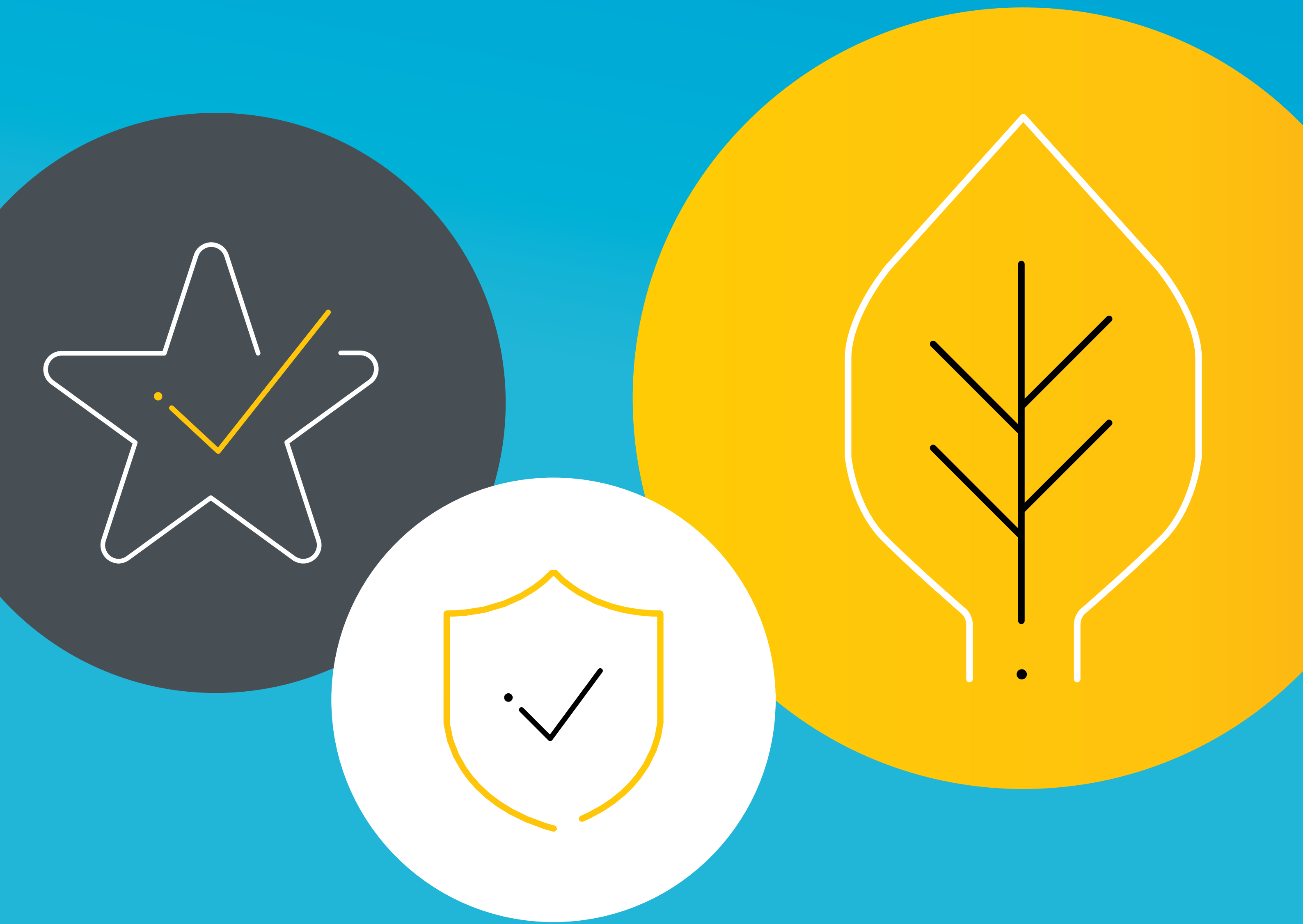
Bringing quality, safety and sustainability to life

Annual Report 2019



intertek

Total Quality. Assured.

In this year's report

Quality

Safety

Sustainability

1. Definitions of the above metrics and constant rates are set out on page 22.
2. Adjusted operating profit, adjusted diluted earnings per share ('EPS') are non-GAAP measures. Adjusted measures are stated on an IAS 17 basis and 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.
3. The Group adopted IFRS 16 on 1 January 2019; as such the statutory measures are on an IFRS 16 basis for 2019 and IAS 17 basis for 2018. Reconciliations between IAS 17 and IFRS 16 measures are disclosed in note 24 to the financial statements on pages 153 to 158.
4. Dividend per share for 2019 is based on the interim dividend paid of 34.2p (2018: 31.9p) plus the proposed final dividend of 71.6p (2018: 67.2p).

Financial highlights

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

- Group revenue growth of +4.8% at constant rates, +6.6% at actual rates
- Good organic revenue growth at constant rates of 3.3%: Products +2.3%, Trade +4.1%, Resources +5.7%
- Portfolio strength and performance management discipline driving margin progression: adjusted +10bps at constant rates, stable at actual rates
- Adjusted operating profit of £513m, +5.2% at constant rates and +6.5% at actual rates
- Statutory operating profit of £486m, +10.2% at constant rates and +11.4% at actual rates
- Strong adjusted diluted EPS growth: adjusted +5.2% at constant rates, +6.8% at actual rates; statutory +8.9% at constant rates, +10.2% at actual rates
- Full-year dividend per share of 105.8p, an increase of 6.8%
- Free cash flow of £380m, +8.4% year-on-year
- Statutory net profit after tax of £334m, +8.1% at constant rates and +9.3% at actual rates
- ROIC of 22.8%, +150bps at constant rates and +220bps at actual rates

£2,987M
Revenue
(2018: £2,801m)

£2,926M
Organic revenue[1]
(2018: £2,783m)

£513M
Adjusted operating profit[1,2]
(2018: £482m)

£486M
Statutory operating profit[3]
(2018: £436m)

17.2%
Adjusted operating margin[1,2]
(2018: 17.2%)

16.3%
Statutory operating margin[3]
(2018: 15.6%)

211.7P
Adjusted diluted earnings per share[1,2]
(2018: 198.3p)

192.6P
Statutory diluted earnings per share[3]
(2018: 174.7p)

£380M
Free cash flow
(2018: £351m)

105.8P
Dividend per share[4]
(2018: 99.1p)

22.8%
Return On Invested Capital[1,2]
(2018: 20.6%)

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Total Quality. Assured.

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Welcome to Intertek

Total Quality Assurance for complex times.

In these complex and fast-moving times, consumers and businesses everywhere are looking for safety, quality and sustainability. How can today's risks be more effectively managed? What's the best way to meet challenges we all face on a daily basis?

At Intertek, we offer innovative solutions that encompass every aspect of life; through Assurance, Testing, Inspection and Certification.

With our unique TQA offering, we make the world a safer, better and more sustainable place.

That's Total Quality Assurance.

Find out more online:

investors.intertek.com

Our year in review

PDF downloads

Business summary

What we do

We provide our clients with a risk-based approach to Quality Assurance

As the world changes, operating safely, sustainably and delivering quality products and services becomes more difficult. Supply chains are rapidly growing in both size and complexity, bringing unprecedented levels of risk. In these challenging times, companies need a trusted partner.

