

Company Registration No. 1876779

Charity Registration No. 293027



ESCP Europe Business School

Annual Report and Financial Statements

31 December 2021

ESCP Europe Business School

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ESCP Europe Business School

Introduction

This report and financial statements reflect the activities of ESCP Europe Business School, the London campus of ESCP Europe. ESCP Europe Business School legally refers to the company registered at Companies House under company number 1876779 and name “ESCP Europe-Business School”. The commercial name of the entity is ESCP Business School since late 2019.

The London Campus (the “School” and/or the “Charity”) is a part of ESCP Europe, which is both a leading school of international management and a major European Higher Education institution. ESCP Europe was founded in Paris in 1819 and since then has educated generations of leaders, contributing to the fine reputation it enjoys today. Six campuses in Berlin, London, Madrid, Paris, Turin and Warsaw are the stepping stones that allow students to experience this European approach to management. Over the past 200 years, generations of entrepreneurs and managers have been trained in the firm belief that the business world can feed into society in a positive way. This conviction and ESCP’s values - excellence, singularity, creativity and plurality - guide the School’s mission and build its pedagogical vision on a daily basis.

Each year, ESCP welcomes over 8,000 students and 5,000 managers from 122 different nationalities. Its strength lies in its many business training programmes, both general and specialised (Bachelor, Master, MBA, Executive MBA, PhD and Executive Education), all of which include a multi-campus experience.

ESCP Business School is multi-accredited, with AACSB, EQUIS, EFMD MBA, EFMD EMBA, and five European Higher Education accreditations. The School goes through numerous accreditations processes each year, guaranteeing the quality of its programmes and supporting its commitment to continuous improvement.

In 2019, the School became successfully registered as a Higher Education provider with the newly formed Office for Students (OfS), as part of the new regime for higher education management and regulation in the UK. The School has been following the OfS Accounts Direction since then.

In 2020, the School applied to the DAP (“Degree Award Powers”) with a view to seek recognition of its local Masters in the UK and to be granted the status of university in the UK at a later stage. The application process is ongoing and the School is expected to undergo a full DAP review in 2022.

In September 2021, the London Campus established its Social Impact and Sustainability (ESG) Committee to formalise the work done in past years and to agree the framework and scope for future projects. These include creating the Green Office to deliver projects on behalf of the Committee, and joining the Camden Climate Alliance. The Committee will oversee any sustainability and social impact-related projects.

The portfolio of educational offering includes the following programmes:

- Master in Management (MIM)
- Specialised Masters (multiple full-time programmes)
- MBA in International Management
- EMBA Programme (Executive MBA)
- Executive Specialised Masters (8 part-time programmes)
- Ph.D. Programme (Paris, Berlin, Torino)
- Bachelor (BSc.) in Management

ESCP Europe is also committed to providing executive education alongside degree options. Custom and open enrolment programmes are offered annually across ESCP campuses.

The quality of ESCP Business School’s higher education is recognised annually in the Financial Times Business Education Rankings. The School’s flagship Master in Management programme is consistently ranked in the top ten in

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Introduction (continued)

the world, and ESCP is ranked in the top five business schools in five of its six campus countries: United Kingdom, France, Germany, Spain and Italy.

ESCP is also highly ranked by The Economist, with the Master in Management programme placed 4th worldwide (1st for employability amongst diverse recruiters, variety of languages on offer and access to overseas exchange programmes).

ESCP's QS worldwide rankings are: 4th - MSc in Big Data and Business Analytics, 5th - MSc in Marketing and Creativity and 7th - Master in Management.

Research is a major priority at ESCP Europe. The team of international Faculty members are constantly striving for the creation of new knowledge. The aim is to bring new insights to the global academic community as well as providing innovative content for teaching and business practice.

Until 31 December 2017, ESCP Europe was part of the Chambre of Commerce and d' Industrie of Paris Region Ile-de-France, (the CCIR). From January 2018, the ultimate parent company and sole member of the Charity is the EESC ESCP Europe.

ESCP Europe (located at 2, rue Armand Moisant - 75015 - Paris - France), is an institution with a specific legal status and form named EESC (Etablissement d'Enseignement Supérieur Consulaire) since the 1st of January, 2018. EESC ESCP Europe is a French autonomous non-profit legal person, subsidiary of the CCIR which is its shareholder at 99.99% and which controls the majority of the voting rights at EESC ESCP Europe's Board. The CCIR is a French administrative public body.

Coronavirus update

Throughout 2021 and until the date of this report, the School has been monitoring all COVID-19 developments in close collaboration with the U.K. Government Department for Education (DfE), the Department for Health and Social Care (DHSC), and other national agencies including Public Health England (PHE).

Both in effecting temporary campus closure from January 2021 until April 2021 and in introducing stringent Health and Safety protocols for a return to Campus in September 2021, the School followed all HE Providers' set guidelines.

From September 2021 to date and despite the Omicron new variant spread in the UK, the School managed to continue to deliver in person teaching for the greatest benefit of its students and staff. This was made possible through the provision of an optional onsite testing service made available to all staff and students from September 2021, mandatory testing in January 2022 as well as enhanced cleaning protocols and mandatory mask wearing throughout the premises.

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Company information

Trustees

The Trustees who have served in office during the year, and up to the date of this report unless otherwise stated, are:

Lord **Gold** (Chairman) (*)

Jerome **Bedier** (resigned 8 March 2022)

Franck **Bournois**

Gilles **Cambournac** (resigned 9 March 2022)

Rodney **Eastwood**

Laurent **Feniou**

Valerie **Henriot** (*)

Thomas **Jeanjean** (appointed 1 June 2021)

Joelle **Lellouche**

Laurence **Milsted** (*)

Jean-Luc **Neyraut** (appointed 27 April 2020 – resigned 1 March 2021)

(*) Member of the Audit & Risk Committee

The *Etablissement d'Enseignement Supérieur Consulaire ESCP Europe* (« EESC ESCP Europe ») is the sole member of the Charity. Membership is explained in note 14 to the accounts.

Registered office: 527 Finchley Road, Hampstead, London NW3 7BG

Website: www.escp.eu

Principal professional advisers

Bankers

Barclays Bank Plc, Oxford City Office, PO Box 333, Oxford OX1 3HS

Solicitors

Beachcroft LLP, 100 Fetter Lane, London EC4A 1BN

Insurer

Zurich Municipal, Zurich House, 2 Gladiator Way, Farnborough, Hampshire GU14 6GB

Independent auditors

PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH

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Trustees' Report incorporating Strategic Report

The Trustees present their annual report, incorporating a Directors' report, for the year ended 31 December 2021 together with the audited financial statements for the year. This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption, including the exemption from preparing a strategic report.

Reference and administrative information

The Charity, a company limited by guarantee, was founded in 1985 and is registered with the Charity Commission in England and Wales under Charity number 293027. The Trustees and address of the Charity are as listed on page 3. Particulars of the Charity's professional advisers are also given on page 3.

The Charity was established in the UK with the support of the CCIR in pursuit of its mission of providing education and training in Business Management. It is the London campus of a six-campus school with the other centres being Berlin, Madrid, Paris, Turin and Warsaw. The EESC ESCP Europe commits to support financially the Charity in case the Charity cannot meet its short-term obligations. This guarantee is provided in the form of a letter of financial support from the EESC to the Charity. The EESC also provides rent-free facilities to the Charity. Since 2 January 2018, the immediate parent company and sole member of the Charity is the EESC ESCP Europe, owned by the Charity's ultimate parent company, the Chambre de Commerce et d'Industrie Paris Region Ile-de-France (the "CCIR").

Structure, governance and management

This section of the Trustees' report, along with the responsibility statement on page 16 incorporates the requirements of the statements of corporate governance and internal controls required by the OfS Accounts Direction. This covers the period covered by the financial statements and the period up to the date of approval of the audited financial statements.

Governing Document

The Charity is governed by its Memorandum and Articles of Association.

Governing Body

The Charity is governed by its Trustees.

Recruitment of Trustees

The Charity's Trustees are appointed when appropriate on the basis of nominations received from Trustees. Trustees are selected on the basis of their knowledge in a specific field and the Trustee skill register is reviewed each year. Trustees are inducted by the Chairman with the support of the UK Campus Dean in London and the Dean of the School in Paris.

Organisational Management

The Trustees of the Charity are legally responsible for the overall management and control of the Charity. The Trustees hold Boards of Trustees four times a year as well as an Annual General Meeting to approve the annual report and financial statements. ESCP Europe Corporate Services Limited (the "Trading") holds separate Boards of Directors three times a year.

The Audit and Risk Committee meets at least twice per year to review the annual report and financial statements, the accounting systems, the internal controls and audit thereof and other significant issues.

The Reward and Remuneration Committee meets once a year to review the framework for the remuneration and terms and conditions of employment of the key management personnel of the School. It ensures that the reward policy of the School is appropriate to attract and motivate those individuals to achieve the long-term targets of the School.

The Governance Committee (newly created in 2021), meets twice a year to discuss any governance-related matter and to ensure Board effectiveness.

The School is subject to the national (UK) framework for higher education provision. Prior to 2019, regulatory control has been exercised by a national quality assurance agency: the QAA. The School satisfied all QAA requirements as an alternative/private provider prior to 2019 and successfully registered as an HE provider with the newly formed Office for Students (OfS) in 2019, as part of the new regime for higher education management and regulation in the UK. In

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2021, the School successfully completed the first steps of the DAP ("Degree Awarding Powers") review. The review of the DAP application by the QAA is ongoing.

The School has a Senior Management Board ("SMB", led by the Campus Dean) providing strategic and operational control of the business and administration side of the School and Campus within the parameters of the EESC governance model. SMB is supported by a number of subsidiary committees and local governance mechanisms, some of which are subsidiary committees to federal organs.

With respect to supervisory control and governance, the London board of Trustees (with strong EESC representation) operates with the addendum of a Corporate Services Board, an Audit & Risk Committee, a Reward & Remuneration Committee and a Governance Committee (see above).

Risk Management and internal control

The Trustees receive and consider reports from the OfS as they affect the School's business, and monitor adherence to the regulatory requirements which includes compliance with the OfS's ongoing conditions of registration.

