

# EVER BETTER EVER STRONGER

Solutions for a safer world

ANNUAL REPORT 2018

**intertek**  
Total Quality. Assured.

Intertek is going from strength to strength, making consistent progress in both strategy and performance.

We have scale positions in attractive end-markets with a high-margin and strongly cash-generative earnings model and we are benefitting from higher demand from our customers for our global Total Quality Assurance ('TQA') solutions.

We are on a good-to-great journey and we firmly believe in continuous improvement to take Intertek to greater heights. Our 'Ever Better' approach to operational discipline makes Intertek Ever Stronger, every day.

The world of our clients is getting more and more complex and companies are increasing their focus on risk, which creates ever bigger growth opportunities for Intertek given our unique TQA value proposition.

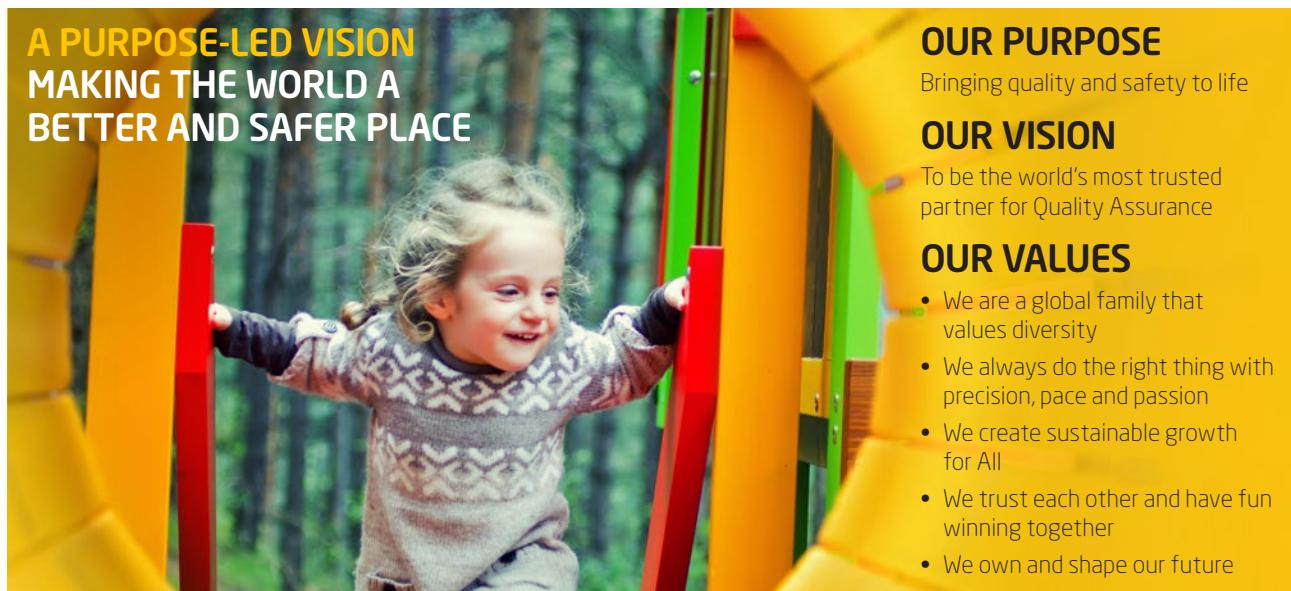
Leveraging these ever bigger growth opportunities ahead with our 'Ever Better' operational discipline in everything we do, and continually innovating to provide our clients with solutions for a safer world, we are confident in our ability to deliver sustained progress moving forward.



## OUR TQA CUSTOMER PROMISE

Intertek Total Quality Assurance expertise, delivered consistently with precision, pace and passion, enabling our customers to power ahead safely.

# INTERTEK AT A GLANCE

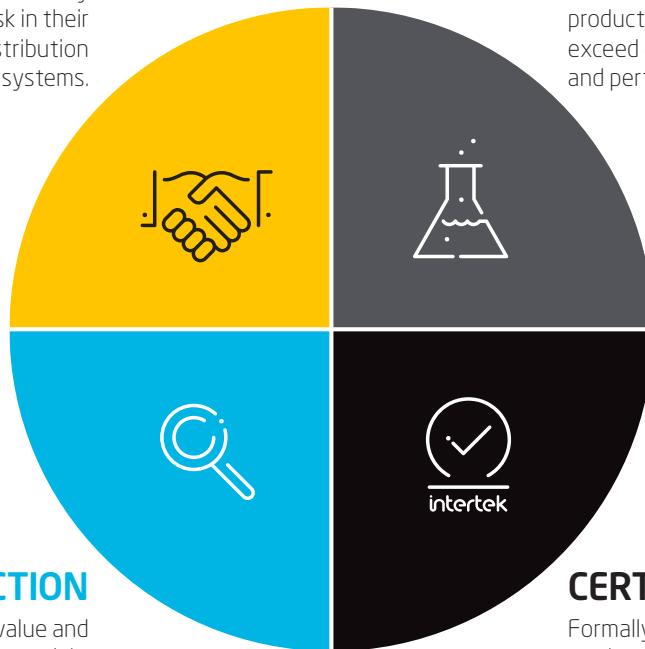


## OUR SERVICES

Intertek's innovation-led, end-to-end Total Quality Assurance ('TQA') proposition helps organisations operate safely, effectively and with complete peace of mind in an increasingly complex, fast-changing world. As the global pioneers in the Quality Assurance industry, we are the only company in the world that delivers – on a truly global scale – a fully integrated portfolio of Assurance, Testing, Inspection and Certification services.

### ASSURANCE

Enabling our customers to identify and mitigate intrinsic risk in their operations, their supply and distribution chains and quality management systems.



### INSPECTION

Validating the specifications, value and safety of our customers' raw materials, products and assets.

### TESTING

Evaluating how our customers' products and services meet and exceed quality, safety, sustainability and performance standards.

### CERTIFICATION

Formally confirming that our customers' products and services meet all trusted external and internal standards.

## OUR GLOBAL NETWORK

The world of our customers is growing ever more complex. Our presence in more than 100 countries worldwide, keeps us close to all our customers, understanding their challenges, developing the insights that inspire innovation and continuously delivering a superior customer service.



## OUR SECTORS

By focusing on the three sectors of Products, Trade and Resources, we concentrate the full power of our innovation capabilities onto those attractive growth and high-margin sectors where we deliver most value for our customers.

Read more in our Operating Reviews on pages 44 to 51 ↗



### PRODUCTS

77% of profit



### TRADE

17% of profit



### RESOURCES

6% of profit

Structural drivers include quality solutions and sustainability demand, R&D, regulation, brand and supply chain expansion and risk management.

#### REVENUE

**£1,680m**

#### ADJUSTED OPERATING PROFIT

**£371m**

#### STATUTORY OPERATING PROFIT

**£345m**

Structural drivers include global GDP growth, quality and quantity control requirements during transportation.

#### REVENUE

**£642m**

#### ADJUSTED OPERATING PROFIT

**£83m**

#### STATUTORY OPERATING PROFIT

**£78m**

Structural drivers include capex and opex investment, increased resources activity and long-term demand for energy.

#### REVENUE

**£479m**

#### ADJUSTED OPERATING PROFIT

**£28m**

#### STATUTORY OPERATING PROFIT

**£13m**

# FINANCIAL HIGHLIGHTS

Continued progress in revenue, margin and cash reflecting the Group's performance management discipline, focused on margin-accretive revenue growth and cash conversion.

- Group revenue growth of +4.7% at constant currency rates, +1.2% at actual rates
- Solid organic revenue growth at constant rates of 3.7%: Products +5.2%, Trade +2.2%, Resources +0.3%
- Portfolio strength and performance management discipline driving margin progression: adjusted +40bps at constant rates, +30bps at actual rates
- Adjusted operating profit of £482m, an increase of 6.9% at constant rates and 3.0% at actual rates
- Statutory operating profit of £436m, an increase of 7.2% at constant rates and 3.2% at actual rates
- Strong adjusted diluted EPS growth: adjusted +7.7% at constant rates, +3.5% at actual rates; statutory +3.2% at constant rates, (0.9)% at actual rates
- Full year dividend per share of 99.1p, an increase of 39.0%
- Free cash flow (restated) of £351m, +2.6% year on year
- Statutory net profit after tax of £305m, an increase of 3.8% at constant rates and a decrease of 0.4% at actual rates

Actual rates  
 Constant currency<sup>1</sup>

**REVENUE**  
**£2,801m**  
(2017: £2,769m)



**ORGANIC REVENUE<sup>1</sup>**  
**£2,770m**  
(2017: £2,764m)



**ADJUSTED OPERATING PROFIT<sup>1,2</sup>**  
**£482m**  
(2017: £468m)



**STATUTORY OPERATING PROFIT**  
**£436m**  
(2017: £423m)



**ADJUSTED OPERATING MARGIN<sup>1,2</sup>**  
**17.2%**  
(2017: 16.9%)



**STATUTORY OPERATING MARGIN**  
**15.6%**  
(2017: 15.3%)



**ADJUSTED DILUTED EARNINGS PER SHARE<sup>1,2</sup>**  
**198.3p**  
(2017: 191.6p)



**STATUTORY DILUTED EARNINGS PER SHARE**  
**174.7p**  
(2017: 176.3p)



**FREE CASH FLOW (RESTATED)<sup>2,4</sup>**  
**£351m**  
(2017: £342m)



**DIVIDEND PER SHARE<sup>3</sup>**  
**99.1p**  
(2017: 71.3p)



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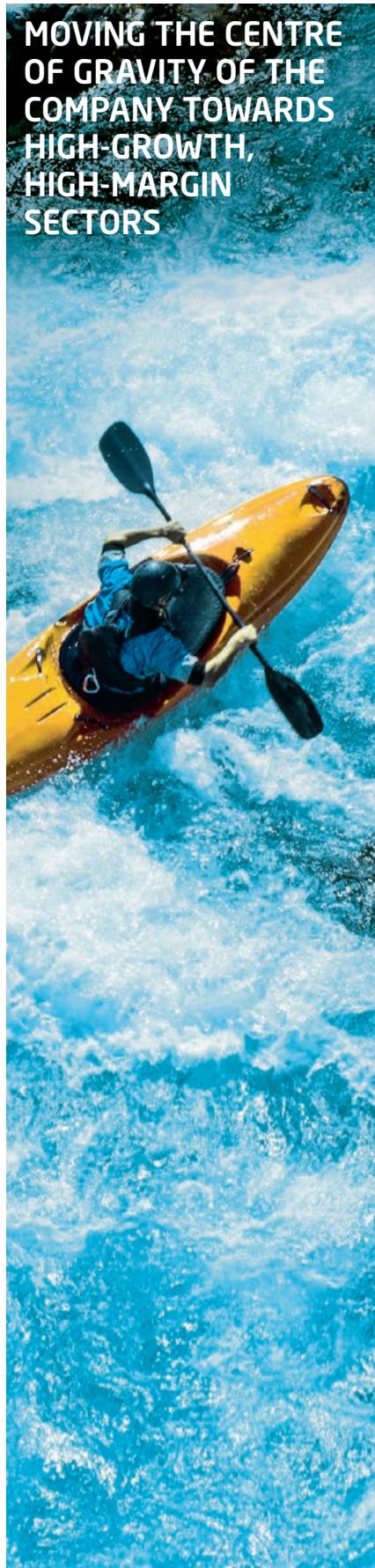
1. Definitions of the above metrics and constant currency are set out on page 52.

2. Adjusted operating profit, adjusted diluted earnings per share ('EPS') and adjusted free cash flow, which are non-GAAP measures, are stated before Separately Disclosed Items, which are described in note 3 to the financial statements. Reconciliations between statutory and adjusted measures, as well as Return on Invested Capital and cash conversion, are shown in the Financial review on pages 60 to 65.

3. Dividend per share for 2018 is based on the interim dividend paid of 31.9p (2017: 23.5p) plus the proposed final dividend of 67.2p (2017: 47.8p).

4. Free cash flow has been restated for 2017 as explained on page 64.

# OUR 5X5 DIFFERENTIATED STRATEGY FOR GROWTH



**MOVING THE CENTRE OF GRAVITY OF THE COMPANY TOWARDS HIGH-GROWTH, HIGH-MARGIN SECTORS**

## OUR 5 STRATEGIC PRIORITIES

- Position Intertek as the leading Quality Assurance provider
- Build brand awareness across sectors and geographies
- Create a compelling Total Quality Assurance brand positioning

- Build customer loyalty and win new customers
- Consistently deliver TQA customer service
- Develop innovative ATIC solutions

- Increase existing account penetration
- Drive ATIC-selling
- Accelerate business development with new accounts

- Prioritise business lines, geographies and service areas
- Invest in areas with good growth and good margin prospects
- Apply disciplined resource, capital and people allocation

- Continuously improve to drive productivity
- Deliver best-in-class management to reduce span of performance
- Eliminate non-essential costs – facilities/offices/processes/purchasing

**DIFFERENTIATED TQA BRAND PROPOSITION**

**SUPERIOR CUSTOMER SERVICE**

**EFFECTIVE SALES STRATEGY**

**GROWTH AND MARGIN-ACCRETIVE PORTFOLIO**

**OPERATIONAL EXCELLENCE**

**DIFFERENTIATED STRATEGY FOR GROWTH**

**5>**

## OUR 5 STRATEGIC ENABLERS

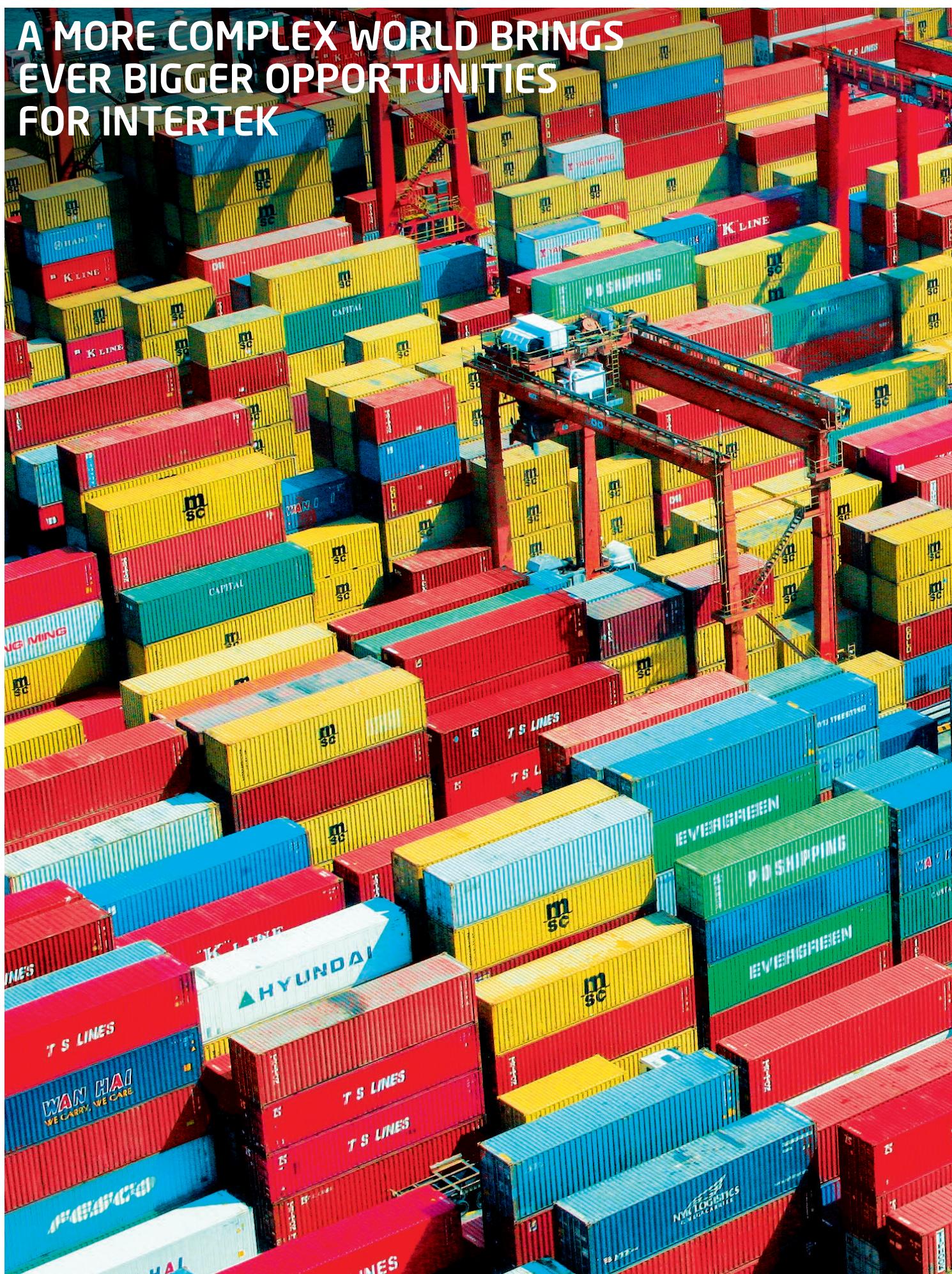


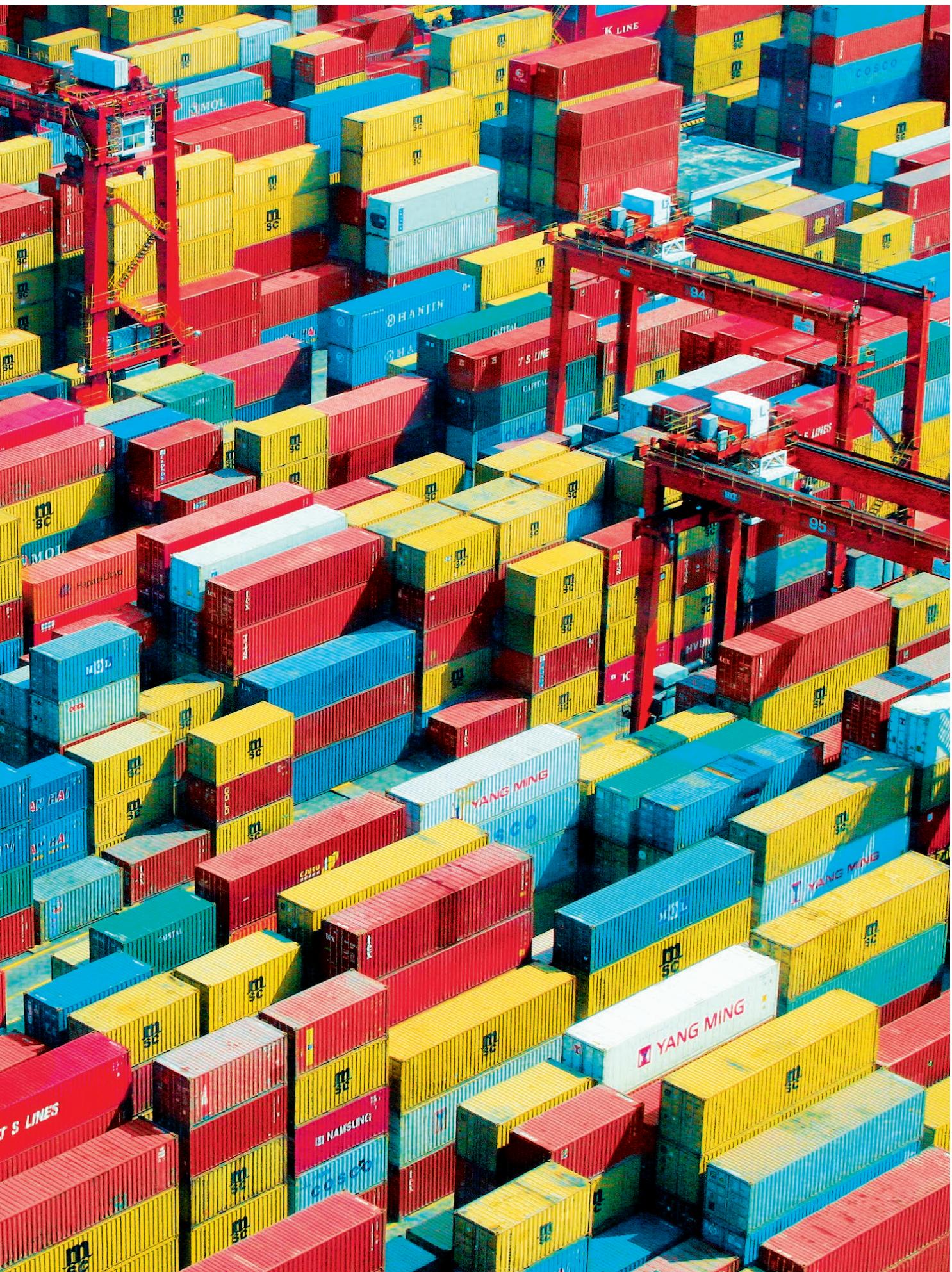
## OUR GOALS

- Fully engaged employees working in a safe environment
- Superior customer service in Assurance, Testing, Inspection and Certification
- Margin-accretive revenue growth based on GDP+ organic growth
- Strong cash conversion from operations
- Accretive, disciplined capital allocation policy



# A MORE COMPLEX WORLD BRINGS EVER BIGGER OPPORTUNITIES FOR INTERTEK





# EVER BIGGER OPPORTUNITIES TO ACCELERATE GROWTH

## ATTRACTIVE STRUCTURAL GROWTH DRIVERS

We offer ATIC solutions to clients operating in three attractive sectors of the economy.

**Products:** delivering quality-assurance solutions for end-products, components, processes and supply chains. Demand driven by increasing brand and SKU numbers, increased safety requirements and regulation, faster innovation, growing consumer focus on sustainability and greater focus on risk management.

See our Products case studies on page 45 and 47 [→](#)



### PRODUCTS

**Trade:** assuring that every product shipped meets all relevant regulatory, safety and quality standards. Demand driven by population and GDP growth, the development of regional trade, increased focus on traceability and growth in port and transport infrastructure.

See our Trade case study on page 49 [→](#)



### TRADE

**Resources:** forming, establishing, maintaining and assuring our customers' operating assets and processes. Demand driven by long-term energy demand, supply chain risk management, sustainability of energy supply, infrastructure investments, growth in alternative energy and focus on health and safety.

See our Resources case study on page 51 [→](#)



### RESOURCES

**60%**  
OF REVENUE

**77%**  
OF PROFIT

- Increased number of Brands & SKUs
- Increased regulation
- Improvements in safety, performance and quality
- Faster innovation cycle
- Increased consumer focus on sustainable products
- Increased corporation focus on risk management



**23%**  
OF REVENUE

**17%**  
OF PROFIT

- Population growth
- Development of regional trade
- Increased focus on traceability
- GDP growth
- Growth in transport infrastructure
- Growth in port infrastructure



**17%**  
OF REVENUE

**6%**  
OF PROFIT

- Long-term demand for energy
- Supply chain risk management
- Sustainability of energy supply
- Investment in infrastructure
- Growth in alternative energy
- Focus on health and safety



## EVER GROWING CORPORATE COMPLEXITY

The world never stands still and the corporate environment in which our clients operate is becoming more complex every day. With ever growing complexity, our customers face unprecedented levels of risk across every element of their businesses.

Intertek's ATIC services are mission-critical for our customers to manage risk across their supply and distribution chains.



### CYBERSECURITY

A booming cybercrime economy has resulted in \$1.5 trillion in illicit profits being acquired, laundered, spent and reinvested by cybercriminals.



### PRODUCT QUALITY

Globally, product recalls are on the rise. In a five-year period, the number of products recalled increased by nearly 40%. Tougher regulations, global supply chains, materials from fewer suppliers and greater consumer awareness are contributing to a rise in recalls.



### SUSTAINABILITY

In 2016, cities generated 2.0 billion tonnes of solid waste. This is forecast to increase by 70% to 3.4 billion tonnes by 2050.



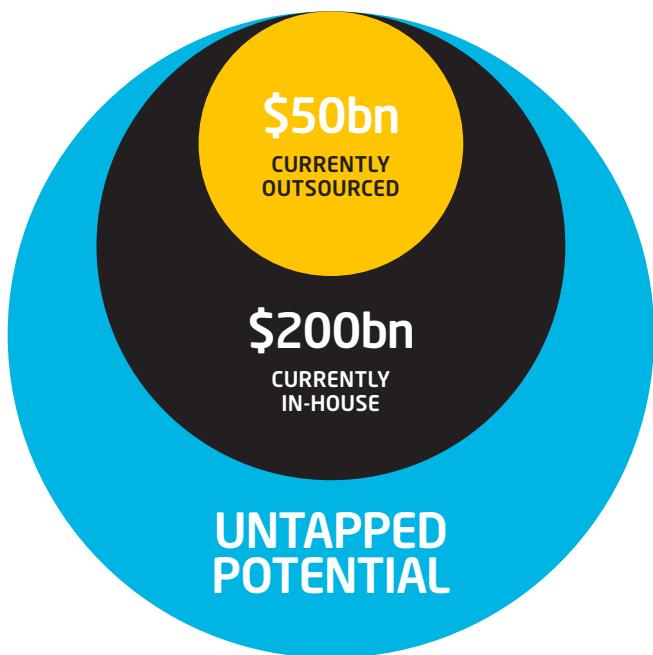
### FOOD FRAUD

It is believed that food fraud may affect 10% of all commercially sold food products, with a potential cost of \$10-15 billion to the global food industry every year.

## EVER BIGGER GROWTH OPPORTUNITIES

The global Quality Assurance market offers exciting growth opportunities for Intertek. With the Total Quality Assurance ('TQA') market poised for growth due to supply chain expansion across the world and an increasing focus on TQA, Intertek is moving beyond the established US\$250 billion ATIC market to a much larger addressable opportunity.

### GLOBAL ATIC MARKET



By leveraging our global leadership position, attractive structural growth drivers and innovative ATIC solutions, we enable our clients to thrive in a complex world.

# EVER BETTER EVER STRONGER

We have made continuous progress over the past four years, capitalising on our strengths and implementing our 5x5 differentiated strategy for growth.

Leveraging the ever bigger growth opportunities ahead with our 'Ever Better' operational discipline in everything we do, we are confident in our ability to deliver sustained progress moving forwards.

The world of our clients is getting more and more complex and companies are increasing their focus on risk, which creates ever bigger growth opportunities for Intertek given our unique TQA value proposition that offers systemic end-to-end ATIC services: Assurance + Testing + Inspection + Certification.

We are on a good-to-great journey and we firmly believe in continuous improvement to take Intertek to greater heights. Our 'Ever Better' operational discipline is making Intertek ever stronger, every day.

From our strong base, we see opportunities to continuously improve on our value creation levers.

## PRODUCT AND SERVICE OFFERING

We listen to over 7,000 customers every month and have a deep commitment to building on the strengths of our existing products and services, developing innovative solutions to better support their needs. Delivering the peace of mind our customers require to power ahead, confidently and safely, is one of the five core pillars of our differentiated strategy for growth. Our rigorous approach to analysing customer data helps to harness the resulting insights to develop compelling innovations across our ATIC services, with the customer at the heart of everything we do.



## SALES MANAGEMENT

Making Intertek Ever Better, Ever Stronger means delivering margin-accretive revenue growth. We have applied a structured approach to selling across five Sales Goals as we apply an Ever Better approach across the organisation to sales planning: Customer Retention, Customer Penetration, ATIC-selling, New Customer Wins and Customer Outsourcing.



## OPERATIONS MANAGEMENT

We measure progress against a range of operational metrics and use data intelligence to understand our customer service levels, turnaround times and to create a positive atmosphere where our people feel fully engaged in a safe working environment. A dedicated focus on quality across every site, every month, throughout the business, underpins our operational and health and safety excellence, ultimately ensuring that our customers receive a superior service.



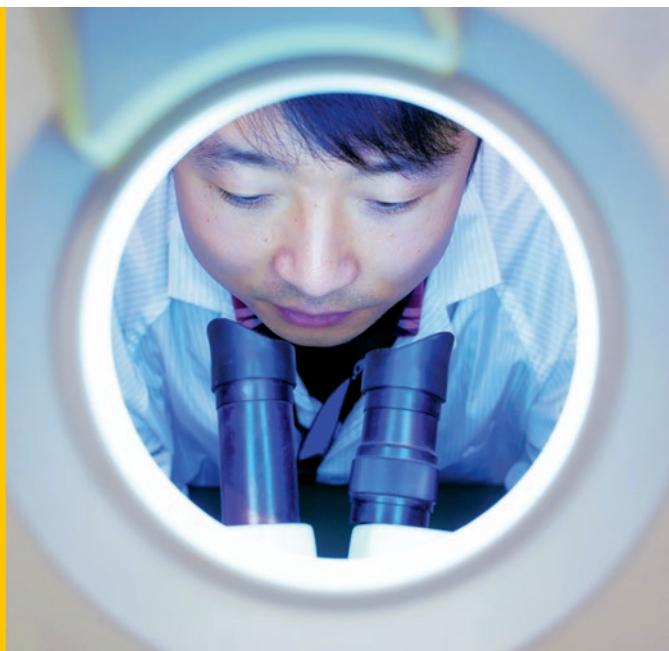
## MARGIN MANAGEMENT

Our 5x5 differentiated strategy for growth is based on moving the centre of gravity of the Group towards the high-growth and high-margin sectors in our industry. We adopt a margin-accretive portfolio management strategy, focused on the most attractive growth areas. This is complemented by a systemic approach to performance management across all business lines, countries and sites based on leading and lagging indicators.



## CASH MANAGEMENT

Operating a high-quality earnings model with a disciplined approach to capital allocation, powers our strong cash performance management, ensuring we are able to deliver strong cash conversion from operations and robust free cash flow. This in turn enables us to seek out attractive new high-return markets, meeting growing customer demand through insight and innovation and driving a business that's Ever Better, Ever Stronger.



# INTERTEK DELIVERS A SUPERIOR CUSTOMER SERVICE

Always delivering a superior and continuously improving customer service is central to achieving our vision of being the world's most trusted Quality Assurance partner. It is to ensure this service excellence that we have built an entrepreneurial culture supported by world-class data intelligence and disciplined operations at all our 1,000+ laboratories.

Since 2015, we have used the Net Promoter Score ('NPS') process to listen to our customers.

With 7,000+ customer interviews conducted every month, it keeps us laser-focused on delivering an Ever Better service. Across all touchpoints this is a positive reinforcement that we are delivering on our TQA Customer Promise.

## TOTAL QUALITY ASSURANCE

Our TQA value proposition gives our clients the ATIC Advantage, our TIC Expertise plus our Assurance Differentiation.



### CUSTOMER CENTRICITY

We work with our customers every day to develop and deliver the bespoke, customer-focused solutions they need to operate safely and sustainably. It is by listening and responding to their needs and challenges that we continuously improve and strengthen our TQA proposition, evolving our own business to be Ever Better, Ever Stronger.



### NET PROMOTER SCORE ('NPS')

The NPS programme gives us the opportunity to capture feedback from our customers. We capture key metrics at every site monthly, which provides us with a rich set of insights. Upon completion of a project, our TQA experts talk to customers to hear their views on their experience, the solution itself and the quality of customer service.



### DATA INTELLIGENCE

We use these insights to drive faster and more effective solutions which have a direct and positive impact on customer satisfaction and loyalty, ensuring that all actions are driven by deep customer insight and understanding. We use the data intelligence to consistently deliver our services with zero defects.

### TQA VALUE DELIVERY

On-time delivery and turnaround time comprise two of the key metrics underpinning our 5x5 strategy and metrics. We constantly invite customer feedback on this area, helping us innovate for greater speed and enhanced precision to deliver on our TQA Customer Promise.

# EVER BETTER SERVICE THROUGH INNOVATION

In an exciting market with attractive structural drivers and with corporations facing ever growing complexity, our Ever Better approach to innovation is supporting our clients to thrive and is creating growth opportunities for Intertek.

A more complex corporate world means more growth opportunities for Intertek as we support our clients through Ever Better solutions and customer service.

We innovate in our markets and business lines through the insights generated from our TQA experts and customer feedback through our 7,000+ monthly NPS interviews.

Intertek's services, across areas including Sustainability and CyberSecurity, Product Assurance and Food Safety, are mission-critical in reducing risk and generating sustainable success for our clients.

## WE HAVE THREE CATEGORIES OF INNOVATION:

### BREAKTHROUGH

Technology that enables solutions to create new markets

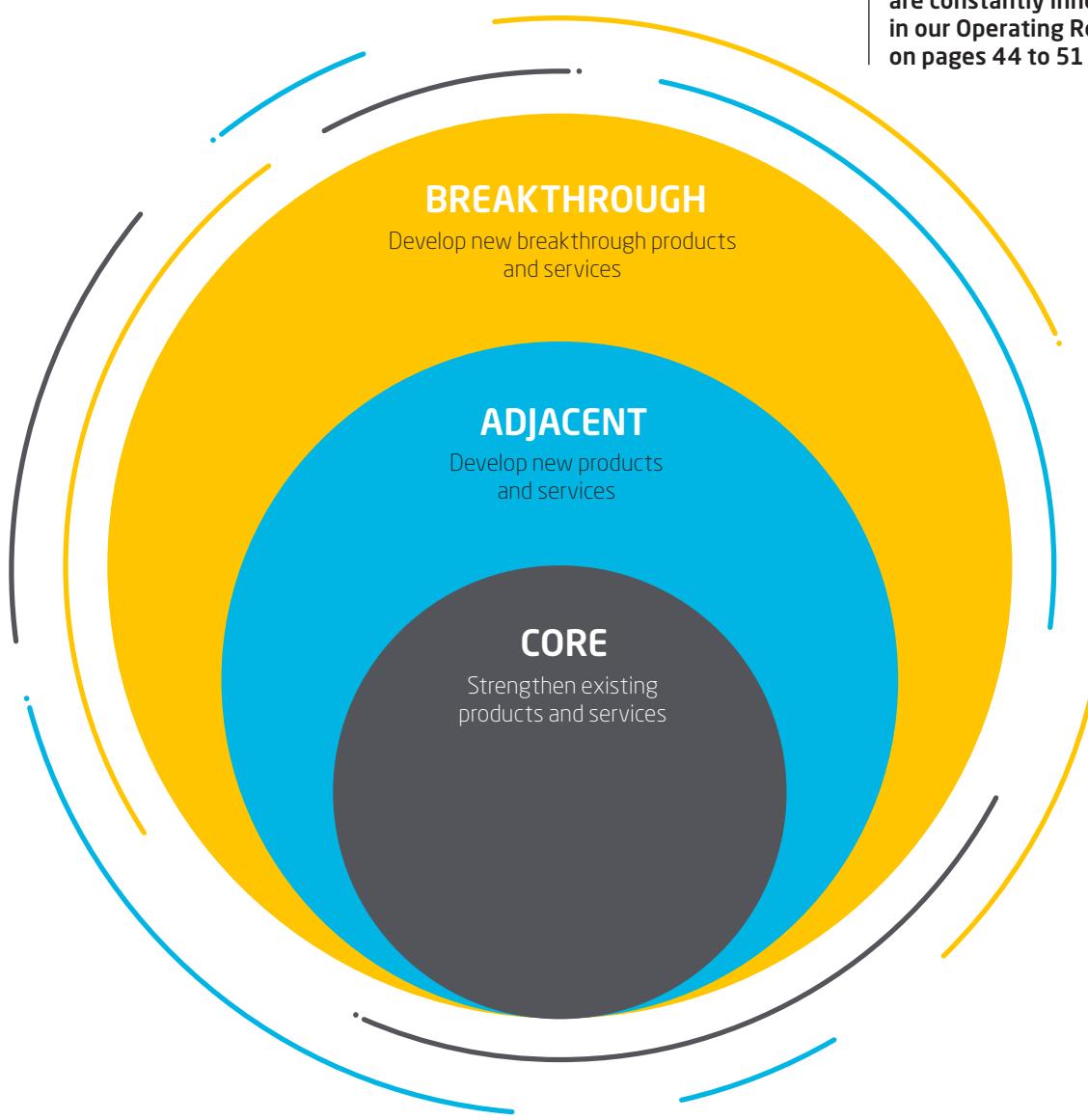
### ADJACENT

Expanding into fast-growing and high-margin areas

### CORE

Building on the strengths of existing products and services

**Read more about how we are constantly innovating in our Operating Reviews on pages 44 to 51 ➔**



# OUR HIGH-QUALITY EARNINGS MODEL

Intertek's earnings model is based on our value proposition of providing customers in the Products, Trade and Resources sectors across 100+ countries with high-quality Assurance, Testing, Inspection and Certification services.

## 1. OUR SERVICES

In today's complex and competitive global trading environment, our Total Quality Assurance services help more organisations operate more safely, more effectively and with greater peace of mind, everyday.

### ASSURANCE



### TESTING



### INSPECTION



### CERTIFICATION



## 2. OUR SECTORS

We focus our operations and expertise on three global sectors: Products, Trade and Resources. Each consists of Business Lines with similar mid- to long-term structural growth drivers.

**These growth drivers are detailed on page 6 of this report ↗**

### PRODUCTS



Focused on ensuring the quality and safety of physical components and products, as well as minimising risk through assessing the operating processes and quality management systems of our customers.

GDP+



### TRADE

Three global Business Lines with similar mid- to long-term structural growth drivers: Caleb Brett (Cargo & Analytical Assessment), Government & Trade Services and AgriWorld.

GDP GROWTH



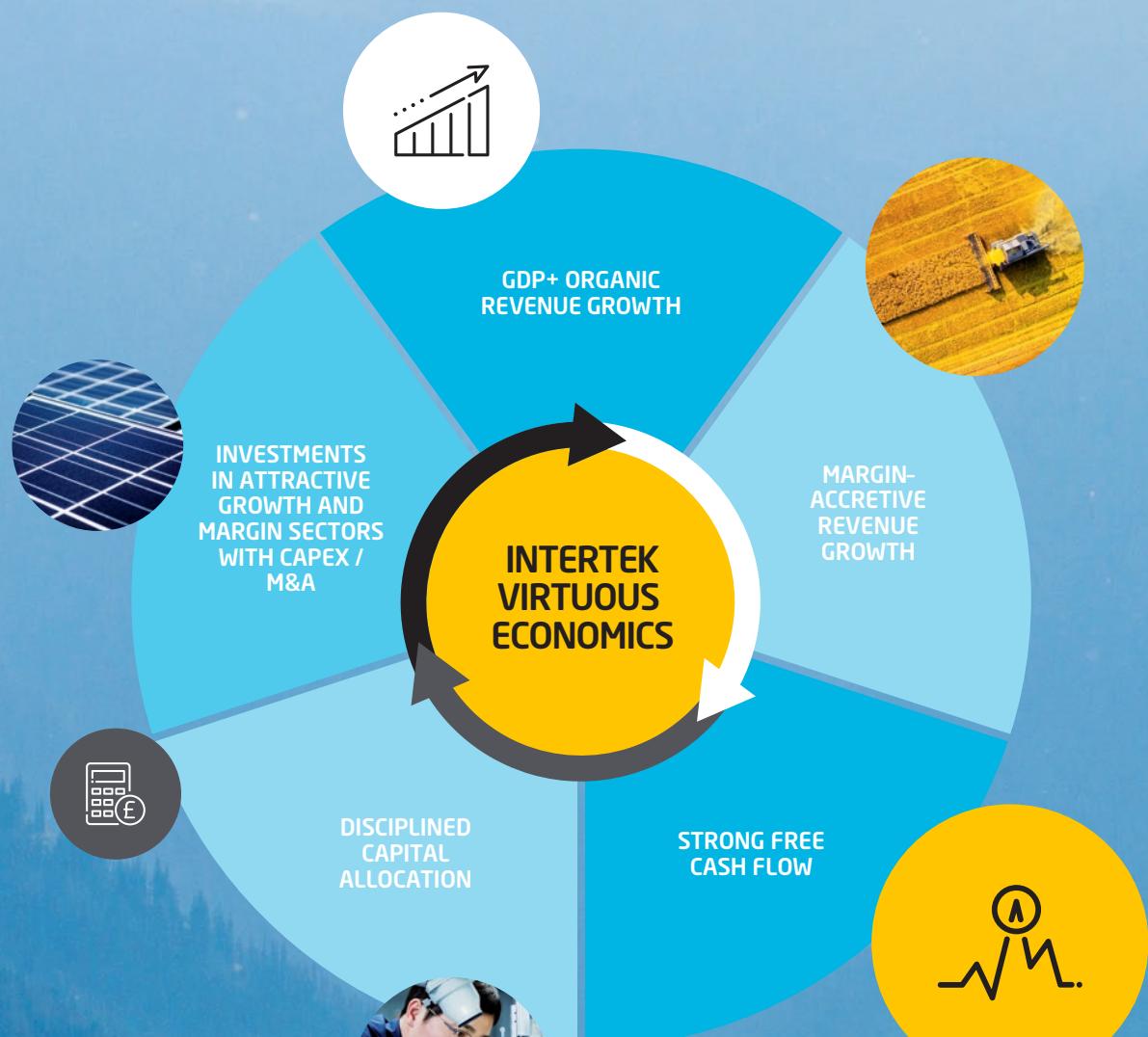
### RESOURCES

Helping customers in the Oil & Gas and Mining industries gain peace of mind that their projects will proceed on time and their assets will continue to operate with a lower risk of technical failure or delay.

LONG-TERM GROWTH

### 3. SUSTAINABLE VALUE CREATION

Intertek's approach to sustainable value creation is based on the virtuous economics of our business model. Year after year, their compounding effect supports strong and sustainable value creation for our shareholders.



# CHIEF EXECUTIVE OFFICER'S REVIEW



**Ever Better, Ever Stronger Intertek with Total Quality Assurance."**

André Lacroix  
Chief Executive Officer



**REVENUE**  
**+1.2%**    **+4.7%**

**ADJUSTED OPERATING PROFIT**  
**+3.0%**    **+6.9%**

**ADJUSTED OPERATING MARGIN**  
**+30bps**    **+40bps**

**ADJUSTED EPS**  
**+3.5%**    **+7.7%**

**WORKING CAPITAL**  
**(20.7)%**

**ADJUSTED FREE CASH FLOW**  
**+3.9%**

**DIVIDEND**  
**+39.0%**

Read more about our financial performance on page 60 ➔

Actual rates   Constant rates

Intertek is going from strength to strength, making consistent progress on strategy and performance. We are benefitting from higher demand from our customers for global Total Quality Assurance solutions in our Products, Trade and Resources divisions.

In 2018 we have seen broad-based revenue growth acceleration with 3.7% organic revenue growth at constant rates with continuing robust performance in our Products division and performance improvement in Trade and Resources. The recent acquisitions in high-margin and high-growth areas performed well.

The Group has delivered a strong margin and free cash flow in 2018, with a diluted EPS growth of 7.7% at constant currency, being 1.6x faster than revenue, and a strong cash conversion of 126%. In line with our new dividend policy that targets a payout ratio of circa 50%, and fuelled by our high-margin and strongly cash-generative earnings model, we have announced a full year dividend of 99.1p, an increase of 39.0%.

We have made continuous progress since 2015, capitalising on our strengths and implementing our 5x5 differentiated strategy for growth.

We are offering our clients a superior customer service with our unique ATIC value proposition and we have grown our revenues and operating profit respectively by 34% and 49% between 2014 and 2018 enabling us to deliver an operating margin of 17.2%, a progression of 170bps during the period. Further, we have continued our working capital intensity and our free cash flow has increased

by 90%. This progress, combined with disciplined capital allocation, has delivered a strong ROIC of 22.7% between 2015 and 2018.

The strength of our results demonstrates the attractive growth opportunities in our industry, Intertek's high-quality earnings model and the effectiveness of our 5x5 differentiated strategy for growth.

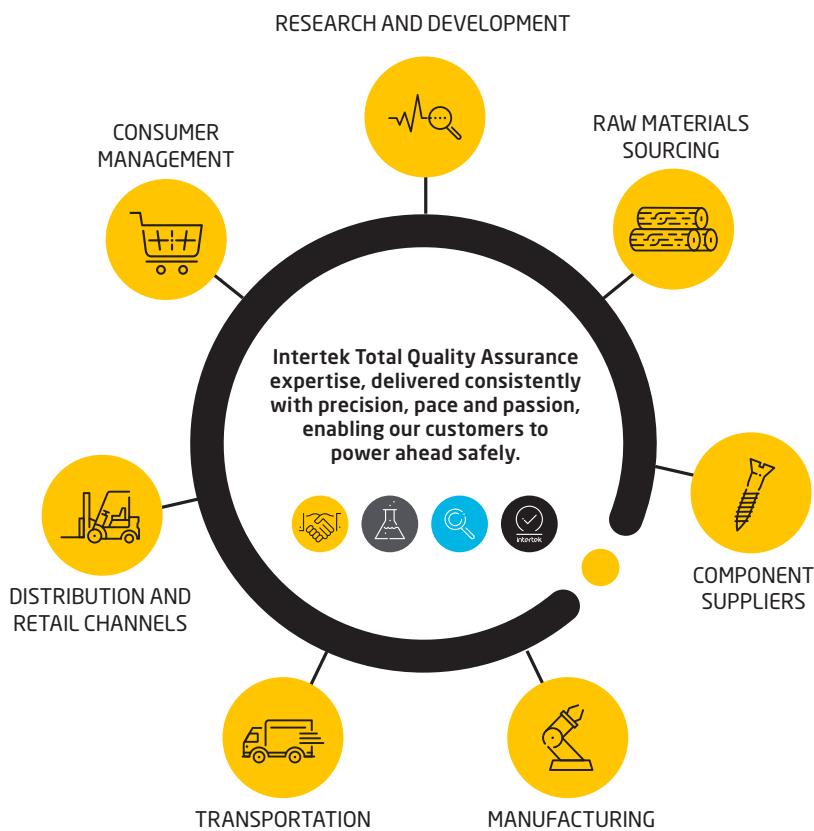
We are on a good-to-great journey and we firmly believe in continuous improvement to take Intertek to greater heights. Said differently, our Ever Better operational discipline is what makes Intertek Ever Stronger, every day.

The world of our clients is getting more and more complex and companies are increasing their focus on risk, which creates ever bigger growth opportunities for Intertek given our unique TQA value proposition that offers systemic end-to-end ATIC services.

Leveraging the ever bigger growth opportunities ahead with our Ever Better operational discipline in everything we do, we are confident in our ability to deliver sustained progress moving forward.

Building on our strengths, we see opportunities to make continuous progress to deliver sustainable shareholder value creation with our differentiated service offering fuelled by margin-accretive innovations; our customer-centric approach to sales management; our operational excellence discipline; our systemic margin and cash management; our end-to-end sustainability agenda and our deep engagement activities inside the organisation.

## OUR TQA VALUE PROPOSITION



We are confident that Intertek will continue to lead the industry through our Ever Better operational discipline approach, to make the company Ever Stronger.

### A PURPOSE-LED ORGANISATION

Everyone inside the organisation is passionate about what we have already achieved, and we are now focused on making Intertek Ever Better, as we believe this is the way for Intertek to become Ever Stronger.

We are driven by a powerful and meaningful purpose – to bring Quality and Safety to life in a way that makes the world a better and safer place for everybody.

This is important to all our people, as having a meaningful and positive impact on existing and future generations and the future state of society is an enormous source of energy and a critical driver of engagement.

Intertek has a rich history having led the industry for more than 130 years and having contributed to the greater good of society by raising quality and safety standards across all industries.

We operate a decentralised operating culture putting the customer first with strong values that have been built step-by-step, and these values guide our behaviours every single day underpinning a high energy culture that connects every single colleague.

Our values are inspirational to all of us and enable us to make the right decisions to drive sustainable growth for All.

Our Values are:

- we are a global family that values diversity;
  - we always do the right thing with precision, pace and passion;
  - we trust each other and have fun winning together;
  - we own and shape our future; and
  - we create sustainable growth for All.
- I will cover a range of areas in this year's review, including:
- our views on how Quality Assurance is evolving, creating ever bigger growth opportunities for Intertek;

- our 5x5 growth strategy positioning us as the world's only global provider of truly integrated, end-to-end Assurance, Testing, Inspection and Certification (ATIC) services;
- our focus on innovation to accelerate growth as we help our clients resolve the increased complexities of their operations by taking a systemic risk-based approach to Quality Assurance;
- how our Ever Better continuous improvement approach is making Intertek Ever Stronger with our Ever Better operational discipline; and
- how this is creating sustainable value for our shareholders.

### EVER BIGGER OPPORTUNITIES

First, let's remind ourselves of the sheer scale of the market in which we operate. The global quality assurance market is considered to be worth approximately US\$250 billion. Of this, we estimate that only 20 per cent is currently outsourced. That means there is an exciting opportunity to capture a share of the US\$200 billion that is currently managed in-house.

The global trading landscape has changed considerably over the last 50 years, with the proportion of international trade rising from around 25 per cent in the 1960's to almost 60 per cent of global GDP today. This major structural change has fundamentally altered how companies operate.

No longer do companies solely produce locally for local customers. Instead, corporations have embraced the value of opportunities provided by low-cost sourcing from across the world, enabling them to remain focused on their own core competencies.

While this has been beneficial, it has also brought about a significant increase in complexity for corporations in every industry, working with multi-tiered supply chains that expose them to increasing levels of risk and uncertainty.

At the same time, the rise of consumer-led demand in emerging markets, and the growth of e-commerce and other channels, have radically transformed sourcing and distribution chains too. And, with consumers seeking greater variety, better quality and faster delivery, risk has

# CEO'S REVIEW

## continued

been heightened at every point of the value chain, from R&D, raw materials sourcing, component supply, manufacturing, transportation, distribution and retail to the point where a product enters the consumer's hands.

The positive news for Intertek is that this phenomenon is driving demand from corporations in all industries across the world for quality assurance that is systemic. Having gained this insight some years ago, we are still the only global company that is truly leveraging this world-shift in the need for Testing, Inspection and Certification ('TIC') alone, to the additional demand for end-to-end Assurance ('A') that only our ATIC value proposition provides.

This is a vital step forward and Intertek has redefined the industry from TIC to ATIC. While TIC provides quality and safety controls in high-risk areas of a corporation's activities, Intertek Total Quality Assurance additionally delivers an end-to-end assessment of its clients' quality and safety processes. In this way, we help organisations address the complexity of what it takes to move towards a zero-failure rate in their operations. TQA is becoming mission-critical for our customers, and every conversation with them again reinforces the need for ATIC solutions.

So we see the market opportunity to be even greater than the US\$250 billion, driven by new risks emerging from ever growing corporate complexity. Intertek is in pole position to attract a substantial share of the increasing TQA activity in which companies will need to invest during the years ahead. Our focus on the highest levels of customer service and our global network of more than 1,000 laboratories and offices and over 44,000 people in more than 100 countries will enable us to meet their needs and help them thrive in an increasingly complex world, no matter the continuing pace of change.

### SEIZING THE OPPORTUNITIES

To capture this exciting growth opportunity, in 2015 we launched our good-to-great 5x5 strategy (see page 2). Its purpose is to move the centre of gravity of the Group towards the attractive growth and margin areas in the quality assurance market and deliver sustainable growth for All.

Our people are at the heart of our strategy. They deliver against our key priority of delivering superior customer service by living our values and customer-centric culture every day.

A highly important factor in achieving this is our unique, decentralised organisational structure with our people located in our 1,000+ laboratories across the world.

We ensure that our people are close to our customers, driving innovation from the frontline to ensure the solutions we provide are exactly what our customers and their customers need. This ensures that taking an innovative approach is embedded as an intrinsic part of our value proposition, which is truly exciting for our future.

The role of environmental, social and corporate governance ('ESG') in our own business is a fundamental aspect of this. It is core to everything we do, as is our ability to help our customers deliver against their own sustainability priorities. Critically, it matters to our people, it matters to our customers and of course, it matters to their end-consumers.

As a purpose-led company, sustainability is core to our business, enabling us to deliver value for all our stakeholders.

### INTERTEK TQA SUPERIOR SERVICE

Intertek's business model offers systemic ATIC solutions across the three divisions of 'Products', 'Trade' and 'Resources', with each benefitting from its own set of structural growth drivers. These range from the expansion of supply chains within the Products division, to the increased focus on traceability in Trade and growth in alternative energy within Resources.

Moreover, no business today is immune to the increasing complexity of the operating environment in which we all work. It's driven by the expansion of global trading relationships and supply chains, demand for higher quality and choice, increasingly vocal consumers on social media and growing regulatory demands. One of the most important drivers is a greater focus on sustainability, championed by a confident and 'tech-savvy' millennial generation.

Structural changes in sourcing and distribution mean that global organisations require expert assistance to navigate these challenges across their entire supply chain operations.



**Our focus is on making further progress on all fronts, with an Ever Better approach to what we do, every day, to make us Ever Stronger."**

Intertek delivers a unique, systemic end-to-end approach to risk management, delivering TQA solutions across quality and safety processes, including assuring the training and performance of people. Today, systemic end-to-end ATIC solutions are becoming increasingly essential for companies everywhere as they seek to control risk at every point of the value chain. The attractive structural drivers underpinning our business, combined with the growing complexity facing our customers, together form the basis of what is a truly exciting opportunity to deliver margin-accretive revenue growth based on GDP+ organic growth over the mid- to long-term.

And the pace of change will continue to accelerate. Developments such as artificial intelligence ('AI'), the internet of things ('IoT'), blockchain, the sharing economy, autonomous and electric vehicles, the growing middle classes, ageing populations and much more are all forcing companies to adapt. Risk will grow at the same accelerating rate.

Growth in new products drives quality risks. For example, analysis of trends over more than 20 years in the US shows that there is a 90 per cent correlation between the number of new vehicles launched and the number of vehicles recalled. The same is happening in other industries – in every country across the world, the rising rate of hacking is the main driving force behind increased data breaches. And safety concerns in the food industry are also growing fast, from allergic reactions caused by unlisted ingredients to deliberate food sabotage.

To add further to forces like these, the relentless pressure on businesses to launch new products and services to meet burgeoning demand is causing many organisations to launch new product lines without adequate operating systems or checks and balances in place. New and



Our global network of sustainability experts helps customers achieve their sustainability goals. [Read more on page 22](#)



innovative products require new and innovative TQA solutions.

This is one area where our focus on innovation really counts – identifying new requirements and creating solutions, often before our customers are aware of the need.

Our unique, end-to-end, systemic approach to quality assurance, delivered through our global laboratory network, is helping corporations to mitigate these and many other causes of risk. Our constant focus on innovation to address existing and future risks is at the heart of our ability to mitigate new risks on the horizon.

#### LEADING CUSTOMER INSIGHTS

The real fuel for innovation is insight – deeply understanding what our customers need and want – to drive our new ATIC solutions. It's to develop this insight that we are such avid users of data, with the ability to access world-class customer intelligence site-by-site from anywhere across our global network.

We are obsessed with understanding our customers' needs and how we can deliver Ever Better solutions to meet their developing requirements. To achieve this, we carry out 7,000+ customer interviews every single month. Every day, I and all members of our senior management team receive an email containing real-time customer feedback from around the world. And we actively use this feedback to continuously improve the services we deliver.

I am also determined that at a senior level we gain first-hand understanding of our customers and our people who most regularly interact with them. This is why I spend around 50% of my time in the markets where we operate, meeting our customers and our TQA experts, and the other 50% participating in performance reviews to maximise our knowledge and understanding.

We are constantly harnessing our customer insights and data to drive innovative solutions.

#### THRIVING THROUGH INNOVATION

Intertek, always the pioneer, has led the industry with our TQA value proposition. Now, increasing corporate complexity is presenting opportunities for us to accelerate our growth by delivering our ATIC services to our customers with innovative solutions for today and tomorrow.

Intertek has a proven track record of using insight and innovation to anticipate the growing needs of our clients, and this approach forms the bedrock of our entrepreneurial culture. So important, that during 2018 we have appointed a Chief ATIC Innovation Officer and are running a company-wide focus on innovation for the whole of 2019 and beyond.

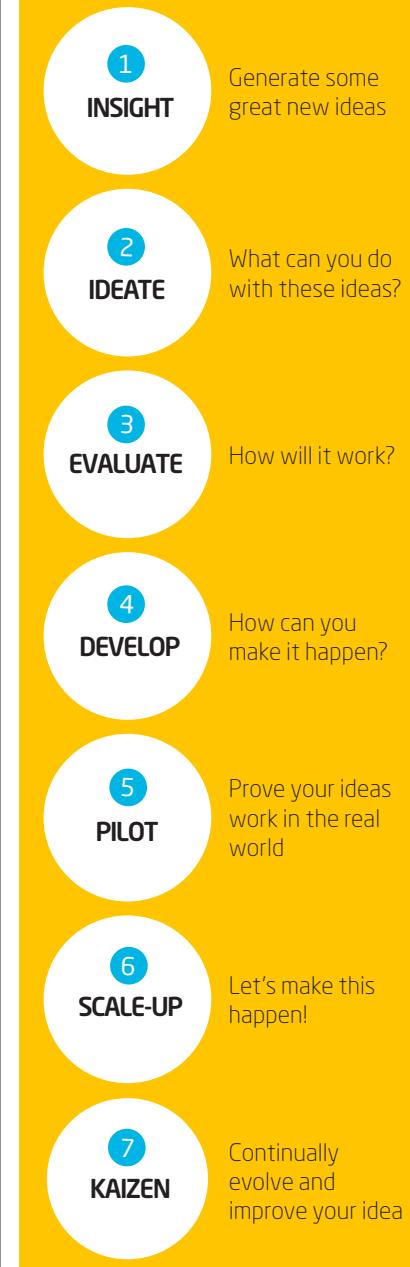
Our considered and focused approach to innovation uses a three-tiered method, working alongside our internal seven-step ATIC innovation process, which helps us to accelerate our growth.

First, in what we call our 'Core' focus, we seek to build on the strengths of our existing products and services, ever improving them for our existing markets and customers. Secondly, we aim to develop new products and services for rapid-growth, high-margin markets that are 'Adjacent' to those we already serve. Thirdly, we aim to create 'Breakthrough' products and services that enable us to create new attractive markets and target emerging customer needs.

Across all three areas, we work closely with our customers, often face-to-face, to scope and develop new solutions that better serve their needs. Let me provide some examples.

Recent developments to our Core offering include innovations in our Resources

#### THE SEVEN-STEP ATIC INNOVATION PROCESS



# CEO'S REVIEW

continued



**Read more on our Alchemy acquisition on page 45 ➔**

sector. In one, we have brought together technologies including 3D laser scanning and non-destructive testing to create Intertek DeepView 3D™, a new solution that radically reduces the time and costs involved in inspecting safety-critical equipment in the offshore industries. See page 51 for details.

Another innovation from the Core is Intertek PipeAware, our unique pipeline quality verification solution, which offers pipeline owners and operators traceability and easy access to the inspection, testing and material data needed to make informed decisions that ensure pipelines operate safely and efficiently.

Extending our TQA reach, Intertek's Voice of the Customer leverages our customers' consumer feedback to create holistic product assurance plans, addressing safety, quality and perception concerns with actionable insights.

As a purpose-led company, sustainability is core to our business, enabling us to deliver value for all stakeholders. It is because of this that one of the Adjacent innovations we launched during the year was our sustainability service offerings, under one Sustainability brand, where our global network of experts help our customers to manage risk. We not only provide valuable insight into companies' current sustainability needs, we also identify emerging trends, enabling our customers to move towards a 'circular economy' model, reducing any negative social and environmental impacts and mitigating reputational risk.

As IoT transforms the world in which we live, in the area of product network security, our Intertek 'Connected World' proposition addresses the emerging security risks and performance challenges of today's sophisticated networks throughout the product life cycle. Additionally, our cybersecurity services address growing cyberthreats as part of our systemic approach to risk mitigation. See page 47 for more details.

As supply chains and distribution channels become increasingly complex, driving employee operational excellence is becoming increasingly challenging for organisations. During the year, we made a key acquisition (Alchemy) in the emerging area of 'People Assurance', enabling us to leverage our existing Assurance expertise and global scale to close critical skills-gaps through training, engagement and cultural reinforcement among clients' frontline employees across the world. See details on page 45.

We are truly excited about the potential of People Assurance as a high-quality service with scalable solutions that can be rolled out across many different industries and geographies.

So, innovating to help our customers reduce risk by managing complexity more easily is at the heart of our growth plans, enabling us to pursue our strategy of shifting the Company's centre of gravity to high-growth, high-margin markets. Over the last three years, this has involved massive growth in excess of 100 per cent in the Assurance side of our business, from 10 per cent of our total revenue in 2015 to 16 per cent of revenue in 2018. This is where we have delivered the majority of our organic growth – the touchstone by which we measure our progress.

We have also seen our Products division grow as a proportion of our business overall, to a point where today it is responsible for generating some 60 per cent of our revenues and around 75 per cent of our profits. It is one of the fundamental strengths of the Group.

But our core strength is, and always will be, the way in which our people combine passion and innovation with customer commitment to create a single unbeatable asset. This is a vital element of our entrepreneurial, customer-centric culture, and we do everything we can to nurture it across the organisation.

## ACCRETIVE PORTFOLIO MANAGEMENT

Our 5x5 strategy focusing Intertek's centre of gravity on high-margin, high-return sectors drives our margin-accretive approach to portfolio management, guiding where we invest for growth. We categorise these areas as four key strategic priorities:

- First, to grow those scale businesses, such as Softlines, Hardlines and Electrical, where we are already market leaders. The scale involved means any increase in penetration is a powerful driver of profitability.
- Next comes a set of businesses from which we see our fastest growth emerging in the next few years, including Business and People Assurance, Food, Connected World and Sustainability.
- Third, in all corporations there will be businesses where there is room for improvement. Due to the current phase of the Resources cycle, our Industry Services operations are focused on improving revenue and margin.
- Our M&A focus is targeted tightly on companies with attractive growth and margin prospects, strong IP and market positions and a highly cash-generative business model. Since 2015, acquisitions have added more than £300 million to Intertek's annual revenues and given us ownership of several sector-leading innovations that we are now bringing to a wider market.

We underpin our approach to portfolio management with our highly disciplined and systemic approach to performance management, targeting leading and lagging indicators. It addresses a range of key financial metrics, from revenue growth, margin and customer profitability to capital allocation and investments in growth. Our operational metrics include particularly powerful leading indicators, like marketing leads, customer retention and customer acquisitions.

## EVER BETTER OPERATIONAL DISCIPLINE

Across every area of the business, we are on a journey of constant improvement. We have made consistent progress in 2015, 2016, 2017 and 2018 across our product and service offering, sales, cash and margin management and in our operational excellence.

Our 'good-to-great' journey driven by our 5x5 growth strategy is on track but we are not stopping there.

With plenty in reserve, our focus is on continuously improving and making further progress on all fronts, leveraging the tremendous growth opportunities across our divisions with an Ever Better approach to what we do, every day, to

make us Ever Stronger: our differentiated service-offering with margin-accretive innovations; a customer-centric approach to sales with our unique ATIC offering; continuous progress in operational excellence, value creation opportunity in margin and cash management, an innovative approach to sustainability and an exciting growth agenda for all of our colleagues.

Becoming an Ever Better, Ever Stronger business is only possible through continuous improvement and innovation across every facet of the business. It is this mentality which unites everyone at Intertek towards achieving the common goal of making the world a better and safer place. We have made good progress along this path and the future is even more exciting, as we leverage growth opportunities to enable our clients to power ahead with total peace of mind.

#### A HIGH-QUALITY EARNINGS MODEL

That brings me to the very core of what makes us so successful – our high-margin, strongly cash-generative earnings model, based on the delivery of our unique TQA value proposition. Our ability to profitably deliver ATIC services to customers operating in the structurally attractive Products, Trade and Resources economic sectors is based on our capital-light business model and entrepreneurial culture, which enable us to respond quickly to new growth opportunities.

To maximise returns, we continue to invest in margin-accretive innovation as we have discussed, which is driving GDP+ organic revenue growth across the Group in real terms. As a result, our adjusted operating margin and free cash flow are both growing substantially, while working capital as a percentage of revenue is reducing. Particularly pleasing is our adjusted return on invested capital where our progress is excellent.

We will invest in organic growth and acquire businesses with strong growth and margin prospects. At the same time, we will continue our policy of making index-leading shareholder returns and focus on delivering a balance sheet with the flexibility we need to meet our ambitions.

#### AN EVER STRONGER INTERTEK

I am pleased that after three years on our good-to-great journey, we are on track both in terms of performance and

strategic progress having delivered sustainable shareholder value and having established a leading position at the forefront of the world's growing market for systemic, end-to-end TQA services.

The growth prospects ahead are truly exciting and the increased focus of corporations on risks to deliver sustainable performance is creating ever bigger growth opportunities for our TQA services.

Our 5x5 strategic goals represent the pillars underpinning our priorities as we move forward in our industry.

Our core purpose of bringing Quality and Safety to life will be achieved through our fully engaged employees whose entrepreneurial spirit is able to flourish.

We will provide a superior ATIC customer service by harnessing our global laboratory network, effectively enabling our innovators and technicians to become a global network of subject matter experts.

Delivering margin-accretive revenue growth will enable us to maintain our outstanding record of delivering strong returns for our shareholders.

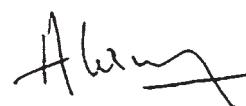
Our strong cash conversion from operations and systemic working capital management, underpinned by the Group's highly cash-generative earnings model will deliver strong returns.