Intertek's innovation-led, end-to-end Total Quality Assurance ('TQA') proposition is designed to support our clients 24/7, providing – on a global scale – a fully integrated portfolio of Assurance, Testing, Inspection and Certification ('ATIC') services to give our customers complete peace of mind for their products and services.

130 years of industry-leading services

For more than 130 years, Intertek has been innovating to mitigate risk and deliver quality and safety to organisations. From our beginnings, certifying grain cargoes and then testing and ensuring the safety of Thomas Edison's products, today we are a global force; the industry leader for quality, safety and now sustainability.

Although Testing, Inspection and Certification ('TIC') remain core to our industry, because of the growing risk from vast and complex supply chains, increasingly the focus is also on systemic assurance. Our clients need to take an end-to-end approach to quality and safety across their entire value chain. TIC has become ATIC.

The ATIC solutions we deliver go beyond the quality and safety of a corporation's physical components, products and assets to also look at the reliability of their operating processes and quality management systems. This is our Total Quality Assurance offering, enabling our clients to mitigate risk at every stage of their operations.

Delivering our TQA promise to our customers

To become the most trusted partner for Quality Assurance, we have made a promise to our customers: Intertek TQA expertise, delivered consistently with precision, pace and passion, enabling our customers to power ahead safely.

The three words of precision, pace and passion are central to everything we do. They are what make us different. They mean the consistent quality and accuracy of our work; the speed of response, delivering rapid and accurate feedback for clients; and the desire and belief in what we do. We place our clients at the centre of our universe.

To deliver this, we employ people with the right potential, attitude, intellect and entrepreneurial spirit. Then we introduce them to our culture of excellence and innovation, and our demanding service standards. They become our TQA experts.

By aligning the quality of our people with our high-performance culture we can deliver our promise to customers and build long-term and mutually rewarding relationships.

We enable our clients to progress their product development by delivering expert services with consistent quality and accuracy.

Scott Rickard
Senior Scientist, UK

OUR TQA CUSTOMER PROMISE

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

OUR SERVICES

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

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

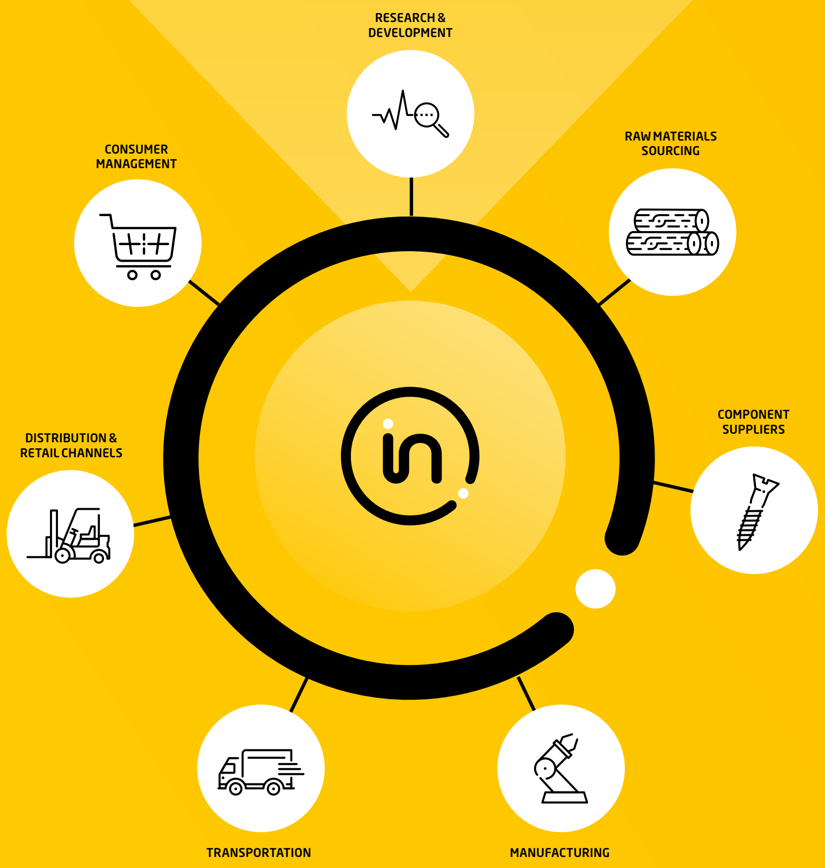
INSPECTION
Validating the specifications, value and safety of our customers' raw materials, products and assets.

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

THE ATIC ADVANTAGE, OUR TIC EXPERTISE PLUS OUR ASSURANCE SOLUTIONS.

Our TQA value proposition

Read more on how we are transforming our business on page 8



The Intertek roundel
Our roundel is a shorthand for our logo and is inspired by a key moment in our history – the invention of the incandescent lightbulb and Lamp Testing Bureau by our founder Thomas Edison.

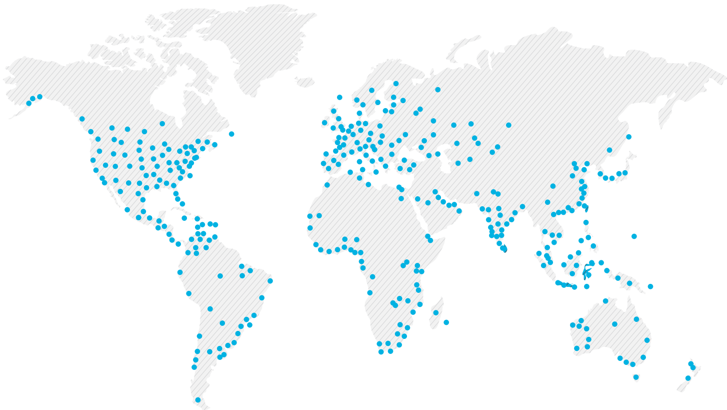
It reflects our passion for innovation, embodies our commitment to consistency and precision in everything we do and represents the breadth and depth of our ATIC services.

Business summary

How we do it

Connected globally

The world of our customers is changing, becoming complex and interconnected with increased risks to quality, safety and sustainability. We support the growth of our clients with our TQA proposition by building trusted relationships, listening to their needs to develop the right insights and using meaningful data to create innovative TQA solutions.



1,000+
Laboratories and offices

3,000+
Auditors

100,000+
Audits

46,000
Employees

100+
Countries

80+
Languages

CLOSER TO OUR CUSTOMERS

Our global network in more than 100 countries, with 46,000 employees, keeps us close to our customers and able to understand their challenges.

Trusted client relationships

We aim to consistently deliver an excellent customer experience and build a trusted relationship. Key to this is regular engagement with our customers. Around the world, through our Net Promoter Score ('NPS') programme, we carry out 7,000+ customer interviews every single month, helping us to understand our customers and deliver superior service at every Intertek site.

Data with meaning

Insight drives innovation and that is why we are such avid users of data. We have the ability to access world-class customer intelligence site-by-site from anywhere across our global network. These insights tell us what our customers need and want, so we are able to provide faster and more effective solutions, which not only have a positive impact on customer satisfaction and loyalty, but help to deliver our services with zero defects.

Always measuring

The real-time insight we generate from the NPS programme is fed back to senior management every day, allowing us to continually measure our performance, drive improvement and deliver our TQA Customer Promise. We capture key metrics at every site monthly and when a project is complete, our TQA experts talk to our customers to hear their views on their experience, the solution itself and the quality of customer service, taking us even further on our path to high quality and disciplined performance management.