The Trustees of the Charity are responsible for the management of the risks faced by the Charity. Detailed considerations of risk are delegated to the Audit and Risk Committee, who are assisted by the senior management. Risks are identified and assessed, and controls are reviewed throughout the year. A formal review of the Charity's risks and their mitigation is undertaken on a termly basis at the Trustee meetings and in a more detailed manner, twice a year, at the Audit and Risk Committee meetings. Through the risk management processes established for the Charity, the Trustees are satisfied that the major risks identified have been adequately mitigated where necessary. It is recognised that systems can only provide reasonable but not absolute assurance that major risks have been adequately managed.

Amongst the major risks and uncertainties which the Trustees seek to mitigate at all times, the Trustees' try to ensure that:

- all COVID-19 related risks (recruitment, student well-being and experience, and overall financial strength) are comprehensively monitored and that all Health and Safety developments are kept under constant review and communication with all relevant authorities;
- all BREXIT related risks (e.g. cross border mobility of persons) are assessed and managed to the extent possible;
- business continuity is ensured through appropriate levels of activity, recruitment, and commercial performance;
- statutory obligations are met and compliance actions undertaken; and
- financial plans and targets are suitably framed and executed upon.

The Board of Trustees is also concerned that:

- the School continues to recruit and retain high quality academics in order to achieve its research aims and teaching goals;
- manages realistically its enrolment targets;
- delivers the courses to which it is publicly committed and at an appropriate standard; and
- maintains its estate and facilities suitably, considering the positive implications of remote learning on spatial constraints and the requirement for modernisation of its facilities.

Mitigation of these risks is through regular management team meetings and termly Trustees' meetings typified by report on:

- student experience and student satisfaction: assessed at periodic intervals through minuted meetings with students' representatives and implementation and analysis of students' satisfaction surveys;
- student recruitment: monitored on a monthly basis by the Admissions' team feeding back reporting to the School local and federal management and allowing live updates of all financial forecasts;
- staffing requirements: fully apprehended through termly Professional Resources Committees ("PRC's") reporting to the SMB;

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- progress against financial objectives: subject a monthly exhaustive reporting submitted to the federal centre assessing performance against budget and campus set targets; and
- estate emergency and maintenance plan: reviewed through regular discussions held with the Freeholder to allow the School to communicate and address the needs of the student population and the development of its estate.

The key elements of the School's system of risk identification and management include:

- the integration of planning, risk, KPIs and other performance indicators to provides an efficient reporting and control mechanism;
- the management of risk at strategic, School and project level to ensure that a full picture of risks is available and that significant risks are escalated to the appropriate level;
- business continuity and emergency management, ensuring plans are in place which would address any disaster and emergency situation;
- ensuring that all risks have appropriate ownership so that risks can be controlled appropriately; and
- reporting at least twice a year to the Audit and Risk Committee which assures the Board on the effectiveness of arrangements of internal control and risk management.

System of internal control and financial statements

In accordance with the Scheme of Reserved and Delegated matters, the Board is responsible for the administration and management of the School, including ensuring an effective system of internal control, and adopting audited financial statements for each financial year.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the School's financial position and enable it to ensure that the financial statements are prepared in accordance with relevant accounting standards.

The system of internal control is based on an ongoing process designed to identify the principal business, operational, compliance and financial risks; to evaluate the nature and extent of those risks; and to manage them efficiently and effectively. This process was in place for the year ended 31 December 2021 and up to the date of the approval of the financial statements, and accords with OfS guidance and there were no significant control weaknesses that should be disclosed.

The key elements of the School's system of internal control include:

- a medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of financial results involving variance reporting and updates of forecast out-turns;
- the attendance of the School's external auditors at each meeting of the Audit and Risk Committee, where through their work, they share their views on areas for improvements in internal control and value for money;
- defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to appraisal and review according to approval limits set by the Board; and
- an internal financial control manual updated every year, detailing financial controls and procedures.

Any system of internal control or risk management is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement or loss.

Having reviewed all available evidence, the Trustees have satisfied themselves with the adequacy of internal controls for the period 1st January 2021 to the date of signing of the accounts.

Charitable Objects

The Charity's Objects, as set out in its Memorandum and Articles of Association, are the advancement of education in the science and practice of professional management in a European context. The Charity seeks to provide education and research in professional management and related subjects and to publish the useful results of such activity for public benefit. The Charity wholly owns ESCP Europe Corporate Services Ltd, the objects of which are to carry on business

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as providers of executive education and training. The performance of the subsidiary for 2021 is given in note 9 to the accounts.

Strategy

The aims of the School (in London) are set against the Strategic/Business Plan of ESCP Europe for the period 2018-2022. In accordance with this, the objectives of the School in London have been organised in ten priority areas. These are split between the two central goals of “brand and size”.

SIZE

1. Grow and diversify revenue streams in order to ensure an operating surplus.
2. Increase the number of students on campus in alignment with the Strategic Plan.
3. Increase the number and range of degree programmes and specialisations.
4. Advance relationships with the corporate world through impactful consultancy projects, employer links, and executive education.
5. Expand and modernise our facilities, including a programme of investment in the School's physical and virtual learning environments.

BRAND

6. Enhance teaching and research excellence through investment in faculty, pedagogic innovation and digital learning.
7. Improve the overall visibility and reputation of the School in the UK and English-speaking world.
8. Strengthen the School's community interaction and impact, by engaging with and supporting the communities in which the School operates.
9. Improve academic standards and quality assurance, with full UK quality code compliance and adherence to our international accreditation standards.
10. Ensure strong rankings placement and other metrics of programme positioning.

In 2022, a 2022-2025 Strategic/Business Plan will be implemented at Federal level, focusing the development of the School around the themes of Choices and Experiences, a bottom-up approach having been taken, involving the entire ESCP community and with a view to prepare the next responsible leaders of the future. This would allow students' access to a greater range of digital and campus international experiences as well as increased exposure to companies. A clear angle aiming at shortening the programmes' courses would also be a key component of the new strategy.

Specialisations, esteem factors and milestones

Specialisations

Within the context of the ESCP Europe system of campuses, awards and specialisations, the London Campus will continue to offer specialisations in:

- Marketing & Creativity
- Digital Transformation
- Banking, Finance & Investment
- Energy Industries & Security
- Consultancy & Professional Services

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Esteem Factors and Milestones

The rankings of ESCP Business School programmes translate into impressive UK market positioning. FT Rankings for the EMBA; AMIF and MiM, place ESCP Europe within the top 3 in the U.K. for each programme category. Our Masters in Marketing and Creativity (MMK) was also ranked in year by QS as No.5 worldwide.

Principal activities of the year

Appointment of Professor Kamran Razmdoost as new UK Dean

Professor Kamran Razmdoost was appointed on 7th June 2021 as new UK Dean of the London campus, succeeding Professor Simon Mercado who was promoted Executive Vice-President of Executive Education and Corporate Relations at Federal level.

Prior to joining ESCP, Professor Razmdoost was a Lecturer and Researcher (Assistant Professor) at University College London where he was the Deputy Director of MSc in Strategic Management of Projects and engaged with a range of business and management teaching, research and consulting activities in the context of built environment.

Full Time Degree Education

In 2021, the London campus successfully delivered part of 12 different full-time degree awards to ~1,300 students either fully remotely or via a combination of face-to-face and hybrid teaching.

The programmes included:

- the MBA, BSc, and MiM (as federal rotational programmes);
- the MMK, MEM and MDT (as local MSc programmes with one term or semester on a sister Campus); and
- the AMIF, MLIM, and BiOP, plus three additional visiting Masters.

Part Time Degree Education

Due to the continuing lagging effect of the pandemic, the provision of Executive Masters part-time degree education was mostly driven by the EMBA programme in 2021, placing this activity as a second key area of the School's activity, a number of the School's clients further cancelling or deferring, as in 2021, their enrolment to 2022.

The two London part-time programmes (Executive Master in Energy Management (EMEM) and the Executive Master in Automation Management & Digital Transformation (EMMA)) were re-engineered for a relaunch scheduled in 2022 under a new format, more digitally engaged, and delivered in modules.

The School appointed a new associate Dean of Executive Education, Professor Marie Taillard in September 2021 with a clear objective to further develop the Executive Education activity from 2022 onwards.

Executive Education (non-degree)

Complementing the School's degree-based education, executive education interventions applied for familiar European brands such as LVMH and Savencia. These bespoke and certificated programmes combined with other non-degree-based interventions, including: short residential courses, master-classes, and company consultancy projects.

In 2021, most of the activities for non-degree executive education moved online. Some of the programmes and activities scheduled for the later part of 2021 were either cancelled or deferred by clients to 2022.

External links

In the year of account, the School has been an active member of the U.K.'s Chartered Association of Business Schools (CABS); the U.K. Parliament-Industry Trust (IPT); the French Chamber of Commerce in Great Britain (CCFGB) and

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the Italian Chamber of Commerce and Industry for the UK (ICCIUK).

London is also home to two business-facing Centres/Institutes receiving external support and funding from companies including L'Oréal and Glencore. These are: the Centre for Marketing Creativity (CMC) and the Centre for Energy Management (CEM).

Scholarship and Research

As an educational charity and an academic institution, the London campus endeavours to publish books, articles and case studies that receive attention from academics, practitioners and the general public. Highlights for 2021 include:

Publications in listed Peer-Reviewed-Journals:

- 13+ publications in ALPHA level and Category A-C PRJ journals;
- Several articles in lesser ranked and other non-ranked academic journals; and
- Several articles in professional magazines (Financial Times, Business Because, Yahoo News).

Additionally, in excess of 20 conference presentations from London faculty members took place in 2021 at national and international academic conferences including: Society for Consumer Psychology, Academy of Management, British Academy of Management, FMA Virtual European Conference, Association of Consumer Research Conference, CYGNA, Hawaii International Conference on System Sciences (Hicss), ANZMAC, FMARC, International Conference of Possibility Studies, European Accounting Association (EAA) Conference, and Interdisciplinary Perspectives on Accounting (IPA) Conference.

