

# CHAIRMAN'S STATEMENT

Over the past 12 months, much has been achieved. We have continued to pursue the strategy outlined by André Lacroix last March that established the mission, purpose and vision of Intertek and the values that underpin this strategy.

We have redefined our value proposition shifting our focus to Total Quality Assurance solutions that provide our customers with Assurance, Testing, Inspection and Certification services that deliver more than assuring quality of components, products and assets to now look at processes and systems. This enables ever more complex supply chains to operate safely by monitoring, assessing and managing risk in this rapidly changing world.

## 2016 PERFORMANCE

I am pleased to report another year of strong progress. The Group delivered revenue of £2,567m, an increase of 8.8% at constant exchange rates over the prior year benefiting from the 12 month contribution of recent acquisitions. Our Products and Trade businesses delivered good organic growth of 5.5% and 1.3% respectively at constant exchange rates, while as expected trading conditions in the Resources sector remained challenging. Organic revenue growth at constant exchange rates was 0.1%.

**"As a global leader in the attractive Quality Assurance industry, Intertek is well positioned to seize significant growth opportunities that will deliver value for shareholders."**



**Sir David Reid**  
Chairman

Adjusted operating profit was up 10.4% at constant exchange rates to £409.7m and we improved our adjusted operating margin to 16.0%. On an underlying basis, adjusted diluted earnings per share were 167.7p, up 19.2%. Return on invested capital was 21.7%.

Intertek has a progressive dividend policy and seeks to grow the dividend each year in a sustainable way while maintaining a minimum dividend cover of 2.5 times earnings. On 14 October 2016, we paid an interim dividend of 19.4p per share (2015: 17.0p). At the Annual General Meeting, the Board will propose a final dividend of 43.0p per share, which will make a full year dividend of 62.4p per share (2015: 52.3p), an increase of 19.3%.

This final dividend will be paid on 2 June 2017 for those shareholders on the register on 19 May 2017. During 2016, the share price increased from £27.77 to £34.81, and total shareholder return was 27.3%.

## CASH FLOW AND INVESTMENT

The Group's focus on strong cash generation continued in 2016, with adjusted cash flow from operations increasing by 21.4% to £565m. Cash conversion improved to 139% (2015: 136%).

Capital investment is a key capital allocation priority ensuring that Intertek is well placed for future growth. Investment in new laboratories and equipment in the year was £106m, equivalent to 4.1% of total revenue (2015: £112m, 5.2%).

Net debt at the year end was £744m, a decrease of 4.1% on the prior year. This has driven a net debt to EBITDA ratio of 1.5 times in 2016, an improvement on prior year.

## ACQUISITIONS AND INVESTMENTS

We continue to focus on strengthening our portfolio of global and local businesses in growth areas.

In 2016, Intertek completed three acquisitions and investments: FIT-Italia, an Italian company specialising in providing assurance services to the retail and agricultural sectors through food quality and safety assessments; EWA-Canada, a leading cyber security assurance solutions business that strengthens our Internet of Things proposition; and a Joint Venture with ABC Analytic, which establishes Intertek as the environmental quality assurance market leader in Mexico. The total spend on acquisitions and investments in 2016 was £34.8m, net of cash acquired.

Our strong financial position means that we continue to have the flexibility to consider strategic acquisition opportunities that bring complementary services to our portfolio and have the potential to increase shareholder value.

### BOARD AND COMMITTEE CHANGES

One of my key roles is to constantly evaluate the balance of skills, experience, knowledge and independence of the Directors. The composition of the Board continued to evolve during 2016. Edward Astle retired at the AGM and I would like to thank Edward for his valuable contribution to Intertek since December 2009. You may be aware that, sadly, Mark Williams passed away in March 2016 after three years on the Board.

We welcomed Andrew Martin to the Board as a Non-Executive Director and a member of the Audit Committee on 25 May 2016. Andrew will take over as Chairman of the Audit Committee from Michael Wareing on 1 March 2017.

### GOVERNANCE

As Chairman, I am committed to strong and effective corporate governance. This enables us to assess business performance and strategic progress as well as manage existing and emerging risks. To this end, during the year, we established a Risk Committee, separate from the Audit Committee, and reporting directly to the Chief Executive Officer. The work of the Board and its Committees is set out in the Corporate Governance Report on pages 56 to 87.

Intertek continues to support diversity in all its forms across the organisation including the Board. While all Board appointments are made on merit, we firmly believe in the importance of diversity. Three of the nine Board members are female. The Board notes the recommendations of both the Hampton-Alexander Report and The Parker Review and is following through to ensure the Group takes the appropriate steps to champion ability and diversity across the business.

### CORPORATE RESPONSIBILITY

Foremost in our approach to corporate responsibility is a continual focus on sustainable business practices. Not only do we strive to ensure our own processes are sustainable and adhere to best practice, our role in helping our customers around the world improve the social, ethical and environmental impact of their products, processes, and supply chains, ensures quality, safety and the reputation of their business and brands.

Another key operating principal is health and safety and we have policies and processes in place to ensure staff welfare remains of utmost importance. Our aim is zero lost time accidents and to achieve this, we are committed to continuous review and improvement of our health and safety performance to help identify, assess, prioritise and mitigate risk.

Our employees' cultural values and relationships with their local communities is important to them, our business and to our clients. Throughout the year, our colleagues have led awareness campaigns, volunteered, participated in fund-raising efforts and inspired young people.

More detail can be found in the Sustainability and CSR Report on pages 45 to 51.

### CULTURE, VALUES AND ETHICS

Values are at the core of Intertek. The way we live these values and our behaviours are even more important; doing the right thing is integral to our people and our business. We strive to deal with our business partners with integrity and respect and treat them as we would hope and expect to be treated ourselves. We have robust ethical policies and control procedures which help us ensure that good business ethics are embedded across the Group. This is key to our success.

Our decentralised structure encourages fast decision making at the local level by people who really understand their customers' needs and can provide great service. We rely on the quality of our employees around the globe to deliver our strategy for growth. It is their innovation, entrepreneurial spirit, passion and commitment that drives our progress. On behalf of the Board, I would like to thank all of our employees for their continued dedication and diligence.

### LOOKING AHEAD

Structural changes in sourcing and distribution have made supply chain operations more complex for our customers. The fundamental strengths of our high-quality business model are therefore critical in a world that demands greater quality assurance and gives me confidence that we will continue to create long-term value for our shareholders.



**Sir David Reid**  
Chairman

# CHAIRMAN'S INTRODUCTION

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**"We continually strive to have high standards of corporate governance."**



**Sir David Reid**  
Chairman

## DEAR SHAREHOLDER

In my capacity as Chairman of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2016. The Board continues to take corporate governance very seriously and believes that good governance is key to the long-term success of the Group and we shall continue to pursue the 'comply or explain' approach. The Board remains committed to improving the governance framework and is well aware of the need to demonstrate to shareholders that the Company is properly governed in order to support the delivery of our strategic and business goals.

## COMPLIANCE WITH THE 2014 UK CORPORATE GOVERNANCE CODE (THE 'CODE')

The Company is subject to the principles and provisions of the Code, which is published by the UK Financial Reporting Council ('FRC'). To demonstrate the Board's proactive approach to corporate governance, the Company has sought to apply the latest update of the Code, released in April 2016 (together 'the Codes'), in advance of its formal application to our reporting year. A copy of the Codes are available at [www.frc.org.uk](http://www.frc.org.uk).

I am pleased to report that throughout the year ended 31 December 2016, the Company has applied the main and supporting principles, and also complied with the provisions, of the Codes, except for provision D.2.1. for the period 6 March to 20 April 2016. Following the sudden death of Mark Williams on 6 March 2016, the Remuneration Committee consisted of two independent Non-Executive Directors ('NED'). The Nomination Committee and the Board evaluated the composition of the Remuneration Committee and Michael Wareing was subsequently appointed as a member on 20 April 2016. During this brief time no meetings were held and no decisions were taken by the Remuneration Committee. Following Michael Wareing's appointment to the Remuneration Committee, the Company once again complied fully with the Codes for the rest of the year.

## CULTURE

We believe that boards should give sufficient time not only to managing performance and results, but also to understanding the culture and values that underpin the Company. During the year, the CEO and his Executive Team spent considerable time and energy on embedding Intertek's values within the organisation, and reinforcing the levels of communication and behaviour that are expected of everyone to strengthen accountability and reduce complexity. More detail can be found in the Strategic report on pages 12 and 13.

## SUCCESSION PLANNING

My focus continues to be on maintaining a Board that works effectively and cohesively under my leadership, with the right range and balance of skills, expertise and attributes to ensure the continued growth and success of the Group. The Nomination Committee ensures that it is presented with, and considers, a broad range of candidates for any new Board appointments.

As announced on 24 February 2016, Edward Astle stepped down from the Board at the 2016 Annual General Meeting ('AGM') after serving as a valued member of the Board for more than six years. I would like to take this opportunity to thank him for his service.

It is with profound sadness that the Board pays tribute to Mark Williams after his death on 6 March 2016. Mark served as a Non-Executive Director of Intertek since September 2013 and was a member of the Remuneration and Nomination Committees. Mark provided invaluable contributions to his fellow Directors and to management, and is greatly missed.

The Nomination Committee focused on continuing the NED refreshment programme and on evaluating the composition of the Board and its Committees and the necessary skills required to address the evolving and changing needs of the business. On 26 May 2016 we welcomed Andrew Martin to the Board as a Non-Executive Director and member of the Audit Committee. He brings wide-ranging experience, including financial knowledge gained within large international organisations to our Board.

More information on the role and activity of the Nomination Committee is detailed on pages 86 and 87.

## PERFORMANCE EVALUATION

At the end of the year the Board and each of the Committees conducted their annual performance evaluation. In accordance with the requirements of the Codes, we undertook an internally facilitated assessment. I am pleased to report that the evaluation concluded that each Director is making significant contributions to debate and discussion and that the Board and its Committees operate effectively. Further details on the outcome of the evaluation and its process can be found on pages 61 and 62.

## SHAREHOLDER ENGAGEMENT

Our engagement with shareholders is outlined in the Corporate Governance report on page 64 and in the Remuneration report in the letter from the Chair to the Remuneration Committee on page 65.

I am interested in hearing the views of our shareholders and ensuring that the Board takes these into account when considering the strategic direction of the Group.

## BUSINESS FOCUS

We continually strive to have high standards of corporate governance and the report that follows has been prepared in order to provide shareholders with a comprehensive understanding of our governance framework and to meet the requirements of the Codes, the Listing Rules and the Disclosure Guidance and Transparency Rules. A fuller explanation of our compliance can also be found on our website at [www.intertek.com](http://www.intertek.com). I hope this provides you with more information and gives a greater insight into the discussions held at the Board and its Committee meetings during the year.



**Sir David Reid**  
Chairman

## INTERTEK INNOVATIONS

### INTERTEK HELPS BRING RECYCLABLE COFFEE CUP TO MARKET



Intertek has supported Frugalpac, a pioneering UK packaging firm, in developing a recyclable coffee cup. The innovative cup is now being trialled by some of the world's major coffee brands.

Intertek helped in assessing the viability of the proposed recyclable cup by conducting and managing recycling trials, testing the cup's functional performance, and measuring the cup's carbon footprint.

As companies develop new innovations, testing, measuring and proving the environmental impact of a product is becoming increasingly important, both to manufacturers and ultimately consumers.



# CORPORATE GOVERNANCE

The Board is responsible to shareholders for ensuring the sound running of the Company in accordance with best practice corporate governance. The Codes set out five key areas: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders. The disclosures that follow mirror these sections and together with the Remuneration report, Audit Committee report and the Nomination Committee report, set out on pages 65 to 80, 81 to 85, and 86 and 87 respectively describe how the Company has applied the main and supporting principles and complied with the provisions of the Codes throughout the year.

## LEADERSHIP

### THE ROLE OF THE BOARD

The Board is collectively responsible and accountable to shareholders for providing entrepreneurial leadership of the Company to ensure that the strategic aims and financial performance are delivered within a framework of prudent and effective control systems. Our strategy and progress towards its delivery are set out in the Strategic report.

The Board has the ultimate responsibility to the Company's shareholders for the conduct of the business and also establishes the Company's policies. There is a clear division of responsibility between the running of the Board and the executive responsibility for running the Company's business. The Board Approval Matrix formally outlines the matters specifically requiring the consent of the full Board. The Board also delegates specific responsibilities, subject to certain financial limits, to management and this is governed by the Authorities Cascade, which is regularly reviewed and updated to meet business needs. The Board decides and reviews all key policies and regulations for the Company, its strategy, operating plans, acquisitions, corporate governance, major investments and disposals, appointment and removal of Directors, risk management, financial reporting, audit, sustainability, ethics, the environment and people policies.

The Board also reviews and approves the method and approach to risk management and internal control systems and the Group's risk register. The overall powers of Directors are set out in the Company's Articles of Association ('Articles') and may be amended by special resolution of the shareholders. The Board may exercise all powers conferred on it by the Articles in accordance with the Companies Act 2006 and other applicable legislation.

### ROLES AND RESPONSIBILITIES

In line with the Codes there is a clear division of responsibilities between the Chairman and the Chief Executive Officer, and these responsibilities have been formalised in writing. Their key responsibilities are set out in the following table:

Role	Name	Responsibility
Chairman	Sir David Reid	<ul style="list-style-type: none"> <li>• Leadership and governance of the Board to ensure its effectiveness.</li> <li>• To ensure that the Directors receive accurate, timely and clear information.</li> <li>• To ensure that there is effective two-way communication with shareholders.</li> <li>• To facilitate the effective contribution to the Board of the Non-Executive Directors.</li> <li>• Hold meetings with the Non-Executive Directors without the Executives present.</li> </ul>
Chief Executive Officer	André Lacroix	<ul style="list-style-type: none"> <li>• Proposes and agrees the strategy with the Board.</li> <li>• Run the day-to-day operation of the business in line with the agreed strategy and commercial objectives.</li> <li>• Be responsible for promoting and conducting the affairs of the Company with the highest standards of ethics, integrity and corporate governance.</li> <li>• Lead the Executive Management Team.</li> </ul>
Senior Independent Non-Executive Director	Michael Wareing	<ul style="list-style-type: none"> <li>• Provide a sounding board for the Chairman.</li> <li>• Be responsible for leading the Directors' review of the Chairman's performance.</li> <li>• Be available to meet with shareholders should they have concerns that have not been resolved through normal channels.</li> </ul>

### GROUP COMPANY SECRETARY

The Group Company Secretary supports the Chairman in the delivery of the Board and governance procedures, in particular with the planning of agendas for the annual cycle of Board and Committee meetings, the planning of the induction for new Directors and in ensuring that information is made available to the Board members on a timely basis. She arranges for the Non-Executive Directors to meet with investors to discuss aspects of Intertek's corporate governance arrangements on request and supervises the arrangements for them to visit Intertek's operations to enhance their knowledge and understanding of the business.

The Group Company Secretary also supports the Board by providing advice and services, including access to independent professional advice, at the Group's expense, and ensures that an accurate record of all the meetings and Committee meetings is taken. If a member of the Board has any concerns about the Company or any of the decisions taken, this would be recorded in the minutes. No such concerns were raised during the year.

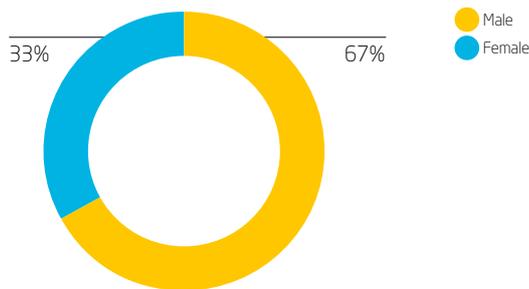
The Company has granted an indemnity, to the extent permitted by law, to each of the Directors and the Group Company Secretary. Directors' and Officers' liability insurance is also in place.

## EFFECTIVENESS

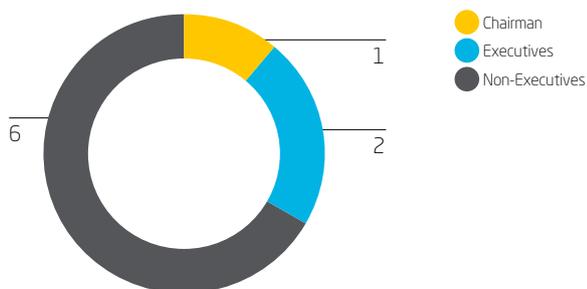
As at 31 December 2016, the Board comprised the Chairman, two Executive Directors and six Non-Executive Directors. Biographical details of individual Directors are set out on pages 58 and 59.

The Board's composition gives Intertek an appropriate balance of skills, experience, independence and knowledge to ensure the business continues to be run effectively. A key focus is to build an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of the Group's business.