Delivering total value

Our good-to-great journey, fuelled by the disciplined execution of our 5x5 differentiated strategy for growth, continues to deliver sustainable value creation for all of our stakeholders. On-time delivery and turnaround time are two of the key metrics underpinning this. Combined with our extensive customer feedback, they allow us to innovate for greater speed and enhanced precision to deliver TQA value in every location. See page 12 for more detail on our 5x5 strategy.

Our sectors

1. Products

Ensuring the quality and safety of physical components and products, and risk assessment of operating processes and quality management systems.

Read more on page 36

2. Trade

Protecting the value and quality of products during custody-transfer, storage and transportation; via analytical assessment, inspection and technical services.

Read more on page 40

3. Resources

Optimising the use of assets in oil, gas, nuclear and power industries and minimising risk in their supply chains through technical inspection, asset integrity management, analytical testing and ongoing training services.

Read more on page 42

£1,797M
Revenue
(60% of Group)
+6.9% at actual rates
+4.6% at constant rates

£399M
Adjusted Operating Profit
(78% of Group)

STRUCTURAL DRIVERS

- Increased regulation
- Faster innovation cycle
- Increased consumer focus on sustainable products

£679M
Revenue
(23% of Group)
+5.8% at actual rates
+4.5% at constant rates

£83M
Adjusted Operating Profit
(16% of Group)

STRUCTURAL DRIVERS

- Population growth
- Development of regional trade
- Growth in transport infrastructure

£511M
Revenue
(17% of Group)
+6.7% at actual rates
+5.7% at constant rates

£31M
Adjusted Operating Profit
(6% of Group)

STRUCTURAL DRIVERS

- Long-term demand for energy
- Supply chain risk management
- Growth in alternative energy

Make the world Ever Better

Why we do it

"What we do has an impact on every aspect of modern life, from the way we grow as individuals to how we thrive as a society."

Our impact

PASSIONATE ABOUT OUR PURPOSE

46,000
Global Intertek network

300,000
Clients becoming Ever Better

Intertek has always been a purpose-led business. Today, that purpose is to make the world a better, safer and more sustainable place for all. Now, and for future generations. This informs everything we do and how we do it.

In our work, we help corporations address the complex quality, safety and sustainability challenges they face. But our approach does far more than help businesses resolve the emerging risks in an ever-more complex world. By bringing quality, safety and sustainability to life, it also helps to safeguard the legacy that we will all leave to the next generation. This is what drives every one of our global network of 46,000 colleagues in the work they do every day, from testing toys to inspecting power stations, certifying vaccines to providing end-to-end quality assurance.

It is also why our clients trust us to help them benchmark and improve the quality, safety and sustainability of their products, operations and services. As a company we are irreversibly committed to becoming Ever Better in every aspect of what we do. That means more than simply seeking ways to constantly improve our operations for enhanced efficiency and effectiveness. It also means researching and innovating to improve how we formulate and provide our services, enabling our 300,000 clients to become Ever Better too.

In this way, we are also helping them to progress their sustainability agendas, giving them the tools to manage and mitigate risk and act responsibly for the wider benefit of society.

So, collectively, we know we have a huge positive impact on the world. Our world – the world that we have a role in sustaining and making better.

WE ARE BORN TO MAKE THE WORLD EVER BETTER

Caring for the future
Shaping a brighter tomorrow, inspiring us to be better every day

Read more on page 24

This is the powerful, positive purpose and ethos that drives our differentiated 5x5 strategy, enabling us to create 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.

But the world is changing fast, making it vital that we constantly monitor the value, performance and relevance of this strategy. Increasingly, our agenda has to be influenced by the beliefs, hopes and fears of younger generations. Having grown up in the information-age, they have deep awareness and growing concerns around environmental and gender issues, poverty and the accelerating shift to collaborative consumption and economic thought.

This generation of young people, today's children and those who will follow, who truly feel that they are 'Born to make the world Ever Better', they will make it possible to shape a brighter future.

As part of our approach, their passion and belief is driving us to improve by challenging ourselves to be better every day – to collectively address the challenges facing our planet at this very real tipping point.

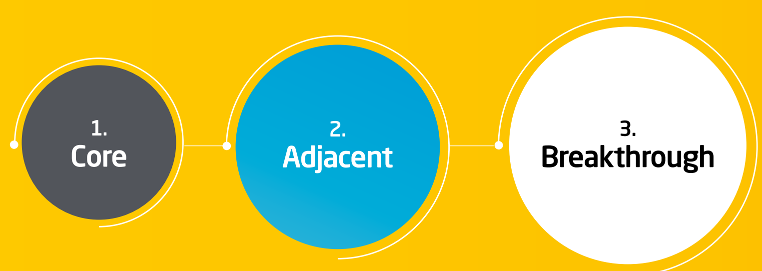
Intertek is well placed to help our clients seize and drive the opportunities created by a more sustainably driven society. What we do also has an impact on every aspect of modern life, from the way we grow as individuals to how we thrive as a society. At the forefront of this critically important movement, we also have a vital role to play in shaping the better, safer and more sustainable world to which we aspire.

This will be our legacy and our future.

Innovative solutions to accelerate growth

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 creating untapped growth opportunities for Intertek.

See overleaf for more information on our three categories of innovation



Supporting our customers to thrive

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 innovative solutions to our customers for today and tomorrow.

We have three categories of innovation

1. Core
Building on the strengths of existing products and services

2. Adjacent
Expanding into fast-growing and high-margin markets

3. Breakthrough
Groundbreaking solutions to create new markets

We use our insight to innovate in our markets and business lines.

The insight generated from our TQA experts and customer feedback allows us to scope and develop new solutions that better serve our customers' needs and continually develop our offering. 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.

Core
From our 'Core' focus, we seek to build on the strengths of our existing products and services, continually improving them for our existing markets and customers.

We are able to strengthen existing services based on our deep client relationships. We conduct more than 7,000 client interviews every month, which provide us with valuable insight. Our decentralised organisation and our entrepreneurial culture enable us to develop solutions that meet our clients' expectations. We have clear processes to develop innovations locally and to launch them globally.

Adjacent
We aim to develop new products and services for rapid-growth, high-margin markets that are 'Adjacent' to those we already serve. We have launched innovative solutions relating to Big Data, Autonomous Vehicles, Internet of Things ('IoT'), CyberSecurity, Artificial Intelligence ('AI'), Robotics and the Environment.

Breakthrough
We aim to develop 'Breakthrough' products and services that enable us to create new attractive markets and target emerging customer needs. Technology-based innovations are also key to our strategy, with Intertek InLight, a platform offering our clients greater visibility of their supply chain risks, and Intertek Alchemy, the leading SaaS solution provider, to expand our Global Assurance offering into People Assurance services.

Seven-steps to innovation

Our seven-step process represents Intertek's approach to innovation. From insight to Kaizen (the concept of continuous improvement involving everyone right across the business), it sets out how we develop exciting new ideas at every layer of the organisation and then make them work, delivering new solutions for our customers.

