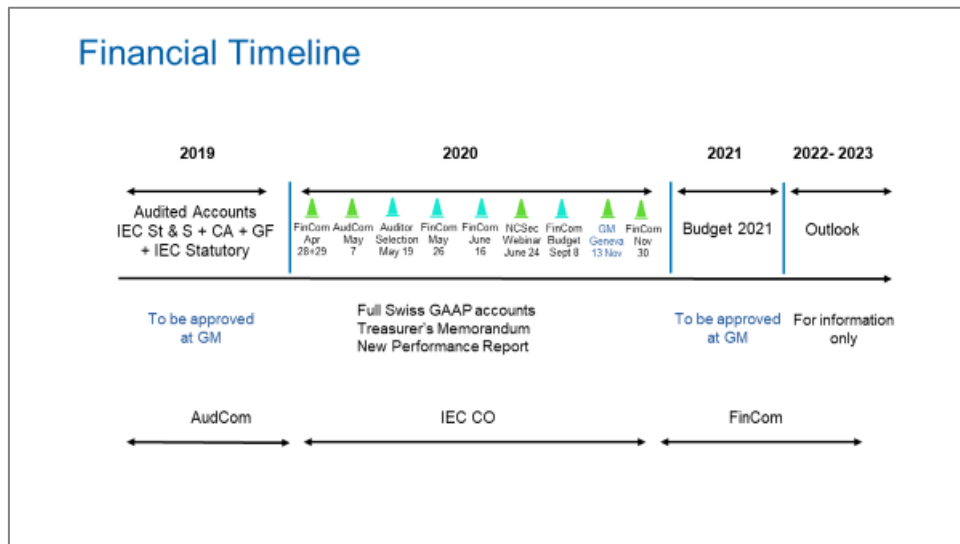
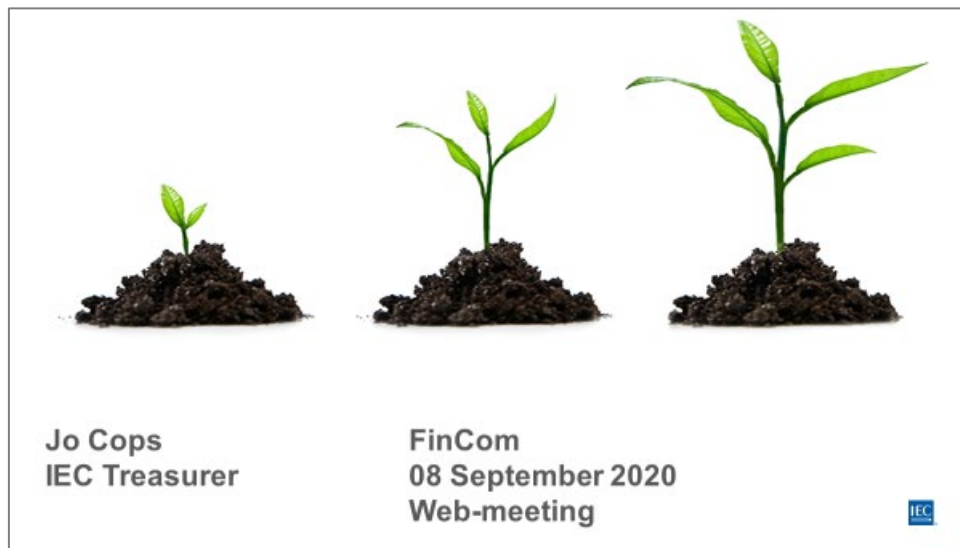
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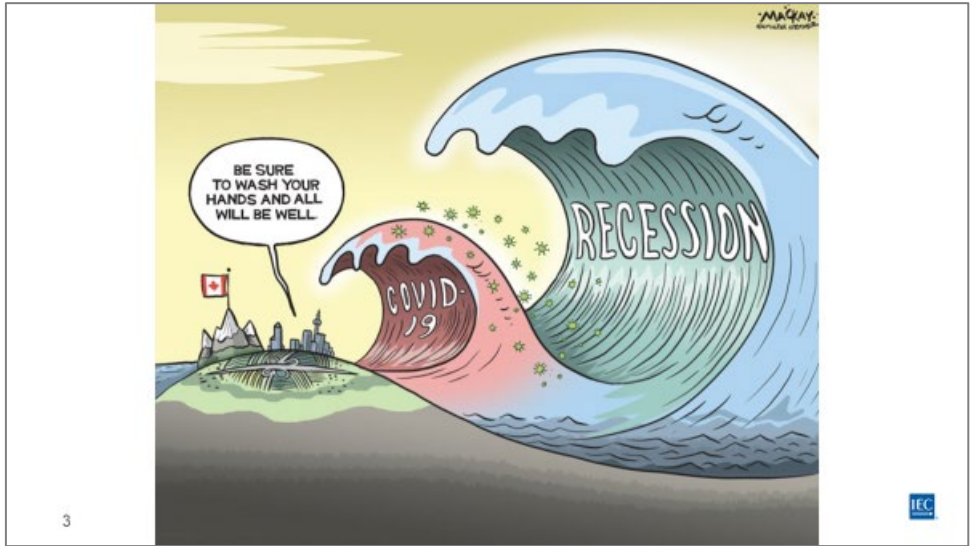