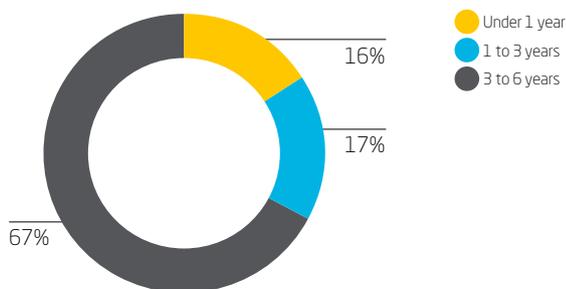
### DIVERSITY



### COMPOSITION



### TENURE NON-EXECUTIVES

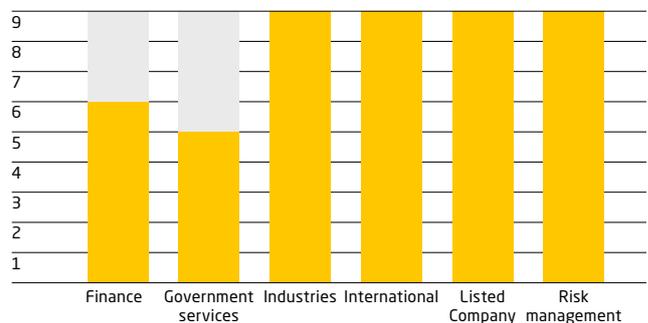


The Nomination Committee is responsible for reviewing the composition of the Board and its Committees and assessing whether the balance of skill, experience, independence and knowledge is appropriate to enable them to operate effectively.

On 25 May 2016, Edward Astle stepped down from the Board as announced earlier in the year and then, on 26 May 2016, Andrew Martin was appointed to the Board as a Non-Executive Director and member of the Audit Committee following a selection process led by the Nomination Committee. More detail on the process for appointments can be found in the report of the Nomination Committee on page 86.

### EXPERIENCE OF THE BOARD BY NUMBER

Number of Board members with experience in the sector as at 31 December 2016.<sup>1</sup>



1. When a Director is considered to have experience in multiple sectors, they have been recognised in all relevant areas.

The Company's Non-Executive Directors provide a strong, independent and external insight to the Board's proceedings and bring with them wide-ranging experience and knowledge from previous roles held in other business sectors and industries which complement the various sectors in which the Company operates. The Board has reviewed the independence of the Non-Executive Directors, other than the Chairman, and has determined that all remain independent in character and judgement.

The Non-Executive Directors are appointed for specified terms subject to election and re-election by shareholders at the AGM each year, if the Board, on the recommendation of the Nomination Committee, deems it appropriate that they remain in office. Any term beyond six years for a Non-Executive Director is subject to a particularly rigorous review to ensure the progressive refreshing of the Board to meet the evolving needs of the Company. The Letters of Appointment of the Non-Executive Directors, as well as the Service Agreements of Executive Directors, are available for inspection at the Company's registered office and at the AGM.

### DIRECTORS' CONFLICTS OF INTEREST

To assist Directors in complying with their duty to avoid conflicts, or possible conflicts, a formal procedure is in place. The Directors are advised of the process for dealing with conflicts of interest upon appointment and whenever any Director considers that he or she is, or may be, interested in any contract or arrangement to which the Company is, or may be, a party, the Director gives due notice to the Board in accordance with the Companies Act 2006 and the Company's Articles of Association.

The Conflicts of Interest Register is maintained by the Group Company Secretary and the Board undertakes an annual review of each Director's interests, if any, including outside the Company.

# BOARD OF DIRECTORS



Committees:

Nomination	N
Audit	A
Remuneration	R

**1 Sir David Reid**  
Chairman

N

Appointed to the Board in December 2011 and became Chairman in January 2012. Sir David Reid retired as Non-Executive Chairman of Tesco PLC in November 2011 after serving in that role since April 2004. Prior to that he was Deputy Chairman of Tesco PLC and had served on the Tesco Board since 1985. David is Chairman of the charity Whizz-Kidz. In February 2012 he was appointed a member of the Global Senior Advisory Board of Jefferies International Limited, a global securities and investment banking group. He was formerly the Senior Independent Non-Executive Director of Reed Elsevier Group PLC (now RELX Group), Chairman of Kwik-Fit Group Ltd, Non-Executive Director at Greenalls Group Plc (now De Vere Group), Legal & General Group Plc and Westbury plc.

**2 André Lacroix**  
Chief Executive Officer

Appointed to the Board as Chief Executive Officer in May 2015. André is an experienced Chief Executive with a strong track record of delivering long-term growth strategies and shareholder value with global companies across diverse territories. André was previously Group Chief Executive of Inchcape plc from 2005 to 2015 and prior to this he was Chairman and Chief Executive Officer of Euro Disney S.C.A. From 1996 to 2003 he was the President of Burger King International, previously part of Diageo. André is currently the Senior Independent Director of Reckitt Benckiser Group plc.

**3 Edward Leigh**  
Chief Financial Officer

Appointed to the Board as Chief Financial Officer in October 2014. Joined Intertek in March 2013 as the Group's Financial Controller. Prior to that, Edward spent nine years at Dixons Retail plc, where he held several senior financial management positions, including Divisional & Corporate Development Finance Director, UK & Ireland CFO and Group Financial Controller. From 1995 to 2004 Edward held commercial financial leadership roles at Procter & Gamble Co. covering the UK and international markets.

**4 Alan Brown**  
Non-Executive Director

A

Appointed to the Board as a Non-Executive Director in April 2011. He is currently Group Chief Executive Officer of ASCO Group, an international oilfield support services business. Alan was Chief Executive Officer of Rentokil Initial plc for five years until October 2013. He spent 25 years at Unilever PLC where he rose through a variety of finance roles in the UK and Europe and then general management in Taiwan and China. His last four years were as Executive Chairman of Unilever China. Following this, Alan returned to the UK as Chief Financial Officer at Imperial Chemical Industries PLC taking a leading role in the divestment of the company. Alan is a Trustee of St Cuthbert's Day Care Centre.



**5 Dame Louise Makin**  
Non-Executive Director

R N

Appointed to the Board as a Non-Executive Director in July 2012. Dame Louise Makin is currently Chief Executive Officer of BTG plc, a growing international specialist healthcare company, a position she has held since 2004. Before joining BTG, Louise was at Baxter Healthcare from 2000, holding the roles of Vice President, Strategy & Business Development Europe, and from 2001, President of their Biopharmaceuticals division, where she was responsible for Europe, Africa and the Middle East. Prior to her time at Baxter, she was Director of Global Ceramics at English China Clay, and in her earlier career, held a variety of roles at ICI between 1985 and 1998. Louise is a Trustee of The Outward Bound Trust, an Honorary Fellow of St John's College Cambridge, and a Non-Executive Director of Woodford Patient Capital Trust plc. She was previously a Non-Executive Director of Premier Foods plc.

**6 Andrew Martin**  
Non-Executive Director

A

Appointed to the Board as a Non-Executive Director in May 2016. He currently holds a non-executive directorship with easyjet plc where he is a member of the Audit, Nomination and Remuneration Committees and is Chairman of the Finance Committee. From 2012 to 2015, Andrew was the Group Chief Operating Officer for Europe and Japan for Compass Group PLC and prior to that served as their Group Finance Director from 2004 to 2012. Before he joined the

Compass Group, he was the Group Finance Director at First Choice Holidays plc. Andrew also previously held senior financial positions with Forte plc and Granada Group plc and was a partner at Arthur Andersen.

**7 Gill Rider CB**  
Non-Executive Director

R

Appointed to the Board as a Non-Executive Director in July 2015. She currently holds non-executive directorships with Pennon Group Plc, where she chairs the Sustainability Committee and Charles Taylor Plc where she chairs their Remuneration Committee. She is the Senior Independent Director at both. Gill is also the Chair of Council (Board) of the University of Southampton and was the President of the Chartered Institute of Personnel & Development for the last five years. Formerly Gill was head of the Civil Service Capability Group in the Cabinet Office reporting to the Cabinet Secretary and prior to that held a number of senior positions with Accenture culminating in the post of Chief Leadership Officer for the global firm. She was previously a Non-Executive Director of De La Rue plc.

**8 Michael Wareing CMG**  
Senior Independent  
Non-Executive Director

R N A

Appointed to the Board as a Non-Executive Director in April 2011. He is currently Chairman at Cobham plc and was previously a Non-Executive Director and Audit Committee Chairman at Wolseley plc. Michael has major international and board level knowledge gained during an

extensive global career up to senior partner level at KPMG, where his last position was as International Chief Executive Officer, which he occupied for four years until 2009. He has completed two roles on behalf of the British Government, namely as the Economic Development Advisor to the Government of Afghanistan (2011 to 2015) and as the Prime Minister's Special Envoy for Reconstruction in Southern Iraq (2007 to 2009).

**9 Lena Wilson CBE**  
Non-Executive Director

A

Appointed to the Board as a Non-Executive Director in July 2012. She is currently Chief Executive Officer of Scottish Enterprise, Scotland's national economic development agency, a member of Scotland's Financial Services Advisory Board and Chair of Scotland's Energy Jobs Taskforce. Prior to this, she was Chief Executive Officer of Scottish Development International (Scotland's international trade and investment arm) and Chief Operating Officer, Scottish Enterprise. Lena was also a Senior Advisor to The World Bank in Washington DC on private sector development for developing countries. Lena is an Ambassador for the Prince and Princess of Wales Hospice and the Edinburgh Military Tattoo. She served on the Board of the Prince's Scottish Youth Business Trust for 10 years.

# CORPORATE GOVERNANCE

## continued

### DIRECTORS' CONFLICTS OF INTEREST (CONTINUED)

Any conflicts of interests are reviewed when a new Director is appointed, or if a new potential conflict arises. Directors abstain from voting when there is a vote to approve their own reported conflicts. During the year, this process operated effectively.

### BOARD ACTIVITY DURING THE YEAR

The Chairman, and respective Committee Chairs, develop and agree a forward agenda for Board and Committee meetings for the year ahead to ensure that proper oversight of key areas of responsibility are scheduled regularly and that sufficient time is allocated during the year for the Board to fully consider strategic matters.

Papers, including minutes of Board and Committee meetings held since the previous meeting, are circulated in advance of each meeting. During 2016, there were five scheduled Board meetings in addition to frequent ad-hoc contact between Directors to discuss the Group's affairs and the development of its business.

Agenda items for 2016 included:

- Updates on Group strategy and commercial objectives;
- Chief Executive's Business Performance Reports;
- 2016 annual budget;
- Approval of full year results, Annual Report and Accounts, half year results, the AGM circular and dividends;
- Reports of the activities of the Audit, Remuneration and Nomination Committees;
- Reappointment of Directors at the 2016 AGM;
- Approval of changes to the composition of the Board and its Committees;
- Conflicts of interest;
- Updates on governance, sustainability, legal, risk, internal controls and compliance;
- Updates on developments, acquisitions and disposals; and
- Talent mapping and succession planning.

The Non-Executive Directors also receive monthly Business Performance Reports and information which enables them to review the performance of the Group and management against the agreed strategy, budget objectives and prior period performance. As well as the above, during the year the Board receives updates on debt financing and investor relations.

Since the year-end, the Board also approved the Annual Report and Accounts for 2016 and has concluded that, taken as a whole, they are fair, balanced and understandable. The Notice of Annual General Meeting was also approved, the payment of a final dividend to shareholders was recommended and the Board has received and discussed the report on the effectiveness of the Board during 2016.

### BOARD MEETING ATTENDANCE

The Directors' attendance at Board meetings during the year is set out in the following table. Details of the Directors' Committee attendance are set out in their respective reports.

### BOARD MEMBERSHIP AND MEETING ATTENDANCE

Board Members	Number of meetings held in 2016	
	Eligible to attend	Attendance
<b>Sir David Reid</b> Chairman	5	5
<b>André Lacroix</b> Chief Executive Officer	5	5
<b>Edward Leigh</b> Chief Financial Officer	5	5
<b>Edward Astle</b> Non-Executive Director (stepped down 25 May 2016)	2	2
<b>Alan Brown</b> Non-Executive Director	5	5
<b>Dame Louise Makin</b> Non-Executive Director	5	5
<b>Andrew Martin</b> Non-Executive Director (appointed 26 May 2016)	3	2 <sup>1</sup>
<b>Gill Rider</b> Non-Executive Director	5	5
<b>Michael Wareing</b> Senior Independent Non-Executive Director	5	5
<b>Mark Williams</b> Non-Executive Director (passed away 6 March 2016)	1	0 <sup>2</sup>
<b>Lena Wilson</b> Non-Executive Director	5	4 <sup>3</sup>

When required the Board also met at short notice on a quorate basis.

1. Andrew Martin was unable to attend one meeting due to a prior commitment entered into before his appointment to the Board.
2. Mark Williams missed one meeting due to illness. He passed away on 6 March 2016.
3. Lena Wilson was unable to attend one meeting due to an illness in the family.

Whenever a Director is unable to attend a meeting, they will go through the papers, which have been circulated before the meeting, and give feedback to the Chairman. There are also meetings held between the Chairman and the Non-Executive Directors without Executive Directors and management in attendance.

### BOARD VISIT TO CHINA

As part of a familiarisation programme to widen the Board's understanding of the Group's business, the Board visited the Intertek operations in China in October 2016. The visit provided an excellent opportunity for Board members to meet with the China management team and to visit sites in the region. The local management team presented on the drivers of the local operations and the opportunities in the region. There was also time for informal interaction between the Board and senior management after the meetings. The combination of laboratory visits and presentations by colleagues was well received and gave the Board an in-depth view of the business in China and the environment in which Intertek operates.



The Intertek Board visited our operations in China as part of a familiarisation programme to widen their understanding of our businesses.

### DIRECTORS' INDUCTION AND DEVELOPMENT

There is a formal induction programme which is tailored to meet the needs of new Directors. This is managed by the Chairman and the Group Company Secretary. During the programme, new Directors receive background information on the Company and details of Board procedures, Directors' responsibilities and various governance related issues. The induction also includes a series of meetings with other members of the Board, senior members of management and external advisors.

During the year Andrew Martin undertook his induction programme including orientation from relevant senior executives from the operations and other functional areas to ensure the development of a deeper understanding and knowledge of Intertek. He also received information about the business operations, internal audit activities, Group risks and management processes and procedures. During September 2016, Andrew travelled to various sites and laboratories in the UK and Europe to visit the operations and meet local management. Gill Rider also joined him on some of these visits as part of her induction into the business.

In addition to the Board's visit to China, the Chairman had the opportunity to visit the Intertek site in Kista, Sweden. He was hosted by the Country Manager for the Nordic and Baltic countries. In October 2016 the Chairman also visited PSI (part of Intertek's Building & Construction business) in both Houston, Texas and Orlando, Florida. The Chairman was hosted by the EVP Americas, North East Asia and Australasia and the SVP, Building & Construction and was given an update on current and future projects.

All Directors are kept up to date with information about Intertek's business and there is an ongoing programme of information dissemination. It is important that the Directors have an appreciation of the business both in the UK and overseas. During the year there were presentations from senior management to the Board and meetings have been held on regional strategy to increase the understanding of operations, opportunities and risks. The Group Company Secretary, in conjunction with the Group's advisors, monitors legal and governance developments and Directors are regularly updated on such matters.



Intertek Chairman, Sir David Reid, visited PSI in both Houston, Texas and Orlando, Florida.

### PERFORMANCE EVALUATION

The effectiveness of the Board and its Committees is reviewed annually and an independent externally facilitated review is conducted every three years. A full externally facilitated Board evaluation exercise was last conducted in 2015 and reported on in the 2015 Annual Report and Accounts.

#### Board, Committee and Directors' performance cycle



#### 2016 Internal Board and Committee evaluation

The evaluation process was led by the Chairman, with the support of the Group Company Secretary and entailed:

- the completion of detailed questionnaires by each Board member;
- discussions on the outcomes and recommendations with the Chairman and each Board member; and
- following discussion of the results of the evaluation with the relevant Committee and the Board as a whole, identifying and agreeing areas for improvement.

Last year's Effective Board Review 2015 was about transition from the previous leadership of the Group to a new era of leadership under the CEO, André Lacroix and his team.

# CORPORATE GOVERNANCE

## continued

This year's Effective Board Review 2016 covers how the Board is actively progressing and implementing the agreed strategy and putting in place the strategic initiatives and capability to deliver sustainable growth and strong returns for our shareholders. This will move the Group from good to great.