1. **INSIGHT** – Generate some great new ideas
2. **IDEATE** – What can you do with these ideas?
3. **EVALUATE** – How will it work?
4. **DEVELOP** – How can you make it happen?
5. **PILOT** – Prove your ideas work in the real world
6. **SCALE-UP** – Let's make this happen!
7. **KAIZEN** – Continually evolve and improve your ideas

Core

Innovations from the Core to strengthen existing services

Products

i2q inspection solution
Using Big Data to generate advanced insights for customers

STEM Toy Assurance
Verifying that our customers' toys have met stringent quality and safety standards

Voice of the consumer
Insights to deliver improved products to their consumers faster

360° brand assurance and E-reputation
End-to-end mapping of our customers' E-reputation and operational data to deliver tailored brand assurance reports

Proprietary toys breathing apparatus
Helping to protect children's safety

Trade

Fuel-tank inspection robot
A new and bespoke inspection process for customers

Stockpile measurement
Delivering efficiency gains for Caleb Brett customers

Caleb Brett
Delivering qualitative and quantitative analytical assessment services to the oil and gas, chemical and other commodities markets

iDocs
Cloud-based solution providing customers with real-time updates on their export documentation progress

Mobile testing
Mobile laboratories in Mexico providing the client with flexible retail fuel testing

Pioneering hydrocarbon testing
The launch of the first independent crude oil, fuel testing and petroleum products laboratory in Iraq

Resources

Drones deliver industrial asset inspection services
Safely and efficiently collecting data customers need to ensure continued asset operation

Greenlink interconnector project
Intertek's experts providing vital marine environmental support

Ultrasonic sensors with Aware™
The Aware software empowers our customers to predict equipment corrosion rates in real time

Extreme conditions simulation
Helping clients to make informed decisions so they can operate their assets safely and reliably

Helicopter underwater escape simulations
State-of-the-art training to support oil and gas customers

Concrete sensors
Delivering assurance that critical concrete infrastructures remain robust over their entire lives

CASE STUDY
STEM TOY MARK
See our operating review on page 37

Adjacent

Innovations in adjacent high-growth and high-margin areas

intertek interpret

Intertek Interpret
uses near infrared spectrum analysis to predict the physical properties of crude oil

intertek pipeAware™

Intertek PipeAware
is a software solution that allows customers to access their asset inspection data in real time

intertek kj tech

Intertek KJ Tech
offers road testing, allowing auto manufacturers to understand how their vehicles perform in real-life situations

intertek check safety first

Intertek Check Safety First
provides leading hospitality assurance services for the travel and tourism industry

INTERTEK CYBER ASSURED 31.12.19

Cyber Assured Certification Programme
Intertek's cybersecurity services address the growing threats as part of a systemic risk-mitigation approach

CASE STUDY
See our operating review on page 39

Designed for the rapidly expanding world of consumer IoT products, Cyber Assured offers unique continuous vulnerability monitoring to give consumers peace of mind.

Wayne Stewart
VP Cyber Security, Canada

Breakthrough innovations to create new markets

Total Quality Assurance
helps clients to manage the complexity of their supply chains through an end-to-end approach to quality assurance. Intertek provides superior customer service with an industry-leading portfolio of Assurance, Testing, Inspection and Certification solutions.

Total Sustainability Assurance
is a pioneering initiative that provides an end-to-end, independent systemic sustainability programme from both an operational and corporate perspective.

See more about Total Sustainability Assurance on the following pages

People Assurance
Intertek's People Assurance solutions deliver the tools to build, maintain and protect brands.

Intertek Alchemy helps companies equip their frontline employees with the knowledge and confidence they need to elevate safety, productivity, culture and compliance. The unique Wisetail learning-management system helps clients across the world to engage, energise and empower their employees.

Intertek InLight
provides the platform, expertise and people to enable organisations to better understand their supply chain risks and protect their brand

CASE STUDY
ADDRESSING SUPPLIER RISK
See our operating review on page 38

InLight allows our partners to better manage their suppliers' compliance, giving them more time to focus on mitigating risk and doing business the right way.

Catherine Beare
Senior Director,
Supply Chain Assurance

Q

A tipping point has been reached in the world of sustainability, with organisations facing increasing challenges from growing complexities across their value chains, as well as consumer expectations of corporate responsibility. How is Intertek making a difference?

A

Through our global network, local knowledge and subject-matter expertise, we are ideally positioned to provide our clients with a unique end-to-end solution that includes a wide variety of sustainability services and independent certifications.

André Lacroix
Chief Executive Officer

Total Sustainability Assurance

We can help our clients address their key sustainability challenges.

Potential benefits for growth and innovation

Sustainability is the movement of our time. The new generation is loud and clear: we have to act to save the future of our planet. Businesses need to respond – in our research, 67% of companies say they are facing significant pressure to improve their sustainability performance – and when they do, are also being challenged to prove they are delivering genuine impact. Alongside this, global operations are increasingly complex. This is driving demand for services that offer assurance of sustainability, right across a business's operations.

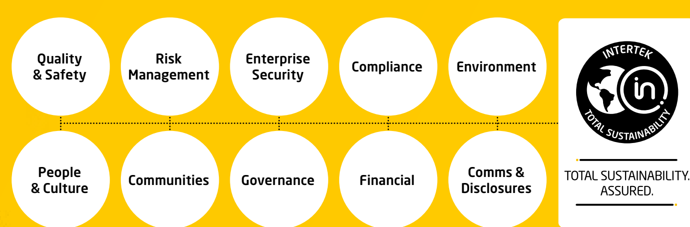
This is why, in 2019, we introduced a groundbreaking innovation: Total Sustainability Assurance. A revolutionary programme to address the concern of our time and help our clients address their key sustainability challenges. It provides a systematic certification audit programme for the entire value chain, it is modular and is based on our corporate sustainability certification and more than 130 industry-specific sustainability solutions.

The market potential is significant. 78% of businesses believe improving their sustainability would give them a key competitive advantage. However, the excess of ESG reporting standards and terms has made it difficult to be clear about sustainability (71% of companies think this creates confusion). Intertek Total Sustainability Assurance is not designed to be another voice among many, but a way to cut through all the noise.

Within this context, having attracted the best talent and expertise, and united by our purpose to bring quality, safety and sustainability to life, we are uniquely placed to support our clients and seize the market opportunities with Total Sustainability Assurance.

Corporate Sustainability Certification

Each of our ten sustainability certification standards is designed to verify and audit the corporate sustainability process in place in our clients' organisations.



"Imagine 46,000 colleagues in 100 countries, working with 300,000 clients, talking to millions of other colleagues and friends and family, inspiring the world to take sustainability seriously."

Total Quality. Assured.

Investment case
Year-on-year growth

With our strong history of growth, innovation, disciplined portfolio management and operational excellence, we are well positioned to capitalise on the growth opportunities ahead and drive sustainable value creation for stakeholders.

Track record of growth

Our track record of shareholder value creation is strong, and the sustainability of our results is a tribute to the quality of our earnings model, the trusted relationships we have with our clients, the strength of our TQA customer service, the leading expertise of our 46,000 colleagues and our passionate and customer-centric culture. Across every area of the business, we are on a journey of constant improvement and we have more than doubled the valuation of the Company since 2015.

The sustainability of our performance has underpinned this growth record, creating exceptional value for our shareholders. This is based on the powerful compounding effect, year after year, of our earnings model's virtuous economics: margin-accretive revenue growth, strong cash generation and disciplined investment.