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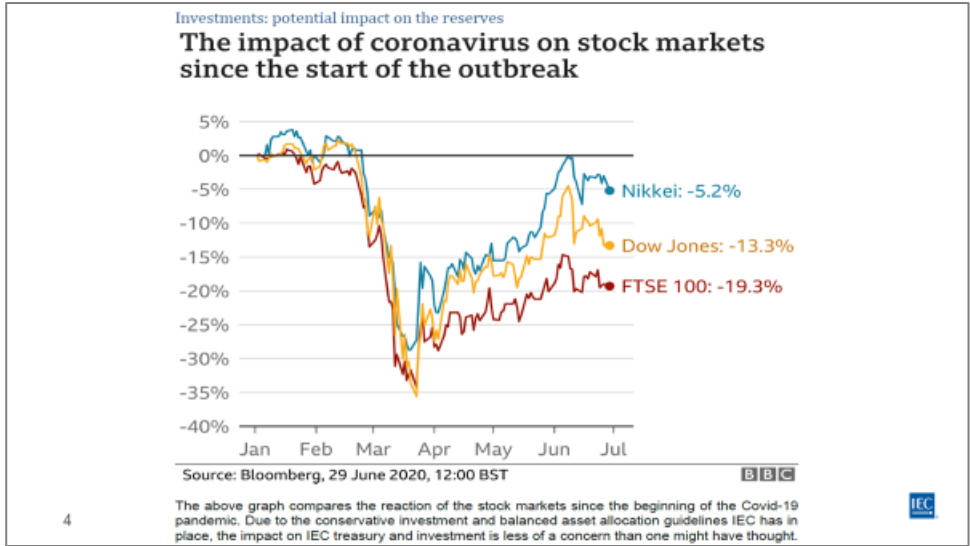
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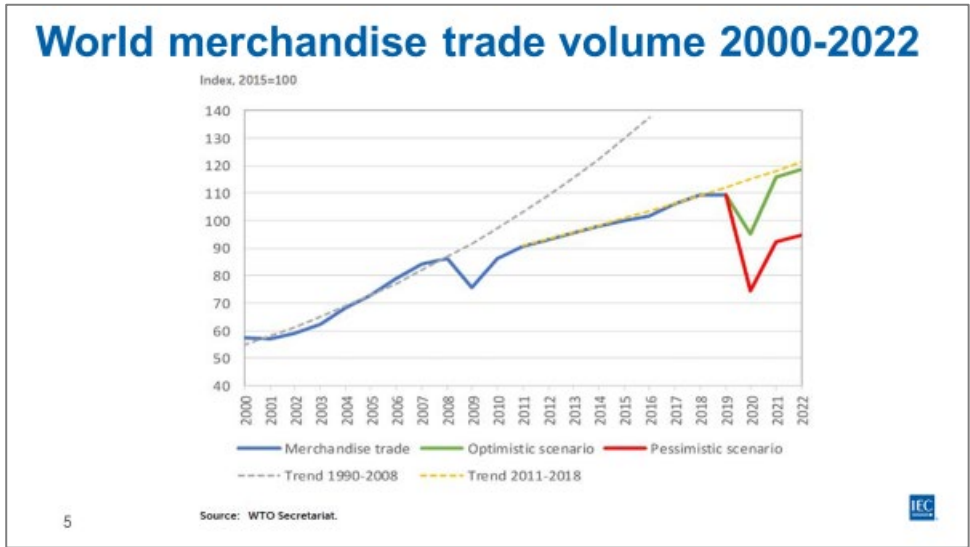