The key findings of this year's report are very positive:

- The Board continues to go from strength to strength.
- The strategy is now well embedded and the Board is looking forward to implementation delivering further value for the business.
- The leadership of the CEO is very strong and making a real difference, with good early results.
- Despite the significant challenges in the Oil & Gas industry, the Group results have delivered a strong performance in Revenue, Earnings and Cash.
- The TSR for the year 2016 has increased by 27.3%, a strong absolute performance and also strong relative to Intertek's peers.
- Governance is seen as strong. Importantly, this year a strong vote (96%) on the approval of our 2016 Remuneration report and Policy was achieved.
- Risk management and controls have been revamped and the CEO has set great 'tone from the top' in this respect.
- Risk Committee has been separated from the Audit & Risk Committee and reports into the Board but is led by senior operational management.
- The Board feels that the quality and level of information and papers are good, and the progress on the strategic agenda is reviewed and discussed at each meeting. There is good balance and constructive debate at the meetings. The Board visit to Intertek's large and successful business in China was seen as a highlight. The CEO also encourages Non-Executives to visit lab sites and management covering the important geographies and business lines.
- The Board, led by the Chairman, reviews the performance of our Non-Executives, and also the skills and experience needed looking forward; and then plans succession and refreshment accordingly.
- The Board is pleased with the energy and focus on people in terms of talent planning and management development thereby increasing our capabilities to be best in class in Intertek's sector. This will also provide a stronger platform and more choice for management succession at both senior and lower levels.
- The Board supports the way the CEO has raised the bar on customer focus on sales, service and customer satisfaction across the business and specifically on the growth platforms such as total business assurance.
- There is good engagement with shareholders by senior management and the IR team. The Chairman received good feedback in January/February 2017 from his visits to shareholders, who accounted for some 25% of the portfolio.

Looking forward,

- Our teams are excited and motivated by the strategy and plans we are making.
- There is significant energy and resolve through our people now going into the implementation phase of our strategy both on a twin track basis in the shorter term performance and also the transformational plans for the medium and longer term.
- Our Board is a good team with a will to succeed. This review recognised the rapid progress being made and added constructive builds on how we could continue to improve our performance on the two key areas critical for our success as a Group; our People and our Customers.

### Chairman and Director evaluation

The Non-Executive Directors, led by the Senior Independent Non-Executive Director, conducted a performance review of the Chairman. They considered his leadership, performance and overall contribution to be of a high standard and he continues to have their full support.

The Chairman met with each Director to discuss individual contributions and performance, together with training and development needs. Following these reviews, the Board remains satisfied that, in line with the Codes, all Directors are able to allocate sufficient time to the Company to enable them to discharge their responsibilities as Directors effectively and that any current external appointments do not detract from the extent or quality of time which the Director is able to devote to the Company.

The Board recommends that shareholders should be supportive of their election or re-election to the Board at the 2017 AGM.

## ACCOUNTABILITY

### GOVERNANCE FRAMEWORK

#### Board Committees

The Group has a clear Governance Framework, as set out in the diagram on the next page, which explains how authority is delegated from the Board.

During the year, the Board took the decision to separate out the responsibility for risk from the former Audit & Risk Committee. The principal Board Committees now comprise the Audit Committee, the Nomination Committee and the Remuneration Committee.

Each of the Board's Committees has received delegated authority to carry out the business defined in its respective Terms of Reference. The Board is satisfied that the Terms of Reference for each of these Committees reflect current best practice and satisfy the terms of the Codes. The Terms of Reference for these principal Committees are available on the Intertek website at [www.intertek.com](http://www.intertek.com).

At each Board meeting, the Chair of each Committee provides the Board with a brief summary of the work carried out by their Committee, if any, between Board meetings and makes recommendations to the Board for approval.

Further information on the responsibilities and activities of each of the Committees can be found on pages 65 to 80 (Remuneration Committee), pages 81 to 85 (Audit Committee) and on pages 86 and 87 (Nomination Committee).

The Board also delegates certain responsibilities to management and this is governed by the Authorities Cascade which is regularly reviewed and updated to meet business needs.

## OPERATIONAL COMMITTEES

### Intertek Executive Management Team

The Intertek Executive Management Team, which comprises the Executive Directors, EVPs and other senior management, meets regularly to discuss and decide business and operational issues.

The biographical details of the members of the Executive Management Team can be found on pages 22 and 23.

### Investment Committee

The Board delegates certain responsibilities to the Investment Committee within certain limits as outlined in the Board Approval Matrix. The Investment Committee is responsible for reviewing significant contracts, leases and acquisitions, undertaking post investment appraisal reviews, and overseeing capital expenditure and investments as defined in the Authorities Cascade, and forms part of the Intertek Corporate Governance Framework. The membership of the Investment Committee consists of the CEO and the CFO. The Committee is supported by the Deputy Company Secretary.

### Group Risk Committee ('GRC')

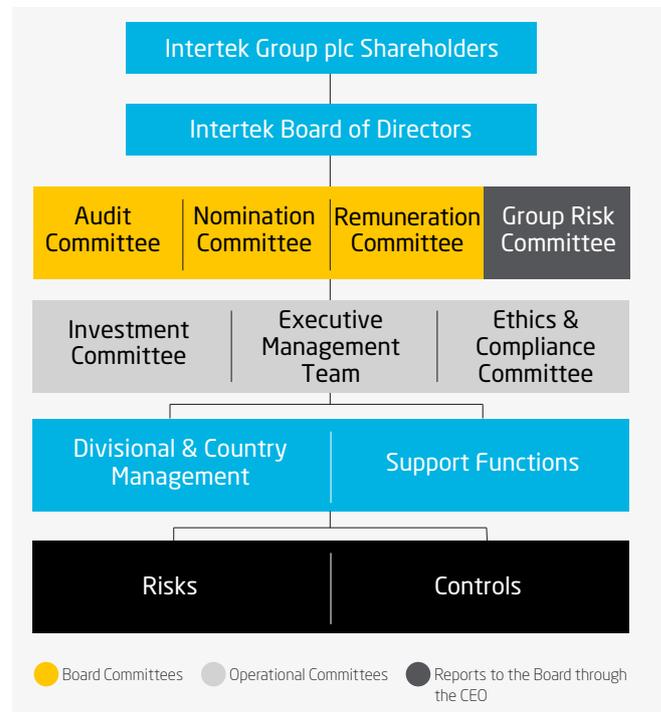
The GRC was established during the year replacing the Risk, Control & Assurance Committee to complement the work of the Board. It meets quarterly, and its purpose is: the management of risk; to develop, oversee and promote the continuous improvement of the Group's risk management, internal controls and assurance framework and the related procedures and systems; and to oversee the development, implementation and adoption of any policies, procedures and systems which are identified as being required to address, or as a consequence of, Group risks. The GRC provides an integrated, Group-wide approach to identifying and managing the Group's emerging and systemic risk environment.

Any breaches of the Group's systems of internal and risk management controls that are identified by the Group's control review procedures are reported to the GRC and corrective action is taken.

The GRC comprises the CEO, CFO, EVP Human Resources and the Group General Counsel.

### Ethics & Compliance Committee

In January 2016, the Ethics & Compliance Committee was established. It meets monthly and is responsible for the monitoring of ethical, compliance and HSE issues affecting any part of the Intertek Group. The membership consists of the CEO, CFO, EVP Human Resources, the Group General Counsel and the SVP Global Customer Service & ATIC Operational Excellence.



## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for monitoring the Group's system of internal control and risk management and for reviewing its effectiveness so as to be in line with best practice. Risk management and internal controls are embedded in the running of each business line, country and support function. The risk register process follows the global organisation, and risk registers are produced for the top 30 countries and for each business line and support function, and then consolidated at Group level. The GRC reviews the risks and mitigation plans throughout the year, and the Board approved the final Group Risk Register in December.

A detailed verification programme provides assurance to the Audit Committee when checking that all the statements made in the Annual Report and Accounts are accurate. Intertek's Manual of Accounting Policies and Procedures is issued to all finance staff and gives instructions and guidance on all aspects of accounting and reporting that apply to the Group. Intertek's internal control environment is defined by the Core Mandatory Controls Framework, which applies across the Group in all locations. This policy is reviewed and refreshed on a regular basis to reflect the changes in the risk, governance and operating environments.

## CODE OF ETHICS AND ZERO TOLERANCE APPROACH

The Group's key ethics and integrity policies are set out in the Code of Ethics, which covers topics such as health and safety, anti-bribery, integrity, labour and human rights. The Group has a zero-tolerance policy to any breaches of the Code of Ethics.

Training on the Code of Ethics is provided to all new employees when they join Intertek, and all employees are required to complete refresher training annually.

# CORPORATE GOVERNANCE

## continued

When completing the training, all employees are required to sign a certificate confirming their understanding that any breaches of the Group's Code of Ethics will result in disciplinary action that may include summary dismissal of the employee concerned. Code of Ethics training (including the importance of the Labour and Human Rights Policy) is also provided by the Group Compliance function as part of its programme of site visits.

The Code of Ethics is available on the Group's website.

### CONFIDENTIAL HOTLINE

Intertek is committed to maintaining a culture where issues of integrity and professional ethics can be raised and discussed. There is a global hotline system, which is operated by an independent third party, providing a web-based system in 24 languages, for the confidential reporting of any suspected or real breaches in compliance by any employee, contractor, customer or other stakeholder. There is also a telephone hotline where calls are answered 24/7 by trained specialists. This underpins the ethics programme and also helps the business protect itself against any unethical behaviour. The details of the hotline have been communicated to staff through the Group's main intranet page and by posters at Intertek locations. All reports are notified immediately to the Ethics & Compliance Committee and investigated thoroughly, with action taken when required. Reports of significant matters raised on the hotlines are also provided to the GRC, if appropriate.

### COMPLIANCE

Dedicated compliance officers across the Group's markets undertake investigations of issues that arise either from reports to the hotline system or from other sources, such as routine compliance questions. The Group Compliance function is independent of the Group's operational business and reports directly to the Group General Counsel.

## REMUNERATION

The Remuneration report, comprising the Remuneration Committee Chair's annual statement and the Annual Report on Remuneration are set out on pages 65 to 80.

## RELATIONSHIP WITH SHAREHOLDERS

### SHAREHOLDER ENGAGEMENT

The views and opinions of shareholders are important to the Company and an ongoing engagement programme for major shareholders is maintained.

The Chairman and the Senior Independent Non-Executive Director are available to meet with shareholders. The other Non-Executive Directors are also available to meet with institutional shareholders to discuss any matters relating to the Company. The Company's website has an investors section which includes a wealth of information that may be of interest to shareholders and investors.

Intertek's largest shareholders are invited annually to meet with the Chairman to share their views and discuss any corporate governance matters. In 2016 shareholders holding more than 52% of the share register collectively were invited to these meetings.

The Company has also consulted extensively with shareholders in relation to remuneration leading up to the 2016 AGM.

### 2016 INVESTOR RELATIONS CALENDAR

	Full Year Results 2015 Annual Results Roadshows Pan-European Business Services Conference
<b>March</b>	
<b>April</b>	Testing, Inspection & Assurance Conference Paris Roadshow Netherlands Roadshow
<b>May</b>	AGM Trading Update Nordic Investor Forum
<b>June</b>	Poland Roadshow Global Consumer, Technology & Services Conference European Select Conference
<b>August</b>	Half Year Results 2016 Interim Results Roadshows
<b>September</b>	Business Services Conference Frankfurt Annual Support and Business Services Conference Strategic Decisions Conference
<b>October</b>	Testing, Inspection & Certification Conference Paris Roadshow
<b>November</b>	Trading Statement
<b>December</b>	Premium Review Conference Annual European Business Services Conference US Roadshow Copenhagen Roadshow

### ANNUAL GENERAL MEETING ('AGM')

This year the AGM will be held on 26 May 2017 at 9.00a.m. in the Marlborough Theatre, No. 11 Cavendish Square, London, W1G 0AN. The AGM provides the opportunity for all shareholders to develop their understanding of the Company's strategy and operations, to ask questions of the full Board on the matters put to the meeting, including the Annual Report and Accounts. All Board members attend the AGM and, in particular, the Chairs of the Audit, Nomination and Remuneration Committees are available to answer questions. The Company proposes a resolution on each separate issue and does not combine resolutions inappropriately. The Notice of the AGM ('Notice') is sent to shareholders by e-communications or by post, and is also available on the website at [www.intertek.com](http://www.intertek.com).

### OTHER DISCLOSURES

Other disclosures required by paragraph 7.2.6 of the Disclosure Guidance and Transparency Rules and the Companies Act 2006 are set out in the Other statutory information section on pages 88 to 90.

# REMUNERATION REPORT

## DEAR SHAREHOLDER

First, I would like to thank you for the support you have shown with your votes for both our reward policy and the Remuneration report for 2015. Your input to the consultations preceding the Annual General Meeting ('AGM') in May 2016 proved invaluable and helped us achieve a clear majority for the policy presented on the following pages. This should now remain in force unchanged for the next three years.

In the business environment and markets, change continues, presenting different challenges to the three main economic sectors (Products, Trade and Resources) in which Intertek operates. The launch and cascade of Intertek's 5x5 differentiated strategy for growth in early 2016, with its clear corporate goals, strategic priorities and enablers, provides guidance and focus to managers and employees on improving shareholder returns and creating new opportunities.

On remuneration, the major change in 2016 was the approach to the annual incentive. As indicated in last year's report, we have reduced the number of measures and aligned the annual incentive more closely to the delivery of our growth strategy. From 1 January 2016 the annual incentive has been based solely on financial performance with three main indicators weighted as shown below:

- 80% – a matrix based on revenue growth and operating profit growth; and
- 20% – based on return on invested capital performance.

Intertek delivered a strong performance in revenue, earnings and cash generation in 2016 with the achievement of 18.5% growth in revenue at actual rates (8.8% at constant currency), 19.3% growth in adjusted operating profit (10.4% at constant currency) and strong ROIC at 21.7% against stretching performance targets.

For the annual bonus, this performance resulted in the Remuneration Committee approving an overall payout for Group performance of 70.24% of maximum. As per policy, the proposed bonus was subject to a quality of earnings review at the end of the year to ensure that the pay-out was appropriate and commensurate with the underlying business performance and the Group's culture and values.



**Gill Rider**  
Chair of the Remuneration Committee

The elements specifically required to be audited within the shaded sections of pages 73 to 77 have been audited by PwC LLP in compliance with the requirements of the Regulations.

The performance of the 2014 LTIP, which was measured based on EPS and relative TSR performance over the three-year period to 31 December 2016, resulted in a payout of 42.35%.

The salary increase for the Executive Directors in 2017 has been set at an inflation-based 2.0%.

In line with best practice when Edward Leigh was appointed as CFO, his base salary was positioned behind market levels to reflect that this was his first appointment as CFO. Having delivered over two years of performance in this role, the Committee intends to review the positioning of his base salary during the course of 2017, and we will consult on this matter with shareholders.

Information for André Lacroix for 2015 is for remuneration from 16 May 2015, the date of his appointment as CEO, unless stated otherwise.

Finally, I hope you will find that you are able to support the level of remuneration we have determined for 2016 as submitted for your approval at this year's AGM.

Yours sincerely,

**Gill Rider**  
Chair of the Remuneration Committee

# REMUNERATION REPORT

## continued

### DIRECTORS' REMUNERATION POLICY REPORT

The section below sets out the Remuneration policy for Executive and Non-Executive Directors, which was approved by a resolution of the shareholders and became effective from 25 May 2016, the date of the 2016 AGM.

The policy remains unchanged. Tables have been updated with current data.

#### POLICY OVERVIEW

We continue to focus on ensuring that our remuneration policy is appropriate for the nature, size and complexity of the Group, encourages our employees in the development of their careers and is directed to deliver continued profitable growth.

Our remuneration strategy is to:

- align and recognise the individual's contribution to help us succeed in achieving our growth strategy and long-term business goals;
- attract, engage, motivate and retain the best available people by positioning total pay and benefits to be competitive in the relevant market and in line with the ability of the business to pay;
- reward people equitably for the size of their responsibilities and performance; and
- motivate high performers to increase shareholder value and share in the Group's success.

Each year the Committee approves the overall reward strategy for the Group and considers the individual remuneration of the Executive Directors and certain senior executives.

The Committee reviews the balance between base salary and performance-related remuneration against the key objectives and targets so as to ensure performance is appropriately rewarded. This also ensures outcomes are a fair reflection of the underlying performance of the Group.

As a global service business, our success is critically dependent on the performance and retention of our key people around the world. Employment costs represent the major element of Group operating costs. As a global Group our pay arrangements take into account both local and international markets and we operate a global remuneration policy framework to achieve our reward strategy.

Our peer groups for the majority of our employees consist of international industrial or business service organisations and similar-sized businesses. For our more senior executives we base our remuneration comparisons on a blend of factors, including sector, job complexity, location, responsibilities and performance, whilst recognising the Company is listed in the UK.