Read more on page 12

Exciting growth opportunities

As our customers' operations and supply chains become more complex and they face new market forces, they also face unprecedented levels of risk across every element of their businesses. This constant change creates opportunity in the market for Intertek's TQA services and we see strong growth opportunities with existing and new customers.

We estimate that only US$50 billion of the US$250 billion ATIC market is currently outsourced, presenting further opportunity to capture a share of the US$200 billion of work currently managed in-house. We see the future market potential to be even greater than this as it is driven by new risks emerging from the continued rise in operational complexity and multi-tiered supply chains. With our unique offering and current network serving 300,000 clients around the world, we are in pole position to attract a substantial share of this market potential.

Read more on page 12

Portfolio strategy

Intertek's focus is on high-margin, high-return sectors. This guides where we invest for growth in terms of our scale businesses – those companies where we expect the fastest growth to come from or where we see opportunities for margin improvement – and targeted, value-enhancing acquisitions. Our M&A focus is on companies with attractive growth and margin prospects, strong IP and market positions and a highly cash-generative business model.

We underpin this approach with our highly disciplined approach to performance management, based on a unique dashboard of 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 leading indicators such as marketing leads, customer retention and customer acquisitions.

Read more on page 22

High quality earnings model

At the very core of what makes us successful is our high-margin, 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, which is driving GDP+ organic revenue growth across the Group.

As a result, our adjusted operating margin and free cash flow are both growing, while working capital as a percentage of revenue is reducing.

We are making excellent progress on our adjusted return on invested capital.

Read more on page 11

Maximising returns
We can respond rapidly to emerging growth opportunities

Customer-led innovation

The real fuel for innovation is insight – a deep understanding of what our customers need and want. Through our NPS programme, we carry out 7,000+ customer interviews every month and, with the ability to access world-class customer intelligence site-by-site from anywhere across our global network, we have a continuous stream of data to develop our insight and develop new ATIC solutions.

We are constantly learning from our customers, utilising their extensive feedback so that we can deliver Ever Better solutions to their developing requirements.

Read more on page 10

Operational excellence

We take a disciplined approach to performance management, measuring progress against a range of operational metrics and using 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.

This approach, alongside a dedicated focus on quality across every site, is crucial to our continuous improvement, underpinning our operational and health and safety excellence, and ultimately ensuring that our customers receive a superior service.

Read more on page 25

Dedicated to quality
Our approach to performance management ensures every customer receives superior service

Business model
Purpose-led strategy

Guided by our purpose and supported by our culture and values, our business is geared towards delivering value to all our stakeholders.

Purpose

Bringing quality, safety and sustainability to life.

Read more on page 24

Vision

To be the world's most trusted partner for Quality Assurance.

Read more on page 2

TQA CUSTOMER VALUE PROPOSITION

Our customers' operations and value chains are growing and becoming more complex, while companies are increasing their focus on risk, creating bigger growth opportunities for Intertek and our unique TQA value proposition, which offers end-to end ATIC services.

Read more on page 2

SECTORS AND GLOBAL NETWORK

With more than 1,000 laboratories and offices in more than 100 countries worldwide, we are always close and on hand for all our customers. By harnessing our global presence, we effectively enable our innovators and technicians to become a worldwide network of subject matter experts. 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.

Read more on page 4

PEOPLE, CULTURE, VALUES

Our core strength is, and always will be, our people. The way in which our people combine passion and innovation with customer commitment to create a single unbeatable asset sets us apart and is a vital element of our entrepreneurial, customer-centric culture.

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, safety and sustainability to life.

Our decentralised operating culture is built around strong values. These values guide our behaviours every single day, underpinning the way we work, guiding decision-making and connecting every single colleague. Our values are inspirational and help us to drive sustainable growth for all.

Our Values

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

We create sustainable growth. For all

Sustainable value creation for all

STAKEHOLDERS

We aim to create meaningful and sustainable long-term value for a broad range of stakeholders.

Customers
We aim to always deliver a superior and continuously improving customer service.

People
We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career, supported and enabled by great leaders.

Investors
We aim to deliver robust returns and long-term sustainable value for our investors.

Suppliers
We recognise the importance of our supply chains and invest in our relationships with them.

Communities and society
We strive to operate as a sustainable and environmentally responsible company, driving prosperity through our core business, and collaborating with local partners to promote social and economic development.

Governments and regulators
Doing business the right way; complying with global, regional and local regulations is who we are.

Read more on page 24

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 more than 100 countries with high quality Assurance, Testing, Inspection and Certification services.

Our 5x5 strategy

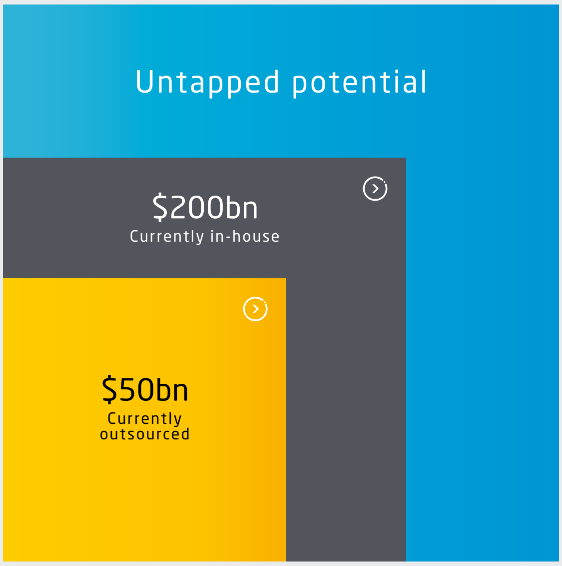
Our differentiated strategy for growth

Our 5x5 strategy is designed to move Intertek's centre of gravity towards the attractive growth and high-margin areas in the Quality Assurance market and deliver sustainable growth across our entire operations.

GOALS

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

Global ATIC market



OUR ENABLERS

To seize the exciting growth opportunities ahead and deliver our Total Quality Assurance proposition, we have developed our 5x5 strategy based on five clear strategic priorities and five strategic enablers.

STRATEGIC PRIORITIES

Differentiated Brand Proposition

- Position Intertek as leading Quality Assurance provider
- Improve brand awareness across all sectors and geographies
- Compelling Total Quality Assurance brand proposition

Superior Customer Service

- Build customer loyalty and win new customers
- Measure quality of customer service delivery
- Develop innovative ATIC solutions

Effective Sales Strategy

- Increase existing account penetration
- Drive ATIC cross-selling
- Business development with new accounts

Growth and Margin-Accretive Portfolio

- Prioritised business lines, geographies and service areas
- Invest in areas with good growth and good margin prospects
- Disciplined resource, capital and people allocation

Operational Excellence

- Continuous improvement to drive productivity
- Best-in-class management to improve consistency of performance
- Eliminate non-essential costs with facilities/ offices/processes/ purchasing

Living Our Customer-Centric Culture

- Strong entrepreneurial culture
- Customer-centric mindset
- Engagement at all levels

Disciplined Performance Management

- Performance management with financial and non-financial metrics
- Forecast and review processes focused on margin-accretive revenue growth with strong cash conversion

Superior Technology

- Improve customer experience
- Leverage back-office synergies
- Upgrade business intelligence system

Energising Our People

- Invest in capability
- Aligned reward system
- Promote internal growth

Delivering Sustainable Results

- Sustainable growth for customers and shareholders
- Importance of sustainability for the community
- Right balance between performance and sustainability

Chief Executive Officer's review

Bringing quality, safety and sustainability to life

André Lacroix
Chief Executive Officer

REVENUE
+6.6% +4.8%

ADJUSTED OPERATING PROFIT
+6.5% +5.2%

ADJUSTED OPERATING MARGIN
0bps +10bps

ADJUSTED DILUTED EPS
+6.8% +5.2%

WORKING CAPITAL
(8.2)%

ADJUSTED FREE CASH FLOW
+6.1%

DIVIDEND
+6.8%

RETURN ON INVESTED CAPITAL
+220bps

Read more about our financial performance on page 44

Actual rates Constant rates

Our results in 2019

I am happy to report that our results for 2019 demonstrate the effectiveness of our purpose-led strategy to bring quality, safety and sustainability to life, making the world a better and a safer place, today and for future generations.