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5. Trademark Registration to date

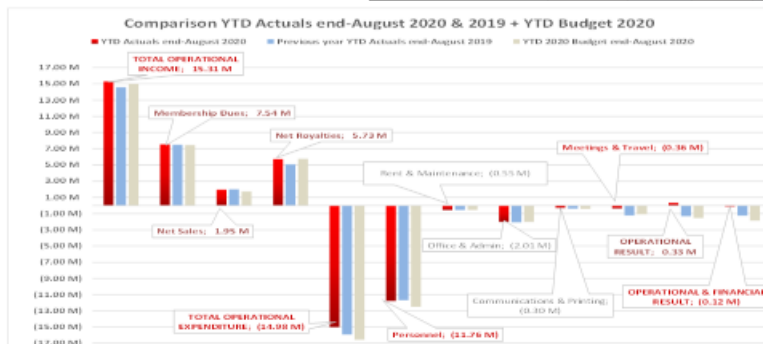
Trademarks : Amount spent from 2015 to 31.07.2020										
Task	Entity	2015	2016	2017	2018	2019	2020	Total	Totals	
Application & Registration	IEC	10'274	61'847	134'052	96'693	16'630	22'295	341'791	1'451'811	
	IECEE					224'672	33'908	258'580		
	IECEX					681'798	9'535	691'333		
	IECCQ					150'452		150'452		
	IECRE					3'775	5'880	9'655		
Monitoring	IEC	18'307	5'137	6'136	4'782	8'238		42'600	42'600	
Opposition & Refusal	IEC		6'850	3'780	20'748	50'130	34'855	116'363	261'373	
	IECEE					7'400	1'840	9'240		
	IECEX					4'810	101'920	106'730		
	IECCQ					3'240	25'300	28'540		
	IECRE					500		500		
Renewals	IEC		12'520		3'210	48'660	9'330	73'720	75'430	
	IECCQ	1'710						1'710		
Various (legal advice, contract related tasks, etc.) reserve	IECEE						425	425	5'760	
	IECEX					2'820	2'303	5'123		
	IECCQ						213	213		
Total		30'291	86'354	143'968	125'433	1'203'125	247'803	1'836'974	1'836'974	

5. Trademark Registration - Outlook

Trademarks : Outlook from 01.08.2020 to 2023										
Task	Entity	2020	2021			2022	2023	Total	Totals	
			Initial	Renegotiated	Diff					
Application & Registration	IEC	30'000	308'288	72'450	435'838	40'000	40'000	182'450	455'080	
	IECEE							0		
	IECEX	248'500						248'500		
	IECCQ									
	IECRE		18'250	5'880	5'880	0			24'130	
Monitoring	IEC	11'180	21'600	21'600	0	21'600	21'600	75'980	75'980	
Opposition & Refusal	IEC							0	135'000	
	IECEE	15'000								
	IECEX		80'000	80'000	0	30'000	10'000	135'000		
	IECCQ									
	IECRE									
Renewals	IEC	14'550	6'340	6'340	0	23'800	96'300	140'990	140'990	
	IECCQ							0		
Various (legal advice, contract related tasks, etc.) reserve	IEC	21'500	56'000	56'000	0	56'000	56'000	189'500	189'500	
	IECEE							0		
	IECEX							0		
Total		358'980	678'108	242'270	435'838	171'400	223'900	996'550	996'550	