We believe that a significant proportion of remuneration for senior executives should be related to performance, with part of that remuneration being deferred in the form of shares and subject to continued employment and longer-term performance. We also believe that share-based remuneration should form a significant element of senior executives' compensation, so that there is a strong link to the sustained future success of the Group.

## REMUNERATION POLICY FOR DIRECTORS

The following table sets out the key aspects of the Remuneration Policy for Directors:

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<b>BASE SALARY</b>	To attract and retain high performing Executive Directors to lead the Group.	The Committee reviews salaries annually, taking account of the scale of responsibilities, the individual's experience and performance. Whilst the Committee takes benchmarking information into account, its decisions are based primarily on the performance of the individual concerned against the above factors to ensure that there is no unjustified upward ratchet in base salary.	There is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including, but are not limited to, development in role, change in responsibility and/or variance to market levels of remuneration.	Individual performance is taken into account when salary levels are reviewed.
<b>BENEFITS</b>	To provide competitive benefits to ensure the well-being of employees.	Benefits include, but are not limited to, annual medicals, life assurance cover of up to six times base salary, allowances in lieu of a company car or other benefits, private medical insurance (for the individual and his dependants) and other benefits typically provided to senior executives. Executive Directors can participate in the all-employee share plans operated by the Company on the same basis as all other employees.	The total value of these benefits (excluding the all-employee plans) will not exceed 12% of salary. The maximum opportunity under any all-employee share plan is in line with all other employees and is as determined by the prevailing HMRC rules.	n/a
<b>PENSION</b>	To provide competitive retirement benefits.	Executive Directors can elect to join the Company's defined contribution pension scheme, receive pension contributions into their personal pension plan or receive a cash sum in lieu of pension contributions.	Up to 30% of salary.	n/a
<b>ANNUAL INCENTIVE PLAN ('AIP')</b>	To drive the short-term strategy and recognise annual performance against targets which are based on business objectives.	Awards are based on Group annual financial performance targets, with performance targets set annually by the Committee. Normally, 50% of any bonus is paid in cash and 50% deferred into shares which will vest after a period of three years subject to continued employment. Accrued dividends on deferred shares during the deferral period are paid in cash or shares at the end of the deferral period. Not pensionable. Malus and clawback provisions apply.	The maximum opportunity is 200% of salary for all Executive Directors. The Committee has the ability to reduce bonus payments if it believes that short-term performance has been achieved at the expense of the Group's long-term future success. The Committee can adjust upwards the bonus outturn (up to the maximum set out above) to recognise very exceptional circumstances or to recognise that circumstances have occurred which were beyond the direct responsibility of the executive and the executive has managed and mitigated the impact of any loss.	The annual bonus will be measured against a range of key Group financial measures. The current intention is that none of the bonus will be subject to non-financial measures or personal performance measures. The Committee, however, retains the discretion to introduce such measures in the future, up to a maximum of 20% of the bonus. Where the Committee were to introduce such measures, it would normally consult with the Company's largest institutional shareholders. The stretch targets, when met, reward exceptional achievement and contribution. There is no bonus pay-out if threshold targets are not met.

# REMUNERATION REPORT

## continued

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<b>LONG-TERM INCENTIVE PLAN ('LTIP')</b>	<p>To retain and reward Executive Directors for the delivery of long-term performance.</p> <p>To support the continuity of the leadership of the business.</p> <p>To provide long-term alignment of Executives' interests with shareholders by linking rewards to Intertek's performance.</p>	<p>Annual grant of conditional shares which vest after three years, subject to Company performance and continued employment.</p> <p>Awards may be made in other forms (e.g. nil-cost options) if considered appropriate.</p> <p>The shares will also be subject to a six-month holding period after vesting. The Committee has the discretion to increase the length of the holding period in future years.</p> <p>Performance targets are set annually for each three-year performance cycle by the Committee.</p> <p>Accrued dividends during the vesting period to be paid in cash or shares at vesting, to the extent that shares vest.</p> <p>The Committee may adjust and amend awards in accordance with the LTIP rules.</p>	Up to 250% of salary in respect of any financial year.	<p>LTIP awards are subject to performance conditions based on Earning Per Share ('EPS') growth and relative Total Shareholder Return ('TSR').</p> <p>At least a quarter of each award will be based on each of these measures, with the split determined each year by the Committee.</p> <p>25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets.</p> <p>Awards under the TSR element of the LTIP are also subject to the satisfaction of a financial underpin.</p>
<b>SHARE OWNERSHIP GUIDELINES</b>	To increase alignment between executives and shareholders.	<p>Executive Directors are required to retain any vested shares (net of tax) under the Group's share plans until the guideline is met.</p> <p>The guideline should be met within five years of the guideline being set.</p>	CEO: 200% of salary. CFO: 200% of salary.	n/a
<b>NON-EXECUTIVE DIRECTORS' FEES</b>	To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees.	<p>A proportion of the fees (at least 50%) are paid in cash, with the remainder used to purchase shares.</p> <p>Fees are determined based on the responsibility and time committed to the Group's affairs and appropriate market comparisons.</p> <p>With the exception of benefits-in-kind arising from the performance of duties, no other benefits are provided, other than to the Chairman, who receives a car allowance of £25,000 per annum.</p>	As for the Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase for the employee population but on occasions may need to recognise other factors including, but not limited to, change in responsibility and/or variance to market levels of remuneration.	n/a

### CHANGES TO THE POLICY TABLE

There have been no changes to the policy.

### SELECTION OF PERFORMANCE METRICS

The annual bonus is based on performance against a mix of financial measures. The mix of financial measures is aligned to the Group's Key Performance Indicators (KPIs) and is reviewed each year by the Remuneration Committee to ensure that they remain appropriate to reflect the priorities for the business in the year ahead. The targets are set for each KPI to encourage continuous improvement and challenge the delivery of stretch performance.

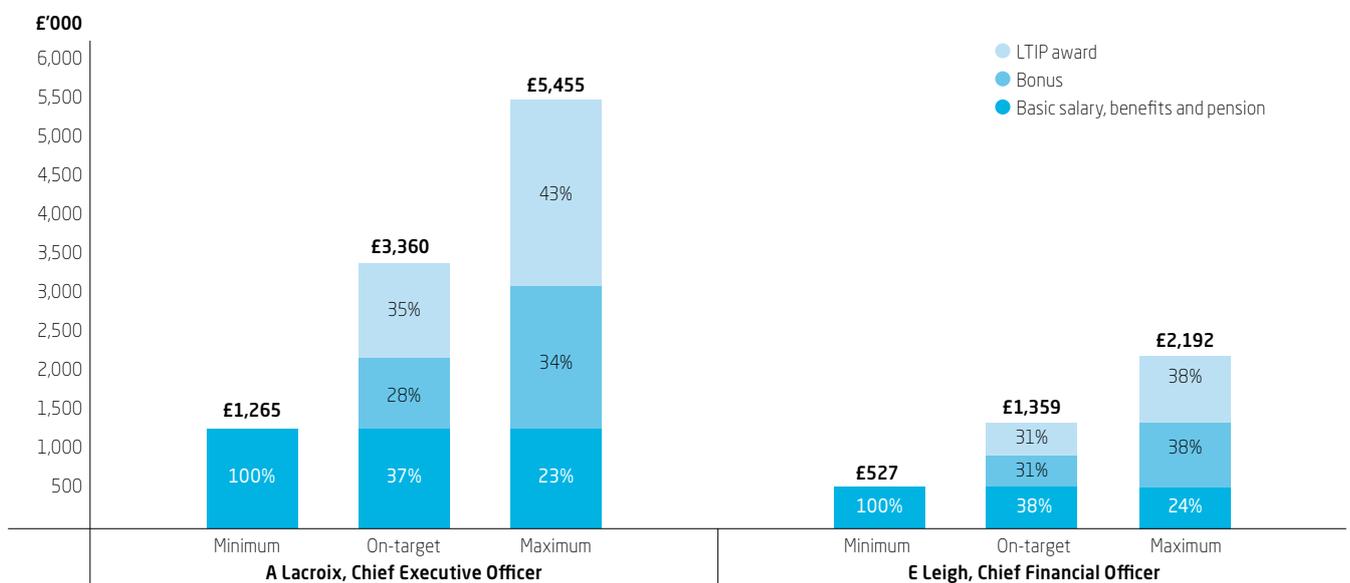
The LTIP is based on EPS growth and TSR performance. EPS is a measure of the Group's overall financial success and TSR provides an external assessment of the Company's performance against the market. It also aligns the rewards received by executives with the returns received by shareholders. A sliding scale of challenging performance targets is set for each measure. The Committee reviews the choice of performance measures and the appropriateness of the performance targets prior to each LTIP grant. The Committee reserves the discretion to set different targets for future awards, without consulting with shareholders. The targets for awards granted under this Remuneration Policy are set out in the Annual Report on Remuneration.

When setting the targets for the annual bonus and the LTIP, the Remuneration Committee takes into account a range of factors, including the business plan, prior year performance, market conditions and consensus forecasts.

**REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS**

The charts below illustrate how the Executive Directors' remuneration packages vary at different levels of performance under the ongoing policy, which will apply in 2017 for both the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO'):

**VALUE OF REMUNERATION PACKAGES AT DIFFERENT LEVELS OF PERFORMANCE**



Points relating to the above table:

1. Salary levels are based on those applying on 1 April 2017.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2016.
3. The value of pension receivable by the CEO and CFO in 2017 is taken to be 30% of salary and 20% of salary respectively.
4. The on-target level of bonus is taken to be 50% of the maximum bonus opportunity.
5. The on-target level of the LTIP is taken to be 50% of the face value of the award at grant.
6. Share price movement and dividend accrual have not been incorporated into the values shown above.

**APPROACH TO RECRUITMENT AND PROMOTIONS**

The remuneration package for a new Executive Director – base salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment. The Committee may set the base salary at a value to reflect the calibre, experience and earnings potential of a candidate, subject to the Committee's judgement that the level of remuneration is in the Company's best interest. The maximum level of variable pay (annual bonus and long-term incentive awards) which may be awarded to a new Executive Director at or shortly following recruitment shall be limited to 450% of salary. These limits exclude buy-out awards and are in line with the 'Remuneration Policy for Directors' set out previously.

The Committee may offer additional cash and/or share-based elements to take account of remuneration relinquished when leaving the former employer when it considers these to be in the best interests of the Company (and therefore shareholders) ('buy-outs'). Any such awards would reflect the nature, time horizons and performance requirements attaching to the remuneration it is intended to replace. Where appropriate the Committee retains the flexibility to utilise Listing Rule 9.4.2 for the purpose of making an award to 'buy out' remuneration relinquished when leaving the former employer.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses and continuing allowances as appropriate. Additionally, in the case of any Executive Director being recruited from overseas, or being recruited by the Company to relocate overseas to perform their duties, the Committee may offer expatriate benefits on an ongoing

# REMUNERATION REPORT

## continued

basis subject to their aggregate value to the individual not exceeding 50% of salary per annum.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

If a new Chairman or Non-Executive Director is appointed, remuneration arrangements will be in line with those detailed in the Remuneration Policy for Non-Executive Directors set out in the Remuneration Policy for Directors above.

### SERVICE CONTRACTS FOR EXECUTIVE DIRECTORS

The service agreements of the Executive Directors are not fixed-term and are terminable by either the Company or the Director on 12 months' notice and make provision, at the Board's discretion, for early termination by way of payment of salary and pension contributions in lieu of 12 months' notice. In calculating the amount payable to a Director on termination of employment, the Board would take into account the commercial interests of the Company and apply usual common law and contractual principles. Any payments in lieu of notice may be paid in a lump sum or may be paid in instalments and reduce if the Director finds alternative employment. The service contracts are available for inspection at the Company's registered office. The Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice. In summary, the contractual provisions are:

Provision	Detailed Terms
Notice period	12 months
Common law and contractual principles	Common law and contractual principles apply
Remuneration entitlements	A bonus may be payable (pro-rata where relevant) and outstanding Share Awards may vest (see below)
Change of control	No Executive Director's contract contains provisions or additional payments in respect of change of control. The treatment of bonus awards and outstanding Share Awards will be treated in line with the relevant plan rules.

The annual bonus may be payable with respect to the period of the financial year served. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the 2011 LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied.

For good leavers, awards will normally vest on the original vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Committee has discretion to determine that awards vest at an earlier date and/or to disapply time pro-rating, although it is envisaged that this would only be applied in exceptional circumstances. Any such incidents, where discretion is applied by the Committee in relation to Executive Directors, will be disclosed in the following Annual Report on Remuneration.

The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment.

However, in certain 'good leaver' circumstances (as described under the 2011 LTIP above), awards will vest in full on the original vesting date, unless (as permitted under the plan rules) the Committee determines that awards should vest at an earlier date.

In determining whether an Executive should be treated as a good leaver or not, the Committee will take into account the reasons for their departure.

### LETTERS OF APPOINTMENT FOR NON-EXECUTIVE DIRECTORS

The Letter of Appointment for each Non-Executive Director states that they are appointed for an initial period of three years and all appointments are terminable by one month's notice on either side. At the end of the initial period and after rigorous review the appointment may be renewed for a further period, usually three years, if the Company and the Director agree and subject to annual re-election at the AGM. Each letter of appointment states that if the Company were to terminate the appointment, the Director would not be entitled to any compensation for loss of office.

The table below sets out the terms for all the current Non-Executive Directors of the Board.

	Date of Appointment	Notice Period/ unexpired term as at 31 December 2016
<b>Sir David Reid</b>	1 December 2011 Reappointed: 1 December 2014	One month / 11 months
<b>Alan Brown*</b>	15 April 2011 Reappointed: 14 April 2014	One month / 3 months
<b>Dame Louise Makin</b>	1 July 2012 Reappointed: 1 July 2015	One month / 18 months
<b>Andrew Martin</b>	26 May 2016	One month / 29 months
<b>Gill Rider</b>	1 July 2015	One month / 18 months
<b>Michael Wareing</b>	15 April 2011 Reappointed: 14 April 2014	One month / 3 months
<b>Lena Wilson</b>	1 July 2012 Reappointed: 1 July 2015	One month / 18 months

\* Alan Brown will be stepping down from the Board on 24 May 2017

## CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

When setting the Remuneration Policy for Executive Directors, the Remuneration Committee takes into account the pay and employment conditions elsewhere within the Group. When considering the remuneration arrangements for the Executive Directors for the year ahead, the Committee is informed of salary increases across the wider group. The Committee also approves the overall reward strategy in operation across the Group.

The remuneration strategy set out at the beginning of the Directors' Remuneration Policy Report reflects the strategy in place across all employees across the Group. Although this remuneration strategy applies across the Group, given the size of the Group and the geographical spread of its operations, the way in which the Remuneration Policy is implemented varies across the Group. For example, bonus deferral applies at the more senior levels within the Group and participation in the LTIP is at the Remuneration Committee's discretion and is typically limited to senior executives employed within the Group.

Given the geographical spread of the Group's operations, the Remuneration Committee does not consider it appropriate to consult employees on the Remuneration Policy in operation for Executive Directors.

## CONSIDERATION OF SHAREHOLDER VIEWS

The Remuneration Committee takes the views of the Group's shareholders very seriously and, as highlighted in the Remuneration Committee Chair's statement, prior to the vote on the Annual Remuneration Report at the 2016 AGM took considerable time to engage with and listen to shareholders on their views and the Remuneration Policy going forward. The policy that was approved by shareholders at the 2016 AGM reflects the policy discussed with shareholders during the consultation process.

## LEGACY ARRANGEMENTS

For avoidance of doubt, through this approved Directors' Remuneration Policy Report, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the vesting of past share awards) that were agreed:

- (i) before the policy set out above, or any previous policy, came into effect;
- (ii) at a time when a previous policy approved by shareholders was in place provided that the payment is in line with the terms of that policy; and
- (iii) at a time when the relevant individual was not a Director of the Company and the payment was not in consideration for the individual becoming a Director of the Company.

## ANNUAL REPORT ON REMUNERATION

### COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

Membership and attendance at meetings of the Committee during the year was as follows:

Committee Members	Number of meetings held in 2016	
	Eligible to attend	Attendance
Gill Rider (Committee Chair)	4	4
Dame Louise Makin	4	4
Michael Wareing <sup>1</sup>	3	3
Mark Williams <sup>2</sup>	1	0

1. Michael Wareing was appointed to the Committee on 20 April 2016.

2. Mark Williams missed one meeting due to illness. He passed away on 6 March 2016.

Throughout the year, the composition of the Committee was in compliance with the Codes, with the exception of the brief period between 6 March 2016 and 20 April 2016 when the Committee consisted of just two members following the sudden death of Mark Williams. All members are independent Non-Executive Directors.