Through our accretive, disciplined capital allocation policy, we will continue to seek out and secure acquisition targets that are providing breakthroughs in areas that interest our customers, which we can scale up to offer through our global operations.

The growth prospects ahead for all stakeholders are highly energising and we are truly excited about our good-to-great journey ahead.

We are confident that Intertek will continue to lead the industry with our unique TQA services.

We are committed to delivering sustainable value creation with our Ever Better operational discipline making the company Ever Stronger.



**André Lacroix**  
Chief Executive Officer

## INNOVATING ACROSS OUR BUSINESS

Read more about how we are supporting our customers with our innovative ATIC solutions.



### PRODUCTS

Read more on page 44 →



### TRADE

Read more on page 48 →



### RESOURCES

Read more on page 50 →

# EXECUTIVE MANAGEMENT TEAM



**1 André Lacroix**  
Chief Executive Officer

See full biography on **page 74**

**2 Ross McCluskey**  
Chief Financial Officer

See full biography on **page 74**

**3 Diane Bitzel**  
Chief Information Officer

Joined Intertek in May 2018 as Chief Information Officer. Diane has over 22 years of global management experience, particularly in the areas of IT strategy, operations and management, HR transformation, and business strategy and process implementation. Diane's previous roles include CIO for global life science and food companies including Syngenta AG, Apetito AG and Lonza Group, as well as a senior leader in management consulting for leading organisations including Capgemini. Diane has a MSc in Maths, a PhD from Heidelberg University and an MBA from Bocconi University.



**4 Ann-Michele Bowlin**  
Chief ATIC Innovation Officer

Joined Intertek in 2009. Ann-Michele leads Intertek's ATIC Global Innovation Strategy. She was previously Chief Information Officer, responsible for IT business processes, infrastructure and cybersecurity. She joined Intertek from Ernst & Young consulting where she led shared services transformation programmes. Prior to Ernst & Young, Ann-Michele held leadership and operations roles in technology companies, including Hotels.com, and in the manufacturing and services sectors.



**5 Alex Buehler**  
Executive Vice President,  
Global Resources

Joined Intertek in 2017. Alex has responsibility for Global Resources, comprising our business lines of Industry Services and Minerals. Prior to joining Intertek, Alex was President and CEO of Energy Maintenance Services ('EMS') and before this held senior executive management positions at Energy Recovery and Insituform Technologies, Inc. (now Aegion Corporation) in both the US and Europe. Alex has a BSc in Civil Engineering and an MBA in Finance.



**6 Ian Galloway**

**Executive Vice President,  
Middle East, Africa and  
Global Trade**

Joined Intertek in 2011. Ian is responsible for the Middle East, Africa and Global Trade comprising our business lines of Government & Trade Services, Caleb Brett and AgriWorld. Prior to assuming his current role, Ian held senior finance and business roles within Intertek. He has previously held international roles in finance management with BG Group in the UK, Egypt and Tunisia. Ian is a qualified Chartered Accountant.

**7 Tony George**

**Executive Vice President,  
Human Resources**

Joined Intertek in 2015. Tony is responsible for Human Resources. He has over 31 years' experience in HR, General Management and Business Development having held senior leadership positions in international FMCG, chemicals, telecommunications and retail companies including Vodafone plc, Starbucks, Diageo plc and ICI. Prior to joining Intertek, he was Group HR & Business Development Director at Inchcape plc.

**8 Ken Lee**

**Executive Vice President,  
Marketing and Communications**

Joined Intertek in 2016. Ken has responsibility for Intertek's marketing as well as internal and external communications. He joined the Company from Inchcape plc where he spent 13 years in various senior marketing roles, most recently as Chief Marketing and Communications Officer. Prior to this he held marketing leadership positions with RAC Motoring Services and Hyundai Car (UK) Ltd.

**9 Patrick Lee**

**Executive Vice President, North  
East Asia and Australasia**

Joined Intertek in 2018. Patrick is responsible for leading the Group's North East Asia and Australasia region. Prior to joining Intertek, he was CEO of Inchcape plc Greater China and has over 30 years' management experience with a proven track record of success with blue-chip companies including P&G, Coca-Cola and Agfa Gevaert. Before joining Inchcape, Patrick served as the Group General Manager, Sales and Marketing of Kerry Beverages Ltd. Patrick holds a BBA and an MBA from The Chinese University of Hong Kong.

**10 Graham Ritchie**

**Executive Vice President, Europe**

Joined Intertek in 2014. Graham is responsible for Intertek's operations in Europe, including Russia, and Central Asia. Prior to assuming his current role, Graham was Intertek's Group Financial Controller. Before joining the company he held senior financial positions at BT Group plc and other technology services organisations, having started his career with PwC.

**11 Rajesh Saigal**

**Executive Vice President,  
South & South East Asia**

Joined Intertek in 2007. Rajesh has responsibility for South & South East Asia. Prior to this he was Regional Managing Director for Intertek's South Asia operations. He has over 27 years' general management and operational experience with Fortune 500 companies covering consumer durables, industrial products and engineering. Before joining Intertek, Rajesh was CEO South Asia for GEWISS and General Manager at Honeywell.

**12 Julia Thomas**

**Senior Vice President,  
Corporate Development**

Joined Intertek in 2013. As SVP Corporate Development, Julia has responsibility for Intertek's acquisition and disposal activities. Before joining Intertek, Julia spent 12 years in investment banking with J.P. Morgan Cazenove and Rothschild, focusing primarily on mergers and acquisitions.

**13 Mark Thomas**

**Group General Counsel**

Joined Intertek in 2015. Mark has responsibility for Intertek's legal, risk and compliance functions. He joined Intertek from Inchcape plc where he was Group General Counsel. Prior to this, Mark was in private practice with Slaughter and May in London, advising on a wide range of public and private M&A transactions, equity and debt financing, and general corporate law issues.

**14 Gregg Tiemann**

**Executive Vice President,  
Americas**

Joined Intertek in 1993. Gregg has responsibility for the Americas. Prior to assuming his current role, Gregg was responsible for the Americas, North Asia and Australasia as well as the former Consumer Goods and Commercial & Electrical divisions, having started as General Manager of the Los Angeles laboratory in 1993. Before joining Intertek, Gregg worked in sales and marketing for the software industry.

# SOLUTIONS FOR A BETTER WORLD

Our sustainability priorities aligned with our 5x5 differentiated strategy for growth.

As a Total Quality Assurance provider, we are in a strong position, given our global scale and expertise, to support the sustainability objectives of our customers with our industry-leading Sustainability value proposition. Whilst supporting our clients, we are also focused on generating a positive impact for our stakeholders - the communities in which we operate, our customers, our people, our investors, and our suppliers. Our objective is to create sustainable growth for all.

**OUR PURPOSE**  
BRINGING QUALITY AND SAFETY TO LIFE

**OUR VALUES**

**OUR VISION**  
TO BE THE WORLD'S MOST TRUSTED PARTNER FOR QUALITY ASSURANCE

WE ARE A GLOBAL FAMILY THAT VALUES DIVERSITY

WE CREATE SUSTAINABLE GROWTH FOR ALL

WE OWN AND SHAPE OUR FUTURE

WE ALWAYS DO THE RIGHT THING WITH PRECISION, PACE AND PASSION

WE TRUST EACH OTHER AND HAVE FUN WINNING TOGETHER

## OUR STAKEHOLDERS



### OUR INVESTORS



### OUR CUSTOMERS



### OUR PEOPLE



### OUR COMMUNITIES



### OUR SUPPLIERS

#### OUR SUSTAINABILITY BRAND

Our integrated global services mean Intertek is uniquely placed to help organisations understand, achieve and validate their existing and emerging sustainability goals.



### OUR SUSTAINABILITY PRIORITIES



# SUSTAINABILITY REPORT

“

We are a purpose-led organisation where sustainability is at the heart of what guides us every single day.”

André Lacroix  
Chief Executive Officer



At Intertek, our purpose is to make the world a better and safer place by bringing quality and safety to life. This is the true meaning of what we stand for.

'Doing business the right way' is core to our differentiated 5x5 strategy that creates sustainable value and growth opportunities for all our stakeholders - our clients and their customers, our employees, our investors, and the communities across the world where we operate.

Sustainability is truly important for our people and Intertek operations around the

world. We are passionate about progressing our sustainability agenda as well as helping our customers progress their own sustainability agendas.

We are proud to lead the global quality assurance industry responsibly, energised about how we contribute to society, and how what we do at Intertek positively impacts everyone's lives today - and the lives of those that will follow.

Making the world a better and safer place is what guides us every single day. True to our Ever Better discipline, we are deeply committed to minimising our environmental impacts, to operating with integrity by doing business the right way, and to pursuing our corporate social responsibility (CSR) activities

through living our strong values everyday everywhere.

In our 2018 report, we share how our dedicated colleagues around the world work passionately to make significant progress on the sustainability priorities we articulated last year.

Furthermore, we share how, through our global network of sustainability experts, clients have come to rely on us to help them understand, achieve and validate their own sustainability goals, both existing and emerging.

As the world's only complete Total Quality Assurance (TQA) solution provider, Intertek is ideally positioned to support its customers' sustainability priorities by helping them manage and mitigate risk, operate effectively and act responsibly across their global operations.

Our customers trust us to evaluate the quality, safety and sustainability of their products, operations and services which helps them protect their brands and gain competitive advantage.

This is particularly important to me, as creating sustainable growth for all is one of our core values and is the guiding principle we pursue on a daily basis to bring quality, safety and sustainability to life inside the operations of our clients.

## SUSTAINABLE SOLUTIONS FOR A CHANGING WORLD

As new risks emerge in a fast-changing and increasingly complex world, we continue to seek and explore new and innovative ways of helping customers improve the quality, safety and sustainability of their products and services.



## IN THIS SECTION:



During 2018, new regulatory developments created the need to develop innovative sustainability solutions based, for instance, on the announcement by the UK Government of a new mandatory Streamlined Energy and Carbon Reporting (SECR) framework; the heightened prevalence of 'duty of care' legislation in France; and the newly updated California Proposition 65 List of restricted chemicals.

Over recent years, sustainability issues have dramatically grown in importance as drivers of consumer choice. In fact, according to research from Nielsen, 73% of global millennials are willing to pay a price premium for sustainable offerings.

Within this broad context, we have deepened our focus inside the organisation and I am proud about the excellent progress on all aspects of our sustainability agenda in 2018, based on the five priorities we defined last year.

### 1 Supporting our clients' sustainability priorities

We have launched a global Intertek Sustainability brand to improve the awareness of our industry-leading sustainable solutions. We recognise the need for the customers of our clients to be sure about the sustainability of products and services they buy and we have developed a set of Intertek Sustainability certification marks. We launched our first Sustainability marks – Clean Air certification and Zero Waste to Landfill certification – in September 2018 (see customer story on page 27).

### 2 Positive impact on our people, our suppliers and communities

Our sustainability agenda is very energising for our colleagues and the progress we have made is commendable: we have broadened our company-wide network of Sustainability Champions; we have rolled-out globally our '10X Way!' training programme to accelerate the growth of our people; we have reported on our UK gender pay gap for the first time; we have seen good progress on our health and safety monitoring and during my visits around the Group I have been inspired by the quality of our local community activities.

### 3 Comprehensive non-financial ESG KPIs

In our 2017 Sustainability Report, we showed how sustainability is embedded

into our Group strategy. We have improved our environmental reporting which enabled us to improve our Investor Relations engagement activities with institutions that pursue sustainable investment strategies. We also benchmarked our environmental, social, governance (ESG) performance and we were delighted to be recognised by the MSCI, with a rating of AAA.

### 4 Aligning to the UN Sustainable Development Goals (UN SDGs)

Measuring progress on a regular basis is central to our company performance management approach based on factual leading and lagging indicators. We developed our reporting progress on the UN SDGs for our core Business Lines and Countries, effectively engaging employees and leaders with the appropriate ESG metrics.

### 5 Core to everything we do

To lead by example and ensure continuous progress, I chair our monthly Sustainability Committee and I receive regular reports on the progress of every sustainability priority, covering internal initiatives as well as the sustainability services we offer to our clients. Our Board is deeply engaged and kept up to date on our progress.

Each of our Countries and Business Lines define their own sustainability agendas, which are tied to our Group priorities and focused on their local operations and communities.

During 2018, we have broadened our network of Sustainability Champions across our Countries and Business Lines and we have encouraged our Sustainability Champions to focus on all aspects of our sustainability agenda, true to our Ever Better discipline.

In 2019 and beyond, we will continue to deliver progress on our own sustainability agenda – and to help our clients progress on theirs.

We strongly believe that making the world better and safer by bringing quality, safety and sustainability to life is the true meaning of what we stand for.

**André Lacroix**  
Chief Executive Officer



### OUR SUSTAINABILITY VALUE PROPOSITION

[Read more on page 26](#)

Supporting our customers' sustainability needs with our industry-leading sustainability value proposition



### OUR PEOPLE

[Read more on page 28](#)

Ensuring our people are engaged, inspired, energised and working in a safe environment



### OUR COMMUNITIES

[Read more on page 32](#)

Engaging and partnering with the local communities in which we operate



### OUR ENVIRONMENT

[Read more on page 34](#)

Demonstrating our commitment to reducing the environmental impact of our operations



### TRACKING OUR PROGRESS WITH THE UN SDGS

[Read more on page 40](#)

Demonstrating our alignment with the United Nations Sustainable Development Goals



### OUR SUSTAINABILITY GOVERNANCE

[Read more on page 42](#)

Making continuous progress in sustainability through an appropriate organisational focus

# OUR SUSTAINABILITY VALUE PROPOSITION



As the world's only complete Total Quality Assurance provider, Intertek is ideally positioned to support its customers' existing and emerging sustainability priorities by helping them identify, manage and mitigate risk, operate effectively and act responsibly across their global operations.

Companies are increasingly facing challenges driven by growing complexities in their operations, sourcing, manufacturing and distribution. As consumers' expectations of corporate responsibility evolve, demand is growing for Total Quality Assurance (TQA) solutions that enable organisations across a wide range of sectors to keep ahead of emerging sustainability requirements.

Through our global network of sustainability experts and integrated ATIC solutions, Intertek is uniquely placed to help organisations understand, achieve and validate their existing and emerging sustainability goals.

Our passion for the sustainability agenda, proven supply chain expertise, global network and on-the-ground local knowledge means we can give our customers increased transparency to help them manage the social, ethical and environmental risks in their processes

and supply chains. At the same time, we support their ability to operate effectively and act responsibly.

In this section, we provide highlights of the ATIC sustainability solutions Intertek offers and specific programmes we launched in 2018 to address the needs of our clients.

We list full details of our sustainability value proposition on our website at [www.intertek.com/sustainability/services](http://www.intertek.com/sustainability/services).

Our customers trust us to ensure quality, safety and sustainability in their business, to protect their brands and to help them gain competitive advantage. We not only provide valuable insight into our clients' current sustainability needs. We also identify emerging trends, enabling our customers to manage sustainability that is material to their business and to safeguard their reputation. Intertek's TQA promise extends to our ATIC sustainability services, applicable to all industries and sectors.

## TOTAL QUALITY. ASSURED.

ATIC solutions extending beyond quality and compliance to deliver sustainable solutions for every industry.



### ASSURANCE

Intertek's sustainability assurance services offer a solutions-driven and holistic approach to adoption of increasingly prominent environmental, social and economic best practices.



### TESTING

Increased scrutiny and demand for transparency and safety of products, food, chemicals, packaging and processes has led to the necessity for testing and analysis services that support and validate sustainable claims.



### INSPECTION

Our inspections help clients protect their financial, branding and legal interests throughout the value chain.



### CERTIFICATION

Intertek's certification and verification programmes help customers to ensure that their products, assets, processes and services meet leading standards and requirements.

## INTEGRATED GLOBAL SUSTAINABILITY SERVICES



At Intertek our integrated global services offer everything our clients need to manage emerging sustainability requirements for products, assets, materials, processes and organisations.

**Read more at**  
[www.intertek.com/sustainability](http://www.intertek.com/sustainability) ➔



## OUR SUSTAINABILITY BRAND

We have offered sustainability services for over 20 years, and in June 2018, we officially unveiled our new Intertek Sustainability brand at the Sustainable Brands (SB'18) conference in Vancouver. This brand serves to communicate Intertek's sustainability proposition to the market, helping our clients understand, achieve and validate their social and environmental goals.

The launch highlighted the strength of our existing ATIC sustainability services and provided a platform to introduce new programmes being developed to meet continuously evolving demands. Sustainability is core to our business and true to our Ever Better discipline. We are constantly evaluating and improving our own processes and initiatives, as well as the services we offer our customers.

An internal programme is in place to harness the power of Intertek's global network of experts and maintain the consistency and quality of our sustainability services. In 2018, Intertek sustainability teams developed an internal and centralised location on our Group intranet to provide access to resources, templates and programmes. ATIC toolkits, describing sustainability services, have been developed across all Intertek Business Lines and are available to all colleagues to ensure we can connect customers to the support and services they need. Training of Intertek employees on existing and new sustainability services is underway, with continued emphasis throughout 2019.

Sustainability brand launch



## SUSTAINABILITY SERVICES: SCIENCE-BASED METRICS AND MATERIALITY

Our sustainability services are now integrated and delivered under the new Intertek Sustainability brand. These services support the growing demand from companies to measure, track, evaluate and report those sustainability metrics that are material to their business. Intertek enables clients to navigate reporting frameworks and evaluate data accordingly, whether for reporting or to meet reduction targets and regulatory requirements. For example, as part of its commitment to sustainability, Mitsubishi Electric Sales Canada (MESCA) retained Intertek to evaluate its Scope 1, Scope 2 and material categories in Scope 3 greenhouse gas (GHG) emissions for their entire product sales network.

## SUSTAINABILITY CERTIFICATION MARK

In addition to the Sustainability brand, Intertek launched the Sustainability certification mark in 2018 to serve as the identifier of the Sustainability certification schemes we deliver through our innovative ATIC solutions.

## SUSTAINABILITY CERTIFICATION MARK: CLEAN AIR

Formerly known as 'ETL Environmental VOC Certification', Clean Air uses a global network of ISO 17025-accredited testing labs to validate the level of volatile organic compound (VOC) emissions from products such as flooring, furniture, drywall, paint and foam insulation.

One of the first programmes to be inaugurated into the new Intertek Sustainability mark, the Clean Air mark

responds to growing client demand for product testing solutions that support better indoor air quality. Manufacturer Purple Mattress uses the Intertek Clean Air certification mark to demonstrate that there are no emissions from its bedding products that may harm purchasers or their families.

## SUSTAINABILITY CERTIFICATION MARK: ZERO WASTE TO LANDFILL

Zero Waste to Landfill, a programme developed and executed through Intertek's Business Assurance team, uses the Intertek Sustainability certification mark to help clients display their compliance with and their continued commitment to the programme. The Electrolux plant in São Carlos (Brazil) has achieved the highest-level certification ('Zero Waste') for diverting 99.9% of its waste from landfill. It is a proud adopter of the programme and the Intertek Sustainability certification mark.

## ACQUIRING LEADING COMPANIES FURTHER STRENGTHENS CYBER SECURITY CAPABILITIES

Following the acquisitions of Acumen and EWA Canada in 2017, Intertek further strengthened its cyber security capabilities during 2018 with the acquisition of NTA Monitor, a leading network security and assurance services provider that is based in the UK and Malaysia. This acquisition builds Intertek's presence, both in the UK and globally, within the security assurance and certification market.



# OUR PEOPLE

We are focused on ensuring that our strategy and culture give our people the right platform, not only to grow and develop their careers, but also to be involved in socially responsible activities that support our purpose to make the world a better place by bringing quality and safety to life everyday.

Our 44,720 passionate Intertek people deliver sustainable value through unmatched expertise and quality of work for our customers globally and on a daily basis. They contribute to the success of our customers' products, services and operations, enabling us to succeed in our vision of being the world's most trusted partner for Quality Assurance.

To achieve this, our 5x5 differentiated strategy energises our people to take Intertek to new heights, to deliver our customer promise and live our values. We foster a company culture where our people are recognised for being inspired to find innovative ways of continually developing services and solutions for our customers.

In this section, we detail the ways in which we seek to engage and inspire our people, ensuring the frameworks are in place for them to succeed in a safe working environment and ultimately making them proud to work for Intertek.

## **Envisaging, inspiring and engaging our talented people**

To seize the exciting growth opportunities arising from our Total Quality Assurance (TQA) value proposition, we continually invest in the growth of our people. We aim to hire, inspire, engage and retain the best people to power our 5x5 strategy, providing them with the skills to grow our business. With an Ever Better mindset we encourage them continuously to learn new skills that help them advance their careers and deliver our customer promise. Our talent-mapping process is critical to our future success in delivering our

strategy and fostering our culture and values throughout Intertek.

### **Training**

Following the successful launch of our 'The 10X Way' training to Intertek leaders in 2017, we continued the global roll out of this unique programme to over 36,000 of our people in 2018. The content of the training workshops was based on internal feedback that identified the key development needs across the business, with a focus on delivering support, tools and skills to drive 10X Performance.

The continued roll out of the training across the entire organisation aims to ensure everyone has the tools, processes and principles to create sustainable growth for all. To supplement the face-to-face event, embed learning and consistently deliver the message, we also developed eLearning modules, available to all our 44,720 employees via our digital Learning Management System.

In order to further support a highly engaged and high-performing workforce of experts, we continue to embed our performance and growth conversation with 'My 10X Journey', which replaced our previous appraisal process. This transformational new development plan creates better quality conversations during performance reviews, helping to better clarify expectations, foster continual improvement and inspire individual progress.

In addition to 'The 10X Way', we provide a range of in-house and external learning opportunities to provide employees with the skills and expertise they need to deliver our TQA brand promise. We operate across a wide range of sectors requiring different types of technical training, education and support, including apprenticeships and internship programmes, as well as college degrees and professional qualifications.

# 10<sup>X</sup> WAY

ROLLED OUT TO OVER  
36,000  
INTERTEK COLLEAGUES



**44,720**  
**EMPLOYEES**

**Sarah**  
Administration



**Graham**  
Project Support Leader



**Jincy**  
Operations Coordinator Assistant



## UK Living Wage

In the UK, we were accredited in April 2018 as a Real Living Wage employer, in accordance with the guidelines of the Living Wage Foundation. We will continue to align our directly employed staff with the Real Living Wage UK, and are working towards aligning third-party contractor staff with the recommended guidelines.

## INCLUSION, DIVERSITY AND GENDER EQUALITY

To live our values and be sustainable and inclusive global family that values diversity, we apply all employment policies and practices in a way that is informed, fair and objective. This covers all policies relating to recruitment, promotion, reward, working conditions and performance management.

Our inclusion and diversity policy eliminates discrimination to ensure that our employees are treated fairly, feeling respected and included in our workplaces. We are committed to maintaining the highest standards of fairness, respect and safety. We adhere to the principles of the UN Convention on Human Rights and the International Labour Organization's core conventions.

We recognise the importance of gender diversity, not only in management but across all levels of our business. In line with the Hampton-Alexander Review, as well as supporting gender diversity on our Board, in June 2018 we contributed our data on the gender balance across our senior executive team and their direct reports:

	2017		2018	
	Male	Female	Male	Female
Board	7	3	7	3
Executive Management Team (Exec)	11	2	11	3
Direct reports (DR)	91	19	95	24
Combined: Exec + DR	102	21	106	27

Data submitted as at 30 June 2018.

We will continue to promote and endorse fair, consistent and thoughtful working practices that are in accordance with our values.

At Intertek, we are proud to be an equal opportunities employer. We consider all qualified applicants for employment regardless of gender, ethnicity, religion, age, disabilities and other protected characteristics.

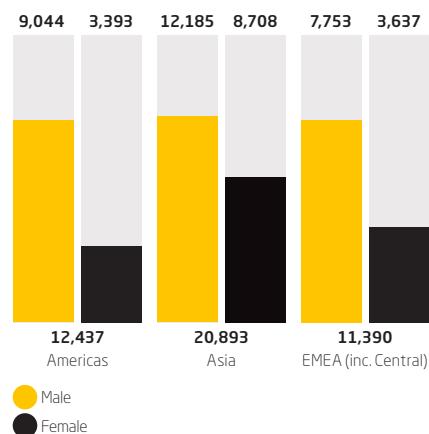
We reach out to prospective employees in a variety of ways, depending on location and role, in compliance with local regulations for fair recruitment practices and equal opportunities. We post vacancies on our website ([intertek.com/careers](http://intertek.com/careers)) and employ various ways of sourcing talented people. These include recruitment agencies, social media, printed advertisements, employee referrals, professional bodies and associations, schools, colleges and universities. To offer people career growth and progression within the Group, we seek wherever possible to fill vacancies from within the Company first.

## UK GENDER PAY GAP

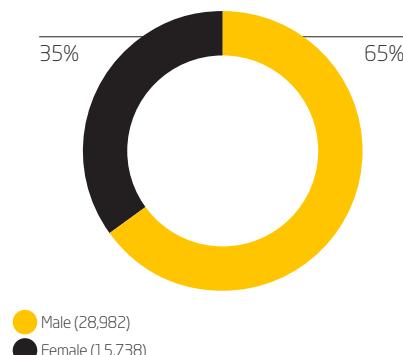
The gender pay gap measures the difference between the pay and bonuses of men and women across an organisation, irrespective of role and level of seniority. This is different to equal pay, which is the legal requirement to pay the same to men and women who are doing equal work. At Intertek, men and women are paid equally for doing equivalent roles.

Following the publication of our gender pay gap results in 2018, we committed to a number of measures to ensure we provide an energising workplace, free of any gender bias, where employees can flourish based on their talent and effort. To strengthen this, we ensure that our shortlists of external-hire candidates have a balance of gender diversity. We also provide flexible working where possible and provide mentorship to women to address the gap in gender numbers at senior levels. It is vital that our workforce represents the best available talent, reflects the communities in which we operate and is free of gender or other biases. We remain committed to equality.

## INTERTEK TQA EXPERTS BY REGION

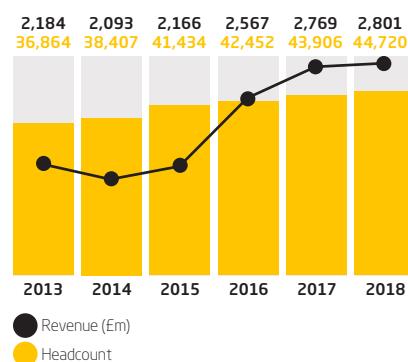


## INTERTEK TQA EXPERTS BY GENDER



Intertek's gender diversity reflects the industries and qualification profiles typical of individuals working in the countries and business lines in which we operate.

## REVENUE AND HEADCOUNT



WE ALWAYS DO THE RIGHT THING WITH PRECISION, PACE AND PASSION

WE TRUST EACH OTHER AND HAVE FUN WINNING TOGETHER

## OUR VALUES

WE ARE A GLOBAL FAMILY THAT VALUES DIVERSITY

WE CREATE SUSTAINABLE GROWTH FOR ALL

WE OWN AND SHAPE OUR FUTURE

WE ALWAYS DO THE RIGHT THING WITH PRECISION, PACE AND PASSION

WE TRUST EACH OTHER AND HAVE FUN WINNING TOGETHER

# OUR PEOPLE

continued



## DOING BUSINESS THE RIGHT WAY

Our vision to be the world's most trusted partner for Quality Assurance is at the heart of everything we do at Intertek. We can only deliver that vision if we operate with integrity to maintain the trust and confidence of all of our stakeholders, including our shareholders, our customers, our people and the communities and environment in which we operate. Integral to this is 'Doing Business the Right Way'; our internal risk, control, compliance and quality programme.

At Intertek, 'Doing Business the Right Way' means living our values, having the highest standards of ethics and integrity in how we conduct ourselves every day, everywhere and in every situation. The programme includes processes, tools and training to ensure that:

- our people work in a safe and inclusive environment,
- the services we provide and the contracts we enter into are delivered with integrity and in line with our commitment to Total Quality,
- every colleague commits to the highest standards of professional conduct; and
- we deliver sustainable growth by managing our risks and doing the right thing for the longer term.

## Ethics, integrity and professional conduct

A vital part of 'Doing Business the Right Way' is our commitment to upholding the highest standards of integrity and professional ethics. This commitment is embedded in the Group's culture through the integrity principles set out in our Code of Ethics ('the Code'), available at [www.intertek.com/investors/governance/code-of-ethics](http://www.intertek.com/investors/governance/code-of-ethics). This also covers health and safety, anti-bribery, labour and human rights.

We have a culture in which all issues relevant to our professional conduct and our Code of Ethics can be raised and discussed openly without recrimination. We operate a strict zero-tolerance policy regarding any breach of our Code of Ethics and any behaviour that fails to meet our expected standards of integrity as a trusted leader in the quality assurance industry.

To support this policy in action, all people working for, or on behalf of Intertek are required to sign our Code of Ethics upon joining the Company or before commencing work on our behalf. This confirms their acceptance of the high standards expected of them in all business dealings. The Code sets clear expectations that people working for our business must act at all times with integrity and in an open, honest, ethical and socially responsible manner.

Intertek employees or people acting on Intertek's behalf are responsible for

applying the Code in their own job role, their part of the business and location.

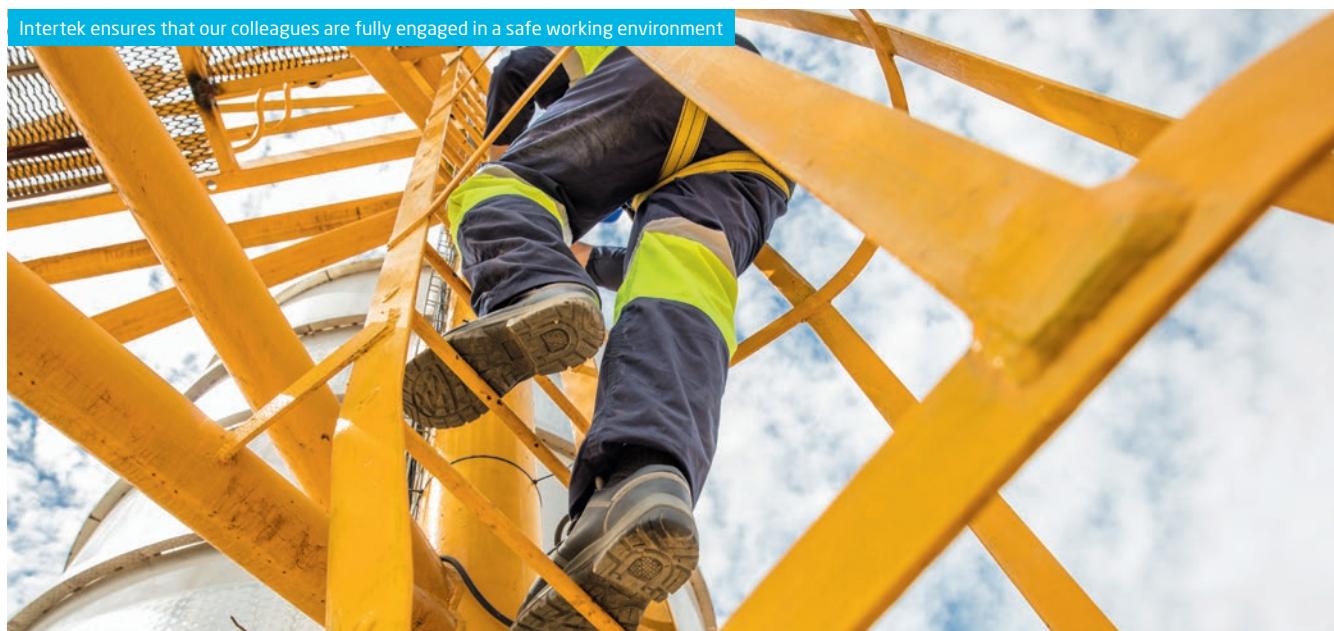
To support their continuing understanding, all of our people are required to complete our comprehensive online 'Doing Business the Right Way' training course annually. This training covers the Code and other important professional conduct areas, such as data security and operational controls. When completing the training, all employees are required to sign a certificate confirming their understanding that any breaches of the Code will result in disciplinary action that may include summary dismissal of the employee concerned.

## Whistleblowing hotline

To empower our people and stakeholders to voice any concerns about breaches of the Code or of any of our policies (including our Labour and Human Rights Policy and Modern Slavery Policy), we have a well-publicised hotline which can be used by all employees, contractors and others representing Intertek, or by third parties such as our customers or people who are affected by our operations.

This whistleblowing hotline is run by an independent, external provider. It is multi-language and is accessible by phone and by email to all employees 24 hours a day. Those concerned are encouraged to report any conduct, compliance, integrity or ethical concerns using the hotline. Information posters are present in all of our sites.

Intertek ensures that our colleagues are fully engaged in a safe working environment





**Intertek is committed to the continuous review and improvement of its health and safety performance and works towards achieving zero incidents."**

If a report is made to the hotline, it is followed up by Intertek's Compliance officers. Our Group Compliance function, which is independent of our operational businesses and reports directly to our Group General Counsel, fully investigates all reports received. Provided there is no conflict of interest, all reports are also notified immediately to our Group Ethics & Compliance Committee, which consists of our CEO, CFO, EVP for HR and Group General Counsel. This ensures the effective resolution both of individual issues and of any systemic or process improvements that can be made to address them.

During 2018, 158 reports of non-compliance with the Code were made to our hotline. Of those reports, 45 were substantiated and required remedial action. Of those substantiated claims:

- there were no substantiated grievances relating to human rights, labour practices or societal impact breaches;
- there were no environmental incidents;
- there were no reported violations of the rights of indigenous people; and
- there were no cases of discrimination.

#### HEALTH AND SAFETY

A key corporate goal is to ensure that our people are fully engaged in a safe working environment. Managing the health, safety and welfare of our people, clients and third parties connected with the business is therefore a top priority for us. Intertek is committed to the continuous review and improvement of its health and safety performance and works towards achieving zero incidents.

During 2018 we aligned our recent acquisitions' Health and Safety (H&S) processes with our own to ensure complete visibility of H&S incidents across

	2018	2017	% change
Hazard Observation	<b>9,155</b>	7,758	18%
Near Miss	<b>2,207</b>	2,544	(13)%
First Aid	<b>1,094</b>	874	25%
Lost time incidents	<b>137</b>	104	32%
Medical treatment incidents	<b>149</b>	180	(17)%
Fatalities	<b>1</b>	1	-
Total recordable incident rate (TRIR)*	<b>0.65</b>	0.70	(5)bps

\* Rates refer to the number of lost time incidents (LTIs), medical treatment incidents (MTIs) and fatalities occurring per 200,000 hours worked.

Note: Overall total recordable incidents (TRI) increased by 2, but would have shown a reduction in like-for-like reporting. In 2018 we have included data for our acquired environmental service company, ABC Analitic.

**17%**

#### REDUCTION IN MEDICAL TREATMENT INCIDENTS

the Group. We also implemented further H&S processes, enabling all Intertek sites to report and track relevant activities with our updated Global H&S Platform.

In 2018, we continued to grow the number of proactive Hazard Observations we recorded, broadening engagement across all countries and achieving an overall reduction in our total recordable incident rate (TRIR) of 5bps. It is encouraging that our TRIR continues to reduce year on year.

We believe our move to proactive reporting of Hazard Observations has led to improved health, safety and environmental (HSE) awareness at our locations, resulting in incidents previously recorded as 'Near Miss' being more accurately recorded as Hazard Observations. We believe that the increases seen in First Aid incident reporting are also linked with greater awareness and reporting overall. First Aid is a very clear type of incident and is now being reported more comprehensively.

We are constantly improving our tracking and reporting. During 2018, we improved the time for reporting and reviewing incidents, meaning that we can respond more quickly and avoid future issues earlier. Our monthly reporting is now enhanced and richer, including ratios of Hazard Observations with relation to employee headcount for example. Sadly, one fatality was recorded in China. This occurred when a project manager fell down a hoisting shaft on a construction site.

We go to great lengths to train all our employees on health and safety matters, including as part of our induction process emergency response procedures, intervention and reporting of accidents, incidents and near misses. Where relevant, all employees and contractors are provided with personal protection equipment when performing work for the Company.

To ensure that we can operate safely, there is a dedicated fire warden, first-aider and health and safety representative at each Intertek location. These representatives are empowered not only to investigate incidents and implement preventative and corrective actions, but also to disseminate safety information through training and continual improvement programmes to target identified specific areas of concern.

#### SUPPORTING OUR CLIENTS IN HEALTH AND SAFETY

##### People Assurance services

In 2018, Intertek expanded its People Assurance services with the acquisition of Alchemy Systems, a leading Software-as-a-Service (SaaS) company.

Alchemy offers software learning and compliance solutions for the food industry. In a world of increasingly complex supply chains and distribution channels, employees are key in driving operational excellence in multi-site organisations. There is therefore a growing demand for bespoke People Assurance solutions to identify, monitor and efficiently close critical skills gaps among frontline employees. These solutions offer an efficient and innovative platform to help our clients achieve their sustainability goals, especially in food safety and workplace safety and compliance.

# OUR COMMUNITIES



The role we play in supporting more sustainable communities in which we operate is vital to the success of our business. Fostering good relationships provides benefits beyond reputation, in areas including recruitment, local education and engagement. This is because our passionate and dedicated colleagues are proud of improving the lives of the people and communities around them.

In this section, we have selected some examples from across the world to show how our passionate Intertek colleagues have engaged with and supported local communities during 2018.

## CANADA: CREATIVE DAY FOR SOCIAL GOOD - ALCHEMY SYSTEMS

Intertek's newly acquired People Assurance business Alchemy Systems, in partnership with Capacity Canada, Conestoga College, Him & Her, Manulife Financial and the local creative community, provides free marketing communications work to charities from across Canada through Creative Day for Social Good (CD4SG).

CD4SG brings together teams of art directors, writers, account managers and other creative professionals who donate their time for two days. They guide graphic design and public relations students from Conestoga College through the professional creative process.

# 100

**STUDENTS WERE SUPPORTED BY OUR PROGRAMME FOR RURAL SCHOOLS IN TURKEY**

Supporting rural schools in Turkey



Creative Day for Social Good in Canada



CSR event to support the elderly in Hong Kong



## TURKEY: SUPPORT RURAL SCHOOLS

Intertek Turkey supports an ongoing initiative for local schools in poorer rural regions through employee donations. Volunteers from across the business liaise with schools to collect and then circulate a list of much needed items to all employees. In 2018, following this communication, Intertek Turkey employees donated supplies including stationery, toys, educational materials, reading books, shoes, boots and coats to the schools. Thanks to the combined efforts of all, and the generous donations, more than 100 students were helped as a result of the programme.

## UK: REUSABLE WATER BOTTLES FOR ALL CALEB BRETT EMPLOYEES

To reduce the impact of single-use plastic products on the environment, all employees at Caleb Brett in the UK have been issued with branded multi-use water bottles to use at home as well as at work. Simultaneously, the company removed single-use cups from all sites. Managers have also been asked to look at other alternatives to single-use water bottles, including water coolers and good quality tap water.

## HONG KONG: SUPPORT CLIENT'S CHARITY EVENT

Although Hong Kong is one of the wealthiest cities in the world, income disparity is increasing and the city's wealth gap is at its widest in 45 years. Our colleagues at Intertek in Hong Kong were happy to join their client, A.S. Watson, in taking time to visit elderly care homes. Everyone who took part is proud to have had the opportunity to assist people in need and take part in a valued client's key charity event.

## HONG KONG: ACTION TO RECYCLE PLASTIC WASTE

Intertek Hong Kong took part in the '10 Tonne Challenge', a city-wide plastic recycling initiative supported by the Hong Kong Environmental Protection Department. A large recycling station was placed in Intertek's Hong Kong office to ensure our 1,300 colleagues recycle their used plastic. The plastic waste collected will be remade into tote bags and other products. The recycling process and tote bag production also provide work opportunities for the community, and the proceeds from the sale of the bags are donated to support the elderly and the poor.

Supporting flood relief efforts in Kerala



Butterfly Habitat Conservation in Taiwan



Women at risk: 'Circles of protection'

**400**

**AID PACKAGES PROVIDED BY  
INTERTEK FOR FLOOD SURVIVORS  
IN KERALA**

**40**

**INTERTEK TAIWAN COLLEAGUES  
VOLUNTEER TO PROTECT LOCAL  
BUTTERFLY HABITAT**

**30**

**STUDENTS IN CHINA HAVE  
RECEIVED SUPPORT AND  
FINANCIAL ASSISTANCE FROM  
PRIMARY SCHOOL THROUGH  
TO UNIVERSITY**

#### TAIWAN: SUPPORTING MARINE HABITATS AND WILDLIFE

During 2018, colleagues in Taiwan took part in several activities focused on the preservation of marine wildlife. This included 100 Intertek employees participating in coastal clean-up activities over a weekend, as well as delivering sustainable management services to clients designed to reduce marine pollution and protect coastal ecosystems.

#### TAIWAN: BUTTERFLY HABITAT CONSERVATION

In November, Intertek colleagues and their families teamed up with The Butterfly Conservation Society of Taiwan to protect habitat in the Jian-nang butterfly garden in Taipei. The Intertek team worked to clear away overgrowing plants around the park, providing space for more butterfly-friendly vines and plants to thrive. Butterflies play key roles in plant pollination, and help to promote natural ecological balance. On the day of the event, volunteers from the Society were on hand to provide insights on the importance of environmental conservation.

#### SURINAME: CALEB BRETT SPONSORS KNOWLEDGE AND EDUCATION

Intertek Caleb Brett was one of the Gold Sponsors for the Petroleum Engineering Student Chapter at the Anton de Kom University in Suriname, when it participated in the 2018 PetroBowl competition – a quiz challenge between different universities relating to competencies, expertise and technical knowledge in the Oil & Gas industry.

#### CHINA: FUNDING EDUCATION FOR THE POOR

2018 is the 11th year in which Intertek China has campaigned to raise funds for poor students in Chongming District, Shanghai. Over this time, Intertek colleagues have provided 30 students with support and financial assistance, from primary school through to university.

#### KERALA: PROVIDING RELIEF FOLLOWING FLOODING

In August 2018, severe flooding caused havoc in the Southern Indian state of Kerala, leading to widespread destruction of property and the tragic loss of close to 500 lives.

Intertek colleagues responded to the needs of survivors following the disaster, with voluntary deductions from their monthly salary and the provision of clothes, food, medicines, toiletries and more. Our facilities team consolidated these donations into more than 400 aid packages for distribution across the most affected villages of Annamanada and Poovathussery and the nearby town of Salakudi.

#### RAISING FUNDS TO PROTECT WOMEN AT RISK OF TRAFFICKING

The Intertek team based in Allentown, Pennsylvania, notably engaged with Women At Risk (WAR) International during 2018. This Michigan based non-profit organisation creates 'circles of protection' around people at risk, using a range of culturally sensitive projects and partnership to fund and provide safe places to heal from abuse, trafficking and other forms of exploitation. The Intertek team sold unique items made by women at risk and people rescued from slavery, raising over US\$1,000 – enough to pay for more than three months in an overseas safe house for a woman rescued from trafficking.

# OUR ENVIRONMENT



Our environmental mission is to provide a better quality of life today and a more environmentally responsible world tomorrow. We will do this by continually improving our business performance in line with our Ever Better discipline to minimise the impact of our operations on the environment.



## OUR APPROACH

Intertek's focus is deeply committed to minimising our environmental impact. To do so, we monitor site-level activities across a range of environmental metrics and work with our sites to reduce energy consumption and limit greenhouse gas (GHG) emissions. Intertek plays an important role in raising awareness of climate change and national resource constraints among its employees, suppliers and customers. As such, our aim is to improve operational and natural-resource efficiency in a consistent manner across all our sites.

Last year, Intertek implemented a Global Sustainability Environmental Software platform. This is optimised specifically to provide Intertek with the reporting, analytics and auditability to support site-level sustainability initiatives and corporate reporting.

Our teams globally regularly upload and monitor their data within the environmental software. This provides them with the deep intelligence they

need to understand their local environmental impact. That enables them to assess how they can manage their consumption through:

- utilising renewable energy sources,
- implementing green waste management practices,
- carrying out efficient water management,
- minimising business travel; and
- operating quality management systems.

To support this effort, our Environmental and Climate Change policy is implemented by country management to ensure compliance with local guidelines and regulations.

Through setting meaningful objective targets and tracking accurately, we can ensure that we are minimising our environmental footprint while providing our key stakeholders with the data they need to understand our performance.



**Intertek's environmental software allows for site-level energy tracking to reduce carbon emissions"**

**492**

**INTERTEK SITES IMPROVED THEIR NATURAL RESOURCE EFFICIENCY**

## OUR DATA

Our annual GHG reporting cycle runs from 1 October 2017 to 30 September 2018. The corresponding average number of employees for this period was 44,255.

Due to the wider scope and depth of reporting from 2017 onwards, and the increased attention to detail and diligence across all Intertek sites, we made continual refinements to our environmental data during 2018. This has resulted in a restatement to our 2017 base year, reducing CO<sub>2</sub> per employee from 5.08 to 4.42.

As a Total Quality Assurance (TQA) provider, we carry out testing on behalf of our clients which involves the direct consumption of fuel or the direct release of emissions through testing procedures. Our clients require the tests we perform to help them determine the safety, quality and environmental efficiency of their products. While this increases our overall Group reported emissions, it has a positive longer-term impact on the item being tested.

CO<sub>2</sub>e<sup>1</sup> emissions from activities for which Intertek is responsible include:

		GHG Emissions (tonnes of CO <sub>2</sub> e) <sup>1</sup>	
		2018	2017 (restated)
<b>Scope 1</b>	Fugitive Emissions	5,034	4,993
	Mobile Combustion - Owned Fleet	25,637	24,357
	Stationary Combustion	24,715	24,877
<b>Scope 2</b>	Purchased and Used Electricity (location-based)	117,706	121,376
	Purchased and Used Electricity (market-based)	124,269	126,527
	Purchased Heat and Steam	1,625	1,573
<b>Scope 3</b>	Energy-Related Activities	7,616	12,274
Total emissions (location-based)		<b>182,333</b>	<b>189,451</b>
Total emissions (market-based)		<b>188,896</b>	<b>194,602</b>
<b>Outside of scope</b>	Biomass	628	947
	Fugitive Emissions	2,512	3,457
Total emissions (location-based) including outside of scope		<b>185,473</b>	<b>193,855</b>
Total emissions (market-based) including outside of scope		<b>192,036</b>	<b>199,006</b>
<b>Intensity ratio - Scope 1,2,3 emissions</b>			
CO <sub>2</sub> per employee (location-based)		4.12	4.42
CO <sub>2</sub> per employee (market-based)		4.27	4.54
Average # of employees during reported period		44,255	42,828

1. CO<sub>2</sub>e – Carbon dioxide equivalent.



**Intertek uses the most up-to-date GHG emission factors available for each country.”**

**242,485 MWh**  
TOTAL ELECTRICITY CONSUMPTION  
IN 2018

**5.48 MWh**  
PER EMPLOYEE



For 2018, Intertek's electricity consumption was reported to be 242,485 MWh (5.48 MWh per employee). Gas consumption was reported to be 64,796 MWh (1.46 MWh per employee).

In 2017 we set our first emissions target which was to reduce CO<sub>2</sub> emissions per employee by 5% by 2020 versus our 2017 base year. Our progress during 2018 resulted in an overall reduction in emissions of 3.8% whilst at the same time we saw a growth in employee headcount of 3.3%, as such our CO<sub>2</sub> per employee reduced by 6.9%. As a result of this reduction we are extending our target to be a 5% decrease in CO<sub>2</sub> per employee from 2018 to 2023.

Intertek's reporting complies with the methodologies outlined by the GHG Protocol 'Corporate Accounting and Reporting Standard', ISO 140064-1, and the UK Government's 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance'.

In compliance with the above standards, Intertek uses the most up-to-date GHG

emission factors available for each country and type of activity. The emission factors are sourced from the relevant government department in each country. Where local emission factors are not available, the platform uses default emission factors provided by the International Energy Agency (IEA), GHG Protocol, the UK's Department for Environment, Food and Rural Affairs (DEFRA) and the US Environmental Protection Agency (US EPA).

#### SCOPE 3 MATERIALITY ASSESSMENT

As part of our ongoing improvements to our environmental data tracking and reporting, during 2018 we engaged with a reputable third-party vendor to carry out a materiality assessment to determine which Scope 3 emissions, as defined by the GHG Protocol, are relevant to Intertek.

The relevance of each of the 15 categories was established based on the Intertek business model. Data was then collected and analysed to assess the materiality of those that were determined to be relevant. The available information and data from each relevant category was then used to calculate an estimate of the

# OUR ENVIRONMENT

continued

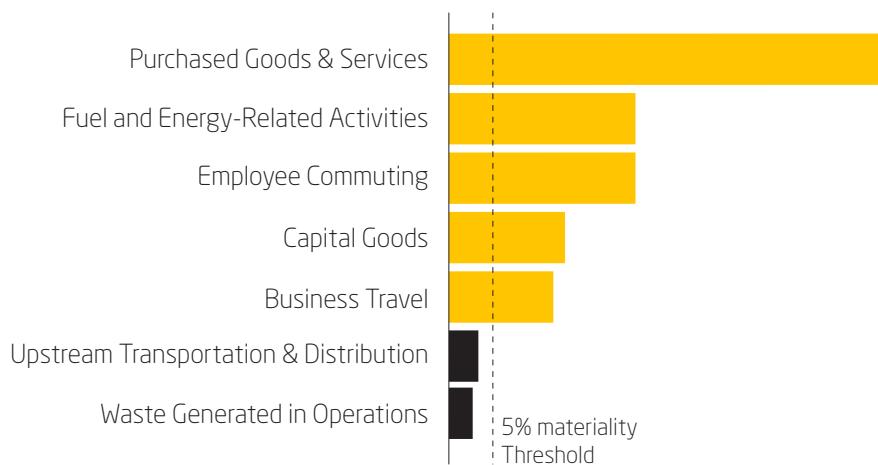


total global emissions in those categories.

The review established that Scope 3 emissions are a material portion of Intertek's total footprint. As such, the materiality of each GHG Protocol category was set as 5% of total Scope 3 emissions in order to ensure that future data gathering and reduction strategies will be focused on the most impactful areas.

After determining that seven categories were relevant to Intertek, five were deemed to be material as they each represent more than 5% of the total Scope 3 emissions. During 2019, Scope 3 data under the five material categories will be assessed in further detail with the objective of reporting on these categories as part of Intertek's future global emissions reporting.

## ASSESSMENT OF INTERTEK SCOPE 3 MATERIALITY



CATEGORY	RELEVANCE	MATERIAL	DETAILS
<b>1. Purchased Good &amp; Services</b>	✓	✓	Emissions associated with goods and services that Intertek procures through routine operational expenditure
<b>2. Fuel and Energy-Related Activities</b>	✓	✓	Emissions associated with transmission losses from electricity
<b>3. Employee Commuting</b>	✓	✓	Emissions associated with employees commuting to work
<b>4. Capital Goods</b>	✓	✓	Emissions associated with goods and services that Intertek procures through capital expenditure
<b>5. Business Travel</b>	✓	✓	Emissions from travel undertaken by employees on company business
<b>6. Upstream Transportation &amp; Distribution</b>	✓	-	Emissions associated with shipping and transportation of goods
<b>7. Waste Generated in Operations</b>	✓	-	Emissions associated with disposal of waste generated
<b>8. Upstream Leased Assets</b>	✗	-	Not considered relevant due to limited sub-leasing of Intertek assets
<b>9. Downstream Transportation &amp; Distribution</b>	✗	-	Not considered relevant due to Intertek being a service provider
<b>10. Processing of Sold Products</b>	✗	-	Not considered relevant due to Intertek being a service provider
<b>11. Use of Sold Products</b>	✗	-	Not considered relevant due to Intertek being a service provider
<b>12. End-of-Life Treatment of Sold Products</b>	✗	-	Not considered relevant due to Intertek being a service provider
<b>13. Downstream Leased Assets</b>	✗	-	Not considered relevant due to limited sub-leasing of Intertek assets
<b>14. Franchises</b>	✗	-	Not considered relevant due to no franchises in operation
<b>15. Investments</b>	✗	-	Intertek has employee pension schemes but due to their external management, under GHG guidelines these can be excluded

## SUPPORTING OUR CLIENTS IN ENVIRONMENTAL MANAGEMENT

Our Sustainability Services provide multiple ways in which we can support our clients achieve their environmental monitoring and management goals:



### Life Cycle Assessment

Life Cycle Assessment (LCA) has emerged as an essential and widely recognised framework to understand and measure the environmental and carbon impacts of a product, material or process. LCA tools can be leveraged to support value chain decision-making, production optimisation, innovation in design and end-of-life management. Intertek is working with a popular global e-commerce company to assess the cradle-to-grave impacts of their core product. The evaluation offers insight into the environmental impacts and avoided impacts associated with the product from the selection of materials and shipping networks to recycling, reuse and end-of-life management. Environmentally conscious and accountable business practices are essential to our client's vision and they intend to use the science-based metrics from the LCA to continuously improve their impacts and meet corporate sustainability goals.



### Carbon Footprint Assessment for Mitsubishi Electric Sales Canada (MESCA)

As part of the global push to reduce GHG emissions, organisations are assessing their carbon impacts through science-based metrics that provide accurate and reliable information to key decision-makers and stakeholders.

Intertek's sustainability teams are working with companies to determine or validate their GHG emissions throughout their entire value chain and achieve carbon-reduction targets. As an example, Intertek's sustainability experts have been retained by Mitsubishi Electric Sales Canada to collect data, calculate and report their Scope 1, 2 and 3 GHG emissions for the country's entire sales network. Intertek is collecting and evaluating data, not only for regional sales offices, but also such Scope 3 categories as the upstream purchase of goods and transportation, business travel and employee commuting as well as the downstream distribution network and use. The project involves supporting internal teams to collect the correct information, to perform technical reviews of data and calculations in accordance with the GHG Protocol and ISO standards, and to prepare a report outlining the science-based metrics. Mitsubishi Electric Sales Canada is undertaking this in-depth analysis as part of its corporate sustainability initiatives and carbon reduction goals.



### Wastewater global regulatory requirements study for Roche

Intertek worked with F. Hoffmann-La Roche Ltd in Switzerland to identify wastewater pollutant discharge limits in multiple jurisdictions worldwide. Managing the prevention of wastewater pollution from industrial, institutional and commercial sources is an important environmental mechanism to protect fresh and groundwater resources against harmful and restricted substances. Municipalities and regional jurisdictions across the world regulate and enforce specific concentrations of subject pollutants and substances that can be discharged into the sanitary sewer to protect important infrastructure, human health and impacts on the environment. As a global healthcare business, this company is a leader in sustainability and committed to promoting healthy lives and wellbeing for all.



**Intertek worked with OCTAL to carry out a carbon footprint analysis, demonstrating its novel approach to PET manufacture and new technologies."**

Intertek's research into regulation preventing wastewater pollution ensures access to information on key environmental regulatory mechanisms that are crucial to Roche's customers' operations. It also provides insight into evolving sustainability targets across various jurisdictions.



### Novel approach to PET plastic manufacturing

As part of its strong commitment to sustainability, OCTAL, a global PET resin manufacturer, has developed innovative and efficient means of producing PET plastic that reduces environmental impact through an overall reduction in carbon emissions.

Intertek worked with OCTAL to carry out a carbon footprint analysis, demonstrating its novel approach to PET manufacture and new technologies. OCTAL also enlisted Intertek to evaluate the environmental impacts associated with end-of-life recycling. This contrasts with traditional disposal via landfill and demonstrates the effectiveness of the recycling programme in reducing the overall carbon footprint of PET plastic products.

# OUR ENVIRONMENT

## continued



### OUR GLOBAL ENVIRONMENTAL ACHIEVEMENTS 2018

As we operate a decentralised business model, it's our local teams who look for ways to become more environmentally efficient and reduce the impact of operations. Here we provide some examples of these achievements in 2018. Through actively performance managing our GHG emissions in 2019, we hope to make further improvements.

#### **1 TRANSPORTATION TECHNOLOGIES, UK**

Intertek Transportation Technologies UK was awarded certification to the ISO 14001 Environmental Management and to BS OHSAS 18001 Occupational Health and Safety Management standards.

#### **2 MALTA**

Intertek in Malta moved offices in August 2018. The new office is equipped with double glazing apertures and LED lighting.

#### **3 CANADA, BC OPERATIONS, COMMODITIES**

In Canada, Intertek partnered with a plastic recycling company to recycle all used sample bags.

#### **4 INTERTEK CALEB BRETT DENMARK, KALUNDBORG**

In Denmark, Intertek recycles cooling water during RON petroleum analysis.

#### **5 DOMINICAN REPUBLIC**

In the Dominican Republic the Accuvio system is used to monitor petrol and electricity consumption.

#### **6 TURKEY**

In Turkey feasibility studies are underway for a solar energy project.

#### **7 GHANA, TARKWA MINERALS**

In Ghana, Intertek planted 500 trees on site.

#### **8 AUSTRALIA, HONG KONG, JAPAN, NEW ZEALAND, SOUTH KOREA, TAIWAN**

Intertek upgraded to LED lighting in labs in these countries.



## INDEPENDENT ASSURANCE STATEMENT TO INTERTEK GROUP PLC MANAGEMENT

We have performed a limited assurance engagement on selected performance data presented on page 35 of the Intertek Group plc ("Intertek Group") Annual Report 2018 ("the Report").

### Respective responsibilities

Intertek Group management is responsible for the collection and presentation of the information within the Report. Intertek Group management is also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

Our responsibility, in accordance with our engagement terms with Intertek Group management, is to carry out a 'limited level' assurance engagement on the selected data ("the Subject Matter Information") outlined under the following headings in the Report:

- Greenhouse gas emissions – scope 1;
- Greenhouse gas emissions – scope 2; and
- Greenhouse gas emissions – intensity ratio.

We do not accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

Our assurance engagement has been planned and performed in accordance with the International Standard for Assurance Engagements (ISAE) 3000 Revised, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. The Report has been evaluated against the following criteria (collectively "the Criteria"):

### Completeness

- Whether all material data sources have been included and that boundary definitions have been appropriately interpreted and applied.

### Consistency

- Whether the Intertek Group scope and definitions for the Subject Matter Information have been consistently applied to the data.

### Accuracy

- Whether site and business-level data have been accurately collated by Intertek Group management at a Global level.
- Whether there is supporting information for the data reported by sites and businesses to Intertek Group management at a Global level.

### Summary of work performed

The procedures we performed were based on our professional judgement and included the steps outlined below:

1. Interviewed a selection of management to understand the management of greenhouse gas data within the organisation.
2. Reviewed a selection of management documentation and reporting tools including guidance documents.
3. Performed a review of the Accuvio online data collection tool, including testing outputs and selected conversions made within the tool.
4. Reviewed underlying documentation for a sample of site-level data points.
5. Reviewed and challenged the validation and collation processes undertaken by Intertek Group management in relation to the Subject Matter Information.
6. Reviewed the Report for the appropriate presentation of the Subject Matter Information, including the discussion of limitations and assumptions relating to the data presented.

### Limitations of our review

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance (as set out in ISAE3000 (Revised)) on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Completion of our testing activities has involved placing reliance on Intertek Group's controls for managing and reporting sustainability information, with the degree of reliance informed by

the results of our review of the effectiveness of these controls. We have not sought to review systems and controls at Intertek Group beyond those used for selected data (defined as the Subject Matter Information above).

The scope of our engagement was limited to the reporting period, and therefore 2018 performance only.

The responsibility for the prevention and detection of fraud, error and non-compliance with laws or regulations rests with Intertek Group management. Our work should not be relied upon to disclose all such material misstatements, frauds, errors or instances of non-compliance that may exist.

### Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information was not prepared, in all material respects, in accordance with the Criteria, which were applied by management.

### Our independence

We have implemented measures to comply with the applicable independence and professional competence rules as articulated by the IFAC Code of Ethics for Professional Accountants and ISQC1<sup>1</sup>. EY's independence policies apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to Intertek Group whether there have been any events, including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2018. Our assurance team has been drawn from our global Climate Change and Sustainability Services Practice, which undertakes engagements similar to this with a number of significant UK and international businesses.

### Ernst & Young LLP

London  
4 March 2019

<sup>1</sup>. Parts A and B of the IESBA Code, and the International Standard on Quality Control 1 (ISQC1).

# TRACKING OUR PROGRESS WITH THE UN SDGs



As a purpose-led organisation and Total Quality Assurance provider, we are in a strong position to align with each of the United Nations Sustainable Development Goals ('UN SDGs'). This is due both to the internal activities we carry out for our people, our communities and the environment, and to the sustainability services we provide to our customers.

We use the UN SDGs as a third party, independent framework to track our Country and Business Line progress in sustainability. In our 2017 report, we announced that from 2018 each of our major Business Lines and Countries will provide quarterly updates on their progress towards achieving the UN SDGs that they have chosen to align with and embed in their daily activities.

A wide and impressive range of goals is targeted across the organisation. Quantitative and qualitative reporting demonstrated during the year how our countries have contributed to the goals.

Here we provide an overview of many of the Group's activities across all the UN SDGs. We also include examples of highlights from the year on a selection of the goals, from both an internal and a client services perspective.

## LOOKING AHEAD

We will continue to update stakeholders on our progress on the UN SDGs, providing annual examples of our activities across different Business Lines and Countries, both from an internal and a client perspective.

# SUSTAINABLE DEVELOPMENT GOALS

## INTERTEK ACTIVITIES ALIGNED TO ALL UN SDGs

	<b>1 NO POVERTY</b> • Charity and community support initiatives		<b>10 REDUCED INEQUALITIES</b> • Commitment to inclusion and diversity policy
	<b>2 ZERO HUNGER</b> • Charity and community support initiatives		<b>11 SUSTAINABLE CITIES AND COMMUNITIES</b> • Charity and community support initiatives
	<b>3 GOOD HEALTH AND WELL-BEING</b> • Food testing services for our clients • Colleague health and wellbeing programmes		<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> • Waste initiatives in the US, Australia, UK, Hong Kong • Verifying new sustainable materials in Hong Kong • Supporting sustainable production of plastics
	<b>4 QUALITY EDUCATION</b> • 10X training and development for Intertek colleagues • Community education support initiatives		<b>13 CLIMATE ACTION</b> • Environmental audit services for clients • Environmental monitoring and control in Intertek locations • Fitting labs with LED lighting
	<b>5 GENDER EQUALITY</b> • Workplace Gender Equality report Australia • EDGE certifications provided to clients in Australia • Real-time inequality monitoring system in France		<b>14 LIFE BELOW WATER</b> • Charity and community support initiatives
	<b>6 CLEAN WATER AND SANITATION</b> • Water quality testing services for our clients • Intertek China partners WWF		<b>15 LIFE ON LAND</b> • Charity and community support initiatives
	<b>7 AFFORDABLE AND CLEAN ENERGY</b> • Installation of Stem Battery Solution in US • Intertek certified several leading regional quality alliances in China • Environmental audits, training and services for our clients		<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> • Commitment to 'Doing Business the Right Way'
	<b>8 DECENT WORK AND ECONOMIC GROWTH</b> • Commitment to UK Living Wage • Charity and community support initiatives		<b>17 PARTNERSHIPS FOR THE GOALS</b> • Global network of Sustainability Champions drive engagement with UN SDGs locally • Charity and community support initiatives
	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> • Commitment to 'Doing Business the Right Way'		

## MAKING OUR OWN PROGRESS WITH THE UN SDGS...



### INSTALLATION OF A STEM BATTERY SOLUTION

The United States has a significant role to play in Intertek's energy use and how we are meeting the carbon reduction goals outlined in this report.

We therefore continue to implement better ways for all of our US-based locations to reduce their energy consumption. These activities are fully aligned to the Affordable and Clean Energy goal, focusing on energy efficiency projects and clean energy purchasing options.

In October 2018, Intertek's Lake Forest California site installed a Stem battery system which is designed to reduce peak energy demand. This battery storage system also plays a part in strengthening the California electricity grid by supporting renewable energy in the state.



### CLIMATE ACTION

ABC Analitic, Intertek's leading environmental services company based in Mexico, received the government's Certificate of Environmental Compliance in June. In achieving this, we reaffirmed our commitment to caring for and preserving the environment. The Certification in Environmental Compliance is an evaluation strategy used to help improve the quality of sustainable processes, products and services.



### REDUCING GENDER INEQUALITY

Intertek first produced a Gender Pay Gap report in 2017 for its UK operations. We are highly committed to reducing the pay gap and improving our gender balance across the whole organisation globally.

We have, for example, ensured compliant reporting to the Australian Government Workplace Gender Equality Agency and implemented a permanent system to monitor inequalities in France.

In addition, we provide our clients with key auditing services for Gender Equality, such as Economic Dividends for Gender Equality (EDGE). Intertek is the first certification body fully approved to certify companies against the EDGE standard, which is the only global assessment methodology and business certification standard for gender equality.

## ...AND SUPPORTING CLIENTS' PROGRESS WITH OUR SUSTAINABILITY SERVICES



### WATER QUALITY TESTING SERVICES

Our wide range of water testing services assists clients operating in all water-related sectors, including water utilities, industry, Oil & Gas, ports and harbours, food, power generation, desalination and pharmaceuticals. We help our clients use practical technologies to explore water properties and produce quality improvements.