In 2019, the Group has delivered revenue of £2,987m, up 6.6% year-on-year at actual rates and 4.8% at constant rates, driven by broad-based organic growth of 3.3% at constant rates, by the contribution of the acquisitions we made recently in attractive growth and margin sectors and 180bps benefit due to foreign exchange translation.

We have made continued progress on margin, profitability and free cash flow, with a record margin of 17.2%, up 10bps at constant rates, EPS growth of 6.8% and a cash conversion of 127%. In line with our dividend policy, that targets a payout ratio of circa 50%, we have announced a full-year dividend of 105.8p, an increase of 6.8%. We achieved ROIC of 22.8%, up on 2018 by 150bps at constant rates. In 2019, the Group's statutory profit was £333.6m.

2019 is the fifth consecutive year of revenue, EPS and cash progression, which is a testament of our strong operating platform enabling the Group to deliver sustainable value creation for all stakeholders. In the last five years we have made significant progress both on strategy and performance and we are extremely well positioned to seize the exciting growth opportunities ahead, capitalising on the core strengths of Intertek: our Total Quality Assurance superior customer service, our powerful portfolio, our high margin and highly cash-generative earnings model, our highly engaged organisation and our Ever Better performance management.

In 2019, our Products business delivered a robust performance with continuous margin-accretive revenue growth. Our revenue growth at constant rates was 4.6% and our organic revenue growth was 2.3%, driven by broad-based revenue growth across business lines and geographies. We delivered robust adjusted operating profit of £398.6m, up 5.7% at constant rates, enabling us to deliver a margin of 22.2%, up 20bps versus last year as we benefitted from positive operating leverage and disciplined cost management.

Our Trade-related businesses benefitted from an acceleration in revenue momentum with 4.5% growth and 4.1% organic revenue growth at constant rates, driven by broad-based revenue growth across business lines and geographies. We delivered a stable operating profit of £83.5m, enabling us to deliver an operating margin of 12.3%, down 60bps versus last year driven by a portfolio mix effect within GTS and challenging trading conditions within Caleb Brett in North America and Northern Europe.

We benefitted from an improved revenue momentum with margin accretion in our Resources-related businesses. We reported robust organic revenue growth, up year-on-year by 5.7% at constant rates, and we delivered an adjusted operating profit of £31.2m, which was up year-on-year by 16.0% enabling us to deliver a margin of 6.1%, up year-on-year by 50bps.

2019 was yet another year of strong shareholder returns, following a long-established trend of growth. Since our IPO in 2002, Intertek has made the second-highest dividend progression of any company in the FTSE 100 – almost unparalleled shareholder value over the long term. Our performance in this area has accelerated substantially in recent years, as we have more than doubled the valuation of the Company since 2015.

You can read elsewhere in this report about our key operational achievements during the year, which helped drive this performance. I believe we will further accelerate our growth as we begin to convert more of the attractive opportunities that are emerging today and in the years ahead.

Chief among these is the launch of the world's first ever end-to-end sustainability solution. You can read more about this below and on pages 24 to 35, and you can find case studies on other key developments on pages 36 to 43.

Intertek's global TQA experts

Achieving results of this quality is clear testimony to the continuing excellence of our 46,000 TQA experts, based in more than 1,000 laboratories and offices in more than 100 countries across the world. It is they who really drive our growth, delivering global solutions locally to build strong local relationships, in local languages and fuelled by their deep understanding of local culture and customer priorities.

Every time I meet members of our global team of experts, I am humbled to recognise their remarkable expertise, entrepreneurial approach and outstanding talent for innovation. These are the qualities that our customers associate with Intertek, enabling us to deliver our services with precision, pace and passion to provide the bedrock of our relationships with more than 300,000 client organisations.

Once again, I thank our people for their incredible efforts in 2019 – efforts that clearly show in action the power of our values and our culture.

The market

During the year, our business helped more than 300,000 client organisations around the world to manage and mitigate the systemic operational risks they face. As the complexity of companies' operations, processes and supply chains continues to increase, it in turn magnifies the risks affecting every part of their business. To help our clients respond to this challenge, we provide Testing, Inspection and Certification services in the critical areas of our clients' operations, while our Assurance solutions provide end-to-end assessments of their quality and safety processes. This is why clients need risk-based quality assurance, to help them identify the gaps in their operations where they could be exposed.

Year-on-year, our ATIC services become ever-more mission-critical to customers. The emergence and rapid development of new risks such as cybercrime, increased government regulation, growing consumer demands and increasing expectations around sustainability are only adding to this complexity.

These factors are effectively broad-based growth drivers for Intertek, working alongside those in the three main market areas that we serve. Our Products division, for example, continues to benefit from growing numbers of brands and SKUs, regulatory development, an increased focus

Ever Better

Ever Better is the Intertek way to fully unleash our potential.

Across every area of the business, we are on a journey of constant improvement. We have made consistent progress over the past five years 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.

Chief Executive Officer's review continued

Strategic progress

on safety, quality and sustainability and an ever-faster innovation cycle.

In our Trade division, the positive forces at play include the development of regional and local trade routes, an increased focus on traceability, and growth in transport and port infrastructure as well as GDP. In Resources, our earnings are linked to the global drivers of the energy sector, including increased demand for oil, minerals and renewables, all driven by the fast-growing global population.

Our purpose-led strategy

Back in 2015, when I joined Intertek, one of my first actions was to introduce our 5x5 differentiated strategy for growth, based on five clear strategic priorities that are supported in turn by five key enablers (see pages 12 and 13).

Four years later, the success of this strategic approach is accelerating and strengthening as our global organisation continues to progress along its good-to-great journey as the world's only global provider of end-to-end ATIC solutions.

1,000+
laboratories in

100+
countries serving more than

300,000
client organisations worldwide

Our global laboratory network
We drive innovation for our customers via our lab network across more than 100 countries

The statistics are compelling, graphically illustrating the power of Intertek's value proposition for shareholders and the sustainable value of our disciplined approach to capital allocation. Since the 5x5 strategy was launched, we have seen the compound growth of our annual revenues rising by 7.4%, from £2.1 billion to £3.0 billion. Adjusted earnings per share ('EPS') have risen by 9.9%, from 132.1p in 2014 to 211.7p in 2019. The cash we generate from our operations has rocketed from £386.8m to £636.5m. Our adjusted operating margin has widened from 15.5% to 17.2%. And perhaps most tellingly of all, our dividend has increased from 49.1p in 2014 to 105.8p by the close of 2019.