Other research-related outputs include:

- Book publications, book reviews, and book chapter publications;
- Guest Editorships and Positions on Editorial Boards;
- Reviews and service to scientific communities;
- Appearances in media, and posts in blogs and social media (e.g. Financial Times, LSE Business Review, The Guardian, Harvard Deusto Business Research, Yahoo Finance, Yahoo News, City AM, LinkedIn);
- Best paper award in the British Academy of Management; and
- 7 impact papers were written for the second ESCP series.

Local resource support

The operations of the London Campus are concentrated on a full-owned site in NW London providing ~4,500 sq.m. The School has been at this location since 2004. The current site has had two previous extensions and current discussions with the School's freeholder allude to a possible extension at the back of the building by 2023/24.

There has been progressive expansion in the human resource base at the School to reflect and support its growth. At the end of 2021, full-time faculty numbers are at 20, providing the core of academic support to students. This group is supplemented by over 50 affiliate and visiting faculty. More detail on staffing increases is provided in Note 7.

Just over 61 professional services staff members provide resource support and leadership in such areas as: finance, HR, marketing, data planning, IT, student services, communications and events.

With respect to its financial resources, the School in London generated in 2021 annual revenues of c. £12.6 million, without any annual operating subsidy received from the EESC (excluding rent-free subsidy). In 2021, the School self-funded its operations, relying on the existence of a letter of financial support issued by the EESC for the EESC to address any shortfall in cash or in case of a crystallisation of the USS pension deficit debt.

The School generated a consolidated loss of £1,886k at the end of the year, including an increase in the USS pension provision of £2.7m. Should the USS 2021 pension deficit adjustment not have been recognised in the accounts, the School would have generated a surplus of £0.9m, comparable to that of 2020.

At year end, the School will close the year with negative funds at £0.6m.

More information is provided in the going concern statement and in the USS pension deficit note further down in the accounts.

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Public benefit statement

The Trustees have considered the guidance on public benefit published by the Charity Commission. The Trustees believe that increasing the skills, knowledge and understanding of good business management practices provides public benefit since the subject itself is of educational merit and its dissemination through the student body will then enhance society as a whole.

The Trustees have considered ensuring that ongoing public benefit is a part of the work of the School and recognise that scholarship awards are important in helping to ensure that students who would otherwise not be able to afford the fees can access the education offered by the School. Student applications for scholarship awards are available to all those who meet the general entry requirements of the School and are made on the basis of means. The availability of scholarships is advertised on the School website. The great majority of scholarships are offered to the students at Group level. Those in the School's accounts as a scholarship expenditure are for those scholarships granted by the London entity (2021: £166k / 2020: £89k).

Since the beginning of the pandemic, the School has deployed a number of access opportunity scholarships as well as various financial discounts, payment plans and other commercial incentives allowing students to access higher education at a lower cost and to spread the payment of their tuition fees in exceptional circumstances.

In 2021, the donation from the EESC to the Charity was limited to the provision of rent-free facilities, allowing the School to provide education at a lower cost than would otherwise be possible. This has been shown as a donation and detailed in note 3.

The School welcomes students from all backgrounds. Entrance interviews are undertaken to ensure that students can cope with the pace of learning and benefit from the education provided. An individual's gender, ethnicity, race, religion or disability do not form part of the recruitment processes. The School acts as an equal opportunity organisation and is committed to a working environment that is free from any form of discrimination on the grounds of colour, race, ethnicity, religion, sex, sexual orientation or disability. The School's students regularly engage with local charities and business to support various causes (environmentally-friendly sustainability actions, provision of clothing and food to local homeless shelters) seeking to increase the impact of the School on its neighbouring community.

The School will make reasonable adjustments to meet the needs of staff or students who are or become disabled. The School is committed to safeguarding and promoting the welfare of its students and expects all staff to share this commitment.

Public Events

Despite Covid-19, in 2021 ESCP London Campus continued to organise and participate in a range of high-calibre events, open to the School's students, alumni community and external guests. These included:

- 100+ events organised online by both the School and its Student Societies, including but not limited to Big Data Club, BizTech, Finance Banking Trek, Alumnights, UNICEF UK, CheerUp cancer research fundraisers, book clubs, dance, and chess tournaments;
- Weekly online yoga classes;
- Online intercampus socials, ESCP London Rooftop "After Work" which took place every last Friday of the month to connect students, staff and faculty working remotely;
- Our third online Entrepreneurship Festival in May, which gathered more than 200 participants, students, professionals and alumni. This was followed by an intercampus Winter edition, hosted in person in November 2021;
- Online documentary screenings using an interactive platform, followed by debate, hosted by our Sustainability society;
- Various student challenges and competitions, including the NMUN NewYork 2021, L'Oréal Big Picture, FT Bocconi Challenge, 50 St Gallen Symposium, #GetActive BUCS British Universities and College Sports, and ESCP Art for Sustainability Competition;
- Energy Management Centre Invited Talks series;
- London Campus Student Awards 2021, hosted online;

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- Mindfulness and Resilience workshops; and
- Online Careers Fair.

From September 2021 we reinstalled in-person events on-campus with a new Autumn Covid-19 event protocol in place approved by the senior board: mandatory masking, Lateral Flow Test prior to arrival, and NHS passports shown at the entrance as conditions of attendance.

Themed in-person parties were organised by Student Societies to resume the social aspect of student life, including a Welcome Event in September 2021 in central London which was attended by 500 students, a Halloween party in October 2021, BeerPong and Afterwork pub nights, a Welcome to London cocktail event for our visiting MSc in Biopharmaceutical Management specialisation, and a charity Christmas concert raising £1,000 for cancer research.

Cooperation with external organisations

In 2022, ESCP London Campus continues to partner with a number of recognised bodies, including:

- City University;
- The Industry and Parliament Trust;
- The Chartered Association of Business Schools;
- The French Chamber of Commerce in Great Britain;
- The French Institute;
- The Franco-British Council; and
- The Italian Chamber of Commerce.

Related Parties

Related parties include the trading entity, ESCP Europe Corporate Services Ltd, the EESC ESCP Europe, and the other ESCP Europe campuses.

In 2021 which was a transition year between two UK Deans, the Charity paid £164k in costs pertaining to the former UK Dean /new Federal Executive Vice-President ("EVP") for Corporate Relations & Executive Education from early June 2021 until the end of the calendar year. It is anticipated that the EVP costs will be not be recharged in full to the EESC from 2022 onwards either, each of ESCP sister campuses (excluding Paris), bearing their share of Federal costs for an amount ranging from €0.3m to €0.8m each a year.

In addition to the related parties mentioned above, there are two further related parties.

ESCP Europe Foundation

The ESCP Europe Foundation was created by ESCP Alumni in 2005 and is a French registered charity. The Foundation supports ESCP Europe in sustaining its academic excellence and leadership, in particular in the key strategic areas such as promotion of social diversity, development of projects aiming at increasing competitiveness and innovation in France and abroad and implementation of innovative teaching methods.

To achieve its ambitions and financial targets, the Foundation seeks to raise contributions from corporate sources and Alumni via several fundraising campaigns. In 2021, the Foundation raised over £39k through the Charity on behalf of other campuses. All sums not specifically attributed to the London campus were payable to the Foundation at 31 December 2021.

The ESCP Europe Alumni Organisation

The ESCP Europe Alumni Organisation is a separate legal entity from the Business School itself. It is independent of the School and therefore is not consolidated into these financial statements. From a global population of c. 50,000 alumni worldwide, there are some 2,400 alumni in the UK. The School engages with them regularly through receptions, conferences, invitations to talk to students and to support students in finding internships and company projects.

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Performance of the Charity

The quality of ESCP Business School's higher education is recognised annually in the Financial Times Business Education Rankings. The School's flagship Master in Management programme is consistently ranked in the top ten in the world, and ESCP Europe is ranked in the top five business schools in five of its six campus countries: United Kingdom, France, Germany, Spain and Italy.

In context and rather paradoxically, 2021 was another successful year for the Charity in terms of academic and financial performance (exception made of the 2021 mandatory USS pension deficit adjustment) thanks to the School's ability to continue most of its teaching online for the first half of the year and to later deliver face-to-face teaching whilst safely operating at highest levels in a lagging pandemic to the greater satisfaction of students and staff.

Executive revenues for Executive masters and Bespoke Executive Education were much affected by the consequences of clients cancelling or postponing their contract but 2021 was put at best use re-developing the current portfolio of Executive Masters due to relaunch in 2022 and re-thinking the delivery methodology for executive masters, switching from one year-long programme – on a part-time basis - to stackable micro-modules combinable upon demand and leading ultimately to a degree with the School.

The Charity's trading subsidiary, ESCP Europe Corporate Services Ltd, produced an operating surplus for the year of £105k before a gift aided donation of the same amount to the Charity at year end (2020: £74k). Some business opportunities were again cancelled in 2021 or deferred to 2022 due to the implications of COVID-19 pushing some corporate partners to postpone and reschedule the commissioning of Bespoke Executive Education at a later stage in 2022.

A new cohort of the three-year European Bachelor in Management was taught at the School from the beginning of the new academic year with a record number of students hitting the grounds of the London campus early September 2021 with 321 students (2020: 309 students). These students were taught via a combination of onsite and remote teaching for the first term.

Having considered the level of the financial loss derived by the School at the end of the year after adjusting the pension deficit provision to £4.1m, the Trustees will rely on the letter of financial support from the EESC to conclude that the Charity is a going concern for the period of 12 to 18 months after the date of signing of the accounts.

In particular, the Trustees rely on the continuing commitment from its Federal Centre to cover any future USS liability and increase of the School's pension deficit. The Trustees also recognise the Federal Centre commitment to provide continued support to the School in the event of fluctuations in its performance in future.

Notwithstanding the impact on the 2021 account of the USS pension deficit adjustment (non-cash item), the Trustees are satisfied with the results of the Charity in 2021. This is a) in the context of continuing financial support from the EESC ESCP Europe covering a period of 12 months from the date of signing of the 2021 accounts and b) on the levels of cash flows available and the possibility for the School to access, from its Federal centre, sufficient financing and cash to meet its liabilities over the next 12 to 18 months.