#### Partnership with WWF China

Intertek China established a partnership with the World Wide Fund for Nature (WWF China) in 2017, and since then has participated in a project called 'WWF Water Management Innovation Action'. By providing water management solutions to the textile industry, Intertek aims to improve corporations' water use efficiency within their value chain and pollutant discharge conditions, as well as reducing water related crises and adverse environmental impacts in manufacturing operations. We continue to offer training services to increase textile companies' water risk awareness.

#### Responding to crisis averts environmental disaster

When several dead manatees were spotted in rivers in the Mexican state

of Tabasco, a team from Intertek ABC Analitic quickly rose to the challenge of testing the water for toxins. When no high levels of toxic substances were found through conventional approaches, the team needed to develop and implement a series of entirely new tests in just five days.

Because our labs are capable of quickly processing the complex matrices required in these instances, our involvement was mission-critical in enabling local government bodies to make informed decisions and act quickly to prevent wider environmental impacts.



### RESPONSIBLE PRODUCT PRODUCTION

Intertek is at the forefront of ensuring the safe and sustainable execution and delivery of products to their intended markets. Our capabilities in a range of industries – including electrical and electronic products, medical devices, IT and telecoms, toys and games, juvenile products, textiles and apparel, food and more – give clients access to an interconnected knowledge base that provides solutions to everything from regulatory issues to supply chain challenges.

### Total Quality Assurance validation of sustainable material

In Hong Kong, our client manufactures Chitosan yarn, a sustainable new material that's based on a natural compound derived from the shells of crab and shellfish. Intertek has created a unique and innovative testing method both to verify the material's existence within yarn and to assure its recycling lifecycle. This Total Quality Assurance solution validates the material's anti-bacterial, odour repellent and biodegradable properties.

### First 'Water Footprint' Green Leaf Mark awarded

A product developed by the Ming Fai Group, the leading company in the Chinese hotel industry's consumer goods sector, has received the first water footprint Green Leaf mark. The Reeco product reduces the foam produced in the laundry process, cutting washing time and water consumption to reflect the key importance of addressing water scarcity. The Green Leaf mark award follows Intertek's work evaluating the life cycle of the Reeco product, from manufacture to implementation.

# OUR SUSTAINABILITY GOVERNANCE



At Intertek, sustainability is core to our business and everything we do. We are constantly evaluating and improving our processes, both in the services that we offer to our customers and in our own business processes and initiatives.

In 2017 we established a set of five Group sustainability priorities, linked to our 5x5 differentiated strategy for growth. We further developed these over 2018, under the leadership of the Sustainability Operating Committee.

## THE SUSTAINABILITY OPERATING COMMITTEE

The purpose of the Sustainability Operating Committee (the 'Committee') is to advance Intertek's initiatives, both in our external sustainability services for clients and our internal sustainability activities. The core elements the Committee focuses on include:

- Oversight of the development of Intertek's sustainability service offerings;
- Oversight of the progress made on internal sustainability activities, including Intertek's environmental footprint, GHG emissions, contribution to the UN SDGs, tracking and reporting of key ESG metrics and reporting to the Executive Management Team and the Board.

To enhance engagement across our sustainability initiatives, the Committee is supported by a network of Sustainability Champions across our major Countries and Business Lines. Their roles include:

### COUNTRY NETWORK:

- Seeking opportunities to act sustainably, through energy efficiency and cost reductions across energy, water and waste usage.
- Engaging with people locally to drive positive behaviours throughout the organisation as well as through encouraging sustainability engagement with local stakeholders.
- Maintaining best-in-class internal labour and human rights practices, activity monitoring and improving social sustainability metrics.

### BUSINESS LINE NETWORK:

- Engaging the sales organisation within the Business Line to ensure it is aware of all the sustainability services that can be offered to customers.
- Working with colleagues globally to help develop our suite of sustainability services.
- Helping to generate new and innovative ways of offering sustainability services to our customers.

We aim to expand this network over time to include more Countries and Business Lines, enhancing engagement across our business in sustainability activities.

Our people are passionate about their work and are proud to be involved in activities which generate a positive impact for society and the environment. Each of our Countries and Business Lines defines its own sustainability agenda, tied to our Group priorities. This ensures that the objectives and activities being performed locally are understood, and that we benefit from best practice globally.

### RESPONSIBLE INVESTMENT

Generating sustainable, long-term returns is a key enabler of our 5x5 strategy for growth. We achieve this by means of a Responsible Investment ('RI') approach. RI includes the evaluation of 'ESG' risks as part of the investment process.

ESG due diligence forms a key part of our acquisition review process. We also use it when assessing capital expenditure decisions on new and innovative ATIC services. We ensure that we have identified potential ESG risks and have in place corresponding mitigation plans and remedies. Our investment process, in line with our overall Group strategy, ensures that we maintain the right balance between performance and sustainability.

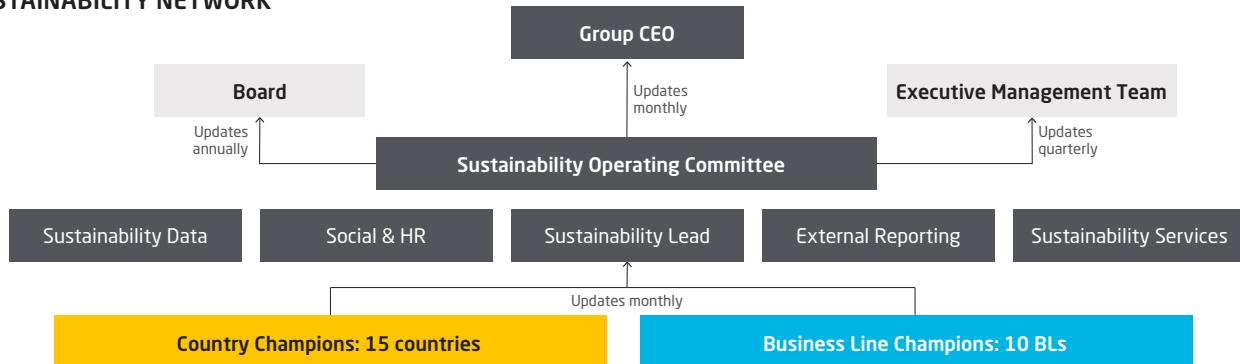
As appropriate, acquired businesses will be provided with access to our Group Environmental Data Software and will be required to submit their environmental data as part of the ongoing reporting cycle.

### SUPPORTING OUR CLIENTS - ETHICAL SOURCING FORUM

Our Sustainability value proposition also supports our clients in their supply chain risk assessments.

Since 2001, Intertek's Global Business Assurance business line has leveraged its supply chain expertise in shaping the Ethical Sourcing Forum (ESF). This is an industry-leading event focused on supply chain social responsibility and responsible/ethical sourcing. The conference's main theme, 'Be Part of the Solution', emphasises ESF's role in the continuously improving and ever-changing areas of working conditions, human rights and environmental conditions in the supply chain.

## SUSTAINABILITY NETWORK



In 2018 we held two ESF events, one in New York and one in London. These covered, among other topics, Modern Slavery and hidden labour risks in the UK and US, as well as global supply chain trends.

In the UK, a panel of industry experts who were invited to speak and take part in roundtable discussions included:

- Ethical Trade Manager, Sainsbury's Group;
- Head of Global Ethical Policy, BBC Studios;
- Director of Operations, Gangmasters Labour Abuse Authority;

- Human Rights, Modern Slavery and Responsible Sourcing Consultant; and
- Intertek Group General Counsel and Head of Risk & Compliance.

The forum provided an opportunity for senior compliance and ethical sourcing representatives from UK brands and retailers to discuss and learn about the risks of sourcing from the UK, especially around the subject of worker exploitation. This topic is important because the current access to a labour market via labour agencies is increasing organisational risks such as compromised brand reputation and reduced visibility and control during sourcing and due diligence practices.

In the US, the panel included a representative of the US government, Senior Policy Advisor Forced Labour Programmes, US department of Homeland Security Investigations, providing different perspectives on business and government initiatives.

Going forward, the Intertek Business Assurance team will build on these events. It is scheduling future Ethical Sourcing Forums in 2019 in key sourcing markets.

## NON-FINANCIAL INFORMATION STATEMENT

We aim to comply with non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. The below table, and information it refers to, is intended to assist stakeholders in understanding our position on key non-financial matters. This builds on existing reporting under the following frameworks: Global Reporting Initiative, Guidance on the Strategic Report (UK FRC) and UN Sustainable Development Goals.

REPORTING REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	IMPLEMENTATION, OUTCOMES AND ADDITIONAL INFORMATION
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>• Environmental and Climate Change Policy<sup>1</sup></li> <li>• GHG Protocol's: 'Corporate Accounting and Reporting Standard' and 'Corporate Value Chain (Scope 3) Standard'</li> <li>• ISO 140064-1</li> <li>• UK Government's 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance'</li> </ul>	Our Environment – <a href="#">pages 34 to 39</a> ↗
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Board Diversity Policy</li> <li>• Code of Ethics<sup>2</sup></li> <li>• Group Health &amp; Safety Policy<sup>1</sup></li> <li>• Hampton-Alexander Review</li> <li>• Inclusion and Diversity Policy<sup>2</sup></li> <li>• International Labour Organization's Core Conventions</li> <li>• UK Gender Pay Gap</li> <li>• UK Real Living Wage</li> </ul>	Our People – <a href="#">pages 28 to 31</a> ↗ Nomination Committee – <a href="#">pages 80 to 82</a> ↗
<b>Social matters</b>	<ul style="list-style-type: none"> <li>• Our Approach to CSR<sup>1</sup></li> <li>• Integrated Global Sustainability Services</li> </ul>	Our Communities – <a href="#">pages 32 to 33</a> ↗ Our Sustainability Value Proposition – <a href="#">pages 26 to 27</a> ↗
<b>Human rights</b>	<ul style="list-style-type: none"> <li>• Labour and Human Rights Policy<sup>1</sup></li> <li>• Modern Slavery Statement<sup>2</sup></li> <li>• Modern Slavery Policy<sup>2</sup></li> <li>• Privacy Policy<sup>2</sup></li> <li>• UN Convention on Human Rights</li> </ul>	Our People – <a href="#">pages 28 to 31</a> ↗
<b>Anti-corruption and anti-bribery</b>	<ul style="list-style-type: none"> <li>• Anti-Bribery Policy<sup>2</sup></li> <li>• Anti-Bribery External Relationships Policy<sup>2</sup></li> <li>• Whistleblowing Hotline</li> </ul>	Principal Risks and Uncertainties – <a href="#">pages 54 to 59</a> ↗ Accountability – <a href="#">page 83 to 88</a> ↗ Our People – <a href="#">pages 28 to 31</a> ↗
<b>Description of principal risks and impact of business activity</b>		Principal Risks and Uncertainties – <a href="#">pages 54 to 59</a> ↗
<b>Description of the business model</b>		Our 5x5 Strategy – <a href="#">pages 2 to 3</a> ↗ Our Earnings Model – <a href="#">pages 12 to 13</a> ↗
<b>Non-financial key performance indicators</b>		Our People – <a href="#">pages 28 to 31</a> ↗ Our Environment – <a href="#">pages 34 to 39</a> ↗

1. Certain Group Policies and internal standards and guidelines are not published externally.  
 2. Certain Group Policies and internal standards and guidelines are published on our website, [www.intertek.com](http://www.intertek.com).

Global Reporting Initiative (GRI) guidelines provide a recommended framework and indicators for reporting. A table outlining the GRI standard disclosures is provided on our corporate website at [www.intertek.com/about/corporate-responsibility/](http://www.intertek.com/about/corporate-responsibility/).

All data used for performance indicators is representative of the GRI Guidelines.

# PRODUCTS



Excellent performance with strong margin-accretive revenue growth

## BUSINESS LINES

Softlines	Transportation Technologies
Hardlines	Food
Electrical & Connected World	Chemicals & Pharma
Business Assurance	Building & Construction

**REVENUE**  
**£1,680.2m**

**ADJUSTED OPERATING PROFIT**  
**£371.0m**

**STATUTORY OPERATING PROFIT**  
**£344.5m**

## FINANCIAL HIGHLIGHTS 2018

	2018 £m	2017 £m	Change at actual rates	Change at constant rates
<b>Revenue</b>	<b>1,680.2</b>	1,625.5	3.4%	6.6%
<b>Organic revenue</b>	<b>1,654.4</b>	1,620.6	2.1%	5.2%
<b>Adjusted operating profit</b>	<b>371.0</b>	350.5	5.8%	9.5%
<b>Adjusted operating margin</b>	<b>22.1%</b>	21.6%	50bps	60bps
<b>Statutory operating profit</b>	<b>344.5</b>	335.5	2.7%	
<b>Statutory operating margin</b>	<b>20.5%</b>	20.6%	(10)bps	

## INTERTEK VALUE PROPOSITION

Our Products-related businesses consist of business lines that are focused on ensuring the quality and safety of physical components and products, as well as minimising risk through assessing the operating processes and quality management systems of our customers.

As a trusted partner to the world's leading retailers, manufacturers and distributors, the division supports a wide range of industries including textiles, footwear, toys, hardlines, home appliances, consumer electronics, information and communication technology, automotive, aerospace, lighting, building products, industrial and renewable energy products, food and hospitality, healthcare and beauty, and pharmaceuticals.

Across these industries we provide a wide range of ATIC services including, laboratory safety, quality and performance testing, second-party supplier auditing, sustainability analysis, product assurance, vendor compliance, people assurance, process performance analysis, facility plant and equipment verification and third-party certification.

## STRATEGY

Our Total Quality Assurance value proposition provides a systemic approach to support the Quality Assurance efforts of our Products-related customers in each of the areas of their operations. To do this we leverage our global network of accredited facilities and world-leading technical experts to help our clients meet high-quality safety, regulatory and brand standards, develop new products, materials and technologies and ultimately assist them in getting their products to market quicker, in order to continually meet evolving consumer demands.

## INNOVATION

We continue to invest in innovation to deliver a superior customer service in our Products-related businesses:

## 360° Brand Assurance and E-Reputation

- Customer Insight:** Our Food Industry customers are taking an increasingly holistic approach to risk in their supply chain and organisation; with the rise of social media, detailed E-Reputation monitoring is becoming a key part of their risk management and mitigation strategies
- Food innovation:** Intertek has developed a unique TQA solution providing an end-to-end mapping of



## EVER BETTER SOLUTIONS PEOPLE ASSURANCE

### INSIGHT

In a world of increasingly complex supply chains and distribution channels, employees are key in driving operational excellence. As corporations around the world increase their focus on quality, safety, productivity and compliance, our clients are seeking 'People Assurance' solutions that enable them to identify, monitor and close skills gaps amongst employees - particularly frontline employees. These services are mission-critical for our clients to deliver the highest standards in customer service. As we engage with our clients and as we continue to build our Business Assurance services, we acquired Alchemy Systems, a leading People Assurance specialist with a unique Software as a Solution ('SaaS') offering.

### INNOVATION

Alchemy's cloud-based technology platforms, industry-specific training content, and bespoke employee communications programmes help identify and close skills gaps quickly and efficiently. Alchemy engages with over three million frontline employees at 50,000 locations around the world to drive safety, operational excellence, and customer service. The Alchemy, Wisetail, Ontrack, and Catalyst platforms are scalable across multiple industries and ensure an organisation's workforce is empowered with the right knowledge and confidence to consistently perform their jobs in the right way.



### TQA SOLUTIONS



Assurance

### EVER BETTER

Intertek's People Assurance solutions are industry-agnostic and uniquely designed to address the skill gaps and increase the level of engagement to empower employees to work at their maximum potential. We continue to use customer insights, data and innovation to expand our Assurance proposition, together with our scale position in 100+ countries with our TQA experts operating at a local level. We can now offer People Assurance solutions to our global client base across multiple industries to continue to drive operational excellence and mitigate risk.



# PRODUCTS

## continued



our customers' E-Reputation and Operational data to deliver tailored 360° Brand Assurance Reports

- **Customer benefit:** Our customers now have a 360° view of the risk areas across their food service site networks, as well as ATIC action plans to mitigate those risks

### First and Only Oligonucleotide Expert Centre Globally

- **Customer insight:** Our customers' ground-breaking research and development into DNA- or RNA-based therapeutics (oligonucleotides) needs highly experienced analytical scientists and state-of-the-art technology to enable efficient drug development for the treatment of diseases including cancer, neurodegenerative disorder and cardiovascular diseases
- **Chemicals and Pharma innovation:** In the UK, Intertek has established a unique, dedicated centre for regulatory-driven analytical development and quality control support for oligonucleotide therapeutics, offering unrivalled product specific expertise to our global clients. Our world leading oligonucleotide scientists provide innovative and comprehensive analytical support throughout the pharmaceutical development life cycle
- **Customer benefit:** With access to Intertek's world leading subject matter experts and specialist analytical technology, we empower our clients to ensure the safety, purity and quality of their oligonucleotide products through highly efficient development support, helping them to bring their treatments to the market, and to the patients that need it, faster

### Accelerated Screening of Restricted Substances

- **Customer insight:** Our customer, a luxury watch manufacturer, urgently needed to determine whether their product contained any of 950+ banned substances before they could enter a new market
- **Assurance innovation:** We provided an accelerated screening programme, supported by our proprietary Material Risk Database, which contains 50,000+ data points. Through the programme, we assessed each product component's risk of containing a banned substance. We then mobilised our extensive lab

network to rapidly assess the material risk components

- **Customer benefit:** Thanks to our accelerated screening programme, our customer was able to enter the market successfully and faster than they had expected, benefitting from Intertek's proprietary technology, lab network and efficient assurance approach

### 2018 PERFORMANCE

In 2018 our Products business delivered an excellent performance with strong margin-accretive revenue growth.

Our organic revenue growth at constant rates was 5.2%, driven by broad-based revenue growth across business lines and geographies. We delivered strong adjusted operating profit of £371m, up 9.5% at constant currency enabling us to deliver a margin of 22.1%, up 60bps versus last year:

- Our **Softlines** business reported solid organic growth performance. We are leveraging the investments we have made to support the expansion of our customers into new markets and to seize the exciting growth opportunities in the footwear sector. We continue to benefit from strong demand from our customers for chemical testing as well as from a greater number of brands and SKUs.
- Our **Hardlines** and Toy business continues to take advantage of our strong global account relationships, the expansion of our customers' supply chains into new markets and our innovative technology for factory inspections. We delivered good organic revenue growth performance across our main markets of China, Hong Kong, India and Vietnam.
- Our **Transportation Technologies** business delivered double digit organic revenue growth as we capitalise on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.
- Our **Business Assurance** business delivered strong organic revenue growth as we continue to benefit from the increased focus of corporations on risk management, resulting in strong growth in Supply Chain Audits and increased consumer and government focus on ethical and sustainable supply.

- We delivered robust organic revenue growth in our **Electrical & Connected World** business driven by higher regulatory standards in energy efficiency and by the increased demand for wireless devices and cybersecurity.
- We continue to benefit from the increased focus of corporations on food safety and delivered robust organic revenue growth in our **Food** business.
- We delivered robust organic revenue growth in our **Chemicals & Pharma** business as we continue to leverage the structural growth opportunities in the healthcare markets in both developed and emerging economies and we benefited from the increased focus on product safety and traceability.
- Driven by the growing demand for more environmentally friendly and higher quality buildings and infrastructure in the US market, our **Building & Construction** business reported robust organic revenue growth.

### 2019 OUTLOOK

We expect our Products division to benefit from good organic revenue growth at constant currency.

### MID- TO LONG-TERM OUTLOOK

Our Products division will benefit from mid- to long-term structural growth drivers including product variety, brand and supply chain expansion, product innovation and regulation, the growing demand for quality and sustainability from developed and emerging economies, the acceleration of e-commerce as a sales channel, and the increased corporate focus on risk.



## EVER BETTER SOLUTIONS CONNECTED WORLD

### INSIGHT

In recent years, cybercrime has grown from a threat to corporations' IT systems, to one that permeates every element of operations. Everything from automated manufacturing sites to the connected products sold to customers is affected. This is a new dimension of risk for consumer goods as diverse as lightbulbs to fridges, vehicles to pacemakers. In addition to the familiar requirements of electrical, physical and chemical safety testing is now added cybersecurity assurance, of which clients rarely have significant experience. Intertek's Connected World business has a deep knowledge of product cybersecurity. We help clients to mitigate new and ever-evolving risks. This allows their customers - securely - to experience the benefits connectivity brings to their daily lives.

### INNOVATION

Intertek's Connected World provides cybersecurity solutions for clients based on risk factors of specific products and systems. Our testing for the medical device sector (to which Intertek already provides extensive services for electrical safety testing) is at the forefront of product cybersecurity. Connectivity brings huge advantages to both individual patients, such as real-time remote monitoring and diagnosis, and society more broadly as medical Big Data collected from connected devices speeds the development of new medicines. However, the associated risks are significant, from data privacy concerns about individuals' most sensitive information being accessed through to fatal risks associated with compromised embedded devices.

To help clients launch products which harness these huge benefits of connectivity whilst mitigating the risks, Intertek provides a range of services from basic penetration tests through to full evaluation under US Food and Drug Administration guidelines. Work on products as diverse as surgical robots to hospital monitoring equipment help our clients eliminate security flaws and launch successful products.

### TQA SOLUTIONS



Assurance



Testing



Inspection



Certification

### EVER BETTER

Regulators are increasingly focusing on product cybersecurity in addition to existing data privacy laws. Notably EU and Californian regulation is expected in H2 2019 and Q1 2020 respectively. Intertek is ready to help all our clients meet these challenges, with support at every point in their product life cycle. In addition to securing the physical product, Intertek's Network Security businesses provide a range of cybertesting such as penetration tests and social engineering. These tests provide assurance over data generated by connected products held in the cloud and test the security of underlying IT systems. In this way Intertek helps clients' protect their businesses against all facets of cybercrime.



# TRADE



Solid performance with an acceleration in the second half of the year

## BUSINESS LINES

- Caleb Brett (Cargo/AA)
- Government & Trade Services
- AgriWorld

### REVENUE

**£642.1m**

### ADJUSTED OPERATING PROFIT

**£83.4m**

### STATUTORY OPERATING PROFIT

**£78.3m**

### FINANCIAL HIGHLIGHTS 2018

	2018 £m	2017 £m	Change at actual rates	Change at constant rates
<b>Revenue</b>	<b>642.1</b>	647.8	(0.9)%	3.1%
<b>Organic revenue</b>	<b>636.5</b>	647.8	(1.7)%	2.2%
<b>Adjusted operating profit</b>	<b>83.4</b>	88.7	(6.0)%	(1.3)%
<b>Adjusted operating margin</b>	<b>13.0%</b>	13.7%	(70)bps	(60)bps
<b>Statutory operating profit</b>	<b>78.3</b>	82.8	(5.4)%	
<b>Statutory operating margin</b>	<b>12.2%</b>	12.8%	(60)bps	

### INTERTEK VALUE PROPOSITION

Our Trade division consists of three Global Business Lines with differing services and customers, but similar mid- to long-term structural growth drivers:

- Our **Cargo/AA** business, newly rebranded **Caleb Brett**, provides cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum and biofuels industries.
- Our **Government & Trade Services** ('GTS') business provides inspection services to governments and regulatory bodies to support trade activities that help the flow of goods across borders, predominantly in the Middle East, Africa and South America.
- Our **AgriWorld** business provides analytical and testing services to global agricultural trading companies and growers.

### STRATEGY

Our Total Quality Assurance value proposition assists our Trade-related customers in protecting the value and quality of their products during their custody-transfer, storage and transportation, globally, 24/7. Our expertise, service innovations and advanced analytical capabilities allow us

to optimise the return on our customers' cargoes and help them resolve difficult technical challenges. Our independent product assessments provide peace of mind to our government clients that the quality of products imported into the country meet their standards and import processes.

### INNOVATION

We continue to invest in innovation to deliver a superior customer service in our Trade-related businesses:

### Rapid Response to Extreme Weather Events

• **Customer insight:** With the increase in extreme weather events and the effects of climate change, our insurance industry customers are finding that large and complex 'Catastrophic Loss' claims are becoming more frequent. The ability of our customers to manage their risks quickly and safely is vital when dealing with these claims

• **Trade innovation:** Intertek has created a unique 'rapid response' solution to requests for support on these large and complex claims, attending the site within 24 hours and working to assess safety, environmental impacts and to advise on remedial strategies in mitigating the loss

- **Customer benefit:** With Intertek's support, our insurance industry customers are able to mitigate catastrophic losses faster than ever before, while continuing to ensure safety and compliance

### ScanCal Laser Scanning

• **Customer insight:** For Intertek's Caleb Brett customers, accurate and timely storage tank stock measurement is key for robust stock management, allowing them to identify stock losses and loading issues. However, traditional volumetric approaches can interrupt operations and cause safety risks

• **Caleb Brett innovation:** Intertek's proprietary ScanCal platform uses laser scanning technology to collect and analyse minutely detailed calibration imaging in real time, avoiding interrupting operations, cutting calibration time by over 90% and reducing safety risks

• **Customer benefit:** Our customers' newfound ability to identify issues quickly, accurately and without stopping operations, has allowed them to realise significant operational efficiency gains

### Scanning Electron Microscopy

• **Customer insight:** When the extreme wear conditions of our customers'



## EVER BETTER SOLUTIONS INTERTEK INTERPRET™

### INSIGHT

As the global demand for energy increases, so too does the need to ensure complex hydrocarbon compounds are accurately analysed and effectively utilised.

Oil and gas companies are looking for innovative solutions to help them improve efficiency and data accuracy during hydrocarbon processing within production and refining environments. Rapid access to composition measurement data, characterisation analysis and evaluation are critical for increasing productivity, reducing costs, improving efficiency and growing profits. This customer insight led Intertek to develop the innovative 'Interpret' software solution.

### INNOVATION

Interpret was developed to give clients rapid access to the vital data required to make informed decisions on product quality, saving time and cost while maximising margins. This game-changing breakthrough has led us to create a vast database of the world's crude oils, radically streamlining the processes involved in analysing crude oil chemistry.

By leveraging expertise from across Intertek we enable refineries to accurately predict, in real time, the economics of the oil they refine. This is truly a new layer of specialist support and domain expertise, from our centres of excellence in Aberdeen and oil industry hubs across the world, including Houston, Rotterdam and Singapore.

Intertek is the only company in the world that combines global modelling expertise, technically advanced software and a vast crude oil database to enable real-time, traceable insight on crude oil compositions.

**intertek**  
**interpret™**

### TQA SOLUTIONS



Assurance

### EVER BETTER

By combining these insights to deliver one unique solution, Interpret provides our clients with faster, real-time data to make informed decisions on product quality and quantity. This solution is being used by increasingly more major refineries around the world as it provides them with a tangible competitive advantage. Given the high scalability of the Interpret platform Intertek can help its clients not only in the oil and gas sector but also in other industries.

mechanical equipment cause concern, they look to Intertek to determine how this debris was produced and whether this has implications for the life expectancy of the equipment

- **Caleb Brett innovation:** Our experts have leveraged cutting edge Scanning Electron Microscope technology, not normally used for this purpose, in an innovative new way. Using this technology, our experts can analyse the wear debris with unprecedented accuracy
- **Customer benefit:** With this new level of accuracy, our customers can take maintenance and replacement decisions with confidence, with greater certainty on the condition of their equipment and the potential impact of any damage on the quality of the end product and safety of their staff

### 2018 PERFORMANCE

Our Trade-related businesses delivered an organic revenue growth of 2.2% at constant rates, driven by broad-based revenue growth across business lines and geographies and we delivered an adjusted operating profit of £83.4m, down 1.3% at constant currency driven by portfolio mix.

- Our **Caleb Brett** business reported solid organic revenue growth, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Benefiting from new contracts, our **Government & Trade Services** business delivered robust organic revenue growth.
- Our **AgriWorld** business delivered an organic revenue lower than last year due to lower export activities in a few markets that benefited from strong trading activity in 2017.

### 2019 OUTLOOK

We expect our Trade-related businesses to benefit from good organic performance at constant currency.

### MID- TO LONG-TERM OUTLOOK

Our Trade division will continue to benefit from both regional and global trade-flow growth, as well as the increased customer focus on quality, quantity controls and supply chain risk management.

# RESOURCES



Improved performance following several years of challenging trading conditions

## BUSINESS LINES

Industry Services

Minerals

### REVENUE

**£478.9m**

### ADJUSTED OPERATING PROFIT

**£27.4m**

### STATUTORY OPERATING PROFIT

**£13.4m**

### FINANCIAL HIGHLIGHTS 2018

	2018 £m	2017 £m	Change at actual rates	Change at constant rates
<b>Revenue</b>	<b>478.9</b>	495.8	(3.4)%	0.3%
<b>Organic revenue</b>	<b>478.9</b>	495.8	(3.4)%	0.3%
<b>Adjusted operating profit</b>	<b>27.4</b>	28.5	(3.9)%	(0.4)%
<b>Adjusted operating margin</b>	<b>5.7%</b>	5.7%	Obps	(10)bps
<b>Statutory operating profit</b>	<b>13.4</b>	4.4	204.5%	
<b>Statutory operating margin</b>	<b>2.8%</b>	0.9%	190bps	

### INTERTEK VALUE PROPOSITION

Our Resources division consists of two Business Lines with differing services and customers, but both demonstrating similar cyclical growth characteristics:

- Our **Industry Services** business uses in-depth knowledge of the oil, gas, nuclear and power industries to provide a diverse range of Total Quality Assurance solutions to optimise the use of customers' assets and minimise the risk in their supply chains. Some of our key services include technical inspection, asset integrity management, analytical testing and ongoing training services.
- Our **Minerals** business provides a broad range of ATIC service solutions to the mining and minerals exploration industries, covering the resource supply chain from exploration and resource development, through to production, shipping and commercial settlement.

### STRATEGY

Our Total Quality Assurance value proposition allows us to help customers gain peace of mind that their projects will proceed on time and their assets will continue to operate with a lower risk of technical failure or delay. Our broad range of services allows us to assist clients in protecting the quantity and quality of their mined and drilled products, improve safety and reduce commercial risk in the trading environment.

### INNOVATION

We continue to invest in innovation to deliver a superior customer service in our Resources-related businesses:

#### Microwave Interferometry

- **Customer insight:** A major petrochemical customer had a vast network of fibre-reinforced plastic piping systems in urgent need of integrity assessments
- **Industry Services innovation:** Intertek's experts developed a new inspection solution based on an innovative application of the advanced technique of Microwave Interferometry, allowing for rapid and precise microwave scanning of the pipelines, delivering substantial integrity assessment productivity gains

- **Customer benefit:** Our customer gained assurance over the integrity of their piping quickly and without having to stop operations

#### Ultrasonic Sensors Incorporated into Intertek Aware

- **Customer insight:** Our Oil and Gas customers monitor the corrosion of their equipment to determine its life expectancy and to prevent failures. Traditional inspection methods are manual, involving shutting down equipment, and can present safety risks when equipment is hard to reach

#### Industry Services innovation:

Intertek's experts place remote ultrasonic sensors on our customers' equipment in precisely the right areas to measure the rate of corrosion with the greatest accuracy. The data is automatically fed into Intertek's proprietary Aware software, where it is analysed to predict when the equipment should be replaced, before failures occur

- **Customer benefit:** Intertek's innovative approach removes the need for operations to be interrupted and the risk to safety. Our Aware software empowers our customers to predict equipment corrosion rates in real time, allowing for timely repairs or replacement



## EVER BETTER SOLUTIONS INTERTEK DEEPVIEW 3D™

### Extreme Conditions Simulation

- Customer insight:** Our Oil Industry customers see managing corrosion as vital in protecting our environment from damaging oil spills. The injection of corrosion inhibitor chemicals is an important corrosion control strategy
- Industry Services innovation:** To test whether our customers' corrosion inhibitors will perform reliably, our experts have developed advanced test methods and equipment to simulate worst-case operating conditions, through manipulating factors including brine chemistries, flow rates, temperature, acid gas partial pressures and pipeline condition
- Customer benefit:** Our customers can continue their production operations with the confidence that the environment and their equipment are protected

### 2018 PERFORMANCE

Our Resources-related businesses reported an organic revenue growth of 0.3% at constant rates. We delivered an adjusted operating profit of £27.4m, and our disciplined approach to cost control enabled us to report an operating margin that was broadly stable:

- The revenue from **Capex Inspection Services** was lower than last year and our **Opex Maintenance Services** continued to benefit from stable volume in a price competitive environment.
- Accelerating the trend seen in 2017, we saw robust growth in demand for testing activities in the **Minerals** business.

### 2019 OUTLOOK

We expect to deliver a solid organic revenue growth in our Resources division.

### MID- TO LONG-TERM OUTLOOK

Our Resources division will grow in the mid- to long-term as we benefit from investments in the exploration and production of Oil and Minerals to meet the demand of the growing population around the world.

INSIGHT

In the complex world of offshore oil and gas production, the time and costs involved in inspecting safety-critical equipment are major issues for drilling contractors and operators. To gain a competitive edge, they require access to precise, digital data on equipment condition that helps monitor performance and improve safety. Under traditional inspection and maintenance programmes, key components often need to be broken down and taken onshore in a time-consuming inspection process. This ties up mission-critical and expensive resources, while the transportation contributes significantly to a company's carbon footprint.

INNOVATION

Following in-depth customer conversations drawing on TQA expertise from across our ATIC value chain, Intertek developed a practical, lower-cost process to enable rapid on-deck inspections. DeepView 3D™ is a new, innovative inspection methodology that combines 3D laser scanning and precise metrology data with advanced non-destructive testing ('NDT') results that are then joined in 3D space. By combining established technologies to create an innovative new solution, DeepView 3D™ produces a digital equipment condition record, while reducing typical inspection time and significantly minimising a company's environmental impact.

In addition, over time this new solution allows clients to move away from time-based maintenance to a more efficient condition-based programme, generating significant cost savings.

intertek  
**deepview 3d™**

TQA SOLUTIONS



Inspection

EVER BETTER

Using innovation and cutting-edge technologies, Intertek now sets a new standard for digital mechanical integrity data and condition assessment of critical drilling and offshore operational assets.

This margin-accretive, differentiated solution will also allow Intertek to diversify into other areas that involve expensive and hazardous testing requirements, including the aerospace, nuclear, defence, automotive and construction industries. As a result, DeepView 3D™ has generated considerable interest amongst existing and new clients in the oil and gas industry.



# KPIs - MEASURING OUR STRATEGY



Disciplined performance management focused on margin-accretive revenue growth with strong cash conversion and accretive capital allocation to drive strong returns on invested capital.

## FINANCIAL

The Group uses a variety of key performance indicators ('KPIs') to monitor performance and measure the financial impact of the Group's strategy. Where applicable, KPIs are based on Adjusted measures in order to provide a meaningful and consistent year-on-year comparison. An explanation and reconciliation of Statutory to Adjusted performance measures is given on pages 62 and 63.

Non-financial KPIs are shown in the Sustainability report on pages 22 to 43.

## DEFINITIONS

- Constant currency rates ('CCY')**: Growth at constant exchange rates compares both 2018 and 2017 figures at the average and year-end exchange rates for 2018, in order to remove the impact of currency translation from the Group's growth figures.
- Organic**: Organic measures are used in order to present the Group's results excluding the results of acquisitions and disposals made since 1 January 2017.
- Operating Profit**: Revenue less Operating costs.
- Operating Margin**: Operating Profit divided by Revenue.
- Return on Invested Capital**: Adjusted Operating Profit less Adjusted Taxes divided by Invested Capital.
- Adjusted Taxes**: Adjusted income tax divided by Adjusted Profit Before Tax multiplied by Adjusted Operating Profit.
- Invested Capital**: Net Assets less Tax balances, Net debt and Net pension liabilities.
- Diluted Earnings per Share**: Profit for the year attributable to equity shareholders of the Company divided by the Diluted weighted average number of shares (see Note 7 to the financial statements).
- Cash flow from Operations**: see Group cash flow statement on page 119.

- Adjusted actual rates
- Adjusted constant rates
- Statutory actual rates
- 2018 Adjusted
- 2017 Adjusted
- Proforma excluding Alchemy
- Statutory

## REVENUE<sup>#</sup> (£m)

Revenue growth measures how well the Group is expanding its business, and includes currency impacts.



## OPERATING PROFIT<sup>1, #</sup> (£m)

Measures profitability of the Group and includes currency impacts.



## DILUTED EARNINGS PER SHARE<sup>1</sup> (pence)

A key measure of value creation for the Board and for shareholders.



## CASH FLOW FROM OPERATIONS<sup>1</sup> (£m)

Shows the ability of the Group to turn profit into cash.



**ORGANIC REVENUE (£m)**

Revenue growth, excluding acquisitions and disposals.

**OPERATING MARGIN<sup>1</sup> (%)**

Margin measures profitability as a proportion of revenue.

**DIVIDEND PER SHARE<sup>2</sup> (pence)**

Dividend per share measures returns provided to shareholders.

**RETURN ON INVESTED CAPITAL AT CONSTANT EXCHANGE RATES<sup>3, #</sup> (%)**

Measures how effectively the Group generates profit from its invested capital.



# Revenue, Adjusted Operating Profit and Return on Invested Capital ('ROIC') are recalculated using 2017 exchange rates to form the basis for Executive Director remuneration, as described in more detail on pages 98 to 99.

1. Adjusted operating profit, adjusted operating margin, adjusted cash flow from operations and adjusted diluted earnings per share are stated before Separately Disclosed Items, which are described on pages 62 to 63. There is no difference between adjusted and statutory revenue.
2. Dividend per share is based on the interim dividend of 31.9p (2017: 23.5p) plus the proposed final dividend of 67.2p (2017: 47.8p).
3. 2017 ROIC has been prepared using 2018 average exchange rates for Adjusted Operating Profit and Adjusted Tax, and year end 2018 exchange rates for Invested Capital. 2017 ROIC at actual rates was 26.7%.

**IN THIS SECTION**

This section demonstrates the Group's performance against Key Performance Indicators, summarises the Group's principal risks and uncertainties and provides commentary on the financial performance of the Group in 2018.

**KPIs**

[Read more on page 52](#) ➔

**PRINCIPAL RISKS AND UNCERTAINTIES**

[Read more on page 54](#) ➔

**FINANCIAL REVIEW**

[Read more on page 60](#) ➔

# PRINCIPAL RISKS AND UNCERTAINTIES



This section sets out a description of the principal risks and uncertainties that could have a material adverse effect on the Group's strategy, performance, results, financial condition and reputation.

## RISK FRAMEWORK

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. This work is complemented by the Group Risk Committee, whose purpose is to manage, assess and promote the continuous improvement of the Group's risk management, controls and assurance systems. This risk governance framework is described in more detail in the Directors' Report on pages 83 to 88.

The Head of Internal Audit and the Group General Counsel, who report to the Chief Financial Officer and Chief Executive Officer respectively, have accountability for reporting the key risks that the Group faces, the controls and assurance processes in place and any mitigating actions or controls. Both roles report to the Audit Committee, attend its meetings and meet with individual members each year as required.

Risks are formally identified and recorded in a risk register for the significant countries and for each business line and support function. The risk register is updated at least twice each year and is used to plan the Group's internal audit and risk strategy.

In addition to the risk register, all senior executives and their direct reports are required to complete an annual return to confirm that management controls have been effectively applied during the year. The return covers Sales, Operations, IT, Finance and People.

## PRINCIPAL RISKS

The Group is affected by a number of risk factors, some of which, including macroeconomic and industry-specific cyclical risks, are outside the Group's control. Some risks are particular to Intertek's operations. The principal risks of which the Group is aware are

### Operational

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
<b>Reputation</b>	Reputation is key to the Group maintaining and growing its business. Reputation risk can occur in a number of ways: directly as the result of the actions of the Group or a Group company itself; indirectly due to the actions of an employee or employees; or through the actions of other parties, such as joint venture partners, suppliers, customers or other industry participants.	<ul style="list-style-type: none"> <li>Failure to meet financial performance expectations.</li> <li>Exposure to material legal claims, associated costs and wasted management time.</li> <li>Destruction of shareholder value.</li> <li>Loss of existing or new business.</li> <li>Loss of key staff.</li> </ul>
<b>Customer Service</b>	A failure to focus on customer needs, to provide customer innovation or to deliver our services in accordance with our customers' expectations and our customer promise.	<ul style="list-style-type: none"> <li>May lead to customer dissatisfaction and customer loss.</li> <li>Gradual erosion of market share and reputation if competitors are perceived to have better, more responsive or more consistent service offerings.</li> </ul>

detailed on the following pages including a commentary on how the Group mitigates these risks. These risks and uncertainties do not appear in any particular order of potential materiality or probability of occurrence.

There may be other risks that are currently unknown or regarded as immaterial which could turn out to be material. Any of these risks could have the potential to impact the performance of the Group, its assets, liquidity, capital resources and its reputation.

Our principal risks continue to evolve in response to our changing risk environment. We have added Brexit as a risk this year because of the continuing political uncertainty. We have considered the risks presented by Brexit based on potential scenarios. As part of our risk planning, we have taken steps to relocate our UK-based Notified Bodies to other EU member states as Brexit will have a direct impact on the ability of UK-based Notified Bodies to issue EC certificates for products being sold in the EU markets. Although we are keeping Brexit developments under review, we do not at this stage perceive any material risk to the Company's viability arising from Brexit.

Two previous risks are no longer identified as principal risks for 2018: litigation risk is no longer seen as a principal risk on a standalone basis as it is a sub-set of the quality and reputation risks; we believe our facilities risk has reduced based on our business continuity planning work.

## LONG-TERM VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to 31 December 2023, by carrying out a robust assessment of the potential impact of the principal risks and uncertainties on the Group's current position, including those that would threaten the Group's business model, future performance, solvency or liquidity. This is documented on the following pages.

The Directors have determined that a five-year period is an appropriate period over which to provide the viability statement of the Group, as the Group's strategic review covers a five-year period.

SCENARIO	ASSOCIATED PRINCIPAL RISKS	DESCRIPTION
<b>Regulatory environment change</b>	<ul style="list-style-type: none"> <li>• Industry and competitive landscape</li> <li>• Customer service</li> <li>• Regulatory and political change</li> <li>• People retention</li> <li>• Reputation</li> <li>• Brexit</li> </ul>	Failure to identify, understand and respond to regulatory or political changes results in loss of revenue, profitability, market share and/or adversely changes the competitive landscape.
<b>Customer service issue</b>	<ul style="list-style-type: none"> <li>• Industry and competitive landscape</li> <li>• Customer service</li> <li>• Business ethics</li> <li>• People retention</li> <li>• Reputation</li> <li>• Brexit</li> </ul>	Failure to respond/adapt to a customer service issue leads to a loss of key customers and detrimentally impacts reputation.
<b>Ethical and/or quality breach</b>	<ul style="list-style-type: none"> <li>• Customer service</li> <li>• Business ethics</li> <li>• People retention</li> <li>• Financial risk</li> <li>• Operational health, safety and security</li> <li>• Reputation</li> <li>• Brexit</li> </ul>	An ethical and/or quality breach leads to litigation (including significant fines and debarment from certain territories / activities), reputational damage, loss of accreditation and erosion of customer confidence.
<b>IT systems breach</b>	<ul style="list-style-type: none"> <li>• Customer service</li> <li>• People retention</li> <li>• IT systems and data security</li> <li>• Reputation</li> <li>• Brexit</li> </ul>	A serious data security / IT systems breach results in a significant financial penalty and a loss of reputation among customers.

Furthermore, the Directors believe the five-year period appropriately reflects the average business cycles of the business lines in which the Group operates, particularly in relation to capital expenditure investment horizons.

In addition to the bottom-up strategic review process where the prospects of each business line are reviewed, an assessment has been made of the potential operational and financial impacts on the Group of the principal risks and uncertainties outlined in the following pages. The Directors have also assessed certain combinations of these principal risks and uncertainties in a number of severe, but plausible, scenarios, as well as the effectiveness of any mitigating actions.

The Group has a broad customer base across its multiple business lines and in its different geographic regions, and is supported by a robust Balance Sheet and strong operational cash flows. The Board considers that the diverse nature of business lines and geographies in which the Group operates significantly mitigates the impact that any of these scenarios might have on the Group's viability.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2023. The statement on going concern is in the Directors' Report on page 88.

## MITIGATION

- Quality Management Systems; adherence to these is regularly audited and reviewed by external parties, including accreditation bodies.
- Risk Management Framework and associated controls and assurance processes, including contractual review and liability caps where appropriate.
- Code of Ethics which is communicated to all staff, who undergo regular training.
- Zero-tolerance approach with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf.
- Whistleblowing programme, monitored by the Audit Committee, where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group.
- Relationship management and communication with external stakeholders.
  
- Net Promoter Score ('NPS') customer satisfaction, customer sales trends and turnaround time tracking.
- Global and Local Key Account Management ('GKAM'/'LKAM') initiatives in place.
- Customer feedback meetings.
- Customer claims/complaints reporting.

## 2018 UPDATE

- This risk remains stable compared with 2017.
- The Group continues to invest in staff development, quality systems and standard processes to prevent operational failures.
  
- This risk remains stable compared with 2017.

# PRINCIPAL RISKS AND UNCERTAINTIES

continued

## Operational

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
<b>People Retention</b>	The Group operates in specialised sectors and needs to attract and retain employees with relevant experience and knowledge in order to take advantage of all growth opportunities.	<ul style="list-style-type: none"> <li>Poor management succession.</li> <li>Lack of continuity.</li> <li>Failure to optimise growth.</li> <li>Impact on quality, reputation and customer confidence.</li> <li>Loss of talent to competitors and lost market share.</li> </ul>
<b>Operational Health, Safety and Security</b>	Any health and safety incident arising from our activities. This could result in injury to Intertek's employees, sub-contractors, customers and/or any other stakeholders affected.	<ul style="list-style-type: none"> <li>Individual or multiple injuries to employees and others.</li> <li>Litigation or legal/regulatory enforcement action (including prosecution) leading to reputational damage.</li> <li>Loss of accreditation.</li> <li>Erosion of customer confidence.</li> </ul>
<b>Industry and Competitive Landscape</b>	A failure to identify, manage and take advantage of emerging and future risks. Examples include the opportunities provided by new markets and customers, a failure to innovate in terms of service offering and delivery, the challenge of radically new and different business models, and the failure to foresee the impact of, or adequately respond to and comply with, changing or new laws and regulations. Macroeconomic factors such as a global/market downturn and contraction/changing requirements in certain sectors.	<ul style="list-style-type: none"> <li>Failure to maximise revenue opportunities.</li> <li>Failure to take advantage of new opportunities.</li> <li>Lack of ability to respond flexibly.</li> <li>Erosion of market share.</li> <li>Impact on share price.</li> <li>Failure to respond to macroeconomic factors.</li> <li>Sanctions and fines for non-compliance with new laws, etc.</li> </ul>
<b>UK Withdrawal from the EU (Brexit)</b>	Flow of goods and services: increased friction at customs points could disrupt our customers' "just in time" supply chains in the short-term or lead to changes in global supply chains in the mid- to longer-term. People: restrictions on the free movement of people between the UK and EU could make it more difficult to attract and retain talent in those markets. Regulatory environment: de-harmonisation relating to product or manufacturing standards could increase the regulatory burden on our customers and have an impact their investment decisions.	<ul style="list-style-type: none"> <li>Reduced work volumes or delays in anticipated customer orders.</li> <li>Longer-term changes in global supply chains could lead to a need to refocus our service offering or delivery locations to align optimally with customer requirements and to remain competitive.</li> <li>A failure to attract and retain talent could lead to a failure to optimise growth.</li> <li>A failure to identify, understand and align our service offering and delivery with additional or diverging regulatory barriers could lead to a loss of revenue / profitability / market share.</li> </ul>
<b>IT Systems and Data Security</b>	Systems integrity: major IT systems integrity issue, or data security breach, either due to internal or external factors such as deliberate interference or power shortages/cuts etc. Systems functionality: a failure to define the right IT strategies, maintain existing IT systems or implement new IT systems with the required functionality and which are fit for purpose, in each case to support the Group's growth, innovation and competitive customer offering. Data security: a failure to adequately protect the Group's confidential information, customer confidential information or the personal data of the Group's employees, customers or other stakeholders.	<ul style="list-style-type: none"> <li>Loss of revenue due to down time.</li> <li>Potential loss of sensitive data with associated legal implications, including regulatory sanctions and potential fines.</li> <li>Potential costs of IT systems replacement and repair.</li> <li>Loss of customer confidence.</li> <li>Damage to reputation.</li> <li>Loss of revenue/profitability if we fail to adopt an IT investment strategy which supports the Group's growth, innovation and customer offering.</li> </ul>

MITIGATION	2018 UPDATE
<ul style="list-style-type: none"> <li>• HR strategy policies and systems.</li> <li>• Development and reward programme to retain and motivate employees.</li> <li>• Succession planning to ensure effective continuation of leadership and expertise.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared with 2017.</li> </ul>
<ul style="list-style-type: none"> <li>• Quality management and associated controls, including safety training, appropriate PPE (Personal Protective Equipment), Health &amp; Safety policies (including due diligence on sub-contractors), meetings and communication.</li> <li>• Avoiding fatalities, accidents and hazardous situations is paramount. It is expected that Intertek employees will operate to the highest standards of health and safety at all times and there are controls in place to reduce incidents.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared with 2017.</li> </ul>
<ul style="list-style-type: none"> <li>• GKAM and LKAM initiatives in place.</li> <li>• Diversification of customer base.</li> <li>• Focus on new services and acquisitions.</li> <li>• Tracking new laws and regulations.</li> <li>• Regular strategic and business line reviews.</li> <li>• Development of ATIC-selling initiatives.</li> <li>• NPS customer research to understand customer satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared with 2017.</li> <li>• The Group's results have been impacted by the lower levels of capital expenditure in the energy sector, driven by lower oil prices, but more than offset by the diverse nature of the Group and its ability to grow revenue and manage the cost base.</li> </ul>
<ul style="list-style-type: none"> <li>• Monitoring of legal / regulatory / political developments affecting Group companies and our ability to operate.</li> <li>• Engagement with customers to monitor developments, views and feedback.</li> <li>• Monitoring of media and public statements by customers / regulatory bodies / other stakeholders.</li> <li>• Liaising with UK Government departments to gather intelligence and explore opportunities to support.</li> <li>• Brexit planning to mitigate impacts on Notified Bodies, people and customer service delivery.</li> <li>• Access to market sector analysis from advisers.</li> <li>• Prioritised investment in growth / strategic areas.</li> </ul>	<ul style="list-style-type: none"> <li>• This has been added as a new risk as political uncertainty remains.</li> <li>• Brexit has a direct impact on our U.K. Notified Bodies and we have taken steps to relocate these businesses to address that risk.</li> <li>• We continue to monitor developments.</li> </ul>
<ul style="list-style-type: none"> <li>• Information systems policy and governance structure.</li> <li>• Regular system maintenance.</li> <li>• Backup systems in place.</li> <li>• Disaster recovery plans that are constantly tested and improved to minimise the impact if a failure does occur.</li> <li>• Global Information Security policies in place (IT, Data Protection, Cyber Security).</li> <li>• Adherence to IT finance systems controls (part of Core Mandatory Controls ('CMCs')).</li> <li>• Adherence to IT general controls.</li> <li>• Internal and external audit testing.</li> </ul>	<ul style="list-style-type: none"> <li>• This risk remains stable compared with 2017.</li> <li>• Additional work being undertaken to ensure continued adherence to the EU's General Data Protection Regulation since implementation in May 2018.</li> </ul>

# PRINCIPAL RISKS AND UNCERTAINTIES

continued

## Legal and Regulatory

PRINCIPAL RISK	CONTEXT	POSSIBLE IMPACT
<b>Business Ethics</b>	Non-compliance with Intertek's Code of Ethics ('Code') and/or related laws such as anti-bribery, anti-money laundering, and fair competition legislation. Non-compliance could be either accidental or deliberate, and committed either by our people or sub-contractors who must also abide by the Code.	<ul style="list-style-type: none"> <li>Litigation, including significant fines and debarment from certain territories/activities.</li> <li>Reputational damage.</li> <li>Loss of accreditation.</li> <li>Erosion of customer confidence.</li> <li>Impact on share price.</li> </ul>
<b>Regulatory and Political Landscape</b>	A failure to identify and respond appropriately to a change in law and/or regulation, or to a political decision, event or condition which could impact demand for the Group's services or the Group's ability to grow, innovate and/or provide a competitive customer offering in any existing or new industry sector or market.	<ul style="list-style-type: none"> <li>Loss of revenue, profitability and/or market share.</li> <li>Increase to costs of operations, reduction in profitability.</li> <li>Reduction in the attractiveness of investment in specific business, sectors or markets and/or adverse change to the competitive landscape.</li> </ul>

## Financial

<b>Financial Risk</b>	Risk of theft, fraud or financial misstatement by employees. On acquisitions or investments, the financial risk or exposure arising from due diligence, integration or performance delivery failures.	<ul style="list-style-type: none"> <li>Financial losses with a direct impact on the bottom line.</li> <li>Large-scale losses can affect financial results.</li> <li>Potential legal proceedings leading to costs and or management time.</li> <li>Corresponding loss of value and reputation could result in funding being withdrawn or provided at higher interest rates.</li> <li>Possible adverse publicity.</li> </ul>
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**MITIGATION**

- Annual Code of Ethics training and sign-off requirement.
- Whistleblowing programme, monitored by the Group Risk Committee, where staff are encouraged to report, without risk, any fraudulent or other activity likely to adversely affect the reputation of the Group.
- Enhanced processes for engagement with suppliers and third parties.
- Zero-tolerance approach with regard to any inappropriate behaviour by any individual employed by the Group, or acting on the Group's behalf.
- The Group employs local people in each country who are aware of local legal and regulatory requirements. There are also extensive internal compliance and audit systems to facilitate compliance. Expert advice is taken in areas where regulations are uncertain.
- The Group continues to dedicate resources to ensure compliance with the UK Bribery Act and all other anti-bribery legislation, and internal policy.
- Monitoring of regulatory environment and political developments.
- Analysis of impact of regulatory and political changes on operational SOPs and Group policies.
- Membership of relevant associations, e.g. IFIA with related advocacy and liaison activities.

**2018 UPDATE**

- This risk remains stable compared with 2017.
- Ongoing annual confirmations ensure that staff verify compliance with the Code of Ethics.
- Local compliance officers perform due diligence on sub-contractors to check that they have signed the Group's Code.
- During 2018, 158 (2017: 202) non-compliance issues were reported through the whistleblowing hotline and other routes. All were investigated with 45 (2017: 36) substantiated and corrective action taken.

- This risk remains stable compared with 2017.

- The Group has financial, management and systems controls in place to ensure that the Group's assets are protected from major financial risks.
- Adherence to Authorities Grid (which sets approval limits for financial transactions).
- Legal, financial and other due diligence on M&A and other investments.
- A detailed system of financial reporting is in place to ensure that monthly financial results are thoroughly reviewed. The Group also operates a rigorous programme of internal audits and management reviews. Independent external auditors review the Group's half-year results and audit the Group's annual financial statements.

- This risk remains stable compared with 2017.
- 'Doing Business the Right Way' established as core principle within Intertek.
- Review and update of core mandatory controls for year-end compliance certification.

# FINANCIAL REVIEW



“

**We have continued to make strong progress in the delivery of our 5x5 differentiated strategy for growth. In 2018, we accelerated organic revenue growth, further improved operating profit margin to a record 17.2% and delivered strong EPS growth. Our focus on cash and balance sheet efficiency delivered strong cash conversion and continued improvements in ROIC on an underlying basis.”**

Ross McCluskey  
Chief Financial Officer



Improved organic revenue growth and a focus on cost and operational initiatives delivered a record margin for the Group.

**+1.2% +4.7% +39.0%**

Revenue up to £2,801m Dividend per share

**+3.0% +6.9% +3.2% +7.2%**

Adjusted operating profit up to £482m Statutory operating profit up to £436m

**+30bps +40bps +30bps +40bps**

Adjusted operating margin up to 17.2% Statutory operating margin up to 15.6%

**+3.5% +7.7% (0.9%) +3.2%**

Adjusted diluted EPS Statutory diluted EPS

**£389m £113m**

Acquisitions Organic investment spend

**£110m (20.7%) 3.9% (110)bps**

Working capital Working capital % revenue

Actual rates Constant rates

## CONSOLIDATED INCOME STATEMENT COMMENTARY

Revenue for the year was £2,801.2m, up 1.2% (up 4.7% at constant exchange rates), with organic revenue growth of 3.7% at constant exchange rates.

The Group's organic revenue reflected 5.2% growth in the Products division and 2.2% growth in the Trade division, while trading conditions in our Resources division resulted in a stable revenue performance in 2018.

The Group's adjusted operating profit was £481.8m, up 3.0% on the prior year (up 6.9% at constant exchange rates).

The adjusted operating margin was 17.2%, an increase of 40bps from the prior year at constant exchange rates, representing a record for the Group. Adjusted organic operating margin at constant rates increased by 30bps as we benefited from positive operating leverage and margin-accretive divisional mix. It is also pleasing to note the positive contribution of acquisitions to the Group, which added 10bps to margin in 2018.

In March 2016, the Group announced its 5x5 differentiated strategy for growth and our implementation continued at pace in 2018, and after three years we are now over halfway through our portfolio review. Consistent with the delivery of our 5x5 strategy for growth enablers, we also continued to refine our organisational structure to effectively support our business model. In line with this, a £13.6m restructuring cost has been recognised in Separately Disclosed Items (SDIs) in the year, which impacted 18 business units in the year, taking the total programme to 76 business units.

The Group's statutory operating profit for the year was £436.2m (2017: £422.7m), with statutory operating margin of 15.6%, up 30bps on the prior year. The Group's statutory profit for the year after tax was £305.2m (2017: £306.4m) reflecting higher SDIs in the year and an increased tax charge.

## NET FINANCING COSTS

The Group benefitted from a lower adjusted net financing cost of £25.3m (2017: £28.9m) in the year. Adjusted net financing costs pre-foreign exchange movements declined by £0.1m in the year to £26.8m (2017: £26.9m), despite the acquisition of Alchemy in August 2018. Foreign exchange movements resulted in a gain of £1.5m in the year (2017: £2.0m loss). The statutory net financing cost of £31.7m included £6.4m (2017: £0.5m) relating to SDIs.

## TAX

The Group effective tax rate on adjusted profit before income tax was 24.7% (2017: 24.5%) reflecting the unwind of the one-off 2017 benefit from the US tax reforms being offset by the recognition of additional deferred tax assets. The adjusted tax charge, which excludes the impact of SDIs, is £112.8m (2017: £107.5m).

The statutory tax charge, including the impact of SDIs, of £99.3m (2017: £86.9m), equates to an effective rate of 24.5% (2017: 22.1%) and the cash tax on adjusted results is 20.4% (2017: 23.0%).

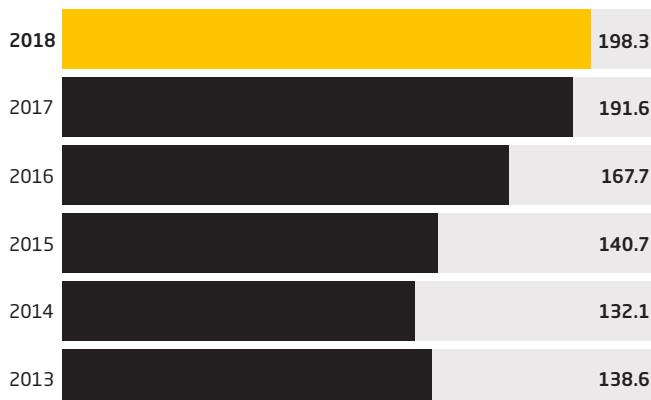
## RESULTS FOR THE YEAR

	2018 £m	2017 £m
<b>Key financials</b>		
Revenue	<b>2,801.2</b>	2,769.1
Adjusted Group operating profit	<b>481.8</b>	467.7
Adjusted diluted EPS	<b>198.3p</b>	191.6p
Statutory Group operating profit	<b>436.2</b>	422.7
Statutory diluted EPS	<b>174.7p</b>	176.3p
Adjusted profit after tax	<b>343.7</b>	331.3
Statutory profit after tax	<b>305.2</b>	306.4
Adjusted cash flow from operations	<b>602.9</b>	596.1
Statutory cash flow from operations	<b>580.9</b>	579.2
Dividend per share	<b>99.1p</b>	71.3p
Dividends paid in the year	<b>128.3</b>	107.0

## FIVE-YEAR PERFORMANCE

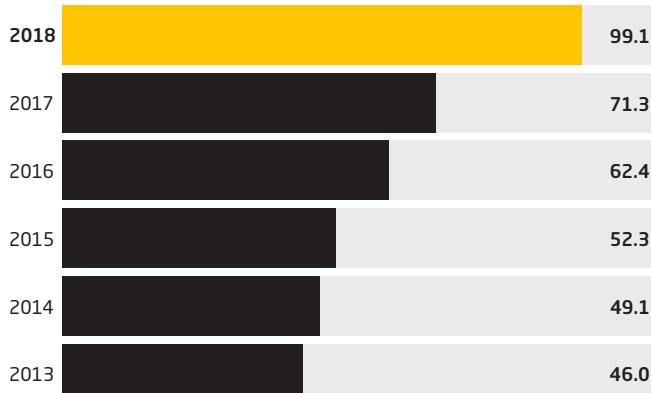
Adjusted Diluted EPS<sup>1</sup> (pence)

**+7.4% CAGR<sup>3</sup>**



Dividend per Share<sup>2</sup> (pence)

**+16.6% CAGR<sup>3</sup>**



1. Presentation of results: To provide readers with a clear and consistent presentation of the underlying operating performance of the Group's business, some figures discussed in this review are presented before Separately Disclosed Items (see note 3 of the financial statements). A reconciliation between Adjusted and Statutory performance measures is set out overleaf.

2. Dividend per share for 2018 is based on the interim dividend paid of 31.9p (2017: 23.5p) plus the proposed final dividend of 67.2p (2017: 47.8p).

3. CAGR represents the compound annual growth rate from 2013 to 2018.

The underlying performance of the business, by division, is shown in the table below:

	Notes	Revenue		Adjusted operating profit		
		2018 £m	Change at actual rates %	2018 £m	Change at actual rates %	Change at constant rates %
Products	2	<b>1,680.2</b>	3.4	6.6	<b>371.0</b>	5.8
Trade	2	<b>642.1</b>	(0.9)	3.1	<b>83.4</b>	(6.0)
Resources	2	<b>478.9</b>	(3.4)	0.3	<b>27.4</b>	(3.9)
<b>Group total</b>		<b>2,801.2</b>	<b>1.2</b>	<b>4.7</b>	<b>481.8</b>	<b>3.0</b>
Net financing costs	14				(25.3)	
<b>Adjusted profit before income tax</b>					<b>456.5</b>	<b>4.0</b>
Adjusted Income tax expense	6				112.8	
<b>Adjusted profit for the year</b>					<b>343.7</b>	<b>3.7</b>
<b>Adjusted diluted EPS</b>	7				<b>198.3p</b>	<b>7.7</b>

# FINANCIAL REVIEW

## continued



### EARNINGS PER SHARE

The Group delivered adjusted diluted earnings per share ('EPS') of 198.3p (2017: 191.6p). Diluted EPS after SDIs was 174.7p (2017: 176.3p), and basic EPS was 176.8p (2017: 178.6p).

### DIVIDEND

In line with our new dividend policy that targets a payout of circa 50%, the Board recommends a full-year dividend of 99.1p per share, an increase of 39%. This recommendation reflects the Group's earnings progression, strong financial position and the Board's confidence in the Group's structural growth drivers into the future.

The full-year dividend of 99.1p represents a total cost of £159.9m or 50% of adjusted profit attributable to shareholders of the Group for 2018 (2017: £115.1m and 37%). The dividend is covered 2.0 times by earnings (2017: 2.7 times), based on adjusted diluted earnings per share divided by dividend per share.

### 5X5 STRATEGY IMPLEMENTATION

In March 2016, the Group announced its 5x5 differentiated strategy for growth, with the aim to move the centre of gravity of the Company towards high-growth, high-margin areas in its industry, which included two strategic priorities relevant to the operational structure of the business:

- to operate a portfolio that delivers focused growth amongst the business lines, countries and services, including a strategic review of underperforming business units.
- to deliver operational excellence in every operation to drive productivity, including re-engineering of unnecessary processes and layers and the refinement of our organisational structure.

During the year, the Group has continued to implement certain non-recurring action plans identified through the portfolio review in specific country and/or business line combinations, consistent with the 5x5 strategy, with a resulting charge of £13.6m in the year. These activities included the termination of certain business lines in some countries; the closure and consolidation of business line locations in certain countries; the reorganisation of various management structures either in-country or across multiple countries in a region; or the fundamental reorganisation of global business lines including direct staff, management and support function structures.

Restructuring charges are included in the SDI section below, in instances where they have been specifically identified as part of the portfolio review, are non-recurring and meet the IAS 37 criteria, in contrast to restructuring costs for ongoing standard cost-efficiency and cost-saving opportunities, which are incurred within adjusted results.

### PENSIONS

The Group's net pension liabilities reduced to £12.5m (2017: £17.8m) driven by periodic update to our actuarial assumptions.

The Group has noted the recent High Court ruling regarding guaranteed minimum pension liabilities and our work to quantify the impact is underway, although it is not expected to be meaningful.

In 2018, the Group recorded a £5.4m (2017: nil) pension curtailment gain on the UK defined benefit scheme.