8. Year-to-date to end-August 2020 ... so far, so good ...

	YTD Actuals end-August 2020	YTD Actuals end-August 2019	YTD 2020 Budget end-August 2020	% YTD Actuals Aug 2020 / 2019	Actuals to Budget end-Aug 2020
TOTAL OPERATIONAL INCOME	15.31 M	14.58 M	15.00 M	105.0%	102.1%
Membership Dues	7.54 M	7.40 M	7.47 M	100.6%	100.0%
Net Sales	1.95 M	2.01 M	1.73 M	97.1%	112.0%
Net Royalties	5.73 M	5.06 M	5.77 M	113.3%	99.4%
TOTAL OPERATIONAL EXPENDITURE	(14.98 M)	(15.30 M)	(15.54 M)	98.3%	90.0%
Personnel	(11.79 M)	(11.67 M)	(12.48 M)	100.8%	94.3%
Rent & Maintenance	(0.55 M)	(0.55 M)	(0.55 M)	100.2%	101.2%
Office & Admin	(2.01 M)	(2.08 M)	(2.02 M)	96.5%	95.3%
Communications & Printing	(0.30 M)	(0.38 M)	(0.40 M)	79.6%	76.1%
Meetings & Travel	(0.38 M)	(1.22 M)	(1.10 M)	29.5%	32.8%
OPERATIONAL & FINANCIAL RESULT	(0.12 M)	(1.22 M)	(1.86 M)	90.3%	95.7%



9. 2021 draft IEC Standards & Services Budget and multi-year budget outlook 2022 / 23

- Covid-19 ongoing and high uncertainty => two scenarios
 - 1) initial draft budget with impact of Covid-19 on 2020 results based on current forecasts low / high
 - 2) a **proposed budget** derived from latest intelligence & previous scenarios and forecasts
- Note no overall increase in dues in 2021
 - Individual dues distribution already available
- Investing IEC Reserves in the Masterplan for the future leading to budget deficits for 2020 & 2021
- Today with FinCom we need to finalize the draft budget to present a final single draft 2021 budget to Council for consideration at its November 2020 meeting