Development objectives

In line with its strategic priorities, the School will continue to develop and execute its academic and business plans. Significant development objectives for 2022 include:

- The introduction of new specialisations on the flagship Master in Management (MiM).
- The development of near- and long-term digital delivery strategies for all awards.
- The digitalisation of student learning and experience with focus on curricula, pedagogy, and service offers.
- Advancement of preparations for teaching degree awarding powers and associated reviews.
- The strengthening of executive education and corporate activity, pertaining to the Charity (Executive Masters) and its trading entity.

ESCP Europe Business School

Trustees' Report incorporating Strategic Report

- The modernisation and extension of Campus facilities, alongside significant estate maintenance activities (as commissioned by the EESC).

The School continues to aim to:

- strengthen recruitment for its full programme suite.
- build up a first-class Faculty and affiliate Faculty.
- consolidate the School's areas of research expertise
- encourage new areas of enquiry linked closely to its degree/specialisation offer.
- promote and advance teaching excellence in alignment with the learning goals and mission of ESCP Europe.

Reserves policy

Total unrestricted funds at the end of the current year were negative -£589,526 due to the impact of the USS pension deficit adjustment in 2021 (2020: +£1,276,702). Since the end of 2015, the School does not hold any restricted funds in its accounts.

In 2021 the London campus generated a financial loss of £1,886k (2020: surplus of £1,080k) after registering an increase in its 2021 pension deficit provision of £2.7m due to the effects of the USS March 2020 actuarial valuation. No matching asset was provided by the EESC in 2021.

As of 31 December 2021, the level of donation from the EESC remains limited to the provision of the free-rent facility of £615k consistent with the rateable value of the site.

Since January 2018 letters of financial support were received from the EESC ESCP Europe, which confirmed that the EESC ESCP Europe would give the School further financial support in the case of a temporary cash requirement for a duration of at least 18 months from the date of signature of the financial statements. In the light of the 2020 results, no letter was issued as part of the December 2020 closing.

In 2021, the EESC ESCP Europe confirmed that it would provide the support again in a context of a growing USS pension deficit in 2021 and possible additional increases in future years. Further assurance that the School is a going concern was provided in the form of a 10-year plan (2022-2032) providing a longitudinal view of the expected cash flows during the period, assuming moderate headcount increases and developments of the current site.

Key management personnel and remuneration policy

The School's Senior Management Board (SMB) constitutes the grouping of key management personnel of the School.

This group consists of the Dean of Campus, Directors, Associate Directors and Heads of professional services and our senior faculty representatives (x3). The number of people included within key management in 2021 was 12 (2020: 10).

Within this group, the Dean and professional services staff are subject to annual pay review via the School's Reward and Remuneration Committee (RRC). A number of criteria are used for setting or revising compensation such as, but not limited to, the nature of the role and responsibilities of each individual, average salaries for comparable positions across the sector, and the trend in pay in recent years. Annual performance reviews may result in the award of performance-based bonuses, salary increments, and/or grade modifications. Note 7 provides details of the remuneration components of the UK Dean.

The senior faculty representatives are subject to the faculty performance evaluations applicable to all faculty with the exception of the Campus Dean. This process is governed locally by the Campus Faculty Advisory Committee (CFAC).

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Trustees' Report incorporating Strategic Report

Financial review and results for the year

On a consolidated basis, the total revenues of the School in 2021 have increased from £11.4m in 2020 to £12.6m in 2021. This was primarily due to higher numbers of students in the BIM and shared master programmes which compensated, overall, the net decrease in the turnover received from Executive Education business lines. The Executive Education activity was indeed deeply affected by the impact of Covid in 2021, a great proportion of Executive Education clients having either cancelled or postponed their contracts with the School to 2022.

The level of operational donation from the EESC, excluding rent, amounted to £nil in 2021 (2020: £nil). The provision of rent-free premises from the EESC is recognised as a gift in kind of £615k (2020: £615k). The increase of the USS pension provision at year end for £2.7m was fully absorbed by the School in 2021 with no matching asset provided by the EESC.

The evolution of the EESC subsidies between 2021 and 2020 are reported in the Statement of Financial Activities and in note 3 to the accounts.

The expenditure for the year totalled £14.4m for 2021 (2020: £10.3m) with the variance primarily due to increased USS pension deficit provision.

The net consolidated result for the year is a net loss of £1,886k (2020: surplus of £1,080k) after transfer of the gift-aided donation from ESCP Europe Corporate Services Limited to the Charity for £105k (2020: £74k).

In 2021, an increase in the USS pension deficit provision of £2.7m was made to reflect the on-going increase of the pension deficit funding contributions underlying the value of the pension deficit of the School. At 31 December 2021, the value of the deficit in the statutory accounts is £4.1m. At the time of this report, the School is waiting for the conclusion of the negotiation of USS Trustees and USS Joint Negotiating Committee which could see the need for additional increase in the level of the pension deficit provision under revised assumptions ("LEG2").

Going concern

The Board has carefully assessed whether the School is a going concern in reference to its financial position and performance as outlined in the financial review. Particular note has been taken to ensure the assessment is proportionate to the size and level of financial risk and complexity of the organisation and to reflect upon the experience of operating during the Covid-19 pandemic. In addition to the analysis of the current financial position, the School prepared a 10-year plan (2022-2032) highlighting the progressive return to positive equity, using realistic headcount and investment assumptions for the period.

As of 31 December 2021, the School has net current assets of £2.7m, a positive balance of cash of £2.9m and a small level of external borrowing of £0.1m. Long-term liabilities of £4.2m relate to the greater extent to the USS pension deficit provision which is not expected to crystallise in the near future (non-cash item).

Sources of income for the year ahead will be secured through 1/ a growing flow of students recruited at Federal level and sent to the London campus; 2/ a sustained recruitment of students for the local masters; and 3/ an increased activity of the executive education picking up levels comparable with those of 2019. On that basis, the cash flow forecast for the next 18 months reveals positive cash balances throughout the period.

The statement of the Board responsibilities; the description of the organisation management; and the review of internal controls summarise the arrangements the School has in place for the identification and management of risk.

Taking the above into account, the Trustees have a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

ESCP Europe Business School

Trustees' Report incorporating Strategic Report

Independent Auditors

Each of the persons who is a trustee at the date of approval of this report confirm that:

- so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Trustees on 29th March 2022 and signed on behalf of the Board.

David Gold



Chairman of the Board of Trustees

19th April 2022

ESCP Europe Business School

Trustees' responsibilities statement

The Trustees (who are also directors of ESCP Europe-Business School for the purposes of company law) are responsible for preparing the Trustees' Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2019 version);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

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

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors' report to the members of ESCP Europe Business School

Report on the audit of the financial statements

Opinion

In our opinion, ESCP Europe Business School's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's incoming resources and application of resources, including its income and expenditure, gains and losses, changes in reserves and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law);
- have been properly prepared in accordance with the requirements of the Office for Students' Accounts Direction (OfS 2019.41); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheets as at 31 December 2021; the Consolidated statements of financial activities (incorporating consolidated income and expenditure statement), and the Consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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 the company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and company's ability to continue as a going concern.

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

Independent auditors' report to the members of ESCP Europe Business School (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Trustees' Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic Report and the Trustees' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

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

In preparing the financial statements, the trustees are responsible for assessing the group's and 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 trustees either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Independent auditors' report to the members of ESCP Europe Business School (continued)

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Charities Act 2011 and relevant regulations made or having an effect thereunder including The Charities (Accounts and Reports) Regulations 2008 and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered the direct impact of these laws and regulations on the financial statements such as the Companies Act 2006. We evaluated the incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), by the trustees and those responsible for, or involved in, the preparation of the underlying accounting records and financial statements and determined that the principal risks were related the posting of inappropriate journals to increase revenue and management bias in accounting estimates. Audit procedures performed included:

- Evaluating management's controls designed to prevent and detect irregularities.
- Making enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations.
- Challenging assumptions and judgements made by management in significant account estimates, including the USS pension accounting.
- Testing unusual or unexpected journal entries, particularly those impacting revenue.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in financial statements. 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinions on other matters prescribed in the Office for Students' Accounts Direction (OfS 2019.41)

In our opinion, in all material respects:

- funds from whatever source administered by the company for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.

Under the Office for Students' Accounts Direction, we are required to report to you if we have anything to report in respect of the following matter:

- The company's fee income, as disclosed in note 4b to the financial statements, has been materially misstated.

We have no matters to report arising from this responsibility.

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or

Independent auditors' report to the members of ESCP Europe Business School (continued)

- adequate accounting records have not been kept by the company or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

David Wildey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19th April 2022

ESCP Europe Business School

Consolidated statement of financial activities (including consolidated income and expenditure account) Year ended 31 December 2021

		Unrestricted Funds 2021 £	Total funds 2021 £	Total funds 2020 £
	Note			
Income				
Donations	3	615,000	615,000	615,000
Charitable activities				
Student fees	4	10,265,331	10,265,331	8,903,690
Other educational income	5.a	1,532,899	1,532,899	1,327,144
Investment income		5,811	5,811	329,397
Other income	5.b	140,200	140,200	191,150
Total income		<u>12,559,241</u>	<u>12,559,241</u>	<u>11,366,381</u>
Expenditure	6	<u>(14,425,469)</u>	<u>(14,425,469)</u>	<u>(10,286,852)</u>
Total expenditure		<u>(14,425,469)</u>	<u>(14,425,469)</u>	<u>(10,286,852)</u>
Net (outcome) / income for the year		<u>(1,866,228)</u>	<u>(1,866,228)</u>	<u>1,079,530</u>
Net movement in funds		<u>(1,866,228)</u>	<u>(1,866,228)</u>	<u>1,079,530</u>
Reconciliation of funds				
Total funds brought forward		1,276,702	1,276,702	197,172
Net movement in funds for the year		<u>(1,866,228)</u>	<u>(1,866,228)</u>	<u>1,079,530</u>
Total funds carried forward	16	<u>(589,526)</u>	<u>(589,526)</u>	<u>1,276,702</u>

There were no other recognised gains or losses other than those listed above and the net income for the year. All income and expenditure derive from continuing activities.