### SEPARATELY DISCLOSED ITEMS ('SDIs')

A number of items are separately disclosed in the financial statements as exclusion of these items provides readers with a clear and consistent presentation of the underlying operating performance of the Group's business. Reconciliations of the Statutory to Adjusted measures are given below.

When applicable, these SDIs include amortisation of acquisition intangibles; impairment of goodwill and other assets; the profit or loss on disposals of businesses or other significant fixed assets; costs related to acquisition activity; the cost of any fundamental restructuring of a business; material claims and settlements; significant recycling of amounts from equity to the income statement; and unrealised market or fair value gains or losses on financial assets or liabilities, including contingent consideration.

Adjusted operating profit excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Income Statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure. The costs of any restructuring as part of our 5x5 differentiated strategy for growth are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group as a result of the portfolio activities discussed above and are not expected to recur in those operations. The impairment of goodwill and other assets that by their nature or size are not expected to recur, the profit and loss on disposals of businesses or other significant assets and the costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit in order to provide useful information regarding the underlying performance of the Group's operations.

The SDIs charge for 2018 comprises amortisation of acquisition intangibles of £24.6m (2017: £16.0m); acquisition costs relating to successful, active or aborted acquisitions of £8.5m (2017: £3.2m); restructuring costs (as described above) of £13.6m (2017: £12.4m); and gain on disposal of subsidiaries and associates of £1.1m (2017: £nil).

### 2018 RECONCILIATION OF STATUTORY TO ADJUSTED PERFORMANCE MEASURES

£m	Statutory	SDIs	Adjusted
Revenue	<b>2,801.2</b>	-	<b>2,801.2</b>
Operating profit	<b>436.2</b>	<b>45.6</b>	<b>481.8</b>
Operating margin (%)	<b>15.6%</b>	<b>1.6%</b>	<b>17.2%</b>
Net financing costs	(31.7)	6.4	(25.3)
Income tax expense	(99.3)	(13.5)	(112.8)
Profit for the year	<b>305.2</b>	<b>38.5</b>	<b>343.7</b>
Cash flow from operations	<b>580.9</b>	22.0	<b>602.9</b>
Basic EPS (p)	<b>176.8p</b>	<b>23.9p</b>	<b>200.7p</b>
Diluted EPS (p)	<b>174.7p</b>	<b>23.6p</b>	<b>198.3p</b>

## 2017 RECONCILIATION OF STATUTORY TO ADJUSTED PERFORMANCE MEASURES

£m	Statutory	SDIs	Adjusted
Revenue	2,769.1	-	2,769.1
Operating profit	422.7	45.0	467.7
Operating margin (%)	15.3%	1.6%	16.9%
Net financing costs	(29.4)	0.5	(28.9)
Income tax expense	(86.9)	(20.6)	(107.5)
Profit for the year	306.4	24.9	331.3
Cash flow from operations	579.2	16.9	596.1
Basic EPS (p)	178.6p	15.5p	194.1p
Diluted EPS (p)	176.3p	15.3p	191.6p

Further information on Separately Disclosed Items is given in note 3 to the financial statements.

## ACQUISITIONS AND INVESTMENT

One of the key corporate goals of the Group's 5x5 strategy is delivering an accretive, disciplined capital allocation policy. As a result the Group invests both organically, and by acquiring or investing in complementary businesses to strengthen our portfolio in the locations demanded by clients. This approach enables the Group to focus on those existing business lines or countries with good growth and margin prospects where we have market-leading positions or to enter new exciting growth areas offering the latest technologies and quality assurance services.

### Acquisitions and investments

The Group completed four (2017: two) acquisitions in the year with 2018 cash consideration of £387.9m (2017: £27.4m), net of cash acquired of £5.6m (2017: £2.1m).

In March 2018, the Group acquired Aldo Abela Surveys Limited ("AAS"), a leading provider of quality and quantity cargo inspection services, based in Malta.

In April 2018, the Group acquired Proasem S.A.S. ("Proasem"), a leading provider of laboratory testing, inspection, metrology and training services to the Oil & Gas sector, based in Colombia.

In June 2018, the Group acquired NTA Monitor Limited ("NTA"), a leading network security and assurance services provider, based in the UK and Malaysia.

In August 2018, the Group acquired Alchemy Investment Holdings, Inc. ("Alchemy"), an industry leader in People Assurance solutions for the food industry, based in the USA.

These acquisitions provide valuable additional service lines and new geographic locations for the Group, and will help drive future profitable revenue growth and further accelerate the growth momentum of our high-margin and capital-light assurance business.

In 2018, £0.1m (2017: £7.8m) was spent in relation to consideration for prior-year acquisitions.

### Organic investment

The Group also invested £113.2m (2017: £112.9m) organically in laboratory expansions, new technologies (including software) and equipment and other facilities. This investment represented 4.0% of revenue (2017: 4.1%).

## KEY PERFORMANCE INDICATORS

The Group uses a variety of key performance indicators ('KPIs') to monitor the financial performance of the Group and operating divisions. The specific metrics and associated definitions are disclosed on pages 52 to 53.

Organic revenue at constant currency is presented to show the Group's revenue excluding the effects of the change in the scope of the consolidation (acquisitions and disposals made since 1 January 2017) and removing the impact of currency translation from the Group's growth figures.

Organic revenue at constant currency	2018 £m	2017 £m	Change %
Reported revenue	<b>2,801.2</b>	2,769.1	1.2%
less: Acquisitions / disposals revenue	<b>(31.4)</b>	(4.9)	
Organic revenue	<b>2,769.8</b>	2,764.2	0.2%
Impact of foreign exchange movements	-	92.5	
Organic revenue at constant currency	<b>2,769.8</b>	2,671.7	3.7%

The rate of return on invested capital ('ROIC'), defined as adjusted operating profit less adjusted taxes divided by invested capital, measures the efficiency of Group investments. This is a key measure to assess the efficiency of investment decisions and is also an important criterion in the decision-making process when projects are competing for limited funds.

ROIC in 2018 of 20.6% compares to 24.9% in the prior year at constant exchange rates. Excluding the impact of Alchemy which was acquired in August 2018, ROIC in 2018 was 26.9%, 200bps up versus prior year.

Return on Invested Capital at constant currency	2018 £m	2017 £m	Change %
Adjusted operating profit	<b>481.8</b>	450.8	6.9%
less: Adjusted tax*	<b>(119.1)</b>	(110.5)	7.8%
Adjusted profit after tax	<b>362.7</b>	340.3	6.6%
Invested capital*	<b>1,764.2</b>	1,366.2	29.1%
ROIC %	<b>20.6%</b>	24.9%	(430)bps

Return on Invested Capital at constant currency (excluding Alchemy)	2018 £m	2017 £m	Change %
Adjusted operating profit	<b>483.2</b>	450.8	7.2%
less: Adjusted tax*	<b>(119.4)</b>	(110.5)	8.1%
Adjusted profit after tax	<b>363.8</b>	340.3	6.9%
Invested capital*	<b>1,354.9</b>	1,366.2	(0.8)%
ROIC %	<b>26.9%</b>	24.9%	200bps

\* Definitions of the above measures are given on page 52.

# FINANCIAL REVIEW

continued



## CASH FLOW AND NET DEBT

### Cash flow

The Group relies on a combination of debt and internal cash resources to fund its investment plans. One of the key metrics for measuring the ability of the business to generate cash is cash flow from operations. Due to the cash payments associated with the SDIs, and to provide a complete picture of the underlying performance of the Group, adjusted cash flow from operations is shown below to illustrate the cash generated by the Group:

	2018 £m	2017 £m	Change %
Cash flow from operations	<b>580.9</b>	579.2	0.3%
add back: Cash flow relating to SDIs	<b>22.0</b>	16.9	30.2%
Adjusted cash flow from operations	<b>602.9</b>	596.1	1.1%
add back: Special contributions to pension schemes	<b>2.0</b>	2.8	(28.6)%
Cash flow for cash conversion	<b>604.9</b>	598.9	1.0%
Cash conversion %	<b>125.6%</b>	128.1%	(250)bps

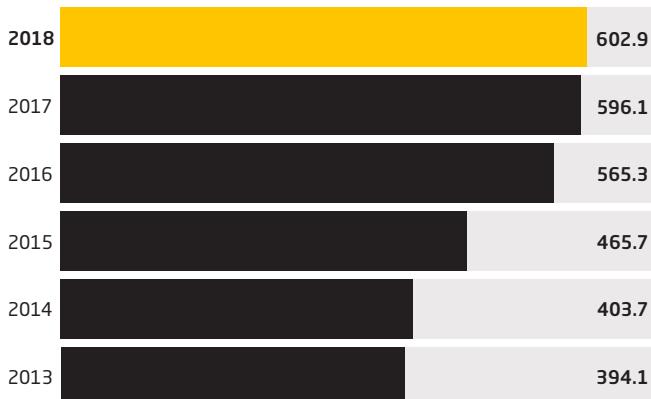
A reconciliation of cash generated from operations to free cash flow is provided below:

Free Cash Flow Reconciliation	2018 £m	2017 Restated <sup>1</sup> £m
<b>Cash Generated from Operations</b>	<b>580.9</b>	579.2
less: Net capital expenditure	(109.7)	(109.7)
add back: Interest received	1.8	1.2
less: Interest paid	(29.3)	(28.3)
less: Income tax paid	(93.1)	(100.8)
<b>Free cash flow</b>	<b>350.6</b>	341.6
add back: SDI Cash outflow	22.0	16.9
<b>Adjusted free cash flow</b>	<b>372.6</b>	358.5

1. 2017 adjusted and statutory free cash flows have been restated from £341.6m and £308.7m respectively as disclosed in the 2017 Annual Report and Accounts. The restatement was required to correctly reconcile the Separately Disclosed Items and amortisation of acquired intangibles.

## FIVE-YEAR TREND - ADJUSTED CASH FLOW FROM OPERATIONS (£m)

**+8.9% CAGR<sup>1</sup>**



1. CAGR represents the compound annual growth rate from 2013 to 2018.

### Working capital

During 2018, we have continued our working capital intensity and through disciplined performance management working capital has reduced by £28.6m to £109.7m. Working capital has declined to 3.9% of sales reflecting 110bps improvement year-on-year, contributing to continued strong cash conversion.

## FIVE-YEAR TREND - WORKING CAPITAL AS % OF REVENUE

**(540)bps<sup>1</sup>**



1. Reduction in working capital as a percentage of revenue from 2014 to 2018.

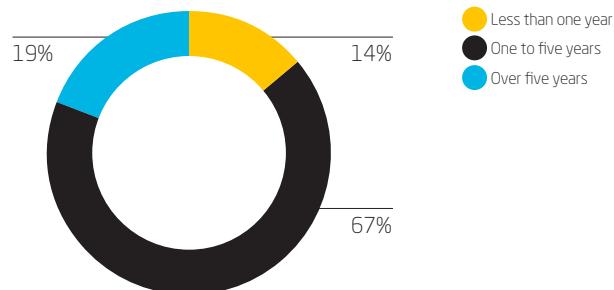
## Net debt

Net debt has increased from £544.1m at 31 December 2017 to £778.2m at 31 December 2018, primarily reflecting the acquisition of Alchemy in August 2018.

In the year, the Group drew on facilities it had in place at 31 December 2017. Total undrawn committed borrowing facilities as at 31 December 2018 were £247.9m (2017: £443.2m).

The Group has a well-balanced loan portfolio to enable the funding of future growth opportunities with a maturity profile as shown below.

## BORROWINGS BY MATURITY PROFILE



Under existing facilities the Group has available debt headroom of £248m at 31 December 2018. The components of net debt at 31 December 2018 are outlined below:

	<b>1 January 2018 £m</b>	<b>Cash flow<sup>1</sup> £m</b>	<b>Exchange adjustments £m</b>	<b>31 December 2018 £m</b>
Cash	135.9	55.2	12.1	203.2
Borrowings	(680.0)	(266.3)	(35.1)	(981.4)
<b>Net debt</b>	<b>(544.1)</b>	<b>(211.1)</b>	<b>(23.0)</b>	<b>(778.2)</b>

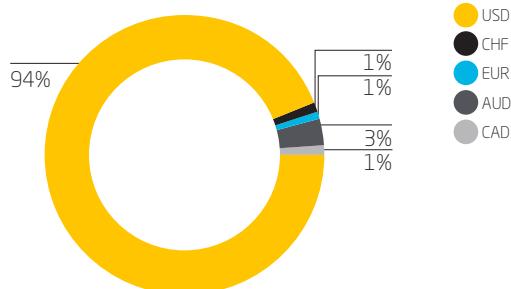
1. Cash flow includes £0.8m of non-cash movements related to amortisation of facility fees (see note 14 of the financial statements).

To ensure the Group is not exposed to income statement volatility in relation to foreign currency translation on its debt, the Group ensures that any foreign currency borrowings are matched to the value of its overseas assets in that currency (an 'effective' hedge).

The Group borrows primarily in US dollars and any currency translation exposures on the borrowings are offset by the currency translation on the US dollar and US dollar-related overseas assets of the Group.

The composition of the Group's gross borrowings in 2018, analysed by currency is as follows:

## BORROWINGS BY CURRENCY



## FOREIGN CURRENCY MOVEMENTS

The Group transacts in over 80 currencies across more than 100 countries, and revenue and profit are impacted by the currency fluctuations. However, the diversification of the Group's revenue base provides a partial dilution to this exposure.

At constant exchange rates, revenue grew 4.7% (actual exchange rates 1.2%) and adjusted operating profit grew 6.9% (actual exchange rates 3.0%).

The exchange rates used to translate the statement of financial position and the income statement into the Group's functional currency, sterling, for the five most material currencies used in the Group are shown below:

<b>Value of £1</b>	<b>Statement of financial position rates</b>		<b>Income statement rates</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
US dollar	<b>1.26</b>	1.34	<b>1.34</b>	1.29
Euro	<b>1.11</b>	1.13	<b>1.13</b>	1.14
Chinese renminbi	<b>8.69</b>	8.79	<b>8.84</b>	8.72
Hong Kong dollar	<b>9.90</b>	10.47	<b>10.47</b>	10.05
Australian dollar	<b>1.80</b>	1.72	<b>1.79</b>	1.68

## SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with IFRS as adopted by the EU. Details of the Group's significant accounting policies, including the impact of the new accounting standards applicable for the first time in 2018, being IFRS 9 and IFRS 15, are shown in note 1 to the financial statements.

**Ross McCluskey**  
Chief Financial Officer

The Strategic Report was approved by the Board on 4 March 2019

By order of the Board.

**André Lacroix**  
Chief Executive Officer

# CHAIRMAN'S INTRODUCTION



**The Board is committed to long-term sustainable growth through a combination of revenue growth and returns on investment to drive shareholder value underpinned by strong corporate governance."**

**Sir David Reid**  
Chairman



## DEAR SHAREHOLDER

As you will have seen from our Strategic Report, Intertek continued to execute well and deliver on its strategic priorities in 2018 focusing on Total Quality Assurance solutions underpinning our customer centricity. Organic growth of 3.7% at constant rates was the highest in five years, we improved margins for the fourth consecutive year and cash conversion was once again over 125% with net debt of £778m and a good performance on return on invested capital at the year end. This cash flow and a strong financial position provide us with options to create sustainable shareholder value through our disciplined capital allocation policy.

We invested £113m in capital expenditure and in addition made four acquisitions for a total cost of £389m, the most significant being Alchemy, based in the US, a leading software provider in People Assurance solutions for the food industry that will further accelerate the growth momentum of our Assurance Business in the US and also our international network.

In 2018, our progressive dividend policy saw us return £128m to shareholders through cash dividends. We aim to deliver sustainable dividend growth over time, and announced in March 2018 that we would increase the dividend payout ratio to circa 50% from 2018. The Board is recommending a final dividend of 67.2p bringing the total to 99.1p for the full year 2018, an increase of 39% compared with 2017.

Your Board has maintained its commitment to achieving the highest standards of corporate governance. But governance goes well beyond simple compliance with codes and regulations. It is about culture, practices and how our people act. It is about integrity and accountability. It is about ensuring that our values are embedded and upheld throughout the organisation. It is a strong framework and means we have a Board that both supports and challenges the executive team. It is critical underpinning for generating long-term value and benefit for all stakeholders.

The aim of this report is to provide shareholders and other readers with a clear perspective of your Board's approach to corporate governance, how we have complied with the 2016 UK Corporate Governance Code ('Code') and the work of the Board and its Committees during 2018.

## CORPORATE GOVERNANCE DEVELOPMENTS

Since 2017 the focus on corporate governance in the UK has continued to evolve and the Board has paid close attention to

these developments. We noted the publication of the 2018 UK Corporate Governance Code ('new Code') and the issuing of the Companies (Miscellaneous Reporting) Regulation 2018, which updates the Companies Act 2006, both marking the culmination of the Government's suite of governance reforms aiming to build trust in business.

The Board is strongly supportive of the revisions to the Code and the approach to refresh the existing framework, given the impact on wider society and the greater corporate responsibility large organisations have in an ever-evolving environment. The new Code is effective from 1 January 2019 and steps have been taken to ensure implementation during the year.

The Board is already committed to providing focus and upholding high standards of corporate governance in areas relating to corporate culture; diversity; strengthening the stakeholder voice and adopting appropriate remuneration structures. We hope that this is evidenced through both the Directors' and Strategic Reports.

## BOARD CHANGES

On 22 August 2018, we welcomed Ross McCluskey who was promoted to the Board as Executive Director and Chief Financial Officer, succeeding Edward Leigh. We thank Ed for his significant contribution to our performance over his five years with the Group.

## PERFORMANCE EVALUATION

As Chairman, I am responsible for ensuring the effectiveness of the Board, its Committees and individual Directors. Recognising the many attributes required of an effective Board, focus has been given to our own composition and the diversity this represents.

As announced last year, the evaluation and performance review of the Board was undertaken with the assistance of an independent party, Lorna Parker. I am pleased to report that the evaluation concluded that the Board operates effectively, with each Director making significant contributions to debate and discussion. Further details on the outcome of the evaluation and its process can be found on pages 78 and 79.

Through the annual evaluation process and the work of our Nomination Committee, we have reviewed and challenged where appropriate our succession plans, the skills and knowledge required by the Board now and in the future, and relevant developments including the Hampton-Alexander and Parker Reviews and the revision of the Code.

## PEOPLE

The new Code encourages boards to ensure the voices of our employees are heard in the boardroom and we fully endorse the moves to stimulate engagement with our workforce. This engagement is highlighted in the table on page 77 showing the site visits by Non-Executive Directors. I meet employees when I visit our operations – 12 businesses in the past two years – having open conversations, listening to what they have to say and report back to the Board. These meetings have confirmed that we have world-class people at the core of our business. I am constantly impressed by their contribution, drive and commitment to our customers and admire their sense of responsibility and focus on improving performance which is so important to Intertek's ongoing growth and success.

We are of course very aware of the role of the Board in promoting and supporting diversity in all its forms throughout Intertek, as well as the Board and Executive Management Team. Your Board fully supports the principles and has implemented the recommendations of the Parker Review on ethnic and cultural diversity. We recognise our obligation to society and that the quality and diversity of our people are key to understanding the needs and serving the communities in which we work. We firmly believe that a diverse workforce is a key foundation and can be a competitive advantage of our business to ensure we deliver long-term value to our shareholders.

## SUSTAINABILITY

Sustainability is at the heart of our business 'bringing safety and quality to life' and accordingly we set our five Group Sustainability priorities in 2017 and put in place two integrated networks and reporting structures to keep the Executive Management Team and the Board updated. In 2018, we continued on the journey to improve our sustainability performance by focusing on the environmental footprint of our operations, development of our people, our work with local communities and progress against the UN Sustainable Development Goals. And we have continued to provide services to our customers to improve the sustainability of their businesses through our industry-leading Sustainability value proposition.

## SHAREHOLDER ENGAGEMENT

We have maintained a comprehensive engagement programme with shareholders throughout the year. The detail is outlined on pages 108 and 109. This year we are putting to shareholders a new Remuneration Policy and have been actively consulting with shareholders as set out in the Remuneration Report in the letter from the Chair of the Remuneration Committee on page 89 and 90.

The views of our shareholders are essential to the Board and it is important that we understand these when considering strategic options available to the Group.

Finally, I would like to thank our CEO André and all his team, my Board colleagues and all our employees for their hard work during the year and our shareholders for their continued support.



**Sir David Reid**  
Chairman

## IN THIS SECTION

This report provides an insight into how, through its actions, the Board and its Committees have fulfilled their governance responsibilities throughout 2018.



### LEADERSHIP

**Read more on page 68** 



### EFFECTIVENESS

**Read more on page 76** 



### ACCOUNTABILITY

**Read more on page 83** 



### REMUNERATION

**Read more on page 89** 



### SHAREHOLDER ENGAGEMENT

**Read more on page 108** 

# LEADERSHIP



## COMPLIANCE WITH THE 2016 UK CORPORATE GOVERNANCE CODE ('CODE')

This report has been prepared in order to provide stakeholders with a comprehensive understanding of our governance framework and to meet the requirements of the Code, the Listing Rules ('LR') and the Disclosure Guidance and Transparency Rules ('DTR'). A copy of the Code is available at [www.frc.org.uk](http://www.frc.org.uk). During 2018, the Company has complied with the provisions of the Code in full. A more detailed explanation of our compliance can also be found on our website at [www.intertek.com](http://www.intertek.com). The information required to be disclosed in accordance with DTR 7.2.6 can be found in the Other Statutory Information section on pages 110 to 112.

## THE BOARD AND ITS RESPONSIBILITIES

The Board has the ultimate responsibility to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society, to the Company's shareholders and our stakeholders for the proper

conduct and success of the business through entrepreneurial and innovative leadership, and setting the strategic aims of the Company, its values, standards and culture. The Board also decides and reviews all key policies and regulations, its strategy, operating plans, large acquisitions, corporate governance, major investments and disposals, the appointment and removal of Directors, risk management, financial reporting, audit, sustainability, ethics, the environment and people policies. The Board 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 is responsible for ensuring that appropriate financial and human resources are in place to achieve its long-term strategy and deliver sustainable performance. Our strategy and progress towards delivering these strategic aims is set out in the Strategic Report on pages 2 to 65.



Products, Trade and Resources  
Business Lines and Country Management

Support Functions

The Board Approval Matrix formally outlines the matters specifically requiring the consent of the full Board. Each of the Board's Committees has received delegated authority to carry out the business defined in its respective terms of reference.

The Board has reviewed the terms of reference for each of these Committees and is satisfied that they reflect current best practice and satisfy the terms of the Code.

The Board also delegates specific responsibilities, subject to certain financial limits, to management and this is governed by the Core Mandatory Controls and the Group Authorities Grid, which are regularly reviewed and refreshed. This agreed framework of controls enables strategic aims and financial performance to be delivered whilst also allowing risk to be assessed and managed.

## ROLES AND RESPONSIBILITIES

There is a clear division of responsibilities between the running of the Board (a key responsibility of the Chairman) and the day-to-day running of the Company's business (the responsibility of the CEO). These responsibilities have been formalised in writing.

### Roles of the Chairman, Chief Executive Officer and Senior Independent Non-Executive Director

ROLE	NAME	RESPONSIBILITIES
Chairman	Sir David Reid	<ul style="list-style-type: none"> <li>• Leading and governing the Board to ensure its effectiveness in directing the Company.</li> <li>• Assessing and monitoring the culture within the Company and ensuring that it aligns to the Company's purpose.</li> <li>• Ensuring the Directors receive accurate, timely and clear information to enable them to discharge their duties to promote the long-term sustainable success of the Company.</li> <li>• Ensuring effective two-way communication between the Board and shareholders and stakeholders.</li> <li>• Communicating to all Directors any of the major shareholders' issues and concerns.</li> <li>• Facilitating openness and debate and the effective contribution of Non-Executive Directors.</li> </ul>
Chief Executive Officer	André Lacroix	<ul style="list-style-type: none"> <li>• Proposing and agreeing the strategy with the Board.</li> <li>• Running the day-to-day operation of the business in line with the agreed strategy and commercial objectives.</li> <li>• Promoting and conducting the affairs of the Company with the highest standards of ethics, integrity, sustainability and corporate governance.</li> <li>• Leading the Executive Management Team.</li> </ul>
Senior Independent Non-Executive Director	Graham Allan	<ul style="list-style-type: none"> <li>• Providing a sounding board for the Chairman.</li> <li>• Being available as an intermediary between other Directors and the Chairman.</li> <li>• Leading the annual performance review of the Chairman.</li> <li>• Being available to meet with shareholders and other stakeholders should they have any concerns that have not been resolved through the 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. She also provides updates to the Board on regulatory and corporate governance issues, new legislation, and Director's duties and obligations.

All Directors have access to the advice and services of the Group Company Secretary, including access to independent professional advice at the Group's expense. She ensures that an accurate record of all the Board and Committee meetings is taken and if a member of the Board has any concerns about the Company or any of the decisions taken, the minutes reflect this. 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.

# LEADERSHIP

continued

## MEETING, ATTENDANCE & INDEPENDENCE

The table below sets out the Board and Committee attendance during the year to 31 December 2018. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual Director to attend during the year.

Whenever a Director is unable to attend a meeting, they will go through the papers, which have been circulated in advance, and give feedback and discuss any issues with the Chairman and CEO.

The Chairman and Non-Executive Directors meet regularly without the Executive Directors or management being present. The Chairman also maintains regular contact with the Senior Independent Non-Executive Director.

The Board reviews the independence of the Non-Executive Directors, other than the Chairman, as part of its annual Board effectiveness review. The Chairman is committed to ensuring the Board comprises a majority of independent Non-Executive Directors, who objectively challenge management, balanced against the need to ensure continuity on the Board.

The Board recognises the recommended term within the Code and as such, 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 meets the evolving needs of the Company.

## Board and Committee meeting attendance

DIRECTOR	BOARD	AUDIT	NOMINATION	REMUNERATION
<b>Sir David Reid</b> Chairman	5/5	-	3/3	-
<b>André Lacroix</b> Chief Executive Officer	5/5	-	-	-
<b>Edward Leigh<sup>1</sup></b> Chief Financial Officer	3/3	-	-	-
<b>Ross McCluskey<sup>2</sup></b> Chief Financial Officer	2/2	-	-	-
<b>Graham Allan</b> Senior Independent Non-Executive Director	5/5	-	3/3	3/3
<b>Gurnek Bains</b> Non-Executive Director	5/5	-	3/3	3/3
<b>Dame Louise Makin</b> Non-Executive Director	5/5	4/4	3/3	-
<b>Andrew Martin</b> Non-Executive Director	5/5	4/4	-	3/3
<b>Gill Rider</b> Non-Executive Director	5/5	-	-	3/3
<b>Jean-Michel Valette</b> Non-Executive Director	5/5	4/4	-	-
<b>Lena Wilson</b> Non-Executive Director	5/5	4/4	3/3	-

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

1. Edward Leigh ceased to be a Director on 22 August 2018.

2. Ross McCluskey was appointed to the Board with effect from 22 August 2018.

## BOARD BALANCE & COMPOSITION

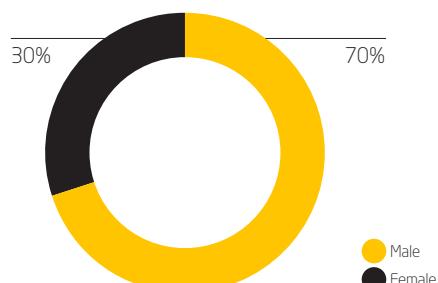
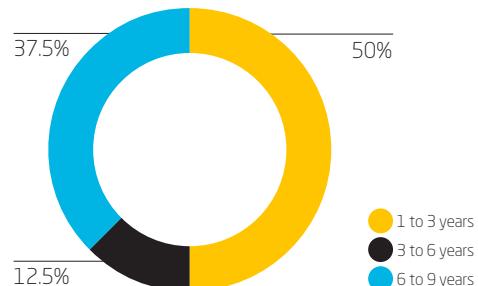
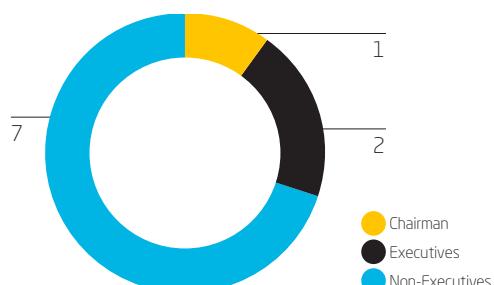
As at 31 December 2018, the Company's Board comprised the Chairman, two Executive Directors and seven Non-Executive Directors. Biographical details of individual Directors are set out on pages 74 and 75. The Directors are of the view that the Board and its Committees consist of Directors with the appropriate balance of skills, experience, independence and knowledge of the Group to ensure the business continues to be run effectively and the Board's decision-making is not dominated by any one specific view or individual.

There continues to be a focus on maintaining an effective and complementary Board, whose capability is appropriate for the scale, complexity and strategic positioning of the Group's business.

The Nomination Committee is responsible for reviewing the composition of the Board and its Committees. More detail on the process for appointments can be found in the report of the Nomination Committee on pages 80 to 82.

The Non-Executive Directors are appointed for specified terms subject to election and re-election by shareholders at the Annual General Meeting ('AGM') each year, if the Board, on the recommendation of the Nomination Committee, deems it appropriate that they remain in office.

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.

**GENDER DIVERSITY OF THE BOARD****TENURE OF THE NON-EXECUTIVES AS AT 31 DECEMBER 2018****COMPOSITION OF THE BOARD****EXPERIENCE OF THE BOARD**

With a wide range of knowledge and experience from sectors and industries which complement the Company's operations, the Company's Non-Executive Directors bring external perspectives

and strong independent insight to the deliberations of the Board and its Committees. The table below shows the professional and sector experience as at 31 December 2018.

**Professional Experience**

DIRECTOR	OUR SECTORS	CONSULTING	RISK MANAGEMENT	CUSTOMER SERVICE/CARE	PEOPLE	FINANCE	INTERNATIONAL	LISTED COMPANY DIRECTOR	PREVIOUS CURRENT CHIEF EXECUTIVE	PREVIOUS NED EXPERIENCE
Sir David Reid	● ● ●		●	●	●	●	●	●		●
André Lacroix	● ● ●		●	●	●	●	●	●	●	●
Ross McCluskey	● ● ●		●			●	●			
Graham Allan	●	●	●	●	●	●	●	●	●	●
Gurnek Bains	● ● ●	●	●	●	●		●	●	●	
Dame Louise Makin	● ●		●	●	●	●	●	●	●	●
Andrew Martin	●		●	●		●	●	●		●
Gill Rider	● ●	●	●	●	●		●	●		●
Jean-Michel Valette	●	●	●	●	●	●	●	●	●	●
Lena Wilson	● ● ●	●	●	●	●	●	●	●	●	●

● PRODUCTS   ● TRADE   ● RESOURCES

# LEADERSHIP

continued

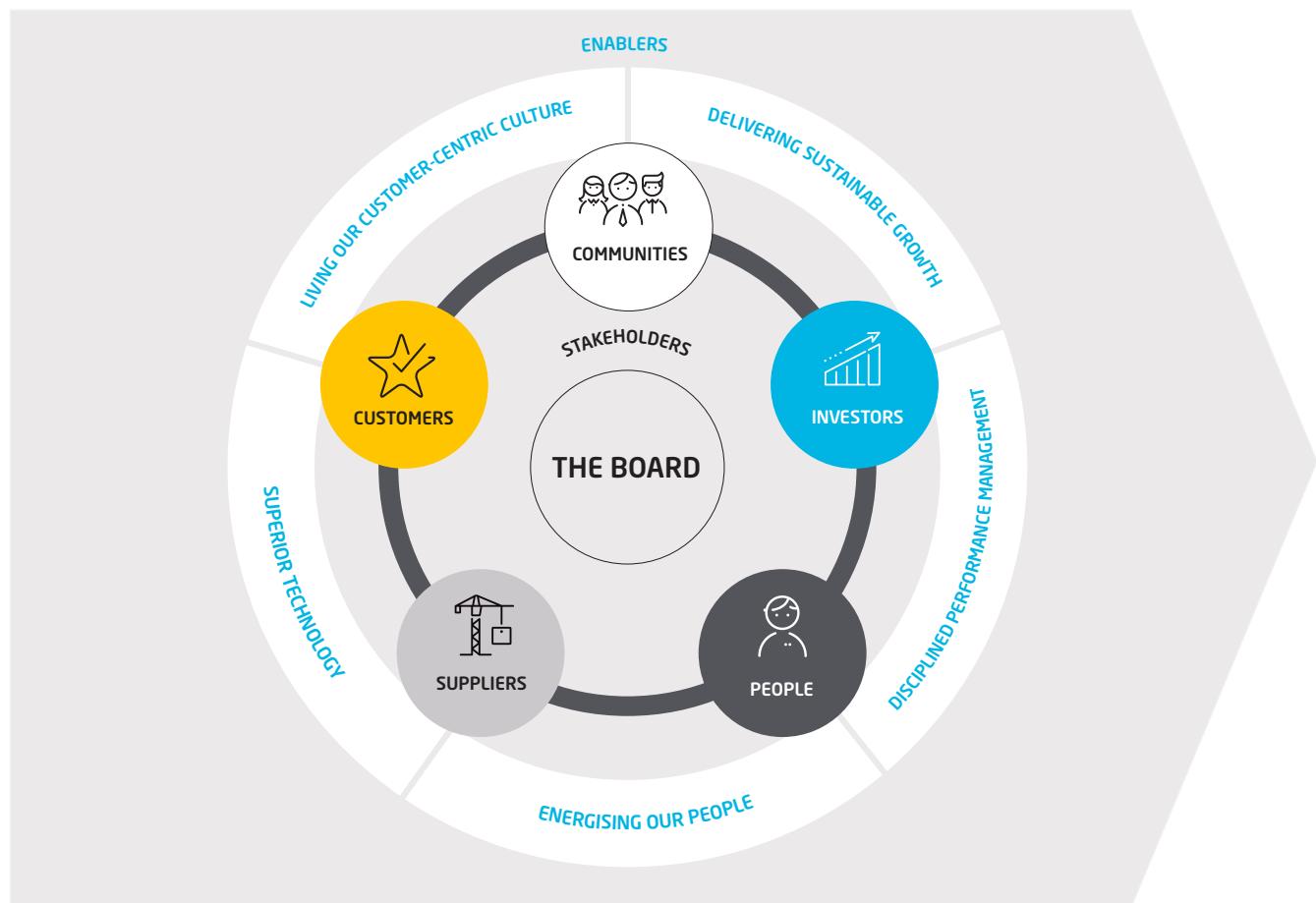
## BOARD ACTIVITY DURING THE YEAR

The Chairman, and the 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 adequate time is available 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. In addition to scheduled Board meetings, there was frequent ad hoc contact between Directors to discuss the Group's affairs and the development of its business.

To maintain the highest standards of governance, the Directors receive a reminder of the Directors' duties under section 172 of the Act and Directors received refresher training on their responsibilities under section 172 of the Act during the year. The Board considers its major stakeholder groups as shown in the diagram below when agreeing its strategic priorities and enablers.

Since the year end, the Board approved the Annual Report and Accounts for 2018 and has concluded that, taken as a whole, they are fair, balanced and understandable. The Notice of AGM was also approved, the payment of a final dividend to shareholders was recommended and the Board has received and discussed the report on the external effectiveness of the Board during 2018.

## BOARD AND STAKEHOLDERS



## BOARD AGENDA IN 2018

	Feb	May	Aug	Oct	Dec
<b>Corporate Governance</b>					
Reports of the activities of the Audit, Nomination and Remuneration Committees	● ● ●	● ● ●	● ● ●		● ● ●
AGM Preparation (Chairman's script, Questions & Answers, proxy votes and voting reports)			●		
Re-election of Directors at the 2018 AGM	● ●				
Directors' Conflicts of Interest					●
2017 Board, Director and Committee Evaluation Process	●				
2018 External Board Effectiveness Review Process				●	
Purchase of shares by ESOT	●				
<b>Compliance &amp; Risk</b>					
Integrated Risk, Control, Compliance and Quality Report	● ○ ● ● ●	● ○ ● ● ●	● ○ ● ● ●	● ○ ● ● ●	● ○ ● ● ●
Modern Slavery Statement	● ○ ● ● ●				
<b>Customers</b>					
TQA Customer Value Proposition			●		
ATIC Innovation Strategy					●
ATIC Update					●
<b>People Management</b>					
Group People Strategy					●
Global Talent Planning				●	
Executive Committee Succession Planning			●		
<b>Performance Management</b>					
CEO Report	● ○ ● ● ●	● ○ ● ● ●	● ○ ● ● ●	● ○ ● ● ●	● ○ ● ● ●
Finance Report	●	●	●	●	●
Financial forecasts		●	●	●	
Funding Report		●			
Approval of full-year results, Annual Report and Accounts, half-year results, the AGM circular and dividends	●		●		
Group Portfolio update				● ○	
<b>Shareholder Engagement</b>					
Chairman's Shareholder Roadshow Feedback	●				
IR Report	●	●	●	●	●
<b>Strategy</b>					
2018 Board Strategic Agenda	●				
Group M&A Strategy		● ○ ● ●			
Group Strategy & Strategic Plan					● ○ ● ● ●
Global Macro-trends					○
Geopolitical Perspective					○
Group IT Strategy		● ● ●			
Assurance Strategy			●		
Topics for 2018 Strategy Session	● ○ ● ● ●				
2019 Annual budget and Five-year plan					●
<b>Sustainability</b>					
Group Sustainability Strategy					● ○ ● ● ●
<b>Other</b>					
Presentations by regions, country and business lines			● ● ●		
Updates on developments, acquisitions and disposals	● ○ ● ● ●	● ○ ● ● ●	● ○ ● ● ●		

● CUSTOMERS ○ COMMUNITIES ● INVESTORS ● PEOPLE ● SUPPLIERS ● OTHER

# LEADERSHIP

## continued



## BOARD OF DIRECTORS

### Committees:

Audit	<b>A</b>
Nomination	<b>N</b>
Remuneration	<b>R</b>

### ① Sir David Reid Chairman

Appointed to the Board in December 2011 and became Chairman in January 2012. Sir David Reid retired as 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 Lacroix 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 was formerly the Senior Independent Director of Reckitt Benckiser Group plc.

### ③ Ross McCluskey Chief Financial Officer

Appointed to the Board as Chief Financial Officer in August 2018. Ross McCluskey joined Intertek in August 2016 as the Group's Financial Controller. Prior to that, he spent five years at Inchcape plc, where he held senior operational financial positions, including Finance Director of Inchcape's Australasian and UK businesses. From 2002 to 2011, Ross worked within the investment banking sector, specialising in mergers and acquisitions, and held roles at J.P. Morgan, Gleacher Shacklock and Greenhill & Co.

### ④ Graham Allan Senior Independent Non-Executive Director

**N R**

Appointed to the Board as a Non-Executive Director in October 2017. Graham Allan is a Non-Executive Director of Associated British Foods plc and a member of their Audit and Remuneration Committees. He is also a Board member of IKANO Pte Ltd, an Asian retail and property company. Until August 2017, he was the Group Chief Executive of Dairy Farm International Holdings Limited, a pan-Asian retailer and a subsidiary of Jardine Matheson. Prior to joining Dairy Farm in 2012, he had been President and CEO at Yum! Restaurant International and was responsible for global brands KFC, Pizza Hut and Taco Bell in all markets except the US and China. Since 1989, he has held various senior positions in multinational food and beverage companies with operations across the globe and has lived and worked in Australia, Asia, the US and Europe. He was previously a Non-Executive Director of InterContinental Hotels Group plc, Yonghui Superstores Co. Ltd in China and a Commissioner of Hero Group, an Indonesian retailer.

### ⑤ Gurnek Bains Non-Executive Director

**N R**

Appointed to the Board as a Non-Executive Director in July 2017. Gurnek Bains was the co-founder of YSC Ltd, a premier global business psychology consultancy. He led the business as CEO and Chairman for 25 years to a position of global pre-eminence, and a client base comprising over 40% of the FTSE 100. Gurnek has worked extensively with multinational organisations in the areas of culture change, vision and values, executive coaching and assessment, Board development and strategic talent development. Gurnek is also a Trustee of the School of Social Entrepreneurs. He has a doctorate in psychology from Oxford University.



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

A 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 Ltd 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 a Director of Global Ceramics at English China Clays PLC, and in her earlier career, held a variety of roles at ICI between 1985 and 1998. Louise is a Non-Executive Director of Woodford Patient Capital Trust plc, Chair of the 1851 Trust, a Trustee of the Outward Bound Trust and an Honorary Fellow of St John's College, Cambridge. She was previously a Non-Executive Director of Premier Foods plc.

**7 Andrew Martin  
Non-Executive Director**

A R

Appointed to the Board as a Non-Executive Director in May 2016. Andrew Martin is Chairman of Hays plc and Chairman of their Nomination Committee, a Non-Executive Director of easyJet plc where he is a member of the Audit, Nomination and Remuneration Committees, and Chairman of the Finance Committee; and a Non-Executive Director of the John Lewis Partnership Board and Chairman of their Audit and Risk 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 (now TUI Group). Andrew also previously held senior financial positions with Forte plc and Granada Group plc (now ITV plc) and was a partner at Arthur Andersen LLP.

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

R

Appointed to the Board as a Non-Executive Director in July 2015. Gill Rider 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 Pro-Chancellor of the University of Southampton (previously Chair from 2012 to 2018) and was the President of the Chartered Institute of Personnel & Development for five years until 2015. 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.

**9 Jean-Michel Valette  
Non-Executive Director**

A

Appointed to the Board as a Non-Executive Director in July 2017. Jean-Michel Valette currently serves as an independent advisor in the US to select branded consumer companies and has more than 30 years' experience in management, US public company corporate governance, strategic planning and finance. He is currently the Chairman of Select Comfort Corporation and the Lead Director, Chair of the Nomination Committee and member of the Audit Committee of The Boston Beer Company, both US listed companies. From 2004 to 2012, Jean-Michel was Chairman of Peet's Coffee & Tea, Inc. He has an MBA from Harvard Business School.

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

A N

Appointed to the Board as a Non-Executive Director in July 2012. Until October 2017, Lena Wilson was the 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 Oil and Gas Taskforce. Lena was also a Senior Advisor to The World Bank in Washington DC on private sector development for developing countries. She is an Ambassador for the Prince and Princess of Wales Hospice and the Edinburgh Military Tattoo, a visiting professor and advisor to the University of Strathclyde Business School and is a Non-Executive Director of the Royal Bank of Scotland Group plc and ScottishPower Renewable Energy Limited.

# EFFECTIVENESS



## DIRECTORS' INDUCTION AND DEVELOPMENT

There is a full, formal and extensive induction programme which is tailored to ensure that Directors joining the Board are provided with the knowledge and materials to add value from an early stage. This is managed by the Chairman and the Group Company Secretary. During the programme, new Directors receive a wealth of 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. This process is kept under review, taking into account Directors' feedback.

Ongoing and continual development is crucial to our Directors remaining highly engaged, effective and well informed. All Directors are kept up to date with information about Intertek's business and there is an ongoing programme of information dissemination throughout the year. 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 together with presentations from external advisors on regional micro and macro-economic trends.

The Chairman and the Group Company Secretary also put together a schedule of external training for the Directors to attend which included Audit Committee technical updates, Remuneration Committee briefings and general Board Directors' updates and discussions.

## BOARD VISITS AND WORKFORCE ENGAGEMENT

### Visit to the US – October 2018

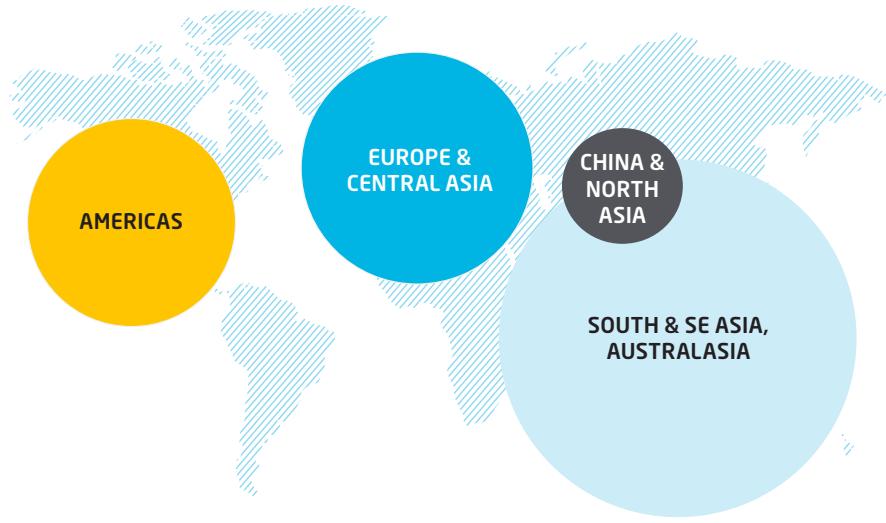
Every year, one of the board meetings is held overseas and a detailed itinerary is prepared to allow plenty of time for Directors to visit the local laboratories and meet management and employees. In October 2018, the Board visited the US to give the Board an in-depth view of our business across this region and the itinerary is outlined below:

### VISIT TO THE US – OCTOBER 2018

<b>Monday, 15 October</b>	Board members arrived in the US and travelled to Syracuse.
<b>Tuesday, 16 October</b>	<p>The Board travelled to our laboratory in Cortland. In the morning, there was a Health &amp; Safety briefing and the Board received an introduction to the laboratory in Cortland by Tim Corcoran (Executive Vice President, Electrical &amp; Connected World). The Board was then split into two groups for a three-hour tour of the laboratory visiting the different departments, meeting the staff and seeing the huge variety of testing undertaken in Cortland ranging from light bulbs, washing machines to safety equipment used by fire fighters to mention just a few. In the afternoon, presentations were made to the Board by:</p> <p><b>Gregg Tiemann</b> – Executive Vice President, Americas  <b>Carlos Velasco</b> – Vice President, Latin America  <b>Michael Grigsby</b> – CFO, Americas  <b>Gavin Campbell</b> – Senior Vice President, Building &amp; Construction</p> <p>In the evening, there was an informal dinner with the Board and the Americas senior team.</p>
<b>Wednesday, 17 October</b>	<p>In the morning, presentations continued to provide a detailed overview of the different US businesses and were made to the Board by:</p> <p><b>Tony Walker</b> – Global Business Line Leader, Connected World  <b>Nimer Al-Hafi</b> – President, Caleb Brett  <b>Andrew Gleason</b> – Vice President, Products, Resources and Transportation  <b>Matthew Allen</b> – Vice President, Global Operations</p> <p>In the afternoon, the Board meeting convened, and the Directors had two presentations by external speakers on the US economic and political environment.</p>
<b>Thursday, 18 October</b>	<p>The Board meeting reconvened and concluded with a discussion on the visit to the US. The Board agreed that the commitment and pride of the team working in Cortland shone through and they really appreciated the time taken by the Cortland staff to demonstrate with passion the services provided. The US management team had also provided very clear and detailed analysis of their businesses in the US and future strategy.</p>

## OUR NON-EXECUTIVE DIRECTORS' SITE VISITS 2017-2018

The Non-Executive Directors have visited a number of Intertek facilities across the world to improve their understanding of the operations of the Group and provide an opportunity to engage



### AMERICAS

Destination	NEDs
Mexico	1
Cortland, USA	8
Menlo Park, USA	1

### EUROPE & CENTRAL ASIA

Destination	NEDs
Sunbury, England	2
Aberdeen, Scotland	2
Milton Keynes, England	4
Turkey	3
Switzerland	1
Germany	2
Dubai	1

### CHINA & NORTH ASIA

Destination	NEDs
China	4
Hong Kong	1

### SOUTH & SE ASIA, AUSTRALASIA

Destination	NEDs
Bangladesh	2
India	2
Australia	1
Indonesia	3
Singapore	8

## DIRECTORS' CONFLICTS OF INTEREST

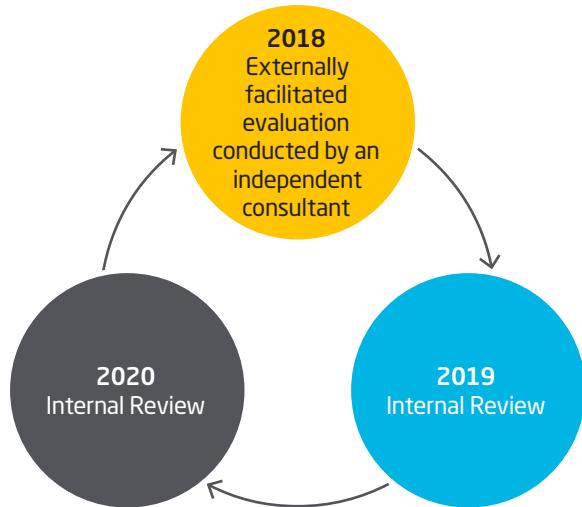
The Board operates a policy to identify, authorise and manage any conflicts of interest to assist Directors in complying with their duty to avoid actual or potential conflicts. The Directors are advised of the process upon appointment and whenever any Director considers that he or she is, or may be, 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 Articles. A formal process is also in place for managing such conflicts to ensure no conflicted Director is involved in any decision related to their conflict.

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. Any conflicts of interests are reviewed when a new Director is appointed, or if and when a new potential conflict arises. During the year, this process operated effectively.

# EFFECTIVENESS

continued

## BOARD, COMMITTEE AND DIRECTORS' PERFORMANCE CYCLE



### 2018 BOARD AND COMMITTEE EVALUATION

The effectiveness of the Board and its Committees is reviewed annually and an independent externally facilitated review is conducted every three years.

The 2017 internal Board review covered how the Board had continued to deliver sustainable growth and strong returns for our shareholders through the Total Quality Assurance value proposition which forms the core of our 5x5 differentiated strategy for growth. The key findings of last year's report were very positive, confirming that the Board was performing at a high level demonstrating the right behaviours, culture and tone. The Board refreshment programme had been successfully concluded and the Board strengthened by the addition of three new members bringing new skills, experience and attributes to bear.

For 2018, a full externally facilitated Board 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;
- One-to-one meetings with each Board member;
- Discussions on the Board evaluation outcomes and recommendations with the Chairman and CEO;
- Discussion of the results of the evaluation with the relevant Committee and the Board as a whole; and
- The Board identifying and agreeing areas for improvement – the strategy and strategic agenda having already been agreed at the Board meeting in December 2018.

A similar process was followed for the evaluation of each Committee with the results of each evaluation discussed by the relevant Committee and future steps agreed.

As planned, and recommended by the Code, the formal evaluation process was facilitated by an independent third party, Lorna Parker, under the direction of the Chairman at the end of 2018. Lorna Parker has no other connection to the Company and was appointed after a review of independent advisors in the field of formal Board evaluations.

The last external review undertaken in 2015 flagged the sense of early progress and improved Board effectiveness once André was in post as CEO, with the general recognition that the Board understood the scale of the challenges and opportunities in realising the value they could deliver for shareholders and were optimistic that it could be done. Over the last two years, the reviews had demonstrated how the Board was 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 through the Total Quality Assurance value proposition which forms the core of our 5x5 differentiated strategy for growth.

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

- The Board is functioning well and demonstrates strong corporate governance.
- Intertek is part-way through a major strategic, organisational and operational transformation, going from being a good company to a truly great company. The progress that has been made in a relatively short time is hugely impressive, especially given the scale, complexity and geographical spread of the business.
- Three years on, the strategy development and review process are comprehensive, detailed, rigorous and clear, with well-planned and articulated priorities and targets. The strategy is being executed effectively and is delivering great results.
- Over the last three years, the share price has nearly doubled; revenues increased by over 29%, operating margin by 130bps and EPS by over 40%.
- Since the last external review there has been a significant evolution of the Board both in terms of Executive Directors and Non-Executive Directors and, with the changes in the past two years, this feels like a relatively new Board which is settling in well and has made huge progress.
- André has brought clarity to Intertek's purpose, mission, vision, values and strategy.
- This is a collegiate, supportive, committed and engaged Board with an impressive and diverse mix of complementary skills, experiences and backgrounds.
- The Board continues on a journey from good-to-great, alongside that of the business, and while there are enduring aspects of the role of any Board, emphasis and tone evolve. During the past three years, the focus has been on reshaping the Board and executive team, improving behaviours and tone in the Boardroom, further refining and delivering the growth strategy and moving from a decentralised, entrepreneurial portfolio approach to a more integrated, customer-centric, FTSE 50-calibre company.

- The culture has evolved massively and is one of high performance and high integrity with a sense of purpose: driven by ambitious, transparent, proud scientists who always want to do the right thing and are increasingly customer focused.
- The pace and energy in the business have increased significantly. The sharper focus on customers through TQA has been another key success factor.
- There is also clarity and alignment around strategic priorities from a portfolio perspective in the near term with much focus on the shift from TIC to ATIC.
- People, including talent development, retention, succession and employee engagement figure high on the agenda given the importance of the relatively highly qualified employee base to the ongoing success of Intertek.
- The Board recognises the key challenges and risks facing Intertek. There is confidence in the thoroughness of risk management processes, controls and reporting which have been transformed over the last couple of years.
- As the Company continues on its journey from good-to-great, the Board should continue to evolve its role, style, engagement and 'value add'.
- There is clarity and broad alignment on the role of the Board during this next phase in Intertek's development which is around supporting, motivating, inspiring and appropriately encouraging management to sustain pace and progress on multiple fronts to create shareholder value.

Lastly, as with all good companies, the Board culture is to aim for best in class and also for continuing improvement which we call 'Ever Better, Ever Stronger'. So, we will be implementing plans to push on in what we call our 'journey areas' such as sustainability, where we believe we can deliver for society at large and also our customers for whom we can provide our expertise and services in the key areas of sustainability. We will also be following up on actions to implement the provisions of the UK Corporate Governance Code. This would include understanding views of our stakeholders, in particular focusing on engagement with our workforce, which is already a priority of our Board. As part of this, *inter alia*, we will be increasing the number of site visits our Non-Executive Directors will make to the businesses around the world as part of their monitoring of culture at ground level.

### **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 Code, 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 has reviewed the independence of the Non-Executive Directors, other than the Chairman, and considers that all of them continue to demonstrate independence in both character and judgement.

The Board recommends that shareholders should be supportive of their election or re-election to the Board at the 2019 AGM.

# EFFECTIVENESS

continued

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



## DEAR SHAREHOLDER

As the Chair of the Nomination Committee ('Committee'), I am pleased to present to you the Nomination Committee Report for 2018. Over the past 18 months we have spent our time on the Board refreshment programme and were pleased to welcome three new Non-Executive Directors and one Executive Director to the Board. These appointments have strengthened our Board bringing new skills, experiences and attributes. During 2018, the Committee continued discussions on the core skills and attributes required by our Board now, and those of future candidates, to support and drive the long-term sustainable success of our 5x5 differentiated strategy for growth as outlined in pages 2 to 3.

To ensure that members of the Board and senior management have the appropriate balance of skills and experience to support the Group's strategic objectives, succession planning is a matter that the Board as a whole considers. This ensures that the Company benefits from the views and experience of all Board members in this discussion. During the year, we reviewed the Group People Strategy and the Executive Management Team succession planning and the progress being made to develop the skills and capabilities we need going forward. We aim to ensure both our Directors and members of the Executive Management Team and other senior managers, who are potential successors to the Executive Management Team or Board, are well equipped with the right skills and experience and, where necessary, address any developmental needs.

## NOMINATION COMMITTEE

### ROLE AND KEY 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, independence, knowledge, experience and diversity on the Board and its Committees;
- Review the results of the performance evaluation process that relates to the composition of the Board and its Committees; and
- Review the time commitment required from Non-Executive Directors.

For the Committee's terms of reference, see [www.intertek.com](http://www.intertek.com).

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

### MEMBERSHIP OF THE COMMITTEE

The membership of the Committee at the year end was Sir David Reid (Committee Chair), Graham Allan, Gurnek Bains, Dame Louise Makin and Lena Wilson.

During the year, the Committee held three formal meetings. Attendance of members at formal meetings is shown in the table on page 70. The Group Company Secretary attends all formal meetings of the Committee. The Committee invites the CEO and the EVP, Human Resources to attend meetings when the subject matter deems their presence appropriate.

### ACTIVITIES OF THE COMMITTEE DURING THE YEAR

#### Performance Evaluation

The evaluation of the performance of the Committee was conducted during the year and it was shown that the Committee continues to be effective.

#### Board and Committee Composition

During the year, the Committee undertook its annual review of the Board's effectiveness and composition in relation to long-term succession planning. To ensure that the Board comprises a broad range of skills, experience and attributes, the Committee discusses and reviews extensively the skills and capabilities required of future Directors including qualities of

### ACTIVITIES OF THE COMMITTEE 2018

<b>Performance Evaluation</b>	<ul style="list-style-type: none"> <li>• Reviewed the results of the 2017 Committee evaluation.</li> </ul>
<b>Board and Committee Composition</b>	<ul style="list-style-type: none"> <li>• Continued to monitor the composition of the Board and its principal Committees, and the independence of its Non-Executive Directors.</li> <li>• Evaluated the current composition of the Board.</li> </ul>
<b>Board Appointments and Reappointments</b>	<ul style="list-style-type: none"> <li>• Rigorously reviewed the reappointment of Dame Louise Makin and Lena Wilson as Non-Executive Directors for their third three-year term.</li> <li>• Reviewed the reappointment of Gill Rider as a Non-Executive Director for her second three-year term.</li> <li>• Recommended to the Board the appointment of Ross McCluskey, to succeed Edward Leigh, in the role of Chief Financial Officer.</li> </ul>
<b>Talent Mapping and Succession Planning</b>	<ul style="list-style-type: none"> <li>• Discussed the skills and attributes desired for the pipeline of future Non-Executive Directors.</li> <li>• Actively evaluated the objective criteria, and enhanced skills, experience and diversity desired of future Board members.</li> </ul>

the individual required to ensure the right fit with the culture and style of Intertek. The skills matrix is outlined on page 71.

The review concluded that the current composition of the Board and each Committee contained a good balance of skills, industry and geographic experience, as well as diversity.

The Committee unanimously agreed, following the consideration of the independence of each Non-Executive Director, that each Non-Executive Director continued to be independent in accordance with the criteria set out in the Code.

### **Board Appointments and Reappointments**

The Board, upon the recommendation of the Committee, approved the internal appointment of Ross McCluskey as Chief Financial Officer. Ross joined the Board as an Executive Director and the Executive Management Team on 22 August 2018. He joined Intertek in August 2016 as the Group's Financial Controller, which enabled him to gain an extensive understanding of the complexities of the Group. Prior to Ross' employment with Intertek, he held senior operational finance positions at Inchcape plc for five years, including Finance Director of Inchcape's Australasian and UK businesses. Between 2002 and 2011, Ross worked within the investment banking sector, specialising in mergers and acquisitions, holding roles at J.P. Morgan, Gleacher Shacklock and Greenhill and Co.

Both Dame Louise Makin and Lena Wilson have been members of our Board for six years. During 2018, a detailed and rigorous review was carried out, following which the Committee agreed to recommend to the Board that they both be reappointed for a third term of three years from 1 July 2018. Having come to the end of her first term, Gill Rider's appointment was also reviewed. Following this review, the Committee was pleased to recommend the reappointment of Gill for a further three years, from 1 July 2018. Where the reappointment of a member of the Committee is being discussed, they are precluded from any involvement in the discussions. In the instance where the reappointment of the Chairman is being discussed, the Senior Independent Non-Executive Director would chair the Committee meeting.

Biographies for all of the Directors are available on pages 74 and 75 and a resolution for each Director will be proposed at the forthcoming AGM for their election or re-election.

### **Talent Mapping and Succession Planning**

The Committee, over the last 18 months, have focused their discussions on the objective criteria they require of future Board members, and in turn highlighting the "must-have" skills, experience, personal characteristics and behaviours they deem necessary to lead Intertek. Such criteria have been used to actively refresh the Board with three new members in 2017, and one new member in 2018, representing a high quality and balanced Board, which functions effectively.

The Committee recognises the increased emphasis on providing oversight of the development of a diverse pipeline for succession. Due to the strategic importance of talent mapping and succession planning to the long-term sustainable success of the Group, the Board, as a whole, discuss and support succession planning on the Executive Management Team, as well as talent

mapping across the Group in respect to Regional, Country and functional roles. This has enabled the Board to gather insights on the key success factors desired for senior roles within the Group.

During 2018, the following appointments were made to the Executive Management Team. On 1 January 2018, Patrick Lee was appointed as Executive Vice President, North East Asia and Australasia. Prior to joining Intertek, Patrick was CEO of Inchcape Greater China and has over 30 years' management experience with a proven track record of success with blue-chip companies including P&G, Coca-Cola and Agfa Gevaert. Patrick's appointment has added depth to the Group's leadership pool and gives Intertek more strength in pursuing the good-to-great journey.

In May 2018, Dr Diane Bitzel was appointed to the Executive Management Team in the role of Chief Information Officer, succeeding Ann-Michele Bowlin who was subsequently promoted as Chief ATIC Innovation Officer, a role in which she leads the development and drives the ATIC innovation strategy and roadmap across the organisation. Diane has over 22 years of global management experience, particularly in the areas of IT strategy, operations and management, HR transformation, and business strategy and process implementation. Diane has previously held roles as CIO for global life science and food companies, including Syngenta AG, Apetito AG and Lonza Group. Diane's appointment, and Ann-Michele's promotion, further strengthens the Executive Management Team, and in turn provides additional focus on the areas that will make a difference to the Group's success.

Full biographical details of the Executive Management Team can be found on pages 20 to 21.

### **DIVERSITY POLICY**

The Board is committed to achieving a Board which will include and make the best use of differences in culture, gender, skills, background, regional and industry experience and other qualities. All of these factors are considered in determining the composition of the Board, and all Board appointments will continue to be made on merit, in the context of the skills, diversity and experience the Board, as a whole, requires for it to be effective. In reviewing Board composition, the Committee aims to maintain an appropriate balance of skills, experience, and background on the Board, by considering all aspects of diversity, including gender. In identifying suitable candidates to recommend for appointment to the Board, the Committee considers candidates on merit, against objective criteria, and with due regard for the benefits of diversity on the Board to achieve the most effective Board possible. We expect to continue to make further progress as our existing Non-Executive Directors rotate in the ordinary course of business.

The Committee and the Board are collectively mindful of the recommendations of both Lord Davies in his report "Women on Boards", and the Hampton-Alexander Review (the 'Review'), complementary to Davies' report, which encourages FTSE 350 companies to achieve at least 33% female representation at Board level by 2020. As at 31 December 2018, there were three female Non-Executive Directors on the Company's Board,

## EFFECTIVENESS

continued

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representing a 30% female membership; following the Review in November 2018, Intertek was ranked as having the potential to be on target or high performing. However, when recommending new candidates to the Board, the Committee ensures that the correct balance of skills, knowledge and experience is maintained, as this is paramount for Intertek's long-term sustainable success.

Further detail regarding gender diversity across the Group and in the Executive Management Team, and their direct reports, can be found within the Sustainability Report on page 29.

The Group also supports, and already complies with, the Parker Review 'Beyond One by 21' recommendation that FTSE 100 company boards should have at least one ethnically diverse director by 2021. The Committee continues to monitor the overall diversity of Intertek's leadership at Board and senior management level, to ensure the broadest spectrum of leaders are considered for new appointments.



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

# ACCOUNTABILITY



The Board has established formal and transparent arrangements to apply the corporate reporting, risk management and internal control principles as set out in the Code.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board is ultimately responsible for monitoring the Group's system of internal control and risk management and has overall responsibility for ensuring its effectiveness. The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Group's internal control and risk management controls and reports to the Board on its evaluation of the systems in place. The Board confirms that the Company has fully complied with the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Further information on the framework and its effectiveness can be found on pages 87 to 88.

Risk management and internal controls are embedded in the running of each division, business line, country and support function and oversight is provided by divisional, regional and functional risk committees. Each risk committee in turn reports to the Group Risk Committee ('GRC'). The Group identifies and tracks its risk environment using a risk register process: the risk committees produce a register of risks in their area of responsibility, and these risk registers are then consolidated at Group level. The GRC uses the Group Risk Footprint for the year under review with associated mitigation action plans as its baseline, to then add new risks and/or plans facilitated by the GRC's quarterly risk review process. The Group General Counsel then presents at each Board meeting an integrated risk, control, compliance and quality report including a review of:

- The Group's emerging risk environment, the status of the quarterly emerging risk mitigation action plans and the new quarterly emerging risk mitigation plans;
- The specific systemic risks including quarterly hotline and whistleblowing reports, key claims and unlimited liability contracts; and
- The Group's systemic risk environment, the status of the quarterly systemic risk mitigation action plans and the new quarterly systemic risk mitigation plans.

## COMPLIANCE, WHISTLEBLOWING AND FRAUD

Intertek is committed to maintaining a culture where issues of integrity and professional ethics can be raised and discussed, which is aligned to our sustainability priority to always do the right thing with precision, pace and passion and also forms part of our 5x5 differentiated strategy for growth. The Group's key ethics and integrity policies are set out in the Code of Ethics and a detailed description of the topics covered by the Code of Ethics, its operation during the year and the outcomes of these policies are contained in the Sustainability report on pages 30 to 31.