On appointment, new Committee members receive an appropriate induction consisting of the review of the Terms of Reference, previous Committee meeting papers, meetings with senior personnel and advisors and, as appropriate, meetings with shareholders.

The Chairman, CEO and the EVP, Human Resources may, by invitation, attend the Committee meetings, except when their own remuneration is discussed. No Director is involved in determining his or her own remuneration. None of the Committee members has had any personal financial interest, except as shareholders, in the matters decided. The Group Company Secretary acts as Secretary to the Committee.

### THE ROLE OF THE COMMITTEE

On behalf of the Board, the Committee:

- determines the Company's policy on the remuneration of the Chairman, the Executive Directors and other senior executives;
- determines the remuneration packages of the above, including any compensation on termination of office;
- reviews the remuneration arrangements for the wider employee population and considers issues relating to remuneration that may have a significant impact on the Group;
- provides advice to, and consults with, the CEO on major policy issues affecting the remuneration of other executives; and
- keeps the remuneration policy under review in the light of regulatory and best practice developments and shareholder expectations. Due regard is given to the interests of shareholders and the requirements of the Listing Rules and associated guidance.

The Terms of Reference of the Committee are available on the Intertek website at [www.intertek.com](http://www.intertek.com).

# REMUNERATION REPORT

## continued

### THE ACTIVITY OF THE COMMITTEE

The Committee met four times during 2016 and considered:

- Executive Director remuneration;
- the salary for senior management and the determination of the bonus payments for 2016;
- the TSR and EPS performance results for the 2013 to 2015 share plan award cycles;
- the 2016 bonus targets and performance measures;
- share plan awards for 2016 to 2019 and TSR and EPS performance criteria;
- Remuneration Policy for Directors including outcomes from consultation and shareholder feedback;
- the remuneration proposals for new senior employees;
- the departure terms for senior executives;
- the review of the Directors' Remuneration report to ensure compliance with Remuneration Reporting Regulations;
- the annual Committee agenda schedule;
- the Committee Terms of Reference;
- the annual Committee evaluation;
- 2016 AGM update and Corporate Governance bodies voting recommendations; and
- updates on Corporate Governance developments.

### ADVISORS

To ensure that the Group's remuneration practices drive and support achievement of strategies and are market competitive, the Committee obtains advice from various independent sources.

In 2015, the Committee selected and appointed Deloitte LLP for their particular expertise both at a local and global level due to the worldwide operations of the Group. During 2016 the Committee continued to receive advice from Deloitte LLP and following review remain satisfied that the advice is objective and independent. Deloitte provided no other services to the Committee during the year under review.

Deloitte are members of the Remuneration Consultants Group and adhere to the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK.

The fees paid to Deloitte in the year were £81,370. The charges for services are calculated on the basis of time spent and the seniority of the personnel performing the work at their respective rates.

### EXTERNAL APPOINTMENTS

The Company recognises that, during their employment with the Company, Executive Directors may be invited to become Non-Executive Directors of other companies and that such duties can broaden their experience and knowledge. Executive Directors may, with the written consent of the Company, accept such appointments outside the Company, and the policy is that any fees may be retained by the Director.

#### André Lacroix

André is the Senior Independent Non-Executive Director at Reckitt Benckiser Group plc for which his earnings from 1 January to 31 December 2016 were £125,000 which he retained.

### STATEMENT OF SHAREHOLDER VOTING

At the 2016 AGM, a resolution was proposed to shareholders to approve both the Remuneration policy and the Remuneration report for the year ended 31 December 2015. These resolutions received the following votes from shareholders:

Remuneration policy:

	Votes	%
In favour	116,806,831	96.38
Against	4,383,570	3.62
Total	121,190,401	75.09*
Withheld	1,386,204	

\* Percentage of total issued share capital voted.

Remuneration report:

	Votes	%
In favour	118,265,856	96.49
Against	4,304,004	3.51
Total	122,569,860	75.95*
Withheld	6,746	

\* Percentage of total issued share capital voted.

A further resolution was proposed to approve the Intertek Group plc Savings-Related Share Option Scheme. This resolution received the following votes from shareholders:

	Votes	%
In favour	121,288,154	99.05
Against	1,158,001	0.95
Total	122,446,155	75.87*
Withheld	130,452	

\* Percentage of total issued share capital voted.

## DIRECTORS' REMUNERATION EARNED IN 2016

The table below summarises Directors' remuneration received in 2016 and the prior year for comparison.

		Base salary or fees £'000	Benefits <sup>1</sup> £'000	BIK arising from performance of duties <sup>6</sup> £'000	Pension £'000	Annual bonus <sup>2</sup> £'000	Long-term incentives £'000	Sub-total £'000	Other £'000	Total £'000
<b>Executive Directors</b>										
André Lacroix	<b>2016</b>	<b>908</b>	<b>53</b>	-	<b>273</b>	<b>1,282</b>	-	<b>2,516</b>	<b>2,906<sup>3</sup></b>	<b>5,422</b>
	2015 <sup>7</sup>	557	20	-	167	1,080	-	1,824	-	1,824
Edward Leigh	<b>2016</b>	<b>406</b>	<b>27</b>	-	<b>82</b>	<b>573</b>	<b>99<sup>4</sup></b>	<b>1,187</b>	-	<b>1,187</b>
	2015	390	24	-	78 <sup>5</sup>	772	-	1,264	-	1,264
<b>Non-Executive Directors</b>										
Edward Astle	<b>2016<sup>8</sup></b>	<b>34</b>	-	<b>1</b>	-	-	-	<b>35</b>	-	<b>35</b>
	2015	71	-	1	-	-	-	72	-	72
Alan Brown	<b>2016</b>	<b>69</b>	-	-	-	-	-	<b>69</b>	-	<b>69</b>
	2015	67	-	-	-	-	-	67	-	67
Dame Louise Makin	<b>2016</b>	<b>68</b>	-	<b>1</b>	-	-	-	<b>69</b>	-	<b>69</b>
	2015	66	-	1	-	-	-	67	-	67
Andrew Martin	<b>2016<sup>10</sup></b>	<b>35</b>	-	-	-	-	-	<b>35</b>	-	<b>35</b>
Sir David Reid	<b>2016</b>	<b>320</b>	<b>25</b>	<b>2</b>	-	-	-	<b>347</b>	-	<b>347</b>
	2015	320	25	3	-	-	-	348	-	348
Gill Rider	<b>2016</b>	<b>73</b>	-	-	-	-	-	<b>73</b>	-	<b>73</b>
	2015	32	-	-	-	-	-	32	-	32
Michael Wareing	<b>2016</b>	<b>98</b>	-	<b>7</b>	-	-	-	<b>105</b>	-	<b>105</b>
	2015	93	-	7	-	-	-	100	-	100
Mark Williams	<b>2016<sup>9</sup></b>	<b>21</b>	-	-	-	-	-	<b>21</b>	-	<b>21</b>
	2015	65	-	4	-	-	-	69	-	69
Lena Wilson	<b>2016</b>	<b>68</b>	-	<b>1</b>	-	-	-	<b>69</b>	-	<b>69</b>
	2015	68	-	6	-	-	-	74	-	74

- Benefits include allowances in lieu of company car, annual medicals, life assurance and private medical insurance, and the use of a car and driver for the CEO. With respect to the Non-Executive Directors, other than Sir David Reid who receives a car allowance of £25,000 per annum, no other benefits are provided.
- This relates to the payment of the annual bonus and Deferred Bonus Share Award for the financial year end. Further details of this payment are set out on the following pages.
- This relates to the vesting of the Mirror award granted on joining. The value shown is based on the share price of £31.12 which was the closing mid-market quotation on 25 May 2016, the date of vesting.
- This relates to the vesting of the 2014 LTIP award. The value shown is based on the share price of £33.71 which is based on the average share price in the fourth quarter of 2016. The awards were granted on 10 March 2014 prior to Edward Leigh's appointment as CFO on 1 October 2014.
- The pension contributions for Edward Leigh include the sum of £17,140 (2015: £39,600) which was paid into the Intertek Group Personal Pension Plan, which is a defined contribution scheme.
- Certain expenses relating to the performance of a Director's duties (not included in the Benefits column above) such as travel to and from Company meetings and related accommodation have now been classified as taxable. In such cases, the Company will ensure that the Director is not out of pocket by settling the related tax via the PSA. In line with current regulations, these taxable benefits have been disclosed and are shown in the BIK arising from performance of duties column. The figures shown are the cost of the taxable benefit.
- Information for André Lacroix for 2015 is for remuneration from 16 May 2015, on his appointment as CEO.
- Edward Astle's fees relate to the period until he stepped down from the Board.
- Mark Williams's fees relate to the period until he passed away on 6 March 2016.
- Andrew Martin's fees relate to the period from 26 May 2016, the date he was appointed to the Board.

## ANNUAL BONUS

The annual bonus for 2016 was based solely on financial measures:

- 80% based on a matrix (illustration provided on the following page) based on revenue and operating profit growth
- 20% based return on invested capital (ROIC)

# REMUNERATION REPORT

## continued

### Overview of the matrix (80% of the award)

		Operating profit performance (£m)			
		Below threshold	Threshold	Target	Maximum
Revenue performance (£m)	Maximum	0%	40%	65%	100%
	Target	0%	30%	50%	75%
	Threshold	0%	25%	35%	60%
	Below threshold	0%	0%	0%	0%

Straight line pay-outs occur between each of the points noted above.

The Company's performance resulted in a Group bonus payout of 70.24%. Performance of individual components is shown below.

### 2016 Company Performance against bonus targets

Financial measures	% Weighting	2016 Threshold	2016 Target <sup>2</sup>	2016 Maximum	2016 Actual	Achieved <sup>3</sup>	Weighted achievement
Total External Revenue		£2,310.0m	£2,357.0m	£2,404.0m	£2,350.6m		
Operating Profit <sup>1</sup>		£363.0m	£374.2m	£385.4m	£380.9m		
Revenue/Profit Matrix	80%					62.8%	50.24%
Return on invested capital	20%	22.0%	22.2%	22.4%	23.6%	100%	20.00%
<b>Total</b>	<b>100%</b>						<b>70.24%</b>

1. Calculated using constant 2015 exchange rates. Adjusted results exclude the impact of Separately Disclosed Items.

2. Target is equivalent to 50% pay-out.

3. Percentage achieved against maximum targets.

For 2016, the annual bonus outturn in cash and shares is as follows:

	Payable in cash £'000	Deferred Share Award £'000
André Lacroix	641.2	641.2
Edward Leigh	286.6	286.6

The Committee has the discretion to adjust the final bonus outcome downwards if it considers short-term performance has been achieved at the expense of long-term future success. The Committee may also adjust the final bonus outcome upwards to recognise exceptional circumstances that were beyond the direct responsibility of the Executive Director and the Executive has managed and mitigated the impact of any loss. The Committee considered the results and did not exercise any discretion in respect of the above bonus outturn.

Both the cash and share elements of the bonus are subject to malus and clawback. Overpayments may be reclaimed in the event of performance achievements being found to be significantly misstated.

### VESTING OF LTIP SHARE AWARDS

The LTIP Share Awards granted in 2014 are subject to performance for the three-year period ended 31 December 2016.

The performance conditions attached to this award and actual performance against these conditions is as follows:

Metric	Performance condition	Threshold target	Stretch target	Actual performance	Vesting level
Earnings Per Share	Annualised fully diluted, adjusted EPS growth, calculated on the basis of foreign exchange rates adopted at the start of the performance cycle	6%	14%	6.92%	33.62%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile	Between median and upper quartile <sup>1</sup>	51.09%
<b>Total vesting</b>					<b>42.35%</b>

1. TSR performance calculation was calculated by Deloitte; Intertek was ranked 39th of the 93 members of the comparator group of companies.

The LTIP Share Awards granted in 2014 to the Executive Directors were as follows:

Executive Director	Number of shares at grant	Number of shares based on accrued dividends	Total number of shares <sup>1</sup>	Number of shares to lapse	Number of shares to vest	Value of vested shares £'000
André Lacroix	-	-	-	-	-	-
Edward Leigh <sup>2</sup>	6,576	349	6,925	(3,993)	(2,932)	98.9
<b>Total vesting</b>						<b>98.9</b>

1. The 2014 award includes accrual of dividends paid and payable during the vesting period.

2. The value shown is based on the share price of £33.71 which is based on the average share price in the fourth quarter of 2016. The awards were granted on 10 March 2014 prior to Edward Leigh's appointment as CFO on 1 October 2014.

### LTIP SHARE AWARDS GRANTED DURING THE YEAR

The following LTIP (Performance) Share Awards were granted to the Executive Directors on 21 March 2016:

	Type of award	Basis of award granted	Share price at date of grant £	Number of shares over which award was granted	Face value of award £'000	% of face value that would vest at threshold performance	Vesting determined by performance over
André Lacroix	LTIP Share Award	250% of salary	£31.084	71,982	2,237	25%	Three years to 31 December 2018
Edward Leigh	LTIP Share Award	200% of salary	£31.084	25,736	800	25%	31 December 2018

The LTIP Share Awards granted in 2016 are subject to performance for the three-year period ending 31 December 2018.

The performance conditions attached to this award and the targets are as follows:

Metric	Performance condition	Threshold target	Stretch target
Earnings Per Share	Annualised fully diluted, adjusted EPS growth, calculated on the basis of foreign exchange rates adopted at the start of the performance cycle	4%	10%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile

### SHARE PLAN AWARDS

The table below shows the Directors' interests in the Intertek Share Plans, all of which are restricted stock units (RSUs):

Type of Award	31 December 2015 Number of shares	Granted in 2016 Number of shares	Award price <sup>1</sup> £	Dividend accrued in 2016 <sup>7</sup>	Vested in 2016 Number of shares	Lapsed in 2016 Number of shares	31 December 2016 Number of shares	Date of vesting
<b>André Lacroix</b>								
2015 <sup>5</sup>								
LTIP Share	90,440	-	-	-	-	-	90,440	Sep 2018
Dividend	612	-	-	1,493	-	-	2,105	
Mirror share, Tranche A	91,575	-	28.006	-	(91,575)	-	-	May 2016
Dividend	1,810	-	-	-	(1,810)	-	-	
Mirror share, Tranche B	91,574	-	28.006	-	-	-	91,574	May 2017
Dividend	1,810	-	-	1,511	-	-	3,321	
2016 <sup>6</sup>								
LTIP Share	-	71,982	31.084	-	-	-	71,982	Mar 2019
Dividend	-	-	-	1,188	-	-	1,188	
Deferred Share	-	17,376	31.084	-	-	-	17,376	Mar 2019
Dividend	-	-	-	286	-	-	286	
<b>Total</b>	<b>277,821</b>	<b>89,358</b>	<b>-</b>	<b>4,478</b>	<b>(93,385)</b>	<b>-</b>	<b>278,272</b>	

# REMUNERATION REPORT

## continued

### SHARE PLAN AWARDS (CONTINUED)

The table below shows the Directors' interests in the Intertek Share Plans, all of which are restricted stock units (RSUs):

	Type of Award	31 December 2015 Number of shares	Granted in 2016 Number of shares	Award price <sup>1</sup> £	Dividend accrued in 2016 <sup>7</sup>	Vested in 2016 Number of shares	Lapsed in 2016 Number of shares	31 December 2016 Number of shares	Date of vesting
<b>Edward Leigh</b>									
2013 <sup>2</sup>	Deferred Share	1,755	-	34.17	-	(1,755)	-	-	May 2016
	Dividend	88	-	-	-	(88)	-	-	
	LTIP (Performance)	1,755	-	34.17	-	-	(1,755)	-	May 2016
	Dividend	88	-	-	-	-	(88)	-	
2014 <sup>3</sup>	Deferred Share	1,331	-	30.41	-	-	-	1,331	Mar 2017
	Dividend	48	-	-	21	-	-	69	
	LTIP Share	6,576	-	30.41	-	-	-	6,576	Mar 2017
	Dividend	241	-	-	108	-	-	349	
2015	Deferred Share <sup>4</sup>	5,405	-	25.572	-	-	-	5,405	Mar 2018
	Dividend	106	-	-	89	-	-	195	
	LTIP Share <sup>5</sup>	32,336	-	24.74	-	-	-	32,336	Sep 2018
	Dividend	218	-	-	533	-	-	751	
2016 <sup>6</sup>	Deferred Share	-	12,425	31.084	-	-	-	12,425	Mar 2019
	Dividend	-	-	-	204	-	-	204	
	LTIP Share	-	25,736	31.084	-	-	-	25,736	Mar 2019
	Dividend	-	-	-	424	-	-	424	
<b>Total</b>		<b>49,947</b>	<b>38,161</b>	<b>-</b>	<b>1,379</b>	<b>(1,843)</b>	<b>(1,843)</b>	<b>85,801</b>	

- Awards made are based on a share price obtained by averaging the closing share prices for the five dealing days before the date of grant.
- Awards vested on 25 May 2016, on which date the closing market price of shares was £31.12 having been granted on 20 May 2013 on which date the closing market price was £33.27. 50% of LTIP (Performance) Awards were subject to EPS and 50% were subject to relative TSR. The EPS threshold level was set at 6% per annum and the upper target at 16% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts). The LTIP (Performance) shares did not vest as performance conditions were not met.
- Awards will vest on 10 March 2017, subject to performance and continued employment, having been granted on 10 March 2014 on which date the closing market price was £30.46. 50% of the LTIP Share Awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 6% per annum and the upper target at 14% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts). As set out on page 74, 42.35% of awards will vest.
- Awards will vest on 9 March 2018, subject to continued employment, having been granted on 9 March 2015 on which date the closing market price was £25.70.
- Awards will vest on 22 September 2018, subject to performance and continued employment, having been granted on 22 September 2015 on which date the closing market price was £23.94. 50% of awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 4% per annum and the upper target at 10% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
- Awards will vest on 21 March 2019, subject to continued employment, having been granted on 21 March 2016 on which date the closing market price was £31.13. Awards were made on a share price of £31.084 being the share price obtained by averaging the closing share prices for the five dealing days before the date of grant. 50% of the LTIP Share Awards are subject to EPS and 50% are subject to relative TSR. The EPS threshold level was set at 4% per annum and the upper target at 10% per annum. Under the TSR condition, the Company's TSR ranking is measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).
- The dividend shares are accrued on the date the dividend is paid and determined using the closing market price of the shares on that date. The dividend accruals relate to Share Awards made in lieu of not receiving cash dividends during the vesting period.