All these factors illustrate the strength of our strategy for growth, which is led by the Intertek purpose of bringing quality, safety and sustainability to life. We seek to achieve this through fulfilling our mission of exceeding customers' expectations with innovative and bespoke ATIC services for their operations and supply chains – globally, 24/7. In doing so, we also achieve our promise of enabling customers to power ahead safely by consistently delivering Intertek TQA expertise with precision, pace and passion. In this way, we can realise our vision of being the world's most trusted partner for Quality Assurance.

Our Values

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

We create sustainable growth. For all

46,000
colleagues across our global network

Our global HERS experts support clients to develop, align and drive sustainable performance throughout their value chain

Demand for renewables
We are helping companies prove the authenticity of their sustainability commitments

> **When companies think about scaling their culture and growing their people, we want them to think of Intertek Wisetail.**

Ali Knapp
President, Wisetail

True to our long heritage, we want Intertek to remain a force for good for many years to come, based on our unique set of corporate values (see left). We believe this is enabled by the strong foundations we are building through the achievement of our corporate 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; and
- accretive, disciplined capital allocation policy.

Once again, during 2019 we made strong progress against our five strategic priorities, which in turn are empowered by our unique set of strategic enablers:

- living our customer-centric culture, built on a strong spirit of entrepreneurship, a customer-focused mindset and engagement at all levels of the organisation;
- disciplined performance management, built on financial and non-financial metrics and processes focusing on margin-accretive revenue growth and strong cash conversion;
- superior technology, improving the customer experience, leveraging back-office synergies and delivering superior business intelligence;
- energising our people through investments in their capabilities, providing a fully aligned reward system and promoting internal growth; and
- delivering sustainable results, providing growth for our customers and shareholders, recognising the importance of sustainability for the wider community and achieving the right balance between performance and sustainability.

Differentiated brand proposition

We are focused on developing a strong brand, to position Intertek as the global market leader in Total Quality Assurance ('TQA').

Through the Intertek brand and our respected legacy brands, we aim to build ever-more global awareness and understanding of what TQA means for our clients and why it is so important in the increasingly complex world in which they operate.

During the year, we made significant progress in this area, building our business in local and global markets by leveraging our continuing unique status as the only organisation in the world that is capable of delivering a fully integrated portfolio of ATIC services on a global scale. We achieve this through the depth and breadth of our ATIC offering, delivered through our global network of more than 1,000 laboratories in over 100 countries, serving more than 300,000 client organisations worldwide. This has helped us expand the work we do for existing clients and introduce Intertek to new organisations across the world.

The other major driver of our differentiated TQA brand proposition is our customer-driven culture of innovation, developing new or improved products and services through customer collaboration across the organisation, based on our three-tiered approach: innovation from the core; developing new products and services in adjacent fast-growing and high-margin markets; and developing new breakthrough products and services that enable the creation of new markets. The following three key highlights from 2019 are all examples of our pioneering innovations.

People Assurance

In last year's Annual Report, I explained the acquisition of a North American-based leader in deploying SaaS solutions to help clients in the attractive food and multi-site retail markets assess, monitor and improve employee skills. Over the last year, we have built our People Assurance service line around this acquisition, providing customers across the world with a range of solutions that help them continuously improve and evolve their workforces by maximising employee potential.

Collectively, Intertek's People Assurance solutions deliver the tools businesses need to build, maintain and protect their brands. The Intertek Alchemy solution, for example, combines innovative training technologies with award-winning courseware, mobile coaching tools and a compliance validation platform to provide employees with everything needed to elevate safety, productivity, culture and compliance.

Intertek Wisetail provides a unique learning-management system that helps businesses engage, energise and empower their employees by focusing them on a professional development path that's tailored to their individual roles and the client brand. It is entirely location-agnostic, helping organisations build a culture of shared ownership and purpose, no matter how diverse their geographic spread might be.

Further, Intertek Wisetail also provides a unique enterprise SaaS solution that drives operational excellence and mitigates risk to the brand by combining learning, communications and operational tools with external sources such as guest feedback, sales data, IoT devices, third-party audits and more.

During the year, we made excellent progress in developing our People Assurance offering, significantly expanding our presence and value proposition in the high-margin, capital-light Assurance sector. Our plans are on track, and we have created two separate sales and marketing organisations to scale the business in its specialist areas, opening up tremendous opportunities to win new clients, not only in the large and growing US market, but globally as well.

Chief Executive Officer's review continued

Strategic progress

Total Sustainability Assurance

Another particularly significant development during the year was the launch of our unique Corporate Sustainability Certification programme, for companies wishing to prove the authenticity of their commitment to delivering a sustainable future. This chimes directly with the findings of a research project we undertook prior to launch, which showed that three-quarters (74%) of C-suite respondents believe that key stakeholders are demanding that companies do more about sustainability.

We have supported clients for many years with our operational sustainability solutions covering areas such as environment, products, processes, facilities, assets and systems. Now Total Sustainability Assured extends this support with a truly corporate offering. This holistic assurance programme audits and independently certifies the quality of a client's processes, using ten proprietary standards to benchmark the sustainability of its approach across all aspects of its corporate activities. See page 24 for full details of this highly significant innovation, the world's first-ever end-to-end sustainability solution. For the moment, suffice to say that I believe this is the most significant launch by Intertek for many years, as evidenced by the evolution of our corporate purpose – to bring quality, safety and sustainability to life.

Cyber Assured

A third pioneering innovation in 2019 was the launch of Intertek Cyber Assured Certification, the world's first comprehensive cybersecurity testing and certification programme for IoT-connected consumer products. It enables manufacturers to continually assess their products and helps demonstrate to consumers that the product is secure, through the use of the Intertek Cyber Assured Mark and directory. Certified products are continuously reassessed to ensure their safety against constantly evolving and emerging threats and vulnerabilities.

These are just three of the headline achievements we delivered during 2019 – please see our operating reviews on pages 36 to 43 for more examples.

Superior customer service

Delivering the highest standards of customer service is at the heart of our journey to being the world's most trusted TQA adviser.

We are constantly evolving our service to help customers manage the increasingly complex risks and challenges they face.

Service quality

The 46,000 colleagues across our global network are putting customers at the centre of everything they do. Our decentralised organisation model ensures that our people, living and working in the local markets where our clients operate, are in regular personal contact, continuously listening and responding to what customers have to tell them about what they are looking for.

Customer insight

Drawing on the insights and metrics we gain from the 7,000+ NPS interviews we hold every month, we develop ATIC services that are mission-critical for our clients. This is how we ensure we always meet their needs for increased TQA support across every aspect of quality, safety and sustainability. (See page 4 for details on how we use the insights we gain to support new product development and improve our existing services.)

These are the key elements of the disciplined process behind bringing our clients the new and improved solutions they want. You can read in our operating reviews on pages 36 to 43 some of the most important new

Driving sales growth
Ensuring customer satisfaction is at the heart of our highly effective sales strategy.

developments our clients asked for during 2019, such as our new High Performance Mark, STEM Mark and Cyber Assured Certification.

Effective sales strategy

Driving continuous improvement in margin-accretive revenue growth demands a structured and disciplined approach to delivering the improved sales effectiveness that is increasing leads and conversion rates.