The Group has a whistleblowing process, which includes a global hotline system enabling all employees, contractors and others representing Intertek to confidentially report suspected breaches of the Code of Ethics. This is supported by dedicated Compliance Officers across the Group's markets who undertake investigations of issues that arise 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.

**Andrew Martin**  
Chair of the Audit Committee



## AUDIT COMMITTEE

### DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the report of the Audit Committee ('Committee') for the year ended 31 December 2018.

We were pleased to welcome Dame Louise Makin as a member of the Committee from 1 January 2018 adding her valuable expertise to our discussions. One of the key responsibilities of the Committee is to monitor the integrity of the financial statements of the Company and measure the performance of the Company against the financial goals of our strategy. This is key for our shareholders and other stakeholders in order for them to understand the financial strength of the business.

During 2018, the Committee's primary focus centred on the accuracy of the Group's financial reporting, together with the ongoing improvements in internal control activities and risk and compliance matters. PricewaterhouseCoopers LLP ('PwC') completed their second full audit of the Company for the year ended 31 December 2017. During the year, the Committee reviewed and agreed that the audit process continued to be effective with PwC being independent from management, establishing positive relationships and providing a good level of service to the Company whilst seeking continual improvements in the audit of Intertek.

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

The internal evaluation 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 Code.

This report aims to outline the activities and the responsibilities of the Committee, on behalf of the Board, in scrutinising the conduct of the business, its management and auditors to protect the interests of our shareholders, the livelihoods of our employees, and the confidence of our customers and suppliers in the long-term financial strength of our business.

# ACCOUNTABILITY

## continued

### COMMITTEE MEMBERSHIP

The membership of the Committee at the year end was Andrew Martin (Committee Chair), Dame Louise Makin, Jean-Michel Valette and Lena Wilson. With effect from 1 January 2018, Dame Louise Makin was appointed a member of the Committee. Andrew Martin, who is a qualified accountant, has extensive recent and relevant financial experience as required by the Code as he was until 2012 the Group Finance Director of Compass Group plc and through his other current and previous appointments. The Board considers that, as a whole, the Committee has the competence and broad experience relevant to the sectors in which Intertek operates as Dame Louise Makin, Jean-Michel Valette and Lena Wilson all have experience in those sectors. An overview of the background, knowledge and experience of the Committee Chair and each of the Committee members can be found on pages 74 and 75 and in the table on page 71.

On appointment, new Committee members receive an appropriate induction, consisting of the review of the terms of reference, previous Committee meeting papers and minutes, 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. During the year, the Committee held four formal meetings. Attendance of members at meetings is shown in the table on page 70. The Group Company Secretary attends all the meetings of the Committee. At the invitation of the Committee, the Chairman, CEO, CFO, Deputy Group Financial Controller and the Group Audit Director attended the meetings. The audit partner and his team attended all meetings held during the year. Other senior executives were invited to attend the Committee meetings as necessary.

The internal evaluation of the performance of the Committee was conducted during the year and entailed the completion of a detailed questionnaire by each of the Committee members, the review and discussion of the results of the evaluation and identifying and agreeing areas for improvement. 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 Code.

### ROLE AND RESPONSIBILITIES 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, accounting policies and compliance with accounting standards, including the implementation of new accounting standards.

#### 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

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

### Whistleblowing and fraud

- Review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- Review the Company's systems and procedures for detecting fraud; for the prevention of bribery and receive regular reports on non-compliance and keep under review the effectiveness of the compliance function.

### Internal audit

- Monitor the effectiveness and resources of the internal audit function.
- Approve the appointment and removal of the Group Audit Director.
- 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, reappointment 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.

For the Committee's terms of reference, see [www.intertek.com](http://www.intertek.com).

### 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 Code, 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 estimates and 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 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 and status of claims reported.

## 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 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 the activities pursued as part of the restructuring to ensure that the appropriate level of provision is put in place, that these activities are aligned with the Group's strategy for growth and their classification as a separately disclosed item is appropriate. 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 August 2018, the Group made the significant acquisition of Alchemy Investment Holdings, Inc in the US. The provisional recognition of goodwill, intangible assets, other assets and liabilities and estimates of the fair value of consideration transferred for acquisitions made are based on a number of assumptions. In 2018, management concluded its final assessment of these assets and liabilities for acquisitions made in 2017 and presented an update to the Committee. The Committee reviewed management's final accounting paper on acquisitions made in 2017 and 2018, and took into account the report presented by the external auditor, before determining that the acquisition accounting was 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 cash generating unit ('CGU') level, must be tested annually for impairment under IAS 36 Impairment ('IAS 36'), or when there are indicators of impairment.

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 was required against any 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 169 to 175.

The Committee reviewed and answered the correspondence received from the Financial Reporting Council (FRC) following their thematic review of Alternative Performance Measures carried out on our 2016 Annual Report and Accounts. The Committee has overseen the incorporation of reporting improvements agreed with the FRC following their review. The FRC's review only covered the specific disclosures relating to their thematic review and the Committee notes that the FRC does not provide assurance that the Annual Report and Accounts are correct in all material respects as the FRC's role is to consider compliance with reporting requirements.

## FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

The Code provides that through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Company's prospects.

At the Board's request, the Committee reviewed the Annual Report and Accounts to determine whether it considered that the document, taken as a whole, meets this standard 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 2018, 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;
- Revisions as a result of regulatory requirements 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;

# ACCOUNTABILITY

continued

- 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 Code. 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 2018 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.

## ACTIVITIES DURING THE YEAR

During the year the Committee discussed the following items:

<b>AUDIT COMMITTEE AGENDA ITEMS 2018</b>				
	<b>Feb</b>	<b>May</b>	<b>Aug</b>	<b>Dec</b>
<b>Financial statements and reports</b>				
Full-year results 2017	●			
Annual Report and Accounts 2017	●			
Management highlights memorandum	●		●	
Going concern assessment	●		●	
Fair, balanced and understandable assessment	●			
Review of significant accounting policies	●			●
Half-year results 2018			●	
Risk Register and Viability Statement process	●			●
<b>External audit</b>				
PwC 2018 audit plan		●		
Audit fee proposal 2018		●		
PwC engagement letter		●		
PwC year end report and controls update	●			
PwC half-year report and controls update			●	
Intertek assessment of PwC effectiveness		●		
Letter of representation to the auditors	●		●	
Independence confirmation and review of non-audit spend and policy	●		●	
PwC pre year-end report to the Committee				●
<b>Internal Control Environment</b>				
2019 Internal Audit plan and Charter				●
Internal Controls process and sign-off	●			
Internal audit reports		●	●	●
Assessment of Internal Audit effectiveness				●
Core Mandatory Controls and Assurance Map update				●
<b>Other</b>				
2018 Rolling Committee agenda	●			
2017 Evaluation of the Committee and Committee terms of reference	●			
IFRS accounting standards update				●

## EXTERNAL AUDITOR

The Statutory Auditors and Third Country Auditors Regulations 2016, which implement the EU Audit Directive and Audit Regulation, has resulted in changes to the Companies Act 2006 and to the Code. Amongst other things, the Company is now required to tender its audit every 10 years, to give advance notice of any tendering plans and to cap the non-audit fees paid to auditors at 70% of the three-year average audit fees at Group level, with there being a prohibition on the provision of certain non-audit services.

As noted in this report last year, the Group completed a transparent and independent audit tender process in 2015.

Following this process PwC have been the Company's auditors and Ian Chambers the Audit Partner since May 2016.

In line with current regulation, the Company is required to put its external audit process out to tender again in 2025 – 2026.

The independence of the external auditor is critical for the integrity of the audit. We sought confirmation from the auditor that they are fully independent from the Company's management, are free from conflicts of interest and have assessed the nature and level of non-audit fees paid to PwC and have determined that PwC are fully independent.

## Effectiveness of the external audit

The Committee conducts an annual review to assess the independence and objectivity of the external auditor and the effectiveness of the audit as part of the year-end process. This process is conducted in three parts:

- Annually, PwC presents to the Committee its approach to maintaining audit quality including addressing any risks they face in maintaining audit quality across their network;
- The views of management and the Directors on PwC's service are obtained via a questionnaire/survey and the feedback is presented to the Committee; and
- The key findings and recommendations from both processes form the basis of the assessment of PwC's effectiveness together with the Committee's experience of dealing with PwC during the year.

The survey assessed the effectiveness of the PwC audit across its three main stages: Planning, Fieldwork and Reporting.

Following this review, the Committee considered in detail the feedback received from a selection of Intertek personnel, including Committee Members, Group functions, regional finance teams and country finance managers. Overall the feedback was positive and demonstrated that there had been improvements year-on-year with better communication with local audit teams and finance. Teams across the globe approached the audit with an appropriate mindset and were focused on the key risk areas. The audit findings were discussed at the May 2018 Committee meeting and PwC effectively addressed questions and challenges provided by Committee members. However, it was felt that, while maintaining quality, further improvements in efficiencies and in areas such as the use of a centralised audit team could still be achieved.

The Committee concluded, at the meeting held in May 2018, that PwC remained independent and that overall, PwC completed a robust and fit-for-purpose audit process across the Group with a satisfactory level of resource and continued to build their knowledge of the business.

The effectiveness for the 2018 audit of the Group will be reviewed by the Committee in May 2019.

## AUDIT AND NON-AUDIT FEES

The Company has set out a policy on the provision of non-audit work by the external auditor consistent with the Revised Ethical Standard 2016 issued by the FRC and it 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 bookkeeping or other services related to accounting records or financial statements; financial information systems design and implementation; appraisal or valuation services; actuarial services; internal audit outsourcing or co-sourcing services; management functions or human resources services; broker or dealer, investment advisor or investment banking services; legal services which can only be provided by a qualified lawyer; expert services unrelated to the audit that include advocating Intertek's interests in litigation, regulatory or administrative proceedings not precluding the

auditors providing factual accounts to explain positions taken during the course of their work; tax services in relation to marketing, planning, or opining in favour of an aggressive tax position or transaction; any other services that, locally, are prohibited through regulation; and personal tax compliance services to members of the Group's management who have a financial reporting oversight role.

In the event that an engagement for non-audit services arises, the policy is designed to ensure that the external auditor is only appointed where it is considered to be the most suitable supplier of the service and the necessary prior approvals have been given in accordance with the policy.

The Committee annually reviews and re-approves the framework of permitted non-audit services as set out in the policy, taking into account any changes in legislation and best practice. PwC also provide an update on the spend for non-audit services twice a year. For 2018, the Committee pre-approved a total non-audit spend of £250,000. As per the policy, all non-audit services have to be approved by the CFO, and in the event that the pre-approved limit is exceeded, the Committee Chair and the CFO have to approve an increase to the pre-approved limit. In 2018, this process operated effectively.

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 128.

## AUDIT FEE BREAKDOWN FOR SERVICES PROVIDED BY PwC IN 2018

	2018 £m	2017 £m
Total non-audit fees	0.2	0.2
- audit-related services	0.2	0.2
- tax services	-	-
- other non-audit services	-	-
Audit fee	3.9	3.6
% of audit fee	5%	5%

## The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 ('CMA Order') - Statement of compliance

The Company confirms that it complied with the provisions of the CMA Order for the financial year under review.

## INTERNAL CONTROLS AND FINANCIAL REPORTING

Doing Business the Right Way is at the heart of what we do and is a key enabler of our 5x5 strategy for growth. The Intertek Core Mandatory Controls ('CMCs') are an integral part of Doing Business the Right Way, and provide the mechanism by which we define, monitor and achieve consistently high standards in our control environment throughout the whole organisation. An updated set of CMCs (v4.0) has been developed reflecting feedback on the existing framework and how the Group's risk environment has evolved during the year.

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 exercise is reviewed and refreshed each year to ensure that it encapsulates

# ACCOUNTABILITY

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all new areas of risk identified and 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. This process is facilitated by the Legal, Risk and Compliance function.

A consolidated assessment is made at regional level for senior leadership approval. An evaluation is then undertaken with the Executive Management Team 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's operational and financial structure, and in order to enhance the alignment of the self-assessment to the assurance process.

A detailed verification programme also provides assurance to the Committee and the Board 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.

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 2018, and up to the date on which these financial statements were approved. No significant failings or weaknesses had been identified.

## INTERNAL AUDIT

The Group has an Internal Audit function whose activities are overseen by the Committee, and which provides assurance over compliance with the Group's framework of financial CMCs. In 2018, the Committee:

- Oversaw the independence of Internal Audit by maintaining a direct independent reporting line between the Group Audit Director and the Committee Chair, and by meeting with the Group Audit Director without the presence of management;
- Approved the Internal Audit Charter, which sets out the basis on which audits are carried out in the Group;
- Oversaw investment in the Internal Audit function, to ensure adequate resourcing that provides value for money assurance;
- Reviewed and approved the audit plan that has ensured all significant businesses have received multiple audits since the launch of the controls framework in 2016;
- Reviewed reports on internal audit activities including overall progress in delivering the plan and summaries of each audit performed, with commentary on compliance with the controls framework, areas of good practice and areas for improvement; the Committee has noted a steady improvement in audit scores over the period since the introduction of the mandatory controls framework;
- Monitored management's progress on addressing audit actions; and

- Reviewed the annual assessment on the effectiveness of the Group Internal Audit function which included feedback from key business stakeholders and an action plan for areas of improvement; an independent review of effectiveness, carried out every three years, will be undertaken in 2019.

## PRIORITIES FOR 2019

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

- Continue to monitor the external auditor;
- Ensure that the audit continues to evolve and align with the changes in the business and strategic objectives;
- Continue to develop and refine the CMCs in line with the evolving risk environment of the Company;
- Continue to monitor the impact of external economic factors on the Group and its financial position; and
- Review the 2018 UK Corporate Governance Code and incorporate any changes as necessary into the Committee's terms of reference.

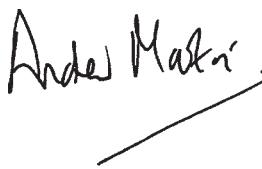
## GOING CONCERN

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 this 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 2023. With the exception of US\$20m of facilities that matured and were repaid in January 2019, all the current borrowing facilities, as disclosed in note 14 of the financial statements, are expected to be available at 31 December 2019.

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.



**Andrew Martin**  
Chair of the Audit Committee

# REMUNERATION REPORT



**Gill Rider**  
Chair of the Remuneration Committee



## DEAR SHAREHOLDER

I am delighted to present our Remuneration Report for the year ended 31 December 2018.

### Policy review

The Remuneration Report includes our proposed Remuneration Policy, which, subject to shareholder approval, will apply for the three years from the 2019 AGM.

During the year, the Remuneration Committee (the 'Committee') completed a thoughtful review of the Remuneration Policy to ensure it continues to support the delivery of Intertek's differentiated 5x5 strategy for growth as well as recognising the changes in the governance environment since 2016 when the current Remuneration Policy received 96.38% support from our shareholders. The Committee also undertook a detailed consultation with our largest shareholders and the proxy advisory bodies and I would like to thank our shareholders for their engagement.

The proposed Policy is based on doing what is right for Intertek, embracing the spirit of recent changes in corporate governance, and taking into consideration the feedback we have received from our shareholders.

Our Remuneration Policy underpins the delivery of the Group's strategic objectives of margin-accretive revenue growth, strong cash generation and disciplined allocation of capital to invest in attractive growth and margin sectors. We achieve this by using a balanced set of metrics for our incentives: Revenue, Operating Profit, Return on Invested Capital ('ROIC'), Total Shareholder Return and Earnings per Share. This ensures close alignment between our shareholder interests and management focus.

Our results have demonstrated continuous progress on revenue, margin, EPS, cash and ROIC with impressive CAGR between 2014 and 2018 of:

- +7.6% in Revenue
- +10.4% in Operating Profit
- +10.7% in EPS growth

- +17.4% in Free Cash Flow growth
- +19.2% in Dividend per Share growth

In 2018, we delivered record operating margin of 17.2%, up 170bps since 2014 and our average ROIC over the last four years has been 22.7%. Total Shareholder Return growth has been over five times that of the FTSE 100 over the same period.

### Aligning with the wider workforce

With regard to the Committee's oversight of the Core Purpose, Culture and Values and the wider workforce, at Intertek, remuneration for all employees follows the same policy and principles as the senior executives. All of the short-term and long-term incentive schemes, shareholding requirements and other provisions, where applicable, are followed consistently.

The core elements of the Policy will continue to include competitive base salaries, benefits, pensions, annual incentive and long-term incentive. The annual incentive, covering the majority of our 44,720 people around the world, supports sustainable financial performance by focusing on growth in Revenue and Operating Profit, margin accretion and ROIC. The long-term incentive ('LTI') in which about 110 employees take part, focuses on Earnings per Share and Total Shareholder Return, over a three-year cycle

### Proposed Policy changes

- To increase the time horizon for the LTI from three and a half to five years from date of grant.
- To introduce a ROIC quality of earnings underpin for the LTI awards.
- To introduce post-cessation shareholding requirements.
- To reduce the pension benefits for new appointments in the UK to be in line with the majority of the UK workforce.

### Return on Invested Capital

ROIC is very important to us and is already included in our annual incentive. For LTI awards, each year the Committee reviews the level of vesting to ensure it is consistent with the overall business performance and earnings. Following feedback from a few of our shareholders who believe in the importance of Return on Capital when considering our LTI awards, we will additionally introduce an ROIC quality of earnings underpin to vesting. Historically our ROIC performance has been very strong and we have delivered an average ROIC of 22.7% since 2015.

### Post-Employment Shareholding

With regards to the post-employment shareholding requirement, our proposed approach enforces the retention of unvested, outstanding Deferred and LTI awards for leavers through their normal time horizons. In the event that an executive is treated as a good leaver, the pre-tax value of outstanding awards at cessation of employment could be up to 1,300% of base salary. Where an executive is a bad leaver, this could have a pre-tax value of up to 500% of base salary. The Committee believes that in line with the UK Corporate Governance Code this provides significantly improved alignment with shareholder interests post-cessation of employment.

# REMUNERATION REPORT

continued

Shareholding requirements during employment remain unchanged. Currently our CEO holds 345,353 shares in the Company valued at over 1,700% of his current base salary.

## Pay for performance

As set out earlier in the Annual Report, Intertek has continued to perform well in 2018, with 1.2% growth in revenue (4.7% at constant currency) and 3.0% growth in adjusted OP (6.9% at constant currency), a record operating margin of 17.2% (up 40bps at constant currency), a proposed full year dividend of 50% and ROIC of over 20%. In light of performance delivered, the Committee approved an annual incentive result of 75.5% of maximum.

Over the longer-term, the three-year performance of the Group has delivered EPS CAGR growth of 9.7% and Total Shareholder Return in the upper quartile of the comparator group, which resulted in a payout of 98.32%.

With regards to salary, the Committee has awarded the CEO a 2% salary increase in line with the wider UK workforce.

## Board succession

As announced on 22 August 2018, following a review of the Group's organisation structure, Ross McCluskey was appointed as Group CFO, with Ed Leigh stepping down with immediate effect. Given the change to the organisational structure, Ed was treated as a good leaver for the purpose of outstanding incentive awards (see further details on page 103).

On joining the Board, Ross' remuneration arrangements were set in line with his predecessor (salary: £475k; annual incentive: 200%; long-term incentive: 200%); in line with the updated UK Corporate Governance Code, his pension arrangements were set in line with wider UK workforce at 5% of salary (previously 20%).

## CEO pay ratio

In line with investor expectations, Intertek has also decided to voluntarily report the CEO's pay ratio, in anticipation of regulations coming into force for accounting periods starting on or after 1 January 2019. This can be found on page 104.

The elements of this Report specifically required to be audited within the bordered sections of pages 98 to 103 have been audited by PwC in compliance with the requirements of the regulations.

The Board is confident that remuneration at Intertek is aligned to our shareholder interests and carefully designed to support the sustainable delivery of Intertek's clear and powerful differentiated 5x5 growth strategy. I look forward to your support at our forthcoming 2019 AGM.

Yours sincerely,

**Gill Rider**  
Chair of the Remuneration Committee

## DIRECTORS' REMUNERATION POLICY REPORT

The section below sets out the Remuneration Policy for Executive and Non-Executive Directors, which is subject to a binding vote of the shareholders and will, if approved, be effective from the date of the 2019 AGM.

### 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 aligned to the Company's strategy and is in the best interests of the Company and its stakeholders. It is directed to deliver continued sustainable profitable growth.

Our remuneration strategy is to:

- Align and recognise the individual's contribution to help us succeed in achieving our 5x5 growth strategy and long-term Ever Better, Ever Stronger 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 normally reviews salaries annually, taking account of factors including, but not limited to, 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 salary or annual increase. In awarding any salary increases, 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, 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 wellbeing 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 their dependants) and other benefits typically provided to senior executives. Executive Directors can participate in any 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.	For new Executive Directors pension provisions will be in line with those of the wider UK workforce (currently 5% of salary). For current Executive Directors – 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 Board. Incentive outturns are normally assessed by the Committee at the year end, taking into account performance against the targets and the underlying performance of the business. Normally, 50% of any incentive is paid in cash and 50% deferred into shares which will vest after a period of three years subject to continued employment. Malus and clawback provisions apply.	The maximum opportunity in respect of a financial year is 200% of salary for each Executive Director. The Committee has the ability to reduce incentive 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 incentive outturn (up to the maximum set out above) to recognise very exceptional circumstances or to recognise circumstances that 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 incentive will be measured against a range of key Group financial measures. The current intention is that none of the incentive 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 incentive. Were the Committee 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 incentive payout 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 normally be subject to a two-year holding period after vesting.</p> <p>Performance targets are set annually for each three-year performance cycle by the Board.</p> <p>Vesting is normally assessed by the Committee after the end of the performance period, taking into account performance against the targets and the underlying performance of the business (including return on invested capital performance).</p> <p>Malus and clawback provisions apply.</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 normally be based on each of these measures, with the split determined 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>
<b>SHARE OWNERSHIP GUIDELINES</b>	To increase alignment between executives and shareholders.	<p>Executive Directors are expected to retain any vested shares (net of tax) under the Group's share plans until the guideline is met.</p> <p>The guideline should normally be met within five years of the guideline being set.</p> <p>Further details of the share ownership guidelines and the new post-cessation shareholding guidelines are set out in the Directors' Remuneration Report.</p>	200% of salary.	n/a
<b>POST-CESSATION OF EMPLOYMENT SHARE-HOLDING</b>	To ensure alignment of sustainable performance between executives and shareholders.	Holding and vesting periods for all share awards will be adhered to post-employment.	n/a	n/a

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
<b>NON-EXECUTIVE DIRECTORS' FEES</b>	To attract and retain high-calibre Non-Executive Directors through the provision of market-competitive fees.	A proportion of the fees (at least 50%) are paid in cash, with the remainder used to purchase shares.  Fees are primarily determined based on the responsibility and time committed to the Group's affairs and appropriate market comparisons.  The Chairman receives an all-inclusive fee. Non-Executive Directors receive a base fee and further fees for additional Board responsibilities. Additional fees may be paid in the exceptional event that Non-Executive Directors are required to commit substantial additional time above that normally expected for the role.  With the exception of benefits-in-kind arising from the performance of duties (and any tax due on those benefits which is reimbursed by the Company), no other benefits are provided, other than to the Chairman, who receives a car allowance of £25,000 per annum.	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

As set out in the statement from the Committee Chairman, there are no major changes to the remuneration structure proposed as part of the new policy. The key changes that have been made are:

- (a) increasing the holding period for LTIP Awards to two years from the date of vesting;
- (b) introduction of a ROIC quality of earnings underpin for the LTI awards;
- (c) in line with the 2018 Corporate Governance Code, reducing the pension provision for new Executive Directors to be aligned with the wider workforce;
- (d) introduction of post-cessation of employment shareholding guideline; and
- (e) a few minor changes to clarify the policy and to reflect developments in market practice since the last policy was approved at the Company's 2016 Annual General Meeting.

### SELECTION OF PERFORMANCE METRICS

The annual incentive plan 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. Overall, the Committee consider that the complementary nature of the performance measures used for the annual incentive plan and the LTIP provide executives with the right balance between revenue growth, margin progress, cash generation, disciplined capital allocation and return on investment to deliver sustainable returns for our shareholders.

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

# REMUNERATION REPORT

continued

## TERMS OF INCENTIVE AWARDS

Deferred awards and LTIP awards may include the right to receive (in cash or shares) the value of the dividends that would have been paid on the shares that vest up to the time of vesting (or for LTIP awards, up to the end of the relevant holding period). The Committee's intention is that such dividends would normally be settled in shares.

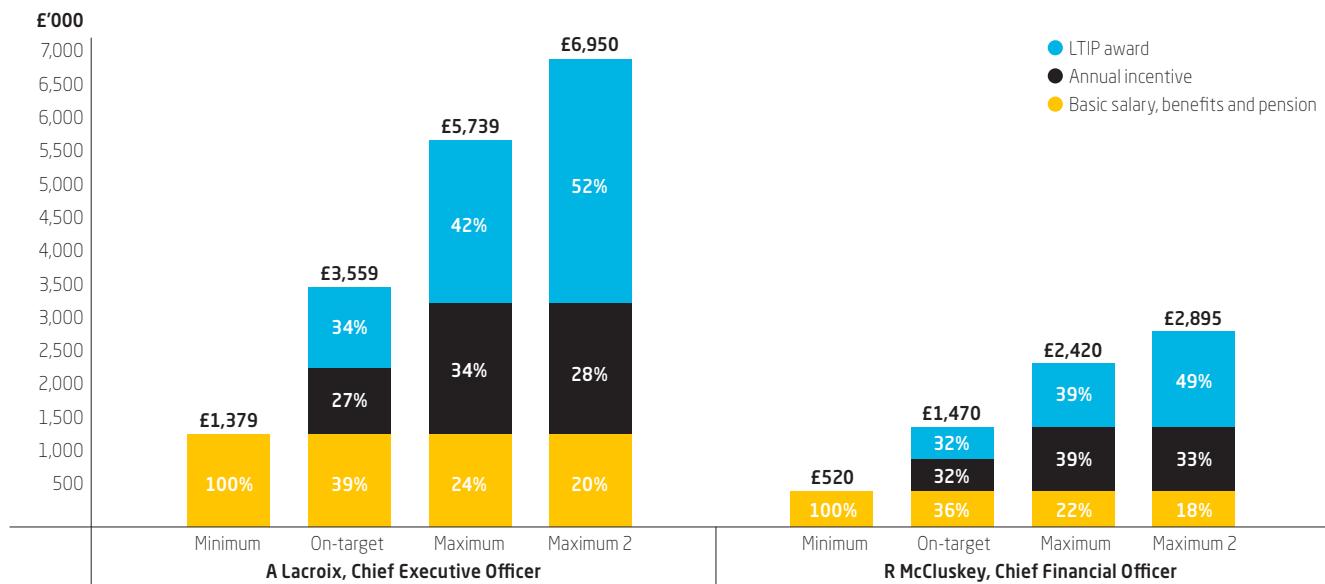
The Committee will operate the annual incentive plan and LTIP according to the respective rules of the plans. The Committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including (but not limited to) the following:

- How to deal with a change of control or restructuring of the Group, or a demerger or similar event (including how to assess performance conditions and whether to time pro-rate awards);
- How and whether any award may be adjusted in certain circumstances (including in the event of a variation of share capital, demerger, special dividend, or similar event).

The Committee also retains the discretion within the Policy to adjust targets and/or set different measures and weightings if it considers it is required so that the targets or conditions achieve their original purpose. Revised targets/measures will be, in the opinion of the Committee, no less difficult to satisfy than the original conditions.

The Committee may accelerate the vesting and/or the release of awards if an Executive Director moves jurisdictions following grant and there would be greater tax or regulatory burdens on the award in the new jurisdiction.

## 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 2019.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2018.
3. The value of pension receivable by the CEO and CFO in 2019 is taken to be 30% of salary and 5% of salary respectively.
4. The on-target level of annual incentive is taken to be 50% of the maximum 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 first three scenarios. Share price growth of 50% has been assumed on the LTIP in the final scenario.

## REMUNERATION SCENARIOS FOR EXECUTIVE DIRECTORS

The chart below illustrates how the Executive Directors' remuneration packages vary at different levels of performance under the revised Policy, which will apply in 2019 for both the Chief Executive Officer ('CEO') and Chief Financial Officer ('CFO').

## APPROACH TO RECRUITMENT AND PROMOTIONS

The remuneration package for a new Executive Director – base salary, benefits, pension, annual incentive 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 incentive and long-term incentive awards, or any combination thereof) which may be awarded to a new Executive Director at or shortly following recruitment shall be limited to 450% of salary. These limits exclude buyout 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 buyouts to be in the best interests of the Company (and therefore shareholders) ('buyouts'). 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 'buyout' 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 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
<b>Notice period</b>	12 months
<b>Common law and contractual principles</b>	Common law and contractual principles apply
<b>Remuneration entitlements</b>	An incentive may be payable (pro-rata where relevant) and outstanding Share Awards may vest (see below).
<b>Change of control</b>	No Executive Director's contract contains provisions or additional payments in respect of change of control. The treatment of annual incentive awards and outstanding Share Awards will be treated in line with the relevant plan rules.

There is no automatic entitlement to an annual incentive award in the year of cessation of employment. The Committee may determine however, that for certain leavers an annual incentive award 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 for deferred share awards is that any outstanding awards lapse on cessation of employment. However, in certain 'good leaver' circumstances (as described under the 2011 LTIP below), 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.

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, injury, 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 (and will normally, where appropriate, be subject to any holding period), 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.

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.

The Committee reserves the right to make any other payments (including appropriate legal fees) in connection with an Executive Director's cessation of office or employment where the payments are made in good faith on discharge of an existing legal obligation (or by way of damages for breach of their obligation) or by way of settlement of any claim arising in contravention with the cessation of an Executive Director's office or employment.

#### **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.

# REMUNERATION REPORT

continued

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 2018
<b>Sir David Reid</b>	1 December 2011 Reappointed: 1 December 2017	One month/23 months
<b>Graham Allan</b>	1 October 2017	One month/21 months
<b>Gurnek Bains</b>	1 July 2017	One month/18 months
<b>Dame Louise Makin</b>	1 July 2012 Reappointed: 1 July 2018	One month/30 months
<b>Andrew Martin</b>	26 May 2016	One month/6 months
<b>Gill Rider</b>	1 July 2015 Reappointed: 1 July 2018	One month/30 months
<b>Jean-Michel Valette</b>	1 July 2017	One month/18 months
<b>Lena Wilson</b>	1 July 2012 Reappointed: 1 July 2018	One month/30 months

## 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, annual incentive 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 Committee takes the views of the Group's shareholders very seriously. Prior to the 2019 AGM, the Committee consulted with shareholders on the proposed policy and the changes that were being made. The proposed policy reflects the extensive discussions with shareholders during the consultation process.

## LEGACY ARRANGEMENTS

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 outstanding share awards (including exercising any discretions available to it in connection with such commitments) 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

The membership of the Committee at the year end was Gill Rider (Committee Chair), Graham Allan, Gurnek Bains and Andrew Martin. With effect from 1 January 2018, Dame Louise Makin stepped down and Gurnek Bains was appointed a member of the Committee. Meeting attendance is shown on page 70.

Throughout the year, the composition of the Committee was compliant with the Code. All members are independent Non-Executive Directors. Prior to joining Intertek and becoming Chair of the Remuneration Committee Gill had previously acted as Chair of the Remuneration Committee at Charles Taylor Plc.

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 and other relevant stakeholders.

The Committee invites the Chairman, CEO and the EVP, Human Resources to attend meetings when it deems appropriate, 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 decisions made by the Committee. 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 senior executive management;
- 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 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.

For the Committee's terms of reference, see [www.intertek.com](http://www.intertek.com).

## THE ACTIVITY OF THE COMMITTEE

During the year the Committee discussed the following items:

	FEB	AUGUST	DEC
Executive Directors' remuneration	•		
Salary for senior management and the determination of the annual incentive payments for 2017	•		
The TSR and EPS performance results for the 2015 to 2017 share plan award cycles	•		
The 2018 annual incentive targets and performance measures	•		
Share plan awards for 2018 to 2020 and TSR and EPS performance criteria	•		
The review of the Directors' Remuneration report to ensure compliance with Remuneration Reporting Regulations	•		
The annual Committee evaluation	•		
Amendments to Share plan rules to comply with EU General Data Protection regulation	•		
Timetable for review of Directors' Remuneration Policy	•		
2018 AGM update and Corporate Governance bodies' voting recommendations	•		
Review of market trends in remuneration	•		
Remuneration proposals or departure terms for senior employees	•	•	
Updates on Corporate Governance developments		•	
Timetable for review of Directors' Remuneration Report	•		
Outcomes from shareholder consultation	•		
The annual Committee agenda schedule	•		

## 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 2018, the Committee received advice from Deloitte LLP ('Deloitte'), who they appointed in 2015 for their particular expertise both at a local and global level, due to the worldwide operations of the Group and, following review, the Committee remains satisfied that their advice is objective and independent. Deloitte provided no other services to the Company 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 £66,597. 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 was the Senior Independent Non-Executive Director at Reckitt Benckiser Group plc for which his earnings from 1 January to 31 December 2018 were £142,000 which he retained. André retired as a Non-Executive Director of Reckitt Benckiser Group plc on 31 December 2018.

## STATEMENT OF SHAREHOLDER VOTING

At the 2018 AGM, a resolution was proposed to shareholders to approve the Directors' Remuneration Report for the year ended 31 December 2017. This resolution received the following votes from shareholders:

	VOTES	%
In favour	112,789,998	85.38
Against	19,312,605	14.62
Total	132,102,603	81.85 <sup>1</sup>
Withheld	415,015	

1. Percentage of total issued share capital voted.

At the 2016 AGM, a resolution was proposed to shareholders to approve the Remuneration Policy. This resolution 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 <sup>1</sup>
Withheld	1,386,204	

1. Percentage of total issued share capital voted.

# REMUNERATION REPORT

continued

The following sections on pages 98 to 103 have been audited.

## DIRECTORS' REMUNERATION EARNED IN 2018

The table below summarises Directors' remuneration received for 2018 and the prior year for comparison.

Executive Directors	Base salary or fees £'000	Benefits <sup>1</sup> £'000	BIK arising from performance of duties £'000	Pension £'000	Annual incentive <sup>2</sup> £'000	Long-term incentives £'000	Total £'000	Total including other awards £'000	
								Other £'000	Total including other awards £'000
André Lacroix	<b>2018</b> 945	<b>117</b>	<b>8</b>	<b>284</b>	<b>1,434</b>	<b>3,438<sup>3</sup></b>	<b>6,226</b>	-	<b>6,226</b>
	2017	927	104	-	278	1,862	4,170 <sup>4</sup>	7,341	4,076 <sup>5</sup> 11,417
Edward Leigh	<b>2018<sup>6</sup></b> 302	<b>21</b>	<b>7</b>	<b>61</b>	<b>456</b>	<b>990<sup>3</sup></b>	<b>1,837</b>	-	<b>1,837</b>
	2017	414	27	-	83	832	1,449 <sup>4</sup>	2,805	- 2,805
Ross McCluskey	<b>2018<sup>7</sup></b> 172	<b>10</b>	<b>1</b>	<b>9</b>	<b>260</b>	<b>49<sup>3</sup></b>	<b>501</b>	-	<b>501</b>

1. 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 (£55,279).

2. This relates to the payment of the annual incentive and Deferred Share Award for the financial year end. Further details of this payment are set out on the following pages.

3. This relates to the vesting of the 2016 LTIP award. The value shown is based on the share price of £46.42 which was the average mid-market share price in the fourth quarter of 2018. Further details on performance are set out on page 100.

4. This figure has been updated to show the actual value of the vested LTIP share awards based on the share price of £48.50 the share price at vesting as the 2017 Report included figures based on the share price for the final quarter of 2017 (£52.01).

5. This relates to the vesting of the second and final tranche of the awards granted on joining to buy out André's share awards with his previous employer. This tranche vested in May 2017 at a vesting price of £42.95 which represented an increase in our Company share price over the two years of over 53%. These awards were one-off awards and are not part of his ongoing remuneration.

6. This relates to the period from 1 January 2018 to 22 August 2018 when Edward Leigh ceased to be a Director.

7. This relates to the period from 22 August 2018 when Ross McCluskey was appointed as a Director.

Non-Executive Directors	Base salary or fees £'000	Benefits <sup>1</sup> £'000	BIK arising from performance of duties £'000 <sup>2</sup>	Total £'000
Sir David Reid	<b>2018</b> 320	<b>25</b>	<b>7</b>	<b>352</b>
	2017	320	25	351
Graham Allan	<b>2018</b> 87	-	-	<b>87</b>
	2017 <sup>3</sup>	17	-	17
Gurnek Bains	<b>2018</b> 75	-	-	<b>75</b>
	2017 <sup>4</sup>	25	-	25
Dame Louise Makin	<b>2018</b> 75	-	-	<b>75</b>
	2017	68	-	68
Andrew Martin	<b>2018</b> 90	-	-	<b>90</b>
	2017	78	-	78
Gill Rider	<b>2018</b> 76	-	<b>1</b>	<b>77</b>
	2017	73	-	73
Jean-Michel Valette	<b>2018</b> 71	-	<b>4</b>	<b>75</b>
	2017 <sup>4</sup>	29	-	31
Lena Wilson	<b>2018</b> 75	-	<b>11</b>	<b>86</b>
	2017	68	-	71

1. 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.

2. 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 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.

3. The 2017 fees for Graham Allan, relate to the period from 1 October 2017, the date he was appointed to the Board.

4. The 2017 fees for Gurnek Bains and Jean-Michel Valette relate to the period from 1 July 2017, the date they were appointed to the Board.

## ANNUAL INCENTIVE

The annual incentive for 2018 was based solely on financial measures:

- 80% based on a matrix based on revenue and adjusted operating profit growth; and
- 20% based return on invested capital ('ROIC').

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

	Adjusted 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 payouts occur between each of the points above threshold noted above.

The Company's performance resulted in a Group annual incentive payout of 75.5% of maximum opportunity. Performance of individual components is shown below.

### 2018 Company Performance against annual incentive targets (at 2017 constant currency)

Financial measures	% Weighting	2018 Threshold	2018 Target <sup>2</sup>	2018 Maximum	2018 Actual	Achieved <sup>3</sup>	Weighted achievement
Total External Revenue <sup>1</sup>		£2,811.3m	£2,868.7m	£2,926.1m	<b>£2,904.1m</b>		
Adjusted Operating Profit <sup>1</sup>		£481.8m	£496.7m	£511.6m	<b>£501.5m</b>		
Revenue/Profit Matrix	80%					69.3%	55.5%
Return on invested capital <sup>1</sup>	20%	26.8%	27.0%	27.2%	<b>28.8%<sup>4</sup></b>	100%	20%
<b>Total</b>	<b>100%</b>						<b>75.5%</b>

1. Calculated using constant 2017 exchange rates. Adjusted results exclude the impact of Separately Disclosed Items.

2. Target is equivalent to 50% payout.

3. Percentage achieved against maximum targets.

4. ROIC achieved excludes the impact of the acquisition of Alchemy.

For 2018, the annual incentive outturn in cash and shares is as follows:

	Payable in cash £'000	Deferred Share Award £'000
André Lacroix	717	717
Edward Leigh <sup>1</sup>	228	228
Ross McCluskey <sup>2</sup>	130	130

1. Values shown reflect the period 1 January 2018 to 22 August 2018.

2. Values shown reflect the period 22 August 2018 to 31 December 2018.

The Committee has the discretion to adjust the final incentive outcome downwards if it considers short-term performance has been achieved at the expense of long-term future success. Deferred Shares are subject to continued employment for the three-year vesting period. The Committee may also adjust the final annual incentive 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 annual incentive outturn as it felt that the payouts were reflective of the underlying performance of the Group. Both the cash and share elements of the annual incentive are subject to malus and clawback (see page 102 for further details). Overpayments may be reclaimed in the event of performance achievements being found to be significantly misstated.

# REMUNERATION REPORT

continued

## VESTING OF LTIP SHARE AWARDS

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

The performance conditions attached to this award and actual performance against these conditions are 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 targets	4%	10%	9.73%	96.63%
Total Shareholder Return	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile	At or above upper quartile <sup>1</sup>	100.00%
<b>Total vesting</b>					<b>98.32%</b>

1. TSR performance calculation was calculated by Deloitte; Intertek was ranked 12<sup>th</sup> of the 90 members of the comparator group of companies.

The LTIP Share Awards granted in 2016 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 <sup>1</sup>
André Lacroix	71,982 <sup>2</sup>	3,341	75,323	(1,266)	74,057	3,438
Edward Leigh	25,736 <sup>2</sup>	1,157	26,893	(5,567) <sup>3</sup>	21,326	990
Ross McCluskey	3,117 <sup>4</sup>	108	3,225	(55)	3,170	147
<b>Total vesting</b>	<b>100,835</b>	<b>4,606</b>	<b>105,441</b>	<b>(6,888)</b>	<b>98,553</b>	<b>4,575</b>

1. The value shown is based on the share price of £46.42 which is based on the average mid-market share price in the fourth quarter of 2018.

2. Due to vest in March 2019.

3. This figure includes the 5,005 share awards and the 197 dividend share awards which lapsed as a result of pro-ration to 22 August 2018, the date of Edward Leigh's departure.

4. Due to vest in September 2019.

The Committee considered the LTIP outturns in the context of the underlying financial performance of the Group and determined it was appropriate not to exercise its discretion, as the business performance merited the award.

## LTIP SHARE AWARDS GRANTED DURING THE YEAR

The following LTIP Share Awards were granted to the Executive Directors on 21 March 2018:

Executive Director	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	49.49	47,037	2,328	25%	Three years to
Edward Leigh	LTIP Share Award	200% of salary	49.49	19,195	950	25%	31 December 2020
Ross McCluskey	LTIP Share Award	50% of salary	49.49	2,244	111	25%	

The LTIP Share Awards granted in 2018 are conditional share awards subject to performance for the three-year period ending 31 December 2020. This note relates to performance shares only; details of Deferred Shares granted in 2018 are set out in the table opposite (Share Plan Awards).

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

Metric	Performance condition	Threshold target	Stretch target
Earnings Per Share (50%)	Annualised fully diluted, adjusted EPS growth, calculated on the basis of foreign exchange rates adopted at the start of the performance targets	4%	10%
Total Shareholder Return (50%)	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 2017 Number of shares	Granted in 2018 Number of shares	Award price <sup>1</sup> £	Dividend accrued in 2018 <sup>2</sup>	Vested in 2018 Number of shares	Lapsed in 2018 Number of shares	31 December 2018 Number of shares	Date of vesting
<b>André Lacroix</b>								
2015	LTIP Share <sup>4,5</sup>	90,440	–	24.74	–	(82,182)	(8,258)	– Sep 2018
	Dividend	3,411	–	–	761	(3,791)	(381)	–
2016	LTIP Share <sup>4,6</sup>	71,982	–	31.084	–	–	–	71,982 Mar 2019
	Dividend	2,226	–	–	1,115	–	–	3,341
	Deferred Share <sup>6</sup>	17,376	–	31.084	–	–	–	17,376 Mar 2019
	Dividend	536	–	–	268	–	–	804
2017	LTIP Share <sup>4,8</sup>	58,636	–	38.922	–	–	–	58,636 Mar 2020
	Dividend	846	–	–	907	–	–	1,753
	Deferred Share <sup>8</sup>	16,474	–	38.922	–	–	–	16,474 Mar 2020
	Dividend	237	–	–	254	–	–	491
2018	LTIP Share <sup>4,9</sup>	–	47,037	49.49	–	–	47,037	Mar 2021
	Dividend	–	–	–	728	–	–	728
	Deferred Share <sup>9</sup>	–	18,815	49.49	–	–	18,815	Mar 2021
	Dividend	–	–	–	291	–	–	291
<b>Total</b>	<b>262,164</b>	<b>65,852</b>		<b>4,324</b>	<b>(85,973)</b>	<b>(8,639)</b>	<b>237,728</b>	
Type of Award	31 December 2017 Number of shares	Granted in 2018 Number of shares	Award price <sup>1</sup> £	Dividend accrued in 2018 <sup>2</sup>	Vested in 2018 Number of shares	Lapsed in 2018 Number of shares	31 December 2018 Number of shares	Date of vesting
<b>Edward Leigh</b>								
2015	LTIP Share <sup>4,5</sup>	32,336	–	24.74	–	(28,566)	(3,770)	– Sep 2018
	Dividend	1,217	–	–	272	(1,315)	(174)	–
	Deferred Share <sup>3</sup>	5,405	–	25.572	–	(5,405)	–	– Mar 2018
	Dividend	272	–	–	–	(272)	–	–
2016	LTIP Share <sup>4,6</sup>	25,736	–	31.084	–	–	(5,005)	20,731 Mar 2019
	Dividend	795	–	–	362	–	(197)	960
	Deferred Share <sup>6</sup>	12,425	–	31.084	–	–	–	12,425 Mar 2019
	Dividend	383	–	–	191	–	–	574
2017	LTIP Share <sup>4,8</sup>	20,965	–	38.922	–	–	(11,065)	9,900 Mar 2020
	Dividend	302	–	–	246	–	(253)	295
	Deferred Share <sup>8</sup>	7,362	–	38.922	–	–	–	7,362 Mar 2020
	Dividend	106	–	–	113	–	–	219
2018	LTIP Share <sup>4,9</sup>	–	19,195	49.49	–	–	(16,530)	2,665 Mar 2021
	Dividend	–	–	–	179	–	(139)	40
	Deferred Share <sup>9</sup>	–	8,408	49.49	–	–	–	8,408 Mar 2021
	Dividend	–	–	–	129	–	–	129
<b>Total</b>	<b>107,304</b>	<b>27,603</b>		<b>1,492</b>	<b>(35,558)</b>	<b>(37,133)</b>	<b>63,708</b>	

# REMUNERATION REPORT

continued

## SHARE PLAN AWARDS (CONTINUED)

	Type of Award	31 December 2017 Number of shares	Granted in 2018 Number of shares	Award price <sup>1</sup> £	Dividend accrued in 2018 <sup>2</sup>	Vested in 2018 Number of shares	Lapsed in 2018 Number of shares	31 December 2018 Number of shares	Date of vesting
<b>Ross McCluskey</b>									
2016	LTIP Share <sup>4</sup>	3,117	-	35.288	-	-	-	3,117	Sep 2019
	Dividend	60	-	-	48	-	-	108	
	DSP-Deferred Shares <sup>7</sup>	3,000	-	35.288	-	(3,000)	-	-	Sep 2018
	Dividend	58	-	-	25	(83)	-	-	
2017	LTIP Share <sup>4,8</sup>	2,826	-	38.922	-	-	-	2,826	Mar 2020
	Dividend	40	-	-	42	-	-	82	
	Deferred Share <sup>8</sup>	715	-	38.922	-	-	-	715	Mar 2020
	Dividend	10	-	-	11	-	-	21	
2018	LTIP Share <sup>4,9</sup>	-	2,244	49.49	-	-	-	2,244	Mar 2021
	Dividend	-	-	-	33	-	-	33	
	Deferred Share <sup>9</sup>	-	2,244	49.49	-	-	-	2,244	Mar 2021
	Dividend	-	-	-	33	-	-	33	
<b>Total</b>		<b>9,826</b>	<b>4,488</b>		<b>192</b>	<b>(3,083)</b>	<b>-</b>	<b>11,423</b>	

1. 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.
2. 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.
3. Awards vested on 9 March 2018 on which date the market price of shares was £50.01 having been granted on 9 March 2015 on which date the closing market price was £25.70.
4. 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).
5. LTIP awards vested on 24 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 and 90.87% of the awards vested.
6. Awards will vest on 21 March 2019, subject to continued employment or good leaver status, having been granted on 21 March 2016 on which date the closing market price was £31.13. Awards were made at 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.
7. Award vested on 5 September 2018 on which date the market price of shares was £50.56 having been granted on 5 September 2016 on which date the closing market price was £35.53.
8. Awards will vest on 20 March 2020, subject to continued employment or good leaver status, having been granted on 20 March 2017 on which date the closing market price was £39.17. Awards were made on a share price of £38.922 being the share price obtained by averaging the closing share prices for the five dealing days before the date of grant.
9. Awards will vest on 21 March 2021, subject to continued employment or good leaver status, having been granted on 21 March 2018 on which date the closing market price was £49.55. Awards were made on a share price of £49.49 being the share price obtained by averaging the closing share prices for the five dealing days before the date of grant.

## 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 Committee has the discretion to reduce annual incentive 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 Committee also retains the discretion to reduce or reclaim payments if the performance achievements are subsequently found to have been significantly misstated.

## DIRECTORS' INTERESTS IN ORDINARY SHARES

The interests of the Directors in the shares of the Company as at the year end, or date of ceasing to be a Director, are set out below. Save as stated in this report, during the course of the year, no Director or 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. None of the Non-Executive Directors has share options or share awards.

	<b>Beneficially owned at 31 December 2017 or on appointment</b>	<b>Beneficially owned at 31 December 2018 or on ceasing to be a Director<sup>1</sup></b>	<b>Outstanding LTIP Share Awards<sup>2</sup></b>	<b>Outstanding Deferred Shares<sup>3</sup></b>	<b>Shareholding as a % of salary<sup>4</sup></b>	<b>Shareholding Guideline met</b>
André Lacroix <sup>5</sup>	299,788	<b>345,353</b>	183,477	54,251	1,745.34	Yes
Edward Leigh <sup>6</sup>	4,271	<b>7,279</b>	34,591	29,117	73.56	No
Ross McCluskey <sup>7</sup>	185	<b>1,813</b>	8,410	3,013	38.40	No
Sir David Reid	5,919	<b>6,244</b>	–	–	n/a	n/a
Graham Allan	–	<b>110</b>	–	–	n/a	n/a
Gurnek Bains	–	<b>112</b>	–	–	n/a	n/a
Dame Louise Makin	852	<b>956</b>	–	–	n/a	n/a
Andrew Martin	137	<b>251</b>	–	–	n/a	n/a
Gill Rider	395	<b>509</b>	–	–	n/a	n/a
Jean-Michel Valette	10,000	<b>10,112</b>	–	–	n/a	n/a
Lena Wilson	836	<b>940</b>	–	–	n/a	n/a

1. No changes in the above Directors' interests have taken place between 31 December 2018 and the date of this report.

2. Subject to performance conditions.

3. Subject to continued employment or good leaver status.

4. Based on a share price of £48.00 as at 31 December 2018 being the last trading day and applied to the annual salary for 2018.

5. Appointed 16 May 2015 with the guideline to hold 200% of base salary in shares by 16 May 2020, which has been exceeded.

6. Guideline to hold 200% of base salary in shares by May 2021. Edward Leigh ceased to be a Director on 22 August 2018.

7. Joined Intertek in August 2016 with the guideline to hold 35% of base salary in shares by August 2021. This guideline was increased on his appointment to Chief Financial Officer on 22 August 2018 to 200% to be achieved by August 2023.

## PAYMENTS TO PAST DIRECTORS

No payments were made to past directors during the year ended 31 December 2018.

## PAYMENTS FOR LOSS OF OFFICE

No payments were made in respect of loss of office during the year ended 31 December 2018, however a payment of £3,810 will be paid to Edward Leigh for loss of office when his employment terminates.

## ARRANGEMENTS FOR EDWARD LEIGH

As set out on stepping down from the Board, Edward Leigh ceased to be a director of the Company with effect from 22 August 2018. Edward was paid in respect of accrued salary and contractual benefits up to and including the 22 August 2018. He remains an employee of the Company potentially until 21 August 2019 and during the period of continued employment, he will be paid his salary and contractual benefits (other than car allowance) in accordance with his Service Agreement. If Edward serves notice on the Company terminating his employment before 21 August 2019 he will be paid, within 30 days of the Termination Date, an amount equal to his basic salary and a sum in lieu of pension contributions for the period from the termination of his employment up to 21 August 2019.

The annual incentive payable to Edward for 2018 has been pro-rated for the period to 22 August 2018 to reflect Edward's time as a Director during the financial year. This incentive has been determined based on performance achieved, in line with our Executive Directors, as set out on page 99. 50% of the incentive will be paid in cash in March 2019, and 50% will be deferred into shares (which will vest after a period of three years). Edward is being treated as a good leaver in respect of his existing deferred share awards, which will, accordingly, vest on their original vesting dates. All deferred share awards are subject to malus and clawback provisions.

As set out in the Chair's letter, Edward is being treated as a good leaver in respect of his unvested LTIP share awards under the Long Term Incentive Plan. The awards will vest on their original vesting dates, subject to the satisfaction of the original performance conditions and will be pro-rated up to 22 August 2018. All LTIP awards will continue to be subject to malus and clawback provisions. 32,336 LTIP share awards were due to vest to Edward on 22 September 2018 but following the application of pro-ration and performance criteria 29,881 shares vested at a share price of £48.50 giving a total value of £1,449,228. With regards to other outstanding LTIP awards, Edward has the following outstanding awards (which have been pro-rated for time): 2017 = 9,900; 2018 = 2,665. These awards will vest at the normal time subject to performance.

The Company made a payment to Edward Leigh's legal advisers of £1,000 plus VAT to cover legal fees.

# REMUNERATION REPORT

continued

## PERCENTAGE CHANGE IN REMUNERATION LEVELS

The table below shows the average movement in salary and annual incentive for UK employees between the 2017 and 2018 financial year ends.

	Salary	Incentive	Benefits
CEO (A Lacroix <sup>1</sup> )	2.0%	45.2%	25.3%
Average pay based on Intertek's UK employees <sup>2</sup>	5.5%	50.9%	7.0%

1. The percentage change for incentive and benefits for André Lacroix are based on actual amounts earned in 2017 and 2018.

2. The Intertek UK employee group has been selected as the most appropriate comparator group, due to the diverse nature of the Group's global employee population.

## CEO PAY RATIO

For accounting periods starting on or after 1 January 2019, UK companies have to report on pay ratio information in relation to the total remuneration of the Director undertaking the role of Chief Executive Officer. To meet the spirit of the legislation, Intertek has decided to voluntarily report one year early the required data, comparing the CEO's total remuneration against that of all of its UK employees. The table below shows the required information.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2018	Option B	262:1	189:1	123:1

In terms of reporting options, the Company chose option B, using the most recent gender pay gap information to determine the relevant employees at the 25th, 50th and 75th percentile to compare to CEO pay, as that data was already available and is used for other reporting purposes. It refers to gender pay data as of 1 April 2018.

With regards to representativeness of the ratios, Intertek is a very diverse employer and has employees in many UK locations. Our employees have many different qualifications and are working in and serving almost all major industries. As a consequence, it is unlikely that there is any one single individual whose pay and benefits is representative of Intertek UK as a whole. Intertek have therefore also looked at the total pay of the individuals immediately above and below the 25th, 50th and 75th percentile. Looking at the spread of resulting ratios, it was decided that the "best equivalent" would be the arithmetic mean of the total pay of three individuals around each reporting point:

- For the three employees around the 25th percentile: Ratios ranged from 239:1 to 280:1, with an arithmetic mean of 262:1.
- For the three employees around the 50th percentile: Ratios ranged from 165:1 to 210:1, with an arithmetic mean of 189:1.
- For the three employees around the 75th percentile: Ratios ranged from 110:1 to 143:1, with an arithmetic mean of 123:1.

When calculating total pay and rewards, no pay components were omitted. The Company used the calculation methodology as set out in the relevant regulations (The Companies (Miscellaneous Reporting) Regulations 2018). For part-time employees their relevant pay and benefit components have been adjusted to the equivalent full-time figure for the relevant business. Full-time equivalent hours can vary across locations and legal entities.

## RELATIVE IMPORTANCE OF THE SPEND ON PAY

The table below shows the movement in spend on staff costs between the 2017 and 2018 financial years, compared to dividends.

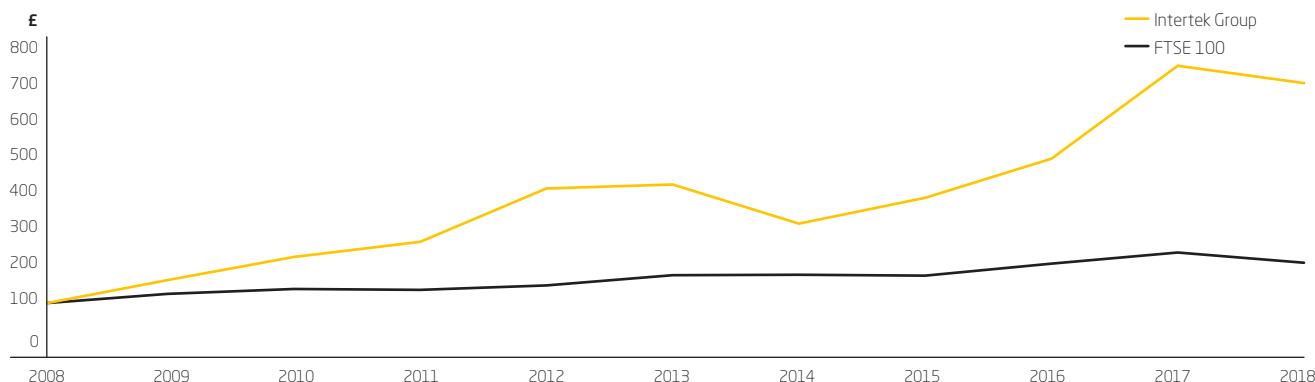
	2018 £m	2017 £m	% change
Staff costs <sup>1</sup>	1,239.0	1,220.8	1.5%
Dividends	128.3	107.0	19.9%

1. Staff costs are shown at actual rates. At constant currency, staff costs increased by 4.9%, reflecting a 3.4% foreign exchange impact.

## PERFORMANCE GRAPH

Consistent with prior years, the graph below shows the TSR in respect of the Company over the last 10 financial years, compared with the TSR for the full FTSE 100 Index. The FTSE 100 is selected as the comparator group as it is a good representation of peer group companies and Intertek is a constituent of the FTSE 100. 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 10 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 incentive 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 incentive payout and LTIP award vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	Year ended 31 December										2018
	2009	2010	2011	2012	2013	2014	W Hauser	A Lacroix	2015	2016	
	Total remuneration £'000	2,451	3,164	4,554	5,298	3,195	2,011	876	1,824	5,452 <sup>1</sup>	11,417 <sup>1</sup>
Annual incentive (%)	100.0	96.6	92.3	83.1	34.6	38.4	90.6	96.6	70.24	100.0	<b>75.5</b>
LTIP award vesting (%)	100.0	100.0	100.0	100.0	81.8	25.2	-	-	-	90.87	<b>98.32</b>

1. As reported in previous years, at the time of joining, the Company had bought out André's existing share awards with his previous employer in two tranches of 91,575 and 91,574 shares vesting in 2016 and 2017 each at an award price of £28. The tranche that vested in 2017 vested at a share price of £42.95 which represents an increase in our Company share price over the two years of over 53%. These awards were one-off awards and are not part of his ongoing remuneration.

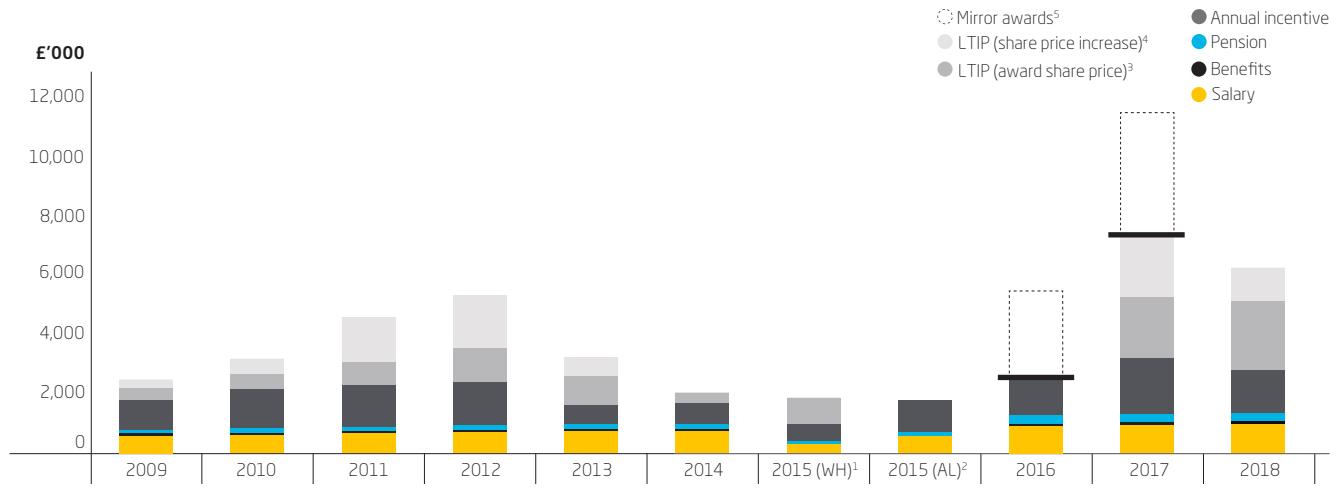
# REMUNERATION REPORT

continued

## CEO TOTAL REMUNERATION

The graph below shows the total remuneration of the Intertek CEO over the 10 year period from 2009 to 2018.

### CEO TOTAL REMUNERATION FIGURE



1. Shows W Hauser remuneration based on period to 15 May 2015.

2. Shows A Lacroix remuneration for the period from appointment as CEO on 16 May 2015.

3. LTIP (award share price) shows the proportion of the LTIP value received which resulted from the share price on the award date.

4. LTIP (share price increase) shows the proportion of the LTIP value received which resulted from increase in the share price over the vesting period.

5. Mirror Awards – as reported in previous years, at the time of joining, the Company had bought out André's existing share awards with his previous employer in two tranches of 91,575 and 91,574 shares vesting in 2016 and 2017 each at an award price of £28. The tranche that vested in 2017 vested at a share price of £42.95 which represents an increase in our Company share price over the two years of over 53%. These awards were one-off awards and are not part of his ongoing remuneration.

### REMUNERATION DECISIONS TAKEN IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

#### Base salary

Following a review of base salaries, the Remuneration Committee approved a salary increase of 2.0% for the CEO. This is in line with the increase provided to UK employees in the Group. No change is proposed to the CFO's salary, given his appointment in August 2018.

The Executive Directors' salaries are:

	Base salary from 1 April 2018 £'000	Base salary from 1 April 2019 £'000	% increase
André Lacroix	950	969	2.0%
Ross McCluskey	475 <sup>1</sup>	475	0.0%

1. Salary on appointment.

#### Annual incentive and LTIP awards to be granted in 2019

For 2019, the annual incentive opportunity expressed as a percentage of base salary will be 200% for the CEO and CFO. The Committee has determined that for 2019 the basis for calculating the annual incentive will be unchanged from the previous year – 80% will be based on a matrix based on revenue and adjusted operating profit growth, and 20% will be based on ROIC.

Annual incentive will continue to be subject to a quality of earnings review at the end of the year to ensure that payouts 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, the Committee will disclose the performance targets for the annual incentive in the following year.

For 2019, the LTIP opportunity for the CEO and CFO will be 250% and 200% of salary respectively with targets based on the Group Remuneration Policy and decisions taken by the Committee as below:

Metric	Performance condition	Threshold target	Stretch target
Earnings Per Share (50%)	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 (50%)	Relative TSR performance against the FTSE index members 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. Following a review of Non-Executive Directors fees in 2017, minor changes were implemented as set out in the table below:

	To 31 March 2018 £'000	From 1 April 2018 £'000	2019 <sup>1</sup> £'000
<b>Board membership</b>			
Chairman	320	<b>320</b>	320
Non-Executive Director	58	<b>62</b>	62
Senior Independent Non-Executive Director	12	<b>12</b>	12
<b>Committee membership</b>			
Chair Audit Committee	20	<b>20</b>	20
Chair Remuneration Committee	15	<b>15</b>	15
Chair Nomination Committee	-	-	-
Member Audit Committee	10	<b>10</b>	10
Member Remuneration Committee	7.5	<b>10</b>	10
Member Nomination Committee	2.5	<b>5</b>	5

1. Increase took effect from 1 April 2019.

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 the Remuneration Policy Annual Report on Remuneration, was approved by the Board on 4 March 2019.

**Gill Rider**  
Chair of the Remuneration Committee

# SHAREHOLDER ENGAGEMENT



The Board recognises its responsibility to take account of the interests of stakeholders as outlined in section 172 of the Companies Act 2006.

Our Sustainability report on pages 22 to 43 sets out our sustainability priorities, our commitment and engagement with our people, the environment and wider communities.

Details of our significant shareholders are disclosed on page 111.

## APPROACH TO INVESTOR RELATIONS

The Board is committed to maintaining an active and open dialogue with shareholders and sees this as an important part of the governance process. The Board retains overall responsibility for shareholder engagement. This is discharged through the Chairman, supported by the Executive Directors and the Group Company Secretary, who is responsible for ensuring Intertek has regular and effective communication with its investors. Throughout the year, the Chairman, Non-Executive Directors and Executive Directors are available to meet with institutional shareholders.

Intertek has a comprehensive annual Investor Relations programme, aimed at helping existing and potential investors understand the Group's business model, strategy, financial performance and outlook.

This function is managed by the Investor Relations team in London and includes a wide-ranging programme of events and roadshows throughout the year to update investors and sell-side analysts on the developments of the Group.