### MALUS AND CLAWBACK

Malus and clawback will operate, in respect of the 2011 Long Term Incentive Plan in circumstances where there is reasonable evidence of misbehaviour or material error, conduct considered gross misconduct, breach of any restrictive covenants by participants, conduct which resulted in (a) significant loss(es) to the Company, failure to meet appropriate standards of fitness and propriety; a material failure of management in the Company, a discovery of a material misstatement in the audited consolidated accounts or the behaviour of a Director has a significant detrimental impact on the reputation of the Group. Clawback can be applied at any time during the clawback period which is six years from the date of the award unless extended by the Remuneration Committee prior to the expiry of the initial clawback period.

The Remuneration Committee has the discretion to reduce bonus payments if it believes that short-term performance has been achieved at the expense of the Group's long-term future or vice versa. The Remuneration Committee also retains the discretion to reduce or reclaim payments if the performance achievements are subsequently found to have been significantly mis-stated.

## DIRECTORS' INTERESTS IN ORDINARY SHARES

The interests of the Directors in the shares of the Company as at the year end, or date of retirement, are set out below. Save as stated in this report, during the course of the year, no Director nor did any member of his or her immediate family have any other interest in the ordinary share capital of the Company or any of its subsidiaries. No Directors have any share options.

	Beneficially owned at 31 December 2015 or on appointment	Beneficially owned at 31 December 2016 or on ceasing to be a Director <sup>1</sup>	Outstanding LTIP Share Awards <sup>2</sup>	Outstanding Deferred Shares/ Mirror Awards	Outstanding Share Award dividends	Shareholding as a % of salary <sup>3</sup>	Shareholding Guideline met?
André Lacroix <sup>4</sup>	100,000	<b>249,494</b>	162,422	108,950	6,900	951	Yes
Edward Leigh <sup>5</sup>	1,000	<b>1,976</b>	64,648	19,161	1,992	17	No
Edward Astle <sup>6</sup>	1,443	<b>1,628</b>	-	-	-	n/a	n/a
Alan Brown	1,623	<b>1,808</b>	-	-	-	n/a	n/a
Dame Louise Makin	546	<b>715</b>	-	-	-	n/a	n/a
Andrew Martin <sup>7</sup>	-	-	-	-	-	n/a	n/a
Sir David Reid	2,828	<b>3,356</b>	-	-	-	n/a	n/a
Gill Rider	-	<b>249</b>	-	-	-	n/a	n/a
Michael Wareing	3,801	<b>3,973</b>	-	-	-	n/a	n/a
Mark Williams <sup>8</sup>	2,384	<b>2,575</b>	-	-	-	n/a	n/a
Lena Wilson	530	<b>699</b>	-	-	-	n/a	n/a

1. No changes in the above Directors' interests have taken place between 31 December 2016 and the date of this report.

2. Subject to performance conditions.

3. Based on a share price of £34.81 as at 31 December 2016 and applies to the annual salary for 2016.

4. Appointed 16 May 2015 with the guideline to hold 200% of base salary in shares by 16 May 2020.

5. Appointed on 1 October 2014 with the guideline to hold 150% of base salary in shares by 1 October 2019. This guideline was increased to 200% in the Remuneration policy approved by shareholders on 25 May 2016 and must be met by 25 May 2021.

6. Stepped down from the Board on 25 May 2016.

7. Appointed on 26 May 2016.

8. Passed away on 6 March 2016.

## PAYMENTS TO PAST DIRECTORS

### Wolfhart Hauser (ceased to be a Director on 15 May 2015)

As set out in the 2015 Annual report and Accounts, on 4 January 2016 the following awards granted to Wolfhart Hauser vested at a share price of £2748. All shares vested are to be held by Wolfhart until the original vesting dates.

Award Date	Type	Number of shares	Dividend Shares	Closing price on day of award
5 March 2013	Deferred shares	20,689	1,039	£34.40
10 March 2014	Deferred shares	10,507	385	£30.46
9 March 2015	Deferred shares	12,585	248	£25.70

The dividend shares are accrued on the date the dividend is paid and determined using the closing market price of the shares on that date. The dividend accruals relate to Share Awards made in lieu of not receiving cash dividends during the vesting period.

All 41,378 LTIP (Performance) Share Awards that were granted to Wolfhart on 5 March 2013, on which date the closing market price was £34.40, lapsed on 7 March 2016 as the performance criteria was not met. The applicable performance criteria was based 50% on EPS and 50% on TSR. The EPS threshold level was set at 6% per annum and the upper target at 16% per annum. Under the TSR condition, the Company's TSR ranking was measured relative to the FTSE index members 31 to 130 (excluding banks and investment trusts).

19,580 of the 46,991 LTIP (Performance) Share Awards granted to Wolfhart on 10 March 2014, on which date the closing market price was £30.46, lapsed when he left office. 907 dividend shares also lapsed in relation to those awards. 452 dividend shares were awarded for dividends paid in 2016 in relation to the remaining 27,411 LTIP (Performance) Share Awards.

Award Date	Type	Number of shares	Dividend Shares	Closing price on day of award
10 March 2014	LTIP (Performance) share	27,411	1,268	£30.46

## PAYMENTS FOR LOSS OF OFFICE

No payments were made in respect of loss of office during the year ended 31 December 2016.

# REMUNERATION REPORT

## continued

### PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows the average movement in salary and annual bonus for UK employees between the 2015 and 2016 financial year ends. On taking up his appointment as CEO on 16 May 2015, André Lacroix's salary was £895,000 for 2015. In 2016, his salary was increased to £912,900.

	Salary	Bonus	Benefits
CEO (A Lacroix <sup>1</sup> )	2.0%	(25.8%)	65.6%
Average pay based on Intertek's UK employees	3.5%	(15.0%)	4.1%

1. The percentage change for bonus and benefits for André Lacroix are based on actual amounts earned in 2016 and an annualised comparative for 2015.

### RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the movement in spend on staff costs between the 2015 and 2016 financial years, compared to dividends.

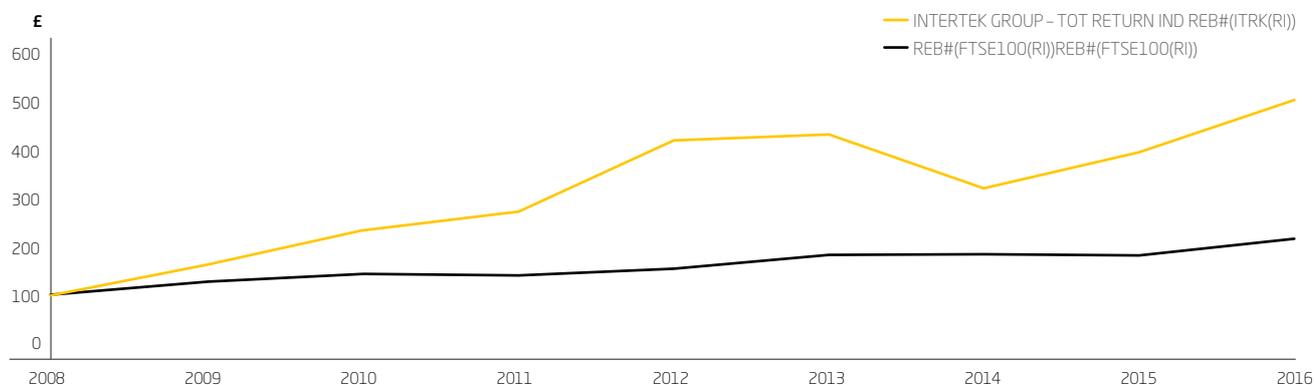
	2016 £m	2015 £m	% change
Staff costs*	<b>1,140.6</b>	956.2	19.3%
Dividends	<b>88.0</b>	80.7	9.0%

\* Staff costs are shown at actual rates, which include a 10.2% foreign exchange impact. Excluding the foreign exchange impact, staff costs increased by 8.2%.

### PERFORMANCE GRAPH

Consistent with prior years, the graph below shows the TSR in respect of the Company over the last eight financial years, compared with the TSR for the full FTSE 100 Index. TSR, reflecting the change in the value of a share and dividends paid, can be represented by the value of a notional £100 invested at the beginning of a period and its change over that period.

### TSR PERFORMANCE



### CEO TOTAL REMUNERATION

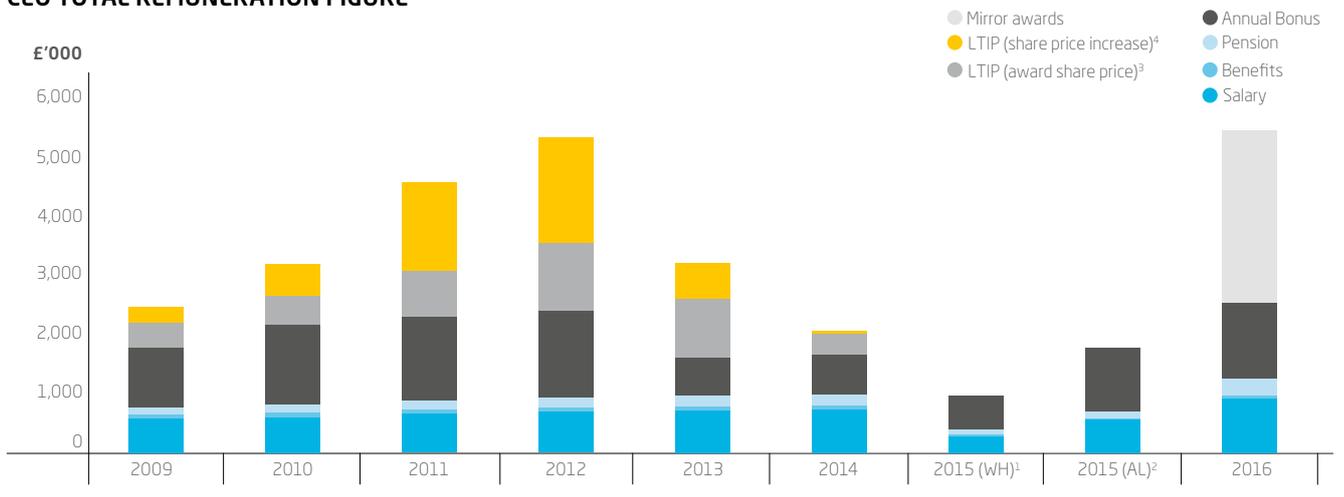
The total remuneration figures for the CEO during each of the past eight financial years are shown in the table below. Consistent with the calculation methodology for the single figure for total remuneration, the total remuneration figure includes the total annual bonus and Deferred Share Award based on that year's performance and LTIP Share Awards based on the three-year performance period ending in the relevant year. The annual bonus pay-out and LTIP award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Year ended 31 December								
	2009	2010	2011	2012	2013	2014	2015 W Hauser	2015 A Lacroix	2016
Total remuneration £'000	2,451	3,164	4,554	5,298	3,195	2,011	876	1,824	<b>5,422</b>
Annual bonus (%)	100	96.6	92.3	83.1	34.6	38.4	90.6	96.6	<b>70.24</b>
LTIP award vesting (%)	100	100	100	100	81.8	25.2	-	-	<b>-</b>

**CEO TOTAL REMUNERATION**

The graph below shows the total remuneration of the Intertek CEO over the eight year period from 2009 to 2016.

**CEO TOTAL REMUNERATION FIGURE**



- Shows W Hauser remuneration based on period to 15 May 2015.
- Shows A Lacroix remuneration for the period from appointment as CEO on 16 May 2015.
- LTIP (award share price) shows the proportion of the LTIP value received which resulted from the share price on the award date.
- LTIP (share price increase) shows the proportion of the LTIP value received which resulted from increase in the share price over the vesting period.

**REMUNERATION DECISIONS TAKEN IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2017**

**Base salary**

Following a review of each individual's performance in the year, the Remuneration Committee approved salary increase of 2.0% for the Executive Directors. This is in line with the increase provided to UK employees in the Group.

The Executive Directors' salaries are:

	Base salary from 1 April 2016 £'000	Base salary from 1 April 2017 £'000	% increase
André Lacroix	913	931	2.0%
Edward Leigh	408	416	2.0%

**Annual Bonus and LTIP awards to be granted in 2017**

For 2017, the annual bonus opportunity expressed as a percentage of base salary will be 200% for the CEO and CFO. The Committee has determined that for 2017 the basis for calculating the Annual Bonus will be unchanged from the previous year – 80% will be based on a matrix based on revenue and operating profit growth, and 20% will be based on ROIC.

Annual Bonus will continue to be subject to a quality of earnings review at the end of the year to ensure that pay-outs are appropriate based on the underlying performance of the Group and to ensure that any awards are commensurate with the Group's culture and values.

The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. In accordance with good governance, the Committee is however committed to providing insightful and transparent disclosure to our shareholders. In this regard, and in line with the Investment Association's position regarding bonus target disclosure, the Committee will disclose the performance targets for the annual incentive in the following year.

# REMUNERATION REPORT

## continued

For 2017, the LTIP opportunity for the CEO and CFO will be 250% and 200% of salary respectively with targets based on the Group Remuneration Policy as below:

Metric	Performance condition	Threshold target	Stretch target
Earnings Per share	Annualised fully diluted, adjusted EPS growth calculated on the basis of foreign exchange rates adopted at the start of the performance cycle	4%	10%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile

### NON-EXECUTIVE DIRECTORS' FEES

As detailed in the Remuneration policy, fees for the Non-Executive Directors are determined by the Board, based on the responsibility and time committed to the Group's affairs and appropriate market comparisons. Individual Non-Executive Directors do not take part in discussions regarding their own fees. A summary of current fees is as follows:

	2016 £'000	2017 £'000
<b>Board membership</b>		
Chairman	320	320
Non-Executive Director	58	58
Senior Independent Non-Executive Director	12	12
<b>Committee membership</b>		
Chair Audit Committee	20	20
Chair Remuneration Committee	15	15
Chair Nomination Committee	-	-
Member Audit Committee	10	10
Member Remuneration Committee	7.5	7.5
Member Nomination Committee	2.5	2.5

Pursuant to the policy of aligning Directors' interests with those of shareholders, £10,000 of the fees paid to the Non-Executive Directors and £30,000 of the fees paid to the Chairman are used each year to purchase shares in the Company.

### APPROVAL OF THE DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration report, including both the Directors' Remuneration policy report and Annual Report on Remuneration, was approved by the Board on 6 March 2017.



**Gill Rider**

**Chair of the Remuneration Committee**

# AUDIT COMMITTEE

## DEAR SHAREHOLDER

Our last financial year has once again seen more regulatory changes. I am pleased to present this year's report of the Audit Committee ('Committee') which aims to outline the activities and the responsibilities of the Committee, on behalf of the Board, in responding to these changes and in scrutinising the conduct of the business, its management and auditors to protect the interests of our shareholders.