ESCP Europe Business School

Balance sheets as at 31 December 2021

		Group 2021	2020	Company 2021	2020
	Note	£	£	£	£
Fixed assets					
Tangible assets	8	891,053	742,035	891,053	742,035
Investments	9	-	-	1	1
		<u>891,053</u>	<u>742,035</u>	<u>891,054</u>	<u>742,036</u>
Current assets					
Debtors	10	3,102,762	3,821,876	3,197,717	3,939,156
Cash at bank and in hand		<u>3,180,503</u>	<u>2,096,945</u>	<u>2,917,360</u>	<u>1,846,511</u>
		6,283,265	5,918,821	6,115,077	5,785,667
Creditors: amounts falling due within one year	11	<u>(3,545,804)</u>	<u>(3,791,907)</u>	<u>(3,377,618)</u>	<u>(3,658,755)</u>
Net current assets		<u>2,737,461</u>	<u>2,126,914</u>	<u>2,737,459</u>	<u>2,126,912</u>
Total assets less current liabilities		3,628,514	2,868,949	3,628,513	2,868,948
Provision for pension scheme liability	12.a	(4,078,421)	(1,402,615)	(4,078,421)	(1,402,615)
Creditors: amounts falling due after one year	12.b	<u>(139,619)</u>	<u>(189,632)</u>	<u>(139,619)</u>	<u>(189,632)</u>
Net (liabilities) / assets		<u><u>(589,526)</u></u>	<u><u>1,276,702</u></u>	<u><u>(589,527)</u></u>	<u><u>1,276,701</u></u>
Funds					
Unrestricted funds:					
- General fund		<u>(589,526)</u>	<u>1,276,702</u>	<u>(589,527)</u>	<u>1,276,701</u>
Total funds	16	<u><u>(589,526)</u></u>	<u><u>1,276,702</u></u>	<u><u>(589,527)</u></u>	<u><u>1,276,701</u></u>

The net result of the parent Charity for the year for Companies Act purposes is a loss of £1,866k in 2021 (2020: surplus of £1,080k). As permitted by section 408 of the Companies Act 2006, no separate Statement of Financial Activities is presented in respect of the parent Charity.

The accounts have been prepared in accordance with the provisions applicable to companies' subject to the small companies' regime and in accordance with the Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006.

The notes on pages 24 to 45 form an integral part of these financial statements.

The financial statements of ESCP Europe Business School, registered number 1876779, were approved and authorised for issue by the Directors on 29th March 2022.

Signed on behalf of the Board of Directors

Trustee/Director

David Gold

19th April 2022

Trustee/Director

Frank Bournois

19th April 2022

ESCP Europe Business School

Consolidated cash flow statement Year ended 31 December 2021

	Note	Total funds 2021 £	Total funds 2020 £
Net cash flows generated from operating activities	18	1,575,978	1,260,603
Cash flows from investing activities			
Purchase of property, plant and equipment		(442,408)	(340,201)
Cash flows from financing activities			
EESC financing loan		(50,012)	(50,013)
Net increase in cash and cash equivalents		1,083,558	870,389
Cash and cash equivalents at beginning of the year		2,096,945	1,226,556
Cash and cash equivalents at the end of the year		<u>3,180,503</u>	<u>2,096,945</u>

Cash and cash equivalents comprise of cash at bank, cash in hand and revaluation adjustment of the Euros denominated accounts at year end.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies

Basis of accounts preparation

The financial statements have been prepared under the historical cost convention in accordance with the Statement of Recommended Practice “Accounting and Reporting by Charities (SORP 2019 revised version)” applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102), FRS102 including Section 1A; and the Companies Act 2006 and the OfS Accounts Direction.

The Charity is a public benefit entity as defined by FRS102.

The functional currency of ESCP is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The presentation currency is pounds sterling.

ESCP Europe Business School meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

The group financial statements consolidate the financial statements of the Charity and its subsidiary undertaking, ESCP Europe Corporate Services Ltd drawn up to 31 December every year. Where necessary, adjustments are made to the financial statements of the subsidiary to bring the accounting policies used in line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

After making enquiries, the Trustees have a reasonable expectation that the Charity has adequate resources to continue its activity for the foreseeable future. Accordingly, the Trustees continue to adopt the going concern basis in preparing the financial statements. The Trustees’ position is relying on the existence of a letter of financial guarantee provided by the EESC at the time of the sign-off of the statutory accounts. Indeed, the Charity does not have sufficient cash reserves to settle its liabilities, is loss making and has net liabilities as of at 31 December 2021. More information on the going concern assumption is given on page 14 in the Trustees’ report.

These accounts include the results of the subsidiary ESCP Europe Corporate Services Ltd. The results of this subsidiary are consolidated on a line-by-line basis. A separate statement of financial activities has not been presented for the charity alone. For 2021, the income for the Charity was £12,449k (2020: 11,125k) and result for the year was a loss of £1,886k (2020: surplus of £1,080k).

Donations

The EESC ESCP Europe did not provide any operational subsidy to the Charity to cover the net excess of expenditure over income during the year.

In 2021, the EESC donation was limited to providing rent-free facilities to the School, recognised at the Trustees’ best estimate of the value of such facilities. In 2021, this was estimated at £615k (2020: £615k) and recorded as a donation in the SOFA (Note 3), with a matching expenditure.

Student fees and other educational income

Fees receivable and charges for services and use of premises are accounted for in the period in which the service is provided. Income is deferred when it is received in advance for services to be provided in following periods.

Other income

For the first half of 2021 and until the signature of the new lease, the Charity continued to carry out works on behalf of its Freeholder (the EESC) under the parameters of an Indemnity Deed, terms of which were superseded by the terms of the new lease. The Indemnity Deed stipulated the conditions under which the Charity was entitled to act on behalf of the Freeholder for any works which fell under the remit of the Freeholder (repairs and essential maintenance of the roofs, façades, windows and/or any other part of the main fabric of the building). Any costs incurred on behalf of the Freeholder were pre-validated by the Freeholder, contracted and paid by the Charity and recharged to the Freeholder at cost.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies (continued)

Other income (continued)

In 2021, a new lease was signed between the EESC and the Charity, assigning building repairs to the Charity upon a) a defined split of works arranged by the EESC and b) an allocation of costs to be absorbed by the Charity contingent to the Charity having the financial capacity to absorb such works. Under the new terms of the lease, no more recharges will be made to the Freeholder for any essential repairs assigned to the Charity by the Federal Estate team.

Expenditure

Expenditure is accounted for on an accrual's basis. Support costs, which are overhead and other costs not directly attributable to particular functional activity categories, are apportioned over the relevant categories on the basis of management estimates of the amount attributable to that activity in the year, either by reference to staff time or space occupied, as appropriate. The irrecoverable element of VAT is included with the item of expense to which it relates.

Governance costs comprise the costs associated with constitutional and statutory requirements and include external audit fees and any legal advice for the Trustees.

Foreign currency transactions

Foreign currency exchange conversion is made at the rate ruling at the time of the transaction, or for balance sheet items at the average rate of the previous month using HMRC's website.

Fund accounting

Unrestricted funds – these are funds available to be used in accordance with the School's charitable objects at the discretion of the Trustees.

Tangible fixed assets

The freehold of the premises occupied by the Charity is owned by the EESC-ESCP Europe.

Tangible fixed assets are stated at cost less depreciation. The rates of depreciation of capital assets are as follows:

Office furniture and equipment	-	straight-line between three to five years
IT equipment	-	straight-line over three years
Freehold improvements	-	straight-line over five years for general upgrade
	-	straight line over fifteen years for structural upgrade (roofs, facades)

Pension scheme

The School participates in Universities Superannuation Scheme (USS). With effect from 1 October 2016, the scheme changed from a defined benefit only pension scheme to a hybrid pension scheme, providing defined benefits (for all members), as well as defined contribution benefits.

The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the assets are not attributed to individual institutions and a scheme-wide contribution rate is set. The School is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis.

As required by Section 28 of FRS102 "Employee benefits", the School therefore accounts for the scheme as if it were a wholly defined contribution scheme. As a result, the amount charged to the SOFA represents the contributions payable to the scheme. Since the School has entered into an agreement (the Recovery Plan) that determines how each employer within the scheme will fund the overall deficit, the School recognises a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and therefore an expense is recognised.

The latest actuarial valuation was carried out in March 2020 for the scheme under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

1. Accounting policies (continued)

Pension scheme (continued)

Further information about the latest actuarial valuation of the Scheme is provided in note 12.a to the accounts.

The School's pension deficit liability at the end of 2021, based on the new USS repayment plan pertaining to the latest March 2020 actuarial valuation ("LEG1"), refers to the present value of deficit funding contributions that are committed to under a new schedule of contributions and a new recovery plan. At 31 December 2021, the value of the deficit as shown in the accounts is £4,078k (2020: £1,403k) (see note 12). The new schedule of contributions is due to last until 2038 therefore the amount provided will be payable through normal pension contributions over that period. A discount rate of 1.07% (2020: 0.28%) and a salary inflation of 2.3% (2020: 2%) were actuarial factors used in the calculation of the revised pension deficit of the School end of 2021.

At 31 December 2021 the School had 78 active members participating in the scheme (2020: 75). The contribution rate payable by the institution was an average 20.22% of pensionable salaries.

During 2021, the total USS contributions paid by the School amounted to £638,266 (2020: £594,859) with a balance sheet liability of £6,470 at year end (2020: £89,924).

Operating leases

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis. See note 17.

Tax

As a registered charity, the School is exempt from corporation tax under the Corporation Tax Act 2010 or Section 256 of the Taxation for Chargeable Gains Act 1992, to the extent surpluses are applied to its charitable purposes. No corporation tax charge has arisen in the School's subsidiary due to its ability to off-set its liability against previous year losses (2020: £nil).

Financial instruments

Financial assets and financial liabilities are recognised when the School becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Trade and other debtors are recognised at the settlement amount due after any discount offered and net of the bad debt provision. Prepayments are valued at the amount prepaid net of any trade discounts due. Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods of the revision affects both current and future periods.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations, the Trustees have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements. Key management judgement is applied in the processing of accounting journals, preparation of the accounting estimates and accounting for significant or unusual transactions. Management ensures that there is a limited risk of override of controls through the implementation and careful monitoring of internal financial controls, clear segregation of duties and qualitative explanations provided to support the business rationale where significant transactions are of an unusual nature.