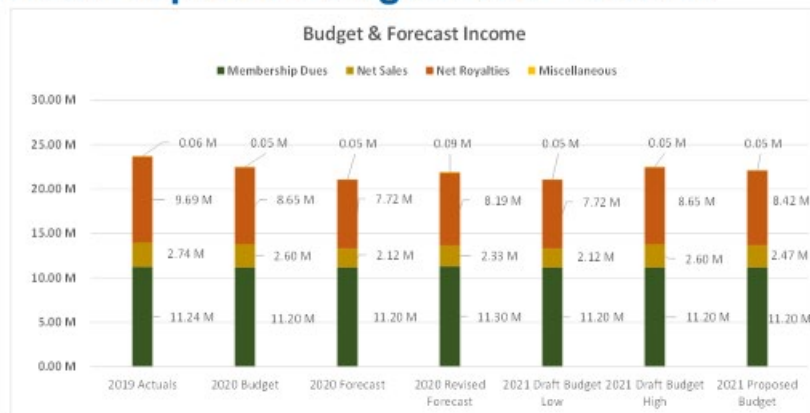


Blue Box = Investments for the future / Masterplan

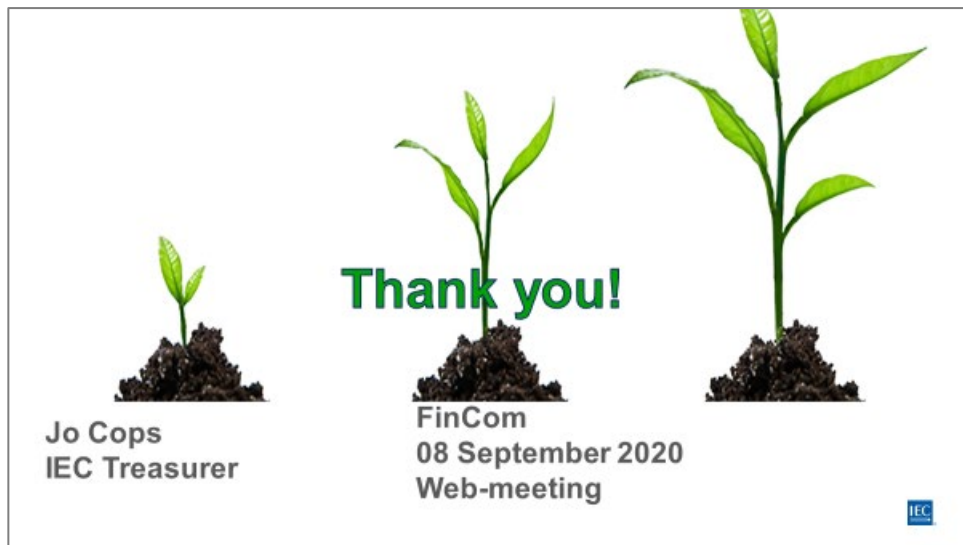
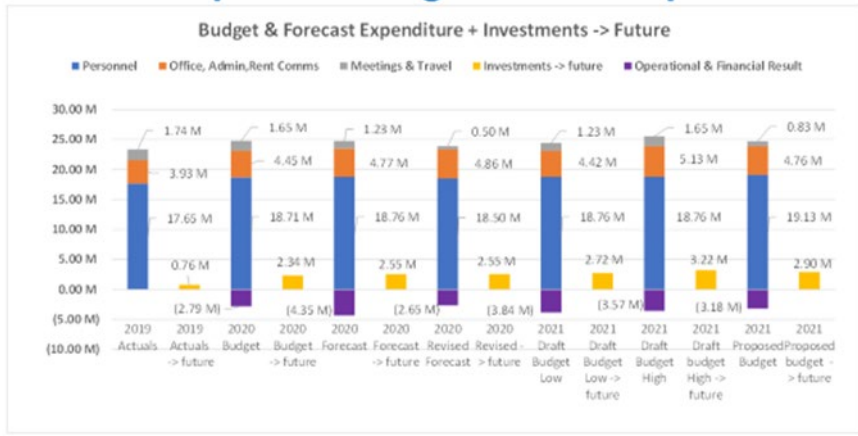
DRAFT IEC STANDARDS & SERVICES BUDGET FOR THE YEAR 2021					DRAFT IEC STANDARDS & SERVICES OUTLOOK FOR 2021 & 2022				
	2019 Actuals	2020 Budget	2020 Forecast	2021 Draft Budget		Outlook 2021		Outlook 2022	
				Low	High	Low	High		
TOTAL OPERATIONAL INCOME	21729116	22760780	21689100	21689100	27307300	27307300	27307300	27307300	27307300
MEMBERSHIP DUES	11202000	11202000	11202000	11202000	11202000	11202000	11202000	11202000	11202000
NET SALES	2742700	2742700	2742700	2742700	2742700	2742700	2742700	2742700	2742700
NET ROYALTIES	8300000	8300000	8300000	8300000	8300000	8300000	8300000	8300000	8300000
MISCELLANEOUS	3500000	3500000	3500000	3500000	3500000	3500000	3500000	3500000	3500000
TOTAL OPERATIONAL EXPENDITURE	22300114	24914900	24757900	24757900	24757900	24757900	24757900	24757900	24757900
OPERATIONAL RESULT	542800	(2154120)	(3068800)	(3068800)	2549400	2549400	2549400	2549400	2549400
INVESTMENTS FOR THE FUTURE	702310	2250000	2250000	2250000	2250000	2250000	2250000	2250000	2250000
OPERATIONAL RESULT INCLUDING INVESTMENTS	(160000)	(4404120)	(5318800)	(5318800)	3299400	3299400	3299400	3299400	3299400



IEC Standards & Services Forecasts 2020 with Draft & Proposed Budget 2021 - Income



IEC Standards & Services Forecasts 2020 with Draft & Proposed Budget 2021 - Expenditure



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