

Our TSA standards *Continued*



# Risk Management

We build resilience through systemic risk management. This helps assure a strong culture of risk-based business management guided by sustainability objectives, including understanding and managing our supply chain partner risks.



## Material topics

- **Employee care**
- **Governance**
- **Compliance and legislation**

Managing risk is key to our organisation being sustainable. Being able to identify and prioritise both opportunities and threats impacting our business, we are able to achieve our objectives over the long term in order to sustain success.

Intertek has implemented an end-to-end integrated approach to risk, control and compliance which: embeds risk management throughout our business; allows us to dynamically adapt our controls, policies and assurance activities as our risk environment changes; and creates responsibility and oversight of our risk identification and risk mitigation actions to ensure they are effective, relevant and robust.

### **Our integrated risk management framework**

Risk management is embedded throughout our organisation using a framework of divisional, regional and functional risk committees. These committees meet quarterly to identify, monitor and assess the risks within their area of responsibility using tools which include a dashboard of leading and lagging risk indicators and risk mitigation action plans.

It is the responsibility of each committee to assess whether its risk environment is changing, whether it has the right mitigation action plans and whether new or different plans are required in response to new or changing risks.

The risk committees report to our Group Risk Committee which in turn provides a report on risk and mitigation actions at each meeting of the Board.

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### Risk Management

#### Our integrated approach to identifying and mitigating risks

At Intertek, we view our risk environment as consisting of emerging risks (risks that are potential or future-looking) and systemic risks (risks which are concrete and actually present or inherent in our operations). Emerging risks are assessed by perceived likelihood and impact and addressed using mitigation action plans on a 'three lines of defence' model. Systemic risks are addressed using our internal controls, policies and procedures.

Our risk identification and mitigation approach is integrated and dynamic as our risk committees continually review their emerging risks and, to the extent those risks start to become systemic (or 'real' rather than 'potential' risks), identify new controls, policies or procedures so that we can put new systemic mitigations in place.

#### Our integrated approach to risk assurance

We have an integrated approach to getting assurance that our risks are being appropriately and effectively identified and addressed. We use an integrated assurance map, which takes each of our emerging and systemic risks and maps an assurance framework onto them by identifying the roles or functions which are responsible for the management, control and oversight of those risks.

Evidence that this assurance is robust is primarily validated by our Internal Audit function (which audits our financial controls and risks), by our Compliance function (which audits our non-financial, operational controls and risks), and by our CyberSecurity team (which audits our IT controls and risks).

#### Our integrated approach to risk governance and oversight

The Board ultimately reviews the Group's risks, controls and compliance and mitigation actions. The Audit Committee is responsible for reviewing the adequacy and effectiveness of that risk framework. If this governance and oversight identifies new risks or the need for new controls, policies or procedures, those changes are made and fed back to the framework of risk committees so that governance and oversight results in a dynamic change to our risk identification and mitigation action plans.

#### Business continuity and disaster recovery

Considering the spread of our operations, we acknowledge that each business line and each function has its own specific business continuity and disaster recovery needs, including scope of content, information, depth and coverage. Therefore, we provide general guidelines based on both the requirements defined in the Business Continuity Management System (ISO 22301:2012) and our experience and view of good practice.



Further information on our risk framework's effectiveness can be found in our 2020 Annual Report on pages 80 and 103.

#### Risks and opportunities associated with climate change

The business landscape has evolved significantly over the past few years as attitudes shift and new legislation is introduced to reflect the changing times. Consistent with scientific reports, we recognise that a failure to rapidly decarbonise our economies will lead to increasingly volatile and severe weather-related events with significant economic consequences. While climate change affects nearly all economic sectors, the level and type of exposure and the impact of climate-related risks differs by sector, industry, geography and organisation. Our own operations may not be as energy intensive or resource depleting as some other industries, but as a multinational company we acknowledge our exposure to various types and degrees of local, regulatory, physical and socio-economic risks associated with climate change.

#### Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures ('TCFD') is a market-driven initiative shaping the increased response measures to climate-related financial risks. Mitigating and managing the risks and opportunities associated with climate change is fundamental for Intertek, to enable us to deliver our purpose.

## Our TSA standards *Continued* *Risk Management*

### Risk and opportunity assessment

The disclosures made in this report and within our CDP disclosure cover some of the TCFD recommendations. This year we have focused on identifying the gaps and setting a timetable for full implementation during 2021. More details are included in the Environment section on page 40.

For Intertek, climate-related risks (e.g. extreme weather patterns, water shortages, floods or other natural disasters) could give rise to business interruptions in our operations or in our supply chain and impact our customers.

To analyse our Group-level climate-related risks considering countries, business lines and functions, we use our integrated risk management framework. This has resulted in us including climate-related risks (the risk associated with a failure to respond to climate events or climate-related regulation) within our 'Industry and competitive landscape' principal risk (see page 59 of the 2020 Annual Report) and reflecting it within our longer-term viability assessment on that basis.

Climate-related opportunities for us relate mainly to the development of services that support our customers in tackling climate-related risks. As these opportunities are identified, they are analysed by our relevant business lines and innovation teams, which in turn develop appropriate strategies.

### Case study

#### Independent carbon intensity certification

CarbonClear™ is our breakthrough global programme that provides companies with independent carbon intensity certification across their entire oil and gas production portfolio.

The CarbonClear™ certification is designed to drive transparency, precision and assurance of carbon emissions performance. We were delighted to award our first certification in July 2020 to Lundin Energy, one of Europe's leading independent oil and gas companies, for its Edvard Grieg field in the central North Sea. Along with providing businesses with credibility and assurance, we also see CarbonClear™ as a catalyst for accelerating investment and performance in carbon footprint reduction across the energy sector, helping our clients to Build Back Ever Better, and reducing emissions for current and future generations.



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