Accounting judgement

The Trustees acknowledge that the School derives the great majority of its income from student fees for courses and from the donation from the EESC. In doing so, the main judgement surrounding income recognition is relating to the cut-off date, specifically for students whose programmes span across two calendar years. In making this judgement, management use the student course timetable to allocate revenues to the appropriate accounting period.

Accounting estimates

- Valuation of donated rent-free facilities

With regards to the valuation of the donated gift in kind pertaining to the rent of the site, the Trustees use reference to the rateable value of the site as defined by the Camden Borough as the best estimate of what they would be willing to pay for the use of the site. This estimate, due to its variable nature, can change the value recognised in and out of the financial statements each year.

- USS pension deficit provision

The calculation of the provision for pension deficit funding is based on the pension fund modellers provided to the School, using assumptions taken by USS Trustees. The School's estimates relate to salary increases, the percentage of future staff changes in the scheme and the discount rate. Section 12.a of the notes to the financial statements provides more information on the estimates used at 31 December 2021.

In 2021, the School used a new model from USS integrating the new actuarial assumptions pertaining to the March 2020 actuarial valuation and recovery plan. Using this model, the School revised the assumptions related to the salary increases and discount rate, thus adjusting the overall value of the pension deficit in the statutory accounts by increasing the pension deficit provision by £2.7m. This adjustment was absorbed in full by the Charity in 2021 with no EESC matching asset being posted to the accounts to neutralise the effect of such adjustment on the net equity of the School. Note 12.a to the accounts provides more details about the actuarial assumptions taken for the purpose of the adjustment of the pension deficit in 2021.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

3. Donations

	2021 £	2020 £
Rent-free donation for the year	615,000	615,000
	<u>615,000</u>	<u>615,000</u>

4.a Student fees

	2021 £	2020 £
Masters' qualifications (full-time degrees)	7,424,814	6,104,094
Bachelor in Management (full-time degree)	2,740,605	2,710,421
Application fees	99,912	89,175
	<u>10,265,331</u>	<u>8,903,690</u>

4.b Details of fee income

	2021 £	2020 £
Fee income for taught awards (exclusive of VAT)	10,929,301	9,451,790
Fee income for research awards (exclusive of VAT)	143,400	171,974
Fee income from non-qualifying courses (exclusive of VAT)	371,983	303,576
	<u>11,444,684</u>	<u>9,927,340</u>

5.a Other educational income

	2021 £	2020 £
Income from funded research	143,400	171,974
Executive education income (part-time degrees)	950,207	788,496
Seminars and conferences	70,920	48,158
Job Retention Scheme / Furlough income	19,544	82,077
Other educational income	348,828	236,439
	<u>1,532,899</u>	<u>1,327,144</u>

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

5.b Other income

	2021 £	2020 £
Expenses recharged to clients	70,027	48,882
Reimbursement of Freeholder's costs	52,306	85,464
Other miscellaneous income	17,867	56,804
	<u>140,200</u>	<u>191,150</u>

6. Expenditure

Charitable expenditure

	Staff costs £	Depreciation £	Direct costs £	Support costs £	Total £
2021					
Charitable activities	<u>9,153,159</u>	<u>293,390</u>	<u>4,156,993</u>	<u>821,927</u>	<u>14,425,469</u>
2020					
Charitable activities	<u>6,190,299</u>	<u>264,014</u>	<u>3,412,504</u>	<u>420,035</u>	<u>10,286,852</u>

Direct costs

Direct costs consist of:

	2021 £	2020 £
Personnel recharged	769,525	800,177
Premises	1,073,582	1,063,171
Administration of the School	717,491	387,653
Marketing and recruiting	1,096,107	899,938
Release of EESC pension debtor for the year	40,181	-
Other	460,107	261,565
	<u>4,156,993</u>	<u>3,412,504</u>

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

6. Analysis of total expenditure (continued)

Support costs

Support costs consist of:

	2021	2020
	£	£
Finance – foreign exchange loss	289,654	15,936
Information technology	262,672	217,142
Governance costs	269,601	186,957
	<u>821,927</u>	<u>420,035</u>

Governance costs includes:

	2021	2020
	£	£
Legal and professional fees	51,926	48,915
Statutory fees (UCAS, QAA and CLA)	217,675	138,042
	<u>269,601</u>	<u>186,957</u>

Included in expenditure are the following:

	2021	2020
	£	£
Fees payable to the company's auditor for the audit of the company's accounts (inc. VAT)	51,732	33,840
Non-audit fees paid to the company's auditors (inc. VAT)	-	3,000
Fees payable to the company's auditor for the audit of the subsidiary's accounts (inc. VAT)	3,968	3,780
Depreciation	293,390	264,014
Operating lease rentals: plant & equipment	<u>64,511</u>	<u>61,773</u>

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

7. Analysis of staff costs

	2021	2020
	£	£
Wages and salaries	4,251,365	4,012,920
Social security costs	540,684	497,533
Pension costs	638,266	594,859
Net USS pension deficit adjustment	2,675,806	141,206
	<u>8,106,121</u>	<u>5,246,518</u>
Teaching fees invoiced	598,839	521,801
Temporary administration	173,503	212,751
Staff welfare costs	149,266	151,806
Recruitment and staff training costs	67,071	51,247
	<u>9,094,800</u>	<u>6,184,123</u>
Personnel recharged by ESCP EUROPE Paris	58,359	6,176
	<u>9,153,159</u>	<u>6,190,299</u>

The average monthly number of employees during the year was 128 (2020: 121) made up as follows:

	2021 No.	2020 No.
Teaching	62	56
Administration	58	57
Student workers	8	8
	<u>128</u>	<u>121</u>

The Trustees did not receive any remuneration during the year (2020: £nil). No Trustee (2020: none) received any reimbursement for travel costs during the year.

In 2021, the School took advantage of the Furlough Scheme implemented by the government. A total of £19,544 (2020: £82,077) was received from HMRC and reported under other educational income at the end of the year.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

7. Analysis of staff costs (continued)

The number of employees, excluding the UK Dean, employed by the School during the year whose basic salary is above £100k is:

	2021 No.	2020 No.
£100,000 - £104,999	3	-
£105,000 - £109,999	-	1
£110,000 - £114,999	1	2
£115,000 - £119,999	1	-
£120,000 - £124,999	1	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	1
£135,000 - £139,999	-	-
	7	4

In accordance with the OfS Accounts Direction, this data does not include any staff who joined or left during the year.

Emoluments of the UK Dean of the School

The UK Dean's complex set of responsibilities calls for a particular combination of qualities including strategic thinking and leadership, people management, problem solving and decision-making. These demonstrated competences and the Dean's effective market value as an experienced HE leader with both U.K. and European experience, are factors in determining the UK Dean ongoing remuneration.

The UK Dean's performance objectives for the year are set by the Executive President of the ESCP Group on the advice of the remuneration committee of the School at the beginning of the calendar year. The Chair of the Board of Trustees / the Executive President of the ESCP Group undertake an annual performance review of the UK Dean against the objectives, the results of which are reported to the Remuneration Committee. The Committee uses this information as the basis for assessing progress against agreed outcomes at the end of the year.

Professor Simon Mercado served as the School's UK Dean until 7th June 2021; and Professor Kamran Razmdoost served as the School's UK Dean since then.

Professor Kamran Razmdoost joined ESCP Business School in 2017 as an Associate Professor of Marketing. He acted as the Director of MSc in Marketing and Creativity, ranked the 5th marketing master globally. Prior to joining ESCP, Professor Razmdoost was a Lecturer and Researcher (Assistant Professor) at University College London where he was the Deputy Director of MSc in Strategic Management of Projects and engaged with a range of business and management teaching, research and consulting activities in the context of built environment. Kamran Razmdoost holds a PhD in Marketing from Cranfield School of Management and completed his MSc in Strategic Marketing at Cranfield School of Management, MBA at Sharif University of Technology and BSc in Mechanical Engineering at KNT University of Technology.

Kamran Razmdoost's research is broadly focused on the emergence of service ecosystems through institutional change. Conceptually he looks at the dynamics of boundaries in such emergence and empirically he has been investigating business relationships, more recently with a focus on social enterprise-corporate relationships. Kamran Razmdoost has a strong network of collaborator across the UK and globally. He has taught consumer value, brand activism and strategic marketing on a number of postgraduate and executive development programmes.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

7. Analysis of staff costs (continued)

Prior to his academic career, Kamran Razmdoost acted as project risk manager, contract negotiator, management system auditor, project manager, department head and health and safety engineer mainly in the Oil, Gas and Petrochemical sector.

Details of the emoluments of Professor Simon Mercado and Professor Kamran Razmdoost as UK Deans are given below:

Emoluments of the UK Dean, Professor Simon Mercado

	2021 £	2020 £
Basic salary	60,798	144,471
Pension contributions	13,302	30,483
Performance-related pay and other bonuses	14,789	14,400
Other taxable benefits		
- Subsidised accommodation	7,450	10,187
Non-taxable benefits		
- Living accommodation	1,085	2,368
	<hr/> 97,424	<hr/> 201,909

The amounts disclosed above for 2021 cover the period 1st January 2021 to 6th June 2021. Salaries are stated gross, before deductions of pension contributions made under the School's pension plan.

The UK Dean is regarded as carrying representative status and is required, in accordance with his contract of employment, to live in School provided accommodation for more effective performance of his duties. The flat previously occupied by Professor Mercado was part of the legacy of former students' residence area and was made up of two former bedrooms joined up and refreshed cosmetically in 2015 before the Dean's arrival at the School. From this aspect, it does not represent a cost to the School's general funds. It is reported at the estimate annual income (net of costs) it could generate if let on the open market.

Emoluments of the UK Dean, Professor Kamran Razmdoost

	2021 £	2020 £
Basic salary	55,343	-
Pension contributions	11,748	-
Performance-related pay and other bonuses	6,739	-
	<hr/> 73,830	<hr/> -

The amounts disclosed above for 2021 cover the period 7th June 2021 to 31st December 2021. Professor Kamran Razmdoost did not occupy the former UK Dean flat since the beginning of his tenure, hence no subsidised and living accommodation benefits being recognised in the table above.