## INVESTOR RELATIONS PROGRAMME

### Investor Materials

The primary form of communication with institutional investors is through our Annual Report, full-year and half-year results updates and Trading Statements. These materials are available on the investor webpages, which include a wealth of information that may be of interest to shareholders and investors and is supplemented by videos, webcasts and presentations.

### Investor Conferences

Throughout the year, the Executive Directors and the Investor Relations team attended industry conferences which provide an opportunity to meet a large number of investors. Some of the conferences attended this year include the Berenberg TIC Conference in London, the Kepler Cheuvreux Autumn Conference in Paris and the Credit Suisse Business Services Conference in San Francisco. A full list of conferences attended is outlined in the calendar below.

### Investor Roadshows

Following the full-year and half-year results announcements in March and August respectively, the Executive Directors and Investor Relations team carried out meetings with principal shareholders across London, Edinburgh, New York, Boston, Chicago, Montreal and Toronto.

In addition, further roadshows were held and a full list of roadshows held, and attended, is included in the calendar below.

JANUARY	MAY	AUGUST	OCTOBER	DECEMBER
<ul style="list-style-type: none"> <li>Oddo BHF Lyon stock-picker Conference</li> <li>Denmark and Finland Roadshow</li> </ul>	<ul style="list-style-type: none"> <li>Trading Statement</li> </ul>	<ul style="list-style-type: none"> <li>Half Year Results 2018</li> <li>London, Edinburgh, New York, Montreal, Boston, Chicago - Interim Results Roadshows</li> <li>Stockholm Roadshow</li> <li>Helsinki Roadshow</li> </ul>	<ul style="list-style-type: none"> <li>Berenberg London Testing, Inspection &amp; Certification (TIC) Conference</li> <li>Dublin Roadshow</li> <li>Zurich Roadshow</li> <li>Geneva Roadshow</li> <li>Frankfurt Roadshow</li> <li>Munich Roadshow</li> <li>Milan Roadshow</li> </ul>	<ul style="list-style-type: none"> <li>Credit Suisse San Francisco 8th Annual European Business Services Conference</li> <li>Denver Roadshow</li> <li>Chicago roadshow</li> </ul>
MARCH	JUNE	SEPTEMBER	NOVEMBER	
<ul style="list-style-type: none"> <li>Full Year Results 2017</li> <li>London, Edinburgh, Toronto, New York - Annual Results Roadshow</li> </ul>	<ul style="list-style-type: none"> <li>Goldman Sachs London European Business Services, Transport &amp; Leisure Conference</li> </ul>	<ul style="list-style-type: none"> <li>Bernstein London Strategic Decisions Conference</li> <li>UBS London Business Services, Leisure and Transport Conference</li> <li>Kepler Cheuvreux Paris Autumn Conference</li> </ul>	<ul style="list-style-type: none"> <li>Trading Statement</li> <li>Paris Roadshow</li> </ul>	

### **Corporate Governance Roadshow**

Intertek's largest shareholders are invited annually to meet with the Chairman to share their views and discuss any corporate governance matters. In 2018, shareholders holding more than 55.10% of the share register collectively were invited to these meetings.

### **FEEDBACK ON INVESTOR RELATIONS ACTIVITIES**

The Executive Directors and Investor Relations team receive regular feedback from sell-side analysts and investors during the year both directly and through the Group's Corporate Advisers. The Group Company Secretary also receives feedback on governance matters directly from investors and shareholder bodies.

### **ANNUAL GENERAL MEETING ('AGM')**

The Board welcomes the opportunity to meet with both private and institutional investors at the AGM. The 2018 AGM provided all shareholders with the opportunity to question the Board and Chair of each Board Committee on matters put to the meeting. The results of voting at the AGM are published on the Company's website.

The 2019 AGM will be held on 23 May 2019 at 9.00 a.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 is sent to shareholders by e-communications or by post and is also available at [www.intertek.com](http://www.intertek.com).

### **DIVIDEND PAYMENTS**

Dividend payments to shareholders were made twice during 2018. The 2017 final dividend payment was made on 6 June 2018 to all shareholders present on the register as at 18 May 2018. The 2018 interim dividend payment was made on 19 October 2018 to all shareholders on the register as at 5 October 2018.

# 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 names of the members of the Board, as at the date of this report, and their biographical details are set out on pages 74 to 75.

## 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 2018, 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 and the FCA under Article 19 of the Market Abuse Regulation, are disclosed in the Remuneration Report on pages 89 to 107.

## 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 67.2p per ordinary share (2017: 47.8p) making a full-year dividend of 99.1p per ordinary share (2017: 71.3p) which will, if approved at the AGM, be paid on 4 June 2019 to shareholders on the register at the close of business on 17 May 2019.

## GENERAL MEETING

During the year to December 2018, the Directors became aware that the payment of the interim dividend paid on 19 October 2018 (the 'Relevant Distribution') totalling £51.4m had been made otherwise than in accordance with the Companies Act 2006 ('the Act') because interim accounts had not been filed at Companies House prior to payment. At a General Meeting of the Company's shareholders held on 16 January 2019, a resolution was passed, the effect of which was to return all potentially affected parties so far as possible in the position in which they were always intended to be had the Relevant Distribution been made in accordance with the procedural requirements of the Act. This constituted a related-party transaction under IAS 24. The Company had at all times sufficient distributable reserves to justify the payment of dividends.

## SHARE CAPITAL

The issued share capital of the Company and the 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 455,463 shares held by the Intertek Group Employee Share Ownership Trust ('Trust') as at 31 December 2018. 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 2018, 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 2018 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.

It is the Board's intention, in line with guidance issued by the Pre-Emption Group, to also propose the renewal of the additional special resolution to allow the Company to allot equity securities up to a further 5% of the Company's issued share capital. This is applicable when the Board determines a transaction to be an acquisition or other capital investment, as defined by the Pre-Emption Group's Statement of Principles and is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

### 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. The Company currently holds no shares in treasury.

### 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 2018 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 4 March 2019, 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.

### AT THE DATE OF NOTIFICATION

Shareholder	Number of voting rights	% of voting rights
BlackRock Inc.	10,473,019	6.49
MFS Investment Management	9,547,182	5.92
Mawer Investment Management Ltd	8,110,417	5.03
Marathon Asset Management LLP	8,037,714	4.98
Fiera Capital Corporation	8,485,236	5.26
Fundsmith LLP	8,215,293	5.10

### EMPLOYMENT

Information about the Group's employees, employment of disabled persons and employment practices is contained within the Sustainability report on pages 28 to 31. Information on employee share schemes is in note 17 to the financial statements.

### GREENHOUSE GAS EMISSIONS ('GHG')

Information about the Group's Greenhouse Gas emissions is given in the Sustainability report on pages 34 to 36.

### POLITICAL DONATIONS

At the AGM in 2018, 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 items are defined in the Act) not exceeding £90,000. During the year the Group did not make such political donations (2017: £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 section 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 related undertakings is available on pages 158 to 163.

### AUDITOR

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

### FINANCIAL INSTRUMENTS

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

# OTHER STATUTORY INFORMATION

continued

## ANNUAL GENERAL MEETING

The Notice of AGM, which is to be held on 23 May 2019, 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 65) which provides an overview of the development and performance of the Company's business during the year ended 31 December 2018 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 89 to 107)
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 111)
10. Any contracts for the provision of services by a controlling shareholder	Not applicable
11. Shareholder waivers of dividends	Other statutory information (page 110)
12. Shareholder waivers of future dividends	Other statutory information (page 110)
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 financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

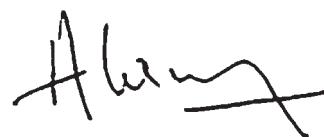
The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.



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

4 March 2019

Registered Office  
33 Cavendish Square  
London  
W1G 0PS

Registered Number: 04267576

# FINANCIAL STATEMENTS

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# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018	Notes	Adjusted results £m	Separately Disclosed Items* £m	Total 2018 £m	Adjusted results £m	Separately Disclosed Items* £m	Total 2017 £m
<b>Revenue</b>	2	<b>2,801.2</b>	-	<b>2,801.2</b>	2,769.1	-	2,769.1
Operating costs		(2,319.4)	(45.6)	(2,365.0)	(2,301.4)	(45.0)	(2,346.4)
<b>Group operating profit/(loss)</b>	2	<b>481.8</b>	<b>(45.6)</b>	<b>436.2</b>	467.7	(45.0)	422.7
Finance income	14	1.8	-	1.8	1.2	-	1.2
Finance expense	14	(27.1)	(6.4)	(33.5)	(30.1)	(0.5)	(30.6)
<b>Net financing costs</b>		<b>(25.3)</b>	<b>(6.4)</b>	<b>(31.7)</b>	(28.9)	(0.5)	(29.4)
<b>Profit/(loss) before income tax</b>		456.5	(52.0)	404.5	438.8	(45.5)	393.3
Income tax expense	6	(112.8)	13.5	(99.3)	(107.5)	20.6	(86.9)
<b>Profit/(loss) for the year</b>	2	<b>343.7</b>	<b>(38.5)</b>	<b>305.2</b>	331.3	(24.9)	306.4
<b>Attributable to:</b>							
Equity holders of the Company		322.9	(38.5)	284.4	312.3	(24.9)	287.4
Non-controlling interest	20	20.8	-	20.8	19.0	-	19.0
<b>Profit/(loss) for the year</b>		<b>343.7</b>	<b>(38.5)</b>	<b>305.2</b>	331.3	(24.9)	306.4
<b>Earnings per share**</b>							
Basic	7			<b>176.8p</b>			178.6p
Diluted	7			<b>174.7p</b>			176.3p

\* See note 3.

\*\* Earnings per share on the adjusted results is disclosed in note 7.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 £m	2017 £m
<b>For the year ended 31 December 2018</b>			
<b>Profit for the year</b>	2	<b>305.2</b>	306.4
<b>Other comprehensive income</b>			
Remeasurements on defined benefit pension schemes	16	(0.8)	12.6
Tax on items that will never be reclassified to profit or loss	6	(0.5)	(1.7)
<b>Items that will never be reclassified to profit or loss</b>		<b>(1.3)</b>	10.9
Foreign exchange translation differences of foreign operations		45.3	(107.3)
Net exchange (loss)/gain on hedges of net investments in foreign operations	14	(32.6)	77.3
Gain/(loss) on fair value of cash flow hedges		1.1	(16.4)
<b>Items that are or may be reclassified subsequently to profit or loss</b>		<b>13.8</b>	(46.4)
<b>Total other comprehensive income/(expense) for the year</b>		<b>12.5</b>	(35.5)
<b>Total comprehensive income for the year</b>		<b>317.7</b>	270.9
 <b>Total comprehensive income for the year attributable to:</b>			
Equity holders of the Company		299.7	252.2
Non-controlling interest	20	18.0	18.7
<b>Total comprehensive income for the year</b>		<b>317.7</b>	270.9

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018	Notes	2018 £m	2017 £m
<b>Assets</b>			
Property, plant and equipment	8	441.2	420.6
Goodwill	9	874.9	579.6
Other intangible assets	9	329.5	178.2
Investments in associates		0.3	0.3
Deferred tax assets	6	58.4	59.4
<b>Total non-current assets</b>		<b>1,704.3</b>	1,238.1
Inventories*		18.3	18.3
Trade and other receivables*	11	684.4	641.7
Cash and cash equivalents	14	206.9	137.0
Current tax receivable		19.7	17.3
<b>Total current assets</b>		<b>929.3</b>	814.3
<b>Total assets</b>		<b>2,633.6</b>	2,052.4
<b>Liabilities</b>			
Interest-bearing loans and borrowings	14	(138.3)	(77.1)
Current taxes payable		(62.5)	(46.8)
Trade and other payables*	12	(515.1)	(452.2)
Provisions*	13	(26.8)	(32.2)
<b>Total current liabilities</b>		<b>(742.7)</b>	(608.3)
Interest-bearing loans and borrowings	14	(846.8)	(604.0)
Deferred tax liabilities	6	(80.8)	(47.4)
Net pension liabilities	16	(12.5)	(17.8)
Other payables*	12	(26.5)	(21.6)
Provisions*	13	(16.0)	(9.1)
<b>Total non-current liabilities</b>		<b>(982.6)</b>	(699.9)
<b>Total liabilities</b>		<b>(1,725.3)</b>	(1,308.2)
<b>Net assets</b>		<b>908.3</b>	744.2
<b>Equity</b>			
Share capital	15	1.6	1.6
Share premium		257.8	257.8
Other reserves		7.1	(9.5)
Retained earnings		607.5	459.8
<b>Total equity attributable to equity holders of the Company</b>		<b>874.0</b>	709.7
Non-controlling interest	20	34.3	34.5
<b>Total equity</b>		<b>908.3</b>	744.2

Working capital of £109.7m (2017: £138.3m) comprises the asterisked items in the above Statement of Financial Position less refundable deposits aged over 12 months of £8.6m (2017: £6.6m).

The financial statements on pages 115 to 163 were approved by the Board on 4 March 2019 and were signed on its behalf by:

André Lacroix  
Chief Executive Officer

Ross McCluskey  
Chief Financial Officer

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018	Notes	Attributable to equity holders of the Company								Non-controlling interest £m	Total equity £m		
		Other reserves				Total before non-controlling interest £m							
		Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings £m							
<b>At 1 January 2017</b>		1.6	257.8	14.6	20.7	273.0	567.7	34.7	602.4				
<b>Total comprehensive income for the year</b>													
Profit		-	-	-	-	287.4	287.4	19.0	306.4				
Other comprehensive (expense)/income		-	-	(28.4)	(16.4)	9.6	(35.2)	(0.3)	(35.5)				
<b>Total comprehensive income for the year</b>		-	-	(28.4)	(16.4)	297.0	252.2	18.7	270.9				
<b>Transactions with owners of the Company recognised directly in equity</b>													
<b>Contributions by and distributions to the owners of the Company</b>													
Dividends paid	15	-	-	-	-	(107.0)	(107.0)	(18.7)	(125.7)				
Adjustment arising from changes in non-controlling interest	20	-	-	-	-	-	-	(0.2)	(0.2)				
Issue of share capital	15	-	-	-	-	-	-	-	-				
Purchase of own shares	15	-	-	-	-	(15.6)	(15.6)	-	(15.6)				
Tax paid on Share Awards vested*	17	-	-	-	-	(6.8)	(6.8)	-	(6.8)				
Equity-settled transactions	17	-	-	-	-	17.5	17.5	-	17.5				
Income tax on equity-settled transactions	6	-	-	-	-	1.7	1.7	-	1.7				
<b>Total contributions by and distributions to the owners of the Company</b>		-	-	-	-	(110.2)	(110.2)	(18.9)	(129.1)				
<b>At 31 December 2017</b>		1.6	257.8	(13.8)	4.3	459.8	709.7	34.5	744.2				
<b>At 1 January 2018</b>		1.6	257.8	(13.8)	4.3	459.8	709.7	34.5	744.2				
<b>Total comprehensive income for the year</b>													
Profit		-	-	-	-	284.4	284.4	20.8	305.2				
Other comprehensive (expense)/income		-	-	15.5	1.1	(1.3)	15.3	(2.8)	12.5				
<b>Total comprehensive income for the year</b>		-	-	15.5	1.1	283.1	299.7	18.0	317.7				
<b>Transactions with owners of the Company recognised directly in equity</b>													
<b>Contributions by and distributions to the owners of the Company</b>													
Dividends paid	15	-	-	-	-	(128.3)	(128.3)	(18.2)	(146.5)				
Adjustment arising from changes in non-controlling interest	20	-	-	-	-	-	-	-	-				
Issue of share capital	15	-	-	-	-	-	-	-	-				
Purchase of own shares	15	-	-	-	-	(16.7)	(16.7)	-	(16.7)				
Tax paid on Share Awards vested*	17	-	-	-	-	(9.9)	(9.9)	-	(9.9)				
Equity-settled transactions	17	-	-	-	-	20.9	20.9	-	20.9				
Income tax on equity-settled transactions	6	-	-	-	-	(1.4)	(1.4)	-	(1.4)				
<b>Total contributions by and distributions to the owners of the Company</b>		-	-	-	-	(135.4)	(135.4)	(18.2)	(153.6)				
<b>At 31 December 2018</b>		1.6	257.8	1.7	5.4	607.5	874.0	34.3	908.3				

\* The tax paid on share awards vested is related to settlement of the tax obligation on behalf of employees by the Group via the sale of a portion of the equity-settled shares.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018	Notes	2018 £m	2017 £m
<b>Cash flows from operating activities</b>			
Profit for the year	2	<b>305.2</b>	306.4
Adjustments for:			
Depreciation charge	8	76.2	81.2
Amortisation of software	9	12.5	12.2
Amortisation of acquisition intangibles	9	24.6	16.0
Impairment of goodwill and other assets	8,9	-	18.2
Equity-settled transactions	17	20.9	17.5
Net financing costs	14	31.7	29.4
Income tax expense	6	99.3	86.9
(Profit)/loss on disposal of subsidiary		(1.1)	-
Loss/(profit) on disposal of property, plant, equipment and software		0.4	(0.8)
<b>Operating cash flows before changes in working capital and operating provisions</b>		<b>569.7</b>	567.0
Change in inventories		1.0	(0.5)
Change in trade and other receivables		(16.0)	(22.7)
Change in trade and other payables		35.2	46.0
Change in provisions		(7.0)	(7.8)
Special contributions into pension schemes	16	(2.0)	(2.8)
<b>Cash generated from operations</b>		<b>580.9</b>	579.2
Interest and other finance expense paid		(29.3)	(28.3)
Income taxes paid		(93.1)	(100.8)
<b>Net cash flows generated from operating activities*</b>		<b>458.5</b>	450.1
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant, equipment and software*		3.5	3.2
Interest received*	14	1.8	1.2
Acquisition of subsidiaries, net of cash acquired	10	(387.9)	(27.4)
Consideration paid in respect of prior year acquisitions		0.1	(7.8)
Acquisition of property, plant, equipment and software*	8,9	(113.2)	(112.9)
<b>Net cash flows used in investing activities</b>		<b>(495.7)</b>	(143.7)
<b>Cash flows from financing activities</b>			
Purchase of own shares	15	(16.7)	(15.6)
Tax paid on share awards vested		(9.9)	(6.8)
Drawdown of borrowings		341.4	-
Repayment of borrowings		(75.9)	(151.3)
Dividends paid to non-controlling interest	20	(18.2)	(18.7)
Equity dividends paid	15	(128.3)	(107.0)
<b>Net cash flow used in financing activities</b>		<b>92.4</b>	(299.4)
Net increase in cash and cash equivalents	14	55.2	7.0
Cash and cash equivalents at 1 January	14	135.9	158.8
Exchange adjustments	14	12.1	(29.9)
<b>Cash and cash equivalents at 31 December</b>	14	<b>203.2</b>	135.9

The notes on pages 120 to 163 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £22.0m for year ended 31 December 2018 (2017: £16.9m).

Free cash flow of £350.6m (2017: £341.6m) comprises the asterisked items in the above consolidated Statement of Cash Flows.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 Significant accounting policies

### BASIS OF PREPARATION

Accounting policies applicable to more than one section of the financial statements are shown below. Where accounting policies relate to a specific note in the financial statements, they are set out within that note, to provide readers of the financial statements with a more useful layout to the financial information presented.

### Statement of compliance

Intertek Group plc is a company incorporated and domiciled in the UK.

The Group financial statements as at and for the year ended 31 December 2018 consolidate those of the Company and its subsidiaries (together referred to as the 'Group') and include the Group's interest in associates. The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). The Company financial statements present information about the Company as a separate entity and not about its Group. The Company has elected to prepare its Company financial statements in accordance with UK GAAP, comprising FRS 101 and applicable law; these are presented on pages 164 to 168.

### Significant new accounting policies

IFRS 9 *Financial Instruments* came into effect on 1 January 2018. Management has performed its reviews of the standard, and identified the following areas of note, although there is no material impact in the year ending 31 December 2018 as a result of implementing the new standard. The Group has applied the limited exemption in IFRS 9 and has elected not to restate comparative information in the year of adoption. As a result, the comparative information provided has been accounted for in accordance with Group's previous accounting policy.

- ***Classification and measurement of financial assets*** - the Group's financial assets comprise trade receivables, contract assets and cash and cash equivalents. The disclosures relating to both trade receivables, contract assets and cash and cash equivalents continue to be applicable and have not been affected by the adoption of IFRS 9. There are no changes to the measurement of financial assets.
- ***Impairment of financial assets, by introducing a forward-looking expected loss impairment model*** - the Group's primary types of financial assets subject to IFRS 9's new expected credit loss model are trade receivables and contract assets. For trade receivables and contract assets, the Group has applied the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables, whereas IAS 39 operated under an incurred loss model and would only recognise impairments when there was objective evidence. There has been no material change to the impairment provision of receivables.
- ***Hedge accounting*** - the Group has continued to apply IAS 39 accounting and has provided additional IFRS 7 disclosures required for taking that option.

IFRS 15 *Revenue from contracts with customers* came into effect on 1 January 2018. During the year ended 31 December 2017 the Group carried out a detailed review of the recognition criteria for revenue applying the requirements of IFRS 15 and to ensure that the same principles were being applied consistently across the Group. Management assessed the potential impact of IFRS 15 by i) discussing the changes in accounting for revenue under the new standard with major countries and business lines; ii) reviewing a cross-section of different revenue contracts across the Group; and iii) considering the impact of IFRS 15 on both short-term and long-term contracts. Specifically, the Group's revenue streams are two-fold:

- Revenue from services rendered on short-term projects is generally recognised in the income statement when the relevant service is completed, usually when the report of findings or test/inspection certificate is issued. The adoption of IFRS 15 has no material impact on the recognition of such revenue.
- On long-term projects the Group records transactions as revenue on the basis of value of work done, with the corresponding amount being included in trade receivables if the customer has been invoiced, or in contract assets if billing has yet to be completed. Long-term projects consist of two main types:
  - time incurred is billed at agreed rates on a periodic basis, such as monthly. The current recognition approach is based on timesheets evidencing work done, this is consistent with the "over time" recognition criteria under IFRS 15 using those timesheets as the input basis; or
  - staged payment invoicing occurs, requiring an assessment of percentage completion, based on services provided and revenue accrued accordingly. Assessment of percentage completion has continued in the same way, this is in line with the "over time" recognition under IFRS 15.

Whilst IAS 18 is based on deliverables and risks and rewards of transfer, IFRS 15 identifies performance obligations. There may be more than one performance obligation per contract, for example Alchemy Training Solutions contracts have multiple elements which are split between recognising revenue at a point in time for services such as software licences and over time for other services delivered under the same contract. The application to the Group's long- and short-term contracts remains the same. IFRS 15 provides guidance on variable consideration that was not included under IAS 18, however no material variable consideration exists within the Group.

## 1 Significant accounting policies (continued)

IFRS 15 has been implemented retrospectively, but the comparative figures have not been restated because the new standard does not have a material impact on the timing of revenue recognition based on the Group's current revenue streams. The economic factors affecting revenue for both short-term and long-term contracts are consistent within each. The operating segment revenue disclosures (note 2) provided under IFRS 8 are consistent with the disaggregated revenue disclosure and recognition and measurement requirements of IFRS 15.

### **IFRSs announced but not yet effective**

IFRS 16 *Leases* (effective 1 January 2019) requires that, to the extent that a right-of-control exists over an asset subject to a lease, with a lease term exceeding one year and subject to exceptions for leases of low-value assets, a right-of-use asset, representing the Group's right to use the underlying leased asset and a lease liability representing the Group's obligation to make lease payments, are recognised in the consolidated statement of financial position at the commencement of the lease.

The Group will be applying the modified retrospective approach, where the cumulative effect of applying IFRS 16 is recognised in retained earnings with no restatement to prior years.

On transition, the majority of leases will be recognised using modified retrospective B, whereby the right-of-use asset is equal to the lease liability at 1 January 2019, being the present value of the remaining future minimum lease payments at the date of initial application, including any early termination or extension options if they are deemed reasonably certain to be adopted. For certain leases the modified retrospective A approach will be applied, whereby the right-of-use asset recognised at 1 January 2019 is equal to the right-of-use asset had IFRS 16 been applied since the beginning of the lease.

The Group has applied the practical expedient within the standard whereby IFRS 16 has been applied to contracts that were previously identified as leases when applying IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

Management has completed the data collection exercise to determine the estimated quantitative impact of IFRS 16 on the Group's net assets and income statement as a result of IFRS 16 coming into effect from 1 January 2019:

- The Group's assets would increase by between £230m and £250m and liabilities would increase by between £250m and £270m. The overall impact on the Group's statement of financial position as at 31 December 2018 is expected to be a reduction in the Group's net assets of £20m.
- Operating lease rental charges for those leases accounted for under IFRS 16 are replaced by depreciation and finance costs. The impact on the Group's 2018 income statement is not material.

IFRS 16 will primarily affect the accounting for the Group's operating leases, to which the Group had commitments of £303.6m at 31 December 2018 as reported in note 8. This is the gross value and does not reflect a discounting of the commitments to their present value, as required by IFRS 16. IFRS 16 will not have any impact on the underlying commercial performance of the Group, nor the cash flows generated in the year.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on future transactions.

### **Changes in accounting policies**

The accounting policies set out in these financial statements have been applied consistently to all years presented except for the policy on the useful economic lives of intangible assets that has been updated to reflect the longer useful economic lives of the intangibles assets recognised following the acquisition of Alchemy. A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, but do not have a material effect on the consolidated financial statements of the Group. Details of these standards can be found on page 120.

### **Measurement convention**

The financial statements are prepared on the historical cost basis except as discussed in the relevant accounting policies.

### **Functional and presentation currency**

These consolidated financial statements are presented in sterling, which is the Company's functional currency. All information presented in sterling has been rounded to the nearest £0.1m.

### **Going concern**

The Board has reviewed forecasts, including forecasts adjusted for significantly worse economic conditions. The Board has also reviewed the Group's funding requirements and the available debt facilities. As a result of these reviews the Board remains satisfied with the Group's funding and liquidity position and believes that the Group is well placed to manage its business risks successfully.

In addition, on the basis of its forecasts, both base case and stressed, and available facilities, which are described in note 14, the Board has concluded that the going concern basis of preparation continues to be appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 1 Significant accounting policies (continued)

#### BASIS OF CONSOLIDATION

##### Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has power to direct the relevant activities, exposure to variable returns from the investee and the ability to use its power over the investee to affect the amount of investor returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

For purchases of non-controlling interest in subsidiaries, the difference between the cost of the additional interest in the subsidiary and the non-controlling interest's share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition, is reflected directly in shareholders' equity.

##### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### FOREIGN CURRENCY

##### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities (for example cash, trade receivables, trade payables) denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are generally recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. For the policy on hedging of foreign currency transactions see note 14.

##### Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to sterling at foreign exchange rates ruling at the reporting date.

The income and expenses of foreign operations are translated into sterling at cumulative average rates of exchange during the year. Exchange differences arising from the translation of foreign operations are taken directly to equity in the translation reserve. They are released to the income statement upon disposal. For the policy on net investment hedging see note 14.

The most significant currencies for the Group were translated at the following exchange rates:

Value of £1	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
	31 Dec 2018	31 Dec 2017	2018	2017
US dollar	1.26	1.34	1.34	1.29
Euro	1.11	1.13	1.13	1.14
Chinese renminbi	8.69	8.79	8.84	8.72
Hong Kong dollar	9.90	10.47	10.47	10.05
Australian dollar	1.80	1.72	1.79	1.68

#### USE OF JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

During the year, management reassessed its critical estimates and judgements and resolved that the following disclosure was no longer considered critical, as management does not expect there to be a significant risk of material change to the carrying value of those liabilities within the next year.

#### Put option over non-controlling interest

The calculation of the fair value of put options over the non-controlling interest in the Group's businesses in the relevant countries required the use of judgement in the application of key assumptions around the future performance of those businesses; the risk-adjusted discount rate taking into account the risk-free rate and the gross domestic product growth in those countries.

## 1 Significant accounting policies (continued)

### JUDGEMENTS

In applying the Group's accounting policies, management has applied judgement in the following areas that have a significant impact on the amounts recognised in the financial statements.

#### Income and deferred tax

The tax on profits is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, judgements are used in determining the liability for the tax to be paid.

Deferred tax assets and liabilities require management 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 reassessment of the uncertain tax provisions for the full year and reassessment of the recognition and recoverability of the UK deferred tax asset – see note 6.

#### Basis of consolidation

Judgement is applied when determining if the Group 'controls' a subsidiary. In assessing control, the Group considers whether it has the power to direct the relevant activities, whether it has exposure to variable returns from the investee and whether it has power over the investee to affect the amount of investor returns. Our original assessments are subsequently revisited on a rolling basis – see 'Basis of Consolidation' policy. In 2018 the Group made a number of acquisitions, as disclosed in note 10, and it was determined that the Group has control over all subsidiaries acquired in the year.

#### Intangible assets

When the Group makes an acquisition, e.g. Aldo Abela Surveys Limited, Proasem S.A.S., NTA Monitor Limited and Alchemy Investment Holdings, Inc. in 2018, management determines initially whether any intangible assets (e.g. customer relationships, trade names and technology) should be recognised separately from goodwill, and the provisional amounts at which to recognise those assets. Certain assumptions are used in determining the provisional values for such intangible assets, including, but not limited to, future growth rates and customer attrition rates. During the first 12 months of ownership, intangible assets are reviewed to determine whether any additional information exists that supports amendments to that original assessment, including new intangible assets. Management has performed this subsequent review for the 2017 acquisitions of KJ Tech Services GmbH and Acumen Security LLC during the current year – see note 10.

#### Restructuring

In making a provision and classifying costs as restructuring as part of our '5x5' differentiated strategy for growth, management has used its judgement to assess the specific circumstances of each local and regional restructuring proposal as to whether it meets the Group definition of this SDI, including an estimate of future costs and the timing of completion – see note 3.

#### Claims

In making provision for claims, management has used its judgement to assess the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedents – see note 13.

#### ESTIMATES

Discussed below are key assumptions concerning the future, and other key sources of estimation at the reporting date, that could have a risk of causing a significant material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### Impairment of goodwill

Following recognition of goodwill as a result of acquisitions, the Group determines, as a minimum on an annual basis and including current year acquisitions (e.g. Alchemy), whether goodwill is impaired, which requires an estimation of the future cash flows of the cash generating units to which the goodwill is allocated, as well as assumptions on growth rates and discount rates – see note 9. No risk has been identified of a goodwill impairment in the next twelve months, as detailed in the sensitivity analysis in note 9.

#### Contingent consideration

When the Group acquires businesses, the total consideration may consist of an amount paid on completion plus further amounts payable on agreed post completion dates. These further amounts are contingent on the acquired business meeting agreed performance targets. At the date of acquisition and at subsequent reporting periods, the Group reviews the profit and cash forecasts for the acquired business and estimates the amount of contingent consideration that is likely to be due. Further details and sensitivity analysis are included in note 10.

#### Employee post-retirement benefit obligations

For material defined benefit plans, the actuarial valuation includes assumptions such as discount rates, return on assets, salary progression and mortality rates. Further details and sensitivity analysis are included in note 16.

#### Recoverability of trade receivables

Trade receivables are reflected, net of an estimated provision for impairment losses. This provision considers the past payment history and the length of time that the debts have remained unpaid and forward-looking judgmental factors, such as specific customer knowledge and country-specific risk factors. Further details are included in note 11.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 1 Significant accounting policies (continued)

Accounting policies relating to a specific note in the financial statements are set out within that note as follows:

	Note
Revenue	2
Separately Disclosed Items	3
Taxation	6
Property, plant and equipment	8
Goodwill and other intangible assets	9
Trade and other receivables	11
Trade and other payables	12
Provisions	13
Borrowings and financial instruments	14
Capital and reserves	15
Employee benefits	16
Share schemes	17
Non-controlling interest	20

### 2 Operating segments and presentation of results

#### ACCOUNTING POLICY

##### Revenue

Revenue represents the total amount receivable for services rendered when there is transfer of control to the customer, excluding sales related taxes and intra-group transactions.

Revenue from services rendered on short-term projects is generally recognised in the income statement when the relevant service is completed, usually when the report of findings or test/inspection certificate is issued. Short-term projects are considered to be those of less than two months' duration.

On long-term projects revenue is recognised using the five steps for revenue recognition. The majority of contracts are for less than one year. The Group records transactions as sales on the basis of value of work done, with the corresponding amount being included in trade receivables if the customer has been invoiced, or in contract assets, if billing has yet to be completed. Performance obligations vary across business lines and regions, and on a contract-by-contract basis. There may be more than one performance obligation per contract, for example Alchemy Training Solutions contracts have multiple elements which are split between recognising revenue at a point in time for services such as software licences and over time for other services delivered under the same contract.

Long-term projects consist of two main types:

- time incurred is billed at agreed rates on a periodic basis, such as monthly; or
- staged payment invoicing occurs, requiring an assessment of percentage completion, based on services provided and revenue accrued accordingly.

Expenses are recharged to clients where permitted by the contract. Payments received in advance from customers are recognised in contract liabilities where services have not yet been rendered.

The Group does not expect to have any contracts where the period between the transfer of promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group has applied practical expedients in i) recognising assets from the costs incurred to obtain or fulfil a contract; and ii) in disclosing unsatisfied performance obligations in contracts as contracts have an expected duration of less than a year.

#### OPERATING SEGMENTS

The Group is organised into business lines, which are the Group's operating segments and are reported to the CEO, the chief operating decision maker.

These operating segments are aggregated into three divisions, which are the Group's reportable segments, based on similar nature of products and services and mid- to long-term structural growth drivers. When aggregating operating segments into the three divisions we have applied judgement over the similarities of the services provided, the customer-base and the mid- to long-term structural growth drivers. The costs of the corporate head office and other costs which are not controlled by the three divisions are allocated appropriately.

Inter-segment pricing is determined on an arm's length basis. There is no significant seasonality in the Group's operations. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

## 2 Operating segments and presentation of results (continued)

The performance of the segments is assessed based on adjusted operating profit which is stated before Separately Disclosed Items.

A reconciliation to operating profit by division and Group profit for the year is included overleaf.

The principal activities of the divisions, and the customers they serve, are as follows:

**Products** – Our Products division consists of business lines that are focused on ensuring the quality and safety of physical components and products, as well as minimising risk through assessing the operating process and quality management systems of our customers.

As a trusted partner to the world's leading retailers, manufacturers and distributors, our Products business lines support a wide range of industries including textiles, footwear, toys, hardlines, home appliances, consumer electronics, information and communication technology, automotive, aerospace, lighting, building products, industrial and renewable energy products, food and hospitality, healthcare and beauty, and pharmaceuticals.

Across these industries we provide a wide range of ATIC services including laboratory safety, quality and performance testing, second-party supplier auditing, sustainability analysis, products assurance, vendor compliance, process performance analysis, facility plant and equipment verification and third party certification.

**Trade** – Our Trade division consists of three global business lines with similar global and regional trade-flow structural growth drivers with demand driven by population and GDP growth, the development of regional trade, increased traceability and growth in port and transport infrastructure.

The division provides differing services which reflect the breadth of our ATIC offering, but the services provided are similar in nature and include analytical assessment, inspection and technical services that are delivered to the customers through issuing certificates or reports. The three business lines all assist our Trade-related customers in protecting the value and quality of their products during their custody-transfer, storage and transportation, globally. Our Trade-related customers are all dependent on, and intrinsically linked to, global shipping and trade flows.

Our Caleb Brett business provides cargo inspection, analytical assessment, calibration and related research and technical services to the world's petroleum and biofuels industries.

Our Government & Trade Services ('GTS') business provides inspection services to governments and regulatory bodies to support trade activities that help the flow of goods across borders, predominantly in the Middle East, Africa and South America.

Our AgriWorld business provides analytical and testing services to global agricultural trading companies and growers.

**Resources** – Our Resources division consists of two business lines demonstrating similar mid- to long-term structural growth drivers closely linked to our end-customer capital investment. Demand is driven by long-term energy demand, supply chain risk management, sustainability of energy supply, infrastructure investments, growth in alternative energy and focus on health and safety.

The division offers similar services across our range of Total Quality Assurance solutions to the oil, gas, nuclear, power and minerals industries. Our Resources customers typically extract natural resources from the ground and our services enable our customers to optimise the use of their assets and to minimise risk in their supply chains. Delivery of our services is through issuing certificates or reports.

Our Industry Services business uses in-depth knowledge of the oil, gas, nuclear and power industries to provide a diverse range of Total Quality Assurance solutions to optimise the use of customers' assets and minimise the risk in their supply chains. Some of our key services include technical inspection, asset integrity management, analytical testing and ongoing training services.

Our Minerals business provides a broad range of ATIC service solutions to the mining and minerals exploration industries, covering the resource supply chain from exploration and resource development, through to production, shipping and commercial settlement.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 2 Operating segments and presentation of results (continued)

The results of these divisions for the year ended 31 December 2018 are shown below:

#### Year ended 31 December 2018

	Revenue from contracts with customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,680.2	(58.6)	371.0	(26.5)	344.5
Trade	642.1	(19.2)	83.4	(5.1)	78.3
Resources	478.9	(10.9)	27.4	(14.0)	13.4
<b>Total</b>	<b>2,801.2</b>	<b>(88.7)</b>	<b>481.8</b>	<b>(45.6)</b>	<b>436.2</b>
<b>Group operating profit</b>			<b>481.8</b>	<b>(45.6)</b>	<b>436.2</b>
Net financing costs			(25.3)	(6.4)	(31.7)
<b>Profit before income tax</b>			<b>456.5</b>	<b>(52.0)</b>	<b>404.5</b>
Income tax expense			(112.8)	13.5	(99.3)
<b>Profit for the year</b>			<b>343.7</b>	<b>(38.5)</b>	<b>305.2</b>

#### Year ended 31 December 2017

	Revenue from contracts with customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,625.5	(60.3)	350.5	(15.0)	335.5
Trade	647.8	(19.9)	88.7	(5.9)	82.8
Resources	495.8	(13.2)	28.5	(24.1)	4.4
<b>Total</b>	<b>2,769.1</b>	<b>(93.4)</b>	<b>467.7</b>	<b>(45.0)</b>	<b>422.7</b>
<b>Group operating profit</b>			<b>467.7</b>	<b>(45.0)</b>	<b>422.7</b>
Net financing costs			(28.9)	(0.5)	(29.4)
<b>Profit before income tax</b>			<b>438.8</b>	<b>(45.5)</b>	<b>393.3</b>
Income tax expense			(107.5)	20.6	(86.9)
<b>Profit for the year</b>			<b>331.3</b>	<b>(24.9)</b>	<b>306.4</b>

#### GEOGRAPHIC SEGMENTS

Although the Group is managed through a divisional structure, which operates on a global basis, under the requirements of IFRS 8 the Group must disclose any specific countries that are important to the Group's performance. The Group considers the following to be the material countries in which it operates: the United States, China (including Hong Kong) and the United Kingdom.

In presenting information on the basis of geographic segments, segment revenue is based on the location of the entity generating that revenue. Segment assets are based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2018 £m	2017 £m	2018 £m	2017 £m
United States	872.8	863.3	1,034.7	583.4
China (including Hong Kong)	530.3	528.4	56.9	55.0
United Kingdom	186.4	183.0	116.2	106.5
Other countries and unallocated	1,211.7	1,194.4	438.1	433.8
<b>Total</b>	<b>2,801.2</b>	<b>2,769.1</b>	<b>1,645.9</b>	<b>1,178.7</b>

#### MAJOR CUSTOMERS

No revenue from any individual customer exceeded 10% of total Group revenue in 2017 or 2018.

### 3 Separately Disclosed Items

#### ACCOUNTING POLICY

##### Adjusted results

In order to present the performance of the Group in a clear, consistent and comparable format, certain items are disclosed separately on the face of the income statement. Separately Disclosed Items are items which by their nature or size, in the opinion of the Directors, should be excluded from the adjusted result to provide readers with a clear and consistent view of the business performance of the Group and its operating divisions.

When applicable, these items include amortisation of acquisition intangibles; impairment of goodwill and other assets; the profit or loss on disposals of businesses or other significant non-current assets; costs of acquiring and integrating acquisitions; the cost of any fundamental restructuring; material claims and settlements; significant recycling of amounts from equity to the income statement; and unrealised market or fair value gains or losses on financial assets or liabilities, including contingent consideration.

Adjusted operating profit, which is a non-GAAP measure, excludes the amortisation of acquired intangible assets, primarily customer relationships, as we do not believe that the amortisation charge in the Income Statement provides useful information about the cash costs of running our business as these assets will be supported and maintained by the ongoing marketing and promotional expenditure, which is already reflected in operating costs. Amortisation of software, however, is included in adjusted operating profit as it is similar in nature to other capital expenditure. The costs of any restructuring as part of our 5x5 differentiated strategy for growth are excluded from adjusted operating profit where they represent fundamental changes in individual operations around the Group and where they reflect the refinement of our operational structure identified as part of the Group's strategy that are not expected to recur in those operations. The impairment of goodwill and other assets that by their nature or size are not expected to recur; the profit and loss on disposals of businesses or other significant assets; and the costs associated with successful, active or aborted acquisitions are excluded from adjusted operating profit to provide useful information regarding the underlying performance of the Group's operations.

#### SEPARATELY DISCLOSED ITEMS

The Separately Disclosed Items are described in the table below:

		2018 £m	2017 £m
<b>Operating costs:</b>			
Amortisation of acquisition intangibles	(a)	(24.6)	(16.0)
Acquisition costs	(b)	(8.5)	(3.2)
Restructuring costs	(c)	(13.6)	(12.4)
Gain on disposal of business	(d)	1.1	-
Impairment of goodwill and other assets	(e)	-	(16.8)
Material claims and settlements	(f)	-	3.4
<b>Total operating costs</b>		<b>(45.6)</b>	(45.0)
Net financing costs	(g)	(6.4)	(0.5)
<b>Total before income tax</b>		<b>(52.0)</b>	(45.5)
Income tax credit on Separately Disclosed Items		13.5	20.6
<b>Total</b>		<b>(38.5)</b>	(24.9)

- (a) Of the amortisation of acquisition intangibles in the current year, £3.6m (2017: £nil) relates to the customer relationships, trade names, technology and non-compete covenants acquired with the purchase of Alchemy Investment Holdings, Inc ("Alchemy") in 2018.
- (b) Acquisition costs comprise £8.5m (2017: £3.6m) for transaction costs in respect of successful, active and aborted acquisitions in the current year, and £nil in respect of prior-years' acquisitions (2017: £0.4m income).
- (c) During the year, the Group has implemented various fundamental restructuring activities, consistent with the Group's 5x5 strategy. These activities included site consolidations, closure of non-core business units, re-engineering of underperforming businesses and the delayering of management structures.
- (d) £1.1m of small non-core businesses were disposed of in 2018 (2017: £nil).
- (e) No impairment charges have been recorded in 2018. Consistent with the corporate 5x5 strategy objective of "Superior Technology" announced in 2016, the Group recorded an impairment of other assets of £8.0m in 2017 following a comprehensive strategic review of the Global IT organisation structure and system finalised in April 2017. In addition, in 2017 £8.8m of plant and equipment was impaired in full, related to a specific service line in the Resources division that is no longer an area of focus for the Group.
- (f) Material claims and settlements relate to a commercial claim that is separately disclosable due to its size.
- (g) Net financing costs of £6.4m (2017: £0.5m) relate to the change in fair value of contingent consideration and the unwinding of discount on put options related to acquisitions.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2018 £m	2017 £m
Employee costs	1,239.0	1,220.8
Depreciation and software amortisation	88.7	93.4
Impairment of goodwill and other assets	–	18.2
Other expenses	1,037.3	1,014.0
<b>Total</b>	<b>2,365.0</b>	<b>2,346.4</b>

Certain expenses are outlined below, including fees paid to the auditors of the Group:

	2018 £m	2017 £m
<b>Included in profit for the year are the following expenses:</b>		
Property rentals	77.6	81.4
Lease and hire charges – fixtures, fittings and equipment	25.7	24.5
Loss/(profit) on disposal of property, fixtures, fittings, equipment and software	0.4	(0.8)

	2018 £m	2017 £m
<b>Auditor's remuneration:</b>		
Audit of these financial statements	0.5	0.5
<b>Amounts receivable by the auditors and their associates in respect of:</b>		
Audit of financial statements of subsidiaries pursuant to legislation	3.4	3.1
Total audit fees payable pursuant to legislation	3.9	3.6
Audit-related services	0.2	0.2
Taxation compliance services	–	–
Taxation advisory services	–	–
Other	–	–
<b>Total</b>	<b>4.1</b>	<b>3.8</b>

### 5 Employees

Total employee costs are shown below:

	2018 £m	2017 £m
<b>Employee costs</b>		
Wages and salaries	1,052.0	1,037.7
Equity-settled transactions	21.0	17.4
Social security costs	120.0	115.6
Pension costs (note 16)	46.0	50.1
<b>Total employee costs</b>	<b>1,239.0</b>	<b>1,220.8</b>

Details of pension arrangements and equity-settled transactions are set out in notes 16 and 17 respectively.

	2018	2017
<b>Average number of employees by division</b>		
Products	23,961	23,164
Trade	10,550	10,171
Resources	8,025	7,970
Central	1,926	2,001
<b>Total average number for the year ended 31 December</b>	<b>44,462</b>	<b>43,306</b>
<b>Total actual number at 31 December</b>	<b>44,720</b>	<b>43,906</b>

The total remuneration of the Directors is shown below:

	2018 £m	2017 £m
<b>Directors' emoluments</b>		
Directors' remuneration	5.0	9.4
Amounts charged under the long-term incentive scheme	4.5	6.0
Company contributions to the defined contribution schemes	–	–
<b>Total Directors' emoluments</b>	<b>9.5</b>	<b>15.4</b>

## 6 Taxation

### ACCOUNTING POLICY

Income tax for the year comprises current and deferred tax. Income tax is recognised in the same primary statement as the accounting transaction to which it relates.

#### Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the outcome of discussions with tax authorities is different from the amount initially recorded, this difference will impact the tax provisions in the period the determination is made.

#### Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:

- recognition of consolidated goodwill;
- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences relating to investments in subsidiaries, branches, associates and interest in joint ventures, the reversal of which is under the control of the Group and where it is probable that the difference will not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the balance sheet date, for the periods when the asset is realised or the liability is settled. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Any additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

### TAX EXPENSE

The Group operates across many different tax jurisdictions. Income and profits are earned and taxed in the individual countries in which they occur.

The income tax expense for the profit before tax for the 12 months ended 31 December 2018 is £99.3m (2017: £86.9m). The Group's consolidated effective tax rate for the 12 months ended 31 December 2018 is 24.5% (2017: 22.1%).

The income tax expense for the adjusted profit before tax for the 12 months ended 31 December 2018 is £112.8m (2017: £107.5m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2018 is 24.7% (2017: 24.5%).

Differences between the consolidated effective tax rate of 24.5% and notional statutory UK rate of 19.0% include, but are not limited to: the mix of profits; the effect of tax rates in foreign jurisdictions; non-deductible expenses; the effect of utilised tax losses; and under/over provisions in previous periods.

The Group receives tax incentives in certain jurisdictions, resulting in a lower tax charge to the income statement. Without these incentives the adjusted effective tax rate would be 27.1% (2017: 27.0%). The Group's tax rate is affected by its financing arrangements that are in place to fund business operations in overseas territories. There is no guarantee that these reduced rates will continue to be applicable in future years (see note 22).

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 6 Taxation (continued)

#### Tax charge

The total income tax charge, comprising the current tax charge and the movement in deferred tax, recognised in the income statement is analysed as follows:

	2018 £m	2017 £m
Current tax charge for the period	106.1	94.3
Adjustments relating to prior year liabilities	0.7	(0.2)
Current tax	106.8	94.1
Deferred tax movement related to current year	(4.8)	(9.2)
Deferred tax movement related to prior year	(2.7)	2.0
Deferred tax movement	(7.5)	(7.2)
<b>Total tax in income statement</b>	<b>99.3</b>	86.9
 Tax on adjusted result	 112.8	107.5
Tax on Separately Disclosed Items	(13.5)	(20.6)
<b>Total tax in income statement</b>	<b>99.3</b>	86.9

#### Reconciliation of effective tax rate

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective tax rate of the Group on profit before taxation.

	2018 £m	2017 £m
<b>Profit before taxation</b>	<b>404.5</b>	393.3
Notional tax charge at UK standard rate 19.00% (2017: 19.25%)	76.9	75.7
Differences in overseas tax rates	15.0	17.6
Withholding tax on intercompany dividends	6.5	12.1
Non-deductible expenses	24.3	4.4
Tax exempt income	(14.1)	(4.5)
US change in tax rate impact <sup>1</sup>	–	(12.5)
Movement in unrecognised deferred tax	(9.2)	(6.5)
Adjustments in respect of prior years	(2.0)	1.8
Other <sup>2</sup>	1.9	(1.2)
<b>Total tax in income statement</b>	<b>99.3</b>	86.9

1. Of the £12.5m in 2017 relating to the impact of the US tax rate change, £7.5m has been recorded in SDIs, which is where the underlying cost/income driving the associated deferred tax has also been recorded.
2. The Other category contains R&D tax credits of £1.3m (2017: £1.2m).

During 2015, the UK Government announced a phased reduction in the main rate of corporation tax from 20% to 18% over a period of three years from 1 April 2017. In 2016, the UK Government announced a further reduction in the UK corporation tax rate to 17% from 1 April 2020 which was substantively enacted in September 2016.

#### Income tax recognised in other comprehensive income ('OCI')

As noted in the accounting policy, tax is recognised in the same place as the relevant accounting charge. The income tax recognised on items recorded in other comprehensive income is shown below:

	Before tax 2018 £m	Tax charge 2018 £m	Net of tax 2018 £m	Before tax 2017 £m	Tax charge 2017 £m	Net of tax 2017 £m
Foreign exchange translation differences of foreign operations	45.3	–	45.3	(107.3)	–	(107.3)
Net exchange gain/(loss) on hedges of net investments in foreign operations	(32.6)	–	(32.6)	77.3	–	77.3
(Loss)/gain on fair value of cash flow hedges	1.1	–	1.1	(16.4)	–	(16.4)
Remeasurements on defined benefit pension schemes	(0.8)	(0.5)	(1.3)	12.6	(1.7)	10.9
<b>Total other comprehensive (expense)/income for the year</b>	<b>13.0</b>	<b>(0.5)</b>	<b>12.5</b>	(33.8)	(1.7)	(35.5)

## 6 Taxation (continued)

### Income tax recognised directly in equity

As noted in the accounting policy, tax is recognised in the same place as the relevant accounting charge. The income tax on items recognised in equity is shown below:

	Before tax 2018 £m	Tax charge 2018 £m	Net of tax 2018 £m	Before tax 2017 £m	Tax credit 2017 £m	Net of tax 2017 £m
<b>Equity-settled transactions</b>	<b>20.9</b>	<b>(1.4)</b>	<b>19.5</b>	17.5	1.7	19.2

### DEFERRED TAX

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £m	Assets 2017 £m	Liabilities 2018 £m	Liabilities 2017 £m	Net 2018 £m	Net 2017 £m
Intangible assets	0.5	0.8	(91.1)	(52.7)	(90.6)	(51.9)
Property, fixtures, fittings and equipment	12.1	11.6	(7.8)	(8.7)	4.3	2.9
Pensions	2.6	3.2	–	–	2.6	3.2
Equity-settled transactions	8.2	8.2	–	–	8.2	8.2
Provisions and other temporary differences	41.9	42.5	0.3	(4.5)	42.2	38.0
Tax value of losses	10.9	11.6	–	–	10.9	11.6
<b>Total</b>	<b>76.2</b>	<b>77.9</b>	<b>(98.6)</b>	<b>(65.9)</b>	<b>(22.4)</b>	<b>12.0</b>

#### As shown on balance sheet:

Deferred tax assets*	58.4	59.4
Deferred tax liabilities*	(80.8)	(47.4)
<b>Total</b>	<b>(22.4)</b>	<b>12.0</b>

\* The deferred tax by category shown above is not netted off within companies or jurisdictions. The balance sheet shows the net position within companies or jurisdictions. The difference between the two asset and liability totals is £17.8m, but the net liability of £22.4m is the same in both cases.

### Movements in deferred tax temporary differences during the year

The movement in the year in deferred tax assets and liabilities is shown below:

	1 January 2018 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2018 £m
Intangible assets	(51.9)	(2.2)	(41.9)	5.4	–	(90.6)
Property, fixtures, fittings and equipment	2.9	(0.9)	–	2.3	–	4.3
Pensions	3.2	–	–	0.2	(0.8)	2.6
Equity-settled transactions	8.2	(0.1)	–	1.5	(1.4)	8.2
Provisions and other temporary differences	38.0	0.7	–	2.8	0.7	42.2
Tax value of losses	11.6	(0.9)	5.3	(4.7)	(0.4)	10.9
<b>Total</b>	<b>12.0</b>	<b>(3.4)</b>	<b>(36.6)</b>	<b>7.5</b>	<b>(1.9)</b>	<b>(22.4)</b>

	1 January 2017 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2017 £m
Intangible assets	(71.2)	4.8	(3.4)	17.9	–	(51.9)
Property, fixtures, fittings and equipment	(5.4)	0.6	–	7.7	–	2.9
Pensions	1.4	–	–	0.8	1.0	3.2
Equity-settled transactions	6.0	–	–	0.4	1.8	8.2
Provisions and other temporary differences	43.9	1.6	–	(6.5)	(1.0)	38.0
Tax value of losses	24.9	(0.6)	–	(13.1)	0.4	11.6
<b>Total</b>	<b>(0.4)</b>	<b>6.4</b>	<b>(3.4)</b>	<b>7.2</b>	<b>2.2</b>	<b>12.0</b>

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 6 Taxation (continued)

#### UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the items shown below. The numbers shown are the gross temporary differences, and to calculate the potential deferred tax asset it is necessary to multiply these by the tax rates in each case:

	2018 £m	2017 £m
Property, fixtures, fittings and equipment	–	36.0
Pensions	–	–
Intangibles	26.1	27.6
Equity-settled transactions	–	–
Provisions and other temporary differences	0.2	12.3
Tax losses*	29.1	65.9
<b>Total</b>	<b>55.4</b>	141.8

\* The majority of tax losses can be carried forward indefinitely.

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available in certain jurisdictions against which the Group can utilise the benefits from them.

There is a temporary difference of £235.8m (2017: £240.0m) which relates to unremitted post-acquisition overseas earnings. No deferred tax is provided on this amount as the distribution of these retained earnings is under the control of the Group and there is no intention to either repatriate from, or sell, the associated subsidiaries in the foreseeable future.

### 7 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares. Potential ordinary shares shall be treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

In addition to the earnings per share required by IAS 33 *Earnings Per Share*, an adjusted earnings per share has also been calculated and is based on earnings excluding the effect of amortisation of acquisition intangibles, goodwill impairment and other Separately Disclosed Items. It has been calculated to allow shareholders a better understanding of the trading performance of the Group. Details of the adjusted earnings per share are set out below:

	2018 £m	2017 £m
Profit attributable to ordinary shareholders	284.4	287.4
Separately Disclosed Items after tax (note 3)	38.5	24.9
<b>Adjusted earnings</b>	<b>322.9</b>	312.3
<b>Number of shares (millions)</b>		
Basic weighted average number of ordinary shares	160.9	160.9
Potentially dilutive share awards	1.9	2.1
<b>Diluted weighted average number of shares</b>	<b>162.8</b>	163.0
<b>Basic earnings per share</b>	<b>176.8p</b>	178.6p
Potentially dilutive share awards	(2.1)p	(2.3)p
<b>Diluted earnings per share</b>	<b>174.7p</b>	176.3p
<b>Adjusted basic earnings per share</b>	<b>200.7p</b>	194.1p
Potentially dilutive share awards	(2.4)p	(2.5)p
<b>Adjusted diluted earnings per share</b>	<b>198.3p</b>	191.6p

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## 8 Property, plant and equipment

### ACCOUNTING POLICY

#### **Property, plant and equipment**

##### **Owned assets**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

##### **Leased assets**

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Where land and buildings are held under finance leases, the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance leases are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

##### **Other leases are operating leases**

These leased assets are not recognised in the Group's statement of financial position.

##### **Depreciation**

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Leased assets are depreciated over the shorter of the expected lease term and their useful lives. Land is not depreciated.

The estimated useful lives are as follows:

Freehold buildings and long leasehold buildings	50 years
Short leasehold buildings	Term of lease
Fixtures, fittings, plant and equipment	3 to 10 years

Depreciation methods, residual values and the useful lives of assets are reassessed at each reporting date.

### **Impairment**

#### **Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the level of any impairment.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 8 Property, plant and equipment (continued)

#### PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment employed by the business is analysed below:

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
<b>Cost</b>			
At 1 January 2017	98.3	1,079.6	1,177.9
Exchange adjustments	(3.8)	(62.7)	(66.5)
Additions	0.1	91.6	91.7
Disposals	(0.2)	(21.5)	(21.7)
Businesses acquired (note 10)	-	0.6	0.6
At 31 December 2017	94.4	1,087.6	1,182.0
<b>Depreciation</b>			
At 1 January 2017	29.5	705.1	734.6
Exchange adjustments	(2.2)	(43.1)	(45.3)
Charge for the year	3.4	77.8	81.2
Impairments	-	10.2	10.2
Disposals	0.2	(19.5)	(19.3)
At 31 December 2017	30.9	730.5	761.4
<b>Net book value at 31 December 2017</b>	<b>63.5</b>	<b>357.1</b>	<b>420.6</b>
<b>Cost</b>			
At 1 January 2018	94.4	1,087.6	1,182.0
Exchange adjustments	6.0	27.7	33.7
Additions	3.3	85.5	88.8
Disposals	(0.2)	(27.2)	(27.4)
Businesses acquired (note 10)	0.5	4.3	4.8
<b>At 31 December 2018</b>	<b>104.0</b>	<b>1,177.9</b>	<b>1,281.9</b>
<b>Depreciation</b>			
At 1 January 2018	30.9	730.5	761.4
Exchange adjustments	2.7	25.9	28.6
Charge for the year	3.3	72.9	76.2
Impairments	-	-	-
Disposals	-	(25.5)	(25.5)
<b>At 31 December 2018</b>	<b>36.9</b>	<b>803.8</b>	<b>840.7</b>
<b>Net book value at 31 December 2018</b>	<b>67.1</b>	<b>374.1</b>	<b>441.2</b>

In 2017, consistent with the corporate 5x5 strategy objectives announced in 2016, the Group recorded an impairment of £8.8m of plant and equipment related to a specific service line in the Resources division that was impaired in full and £1.4m related to computer hardware.

Fixtures, fittings, plant and equipment include assets in the course of construction of £33.0m at 31 December 2018 (2017: £30.3m), mainly comprising laboratories under construction. These assets will not be depreciated until they are available for use.

The net book value of land and buildings comprised:

	2018 £m	2017 £m
Freehold	62.6	58.4
Long leasehold	1.6	1.8
Short leasehold	2.9	3.3
<b>Total</b>	<b>67.1</b>	<b>63.5</b>

## 8 Property, plant and equipment (continued)

### **Commitments**

#### **Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the expected term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

At 31 December, the Group had future unprovided commitments under non-cancellable operating leases due as follows:

	Land and buildings 2018 £m	Other 2018 £m	Total 2018 £m	Land and buildings 2017 £m	Other 2017 £m	Total 2017 £m
Within one year	64.3	17.4	81.7	73.5	8.0	81.5
In the second to fifth years inclusive	139.8	19.0	158.8	129.0	9.2	138.2
Over five years	63.0	0.1	63.1	80.2	0.8	81.0
<b>Total</b>	<b>267.1</b>	<b>36.5</b>	<b>303.6</b>	282.7	18.0	300.7

The Group leases various laboratories, testing and inspection sites, administrative offices and equipment under lease agreements which have varying terms, escalation clauses and renewal rights.

Contracts for capital expenditure which are not provided in the financial statements amounted to £5.2m (2017: £8.0m).

## 9 Goodwill and other intangible assets

### **ACCOUNTING POLICY**

#### **Goodwill**

Goodwill arises on the acquisition of businesses. Goodwill represents the difference between the cost of acquisition and the Group's interest in the fair value of the identifiable assets and liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units ('CGUs') and is not amortised but is tested annually for impairment.

#### **Acquisitions on or after 1 January 2010**

From 1 January 2010, the Group has prospectively applied IFRS 3 *Business Combinations* (revised 2008). Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is obtained.

The Group measures goodwill as the fair value of the consideration transferred less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Costs relating to acquisitions are shown in Separately Disclosed Items.

Any contingent consideration payable is recognised at fair value at the acquisition date with subsequent changes recognised in profit or loss.

If at the reporting date the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities can only be established provisionally, then these values are used. Adjustments to the fair values can be made within 12 months of the acquisition date and are taken as adjustments to goodwill.

#### **Acquisitions between 1 January 2004 and 31 December 2009**

For acquisitions between 1 January 2004 and 31 December 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

The Group has taken advantage of the exemption permitted by IFRS 1 and has not restated goodwill on acquisitions prior to 1 January 2004, the date of transition to IFRS. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the Group's previous accounting framework.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 9 Goodwill and other intangible assets (continued)

#### **Other intangible assets**

When the Group makes an acquisition, management review the business and assets acquired to determine whether any intangible assets should be recognised separately from goodwill. If, based on management's judgement, such an asset is identified, then it is valued by discounting the probable future cash flows expected to be generated by the asset, over the estimated life of the asset. Where there is uncertainty over the amount of economic benefit and the useful life, this is factored into the calculation.

Intangible assets arising on acquisitions and computer software are stated at cost less accumulated amortisation and accumulated impairment losses. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable, and which have finite useful lives.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives. The estimated useful lives are as follows:

Computer software	Up to 7 years
Customer relationships	Up to 20 years
Technology and know-how	Up to 15 years
Trade names	Up to 18 years
Licences	Contractual life
Covenants not to compete	Contractual life

#### **Impairment**

Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

Other intangible assets are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried in the statement of financial position may be less than its recoverable amount.

Any impairment is recognised in the income statement. Impairment is determined for goodwill by assessing the recoverable amount of each asset or group of assets, i.e. cash generating unit, to which the goodwill relates. A CGU represents an asset grouping at the lowest level for which there are separately identifiable cash flows.

The recoverable amount of an asset or a CGU is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The estimation process is complex due to the inherent risks and uncertainties and if different estimates were used this could materially change the projected value of the cash flows. An impairment loss in respect of goodwill is not reversed.

## 9 Goodwill and other intangible assets (continued)

### INTANGIBLES

The intangibles employed by the business are analysed below:

	Other intangible assets					Total other intangible assets £m
	Goodwill £m	Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	
<b>Cost</b>						
At 1 January 2017	1,138.6	351.1	9.4	18.9	167.5	546.9
Exchange adjustments	(60.5)	(30.0)	(0.4)	12.4	(12.9)	(30.9)
Additions	-	4.9	-	-	21.2	26.1
Disposal	-	(0.1)	-	-	(1.4)	(1.5)
Businesses acquired (note 10)	28.1	5.2	-	0.7	0.1	6.0
At 31 December 2017	1,106.2	331.1	9.0	32.0	174.5	546.6
<b>Amortisation and impairment losses</b>						
At 1 January 2017	552.5	238.3	9.4	184	82.0	348.1
Exchange adjustments	(25.9)	(9.0)	(0.4)	0.2	(5.4)	(14.6)
Charge for the year	-	14.5	-	1.5	12.2	28.2
Disposal	-	-	-	-	(1.3)	(1.3)
Impairment	-	-	-	-	8.0	8.0
At 31 December 2017	526.6	243.8	9.0	20.1	95.5	368.4
<b>Net book value at 31 December 2017</b>	<b>579.6</b>	<b>87.3</b>	<b>-</b>	<b>11.9</b>	<b>79.0</b>	<b>178.2</b>
<b>Cost</b>						
At 1 January 2018	1,106.2	331.1	9.0	32.0	174.5	546.6
Exchange adjustments	41.8	11.9	0.3	1.3	9.3	22.8
Additions	-	-	2.2	-	22.2	24.4
Transfers	(8.3)	10.4	-	1.3	-	11.7
Reclassifications	-	7.4	-	(7.4)	-	-
Disposal	-	-	-	-	(0.6)	(0.6)
Businesses acquired (note 10)	278.3	91.8	-	52.1	0.2	144.1
<b>At 31 December 2018</b>	<b>1,418.0</b>	<b>452.6</b>	<b>11.5</b>	<b>79.3</b>	<b>205.6</b>	<b>749.0</b>
<b>Amortisation</b>						
At 1 January 2018	526.6	243.8	9.0	20.1	95.5	368.4
Exchange adjustments	16.5	8.4	0.2	0.8	4.7	14.1
Transfers	-	0.3	-	0.2	-	0.5
Charge for the year	-	19.4	0.4	4.8	12.5	37.1
Disposal	-	-	-	-	(0.6)	(0.6)
<b>At 31 December 2018</b>	<b>543.1</b>	<b>271.9</b>	<b>9.6</b>	<b>25.9</b>	<b>112.1</b>	<b>419.5</b>
<b>Net book value at 31 December 2018</b>	<b>874.9</b>	<b>180.7</b>	<b>1.9</b>	<b>53.4</b>	<b>93.5</b>	<b>329.5</b>

### Other intangible assets

Computer software additions of £22.2m (2017: £21.2m) relates to separately acquired computer software of £6.8m and internally developed intangible assets of £15.4m. Licence additions of £2.2m (2017: £nil) relates to separately acquired intangible assets.