The Board and the Committee devoted significant time to assess our current approach to managing the Group's risk, controls and compliance. In order to respond dynamically to our changing risk environment, it was agreed to establish a separate Group Risk Committee during the year that reports into the Board through the CEO. Delegating the management of risk to the Group Risk Committee is intended to enable an integrated, group-wide approach to identifying and managing emerging and systemic risks responsively and providing an immediate improvement in the quality of risk reporting and monitoring. The Committee continues to review the Company's internal control and risk management systems.

The Terms of Reference of the Audit Committee have been reviewed and updated, and are available on the Company's website at [www.intertek.com](http://www.intertek.com).

Following the audit tender during 2015 and the appointment of PricewaterhouseCoopers LLP ('PwC') in May 2016, the Committee oversaw a smooth transition from the previous auditor, KPMG Audit Plc ('KPMG'). The process included the attendance of PwC at Committee meetings before their formal appointment, supplemented by detailed audit planning activities at all the Group's material operating sites and the review of KPMG's audit files at major locations.

During the year the Committee also ensured that separate meetings with the CFO, Group General Counsel, Group Audit Director and the external auditor without management present took place in order to provide a forum for any issues to be raised.

The internal evaluation of the performance of the Committee was conducted during the year and it was shown that the Committee is able and effective in discharging its duties in accordance with its Terms of Reference and the requirements of the Codes.

As announced during the year, Andrew Martin has succeeded me as Chairman of this Committee with effect from 1 March 2017.



**Michael Wareing**  
Chair of the Audit Committee

## COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

Membership and attendance at meetings of the Committee during the year was as follows:

Committee Members	Number of meetings held in 2016	
	Eligible to attend	Attendance
Michael Wareing (Committee Chair)	5	5
Edward Astle <sup>1</sup>	3	3
Alan Brown	5	5
Andrew Martin <sup>2</sup>	2	1 <sup>3</sup>
Lena Wilson	5	4 <sup>4</sup>

1. Edward Astle stepped down from the Committee on 25 May 2016.
2. Andrew Martin was appointed to the Committee on 26 May 2016.
3. Andrew Martin was unable to attend one meeting due to a prior commitment entered into before his appointment.
4. Lena Wilson was unable to attend one meeting due to an illness in the family.

Throughout the year, the composition of the Committee was in compliance with the Codes and all members are independent Non-Executive Directors. The Board determined that Michael Wareing, Andrew Martin and Alan Brown have recent and relevant financial experience. The Committee as a whole has competence relevant to the sectors in which Intertek operates and their biographies are set out on pages 58 and 59.

On appointment new Committee members receive an appropriate induction, consisting of the review of the Terms of Reference, previous Committee meeting papers, information on the Company's financial and operational risks and also have access to and meetings with senior management and the Group's internal and external auditors.

The business of the Committee is linked to the Group's financial calendar of events and the timetable for the annual audit. At the invitation of the Committee, the Chairman, CEO, CFO, Group Financial Controller, Group General Counsel and the Group Audit Director attended the meetings. The audit partner and audit lead from KPMG attended meetings held prior to 25 May 2016 and PwC attended all meetings held during the year. Other senior executives were invited to attend the Committee meetings as required.

## ROLE AND RESPONSIBILITY OF THE COMMITTEE

Our role and responsibilities, as authorised by the Board, are set out in the Terms of Reference of the Committee and fall into the categories below:

### Financial reporting

- Monitor the integrity of the financial statements and their compliance with UK statutory requirements.
- Review significant financial reporting issues and judgements and accounting policies and compliance with accounting standards.

# AUDIT COMMITTEE

## continued

### Narrative reporting

- Where requested by the Board, to review the Annual Report and Accounts, and advise the Board on whether, taken as a whole, it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

### Internal control and risk management systems

- Review the adequacy and effectiveness of the internal financial controls and internal control and risk management systems.
- Review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

### Internal audit

- Monitor the effectiveness of the internal audit function.
- Agree internal audit plans and review reports of the internal audit work.
- Review and monitor management's responsiveness to control observations made by the internal auditor.

### External audit

- Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.
- Oversee the relationship with the external auditor.
- Ensure that at least once every 10 years the audit services contract is put out to tender.
- Monitor and review the independence and performance of the external auditor and evaluate their effectiveness.

### SIGNIFICANT ISSUES CONSIDERED BY THE COMMITTEE

In preparation for each year-end, the Committee reviews the significant accounting policies, estimates and judgements to be applied in the financial statements and discusses their application with management. The external auditor also considers the appropriateness of these assessments as part of the external audit.

In accordance with the Codes, the external auditor prepares a report for the Committee on both the half year and full year results, which summarises the approach to key risks in the external audit and highlights any issues arising out of their work on those risks, or any other work undertaken on the audit. During the year, the Committee reviewed and considered the following areas of judgement to be exercised in the application of the accounting policies:

#### Claims

From time to time the Group is involved in various claims and lawsuits incidental to the ordinary course of business. The Committee considered the claims provision which reflects the estimates of amounts payable in connection with identified claims from customers, former employees and others. The Committee noted that once claims have been notified the finance teams liaise with the business to determine whether a provision is required,

based on IAS 37 'Provisions, Contingent liabilities and Contingent assets' ('IAS 37').

The level of provision is subsequently reviewed on a regular basis with the Group General Counsel, taking into account the advice of external legal counsel. The Group General Counsel briefs the Committee on the latest status of key claims and the level of provision. The Committee, following assurance from management and review of the report presented by the external auditor, considered and agreed that the claims provision was appropriate given the size, status and number of claims reported in the year.

#### Taxation

The determination of profits subject to tax is calculated according to complex laws and regulations, the interpretation and application of which can be uncertain. In addition, deferred tax assets and liabilities require judgement in determining the amounts to be recognised, with consideration given to the timing and level of future taxable income. The main areas of judgement in the Group tax calculation are the expected central tax provisions for the full year and the recognition of the UK deferred tax asset. Twice a year, the Committee receives a report from management providing an evaluation of existing risks and tax provisions which is reviewed and rigorously challenged by the Committee. The Committee also considered reports presented by the external auditor before determining that the levels of tax provisioning were appropriate.

#### Restructuring

In reviewing the provision for restructuring, the Committee reviewed details of each of the activities pursued as part of the restructuring to ensure that the appropriate level of provision is put in place. The Committee also sought confirmation from the external auditor that the restructuring plan met the criteria for recognising a provision under IAS 37 before determining that the provision was appropriate.

#### Accounting for acquisitions

In November 2015, the Group made the significant acquisition of PSI in the US. The provisional recognition of goodwill, intangible assets, other assets and liabilities and estimates of the fair value of consideration transferred were based on a number of assumptions. In 2016, management concluded its final assessment of these assets and liabilities and presented an update to the Committee. The Committee reviewed management's final accounting paper on the acquisition, and taken into account the report presented by the external auditor, before determining that the acquisition accounting is appropriate.

#### Impairment

The Group's strategy includes acquisition-led growth to generate new services and expand into new locations. These acquisitions, being in the service sector, can generate significant goodwill that benefits the Group as a whole and specifically the business to which the acquisition relates. Goodwill, aggregated at the business line level, must be tested annually for impairment under IAS 36 'Impairment' ('IAS 36'), or when there are indicators of impairment. These indicators include poor performance compared to budget.

## ACTIVITIES DURING THE YEAR

During the year the Committee discussed the following items. Items starred below were discussed at the Board in December.

### Audit Committee agenda items 2016

Financial statements and reports	Feb	May	Jul	Dec
Full year results 2015	•			
Annual Report and Accounts 2015	•			
Management highlights memorandum	•		•	
Going concern assessment	•		•	
Fair, balanced and understandable assessment	•			
Review of significant accounting policies				•
Half year results 2016			•	
Risk Register and Viability Statement process	•			•
<b>External audit</b>				
PwC 2016 audit plan		•		
Audit fee proposal 2016		•		
PwC engagement letter		•		
Non-audit fees review of policy, spend and budget	•		•	
Non-audit services update		•	•	
PwC pre year-end accounting and controls update				•
KPMG highlights/review memorandum	•			
PwC half year review			•	
KPMG effectiveness		•		
Letter of representation to the auditors	•		•	
Independence confirmation and transition plan and update for non-audit work	•		•	
Update on audit transition	•	•	•	
<b>Internal Control Environment</b>				
2017 Internal Audit plan and Charter				•
Internal audit reports (including internal audit review 2015 and internal audit update)	•	•	•	•
Internal audit effectiveness review				•
Compliance and operational risk report	•	•	•	*
Key claims report	•	•	•	*
Core Mandatory Controls update and Assurance Map				•
<b>Other</b>				
Impairment review	•			
2016 Rolling Committee agenda	•			
Review, approval and endorsement of Treasury Policy	•			•
2015 Evaluation of the Committee	•			

The Committee reviewed the impairment consideration and calculations prepared by management considering the trading assumptions, the discount rates used as well as the sensitivities included by management, details of which are contained in note 9 to the financial statements. The Committee also took into account the work undertaken by the external auditor in respect of impairment and is satisfied that no impairment is required against any cash generating unit ('CGU').

The significant issues considered by the Committee in relation to the financial statements were consistent, with the exception of restructuring, with those identified by the external auditor in their report on pages 145 to 150.

### FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

Further to the request of the Board, the Committee has reviewed the Annual Report and Accounts with the intention of providing advice to the Board on whether, as required by the Codes, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders and other readers of the Annual Report and Accounts to assess the Group's position and performance for 2016, its business model and strategy.

In justifying this statement, the Committee has considered the robust process that underpins it, which includes:

- Clear guidance and instruction given to all contributors, including at business line level;

# AUDIT COMMITTEE

## continued

- Revisions as a result of regulatory requirements were monitored on a regular basis;
- Pre year-end discussions held with the external auditor in advance of the year-end reporting process;
- Pre year-end input provided by senior management and corporate functions;
- A verification process dealing with the factual content of the reports to ensure accuracy and consistency;
- Comprehensive review by the senior management team to ensure overall consistency and balance;
- Review conducted by external advisors and the external auditor on best practice with regard to the content and structure of the Annual Report and Accounts;
- Review and consideration of the Annual Report and Accounts by the Committee; and
- Final sign-off provided by the Board.

The results are presented to the Committee to ensure compliance with the Codes. The Committee challenges judgemental statements to ensure that they are reasonable within the context of the report. This process enabled the Committee, and then the Board, to confirm that the 2016 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

### EXTERNAL AUDITOR

#### Independence

The independence of the external auditor is critical for the integrity of the audit. The Committee is satisfied that PwC are fully independent from the Company's management and free from conflicts of interest. A control process was in place throughout the year to assist the exit arrangements made in respect of non-audit services that continued into 2016.

The continued independence of the external auditor is achieved through:

- The annual approval of the policy for the engagement of external auditors for audit and non-audit services;
- Setting limits and a cap for non-audit spend for the external auditor;
- An annual review of the auditor's performance in conducting the external audit; and
- Where appropriate, audit tendering and rotation.

#### Effectiveness of the external audit

In line with previous years a review was conducted into the effectiveness of the external audit as part of the year-end process. A survey assessed the effectiveness of the KPMG audit across its three main stages; Planning, Fieldwork and Reporting for the 2015 year-end. The survey was sent to those within the Group who were involved in the audit process seeking their views on the service provided.

At the meeting held in May 2016 the Committee considered in detail the feedback received from the internal review, KPMG's performance and independence and concluded that the overall audit process was effective. PwC's effectiveness for the 2016 audit of the Group will be reviewed by the Committee in May 2017.

#### Audit tendering

Following a comprehensive tender carried out in 2015, PwC were appointed the Company's external auditor for the 2016 audit replacing KPMG who had been the auditor for a number of years. The Committee has recommended to the Board that PwC continues to act as Auditor to the Group, and resolutions will be put to shareholders at the AGM to be held on 26 May 2017 proposing the reappointment of PwC and for the Committee, on behalf of the Board, to be authorised to determine the Auditor's remuneration. The Company has complied with the Statutory Audit Services for Large Companies Market Investigation Order, published by the CMA.

#### Audit and non-audit fees

The Company has set out a policy on the provision of non-audit work by the external auditor to make sure that the auditor's independence is safeguarded. The policy was reviewed during the year in light of the transition of auditor and revised guidance from the FRC. The policy is consistent with the FRC Ethical Standard and is designed to ensure that the provision of such services does not create a threat to the external auditor's independence and objectivity.

It identifies certain types of engagement that the external auditor shall not undertake, including internal audit and actuarial services relating to the preparation of accounting estimates for the financial statements, appraisal or valuation services, tax services in relation to marketing, planning or opining in favour of a transaction and any other services that, locally, are prohibited through regulation. For 2016 only, a transitional amount had been set by the Committee to assist the completion of agreed hand-over tasks.

In the event that specific engagement arises in the future, the policy is designed to ensure that the external auditor is only appointed to provide a non-audit service where it is considered to be the most suitable supplier of the service. This will require the approval by the Chair of the Committee and the CFO, and will be limited to a maximum of 35% of the annual external audit fee.

A summary of the fees paid for non-audit services is set out below and further information is contained in note 4 to the financial statements on page 103:

#### AUDIT FEE BREAKDOWN FOR SERVICES PROVIDED BY PwC IN 2016 AND BY KPMG IN 2015

	2016 £m	2015 £m
Total non-audit fees	0.2	0.6
- audit related services	0.1	-
- tax services	0.1	0.4
- other non-audit services	-	0.2
Audit fee	3.1	2.5
% of audit fee	6%	25%

## INTERNAL CONTROLS AND REPORTING

In order to provide assurance that the Intertek controls and policy framework is being adhered to, a self-certification exercise is undertaken across the Group's global operations. This process is facilitated by the Legal, Risk and Compliance function and the internal control framework has been subject to a thorough review this year to support the continued development of the Group's control environment. An online questionnaire requesting confirmation of adherence to controls, financial and operational, is sent to all Intertek country and finance operations. Where corrective actions are needed, the country is required to provide an outline and a confirmed timeline. These items are monitored closely to ensure timely completion.

A consolidated assessment is made at regional level for approval. An evaluation is then undertaken with EVPs following which a Company-wide position is submitted to the CEO and the CFO. A final summary assessment is provided to the Committee. The self-assessment exercise has been reviewed during the year to ensure global coverage and to reflect Intertek operational and financial structure, and in order to enhance the alignment of the self-assessment to the assurance process. The Committee can confirm that it reviewed the Group's internal controls and risk management systems and concluded that there was a sound and effective control environment in place across the Group during 2016 and up to the date upon which these financial statements were approved. No significant failings or weaknesses had been identified.

## AUDIT STRATEGY

The Audit Strategy was presented to the Committee during the year. The strategy has focused on ensuring that the programme is annually strengthened and continues to evolve and is enhanced to reflect the size and global reach of the Intertek Group. PwC based their risk assessment, strategy and approach on their understanding of the business and the gaining of a deeper understanding of the Intertek business has been a key focus during the year. It has been important to ensure that the Intertek audit team has the right expertise in the right places. To achieve this, the PwC team has been structured to mirror the way Intertek is structured, with local teams for each location, regional teams who will liaise with Intertek's regional CFOs and Group oversight of regional accountability.

## INTERNAL AUDIT

The annual Internal Audit plan is reviewed and approved by the Committee. Where there is no internal expertise to perform a specialised audit, a third-party auditor with the requisite skills is appointed to undertake the audit, the findings of which are reported to the Committee. In its quarterly reports to the Committee, Internal Audit provided summaries of each audit performed, with commentary on the robustness of risk management activities and internal control design and operating effectiveness. In 2016 there was a varied plan of work across key risk areas, including reviews of businesses, functions and projects, as well as regular follow-up activities.

As part of its annual programme, the Committee reviewed the effectiveness of the Group Internal Audit function.

## PRIORITIES FOR 2017

The priorities for the Committee over the next 12 months are as follows:

- Continue to monitor the new external auditor and facilitate their understanding of the business;
- Ensure that the audit continues to evolve and align with the changes in the business and strategic objectives;
- Continue to monitor the impact of external economic factors on the Group and its financial position; and
- Monitor any relevant changes in the corporate governance and regulatory arena.

## GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources for a period of at least 12 months from the date of signing the Annual Report and Accounts, and have therefore assessed that the going concern basis of accounting is appropriate in preparing the financial statements and that there are no material uncertainties to disclose.

This conclusion is based on a review and an assessment of the levels of facilities expected to be available to the Group, based on levels of cash held, Group Treasury funding projections, and the Group's financial projections for a period to 31 December 2021. With the exception of £82m of facilities maturing in 2017, all the current borrowing facilities are expected to be available at 31 December 2017.