Salaries are stated gross, before deductions of pension contributions made under the School's pension plan.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

7. Analysis of staff costs (continued)

OfS pay ratios

The Accounts Direction from OfS defines two pay ratios to be included in the financial statements: a basic salary ratio and a total remuneration ratio.

The basic salary ratio is defined as: the UK Dean salary / the median salary of the whole workforce.

The total remuneration ratio is defined as: the UK Dean total remuneration including both taxable and non-taxable benefits / the median total remuneration of the whole workforce, including taxable benefits.

For both of these ratios, the figures below include all academic and non-academic staff and include all employees who are required to be included in real-time reporting to HMRC. This is in line with the OfS Accounts Direction.

OfS pay ratios for the UK Dean, Professor Simon Mercado

The ratio of Professor Mercado's basic salary, so defined, to that of all staff is 4.01 times (£145,916 / £36,377) the median pay of all staff for 2021 (3.79 times for 2020), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the School to its staff.

The ratio of Professor Mercado's total remuneration, so defined, to that of all staff is 4.6 times (£159,877 / £37,197) the median total remuneration of all staff for 2021 (5.13 times for 2020), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of all of School's staff.

Ancillary expenditures included the provision of housecleaning for a total of £1,085 (2020: £2,368).

OfS pay ratios for the UK Dean, Professor Kamran Razmdoost

The ratio of Professor Razmdoost's basic salary, so defined, to that of all staff is 2.61 times (£94,873.01 / £36,377.06) the median pay of all staff for 2021 (nil for 2020), where the median pay is calculated on a full-time equivalent basis for the salaries paid by the School to its staff.

The ratio of Professor Razmdoost's total remuneration, so defined, to that of all staff is 3.30 times (£122,885.98 / £37,196.90) the median total remuneration of all staff for 2021 (nil for 2020), where the median total remuneration is calculated on a full-time equivalent basis for the total remuneration of all of School's staff.

No ancillary expenditures were allocated to Professor Razmdoost in the context of any on-site accommodation.

Key management personnel remuneration (including pension contributions but excluding employer's NIC) in 2021 was £1,364,597 (2020: £1,103,388) in relation to 12 (2020: 10) staff members. Total employer's NIC paid in respect of key management personnel of the Charity for the year totalled £152,072 (2020: £119,507.47). No compensation for loss of office was paid to any key management personnel in 2021. The key management personnel are defined on page 13.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

8. Tangible assets

Group and Company

	Freehold Improve- ments £	IT equipment £	Office furniture and equipment £	Total £
Cost				
At 1 January 2021	735,965	495,555	104,963	1,336,483
Additions	430,863	7,193	4,352	442,408
Disposals	(58,862)	(18,338)	(11,934)	(89,134)
At 31 December 2021	1,107,966	484,410	97,381	1,689,757
Accumulated depreciation				
At 1 January 2021	328,722	223,412	42,314	594,448
Charge for year	135,441	139,220	18,729	293,390
Disposals	(58,862)	(18,338)	(11,934)	(89,134)
At 31 December 2021	405,301	344,294	49,109	798,704
Net book value				
At 31 December 2021	702,665	140,116	48,272	891,053
At 31 December 2020	407,243	272,143	62,649	742,035

All assets are held for charitable purposes. The Trustees carry out impairment reviews when events or changes in circumstances indicate the need for such a review.

9. Investments

Company

	2021 £	2020 £
Investment in trading subsidiary	1	1

The School's Trading subsidiary, ESCP Europe Corporate Services Limited, carries out executive education and funded studies. Its company number is 07468929 and it is incorporated in the United Kingdom. The Company's objects are:

- to carry on business in executive education, training and conductors and commissioners of research;
- to make donations (whether by way of gift aid or otherwise), and/or to provide other forms of support to the School; and
- to promote the interests of the School in the global corporate business environment.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

9. Investments (continued)

The subsidiary had the following results in the year:

	2021 £	2020 £
Turnover	375,789	414,322
Expenditure	(270,691)	(339,883)
Profit before gift aid to the parent company	105,098	74,439
Gift aid	(105,098)	(74,439)
Profit after gift aid to the parent company	-	-
Assets	471,903	358,190
Liabilities	(471,903)	(358,190)
Net liabilities	-	-

10. Debtors

	2021		2020	
	Group £	Company £	Group £	Company £
Trade debtors	1,497,199	1,204,354	2,049,252	1,892,002
Prepayments and accrued income	328,586	440,254	460,515	538,319
Other debtors	55,749	28,166	50,700	22,389
Amounts due from subsidiary undertaking	-	198,617	-	150,598
Donation gift-aided by subsidiary undertaking	-	105,098	-	74,439
EESC debtor (pension liability commitment)	1,221,228	1,221,228	1,261,409	1,261,409
	<u>3,102,762</u>	<u>3,197,717</u>	<u>3,821,876</u>	<u>3,939,156</u>

The EESC debtor as represented in the table above (2019: £1,261k) was capped in 2019 and represented the value of the pension deficit as recorded in the Charity's accounts at the time. The commitment from the EESC to fund any additional deficit arising from subsequent USS actuarial valuations has been formalised since then in the form of a letter of financial guarantee issued by the EESC to the Charity. No further adjustment to the value of the EESC pension-related debtor takes place each year other than the net effect of the reduction of the asset linked to the deficit contributions paid during the year and the unwinding of the discount factor for the same year.

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

11. Creditors: amounts falling due within one year

	2021		2020	
	Group £	Company £	Group £	Company £
Trade creditors	334,936	182,501	402,905	271,315
Taxation and social security	166,624	166,624	152,393	152,393
Other creditors	52,550	52,550	125,189	125,189
Accruals and deferred income	2,627,760	2,612,009	3,111,420	3,109,858
EESC current account	363,934	363,934	-	-
	<u>3,545,804</u>	<u>3,377,618</u>	<u>3,791,907</u>	<u>3,658,755</u>
	2021 Group £	Company £	2020 Group £	Company £
Reconciliation of movement in deferred income				
Balance brought forward	2,900,285	2,820,920	1,272,148	1,135,148
Amount released to SOFA during the year	(2,900,285)	(2,820,920)	(1,272,148)	(1,135,148)
Amount deferred during the year	<u>2,077,326</u>	<u>2,077,326</u>	<u>2,900,285</u>	<u>2,820,920</u>
Balance carried forward	<u>2,077,326</u>	<u>2,077,326</u>	<u>2,900,285</u>	<u>2,820,920</u>

12.a Pension liability

USS latest valuation update

The latest available complete actuarial valuation of the Retirement Income Builder (defined benefit) component of USS is at 31st March 2020 (the valuation date), which was carried out using the projected unit method.

Further to this valuation, USS Trustees prepared a recovery plan on 30 September 2021, to satisfy the requirements of section 226 of the Pensions Act 2004, after obtaining the advice of the actuary to the Scheme. It is part of the Trustee's plan for meeting the statutory funding objective (defined in section 222 of the Pensions Act 2004), which is that the Scheme must have sufficient and appropriate assets to cover its technical provisions.

The recovery plan follows the actuarial valuation of the Scheme as at 31 March 2020, which revealed a shortfall in the assets, when measured against the Scheme's technical provisions. The size of the shortfall is dependent on whether the anticipated benefit structure reforms and covenant support measures are implemented in the anticipated timescales. The determining criterion is whether a deed is entered into effecting the benefit changes recommended by a resolution of the JNC dated 31 August 2021 in response to the rule 76.1 report with an effective date of 31 March 2020 (or effecting benefit changes which are different in form to those set out in such resolution but for which the Trustee decides, having taken advice from the Scheme Actuary, that no greater overall level of contributions is required than the overall level of contributions that would be required were the benefit changes recommended by that JNC resolution to be implemented) (the "Benefit Change Deed") on or before 28 February 2022. If this takes place, the shortfall as at 31 March 2020 is £14.1bn. If no deed is entered into, the reduced level of covenant support results in an increase to the technical provisions and the shortfall as at 31 March 2020 is £18.4bn.

Steps to be taken to ensure that the statutory funding objective is met

To correct the shortfall, the Employers' deficit contributions will be as follows, as a percentage of uncapped Salaries, assuming the Benefit Change Deed is entered into by 28 February 2022:

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

12.a Pension liability (continued)

From 1 April 2022: 6.3% of Salary

If no Benefit Change Deed is entered into by 28 February 2022, the deficit contributions will be as follows, reflecting the higher technical provisions and future service contribution requirements in this circumstance:

From 1 October 2022 to 31 March 2023: 3% of Salary

From 1 April 2023 to 30 September 2023: 6% of Salary

From 1 October 2023 to 31 March 2024: 9% of Salary

From 1 April 2024 to 30 September 2024: 12% of Salary

From 1 October 2024 to 31 March 2025: 15% of Salary

From 1 April 2025 to 30 September 2025: 18% of Salary

From 1 October 2025 onwards: 20% of Salary

Any payments will normally be made monthly, but the Trustee and employers can agree for payments to be made earlier if appropriate.

The Schedule of Contributions outlines circumstances in which accelerated payment of the deficit recovery contributions could be required.

Period in which the statutory funding objective should be met

The shortfall is expected to be eliminated in 18 years from 31 March 2020, which is by 31 March 2038, provided the Benefit Change Deed is entered into by 28 February 2022. This expectation is based on the following assumptions:

- The technical provisions will be calculated according to the method and assumptions set out in the Statement of Funding Principles dated 30 September 2021.
- The return on existing assets and the return on new contributions during the period will be as set out in the Statement of Funding Principles dated 30 September 2021 in the section headed “Assumptions used in calculating contributions payable under the recovery plan” in the paragraph headed “Investment return on existing assets and future deficit recovery contributions”.
- Total employer and employee contributions will be paid in accordance with the Schedule of Contributions dated 30 September 2021, which accompany this recovery plan.