The other acquisition intangibles of £53.4m (2017: £11.9m) consist of guaranteed income, order backlog, covenants not to compete and know-how. The average remaining amortisation period for customer relationships is eight years (2017: six years).

Computer software net book value of £93.5m at 31 December 2018 (2017: £79.0m) includes software in construction of £48.5m (2017: £38.5m). Research and development expenditure of £31.6m (2017: £26.9m) was recognised as an expense in the year.

### Goodwill

Goodwill arising from acquisitions in the current and prior year has been allocated to reportable segments as follows:

	2018 £m	2017 £m
Products	275.0	29.0
Trade	3.3	(0.9)
Resources	-	-
<b>At 31 December</b>	<b>278.3</b>	<b>28.1</b>

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 9 Goodwill and other intangible assets (continued)

#### Goodwill (continued)

The total carrying amount of goodwill by CGU is as follows, which is also used for the assessment of the Group's impairment review.

	2018 £m	2017 £m
Industry Services	15.2	14.7
Business Assurance	286.5	12.4
Food & AgriWorld	17.4	17.3
Caleb Brett	57.3	52.6
Government & Trade Services	0.8	0.8
Minerals	38.5	39.7
Softlines	6.3	6.3
Hardlines	9.4	9.4
Electrical & Wireless	90.0	88.6
Transportation Technologies	45.2	43.1
Building & Construction	226.4	215.3
Chemicals & Pharma/Health, Environmental & Regulatory	81.9	79.4
<b>Net book value at 31 December*</b>	<b>874.9</b>	579.6

\* All goodwill is recorded in local currency. Additions during the year are converted at the exchange rate on the date of the transaction and the goodwill at the end of the year is stated at closing exchange rates.

#### Impairment review

In order to determine whether impairments are required, the Group estimates the recoverable amount of each CGU. The calculation is based on projecting future cash flows over a five-year period and using a terminal value to incorporate expectations of growth thereafter. A discount factor is applied to obtain a value in use which is the recoverable amount. Goodwill arising in year from acquisitions is assessed for impairment separately from the above CGUs and on an acquisition-by-acquisition basis. No impairments were required on goodwill arising in 2018.

#### Key assumptions

The key assumptions include the rate of revenue and profit growth within each of the territories and business lines in which the Group operates. These are based on the Group's approved budget and five-year Strategic Plan. The long-term growth rate is also key since it is used in the perpetuity calculations. Finally, the discount rate used to bring the cash flow back to a present value varies depending on the location of the operation and the nature of the operations. The estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The calculation of the value in use is sensitive to long-term growth rates and discount rates. Long-term growth rates predict growth beyond the Group's planning cycle, and range from 1.8% to 2.5% (2017: 1.7% to 2.5%). The discount rate for each CGU reflects the Group's weighted average cost of capital adjusted for the risks specific to the CGU. Pre-tax discount rates ranged from 9.1% to 10.3% (2017: 9.6% to 11.9%).

#### Sensitivity analysis

None of the reasonable downside sensitivity scenarios on key assumptions would cause the carrying amount of each CGU to exceed its recoverable amount. The sensitivities modelled by management include:

- (i) Assuming revenues decline each year by 1% in 2020 to 2023 from the 2019 budgeted revenues, with margins increasing with base assumptions.
- (ii) Assuming zero growth in operating profit margins in 2019 to 2023 with revenues increasing per base assumptions.
- (iii) Assuming an increase in the discount rates used by 1%.

Management considers that the likelihood of any or all of the above scenarios occurring is low.

## 10 Acquisitions

### ACQUISITIONS IN 2018

On 20 August 2018, the Group acquired Alchemy Investment Holdings, Inc. ('Alchemy'), an industry leader in People Assurance solutions for the food industry, for an estimated purchase price of £378.5m, (£375.3m net of cash acquired), generating goodwill of £270.6m.

On 6 March 2018, the Group acquired Aldo Abela Surveys Limited ('AAS'), a leading provider of quality and quantity cargo inspection services, based in Malta. On 30 April 2018, the Group acquired Proasem S.A.S. ('Proasem'), a leading provider of laboratory testing, inspection, metrology and training services, based in Colombia. On 5 June 2018, the Group acquired NTA Monitor Limited ('NTA'), a leading network security and assurance services provider, based in the UK and Malaysia. The estimated purchase price for these three acquisitions was £15.7m (£13.3m net of cash acquired, of which £0.7m has been paid in January 2019), generating goodwill of £7.7m.

Provisional details of the net assets acquired and fair value adjustments are set out in the following tables. These analyses are provisional and amendments may be made to these figures in the 12 months following the date of acquisition.

	2018		
	Book value prior to acquisition £m	Provisional fair value adjustments £m	Fair value to Group on acquisition £m
<b>Alchemy Investment Holdings, Inc.</b>			
<b>Total</b>			
Property, plant and equipment	1.8	-	1.8
Goodwill	20.9	249.7	270.6
Other intangible assets	14.9	123.0	137.9
Inventories	2.1	(1.7)	0.4
Trade and other receivables	10.3	(0.6)	9.7
Trade and other payables	(23.7)	10.1	(13.6)
Deferred tax liabilities	0.5	(32.0)	(31.5)
<b>Net assets acquired</b>	<b>26.8</b>	<b>348.5</b>	<b>375.3</b>
<b>Others</b>			
<b>Total</b>			
Property, plant and equipment	3.2	(0.2)	3.0
Goodwill	-	7.7	7.7
Other intangible assets	-	6.2	6.2
Trade and other receivables	2.9	(0.4)	2.5
Trade and other payables	(4.2)	(0.3)	(4.5)
Deferred tax liabilities	-	(1.6)	(1.6)
<b>Net assets acquired</b>	<b>1.9</b>	<b>11.4</b>	<b>13.3</b>

### Goodwill and intangible assets

The total goodwill arising on acquisitions made during 2018 was £278.3m, none of which is expected to be deductible for tax purposes. The goodwill arising represents the value of the assembled workforce and the benefits the Company expects to gain from increasing its presence in the relevant sectors in which the acquired businesses operate. The goodwill recognised following the acquisition of Alchemy represents the significant synergies and scalability the Alchemy platforms can provide to existing and new customers and markets across the world. The intangible assets of £144.1m primarily represent the value placed on customer relationships, trade names and technology. The deferred tax thereon was £33.1m.

### Consideration paid

The total cash consideration paid for the acquisitions in the year was £393.5m (2017: £29.5m), with further contingent consideration payable of £0.7m (2017: £9.0m) which is recognised in note 13. Cash consideration includes cash and debt acquired of £5.6m. The estimated purchase price net of cash and debt acquired was £388.6m, of which £0.7m has been paid in January 2019.

### Contribution of acquisitions to revenue and profits

In total, acquisitions made during 2018 contributed revenues of £18.5m and a statutory net loss after tax of £4.3m from their respective dates of acquisition to 31 December 2018. The Group revenue and statutory profit after tax for the year ended 31 December 2018 would have been £2,829.6m and £298.7m respectively if all the acquisitions were assumed to have been made on 1 January 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 10 Acquisitions (continued)

#### ACQUISITIONS IN 2017

On 31 March 2017, the Group acquired KJ Tech Services GmbH ('KJ Tech'), a leading provider of vehicle, component and fuel testing services based in Germany, for a purchase price of £12.8m (£12.5m net of cash acquired), generating goodwill of £7.6m.

On 8 December 2017, the Group acquired Acumen Security LLC ('Acumen'), a leading provider of Security Certification solutions for products, headquartered in Maryland, USA, for a purchase price of £25.6m (£23.8m net of cash acquired), generating goodwill of £16.9m.

The fair value adjustments 12 months from the date of acquisition were:

	2018			2017		
	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m	Book value prior to acquisition £m	Provisional fair value adjustments £m	Provisional fair value to Group on acquisition £m
<b>Acumen Security LLC</b>						
<b>Total</b>						
Property, plant and equipment	–	–	–	–	–	–
Goodwill	–	16.9	16.9	–	23.4	23.4
Other intangible assets	–	9.5	9.5	–	–	–
Trade and other receivables	0.8	0.6	1.4	0.8	–	0.8
Trade and other payables	(0.3)	(1.1)	(1.4)	(0.3)	–	(0.3)
Deferred tax liabilities	–	(2.6)	(2.6)	–	–	–
<b>Net assets acquired</b>	<b>0.5</b>	<b>23.3</b>	<b>23.8</b>	0.5	23.4	23.9

	2018			2017		
	Book value prior to acquisition £m	Fair value adjustments £m	Fair value to Group on acquisition £m	Book value prior to acquisition £m	Provisional fair value adjustments £m	Provisional fair value to Group on acquisition £m
<b>KJ Tech Services GmbH</b>						
<b>Total</b>						
Property, plant and equipment	0.6	–	0.6	0.6	–	0.6
Goodwill	–	7.6	7.6	–	7.6	7.6
Other intangible assets	0.1	5.9	6.0	0.1	5.9	6.0
Trade and other receivables	0.6	–	0.6	0.6	–	0.6
Trade and other payables	(0.3)	–	(0.3)	(0.3)	–	(0.3)
Deferred tax liabilities	–	(2.0)	(2.0)	–	(2.0)	(2.0)
<b>Net assets acquired</b>	<b>1.0</b>	<b>11.5</b>	<b>12.5</b>	1.0	11.5	12.5

Goodwill in respect of 2017 acquisitions decreased by £6.5m.

#### Key assumptions

The key assumptions in deriving the contingent consideration to be recognised include the weighted probability of making a payout and the discount rate used to bring the cash flow back to present values. The discount rates used for the calculation are aligned with the discount rates used for impairment purposes as set out in Note 9.

#### Sensitivity analysis

It is estimated that an increase of 1% in the discount rate used to calculate the contingent consideration would have decreased the financial liability by £0.4m, and a 1% decrease in the discount rate would have increased the financial liability by £0.4m. It has also been estimated that an increase of 10% in the probability used to calculate the contingent consideration would have increased the financial liability by £0.2m, whilst a decrease of 10% in the probability used would have decreased the financial liability by £1.5m.

## 11 Trade and other receivables

### ACCOUNTING POLICY

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). Estimates are used in determining the level of receivables that will not, in the opinion of the Directors, be collected. The Group applies the simplified approach permitted by IFRS 9, which requires the use of the lifetime expected loss provision for all receivables, including contract assets. The provision calculations are based on historic credit losses and specific country-risk classifications with higher default rates applied to older balances. This approach is followed for all receivables unless there are specific circumstances, such as the bankruptcy of a customer or emerging market risks, which would render the receivable irrecoverable and therefore require a specific provision. A provision is made against trade receivables and contract assets until such time as the Group believes the amount to be irrecoverable, after which the trade receivable or contract assets balance is written off.

In 2017, under IAS 39, impairment losses only related to trade receivables and were calculated based on historical default rates. No impairment allowance was made for trade receivables less than six months outstanding and the Group provided for trade receivables over 12 months old that were considered irrecoverable, 25% of balances 6 to 12 months old and specific provisions for known doubtful debts regardless of age.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are analysed below:

	2018 £m	2017 £m
Trade receivables	485.2	469.6
Contract assets	99.7	90.4
Other receivables	62.7	51.3
Prepayments	36.8	30.4
<b>Total trade and other receivables</b>	<b>684.4</b>	<b>641.7</b>

Trade receivables and contract assets are shown net of allowance for impairment losses of £16.3m (2017: £24.0m) and £9.6m (2017: £nil) respectively and are all expected to be recovered within 12 months. Impairment on trade receivables and contract assets charged as part of operating costs was £1.3m (2017: £8.8m) and £3.5m (2017: £nil) respectively.

There is no material difference between the above amounts for trade and other receivables and their fair value, due to their short-term duration. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers who are internationally dispersed.

The ageing of trade receivables and contract assets at the reporting date was as follows:

	2018 £m	2017 £m
Under 3 months	489.1	473.3
Between 3 and 6 months	54.2	52.9
Between 6 and 12 months	30.0	24.7
Over 12 months	37.5	33.1
<b>Gross trade receivables and contract assets</b>	<b>610.8</b>	<b>584.0</b>
Allowance for impairment	(25.9)	(24.0)
<b>Trade receivables and contract assets, net of allowance</b>	<b>584.9</b>	<b>560.0</b>

Included in trade receivables under three months of £404.9m (2017: £397.0m) are trade receivables of £351.9m (2017: £340.6m) that are not yet due for payment.

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

Impairment allowance for doubtful trade receivables and contract assets	2018 £m	2017 £m
At 1 January	24.0	23.9
Exchange differences	0.3	(2.0)
Acquisitions	0.6	-
Impairment loss recognised	4.8	8.8
Receivables written off	(3.8)	(6.7)
<b>At 31 December</b>	<b>25.9</b>	<b>24.0</b>

### Sensitivity analysis

Trade receivables and contract assets are assessed for impairment using a calculated credit loss assumption. A 0.25% variance in the assumed credit risk factor would impact impairment by £1.9m. There were no material individual impairments of trade receivables or contract assets.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 12 Trade and other payables

#### ACCOUNTING POLICY

##### Trade payables

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of trade payables is considered approximate to fair value.

##### Put option over non-controlling interest

Put options held by non-controlling interests that arise on acquisition are recognised initially at the present value of the redemption amount. They are subsequently measured at amortised cost using the effective interest method. The discount is unwound through SDIs as a finance charge.

#### TRADE AND OTHER PAYABLES

Trade and other payables are analysed below:

	Current 2018 £m	Current 2017 £m	Non-current 2018 £m	Non-current 2017 £m
Trade payables	154.0	126.7	-	-
Other payables	57.3	45.5	18.6	17.5
Accruals	240.0	227.1	2.3	3.6
Contract liabilities	63.8	52.9	5.6	0.5
<b>Total trade and other payables</b>	<b>515.1</b>	<b>452.2</b>	<b>26.5</b>	<b>21.6</b>

The Group's exposure to liquidity risk related to trade payables is disclosed in note 14. £40.8m of contract liabilities at the end of 2017 was recognised in revenue in 2018. The key assumptions in arriving at the value of the put options over shares held by non-controlling interests are the performance of those businesses; the risk-adjusted discount rate taking into account the risk-free rate and the gross domestic product growth in the countries of those underlying businesses.

### 13 Provisions

#### ACCOUNTING POLICY

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation that can be estimated reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### PROVISIONS

	Contingent consideration £m	Claims £m	Other £m	Total £m
At 1 January 2018	14.7	14.0	12.6	41.3
Exchange adjustments	0.9	-	0.8	1.7
Provided in the year:	-	1.8	13.8	15.6
in respect of current year acquisitions	0.7	-	-	0.7
in respect of prior year acquisitions	8.2	-	-	8.2
Released during the year	(2.2)	(2.9)	-	(5.1)
Utilised during the year	(5.6)	(2.5)	(11.5)	(19.6)
<b>At 31 December 2018</b>	<b>16.7</b>	<b>10.4</b>	<b>15.7</b>	<b>42.8</b>
<b>Included in:</b>				
Current liabilities	0.7	10.4	15.7	26.8
Non-current liabilities	16.0	-	-	16.0
<b>At 31 December 2018</b>	<b>16.7</b>	<b>10.4</b>	<b>15.7</b>	<b>42.8</b>

The maximum contingent consideration, on a discounted basis, that could be paid in relation to acquisitions is £19.2m.

The Group is involved in various claims and lawsuits incidental to the ordinary course of its business. The outcome of such litigation and the timing of any potential liability cannot be readily foreseen, as it is often subject to legal proceedings. Based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is unlikely to have a materially adverse effect on the financial position of the Group in the foreseeable future.

The provision for claims of £10.4m (2017: £14.0m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. The timing of the cash outflow relating to the provisions is uncertain, but is likely to be within one year. Details of contingent liabilities in respect of claims are set out in note 22.

The other provision of £15.7m (2017: £12.6m) includes restructuring provisions. The timing of the cash outflow is uncertain, but is likely to be within one year.

## 14 Borrowings and financial instruments

### ACCOUNTING POLICY

#### Net financing costs

Net financing costs comprise interest expense on borrowings; facility fees; interest receivable on funds invested; net foreign exchange gains or losses; interest income and expense relating to pension assets and liabilities; unrealised market or fair value gains or losses on financial assets or liabilities, including contingent consideration; and gains and losses on hedging instruments that are recognised in the income statement. Interest income and interest expense are recognised as they accrue using the effective interest rate method.

#### Loans and receivables

Loans and receivables comprise trade and other receivables. Loans and receivables are recognised initially at fair value and subsequently at amortised cost less impairment losses (including bad debt provision).

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Net debt comprises borrowings less cash and cash equivalents.

#### Non-derivative financial liabilities

Trade and other payables are recognised initially at fair value and subsequently at their amortised cost.

Interest-bearing borrowings are initially recognised at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The fair value of put option liabilities over non-controlling interests is calculated using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

#### Derivative financial instruments

The Group uses derivative financial instruments, including cross currency interest rate swaps and foreign currency forwards, to hedge economically its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised initially and subsequently at fair value; attributable transaction costs are recognised in profit or loss when incurred. The gain or loss on remeasurement to fair value at each period end is recognised immediately in the income statement except where derivatives qualify for hedge accounting.

The fair value of cross currency interest rate swaps is estimated using the present value of the estimated future cash flows based on observable yield curves.

The fair value of foreign currency forwards is estimated using present value of future cash flows based on the forward exchange rates at the balance sheet date.

#### Hedging

##### Hedge of monetary assets and liabilities

Where a derivative financial instrument is used economically to hedge the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement in the same caption as the foreign exchange on the related item.

##### Hedge of net investment in foreign operations

The Group is exposed to foreign exchange risk exposure arising from its net investment in foreign currency operations and net assets. The Group uses a combination of debt and cross currency interest rate swaps to hedge foreign exchange risks.

The portion of the gain or loss on an instrument designated as a hedge of a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity in the translation reserve. The value in relation to the hedge instrument that is held within the cumulative foreign currency translation reserve is recycled through the income statement. If the instrument is no longer deemed effective, then future movements in fair value are posted to the income statement.

##### Cash flow hedges

Cash flow hedges comprise derivative financial instruments designated in a hedging relationship to manage interest rate risk and foreign exchange risk to which the cash flows of certain assets and liabilities are exposed. The Group is exposed to the variability in cash flows arising from the foreign exchange risk exposure in a USD private placement bond. In accordance with the Group's hedging strategy, the Group has cross currency interest rates swaps designated as cash flow hedges.

The effective portion of changes in the fair value of the derivative that is designated and qualifies for hedge accounting is recognised in other comprehensive income. The value in relation to the hedge instrument that is held within the cumulative cash flow hedge reserve (disclosed within other reserves) is recycled through the income statement. If the instrument is no longer deemed effective, then future movements in fair value are posted to the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 14 Borrowings and financial instruments (continued)

#### Impairment

A financial asset is assessed for impairment at each reporting date by application of an expected loss model in line with IFRS 9 requirements. In previous periods an assessment was made to determine whether there was any objective evidence that a balance was impaired. In line with IAS 39, a financial asset was considered to be impaired if objective evidence indicated that one or more events had a negative effect on the estimated future cash flows of that asset.

#### Net financing costs

Net financing costs are shown below:

	2018 £m	2017 £m
<b>Recognised in income statement</b>		
<b>Finance income</b>		
Interest on bank balances	1.8	1.2
<b>Total finance income</b>	<b>1.8</b>	1.2
<b>Finance expense</b>		
Interest on borrowings	(26.2)	(24.8)
Net pension interest cost (note 16)	(0.4)	(0.7)
Foreign exchange differences on revaluation of net monetary assets and liabilities	1.5	(2.0)
Facility fees and other*	(8.4)	(3.1)
<b>Total finance expense*</b>	<b>(33.5)</b>	(30.6)
<b>Net financing costs*</b>	<b>(31.7)</b>	(29.4)

\* Includes £6.4m (2017: £0.5m) relating to SDIs.

#### Analysis of net debt

	2018 £m	2017 £m
Cash and cash equivalents per the Statement of Financial Position	206.9	137.0
Overdrafts	(3.7)	(1.1)
<b>Cash per the Statement of Cash Flows</b>	<b>203.2</b>	135.9

The components of net debt are outlined below:

	1 January 2018 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2018 £m
<b>Cash</b>	135.9	55.2	–	12.1	<b>203.2</b>
<b>Borrowings:</b>					
Revolving credit facility US\$800m 2021	(153.9)	(223.8)	–	(7.1)	(384.8)
Bilateral term loan facilities US\$100m 2018	(74.6)	74.6	–	–	–
Senior notes US\$20m 2019	(15.0)	–	–	(0.8)	(15.8)
Senior notes US\$150m 2020	(112.0)	–	–	(6.6)	(118.6)
Senior notes US\$15m 2021	(11.1)	–	–	(0.7)	(11.8)
Senior notes US\$140m 2022	(104.5)	–	–	(6.2)	(110.7)
Senior notes US\$40m 2023	(29.8)	–	–	(1.8)	(31.6)
Senior notes US\$125m 2024	(93.4)	–	–	(5.5)	(98.9)
Senior notes US\$40m 2025	(29.9)	–	–	(1.8)	(31.7)
Senior notes US\$75m 2026	(55.9)	–	–	(3.4)	(59.3)
Other*	0.1	(116.3)	(0.8)	(1.2)	(118.2)
<b>Total borrowings</b>	<b>(680.0)</b>	<b>(265.5)</b>	<b>(0.8)</b>	<b>(35.1)</b>	<b>(981.4)</b>
<b>Total net debt</b>	<b>(544.1)</b>	<b>(210.3)</b>	<b>(0.8)</b>	<b>(23.0)</b>	<b>(778.2)</b>

\* Includes other uncommitted borrowings of £118.6m and facility fees of £0.9m (2017: £2.1m).

## 14 Borrowings and financial instruments (continued)

	1 January 2017 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2017 £m
<b>Cash</b>	158.8	7.0	-	(29.9)	135.9
<b>Borrowings:</b>					
Revolving credit facility US\$800m 2021	(242.2)	73.8	-	14.5	(153.9)
Bilateral term loan facilities US\$100m 2018	(81.8)	-	-	7.2	(74.6)
Senior notes US\$100m 2017	(81.8)	75.1	-	6.7	-
Senior notes US\$20m 2019	(16.4)	-	-	1.4	(15.0)
Senior notes US\$150m 2020	(122.7)	-	-	10.7	(112.0)
Senior notes US\$15m 2021	(12.2)	-	-	1.1	(11.1)
Senior notes US\$140m 2022	(114.5)	-	-	10.0	(104.5)
Senior notes US\$40m 2023	(32.7)	-	-	2.9	(29.8)
Senior notes US\$125m 2024	(102.3)	-	-	8.9	(93.4)
Senior notes US\$40m 2025	(32.7)	-	-	2.8	(29.9)
Senior notes US\$75m 2026	(61.3)	-	-	5.4	(55.9)
Other*	(1.9)	2.4	(0.7)	0.3	0.1
<b>Total borrowings</b>	(902.5)	151.3	(0.7)	71.9	(680.0)
<b>Total net debt</b>	(743.7)	158.3	(0.7)	42.0	(544.1)

\*Includes facility fees of £2.1m.

### BORROWINGS

Borrowings are split into current and non-current as outlined below:

	Current 2018 £m	Current 2017 £m	Non-current 2018 £m	Non-current 2017 £m
Senior term loans and notes	15.0	73.9	846.8	604.0
Other borrowings	119.6	2.1	-	-
<b>Total borrowings</b>	<b>134.6</b>	76.0	<b>846.8</b>	604.0

	2018 £m	2017 £m
<b>Analysis of debt</b>		
Debt falling due:		
In one year or less	134.6	76.0
Between one and two years	118.2	14.2
Between two and five years	538.9	380.9
Over five years	189.7	208.9
<b>Total borrowings</b>	<b>981.4</b>	680.0

### Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2018 were £247.9m (2017: £443.2m).

#### US\$800m revolving credit facility

The Group's principal bank facility comprises a US\$800m multi-currency revolving credit facility. In July 2016, US\$672m of the facility was extended to July 2021. Advances under the facility bear interest at a rate equal to LIBOR, or their local currency equivalent, plus a margin, depending on the Group's leverage. Drawings under this facility at 31 December 2018 were £384.8m (2017: £153.9m).

#### Bilateral term loan facility 1

On 21 December 2012 the Group signed a US\$20m bilateral term loan which was increased on 4 April 2014 to US\$40m. This facility was further increased in November 2015 to US\$100m. This facility was fully repaid in June 2018 and was no longer available at 31 December 2018. Drawings under this facility at 31 December 2018 were £nil (2017: £74.6m).

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 14 Borrowings and financial instruments (continued)

#### BORROWINGS (CONTINUED)

##### Private placement bonds

In December 2010 the Group issued US\$250m of senior notes. These notes were issued in two tranches with US\$100m repaid on 15 December 2017 at a fixed annual interest rate of 3.2% and US\$150m repayable on 15 December 2020 at a fixed annual interest rate of 3.91%.

In October 2011 the Group issued US\$265m of senior notes. These notes were issued in three tranches with US\$20m repayable on 18 January 2019 at a fixed annual interest rate of 3.0%, US\$140m repayable on 18 January 2022 at a fixed annual interest rate of 3.75% and US\$105m repayable on 18 January 2024 at a fixed annual interest rate of 3.85%.

In February 2013 the Group issued US\$80m of senior notes. These notes were issued in two tranches with US\$40m repayable on 14 February 2023 at a fixed annual interest rate of 3.10% and US\$40m repayable on 14 February 2025 at a fixed annual interest rate of 3.25%.

In July 2014 the Group issued US\$110m of senior notes. These notes were issued in four tranches with US\$15m repayable on 31 July 2021 at a fixed annual interest rate of 3.37%, US\$20m repayable on 31 July 2024 at a fixed annual interest rate of 3.86%, US\$60m repayable on 31 October 2026 at a fixed annual interest rate of 4.05% and US\$15m repayable on 31 December 2026 at a fixed annual interest rate of 4.10%.

#### FINANCIAL RISKS

Details of the Group's treasury controls, exposures and the policies and processes for managing capital and credit, liquidity, interest rate and currency risk are set out below, and in the Strategic Report – Financial Review that starts on page 60.

##### Credit risk

###### Exposure to credit risk

Credit risks arise mainly from the possibility that customers may not be able to settle their obligations as agreed. The Group monitors the creditworthiness of customers on an ongoing basis. The Group's credit risk is diversified due to the large number of entities, industries and regions that make up the Group's customer base.

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date this was as follows:

	2018 £m	2017 £m
Trade receivables, net of allowance (note 11)	485.2	469.6
Cash and cash equivalents	203.2	135.9
<b>Total</b>	<b>688.4</b>	605.5

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	2018 £m	2017 £m
Asia Pacific	134.1	127.1
Americas	191.8	180.6
Europe, Middle East and Africa	159.3	161.9
<b>Total</b>	<b>485.2</b>	469.6

##### Counterparty risk

Cash and cash equivalents and available borrowing facilities are at risk in the event that the counterparty is not able to meet its obligations in regards to the cash held or facilities available to the Group. The Group also enters into transactions with counterparties in relation to derivative financial instruments. If the counterparty was not able to meet its obligations, the Group may be exposed to additional foreign currency or interest rate risk. Counterparty credit risk inherent in all hedge relationships is monitored throughout the period of the hedge but this risk is not expected to be significant.

The Group, wherever possible, enters into arrangements with counterparties who have robust credit standing, which the Group defines as a financial institution with a credit rating of at least investment grade. The Group has existing banking relationships with a number of 'relationship banks' that meet this criterion, and seeks to use their services wherever possible while avoiding excessive concentration of credit risk. Given the diverse geographic nature of the Group's activities, it is not always possible to use a relationship bank. Therefore the Group has set limits on the level of deposits to be held at non-relationship banks to minimise the risk to the Group. It is also Group policy to remit any excess funds from local entities back to Intertek Group Treasury in the UK. Given the controls in place, and based on a current assessment of our banking relationships, management does not expect any counterparty to fail to meet its obligations.

## 14 Borrowings and financial instruments (continued)

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as and when they fall due. The Group's policy is to:

- ensure sufficient liquidity is available to Group companies in the amounts, currencies and locations required to support the Group's operations;
- ensure the Group has adequate available sources of funding to protect against unforeseen internal and external events; and
- avoid excess liquidity which restricts growth and impacts the cost of financing.

To ensure this policy is met, the Group monitors cash balances on a daily basis, projects cash requirements on a rolling basis and funds itself using debt instruments with a range of maturities.

The following are the contractual cash flows of financial liabilities/(assets) including interest (for floating rate instruments, interest payments are based on the interest rate at 31 December 2018). The table has been updated to include cross currency interest swaps for 2018 and 2017:

2018	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
<b>Non-derivative financial liabilities</b>							
Senior term loans and notes	861.9	863.3	15.8	–	515.3	241.2	91.0
Other loans	119.5	119.5	118.6	0.9	–	–	–
Trade payables (note 12)	154.0	154.0	141.2	11.1	1.4	0.2	0.1
Put option liability over non-controlling interest	9.6	9.9	–	–	–	9.9	–
	1,145.0	1,146.7	275.6	12.0	516.7	251.3	91.1

2018	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
<b>Derivative financial liabilities/ (assets)</b>							
Foreign currency forwards							
Outflow	0.3	360.2	360.2	–	–	–	–
Inflow	–	(359.9)	(359.9)	–	–	–	–
Cross currency interest rate swaps							
Outflow	7.7	88.4	0.9	0.9	86.6	–	–
Inflow	–	(85.3)	(1.5)	(1.5)	(82.3)	–	–
	8.0	3.4	(0.3)	(0.6)	4.3	–	–
<b>Total</b>	<b>1,153.0</b>	<b>1,150.1</b>	<b>275.3</b>	<b>11.4</b>	<b>521.0</b>	<b>251.3</b>	<b>91.1</b>

2017	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
<b>Non-derivative financial liabilities</b>							
Senior term loans and notes	677.9	777.4	10.5	85.1	164.8	327.5	189.5
Other loans	2.1	2.1	–	2.1	–	–	–
Trade payables (note 12)	126.7	126.7	122.1	2.9	1.3	0.3	0.1
Put option liability over non-controlling interest	8.7	9.2	–	–	–	9.2	–
	815.4	915.4	132.6	90.1	166.1	337.0	189.6

2017	Carrying amount £m	Contractual cash flows £m	Six months or less £m	6-12 months £m	1-2 years £m	2-5 years £m	More than five years £m
<b>Derivative financial liabilities/ (assets)</b>							
Foreign currency forwards							
Outflow	–	440.9	440.9	–	–	–	–
Inflow	(1.0)	(441.9)	(441.9)	–	–	–	–
Cross currency interest rate swaps*							
Outflow	11.9	88.2	0.9	0.9	1.7	84.8	–
Inflow	–	(83.4)	(1.5)	(1.5)	(2.9)	(77.5)	–
	10.9	3.8	(1.6)	(0.6)	(1.2)	7.3	–
<b>Total</b>	<b>826.3</b>	<b>919.2</b>	<b>131.0</b>	<b>89.5</b>	<b>164.9</b>	<b>334.3</b>	<b>189.6</b>

\* 2017 comparatives have been restated to include disclosure of the cross currency interest rate swaps in accordance with IFRS 7.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 14 Borrowings and financial instruments (continued)

#### Interest rate risk

The Group's objective is to manage the risk to the business from movements in interest rates, and to provide stability and predictability of the near term (12 month horizon) interest expense. Under the Group's Treasury policy, management may fix the interest rates on up to 80% of the Group's debt portfolio for the period of the current financial year. The Group's debt portfolio beyond this period is to be managed within the range of a 20%-60% fixed-to-floating rate ratio. To achieve this, the Group uses bank debt facilities, US private placements and cross currency interest rate swaps.

#### Sensitivity

At 31 December 2018, it is estimated that the impact on variable rate net debt of a general increase of 3% in interest rates would be a decrease in the Group's profit before tax of approximately £9.6m (2017: £5.4m). This analysis assumes all other variables remain constant.

#### Foreign currency risk

The Group's objective in managing foreign currency risk is to safeguard the Group's financial assets from economic loss due to fluctuations in foreign currencies, and to protect margins on cross currency contracts and operations. To achieve this, the Group's policy is to hedge its foreign currency exposures where appropriate.

The net assets of foreign subsidiaries represent a significant portion of the Group's shareholders' funds and a substantial percentage of the Group's revenue and operating costs are incurred in currencies other than sterling. Because of the high proportion of international activity, the Group's profit is exposed to exchange rate fluctuations. Two types of risk arise as a result: (i) translation risk, that is, the risk of adverse currency fluctuations in the translation of foreign currency operations and foreign assets and liabilities into sterling; and (ii) transaction risk, that is, the risk that currency fluctuations will have a negative effect on the value of the Group's commercial cash flows in various currencies.

The foreign currency profiles of cash, trade receivables and payables subject to translation risk and transaction risk, at the reporting date were as follows:

	<b>Carrying amount £m</b>	<b>Sterling £m</b>	<b>US dollar £m</b>	<b>Chinese renminbi £m</b>	<b>Hong Kong dollar £m</b>	<b>Other currencies £m</b>
<b>2018</b>						
<b>Cash</b>	<b>203.2</b>	26.3	26.4	49.7	1.5	99.3
<b>Trade receivables (note 11)</b>	<b>485.2</b>	42.6	162.6	48.0	15.6	216.4
<b>Trade payables (note 12)</b>	<b>154.0</b>	14.0	63.0	16.4	3.4	57.2
<b>2017</b>						
Cash	135.9	13.7	10.3	24.3	3.4	84.2
Trade receivables (note 11)	469.6	43.6	156.7	44.6	14.5	210.2
Trade payables (note 12)	126.7	13.6	39.8	17.1	3.5	52.7

#### RECOGNISED ASSETS AND LIABILITIES

Changes in the fair value of foreign currency forwards that economically hedge monetary assets and liabilities in foreign currencies, and for which no hedge accounting is applied, are recognised in the income statement.

#### CASH FLOW HEDGE

The Group holds a US\$150m fixed interest rate USD private placement bond maturing in December 2020.

A proportion of the bond is hedged using 100m USD/GBP fixed-to-fixed cross currency swaps maturing in December 2020 to eliminate the changes in the cash flows of the repayment of coupon and principal related to changes in foreign exchange rates.

The timings of both hedge and bond cash flows are expected to match since the maturity profile and coupon profile for bond and hedge matches. In 2018, £4.4m of the cash flow hedge reserve was recycled through to the income statement to offset the impact of the hedged US\$100m bond. The remaining balance of the cash flow hedge reserve is expected to be recycled through to the income statement up to the expiry of the bond in December 2020.

#### HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Group's foreign currency denominated loans are designated as a hedge to protect the same amount of net investment in the Group's foreign currency operations and net assets, against adverse changes in exchange rates. The carrying amount of these loans at 31 December 2018 was £902.8m (2017: £580.4m).

93.8m EUR/GBP fixed-to-fixed cross currency swaps maturing in December 2020, including all coupons, are designated as a hedge to protect the same amount of net investment in the Group's Euro operations and net assets, against adverse changes in exchange rates.

A foreign exchange loss of £32.6m (2017: gain £77.3m) was recognised in the translation reserve in equity on translation of these loans to sterling and the impact of changes in fair value of the cross currency interest rate swaps.

## 14 Borrowings and financial instruments (continued)

The Group has the following hedging instruments:

				Other comprehensive income		
	Nominal amounts in local currency	Carrying value Liabilities £m	1 January 2018 £m	Fair value gain/(loss) deferred to OCI £m	FX (gain)/loss recycled to the income statement £m	31 December 2018 £m
<b>Cash flow hedges - foreign exchange and interest rate risk</b>						
Cross currency interest rate swaps	US\$100m	(11.6)	(2.1)	5.5	(4.4)	(1.0)
<b>Hedges of net investment in a foreign operation - foreign exchange risk</b>						
Cross currency interest rate swaps	EUR93.8m	19.3	(18.0)	(1.3)	n/a	(19.3)
Foreign currency borrowings	£902.8m	896.4	(226.9)	(31.3)	n/a	(258.2)
		904.1	(247.0)	(27.1)	(4.4)	<b>(278.5)</b>

The Group has entered into US\$100m of cross currency interest rate swaps which pay EUR denominated interest and principal; and receive USD denominated interest and principal; maturing in December 2020.

The cross currency interest rate swaps are bifurcated into two relationships: 1) A cash flow hedge of US\$100m versus GBP foreign currency and interest rate risks in USD denominated borrowings; and 2) A net investment hedge of EUR versus GBP foreign currency risk in EUR denominated net assets of the group.

The weighted average exchange rates of the swaps are GBP/USD 1.5207 and EUR/GBP 0.7009.

The cross currency interest rate swaps are disclosed within other payables in the statement of financial position.

The critical terms of the swap contracts and their corresponding hedged items are matched and the Group expects highly effective hedging relationships. Net ineffectiveness on the cash flow and net investment hedges recognised in the income statement was nil.

The carrying values of the hedging instruments; US\$ 505m senior notes and RCF drawings US\$418m, EUR12.5m, CHF6.5m, AUD45m and CAD22m are included within long-term borrowings within the statement of financial position.

Fair value gains and losses on the hedging instruments designated in the cash flow and net investment hedges have been presented as 'fair value on cash flow hedges' and 'net exchange on hedges of net investments in foreign operations' respectively within the statement of other comprehensive income.

Foreign exchange gains recycled from the cash flow hedge reserve are presented as finance expenses within the income statement.

### SENSITIVITY

It is estimated that an increase of 10% in the value of sterling against the US dollar (the main currency impacting the Group) would have decreased the Group's profit before tax for 2018 by approximately £21.1m (2017: £21.6m). This analysis assumes all other variables remain constant.

It is estimated that an increase of 10% in the value of sterling against the currencies of the hedging instruments would have increased OCI by approximately £89.8m (2017: £60.6m) which would be offset by the retranslation of the Group's investment in foreign operations in the same currencies. This analysis assumes all other variables remain constant.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 14 Borrowings and financial instruments (continued)

#### FAIR VALUES

The table below provides a comparison of book values and corresponding fair values of all the Group's financial instruments by class.

	Book value 2018 £m	Fair value 2018 £m	Book value 2017 £m	Fair value 2017 £m
<b>Financial assets</b>				
Cash and cash equivalents	203.2	203.2	135.9	135.9
Trade receivables (note 11)	485.2	485.2	469.6	469.6
Foreign currency forwards*	–	–	1.0	1.0
<b>Total financial assets</b>	<b>688.4</b>	<b>688.4</b>	606.5	606.5
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings*	981.4	974.5	680.0	679.1
Trade payables (note 12)	154.0	154.0	126.7	126.7
Foreign currency forwards*	0.3	0.3	–	–
Put option liability over non-controlling interest	9.6	9.6	8.7	8.7
Cross currency interest rate swaps* <sup>1</sup>	7.7	7.7	11.9	11.9
<b>Total financial liabilities</b>	<b>1,153.0</b>	<b>1,146.1</b>	827.3	826.4

\* Interest-bearing loans and borrowing, cross currency interest rate swaps and derivative assets/liabilities are categorised as Level 2 under which the fair value is measured using inputs other than quoted prices observable for the liability, either directly or indirectly.

<sup>1</sup> 2017 comparatives have been restated to include disclosure of the cross currency interest rate swaps in accordance with IFRS 7.

### 15 Capital and reserves

#### ACCOUNTING POLICY

##### Dividends

Interim dividends are recognised as a movement in equity when they are paid. Final dividends are reported as a movement in equity in the year in which they are approved by the shareholders.

##### Own shares held by the Employee Share Ownership Trust ('ESOT')

Transactions of the Group-sponsored ESOT are included in the Group financial statements. In particular, the Trust's purchases of shares in the Company are debited directly in equity to retained earnings.

##### Share capital

Group and Company	2018 Number	2018 £m	2017 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	161,390,540	1.6	1.6
Share Awards	2,587	–	–
<b>Ordinary shares of 1p each at end of year</b>	<b>161,393,127</b>	<b>1.6</b>	<b>1.6</b>
<b>Shares classified in shareholders' funds</b>		<b>1.6</b>	<b>1.6</b>

The holders of ordinary shares are entitled to receive dividends and are entitled to vote at general meetings of the Company.

During the year, the Company issued 2,587 (2017: 3,765) ordinary shares in respect of all share plans.

##### Purchase of own shares for trust

During the year ended 31 December 2018, the Company financed the purchase of 340,000 (2017: 350,000) of its own shares with an aggregate nominal value of £3,400 (2017: £3,500) for £16.7m (2017: £15.6m) which was charged to retained earnings in equity and was held by the ESOT. This trust is managed and controlled by an independent offshore trustee. During the year, 421,823 shares were utilised to satisfy the vesting of share awards (note 17). At 31 December 2018, the ESOT held 455,463 shares (2017: 541,211 shares) with an aggregate nominal value of £4,555 (2017: £5,412). The associated cash outflow of £16.7m (2017: £15.6m) has been presented as a financing cash flow.

Dividends	2018 £m	2018 Pence per share	2017 £m	2017 Pence per share
Amounts recognised as distributions to equity holders:				
Final dividend for the year ended 31 December 2016	–	–	69.2	43.0
Interim dividend for the year ended 31 December 2017	–	–	37.8	23.5
Final dividend for the year ended 31 December 2017	76.9	47.8	–	–
Interim dividend for the year ended 31 December 2018	51.4	31.9	–	–
<b>Dividends paid</b>	<b>128.3</b>	<b>79.7</b>	<b>107.0</b>	<b>66.5</b>

## 15 Capital and reserves (continued)

After the reporting date, the Directors proposed a final dividend of 67.2p per share in respect of the year ended 31 December 2018, which is expected to amount to £108.5m. This dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with IAS 10 *Events after the reporting date*, it has not been included as a liability in these financial statements. If approved, the final dividend will be paid to shareholders on 4 June 2019.

### RESERVES

#### Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations as well as the translation of liabilities that hedge the Group's net investment in foreign operations.

#### Other

This reserve includes a merger difference that arose in 2002 on the conversion of share warrants into share capital, as well as the cash flow hedge reserve.

## 16 Employee benefits

### ACCOUNTING POLICY

#### Pension schemes

##### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the income statement as incurred.

##### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

The Group's net obligation in respect of material defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted.

In calculating the defined benefit deficit, the discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the Projected Unit credit method.

The increase in the present value of the liabilities expected to arise from the employees' services in the accounting period is charged to the operating profit in the income statement. The expected return on the schemes' assets and the interest on the present value of the schemes' liabilities, during the accounting period, are shown as finance income and finance expense respectively.

The Group operates a number of pension schemes throughout the world. In most locations, these are defined contribution arrangements. However, there are significant defined benefit schemes in the United Kingdom, Hong Kong and Switzerland. The United Kingdom Scheme and Hong Kong Scheme are funded, with assets held in separate trustee-administered funds and the Switzerland Scheme is an insured scheme. The schemes in the United Kingdom and Hong Kong were closed to new entrants in 2002 and 2000, respectively. Other funded defined benefit schemes are not considered to be material and are therefore accounted for as if they were defined contribution schemes.

The Group recognises all actuarial remeasurements in each year in equity through the consolidated statement of comprehensive income.

In June 2011, the International Accounting Standards Board issued revisions to IAS 19 *Employee Benefits* ('IAS 19') that provide changes in the recognition, presentation and disclosure of post-employment benefits. The Group has adopted the revised accounting standard from 1 January 2013.

### TOTAL PENSION COST

The total pension cost included in operating profit for the Group was:

	2018 £m	2017 £m
Defined contribution schemes	(43.1)	(46.9)
Defined benefit schemes – current service cost and administration expenses	(2.9)	(3.2)
<b>Pension cost included in operating profit (note 5)</b>	<b>(46.0)</b>	(50.1)

The pension cost for the defined benefit schemes was assessed in accordance with the advice of qualified actuaries. The last full triennial actuarial valuation of The Intertek Pension Scheme in the United Kingdom ('United Kingdom Scheme') was carried out as at 1 April 2016, and for IAS 19 accounting purposes has been updated to 31 December 2018. The last full actuarial valuation of the Hong Kong Scheme was carried out as at 31 December 2016, for local accounting purposes and has been updated to 31 December 2018 for IAS 19 purposes. The Switzerland Scheme was valued for IAS 19 purposes as at 31 December 2018. The average duration of the schemes are 20 years, 10 years and 15 years for the United Kingdom, Hong Kong and Switzerland schemes respectively.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 16 Employee benefits (continued)

#### DEFINED BENEFIT SCHEMES

##### The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2018 £m	2017 £m
Current service cost	(2.7)	(2.9)
Curtailment gain on United Kingdom Scheme	5.4	–
Scheme administration expenses	(0.2)	(0.3)
Net pension interest cost (note 14)	(0.4)	(0.7)
<b>Total charge</b>	<b>2.1</b>	(3.9)

The current service cost and scheme administration expenses are included in operating costs in the income statement and pension interest cost and interest income are included in net financing costs.

Included in Other Comprehensive Income:

	2018 £m	2017 £m
Remeasurements arising from:		
Demographic assumptions	0.8	1.4
Financial assumptions	7.4	0.2
Experience adjustment	1.3	(0.7)
Asset valuation	(10.1)	11.6
Other	(0.2)	0.1
<b>Total</b>	<b>(0.8)</b>	12.6

#### Company contributions

The Company assessed the triennial actuarial valuation for the United Kingdom Scheme and its impact on the scheme funding plan in 2018 and future years. In 2019 the Group expects to make normal contributions of £1.0m (2018: £0.8m) and has made a special contribution of £2.0m (2018: £2.0m). The next triennial valuation is due to take place as at 1 April 2019 and will include a review of the Company's future contribution requirements.

The Hong Kong Scheme has an annual actuarial valuation, identifying the funding requirements for 2019.

#### Pension liability for defined benefit schemes

The amounts recognised in the statement of financial position for defined benefit schemes were as follows:

	United Kingdom Scheme £m	Hong Kong Scheme £m	Switzerland Scheme £m	Total £m
Fair value of scheme assets	108.1	21.4	15.1	144.6
Present value of funded defined benefit obligations	(114.5)	(24.8)	(17.8)	(157.1)
<b>Deficit in schemes</b>	<b>(6.4)</b>	<b>(3.4)</b>	<b>(2.7)</b>	<b>(12.5)</b>

The fair value changes in the scheme assets are shown below:

	2018 £m	2017 £m
Fair value of scheme assets at 1 January	152.3	143.5
Interest income	3.3	3.3
Normal contributions by the employer	1.6	1.7
Special contributions by the employer	2.0	2.8
Contributions by scheme participants	0.6	0.5
Benefits paid	(6.9)	(7.9)
Effect of exchange rate changes on overseas schemes	2.0	(3.1)
Remeasurements	(10.1)	11.6
Scheme administration expenses	(0.4)	(0.3)
Contribution to fund scheme administration expenses	0.2	0.2
<b>Fair value of scheme assets at 31 December</b>	<b>144.6</b>	152.3

## 16 Employee benefits (continued)

### ASSET ALLOCATION

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2018 the invested assets of the United Kingdom Scheme totalled £108.1m (2017: £114.7m) and of the Hong Kong Scheme totalled £21.4m (2017: £23.1m) broken down as follows:

Asset class	United Kingdom Scheme		Hong Kong Scheme	
	2018 £m	2017 £m	2018 £m	2017 £m
Equities	49.6	54.8	12.6	15.2
Property	11.6	11.2	-	-
Bonds	-	-	8.7	7.9
Absolute Return Fund*	24.3	25.8	-	-
Liability-Driven Investment*	16.5	17.2	-	-
Cash	6.1	5.7	0.1	-
<b>Total</b>	<b>108.1</b>	114.7	<b>21.4</b>	23.1

\* Investments are included at fair value. The pooled investment vehicles are held under a managed fund policy in the name of the Scheme. Pooled investment vehicles (including the Absolute Return Fund / LDI Funds) which are not traded on active markets, but where the investment manager has provided a monthly trading price, are valued using the last single price, provided by the investment manager at or before the year end. The Absolute Return Fund aims to provide positive investment returns in all conditions over the medium- to long-term. The investment managers have a wide investment remit and look to exploit market inefficiencies through active allocation to a diverse range of market positions. The Fund uses a combination of traditional assets and investment strategies based on derivatives and is able to take long- and short-term positions in markets. The LDI Fund provides the hedge against adverse movements in inflation and interest rates. It seeks to match the sensitivity of the Scheme's liability cash flow to changes in interest rates and inflation; it is invested in gilts, swaps, futures, repo contracts and money market instruments.

The United Kingdom Scheme had bank account assets of £0.9m as at 31 December 2018 (2017: £0.5m).

The United Kingdom Scheme invested assets comprise both quoted and unquoted assets. The value of quoted assets in 2018 was £24.0m (2017: £24.9m), included within equities in the above table, with the remaining assets being unquoted. All of the invested assets of the Hong Kong Scheme are unquoted. The Switzerland Scheme is fully insured.

Changes in the present value of the defined benefit obligations were as follows:

	2018 £m	2017 £m
Defined benefit obligations at 1 January	170.1	175.3
Current service cost	2.7	2.9
Interest cost	3.7	4.0
Contributions by scheme participants	0.2	0.3
Benefits paid	(6.9)	(7.9)
Effect of exchange rate changes on overseas schemes	2.2	(3.6)
Remeasurements	(9.5)	(0.9)
Curtailment gain on United Kingdom Scheme	(5.4)	-
<b>Defined benefit obligations at 31 December</b>	<b>157.1</b>	170.1

Principal actuarial assumptions:

	United Kingdom Scheme		Hong Kong Scheme		Switzerland Scheme	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Discount rate	2.8	2.5	2.0	1.8	0.8	0.7
Inflation rate (based on CPI)	2.4	2.3	n/a	n/a	n/a	n/a
Rate of salary increases	-	2.3	4.0	4.0	1.0	1.0
Rate of pension increases:						
CPI subject to a maximum of 5% p.a.	2.4	2.3	n/a	n/a	n/a	n/a
Increases subject to a maximum of 2.5% p.a.	1.9	1.8	n/a	n/a	n/a	n/a

The retirement arrangement in Hong Kong pays a lump sum to members instead of a pension and the Switzerland Scheme is an insured plan.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 16 Employee benefits (continued)

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Hong Kong Scheme*		Switzerland Scheme	
	2018	2017	2018	2017	2018	2017
Male aged 40	48.8	49.0	n/a	n/a	42.8	42.8
Male aged 65	22.0	22.1	n/a	n/a	19.7	19.8
Female aged 40	50.9	50.9	n/a	n/a	45.4	45.4
Female aged 65	23.9	24.0	n/a	n/a	21.9	21.9

\* The retirement arrangement in Hong Kong pays a lump sum to members instead of a pension at the point of retirement. Since the amount of the lump sum is not related to the life expectancy of the member, the post-retirement mortality is not a relevant assumption for the Hong Kong Scheme.

The table above shows, for the United Kingdom Scheme, the number of years a male or female is expected to live, assuming they were aged either 40 or 65 at 31 December. The mortality tables adopted in 2018 for the United Kingdom Scheme are the S2PA projected by year of birth, based on the CMI 2016 mortality projection model with a 1.25% long-term annual rate for future improvement. In 2017 the S2PA tables were used, based on the CMI 2016 mortality projection model. For the Switzerland Scheme, the mortality table adopted in both 2018 and 2017 is the BVG2015, an industry standard in Switzerland which is based on statistical evidence of major Switzerland pension funds.

### SENSITIVITY ANALYSIS

The table below sets out the sensitivity on the United Kingdom and Hong Kong pension assets and liabilities as at 31 December 2018 of the two main assumptions:

Change in assumptions	UK Scheme		Hong Kong Scheme	
	Liabilities £m	Increase/ (decrease) in deficit £m	Liabilities £m	Increase/ (decrease) in deficit £m
No change	114.5	-	24.8	-
0.25% rise in discount rate	109.5	(5.0)	24.3	(0.5)
0.25% fall in discount rate	119.8	5.3	25.4	0.6
0.25% rise in inflation	118.2	3.7	n/a	n/a
0.25% fall in inflation	111.0	(3.5)	n/a	n/a

The United Kingdom Scheme is also subject to the mortality assumption. If the mortality tables used are rated up/down one year, the value placed on the liabilities increases by £5.1m and decreases by £5.2m respectively.

### FUNDING ARRANGEMENTS

#### United Kingdom Scheme

The Trustees use the Projected Unit credit method with a three-year control period. Currently the scheme members pay contributions at the rate of 8.5% of salary. The employer pays contributions of 16.4% of salary, plus £0.2m per year to fund scheme expenses, and has made an additional contribution of £2.0m in 2019 to reduce the deficit disclosed by the 2016 valuation.

#### Hong Kong Scheme

The Trustees use the Attained Age funding method. The last actuarial valuation was as at 31 December 2016. Scheme members do not contribute to the scheme. The employer pays contributions of 11.5% of salaries including 0.6% in respect of scheme expenses.

#### Funding Risks

The main risks for the schemes are:

Investment return risk:	If the assets underperform the returns assumed in setting the funding targets then additional contributions may be required at subsequent valuations.
Investment matching risk:	The schemes invest significantly in equities, whereas the funding targets are closely related to the returns on bonds. If equities fall in value relative to the matching asset of bonds, additional contributions may be required.
Longevity risk:	If future improvements in longevity exceed the assumptions made for scheme funding then additional contributions may be required.

#### Role of Third Parties

The United Kingdom Scheme is managed by Trustees on behalf of its members. The Trustees take advice from appropriate third parties including investment advisors, actuaries and lawyers as necessary.

#### Guaranteed Minimum Pension Liability

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement in a claim between Lloyds Banking Group Pension Trustees Limited (the claimant) and Lloyds Bank plc (defendant) that UK pension schemes should equalise pension benefits for men and women for the calculation of their guaranteed minimum pension liability. This court ruling impacts with the majority of companies with a UK defined benefit plan, including the Intertek Pension Scheme. Formal calculation of the impact will be undertaken during 2019 as part of the scheme's three-yearly valuation process, however, the scheme actuary estimates the impact will not be meaningful to both the Scheme and the Group, based on the scheme's demographics.

## 17 Share schemes

### ACCOUNTING POLICY

#### Share-based payment transactions

The share-based compensation plans operated by the Group allow employees to acquire shares of the Company. The fair value of the employee services, received in exchange for the grant of shares, is measured at the grant date and is recognised as an expense with a corresponding increase in equity. The charge is calculated using the Monte Carlo method and expensed to the income statement over the vesting period of the relevant award. The charge for the Deferred Share Awards is adjusted to reflect expected and actual levels of vesting for service conditions. The expense of the LTIP Share Awards is calculated using the Black-Scholes method and is adjusted for the probability of EPS performance conditions being achieved.

The Group has taken advantage of the provisions of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, and has recognised an expense only in respect of share awards granted since 7 November 2002.

### SHARE PLANS

#### 2011 Long Term Incentive Plan

The Deferred Bonus Plan 2005 was replaced in 2011 with the Intertek 2011 Long Term Incentive Plan (the 'LTIP'). Deferred Share Awards (previously Share Awards) and LTIP Share Awards (previously Performance Awards) have been granted under this plan. The first awards were granted on 7 April 2006. The awards under these plans vest three years after grant date, subject to fulfilment of the performance conditions.

	2018			2017		
	Deferred Share Awards	LTIP Share Awards	Total awards	Deferred Share Awards	LTIP Share Awards	Total awards
<b>Outstanding Awards</b>						
At beginning of year	869,796	1,080,222	1,950,018	817,586	1,043,719	1,861,305
Granted*	308,885	338,386	647,271	317,302	369,342	686,644
Vested**	(239,087)	(351,415)	(590,502)	(193,628)	(93,463)	(287,091)
Forfeited	(44,012)	(104,536)	(148,548)	(71,464)	(239,376)	(310,840)
<b>At end of year</b>	<b>895,582</b>	<b>962,657</b>	<b>1,858,239</b>	<b>869,796</b>	<b>1,080,222</b>	<b>1,950,018</b>

\* Includes 11,933 Deferred Share Awards (2017: 11,173) and 17,725 LTIP Share awards (2017: 15,691) granted in respect of dividend accruals.

\*\* Of the 590,502 awards vested in 2018, 2,587 were satisfied by the issue of shares and 402,266 by the transfer of shares from the ESOT (see note 15). The balance of 185,649 awards represented a tax liability of £9.3m which was settled in cash on behalf of employees by the Group, of which £8.5m was settled by the Company.

#### Deferred Share Plan

Awards may be granted under the Deferred Share Plan ('DSP') to employees of the Group (other than the Executive Directors of the Company) selected by the Remuneration Committee over existing, issued ordinary shares of the Company only. The DSP was adopted primarily to allow for the deferral of a proportion of selected employees annual bonus into shares in the Company, but may also be used for the grant of other awards (such as incentive awards and buy-out awards for key employees) in circumstances that the Remuneration Committee deems appropriate. Awards will normally have a three-year vesting period. Awards may be made subject to performance conditions and are subject to normal good and bad leaver provisions and malus and clawback.

	2018		2017	
	Deferred Share Awards	Total Awards	Deferred Share Awards	Total awards
<b>Outstanding Awards</b>				
At beginning of year	66,154	66,154	117,537	117,537
Granted*	103,086	103,086	44,915	44,915
Vested**	(32,098)	(32,098)	(94,313)	(94,313)
Forfeited	(17,128)	(17,128)	(1,985)	(1,985)
<b>At end of year</b>	<b>120,014</b>	<b>120,014</b>	<b>66,154</b>	<b>66,154</b>

\* Includes 697 Deferred Share Awards (2017: 945) granted in respect of dividend accruals.

\*\* Of the 32,098 awards vested in 2018, 19,557 were satisfied by the transfer of shares from the ESOT (see note 15). The balance of 12,541 awards represented a tax liability of £0.6m which was settled in cash on behalf of employees by the Group, of which £0.5m was settled by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 17 Share schemes (continued)

#### **Equity-settled transactions**

During the year ended 31 December 2018, the Group recognised an expense of £20.9m (2017: £17.5m). The fair values and the assumptions used in their calculations are set out below:

	<b>2018 Awards</b>			
	<b>Deferred Share Awards (DSP)</b>	<b>Share Awards</b>	<b>LTIP Share Awards EPS element</b>	<b>LTIP Share Awards TSR element</b>
Fair value at measurement date (pence)	4,516	4,751	4,651	2,608
Share price (pence)	4,516	4,751	4,651	4,651
Expected volatility	-	-	-	21.9%
Risk-free interest rate	-	-	-	1.0%
Time to maturity (years)	1-3	3	3	3

	<b>2017 Awards</b>			
	<b>Deferred Share Awards (DSP)</b>	<b>Share Awards</b>	<b>LTIP Share Awards EPS element</b>	<b>LTIP Share Awards TSR element</b>
Fair value at measurement date (pence)	4,679	3,868	3,860	2,385
Share price (pence)	4,679	3,868	3,860	3,860
Expected volatility	-	-	-	23.9%
Risk-free interest rate	-	-	-	0.15%
Time to maturity (years)	1-3	3	3	3

The expected volatility is based on the historical volatility, adjusted for any expected changes to future volatility due to publicly available information.

All Share Awards are granted under a service condition. Such condition is not taken into account in the fair value measurement at grant date. The LTIP Share Awards (TSR element) are granted under a performance-related market condition and as a result this condition is taken into account in the fair value measurement at grant date.

### 18 Subsequent events

No post balance sheet events were identified between 31 December 2018 and the date of signing this report.

### 19 Capital management

The Directors determine the appropriate capital structure of Intertek; specifically how much capital is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities. These activities include ongoing operations as well as acquisitions as described in note 10.

The Group's policy is to maintain a robust capital base (including cash and debt) to ensure the market and key stakeholders retain confidence in the capital profile. Debt capital is monitored by Group Treasury assessing the liquidity buffer on a short- and longer-term basis as discussed in note 14. The Group uses key performance indicators, including return on invested capital and adjusted diluted earnings per share to monitor the capital position of the Group to ensure it is being utilised effectively. The dividend policy also forms part of the Board's capital management policy, and the Board ensures there is appropriate earnings cover for the dividend proposed at both the interim and year end.

## 20 Non-controlling interest

### ACCOUNTING POLICY

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions.

### NON-CONTROLLING INTEREST

An analysis of the movement in non-controlling interest is shown below:

	2018 £m	2017 £m
At 1 January	34.5	34.7
Exchange adjustments	(2.8)	(0.3)
Share of profit for the year	20.8	19.0
Adjustment arising from changes in non-controlling interest	-	-
Dividends paid to non-controlling interest	(18.2)	(18.7)
Non-controlling interest from businesses acquired	-	(0.2)
<b>At 31 December</b>	<b>34.3</b>	34.5

## 21 Related parties

### IDENTITY OF RELATED PARTIES

The Group has a related party relationship with its key management. Transactions between the Company and its subsidiaries and between subsidiaries have been eliminated on consolidation and are not discussed in this note.

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Key management personnel compensation, including the Group's Directors, is shown in the table below:

	2018 £m	2017 £m
Short-term benefits	10.6	9.3
Post-employment benefits	0.8	0.8
Equity-settled transactions	8.5	7.2
<b>Total</b>	<b>19.8</b>	17.3

More detailed information concerning Directors' remuneration, shareholdings, pension entitlements and other long-term incentive plans is shown in the audited part of the Remuneration report. Apart from the above, no member of key management had a personal interest in any business transactions of the Group.

At a General Meeting of the Company's shareholders held on 16 January 2019, a resolution was passed which constituted a related party transaction under IAS 24. For further details please see page 110.

## 22 Contingent liabilities

	2018 £m	2017 £m
<b>Guarantees, letters of credit and performance bonds</b>	<b>27.5</b>	26.5

### LITIGATION

The Group is involved in various claims and lawsuits incidental to the ordinary course of its business, including claims for damages, negligence and commercial disputes regarding inspection and testing, and disputes with employees and former employees. The Group is not currently party to any legal proceedings other than ordinary litigation incidental to the conduct of business. The Group maintains appropriate insurance cover to provide protection from the small number of significant claims it is subject to from time to time.

### TAX

The Group operates in more than 100 countries and with complex tax laws and regulations. At any point in time it is normal for there to be a number of open years which may be subject to enquiry by local authorities. In some jurisdictions the Group receives tax incentives (see note 6) which are subject to renewal and review and reduce the amount of tax payable. Where the effect of the laws and regulations is unclear, estimates are used in determining the liability for the tax to be paid. The Group considers the estimates, assumptions and judgements to be reasonable but this can involve complex issues which may take a number of years to resolve.

The Group is also monitoring developments in relation to EU State Aid investigations following the EU Commission opening a State Aid investigation into the Group Financing Exemption in the UK's Controlled Foreign Company regime in October 2017. In line with current UK tax law, the Group applies this regime. Based on its current assessment, the Group does not consider any provision is required in relation to this issue.

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 23 Principal Group companies

The principal subsidiaries whose results or financial position, in the opinion of the Directors, principally affect the figures of the Group have been shown below. All the subsidiaries shown were consolidated with Intertek Group plc as at 31 December 2018. Unless otherwise stated, these entities are wholly owned subsidiaries and the address of the registered office is Academy Place, 1-9 Brook Street, Brentwood, Essex, CM14 5NQ, United Kingdom for all related undertakings included in this note.

Company name	Country of incorporation and principal place of operation	Activity
Intertek Finance plc	England	Finance
Intertek Holdings Limited <sup>(i)</sup>	England	Holding
Intertek Technical Services, Inc. <sup>(ii)</sup>	USA	Trading
Intertek Testing Services Holdings Limited <sup>(i)</sup>	England	Holding
Intertek Testing Services Hong Kong Limited <sup>(iii)</sup>	Hong Kong	Trading
Intertek Testing Services Limited Shanghai <sup>(iv)</sup>	China	Trading
Intertek Testing Services NA, Inc. <sup>(v)</sup>	USA	Trading
Intertek Testing Services Shenzhen Limited <sup>(vi)</sup>	China	Trading
Intertek USA, Inc. <sup>(vii)</sup>	USA	Trading
Intertek USD Finance Limited	England	Finance
Labtest Hong Kong Limited <sup>(viii)</sup>	Hong Kong	Trading
RCG-Moody International Limited	England	Holding
Testing Holdings USA, Inc. <sup>(ix)</sup>	USA	Holding

(i) Directly owned by Intertek Group plc.

(ii) Ownership held in Ordinary and Preference shares; Registered office address is: 25025 I-45 North, Suite #111, The Woodlands, TX 77380, United States.

(iii) Registered office address is: 2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.

(iv) Equity shareholding 85%, company controlled by the Group based on management's assessment; Registered office address is: 2nd Floor (West Zone), No 707 ZhangYang Road, Pilot Free Trade Zone, Shanghai, China.

(v) Registered office address is: 3933 US Route 11, Cortland, NY 13045, United States.

(vi) Registered office address is: West side of 1/F and 3,4,5/F of Bldg. 1,1-5/F of Bldg. 3, Yuanzheng Science and Technology Industrial Park, No. 4012, Bantian Street, Longgang District, Shenzhen, Guangdong, China.

(vii) Registered office address is: CT Corporation System, 5615 Corporate Blvd., Suite 400B, Baton Rouge, LA 70808, United States.

(viii) Registered office address is: 11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong.