In making this assessment, management has considered the covenants attached to the Group's borrowing facilities and performed downside scenarios on the Group's financial projections of 10% and 20% reduction in EBITDA forecast. Even in these circumstances, there is significant headroom on the debt covenants.

After making diligent enquiries the Directors have a reasonable expectation based upon current financial projections and bank facilities available, that the Group has adequate resources to continue in operation. Accordingly they continue to adopt the going concern basis in preparing the Group's financial statements.



**Michael Wareing**  
Chair of the Audit Committee

# NOMINATION COMMITTEE

## DEAR SHAREHOLDER

In my role as Chair, I am pleased to present the report of the Nomination Committee ('Committee'). This year the Committee has continued its work on succession planning and the ongoing review of the composition of the Board and its Committees.

Following a rigorous selection process the Committee was pleased to recommend the appointment of Andrew Martin to the Board as a Non-Executive Director and a member of the Audit Committee with effect from 26 May 2016. His wide-ranging experience and financial background is a strong and complementary addition to our Board.

As announced during the year, Andrew succeeded Michael Wareing as Chair of the Audit Committee on 1 March 2017. Michael remains the Senior Independent Director and a member of the Audit and Remuneration Committees.

The Committee continues to ensure that the composition of the Board retains the right balance of skills, experience, industry and technical knowledge and diversity to provide the quality of leadership necessary to implement the strategy and achieve the strategic objectives necessary for the long-term success of the Company.

Main responsibilities of the Committee:

- Review the structure, size and composition of the Board and its Committees.
- Identify, review and nominate candidates to fill Board vacancies.<sup>1</sup>
- Evaluate the balance of skills, knowledge, experience and diversity on the Board and Committees.
- Review the results of the performance evaluation process that relates to the composition of the Board and Committees.
- Review the time commitment required from Non-Executive Directors.

1. Neither the Chairman nor the CEO participates in the recruitment of their own successor.



**Sir David Reid**  
Chair of the Nomination Committee

## COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

Membership and attendance at meetings of the Committee during the year was as follows:

Committee members	Number of meetings held in 2016	
	Eligible to attend	Attendance
Sir David Reid (Committee Chair)	4	4
Edward Astle <sup>1</sup>	2	2
Dame Louise Makin	4	4
Michael Wareing	4	4
Mark Williams <sup>2</sup>	1	0

1. Edward Astle stepped down from the Committee on 25 May 2016.

2. Mark Williams missed one meeting due to illness. He passed away on 6 March 2016.

The Group Company Secretary attends all the meetings of the Committee.

## THE ACTIVITY OF THE COMMITTEE DURING THE YEAR

The Committee's programme of work for the year was as follows:

- Considered and discussed the results of the external annual review into the effectiveness of the Committee.
- Reviewed and appointed recruitment consultants.
- Reviewed the composition of each Committee and approved the appointment of Michael Wareing as a member of the Remuneration Committee.
- Reviewed the shortlist of candidates for the position of Non-Executive Director.
- Recommended to the Board that Andrew Martin be appointed as a Non-Executive Director to the Board and a member of the Audit Committee with effect from 26 May 2016.

## SUCCESSION PLANNING ON THE BOARD

The Committee annually reviews the Board's effectiveness and composition in relation to long-term succession planning, including the review of plans in place for the orderly and progressive refreshing of the Board. In particular, the Committee considers the balance of skills, experience and independence of the Board when considering new appointments and oversees the preparation of a detailed role specification that is provided to an independent search firm to assist in the identification of the right candidates.

At the end of 2015 it was agreed, to ensure the ongoing refreshing of the skills on the Board, to commence a search for a new Non-Executive Director.

The Committee engaged Egon Zehnder, an external search agency with no other connection to the Company, to assist with the selection process and spent time to prepare the role specification. In addition to the specific skills, knowledge and experience deemed necessary, the specification contained criteria such as competency and personal qualities that would be required for this position. The Committee also considered the current balance of skills, knowledge and experience on the Board and whether the candidate would be able to allocate sufficient time to the Company to discharge their responsibilities.

Having reviewed all the profiles presented, Egon Zehnder prepared a long list of candidates, which was reviewed before a shortlist of candidates was drawn up and interviews were held. Following a rigorous selection process, the Committee, having considered the relative merits and fit of each candidate, made a recommendation to the Board, which was accepted, to appoint Andrew Martin as an independent Non-Executive Director with effect from 26 May 2016. His biography is available on page 59. A resolution will be proposed at the forthcoming AGM for his election.

#### DIVERSITY

As described above it is the Company's policy, in line with the Codes, that proposed appointments to the Board, and succession planning, are based on merit, judged against objective criteria, whilst also making the best use of differences in culture, gender, skills, background, regional and industry experience and other qualities. All of these factors are considered by the Committee in determining the composition of the Board as outlined on the previous page.

An analysis of the diversity of the senior leadership group and other employees as at 31 December 2016 is set out on pages 47 and 48 respectively.

As at 31 December 2016, Intertek had three female members on the Board of nine (representing 33%).

Whilst the Board's wish is to maintain at least 33% female representation at Board level, in line with the revised recommendation by Lord Davies, the need to ensure the progressive refreshing of the Board to maintain the correct balance of skills, knowledge and experience remains paramount.



**Sir David Reid**  
Chair of the Nomination Committee

#### INTERTEK INNOVATIONS



### UK'S HIGHEST CAPACITY ELECTRIC AND HYBRID VEHICLE DRIVELINE TEST FACILITY

During 2016 Intertek opened the UK's highest capacity electric and hybrid vehicle driveline test facility at Intertek's Milton Keynes test laboratory.

The new state-of-the-art facility at Intertek's automotive engine testing laboratory hosts some of the UK's highest capacity electric vehicle driveline testing equipment, including high capacity battery simulators and the latest exhaust emissions measurement systems in order to support the European automotive industry's continued push into driveline electrification.

This new facility cements Intertek Milton Keynes' position as the European centre of excellence for low carbon and electric vehicle development, which supports the increased demand for electric and hybrid vehicles, tougher rules on air quality emissions and CO<sub>2</sub> reduction in future vehicles.



# OTHER STATUTORY INFORMATION

In accordance with the requirements of the Companies Act 2006 ('Act') and the Disclosure Guidance and Transparency Rules ('DTR') of the Financial Conduct Authority ('FCA'), the following section describes the matters that are required for inclusion in the Directors' report and were approved by the Board. Further details of matters required to be included in the Directors' report that are incorporated by reference into this report are set out below.

## DIRECTORS

The Directors who held office during the year are set out below:

Sir David Reid	Chairman
André Lacroix	Chief Executive Officer
Edward Leigh	Chief Financial Officer
Edward Astle	Non-Executive Director (stepped down 25 May 2016)
Alan Brown	Non-Executive Director
Dame Louise Makin	Non-Executive Director
Andrew Martin	Non-Executive Director (appointed 26 May 2016)
Gill Rider	Non-Executive Director
Michael Wareing	Senior Independent Non-Executive Director
Mark Williams	Non-Executive Director (passed away 6 March 2016)
Lena Wilson	Non-Executive Director

The biographies of the Directors at the date of this report are set out on pages 58 and 59.

## ARTICLES OF ASSOCIATION

The Company's Articles of Association contain provisions relating to the retirement, election and re-election of Directors but, in accordance with best practice, all Directors who wish to continue to serve will stand for election or re-election at the Annual General Meeting ('AGM').

The Articles of Association set out the internal regulation of the Company and cover such matters as the rights of shareholders, the appointment or removal of Directors and the conduct of the Board and general meetings. Copies are available upon request from the Group Company Secretary and are available at the Company's AGM. Further powers are granted by members in general meeting and those currently in place are set out in detail in the appropriate section of this report.

## DIRECTORS' INDEMNITIES

The Board believes that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of indemnities on terms consistent with the applicable statutory provisions. In accordance with the Articles of Association, the Company has executed deed polls of indemnity for the benefit of Directors of the Company.

These provisions which are deemed to be qualifying third-party indemnity provisions (as defined by section 234 of the Act), were in force during the financial year ended 31 December 2016, for the benefit of the Directors and, at the date of this report, remain

in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

## DIRECTORS' INTERESTS

Other than the Directors' Service Agreements or letters of appointment, none of the Directors of the Company had a personal interest in any business transactions of the Company or its subsidiaries. The terms of the Directors' Service Agreements or letters of appointment and the Directors' interests in shares and Share Awards of the Company, in respect of which transactions are notifiable to the Company under Rule 3 of the DTR of the FCA are disclosed in the Remuneration report on pages 65 to 80.

## DIRECTORS' POWERS

The Directors are responsible for the strategic management of the Company and their powers to do so are determined by the provisions of the Act and the Company's Articles of Association.

## DIVIDEND

The Directors are recommending a final dividend of 43.0p per ordinary share (2015: 35.3p) making a full year dividend of 62.4p per ordinary share (2015: 52.3p) which will, if approved at the AGM, be paid on 2 June 2017 to shareholders on the register at the close of business on 19 May 2017.

## SHARE CAPITAL

The issued share capital of the Company and details of the movements in the Company's share capital during the year are shown in note 15 to the financial statements.

The holders of ordinary shares are entitled to receive dividends when declared, to receive the Company's Annual Report and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and exercise voting rights. A waiver of dividend exists in respect of 493,629 shares held by the Intertek Group Employee Share Ownership Trust ('Trust') as at 31 December 2016. Details of the shares purchased by the Trust during the year are outlined within note 15 to the financial statements. There are no restrictions on the transfer of ordinary shares in the Company.

The rights attached to shares in the Company are provided by the Articles of Association, which may be amended or replaced by means of a special resolution of the Company in a general meeting. The Directors' powers are conferred on them by UK legislation and by the Company's Articles of Association.

No ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights except that a shareholder has no right to vote in respect of a share unless all sums due in respect of that share are fully paid. There are no arrangements known to the Company by which financial rights carried by any shares in the Company are held by a person other than the holder of the shares, nor are there any arrangements between holders of securities that may result in restrictions on the transfer of securities or on voting rights known to the Company. All issued shares are fully paid.

Shares are admitted to trading on the London Stock Exchange and may be traded through the CREST system.

## ALLOTMENT OF SHARES

At the AGM held in 2016 the shareholders generally and unconditionally authorised the Directors to allot relevant securities up to approximately two-thirds of the nominal amount of issued share capital.

It is the Directors' intention to seek renewal of this authority in line with guidance issued by the Investment Association. The resolution will be set out in the Notice of AGM.

At the AGM in 2016 the Directors were also empowered by the shareholders to allot equity securities, up to 5% of the Company's issued share capital, for cash under section 570 of the Act. It is intended that this authority be renewed, at the forthcoming AGM.

In line with guidance issued by the Pre-Emption Group it is the Board's intention to propose an additional special resolution to be passed at the AGM to allow the Company to allot equity securities up to a further 5% of the Company's issued share capital for transactions which the Board determines to be an acquisition or other capital investment, as defined by the Pre-Emption Group's Statement of Principles. In the event that this additional 5% disapplication of pre-emption right is used the Company will outline the reason for its use and the consultation process they have undertaken within six months of the date that it is used.

## PURCHASE OF OWN SHARES

Shareholders also approved the authority for the Company to buy back up to 10% of its own ordinary shares by market purchase until the conclusion of the AGM to be held this year. The Directors will seek to renew this authority for up to 10% of the Company's issued share capital at the forthcoming AGM. This power will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and accordingly, that the purchase is in the interests of shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position. Any shares purchased in this way may be held in treasury which, the Directors believe, will provide the Company with flexibility in the management of its share capital. Where treasury shares are used to satisfy Share Awards, they will be classed as new issue shares for the purpose of the 10% limit on the number of shares that may be issued over a 10 year period under the relevant share plan rules.

## SIGNIFICANT AGREEMENTS – CHANGE OF CONTROL

The Company is not a party to significant agreements which take effect, alter or terminate upon a change of control following a takeover bid apart from a number of credit facilities with banks together with certain senior notes issued by the Company. The total amount owing under such credit facilities and senior note agreements as at 31 December 2016 is shown in note 14 to the financial statements. These agreements contain clauses such that, in the event of a change of control, the Company can offer to or must repay all such borrowings together with accrued interest, fees and other sums owing as required by the individual agreements.

The rules of the Company's incentive plans contain clauses relating to a change of control resulting from a takeover and in such an event awards would vest subject to the satisfaction of any associated performance criteria.

## MATERIAL INTERESTS IN SHARES

Up to 28 February 2017, being the latest practicable date before the publication of this report, the following disclosures of major holdings of voting rights have been made (and have not been amended or withdrawn) to the Company pursuant to the requirements of Rule 5 of the DTR of the FCA. There have been no changes since the year-end.

Shareholder	At the date of notification	
	Number of voting rights	% of voting rights
BlackRock Inc.	11,865,413	7.35
MFS Investment Management	9,547,182	5.92
Mawer Investment Management Ltd	8,110,417	5.03
Marathon Asset Management LLP	8,050,509	4.99

## EMPLOYMENT

Information about the Group's employees, employment of disabled persons and employment practices is contained within the Sustainability and CSR report on pages 47 to 49. Information on employee share schemes appears in note 17 to the financial statements.

## GREENHOUSE GAS EMISSIONS ('GHG')

Information about the Group's Greenhouse Gas emissions is given in the Sustainability and CSR report on page 50.

## POLITICAL DONATIONS

At the AGM in 2016 shareholders passed a resolution, on a precautionary basis, to authorise the Company to make donations to EU political organisations and to incur EU political expenditure (as such terms are defined in the Act) not exceeding £90,000. During the year the Group did not make such political donations (2015: £nil). It is the Company's policy not, directly or through any subsidiary, to make what are commonly regarded as donations to any political party.

At the forthcoming AGM of the Company, shareholders' approval will again be sought to authorise the Group to make political donations and/or incur political expenditure (as such terms are defined in sections 362 to 379 of the Act). Further information is contained in the Notice of AGM.

## BRANCHES

The Company, through various subsidiaries has established branches in a number of different countries in which the business operates. The list of subsidiaries is available on pages 134 to 139.

## AUDITOR

The auditor, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. Upon the recommendation of the Audit Committee, resolutions to reappoint them as auditor and to determine their remuneration will be proposed at the forthcoming AGM.

# OTHER STATUTORY INFORMATION

## continued

### FINANCIAL INSTRUMENTS

Details about the Group's use of financial instruments are outlined in note 14 to the financial statements.

### ANNUAL GENERAL MEETING

The Notice of AGM, which is to be held on 26 May 2017, is available for download from the Company's website at [www.intertek.com/investors](http://www.intertek.com/investors). The Notice details the business to be conducted at the meeting and includes information concerning the deadlines for submitting proxy forms and in relation to voting rights.

### STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director of the Company to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### ANNUAL REPORT AND ACCOUNTS AND COMPLIANCE WITH LISTING RULE ('LR') 9.8.4 R

The Board has prepared a Strategic report (pages 2 to 51) which provides an overview of the development and performance of the Company's business during the year ended 31 December 2016 and its position at the end of that year, and which covers likely future developments in the business of the Company and Group.

For the purposes of compliance with DTR 4.1.5 R(2) and DTR 4.1.8 R, the required content of the 'Management Report' can be found in the Strategic report and this Directors' report, including the sections of the Annual Report and Accounts incorporated by reference.

For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Topic	Location
1. Amount of interest capitalised	Not applicable
2. Any information required by LR 9.2.18 R (Publication of unaudited financial information)	Not applicable
3. Details of long-term incentive schemes	Directors' Remuneration report (pages 65 to 80)
4. Waiver of emoluments by a Director	Not applicable
5. Waiver of future emoluments by a Director	Not applicable
6. Non pre-emptive issues of equity for cash	Not applicable
7. Information required by (6) above for any unlisted major subsidiary undertaking of the Company	Not applicable
8. Company participation in a placing by a listed subsidiary	Not applicable
9. Any contracts of significance	Other statutory information (page 89)
10. Any contracts for the provision of services by a controlling shareholder	Not applicable
11. Shareholder waivers of dividends	Other statutory information (page 88)
12. Shareholder waivers of future dividends	Other statutory information (page 88)
13. Agreements with controlling shareholders	Not applicable

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance Statement that complies with that law and those regulations.

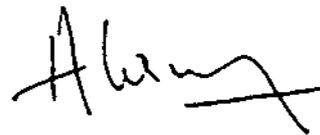
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL FINANCIAL REPORT

Each of the Directors, whose name and functions are listed on pages 58 and 59, confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Company's 2016 Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The Directors' report comprising pages 52 to 93 and the Group Strategic report comprising pages 2 to 51 have been approved by the Board and signed on its behalf by:



**André Lacroix**  
**Chief Executive Officer**

6 March 2017

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Registered Number: 04267576