If no Benefit Change Deed is entered into by 28 February 2022, the technical provisions (and therefore the shortfall) would increase. Higher contributions would also be required as a result of the reduced covenant support, and the shortfall would be eliminated in 12 years 4 months from 31 March 2020, which is by 31 July 2032 under the above assumptions (noting the different technical provisions and contribution rates which would apply).

Sensitivity analysis

The actuarial assumptions used for the purpose of the calculations of the year-end USS pension deficit are as follows as of 31 December 2021:

- Prior year discount rate: 0.28%;
- Current year discount rate: 1.07%;
- Deficit contribution rate: 6.3%;
- Payroll annual salary increase (Cost Of Living): 2.3% in year 1, 2% in year 2 and 1.5% onwards until 2037;
- Average headcount variation: 1.5% net per year until 2037.

As set out in the accounting policies, there are some critical estimates made in assessing the obligation to fund the USS deficit. The sensitivity on the above main assumptions used to measure the USS deficit provision are set out below:

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

12.a Pension liability (continued)

Change in assumptions at 31 December 2021 ("LEG1")	Approx. impact on deficit of £4.1m	Impact
	£'000	
0.25% pa decrease in discount rate	94	Increase
0.25% increase in salary inflation over duration of the recovery plan	93	Increase
0.25% pa increase in salary inflation year 1 only	10	Increase
0.25% increase in staff changes over duration of the recovery plan	93	Increase
0.25% increase in staff changes year 1 only	10	Increase

Pension provision

At 31 December 2020, the value of the provision related to the USS pension deficit of the School was £1,402,615. In 2021, a net release of £40k was made against the previous year provision and asset. To reflect the increase in the level of contributions as imposed by USS to its member institutions in 2021, an additional provision of £2,716k was made against the SOFA thus bringing the net liability to a balance of £4,078k at year end, and the net EESC asset reducing to a balance of £1,228k.

Group and company	2021 £	2020 £
At 1 January	1,402,615	1,261,409
Net charged to the SOFA	2,675,806	141,206
At 31 December	4,078,421	1,402,615

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

12.a Pension liability (continued)

Reconciliation of the charge / (income) made through the SOFA

	2021 £	2020 £
Payments made during the year	(44,108)	(56,469)
Unwinding of discount	3,927	7,190
Adjustments	2,715,987	190,485
Total charged to SOFA	2,675,806	141,206

12.b Creditors: amounts falling due after one year

Loan Financing Agreement

In September 2019, the School requested a five-year Loan Financing Agreement from its parent company the EESC with a view to assist with the financing of essential internal refurbishments which took place during the summer 2019. The total amount of the loan was agreed for an amount of £250,064, bearing an interest of 4% over the duration of the loan. At the end of the year, repayments of £50,013 for the principal of the loan and of £7,585 for the 2021 related interests was made, bringing the balance of the loan at £139,619 at year end.

	2021 £	2020 £
Balance at the beginning of the year	<u>189,632</u>	<u>239,645</u>
Repayment during the year (principal)	(50,013)	(50,013)
Interests due at year end	-	-
Balance at the end of the year	<u>139,619</u>	<u>189,632</u>
Total charged to SOFA (interests)	7,585	9,586

12.c Consolidated reconciliation of net debt

	2021 £
Net debt opening balance - 1 January 2021	1,907,312
Movement in cash and cash equivalent	1,083,558
Movement on loan	50,012
Net debt closing balance - 31 December 2021	3,040,882
Change in net debt	1,133,570

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Notes to the financial statements Year ended 31 December 2021

12.c Consolidated reconciliation of net debt (continued)

	2021 £	2020 £
<u>Analysis of net debt</u>		
Cash and cash equivalents	3,180,503	2,096,945
Borrowings: amount falling due within one year		
Unsecured loans	(50,013)	(50,012)
Borrowings: amount falling due after more than one year		
Unsecured loans	(89,608)	(139,621)
Net debt	3,040,882	1,907,312

12.d Financial instruments

<u>Financial assets</u>	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Cash and cash equivalent	3,180,503	2,917,360	2,096,945	1,846,511
Trade debtors	1,497,199	1,204,354	2,049,252	1,892,002
<u>Financial liabilities</u>	Group 2021 £	Company 2021 £	Group 2020 £	Company 2020 £
Financial liabilities measured at amortised cost				
Loans	139,619	139,619	189,633	189,633
Trade creditors	334,936	182,501	402,905	271,315
Other creditors	219,172	219,172	277,583	277,583

Trade and other debtors are recognised at the settlement amount due after any discount offered and net of the bad debt provision. Prepayments are valued at the amount prepaid net of any trade discounts due. Creditors and provisions are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

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Notes to the financial statements Year ended 31 December 2021

13. Net assets of the charity

	Fixed assets/ Investments £	Net current assets £	Loan £	Provision s £	Fund balances £
2021					
Unrestricted funds	<u>891,054</u>	<u>2,737,459</u>	<u>(139,619)</u>	<u>(4,078,421)</u>	<u>(589,527)</u>
2020					
Unrestricted funds	<u>742,036</u>	<u>2,126,912</u>	<u>(189,632)</u>	<u>(1,402,615)</u>	1,276,701

14. Membership liability

In accordance with Clause (7) of the Charity's Memorandum of Association, every member of the Charity undertakes to contribute to the assets of the Charity in the event of the same being wound up while he, she or it remains a member or within 12 months afterwards, to pay one pound towards the costs of dissolution and the liabilities incurred by the Charity while he, she or it was a member.

The sole member of the Charity is the EESC ESCP Europe at 31 December 2021.

15. Related party transactions

Donation and fees were received from the EESC ESCP Europe during the year as follows:

	2021 £	2020 £
Provision of rent-free premises	615,000	615,000
Undergraduate programme fee income	2,760,570	2,710,421
Postgraduate programmes – Full-time Masters fee income	<u>4,921,852</u>	<u>4,242,534</u>

Full-time Masters fee income covers fees received from the EESC for students on shared programmes (MiM, MBA, and other visiting Masters) as well as fees invoiced directly by the Charity for Masters held and run locally.

The following income and recharges of costs were also made in the year:

	Income/recharges		Debtor at 31 December	
	2021 £	2020 £	2021 £	2020 £
EESC ESCP EUROPE	7,728,721	7,565,755	211,651	361,438
ESCP EUROPE Madrid	141,168	35,982	42,391	22,902
ESCP EUROPE Berlin	116,895	123,689	17,288	11,833
ESCP EUROPE Turin	14,654	22,307	3,035	15,052
ESCP EUROPE Foundation	174,602	40,307	42,703	-
ESCP EUROPE Corporate Services Ltd	<u>271,707</u>	<u>233,832</u>	<u>303,715</u>	<u>225,037</u>

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Notes to the financial statements Year ended 31 December 2021

15. Related party transactions (continued)

The following costs were also incurred during the year:

	Costs		Creditor at 31 December	
	2021 £	2020 £	2021 £	2020 £
EESC ESCP EUROPE	508,209	197,316	414,993	23,889
ESCP EUROPE Berlin	10,401	7,513	8,971	-
ESCP EUROPE Madrid	12,487	-	12,487	-
ESCP EUROPE Torino	3,337	741	1,896	-
ESCP EUROPE Foundation	-	-	3,000	-
ESCP EUROPE Corporate Services Ltd	627	69,000	-	-

EESC ESCP EUROPE, ESCP EUROPE Madrid, ESCP EUROPE Berlin, ESCP EUROPE Foundation, ESCP EUROPE Corporate Services Ltd and ESCP EUROPE Torino are related by virtue of common directors/Trustees.

CCIR is the sole member of each ESCP Europe campus.

16.1 Movements on funds

	At 1 January 2021 £	Income £	Expenditure £	At 31 December 2021 £
Unrestricted funds				
General fund	1,417,907	12,143,271	(11,333,693)	2,227,485
Pension funding	(141,206)	40,181	(2,715,987)	(2,817,012)
Unrestricted funds total	<u>1,276,701</u>	<u>12,183,452</u>	<u>(14,049,680)</u>	<u>(589,527)</u>
Total charity funds	1,276,701	12,183,452	(14,049,680)	(589,527)
Unrestricted funds				
ESCP Europe CS Ltd	<u>1</u>	<u>375,789</u>	<u>(375,789)</u>	<u>1</u>
Total group funds	<u><u>1,276,702</u></u>	<u><u>12,559,241</u></u>	<u><u>(14,425,469)</u></u>	<u><u>(589,526)</u></u>

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

16.2 Comparative movements on funds

	At 1 January 2020 £	Income £	Expenditure £	At 31 December 2020 £
Unrestricted funds				
General fund	197,171	10,952,060	(9,731,324)	1,417,907
Pension funding	-	-	(141,206)	(141,206)
Unrestricted funds total	<u>197,171</u>	<u>10,952,060</u>	<u>(9,872,530)</u>	<u>1,276,701</u>
Total charity funds	197,171	10,952,060	(9,872,530)	1,276,701
Unrestricted funds				
ESCP Europe CS Ltd	1	414,322	(414,322)	1
Total group funds	<u>197,172</u>	<u>11,366,382</u>	<u>(10,286,852)</u>	<u>1,276,702</u>

17. Financial commitments

Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases:

	2021 IT equipment £	2020 IT equipment £
Group and Charity		
- within one year	38,433	38,876
- between one and five years	125,828	148,810
	<u>164,261</u>	<u>187,686</u>

ESCP Europe Business School

Notes to the financial statements Year ended 31 December 2021

18. Net cash flows generated from operating activities

Reconciliation of net income to cash generated by operations:

	2021 £	2020 £
Net (outcome) / income for the year	(1,866,228)	1,079,530
Adjustments for:		
Depreciation charges	293,390	264,014
Operating cash flow before movement in working capital	(1,572,838)	1,343,544
Decrease / (Increase) in debtors	719,113	(1,118,560)
(Decrease) / Increase in creditors	(246,103)	894,413
Increase in provisions	2,675,806	141,206
Cash generated from operating activities	1,575,978	1,260,603

19. Ultimate parent undertaking

The EESC ESCP Europe is the sole member of the Charity. It is the parent undertaking of the Charity from this point of view at the time of the signing of the 2021 statutory accounts.

The registered address of the EESC ESCP Europe is 3 rue Armand Moisant, Paris 75015, France.