(ix) Registered office address is: Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States.

### GROUP COMPANIES

In accordance with section 409 of the Companies Act 2006 a full list of related undertakings is set out below. Related undertakings comprise subsidiaries, partnerships, associates, joint ventures and joint arrangements. The above principal subsidiaries have not been duplicated in the list below. Unless otherwise stated, the share capital disclosed comprises ordinary shares which are indirectly held by Intertek Group plc as at 31 December 2018. No subsidiary undertakings have been excluded from the consolidation.

#### FULLY OWNED SUBSIDIARIES

0949491 B.C. Limited  
1620-400 Burrard Street, Vancouver, BC V6C 3A6, Canada

4th Strand, LLC <sup>(i)</sup>  
3000 Northwoods Parkway, Suite 330, Norcross, GA 30071, United States

Acucert Labs, LLP  
82/2, Shreyas, 25th Road, Sion West, Mumbai, 400022, India

Acumen Security, LLC  
2400 Research Blvd, Suite 395, Rockville, MD 20850, United States

Adelaide Inspection Services Pty Limited  
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

Ageus Solutions Inc.  
505 March Road, Suite 100, Kanata, ON K2K 2V6, Canada

Alchemy Investment Holdings, Inc.  
1209 Orange Street, Wilmington, New Castle, DE, 19801, United States

Alchemy Systems L.P.  
8015 Shoal Creek Blvd, Suite 100, Austin, TX, 78757, United States

Alchemy Systems Training, Inc.  
8015 Shoal Creek Blvd, Suite 100, Austin, TX, 78757, United States

Alchemy Systems Training Limited  
Arcadia House, Maritime Walk, Ocean Village, Southampton, SO14 3TL, United Kingdom

Alchemy Training Technologies, Inc.  
1 Germain Street, Suite 1500, Saint John, NB E2L 4V1, Canada

Aldo Abela Surveys Limited  
98 Triq Patri Magri, Marsa, MRS 2200, Malta

Alex Stewart Assayers Private Limited <sup>(ii)</sup>  
Unit No. D1, Udyog Sadan No.3, M.I.D.C. Central Road, Andheri (East), Mumbai, 400093, India

#### Alta Analytical Laboratory, Inc. <sup>(i)</sup>

200 Westlake Park Blvd., Westlake Building 4, Suite 400, Houston, TX 77079, United States

Amtac Certification Services Limited

Angus Management, LLC  
1209 Orange Street, Wilmington, New Castle, DE 19801, United States

Architectural Testing Holdings, Inc.  
2711 Centerville Road, Suite 400, Wilmington, DE 19808, United States

Architectural Testing, Inc.  
130, Derry Court, York, PA 17406, United States

Bigart Ecosystems, LLC  
1021 Hunters Way, Bozeman, MT 59718, United States

Caleb Brett Abu Dhabi LLC

CB UAE (Private) Ltd, c/o Al Nahiya Group, PO Box 3728, Abu Dhabi, United Arab Emirates

Caleb Brett Ecuador S.A.

Centro Commercial Mall del Sol, Av. Joaquín Orrantia González y Juan Tanca Marengo, Torre B, Piso 5, Oficina 505, Guayaquil, Ecuador

Cantox U.S. Inc.

100 Davidson Avenue, Suite #102, Somerset, NJ 08873, United States

Capcis Limited

Catalyst Awareness, Inc.  
43 Carolinian Lane, Cambridge, ON N1S 5B5, Canada

Center for the Evaluation of Clean Energy Technology, Inc.  
3933 US Route 11, Cortland, NY 13045, United States

Charon Insurance Limited

Thomas Miller (Bermuda) Ltd, Canon's Court, 22 Victoria Street, Hamilton, HM12, Bermuda

## 23 Principal Group companies (continued)

### FULLY OWNED SUBSIDIARIES (CONTINUED)

**Electrical Mechanical Instrument Services (UK) Limited**  
Unit 19 & 20 Wellheads Industrial Centre, Dyce, Aberdeen, AB21 7GA, United Kingdom

**Electronic Warfare Associates-Canada, Ltd**  
1223 Michael Street North, Suite 200, Ottawa, ON K1J 7T2, Canada

**Entela-Taiwan, Inc**  
4700 Broadmoor Avenue SE, Suite 200, Kentwood, MI 49512, United States

**Esperanza Guernsey Holdings Limited**  
PO Box 472, St Julian's Court, St Julian's Avenue, St Peter Port, GY1 6AX, Guernsey

**Esperanza International Services (Southern Africa) (Pty.) Limited**  
Charter House, 13 Brand Road, Glenwood, Durban, South Africa

**Four Front Research (India) Pvt Limited<sup>(ii)</sup>**  
Plot# 847, 5th Floor, Near Electricity Substation, Ayyappa Society Road, Madhapur, Hyderabad, Telangana, 500081, India

**Frameworks Inc.**  
1595 Sixteenth Avenue, Suite 301, Richmond Hill, ON L4B 3N9, Canada

**Gellatly Hankey Marine Services (M) Sdn. Bhd.**  
Unit 30-01 Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

**Genalysis Laboratory Services Pty Limited<sup>(vi)</sup>**  
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

**Geotechnical Services Pty Limited**  
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

**Global X-Ray & Testing Corporation**  
P.O. Box 1536, Morgan City, LA 70380, United States

**Global X-Ray Holdings, Inc.<sup>(v)</sup>**  
112 East Service Road, Morgan City, LA 70381, United States

**H.P. White Laboratory Inc.**  
3114 Scarboro Road, Street, MD 21154, United States

**Hawks Acquisition Holding, Inc.**  
Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle, DE 19808, United States

**Hi-Tech Holdings, Inc.**  
CT Corporation System, 1200 S.Pine Island Road, Plantation, FL 33324, United States

**Hi-Tech Testing Service, Inc.**  
CT Corporation System, 1999 Bryan Street Suite 900, Dallas, TX 75201, United States

**Inspection Services (US), LLC**  
Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States

**International Cargo Services, Inc.<sup>(i)</sup>**  
c/o CT Corp, 8550 United Plaza Blvd, Baton Rouge, LA 70809, United States

**International Inspection Services Limited**  
33/37 Athol Street, Douglas, IM1 1LB, Isle of Man

**Intertek (Mauritius) Limited**  
2 Palmerston Road, Phoenix, Mauritius

**Intertek (Schweiz) AG**  
TechCenter, Kaegenstrasse 18, 4153 Reinach, Switzerland

**Intertek Academy A/S**  
Buen 12, 3, 6000 Kolding, Denmark

**Intertek Argentina Certificaciones S.A.**  
Cerrito 1136 3rd floor CF, Ciudad Autónoma de Buenos Aires, C1010AAZ, Argentina

**Intertek Aruba N.V.**  
Lago Heights Straat 28A, San Nicolas, Aruba

**Intertek Asset Integrity Management, Inc.**  
1710 Sens Road, La Porte, TX 77571, United States

**Intertek ATI SRL**  
266-268 Calea Rahovei Street, Building 61, 1st Floor, Sector 5, Bucharest, Romania

**Intertek Australia Holdings Pty Limited**  
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

**Intertek Azeri Limited**  
2236 Mirza Davud Str., Xatai District, Baku, AZ 1026, Azerbaijan

**Intertek BA EOOD**  
24A Akad. Metodi Popov Str., Floor 5, Sofia, 1113, Bulgaria

**Intertek Bangladesh Limited**  
Phoenix Tower, Plot-407 (3rd Floor), Tejgaon I/A, Dhaka, Bangladesh

**Intertek Belgium NV**  
Kruisschansweg 11, 2040 Antwerp, Belgium

**Intertek Burkina Faso Ltd Sarl<sup>(i)</sup>**  
Ouagadougou, Secteur 13, Parcalle 21, Lot 11 Section EO Arrondissement de Nongr'Masson, Ouagadougou, 11 GP 1429, Burkina Faso

**Intertek C&T Australia Holdings PTY Ltd<sup>(i)</sup>**  
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

**Intertek C&T Australia Pty Ltd<sup>(i)</sup>**  
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

**Intertek Caleb Brett (Uruguay) S.A.**  
Cerrito 507, 4th Floor, Of. 46 and 47, Montevideo, 11000, Uruguay

**Intertek Caleb Brett Chile S.A.**  
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, Santiago, Chile

**Intertek Caleb Brett El Salvador S.A. de C.V.**  
Recinto Industrial de RASA zona industrial de Acajutla, Sonsonate, El Salvador

**Intertek Caleb Brett Germany GmbH**  
Witternstrasse 14, 21107, Hamburg, Germany

**Intertek Caleb Brett Panama, Inc.**  
Zona Procesadora para la Exportacion de Albrook, Building 6, Ancon Panama, Panama

**Intertek Caleb Brett Venezuela C.A.**  
2a AV El Mirador Edif. Saragon Palace Piso, PH-602/603 La Campina, Caracas, 1050, Venezuela

**Intertek Canada Newco Limited**  
1829 32nd Avenue, Lachine, QC H8T 3J1, Canada

**Intertek Capacitacion Chile Spa**  
Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, Santiago, Chile

**Intertek Capital Resources Limited**

**Intertek Certification AB**  
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

**Intertek Certification AS**  
Leif Weldings vei 8, 3208 Sandefjord, Norway

**Intertek Certification France SAS**  
67 Boulevard Bessières, 75017, Paris, France

**Intertek Certification GmbH**  
Marie-Bernays-Ring 19a, 41199 Monchengladbach, Germany

**Intertek Certification International Sdn. Bhd.**  
6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

**Intertek Certification Japan Limited**  
Nihonbashi N Bldg, 1-4-2, Nihonbashi-Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan

**Intertek Certification Limited**

**Intertek Colombia S.A.**  
Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

**Intertek Commodities Botswana (Proprietary) Limited<sup>(i)</sup>**  
First Floor, Time Square, Plot 134 Independence Avenue, Gaborone, Botswana

**Intertek Commodities Mozambique Lda**  
Rua 1233, NR 72 R/C, Distrito Urbano 1, Maputo, Mozambique

**Intertek Consulting & Training (UK) Limited**  
Northpoint Aberdeen Science & Energy Park, Exploration Drive, Bridge of Don, Aberdeen, AB23 8HZ, United Kingdom

**Intertek Consulting & Training (USA), Inc.**  
201 Energy Parkway, Suite 240, Lafayette, LA 70508, United States

**Intertek Consulting & Training Colombia Limitada**  
Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

**Intertek Consulting & Training Egypt<sup>(ii)</sup>**  
46 B Street #7, Maadi, Cairo, Egypt

**Intertek Consulting AB**  
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

**Intertek Consumer Goods GmbH**  
Würzburger Strasse 152, 90766 Fürth, Germany

**Intertek Curacao N.V.**  
Barendslaan #3, Rio Canario Willemstad, Curacao, Netherlands Antilles

**Intertek de Guatemala SA**  
46 Calle 21-53 Zona 12, Expobodega 46, Edificio 10, Guatemala Ciudad, Guatemala

**Intertek de Nicaragua S.A.**  
Zona Franca Astro KM 47, Carretera Tipitapa Masaya, Nave 20, Managua, Nicaragua

**Intertek Denmark A/S**  
Dokhavnsvej 3, 4400 Kalundborg, Denmark

**Intertek Deutschland GmbH**  
Stangenstrasse 1, 70771 Leinfelden-Echterdingen, Germany

**Intertek DIC A/S**  
Buen 12, 3, 6000 Kolding, Denmark

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 23 Principal Group companies (continued)

#### FULLY OWNED SUBSIDIARIES (CONTINUED)

**Intertek do Brasil Inspecoes Ltda**  
Av Eng. Augusto Barata s/n, Alamoia, Santos, SP, CEP11095-650, Brazil

**Intertek Egypt for Testing Services**  
2nd Floor, Block 13001, Piece 15, Street 13, First Industrial Zone, (Beside Abou Ghali Motors), Eloubour City, Cairo, Egypt

**Intertek Engineering Service Shanghai Limited**  
Room 308A, 3rd Floor, No. 1 Building, No.1287, Shangcheng Road, Pilot Free Trade Zone, Shanghai, China

**Intertek Engineering Services (Wuhu) Ltd**  
No. 65 Chang Ye Street, YinHu District, Wuhu, China

**Intertek Evaluate AB**  
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

**Intertek Finance No. 2 Ltd**

**Intertek Finland OY**  
Teknoulevardti 3-5, FI-01530 Vantaa, Finland

**Intertek Fisheries Certification Limited**

**Intertek Food Services GmbH**  
Olof-Palme-Strasse 8, 28719 Bremen, Germany

**Intertek France SAS**  
ZAC Ecopark 2, 27400, Heudebouville, France

**Intertek Fujairah FZC**  
P.O. Box 1307, Fujairah, United Arab Emirates

**Intertek Genalysis (Zambia) Limited**  
Plot No 25/26 Nkwazi House, Nkwazi and Cha Cha Cha Roads, PO Box 31014, Lusaka, Zambia

**Intertek Genalysis Madagascar SA**  
Saint Denis Terrain II, Parcel 2 Ambatofotsy, Ampandrianomby, Madagascar

**Intertek Genalysis South Africa Pty Ltd**  
Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

**Intertek Ghana Limited**  
1st Floor Gian, Towers Office, Number 2 Community, Gian Towers Tema, Accra, Accra Metropolitan, P.O. BOX GP 199, Ghana

**Intertek Global (Iraq) Limited**

**Intertek Global International LLC**  
Building 242, Office No.3, C-Ring Road, PO Box 47146, Doha, Qatar

**Intertek Global Limited**  
1st Floor, Liberation House, Castle Street, St Helier, JE1 1GL, Jersey

**Intertek Health Sciences Inc. (vi)**  
2233 Argentia Road, Suite # 201, Mississauga, ON L5N 2X7, Canada

**Intertek Holding Deutschland GmbH**  
Stangenstrasse 1, 70771 Leinfelden-Echterdingen, Germany

**Intertek Holdings France SAS**  
ZAC Ecopark 2, 27400 Heudebouville, France

**Intertek Holdings Italia SRL**  
Via Guido Miglioli 2/A, Cernusco sul Naviglio, 20063, Milano, Italy

**Intertek Holdings Nederland B.V.**  
Leerlooierstraat 135, 3194AB Hoogvliet, Rotterdam, The Netherlands

**Intertek Holdings Norge AS**  
Oljevegen 2, 4056 Tananger, Norway

**Intertek Ibérica Spain, S.L.**  
Alda. Recalde, 27-5., 48009, Bilbao, Vizcaya, Spain

**Intertek India Private Limited**  
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

**Intertek Industrial Services GmbH**  
Marie-Bernays-Ring 19a, 41199 Monchengladbach, Germany

**Intertek Industry and Certification Services (Thailand) Limited**  
539/2 Gypsum Metropolitan Tower, 11C Fl., Sri-Ayudhya Road, Tanon - Phayathai Subdistrict, Khet Ratchathewi, Bangkok, 10400, Thailand

**Intertek Industry Holdings (Pty) Ltd**  
53 Phillip Engelbrecht Drive, Woodhill Office Park Building 2, 1st Floor Unit 8B Meyersdal, Gauteng, 1448, South Africa

**Intertek Industry Services (PTY) LTD**  
3 EL Wak Street, Vereeniging, 1930, Gauteng, South Africa

**Intertek Industry Services (S) Pte Ltd**  
2 International Business Park, #10-09/10, The Strategy, 609930, Singapore

**Intertek Industry Services Brasil Ltda**  
Alameda Mamore 503, Alphaville, Barueri-SP, 06454-040-SP, Brazil

#### Intertek Industry Services Colombia Limited

Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

#### Intertek Industry Services Japan Limited

Nihonbashi N Bldg. 1-4-2, Nihonbashi - Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan

#### Intertek Industry Services Romania Srl

266-268 Calea Rahovei Street, Building 61, 1st Floor, Sector 5, Bucharest, Romania

#### Intertek Industry WLL

Office # 24, Building 400, Road 3207, Mahooz, Block 332, Manama, Kingdom of Bahrain

#### Intertek Inspection Services Ltd

2561 Avenue Georges V, Montreal-Est, QC H1L 6S4, Canada

#### Intertek Inspection Services Scandinavia AS

Leif Weldings vei 8, 3208 Sandefjord, Norway

#### Intertek Inspection Services UK Limited

#### Intertek International France SAS

67 Boulevard Bessières, 75017, Paris, France

#### Intertek International Gabon SARL

Quartier Montagne Sainte - Immeuble Dumez, 2ème étage, Libreville, B.P. 13312, Gabon

#### Intertek International Guinee S.A.R.L. (i)

Conakry Republique de Guinee, Compte Bancaire: 52481.369.100 (SGBG), Conakry Guinea

#### Intertek International Inc.

24900 Pitkin Road, Suite 200, The Woodlands, TX 77386, United States

#### Intertek International Kazakhstan, LLC

Building 2A, Abay street, Atyrau City, 060002, Kazakhstan

#### Intertek International Limited

#### Intertek International Ltd Egypt

69, Road 161, Intersection with Road 104, Ground Floor, Maadi, Cairo, Egypt

#### Intertek International Nederland BV

Leerlooierstraat 135, 3194AB Hoogvliet, Rotterdam, The Netherlands

#### Intertek International Niger SARL

BP 2769, 2nd Floor Lot 792 Block Q, Independance Boulevard, Rue GM-20, Niger

#### Intertek International Suriname N.V.

Prins Hendrikstraat 49, Paramaribo, Suriname

#### Intertek International Tanzania Limited

Minazini Street, Kilwa Road 5, Dar es Salaam, United Republic of Tanzania

#### Intertek Italia SpA

Via Guido Miglioli 2/A, Cernusco sul Naviglio, 20063, Milano, Italy

#### Intertek Japan K.K.

Pier City Shibaura Building, 4F, 3-18-1, Kaigan, Minato-ku, Tokyo, 108-0022, Japan

#### Intertek Kalite Servisleri Limited Sirketi

Icerenkoy mahallesi Eski Uskudar Yolu cadessi, VIP Center No: 10, Kat 12, Daire 13, Atasehir, Istanbul, Turkey

#### Intertek Korea Industry Service Ltd

Yeouido Dept Bldg #916, 36-2, Yeouido-Dong, Youngdeungpo-Gu, Seoul, 150-749, Republic of Korea

#### Intertek Labtest S.A.R.L

Route 110, (par Chefchaouni), Lot Saadi no. 20, Q.I. Ain Sebaâ 20 250, 4eme Etage, Casablanca, Morocco

#### Intertek Ltd

Borco Administration Bldg, West Sunrise Highway, Freeport, Grand Bahama, The Bahamas

#### Intertek Management Services (Australia) Pty Ltd

Level 3, 235 St Georges Terrace, Perth, WA 6000, Australia

#### Intertek Med SARL AU

Zone Franche Logistique Tanger Med, Plateau Bureaux 4, Lot 130, Tanger, Morocco

#### Intertek Medical Notified Body AB

Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

#### Intertek Minerales Services SARL (i)

Rue KM 10, Route de Kouroussa S/P Karifamoriah, Commune Urbaine de Kankan, Guinea

#### Intertek Minerals Limited

Osu Badu Street, Airport Residential Area, Accra, Greater Accra, CP8196, Ghana

#### Intertek Myanmar Limited (i)

Classic Strand Cono, No.693/701, Room (4-A), (4th Floor), Merchant Road, Pabedan Township, Yangon, Myanmar

#### Intertek Nederland B.V.

Leerlooierstraat 135, 3194 AB Hoogvliet, Rotterdam, The Netherlands

#### Intertek Nominees Limited

#### Intertek OCA France SARL

Route Industrielle – Centre Routier, 76600, Gonfreville L'Orcher, France

## 23 Principal Group companies (continued)

### FULLY OWNED SUBSIDIARIES (CONTINUED)

**Intertek Overseas Holdings Limited**

**Intertek Overseas Holdings, Eritrea Limited<sup>(i)</sup>**  
3rd Floor, Warsay Avenue, P.O. Box 4588, Asmara, Eritrea

**Intertek Pakistan (Private) Limited**

Intertek House, Plot No.1-5/11-A, Sector-5, Korangi Industrial Area, Karachi, Pakistan

**Intertek Poland sp.z.o.o.**

Cyprysowa 23 B, 02-265, Warsaw, Poland

**Intertek Polymelab B.V.**

Koolwaterstofstraat 1, 6161 RA, Geleen, The Netherlands

**Intertek Portugal, Unipessoal Lda**

Rua Antero de Quental, 221-Sala 102, 4455-586, Perafita-Matosinhos, Portugal

**Intertek Quality Services Ltd<sup>(i)</sup>**

**Intertek Resource Solutions (Trinidad) Limited<sup>(i)</sup>**  
#91-92 Union Road, Marabella, Trinidad, Trinidad and Tobago

**Intertek Resource Solutions, Inc.**

24900 Pitkin Road, Suite 200, The Woodlands, TX 77386, United States

**Intertek Rus JSC**

8, 2nd Brestskaya Str, 125047, Moscow, Russian Federation

**Intertek S.R.O**

Sokolovská 131/86, Karlín, Praha 8, 186 00, Czech Republic

**Intertek Saudi Arabia Limited**

Southern Olaya Center, Office No. 213, Makkah Al-Mukaramah Street, P.O. Box 2526, Al-Khobar, 31952, Saudi Arabia

**Intertek ScanBi Diagnostics AB**

Box 166, Alnarp, SE-230 53, Sweden

**Intertek Secretaries Limited<sup>(i)</sup>**

**Intertek Semko AB**

Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

**Intertek Services (Pty) Ltd**

151 Monument Road, Aston Manor, 1619, South Africa

**Intertek Servicios C.A.<sup>(i)</sup>**

Res. San Ignacio, Calle San Ignacio de Loyola con Avenue Francisco de Miranda, Local 3, Chacao, Caracas, Venezuela

**Intertek Settlements Limited<sup>(i)</sup>**

**Intertek Status N.V.**

Man 'O' War #B3, Oranjestad, St. Eustatius, Netherlands Antilles

**Intertek Surveying Services (USA), LLC**

3033 Chimney Rock Road, Suite 625, Houston TX 77056, United States

**Intertek Surveying Services UK Limited**

Redshank House, Alness Point Business Park, Alness, Highland, IV17 0UP, United Kingdom

**Intertek Technical Inspections Canada Inc.<sup>(iv)</sup>**

1829 32nd Avenue, Montreal H8T 3J1, Canada

**Intertek Technical Services PTY Limited**

Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

**Intertek Technical Testing and Analysis PLC<sup>(i)</sup>**

Bole Sub City Woreda 04, House Number 064/A, Abune Yosef, Addis Ababa, 4260, Ethiopia

**Intertek Testing & Certification Limited**

**Intertek Testing and Inspection Services UK Limited**

**Intertek Testing Management Limited**

**Intertek Testing Services (Australia) Pty Limited**

Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

**Intertek Testing Services (Cambodia) Company Limited**

13AC, Street 337, Sangkat Boeung Kak I, Khan Tuol Kork, Phnom Penh, Cambodia

**Intertek Testing Services (East Africa) Pty Limited**

Djibouti Free Zone, Room 19, Rue De Venice, P.O. Box 6419, Djibouti, South Africa

**Intertek Testing Services (Fiji) Limited**

c/o BDO, Level 10, FNPF Place, 343 Victoria Parade, Suva, Fiji

**Intertek Testing Services (Guangzhou) Ltd**

3F Hengyun Building, 235 Kaifa Ave, Guangzhou Economic & Technological Development District, Guangzhou, 510730, China

**Intertek Testing Services (ITS) Canada Ltd.**

105-9000 Bill Fox Way, Burnaby BC V5J 5J3, Canada

**Intertek Testing Services (Japan) K. K.**

Nihonbashi N Bldg, 1-4-2, Nihonbashi - Horidomecho, Chuo-ku, Tokyo, 103-0012, Japan

**Intertek Testing Services (NZ) Limited**

3 Kepa Road, Ruakaka, Northland, 0171, New Zealand

**Intertek Testing Services (Shanghai FTZ) Co., Ltd**

Build T52-8, No. 1201, Gui Qiao Road, Jinqiao Development Area, Pudong District, Shanghai, 201206, China

**Intertek Testing Services (Singapore) Pte Ltd.**

3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, Singapore

**Intertek Testing Services (Thailand) Limited**

1285/5 Prachachuen Road, Wong-Sawang Sub-District, Bangsue District, Bangkok, 10800, Thailand

**Intertek Testing Services Argentina S.A.**

Cerrito 1136, piso 3ro, Frente. Ciudad Autonoma de Buenos Aires, (C1010AAZ), Argentina

**Intertek Testing Services Bolivia S.A.**

Calle Chiclapi # 2125, Santa Cruz, de la Sierra, Bolivia

**Intertek Testing Services Caleb Brett Egypt Limited**

**Intertek Testing Services Center LLC**  
Office 165-N, Letter A, 21 Rozenshtaina Street, 198095, Saint Petersburg, Russian Federation

**Intertek Testing Services Chongqing Co., Limited**

1-2/F, Building #3, 5 Gangcheng East Ring Road, Jiangbei District, Chongqing, China

**Intertek Testing Services de Honduras, S.A.**

Edificio la Pradera, locales 5 y 6, 1-2 Ave, 1 calle, Puerto Cortes, Barrio el Centro, Honduras

**Intertek Testing Services De Mexico, S.A. De C.V.**

Poniente 134, No 660 Industrial Vallejo, Mexico DF CP, 02300, Mexico

**Intertek Testing Services Environmental Laboratories Inc.<sup>(i)</sup>**

Lewis Document Services, 15 East North Street, Dover, DE 19901, United States

**Intertek Testing Services NA Limited**

1829 32nd Avenue, Lachine QC H8T 3J1, Canada

**Intertek Testing Services NA Sweden AB<sup>(i)</sup>**

c/o Intertek Semko AB, Box 1103, Kista, 16422, Sweden

**Intertek Testing Services Namibia (Proprietary) Limited**

15th Floor, Frans Indongo Gardens, Dr Frans Indongo Street, Windhoek, Namibia

**Intertek Testing Services Pacific Limited**

11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

**Intertek Testing Services Peru S.A.**

Jr. Mariscal Jose de la Mar No. 200 Urb, Res. El Pino, San Luis, Lima, Peru

**Intertek Testing Services Philippines, Inc.**

Intertek Building, 2307 Chino Roces Avenue Extension, Metro Manila, Makati City, 1231, Philippines

**Intertek Testing Services Taiwan Limited**

8F No. 423 Ruiguang Rd, Neihu District, Taipei, 11492, Taiwan

**Intertek Testing Services Tianjin Limited**

2-F, No. 7 GuiYuan Road, Yi Shang Hu Tong Building, Hua Yuan High-tech Industry Park, Tianjin, China

**Intertek Timor, S.A.**

Hotel Timor, Colmera, Vera Cruz, Dili, Timor-Leste

**Intertek Training Malaysia Sdn. Bhd.**

6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

**Intertek Trinidad Limited**

#91-92 Union Road, Marabella, Trinidad and Tobago

**Intertek UK Holdings Limited**

**Intertek Ukraine**

Chernomorskogo Kazachestva, 115, Office 507, Odessa, 65003, Ukraine

**Intertek USA Finance LLC**

c/o CSC Services of Nevada, Inc., 2215-B Renaissance Dr, Las Vegas NV 89919, United States

**Intertek Vietnam Limited**

3rd & 4th floor, Au Viet Building, No. 01 Le Duc Tho Str, Mai Dich Ward, Cau Giay District, Hanoi City, Vietnam

**Intertek West Africa SARL**

Rue du Canal de Vridi Face Appontement, SIAP, Abidjan, 15 BP 882, Cote d'Ivoire

**Intertek West Lab AS**

Olivevegen 2, 4056 Tananger, Norway

**IntertekGenalysis SI Limited**

c/o Baoro & Associates, Top Floor, Y. Sato Building, Point Cruz, Honiara, Solomon Islands

**ITS (PNG) Limited**

Section 27 Allotment 27, Voco Point, Lae, Morobe Province, Papua New Guinea

**ITS Hong Kong NA, Limited<sup>(i)</sup>**

2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

# NOTES TO THE FINANCIAL STATEMENTS

## continued

### 23 Principal Group companies (continued)

#### FULLY OWNED SUBSIDIARIES (CONTINUED)

##### ITS Labtest Bangladesh Limited

Phoenix Tower, Plot - 407 (3rd Floor), Tejgaon I/A, Dhaka, Bangladesh

##### ITS Testing Holdings Canada Limited

3771 North Fraser Way, Suite 17, Burnaby BC V5J 5G5, Canada

##### ITS Testing Services (UK) Limited

KJ Tech Services GmbH <sup>(i)</sup>

Kirschberg 20, 64347, Griesheim, Germany

##### Laboratory Services International Rotterdam B.V.

Pittsburghstraat 9, 3047 BL, Rotterdam, The Netherlands

##### Labtest International Inc.

2107 Swift Drive, No 200, Oak Brook, Illinois, 60523, United States

##### Lintec Testing Services Limited

Louisiana Grain Services, Inc. <sup>(i)</sup>

c/o CT Corp, 8550 United Plaza Blvd, Baton Rouge LA 70809, United States

##### Mace Land Company, Inc.

3114 Scarboro Road, Street MD 21154, United States

##### Management & Industrial Consultancy <sup>(i)</sup>

59 Road No.104, Second Floor, Maadi, Cairo, Egypt

##### Management Systems International Limited <sup>(i)</sup>

##### Materials Testing & Inspection Services Limited

##### Materials Testing Lab, Inc.

145 Sherwood Avenue, Farmingdale NY 11735, United States

##### McPhar Geoservices (Philippines) Inc. <sup>(i)</sup>

Building 7 & 8 Philcrest 1 Compound, Km23 West Service Road, Bo. Cupang, Muntinlupa City, Philippines

##### Melbourn Scientific Limited

Melbourn Scientific, Saxon Way, Melbourn, Hertfordshire, Royston, SG8 6DN, United Kingdom

##### Metoc Limited

##### Midwest Engineering Services, Inc.

CT Corporation System, 8020 Excelsior Dr., Suite 200, Madison WI 53717, United States

##### Moody (Shanghai) Consulting Co., Ltd

1F, No. 5 Building, 912 Bibo Road, Zhangjiang Hi-Tech Park, Shanghai, 201203, China

##### Moody Algerie SARL

Cité SERBAT, Bat. B2/C2, N°03, Garidi 1, 16051, Kouba, Wilaya d'Alger, Algeria

##### Moody Energy Technical Service Co Ltd

Room A201, B-2 East 3rd, Ring Road North Road, Chaoyang District, Beijing, 100027, China

##### Moody International (Holdings) Limited

##### Moody International (India) Private Limited

E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

##### Moody International (Malaysia) Sdn. Bhd.

6-L12-01, Level 12, Tower 2, Menara PGRM, No. 6 & 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

##### Moody International (Russia) Limited

##### Moody International Angola Ltda <sup>(i)</sup>

Rua de Macau, Edifício ex Edil Apto 1, Res de Chao Esq. C.P 215, Cabinda, Angola

##### Moody International Certification India Limited

E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

##### Moody International de Argentina SA

Cerrito 1136, 2nd floor CF, Ciudad Autonoma de Buenos Aires, C1010AAK, Argentina

##### Moody International Holdings LLC

24900 Pitkin Road, Ste. 200, The Woodlands TX 77386, United States

##### Moody International LLC <sup>(i)</sup>

18A Kikvidze str, 01133, Kiev, Ukraine

##### Moody International Philippines, Inc. <sup>(i)</sup>

Intertek Building, 2310 Chino Roces Avenue Extension, Metro Manila, Makati City, 1231, Philippines

##### Moody United Certification Limited <sup>(i)</sup>

2F, No. 5 Building, 912 Bibo Road, Pudong, Shanghai, 201203, China

##### MT Group LLC

145 Sherwood Avenue, Farmingdale NY 11735, United States

##### MT Operating of New Jersey, LLC

145 Sherwood Avenue, Farmingdale NY 11735, United States

##### MT Operating of New York, LLC

145 Sherwood Avenue, Farmingdale NY 11735, United States

##### N T A Monitor Limited

##### NDT Services Limited

##### Northern Territory Environmental Laboratories Pty Ltd <sup>(i)</sup>

Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

##### NTA Academy Limited

##### NTA Monitor (M) Sdn Bhd

No. 18-B, Jalan Kancil off Jalan Pudu, 55100 Kuala Lumpur, Wilayah Persekutuan, Malaysia

##### Paulsen & Bayes-Davy Ltd

11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

##### Petroleum Services of Union Lab Sdn. Bhd.

Suite G-7-10 (B), Level 9, Block C, UE3 Corporate Offices, Menara Uncang Emas, No 85 Jalan Loke Yew, Taman Miharja, 55200 Kuala Lumpur, Malaysia

##### Pittsburgh Testing Laboratory Inc.

PSI, 850 Poplar Street, Pittsburgh PA 15220, United States

##### Profesionales Contables en Asesoria Empresarial y de Ingenieria S.A.S.

Calle 120, No. 45A - 32, Bogota, Colombia

##### Professional Service Industries (Canada) Inc. <sup>(i)</sup>

200 Bay Street, Suite 3800, Royal Bank Plaza, South Tower, Toronto ON M5J 2J7, Canada

##### Professional Service Industries Holding, Inc.

Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States

##### Professional Service Industries Engineering, PLLC

CT Corporation System, 111 8th Avenue, NY 10011, United States

##### Professional Service Industries, Inc.

Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States

##### PSI Acquisitions, Inc.

Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, DE 19808, United States

##### PT. Moody Technical Services

Graha STR 3rd floor, Suite#302, Jl. Ampera Raya No. 11, Jakarta, 12550, Indonesia

##### PT. RCG Moody <sup>(i)</sup>

Graha STR 3rd floor, Suite#302, Jl. Ampera Raya No. 11, Jakarta, 12550, Indonesia

##### RCG Moody International Uruguay S.A.

Cerro 507, 4th Floor, Off. 46, 47, Montevideo 11000, Uruguay

##### Schindler & Associates (L.C.) <sup>(i)</sup>

24900 Pitkin Road, Suite 200, The Woodlands TX 77386, United States

##### Shanghai Orient Intertek Testing Services Company Limited

Room 301,401, No 1,4,5, Lane 2028, Changzhong Road, Jin'an district, Shanghai, China

##### Shanghai Tianxiao Investment Consultancy Company Limited

Room 520, No. 5-6, Lane 1218, WanRong Road, ZhaBei District, Shanghai, China

##### Technical Company for Testing and Conformity Services & Systems LLC

Gates No. 1/2/6, Building 73/ Area 903, Karadah, Al Rusafa, Baghdad, Iraq

##### Testing Holdings Sweden AB

Torshamngatan 43, Box 1103, Kista, S-164 22, Sweden

##### Tradegood Singapore Pte. Ltd. <sup>(i)</sup>

3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, Singapore

##### Tradegood.com International Limited

11/F, Unit IJK, Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

##### Van Sluys & Bayet NV

Kruisschansweg 11, 2040 Antwerp, Belgium

##### White Land Company, Inc.

3114 Scarboro Road, Street MD 21154, United States

##### Wilson Inspection X-Ray Services, Inc.

Michael E Wilson, 6010 Edgewater Dr., Corpus Christi TX 78412, United States

##### Wisco SE Asia PTE Limited <sup>(i)</sup>

3 Irving Road #05-01 to 05, Tai Seng Centre, 369522, Singapore

##### Youngever Holdings Ltd.

Ritter House, Wickhams Cay II, Road Town, Tortola, VG 1110, British Virgin Islands

## 23 Principal Group companies (continued)

### RELATED UNDERTAKINGS WHERE THE EFFECTIVE INTEREST IS LESS THAN 100%

**Admon Labs Servicios Corporativos y Administrativos, S.A. de C.V. (9.99%)**  
Boulevard Adolfo Lopez Mateos #2259, Atlamaya, Alvaro Obregon, Ciudad de Mexico, C.P. 01760, Mexico

**Euro Mechanical Instrument Services LLC (49%)**  
PO Box 46153, Abu Dhabi, United Arab Emirates

**Gamatek, S.A. de C.V. (9.99%)**  
Alanis Valdez #2308, Industrial, Monterrey, Nuevo Leon, Mexico

**GCA Calidad y Analisis de Mexico, S.A. de C.V. (9.99%)**  
Jacarandas #19, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P. 01740, Mexico

**International Inspection Services LLC (70%)**  
PO Box 193, Al Hamriyah, Muscat, PC 131, Oman

**Intertek (Qeshm Island) Limited (51%)**  
Unit 107, Goldis Building, Valiasr Boulevard, Qeshm Island, Islamic Republic of Iran

**Intertek Angola LDA (99%)**  
282 Rua Amilcar Cabral no.147 2nd floor, Apartment Z, Luanda, Angola

**Intertek ETL SEMKO KOREA Limited (90%)**  
5F, Intertek building, Gongdan-ro, 160beon-gil 3, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

**Intertek Geronimo JV Limited <sup>(i)</sup> (70%)**  
1, North Industrial Area, Klan Street, Accra, Ghana

**Intertek GM Testing Service Zhuhai Co., Ltd (70%)**  
55 Guangdong-Macau TCM Park Commercial Service Center, 2522 Huan Dao Bei Road, Hengqin New Area, Zhuhai, Guangdong, China

**Intertek Kimsco Co. Ltd. (50%)**  
Intertek Building, 3, Gongdan-ro, 160beon-gil, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

**Intertek Lanka (Private) Limited (70%)**  
Intertek House, No: 282, Kaduwela Road, Battaramulla, Sri Lanka

**Intertek Libya Technical Services and Consultations Company Spa (65%)**  
P.O Box 3788, Hay Alandalus, Gargaresh, Tripoli, Libya

**Intertek Life Bridge (Shanghai) Testing Services Co., Ltd. (80%)**  
Room 401, Building #5-6, Lane 1218, WanRong Road, JinAn District, Shanghai, Shandong, China

**Intertek Robotic Laboratories Pty Limited (50%)**  
15 Davison Street, Maddington, WA 6109, Australia

**Intertek South Africa Holdings (Pty) Ltd (75%)**  
5th Floor, Charter House, 13 Brand Road, Glenwood, Kwazulu-Natal, South Africa

**Intertek Test Hizmetleri Anonim Sirketi (85%)**  
Merkez Mahallesi, Sanayi Cad. No.23, Altindag Plaza, Yenibosna-34197, Istanbul, Turkey

**Intertek Testing Services (Hangzhou) Limited (70%)**  
No. 16, First Street South, Hangzhou Economic Development Zone, Hangzhou, Zhejiang Province, 310018, China

**Intertek Testing Services (South Africa) (Proprietary) Limited (49.5%)**  
5th Floor, Charter House, 13 Brand Road, Glenwood, Durban, South Africa

**Intertek Testing Services Korea Limited (50%)**  
1st Fl, Aju Digital Tower, 284-56, Seongsu-dong 2-ga, Seongdong-gu, Seoul 133-120, Republic of Korea

**Intertek Testing Services Nigeria Limited (60%)**  
No. 2 Bombay Crescent, Apapa, Lagos, Nigeria

**Intertek Testing Services Sichuan Co., Ltd (90%)**  
No 1, Jiujiang Blvd, Pharmacy Industry Park, Luzhou National High Technology District, Sichuan, China

**Intertek Testing Services Wuxi Ltd (70%)**  
No. 8 Fubei Road, Xishan Economic Development Zone, Wuxi, Jiangsu, 214101, China

**ITS (Subic Bay), Inc. (99%)**  
Area 8-10, Lots 11/12 Boton Wharf, Argonaut Highway, Subic Bay, Freeport Zone, Olongapo City, Philippines

**ITS Caleb Brett Deniz Survey A S<sup>(viii)</sup> (50%)**  
Ulus Mah. Oz Topuz cad. no.32, Besiktas, Istanbul, 34340, Turkey

**ITS Testing Services (M) Sdn Bhd (74%)**  
Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

**ITS Testing Services Holdings (M) Sdn Bhd (49%)**  
Unit 30-01 Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

**Laboratorio Fermi S.A. de C.V. (10%)**  
Jacarandas #15, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P.01740, Mexico

**Laboratorios ABC Química, Investigación y Análisis, S.A. de C.V.<sup>(viii)</sup> (10%)**  
Jacarandas #19, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P.01740, Mexico

**Moody International Bangladesh Limited (99.9%)**

House 6, Road 17/A, Block E, Ground Floor, Banani, Dhaka, 1213, Bangladesh

**Moody International Holdings Chile Ltda (99%)**

Avenida Las Condes N° 11287 Torre A, oficina 301 A Las Condes, Santiago, Chile

**Moody International Lanka (Private) Ltd. (99.9%)**

no.5, St Albans Place, Colombo-4, Sri Lanka

**PT Citrabuana Indoloka <sup>(viii)</sup> (50%)**

Jl. Raya Bogor KM 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

**PT. Intertek Utama Services <sup>(viii)</sup> (50%)**

Jl. Raya Bogor KM. 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

**Qatar Calibration Services LLC (49%)**

Petrotec, PO Box 16069, 8th Floor, Toyota Tower, Doha, Qatar

**RCG Moody International de Venezuela S.A. <sup>(i)</sup> (99%)**

Res Morgana, p\_4, #04, Av.Andres Bello, Fco de Miranda, Los Polos Grandes, Caracas, Venezuela

**Shanghai Moody Management & Technical Services Co. Ltd <sup>(i)</sup> (90%)**

Room 225, No. 14 at Lane No. 1700 Luo Shan Road, Shanghai, China

**Societe Tunisienne d'Inspection Caleb Brett SARL (51%)**

67 rue Ech-Chem, Tunis, 1002, Tunisia

**UzIntertek Testing Services LLC (51%)**

Abdulla Kodiriy Str., C-4, House 24,100017, Tashkent, Uzbekistan

### ASSOCIATES

**Decernis LLC (20%)**

1250 Connecticut Avenue, NW, Suite 200, Washington WA DC 20036, United States

**Lynx Diagnostics Inc.<sup>(viii)</sup> (50%)**

#220, 8 Perron Street, St Albert AB T8N 1E4, Canada

**Moody International Certification Limited (40%)**

Brivibas iela 85, Riga, LV-1001, Latvia

**Moody International Certification Ltd (40%)**

53, Nautic, Triq l-Ortolan, San Gwann, SGN 1943, Malta

**Moody International Morocco (30%)**

28, Rue de Provins, 2 eme etage, Casablanca, Morocco

**Moody International SA (35%)**

4 Rue Des Brasseurs, Zone 3 Abidjan, Cote d'Ivoire

**(i) Dormant.**

**(ii) In Liquidation/Strike off requested.**

**(iii) Ownership held in class of A shares and B shares.**

**(iv) Ownership held in class of A shares and E shares.**

**(v) Ownership held in ordinary and preference shares.**

**(vi) Shares held in Class A, B, C, D, E and F.**

**(vii) Ownership held in class I Series B shares and class II Series B shares.**

**(viii) Intertek shares joint control over the company under a shareholders' agreement, and its rights to the profit, assets and liabilities of the company are dependent on the performance of the Group's brands rather than the effective equity ownership of the company.**

**(ix) Ownership held in No.1 shares and No.2 shares.**

# INTERTEK GROUP PLC - COMPANY BALANCE SHEET

As at 31 December 2018	Notes	2018 £m	2017 £m
<b>Fixed assets</b>			
Investments in subsidiary undertakings	(D)	<b>334.4</b>	324.9
<b>Current assets</b>			
Debtors due within one year	(E)	634.5	187.6
Cash at bank and in hand		0.3	0.3
		<b>634.8</b>	187.9
<b>Creditors due within one year</b>			
Other creditors	(F)	(284.5)	(164.1)
		<b>(284.5)</b>	(164.1)
<b>Net current assets</b>		<b>350.3</b>	23.8
<b>Total assets less current liabilities</b>		<b>684.7</b>	348.7
<b>Net assets</b>		<b>684.7</b>	348.7
<b>Capital and reserves</b>			
Called up share capital	(G)	1.6	1.6
Share premium	(G)	257.8	257.8
Profit and loss account	(G)	425.3	89.3
<b>Shareholders' funds</b>		<b>684.7</b>	348.7

The profit for the financial year was £469.1m (2017: £1.6m loss).

The financial statements on pages 164 to 168 were approved by the Board on 4 March 2019 and were signed on its behalf by:

André Lacroix  
Chief Executive Officer

Ross McCluskey  
Chief Financial Officer

# INTERTEK GROUP PLC - COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
<b>At 1 January 2017</b>		1.6	257.8	202.0	461.4
<b>Total comprehensive income for the year</b>					
Loss	(B)	-	-	(1.6)	(1.6)
<b>Total comprehensive income for the year</b>		-	-	(1.6)	(1.6)
<b>Transactions with owners of the company recognised directly in equity</b>					
<b>Contributions by and distributions to the owners of the company</b>					
Dividends paid	(C)	-	-	(107.0)	(107.0)
Purchase of own shares		-	-	(15.6)	(15.6)
Tax paid on Share Awards vested		-	-	(6.3)	(6.3)
Equity-settled transactions	(D)	-	-	17.8	17.8
<b>Total contributions by and distributions to the owners of the company</b>		-	-	(111.1)	(111.1)
<b>At 31 December 2017</b>		1.6	257.8	89.3	348.7
<b>At 1 January 2018</b>		<b>1.6</b>	<b>257.8</b>	<b>89.3</b>	<b>348.7</b>
<b>Total comprehensive income for the year</b>					
Profit	(B)	-	-	469.1	469.1
<b>Total comprehensive income for the year</b>		-	-	<b>469.1</b>	<b>469.1</b>
<b>Transactions with owners of the company recognised directly in equity</b>					
<b>Contributions by and distributions to the owners of the company</b>					
Dividends paid	(C)	-	-	(128.3)	(128.3)
Purchase of own shares		-	-	(16.7)	(16.7)
Tax paid on Share Awards vested		-	-	(9.0)	(9.0)
Equity-settled transactions	(D)	-	-	20.9	20.9
<b>Total contributions by and distributions to the owners of the company</b>		-	-	<b>(133.1)</b>	<b>(133.1)</b>
<b>At 31 December 2018</b>		<b>1.6</b>	<b>257.8</b>	<b>425.3</b>	<b>684.7</b>

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## (A) ACCOUNTING POLICIES - COMPANY

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

### Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new, but not yet effective, IFRSs;
- an additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy;
- disclosures in respect of the compensation of Key Management Personnel; and
- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures* on the basis that the consolidated financial statements include the equivalent disclosures.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of IFRS 2 *Share Based Payments* in respect of Group-settled share-based payments.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### Foreign currencies

Transactions in foreign currencies are recorded to the Company's functional currency, Sterling, using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. All foreign exchange differences are taken to the profit and loss account.

### Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

### **Dividends on shares presented within shareholders' funds**

Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established. Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### **Investments in subsidiaries**

Investments in subsidiaries are stated at cost less any provisions for impairment.

### **Intercompany financial guarantees**

When the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies in the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability, until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### **Share-based payments**

Intertek Group plc runs a share ownership programme that allows Group employees to acquire shares in the Company. Details of the share schemes are given in note 17 of the Group financial statements.

### **Significant new accounting policies**

- IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers* came into effect on 1 January 2018. Management has performed its review of IFRS 9 and having assessed the history of credit losses no provisions have been made in the Company financial statements. As a result of implementing the new standard there has been no material impact in the year ending 31 December 2018. IFRS 15 is not relevant to the Company as there is no revenue from contracts with customers. Further details of the work performed around these standards are given in note 1 of the Group financial statements.

### **(B) PROFIT AND LOSS ACCOUNT**

Amounts paid to the Company's auditor and their associates in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis. The Company does not have any employees.

Details of the remuneration of the Directors are set out in the Remuneration report.

### **(C) DIVIDENDS**

The aggregate amount of dividends comprises:

	2018 £m	2017 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	76.9	69.2
Interim dividends paid in respect of the current year	51.4	37.8
<b>Aggregate amount of dividends paid in the financial year</b>	<b>128.3</b>	107.0

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2018 is £nil (2017: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2018 is £108.5m (2017: £77.1m).

### **(D) INVESTMENT IN SUBSIDIARY UNDERTAKINGS**

	2018 £m	2017 £m
Cost and net book value		
At 1 January	324.5	318.1
Additions due to share-based payments	20.9	17.4
Recharges of share-based payments to subsidiaries	(11.0)	(11.0)
<b>At 31 December</b>	<b>334.4</b>	324.5

The Company has made Share Awards to the employees of its directly and indirectly owned subsidiaries, and as such, the Company recognises an increase in the cost of investment in subsidiaries of £20.9m (2017: £17.4m). Details of the principal operating subsidiaries are set out in note 23 to the Group financial statements.

The Company had two direct subsidiary undertakings at 31 December 2018: Intertek Testing Services Holdings Limited and Intertek Holdings Limited, both of which are holding companies, are incorporated in the United Kingdom and registered in England and Wales. All interests are in the ordinary share capital and all are wholly owned. In the opinion of the Directors, the value of the investments in subsidiary undertakings is not less than the amount at which the investments are stated in the balance sheet.

There is no impairment to the carrying value of these investments.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## continued

### (E) DEBTORS DUE WITHIN ONE YEAR

	2018 £m	2017 £m
<b>Amounts owed by Group undertakings</b>	<b>634.5</b>	187.6

The amounts owed by Group undertakings represent loans that carry interest based on the denomination of the borrowing currency.

### (F) CREDITORS DUE WITHIN ONE YEAR

	2018 £m	2017 £m
<b>Amounts owed to Group undertakings</b>	<b>284.5</b>	164.1

The amounts owed to Group undertakings represent loans that carry interest based on the denomination of the borrowing currency.

### (G) STATEMENT OF CHANGES IN EQUITY

Details of share capital are set out in note 15 and details of share-based payments are set out in note 17 to the Group financial statements.

A profit and loss account for Intertek Group plc has not been presented as permitted by Section 408 of the Companies Act 2006. The profit for the financial year, before dividends paid to shareholders of £128.3m (2017: £107.0m), was £469.1m (2017: £1.6m loss) which was mainly in respect of dividend income in relation to 2018.

The Company has sufficient distributable reserves to pay the 2018 final dividend and the anticipated 2019 interim dividend. When required the Company can receive additional dividends from its subsidiaries to further increase distributable reserves.

The Group settled in cash the tax element of the Share Awards vested in 2018 amounting to £9.9m of which the Company settled £9.0m (2017: £6.3m).

During the year ended 31 December 2018, the Company purchased, through its Employee Benefit Trust, 340,000 (2017: 350,000) of its own shares with an aggregate nominal value of £3,400 (2017: £3,500) for £16.7m (2017: £15.6m) which was charged to profit and loss in equity.

### (H) RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 21 of the Group financial statements.

### (I) CONTINGENT LIABILITIES

The Company is a member of a group of UK companies that are part of a composite banking cross-guarantee arrangement. This is a joint and several guarantee given by all members of the Intertek UK cash pool, guaranteeing the total gross liability position of the pool which was £3.4m at 31 December 2018 (2017: £1.5m).

From time to time, in the normal course of business, the Company may give guarantees in respect of certain liabilities of subsidiary undertakings.

### (J) POST-BALANCE SHEET EVENTS

Details of post-balance sheet events relevant to the Company and the Group are given in note 18 of the Group financial statements.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERTEK GROUP PLC

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion:

- Intertek Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the group consolidated statement of financial position and company balance sheet as at 31 December 2018; the group consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### BASIS FOR OPINION

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

### Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in the Directors' Report, we have provided no non-audit services to the group or the company in the period from 1 January 2018 to 31 December 2018.

### OUR AUDIT APPROACH

#### Overview



- Overall group materiality: £20 million (2017: £20 million), based on 5% of profit before tax.
- Overall company materiality: £9.7 million (2017: £5.1 million), based on 1% of total assets.
- We performed full scope audit procedures over 62 legal entities and performed specified audit procedures on a further 5 entities, covering 27 territories in total.
- The group engagement team held regular meetings with component teams, and visited the China, UK, USA, Hong Kong, Mexico and Germany teams to understand and supervise the work of these local teams and to make sure that we had a full and comprehensive understanding of the results of their work, particularly insofar as it related to the identified key audit matters.
- Taken together, the entities over which audit work was performed accounted for 82% of the group's revenue and 90% of the group's statutory profit before tax.
- Carrying value of goodwill and intangible assets (Group).
- Valuation of current and deferred tax balances (Group).
- Completeness and valuation of customer claims (Group).
- Presentation and valuation of acquisitions (Group).

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

## Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to indirect and direct tax laws and anti-bribery laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included: understanding management's approach to ensuring compliance with laws and regulations; enquiries with local, regional and group management; meeting with group and local legal counsel to discuss legal matters; meeting with internal audit; obtaining legal confirmations; testing manual journals and focusing testing on balances and transactions, in addition to those listed as key audit matters below, that are subject to estimation, such as contract assets.

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

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<b>Carrying value of goodwill and intangible assets (Group).</b> Refer to the Audit Committee report on page 85 and to note 9 in the financial statements.	We evaluated future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board-approved budgets, and testing the underlying calculations and assumptions. We identified no issues in this testing.
The group had £874.9m of goodwill and a further £329.5m of other intangible assets recognised on the balance sheet at 31 December 2018. The carrying values of goodwill and intangible assets are dependent on future cash flows of the underlying Cash Generating Units ('CGUs') and there is a risk that, if these cash flows do not meet the directors' expectations, the assets may be impaired.	We used our in-house valuation specialists to evaluate the methodology used to calculate the value in use of the CGUs and key assumptions including: <ul style="list-style-type: none"> <li>the discount rate by comparing the cost of capital for the group with comparable organisations; and</li> <li>the long-term growth rates by comparing these to publicly available market data on projected growth rates in key territories such as the UK, USA and China.</li> </ul> We concluded that they were within the range of reasonable assumptions based on this information.
Accounting standards require management to perform an annual assessment of the carrying value of goodwill, and other intangible assets are assessed where there are indications that they are impaired. As this assessment is based on the future value in use, and a significant amount of value is based on the value to perpetuity of the CGUs, future cash flows must be estimated, which can be highly judgemental and could significantly impact the carrying value of the assets.	We performed sensitivity analysis around these assumptions. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for an impairment to arise, we considered the likelihood of such a movement occurring. Our testing did not identify any indicators of impairment, and that it would require significant downside changes before any impairment would be triggered. In addition we assessed the appropriateness of the CGUs used in the impairment assessment, the useful economic lives of the intangible assets and the related disclosures, and concluded that these were appropriate.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Valuation of current and deferred tax balances (Group).</b> Refer to the Audit Committee report on page 85 and to note 6 in the financial statements.</p> <p>Provisions in relation to potential tax exposure are subject to judgement and require the selection of estimation techniques and determination of estimates, either of which could influence the current or deferred tax positions. The group operates in a large number of jurisdictions, which increases the risk of non-compliance with international tax legislation and introduces complex transfer pricing considerations.</p> <p>In addition the group has provisions for uncertain tax positions relating to both historical and current tax arrangements. The recognition and measurement of these items in the financial statements is judgemental, and we focused on the directors' forecasts of future profits against which to utilise accumulated losses, and the technical interpretation of taxation law in respect to transactions giving rise to deferred tax assets and uncertain tax positions.</p>	<p>We involved our in-house tax specialists in our testing of the appropriateness of the techniques, estimates and judgements taken in relation to deferred taxation and in respect of uncertain tax positions recognised in the financial statements.</p> <p>In assessing uncertain tax positions, we obtained management's calculations and evaluated the methodology and assumptions used.</p> <p>Where relevant, in understanding and evaluating the directors' technical interpretation of tax law in respect of specific transactions that gave rise to uncertain tax positions we evaluated:</p> <ul style="list-style-type: none"> <li>• third party tax advice received by the group;</li> <li>• the status of recent and current tax authority audits and enquiries;</li> <li>• the outturn of previous claims;</li> <li>• judgemental positions taken in tax returns and current year estimates; and</li> <li>• changes in tax legislation or interpretation of existing legislation by local tax authorities, in particular the US Tax Cuts and Jobs Act.</li> </ul> <p>In assessing the recoverability of deferred tax assets, we considered the likelihood of the group being able to generate sufficient future taxable profits against which to offset accumulated losses, and tested:</p> <ul style="list-style-type: none"> <li>• key inputs to the calculation including revenue and profit assumptions, in line with our work over the carrying value of goodwill; and</li> <li>• the directors' ability to accurately forecast future profits where the tax assets will not be recoverable in the foreseeable future.</li> </ul> <p>The procedures above did not identify any issues with regards to the valuation of deferred tax assets and provisions for uncertain tax positions.</p>
<p><b>Completeness and valuation of customer claims (Group).</b> Refer to the Audit Committee report on page 85 and to note 13 in the financial statements.</p> <p>As an assurance provider, the group can be subject to claims from customers and consumers relating to its work, and the geographically diverse nature of the group means there is a risk that one or more significant claims are omitted from the centrally maintained claims register.</p> <p>Where customer claims may give rise to a future liability, the Directors are required to recognise either a liability or a contingent liability in the financial statements. As the potential cost is often unknown, management must exercise their judgement in calculating the liability.</p>	<p>Where relevant we obtained confirmations from the group's external legal counsels of the existence and details of open claims. Confirmations were sent to both the lawyers associated with the key claims and also additional lawyers who Intertek have interacted with throughout the year.</p> <p>We met with legal counsel to discuss certain open or threatened claims to understand the likelihood of an adverse judgement and the potential magnitude of the claim.</p> <p>We obtained and read the relevant sections of the group's insurance documents, and checked that any liability cap had been appropriately applied to the calculation of provision held against those claims.</p> <p>Through our work, we did not identify any material claims that had not been recorded centrally and provided for, or for which provision was not appropriate.</p>

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERTEK GROUP PLC continued

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><b>Presentation and valuation of acquisitions (Group).</b>            Refer to the Audit Committee report on page 85 and to note 10 in the financial statements.</p> <p>The group's strategy is to use acquisitions to augment organic revenue growth, and during the year made four acquisitions: Aldo Abela Surveys Limited, Proasem S.A.S., NTA Monitor Limited and Alchemy Investment Holdings, Inc.. In addition, the 12-month hindsight period for reassessing the provisional purchase price allocation in respect of the KJ Tech Services GmbH and Acumen Security LLC acquisitions closed during the year.</p> <p>Judgement is required in determining the amount of consideration paid and the valuation of assets and liabilities acquired. In addition, the disclosure requirements in respect of acquisitions are extensive.</p>	<p>For these transactions we obtained and read the sale and purchase agreements ('SPAs') in order to gain an understanding of the key terms of each transaction. In testing acquisitions during the year we:</p> <ul style="list-style-type: none"> <li>• tested that the consideration paid by the group was consistent with the terms of the SPAs;</li> <li>• assessed the appropriateness of the directors' identification of intangible assets acquired by reference to the SPAs, due diligence reports and other supporting documentation, to identify any assets listed;</li> <li>• obtained the directors' calculation of the fair value of intangible assets acquired, and where material corroborated the inputs and assumptions to supporting evidence;</li> <li>• verified that the accounting treatment for each transaction, and any resulting liabilities, is consistent with the accounting standard requirements;</li> <li>• assessed the reasonableness of the inputs and assumptions used in calculating contingent consideration; and</li> <li>• assessed the accounting policies applied by the new subsidiaries against the accounting standard requirements, particularly in relation to deferred revenue.</li> </ul> <p>We noted no material exceptions through performing these procedures.</p> <p>For the acquisitions made in 2017, in order to test the directors' final assessment of the purchase price allocation, we:</p> <ul style="list-style-type: none"> <li>• obtained evidence from internal and external advisors in relation to the fair value of liabilities recognised on acquisition, to evaluate whether the valuation remained appropriate, or that any adjustments were supported; and</li> <li>• evaluated whether all fair value adjustments, and any resulting impact, had been appropriately recognised and accounted for.</li> </ul> <p>Based on the evidence obtained, we did not identify any indications that the fair value adjustments identified by management were inappropriate. We are also satisfied that the disclosures included in note 10 are appropriate.</p>

We determined that there were no key audit matters specifically applicable to the company to communicate in our report.

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The group is split into three reporting segments: Products, Trade and Resources and the operations are spread across over 100 countries and approximately 500 legal entities. The results are not consolidated at a country or regional level, so we determined that the most appropriate level at which to scope our audit was the legal entity level.

When determining our scope, the key financial measure used was profit before tax. Due to the disaggregation of the group's results across the various entities, we identified only two individually financially significant legal entities, both within China. As a result we instructed our component team to perform audits of the complete financial information of these entities.

We then considered the 50 countries in which PwC are appointed statutory auditor. Of these, 25 accounted for the majority of external profit, and we therefore focused our considerations on these territories. Within these countries, we then excluded any legal entities with no external balances, such as intermediate holding companies, and those entities with highly immaterial revenue, leaving 55 legal entities for which we instructed our local teams to perform audits of the complete financial information for the purpose of the group audit.

In certain territories, notably the USA, Canada and Brazil, there is no statutory audit requirement and so we considered whether procedures needed to be performed to supplement our coverage. We selected seven of the largest entities in the US and Canada for full scope audits, representing those with the largest contribution to Group profit, and a further one entity in the USA and two entities in Brazil, over which we performed specified procedures over the complete financial information.

We also identified a further two entities in Japan over which we instructed specific audit procedures to be performed over revenue and receivables to supplement coverage over these key financial line items.

In total we performed procedures over 67 legal entities in 27 countries, which together accounted for 82% of the group's revenue and 90% of the group's profit before tax.

During the year, members of the group engagement team visited the China, UK, USA, Hong Kong, Mexico and Germany component teams, and we held planning workshops with seven of the largest in scope component teams, in order to understand and supervise the audit approach in those locations and to inform them of our audit approach and strategy.

This, together with additional procedures performed at the group level (including audit procedures over material head office entities, tax, legal claims, impairment assessments and consolidation adjustments), gave us the evidence we needed for our opinion on the financial statements as a whole.

### **Materiality**

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<b>GROUP FINANCIAL STATEMENTS</b>	<b>COMPANY FINANCIAL STATEMENTS</b>
<b>Overall materiality</b>	£20 million (2017: £20 million).	£9.7 million (2017: £5.1 million).
<b>How we determined it</b>	5% of profit before tax.	1% of total assets.
<b>Rationale for benchmark applied</b>	We believe that profit before tax is the primary measure used by the members in assessing the performance of the group.	These are a single set of company financial statements for an entity which has no external revenue and takes advantage of the exemption offered under S408 of Companies Act 2006 not to present its income statement in its financial statements - which are presented alongside the group financial statements within the Annual Report. As a result, the determination of materiality was based on the total assets of this non-trading holding company within the group.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £1.3million and £9.7million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million (group audit) (2017: £ 900,000) and £1 million (company audit) (2017: £ 900,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### **Going concern**

In accordance with ISAs (UK) we report as follows:

<b>REPORTING OBLIGATION</b>	<b>OUTCOME</b>
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the group's and company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERTEK GROUP PLC *continued*

## REPORTING ON OTHER INFORMATION

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

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 ('CA06'), ISAs (UK) and the Listing Rules of the Financial Conduct Authority ('FCA') require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 55 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 54 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (*Listing Rules*)

### Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 85, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 83 to 88 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 113, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

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

## OTHER REQUIRED REPORTING

### COMPANIES ACT 2006 EXCEPTION REPORTING

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### APPOINTMENT

Following the recommendation of the Audit Committee, we were appointed by the members on 25 May 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2016 to 31 December 2018.

### Ian Chambers

#### (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

London

4 March 2019

The maintenance and integrity of the Intertek Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# SHAREHOLDER AND CORPORATE INFORMATION

## SHAREHOLDERS' ENQUIRIES

Any shareholder with enquiries relating to their shareholding should, in the first instance, contact our Registrar, Equiniti, using the telephone number or the address on this page.

## ELECTRONIC SHAREHOLDER COMMUNICATIONS

Shareholders can elect to receive communications by email each time the Company distributes documents, instead of receiving paper copies. This can be done by registering via Shareview at no extra cost, at [www.shareview.co.uk](http://www.shareview.co.uk). In the event that you change your mind or require a paper version of any document in the future, please contact the Registrar.

Access to Shareview allows shareholders to view details about their holdings, submit a proxy vote for shareholder meetings and notify a change of address. In addition to this, shareholders have the opportunity to complete dividend mandates online which facilitates the payment of dividends directly into a nominated account.

## SHAREGIFT

If you have a small shareholding which is uneconomical to sell, you may want to consider donating it to ShareGift. The Orr Mackintosh Foundation operates this charity share donation scheme. Details of the scheme are available from:

ShareGift at [www.sharegift.org](http://www.sharegift.org)  
T: +44 (0) 20 7930 3737

## SHARE PRICE INFORMATION

Information on the Company's share price is available from the Company's website at [www.intertek.com](http://www.intertek.com).

## FINANCIAL CALENDAR

Financial year end	31 December 2018
Results announced	5 March 2019
Ex-dividend date for final dividend	16 May 2019
Record date for final dividend	17 May 2019
Annual General Meeting	23 May 2019
Final dividend payable	4 June 2019
Interim results announced	1 August 2019
Ex-dividend date for interim dividend	26 September 2019
Record date for interim dividend	27 September 2019
Interim dividend payable	11 October 2019

## INVESTOR RELATIONS

E: [investor@intertek.com](mailto:investor@intertek.com)  
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## REGISTRAR

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\* Lines are open 8.30 a.m. to 5.30 p.m. Monday to Friday, excluding bank holidays.

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