This focus area is based around our five sales goals, which together support our customer-first sales process, create accountability and transparency, and ensure that customer satisfaction is central to all our activities:

- customer retention underpinned by our TQA superior customer service. Our existing active customer and retention metrics give us valuable insight into the strength of our customer relationships;
- customer penetration increasing the range and depth of services provided to existing customers powered by our strong expertise;
- ATIC innovative solutions (to customers requiring a truly end-to-end service that only Intertek can provide);
- new customer wins with established as well as emerging brands; and
- customer outsourcing (which occurs when companies that have previously conducted their QA activities in-house decide to seek our support as their expert partner).

Achieving all these goals is based on the trust we have built with our clients by meeting their quality expectations, in terms of innovation, product, service, relationship and reputation. We therefore aim, at every site and location, to build on the success of our 5x5 strategy and bring our Ever Better approach to life. Detailed metrics management is also key to progressing disciplined, high quality performance management across every site on a daily, weekly and monthly basis.

This approach is designed to enable Intertek to take maximum advantage of the growth opportunities presented by the global ATIC market. According to industry estimates, this is currently worth around US$250 billion, comprising US$50 billion outsourced and $US200 billion handled in-house. This estimate, however, does not take account of the untapped potential represented by organisations that do not use TQA services but will be forced to do so by their increasingly complex and risk-laden operating environments (see pages 8 to 13 for details on market potential).

Growing supply chains

We believe that the supply chain expansion I have described above will drive an increasing need for the outsourced, end-to-end TQA service portfolio that is currently only served by Intertek's ATIC line-up on a truly global basis. This presents a significant opportunity to accelerate our business development with new or enlarged accounts from three main sources: existing Intertek and competitor clients; newly outsourced accounts; and that unquantifiable huge untapped potential.

This untapped market potential is really exciting, as it is all about what companies are not doing today and will have to start doing to improve the quality, safety and sustainability of their operations.

Sales performance

Our sales performance was extremely encouraging during 2019 across all three of our divisions – Products, representing 60% of revenue and 78% of profit, Trade 23% of revenue and 16% of profit and Resources 17% of revenue and 6% of profit. We achieved broad-based organic revenue growth in all these areas as a direct result of our customer-centric sales approach with existing and new accounts.

Growth and margin-accretive portfolio

Prioritising areas with the best growth and margin prospects will help us to deliver maximum value.

Since 2015, we have successfully focused on moving Intertek's centre of gravity towards the sectors, geographies, business and

Total Quality Assurance for 5G technology and devices
Solutions for the next generation of mobile and IoT devices, made possible through staff education and investment in cutting-edge testing technology.

Pharmaceutical laboratory expansion
Meeting global demand for specialist pharmaceutical contract laboratory services for advanced drug products.

Chief Executive Officer's review continued

Strategic progress

service lines that deliver the best growth and margin prospects that our industry has to offer. In doing so, we are increasingly focused on the most commercially attractive areas that are open to us, with the greatest opportunities for growing profits and improving shareholder returns.

Improving our portfolio mix

The success of this approach is indicated by the continuing improvement we have delivered in operating margin over the years since we introduced the 5x5 strategy in 2015. Our margin at the end of 2019 was 17.2%, which is an improvement of 170bps versus 2014. This is the direct result of our unwavering attention on improving our portfolio mix, alongside revenue growth – both organic and via acquisition – and productivity improvements. We are confident that there is still significant scope into the future for further margin improvement, and we will remain resolutely focused on margin-accretive revenue growth.

When it comes to examples, I have already referred to People Assurance with our Alchemy and Wisetail brands, which operates exactly the kind of business model we aim to deliver across our organisation as a whole: scalable; high-margin; and capital-light; with strong cash conversion.

During the year, we invested in a range of initiatives across our organisation that offer similar qualities. For example, we developed assurance and testing services for 5G technology and devices to enable manufacturers from a variety of industries to test and validate products for the next generation of mobile and IoT devices. We took important steps forward in the pharmaceutical area too, significantly expanding two UK-based facilities. These investments will expedite clients' biopharmaceutical and gene therapy development, and support growing global demand for specialist inhalation and nasal product development for biologics. We also opened a state-of-the-art transportation technologies laboratory in San Antonio, Texas where our knowledgeable staff provide ATIC solutions supported by innovative technology, always with a commitment to precision, speed and expertise.

Operational excellence

Quality management and operational excellence are crucial to continuously improving our efficiency and productivity.

As a business that applies Kaizen principles to all areas of management, we recognise that continuous improvement across the organisation is mission-critical for driving better efficiency and productivity. We therefore have a holistic view of performance at all our locations across the world, enabling us to apply our Ever Better approach to every part of the business. In tandem with our good-to-great journey, fuelled by our 5x5 growth strategy, this enables us to continue creating sustainable value for all our stakeholders.

World-class management

For us, that means having best-in-class management in all areas, including all our operations. During the year, our attention was unwavering on ensuring that all our people work in the best possible environment. We continued to measure progress against a range of operational metrics, measuring factors such as safety and quality at every site as well as key business measures such as customer service levels and turnaround times. This dedicated focus ultimately helps to ensure that our customers receive a superior service that is continuously improving.

Capital allocation

Our high quality earnings model (see page 11) includes a disciplined approach to capital allocation. This underpins strong performance management, which ensures our operations deliver strong cash conversion and a robust free cash flow. In turn, of course, these attributes are also what enable us to identify and invest in high-return market opportunities such as those I describe above, empowering us to meet growing customer demand.

Disciplined performance management

To ensure we are constantly on target with all our financial and operational metrics, we run a disciplined performance management calendar with five time parameters – from weekly assessments, through monthly, quarterly and annual reviews, right up to inclusion in our strategic five-year planning process. This approach takes account of all important metrics in the business: key financials such as revenue growth, margin, cash conversion, pricing power and capital allocation; and operational indicators such as customer retention and acquisition rates, marketing leads, the sales funnel, our health and safety performance and NPS. Altogether, it means we always know how we are performing across the measures that really matter.

Future focus and outlook

Leveraging our strengths so Intertek remains a force for years to come.

Taken together, our strategic priorities are at the heart of our business, enabling us to achieve the levels of growth that we target for our three divisions.

I am very confident that the continuing strength of our results for 2019 clearly demonstrates the attractive nature of our industry and the unique ability of Intertek to maximise the opportunities we face.

Our strengths include the passion and customer-centricity of our people, our high quality earnings model and the effectiveness of our 5x5 differentiated strategy for growth, all allied with a clear purpose and vision. We also have a very clear understanding of the direction our industry is going, with the accelerating shift from TIC to ATIC and the increasingly powerful impetus behind sustainability.

I would like to say that we want Intertek to remain a force for good for many years to come. Sustainability is the movement of our time, and we are now ready to help corporations address their complex sustainability challenges of today and tomorrow.

I have total confidence, therefore, that we will continue our strong track record of creating sustainable growth and shareholder value, continuing to leverage our high-margin, highly cash-generative earnings model.

Our approach to creating value for our shareholders has already been underpinned for many years by the sustainability of our performance. This in turn is based on the powerful compounding effect, year after year, of the Intertek virtuous economics earnings model: margin-accretive revenue growth, strong cash generation and disciplined investment in growth.

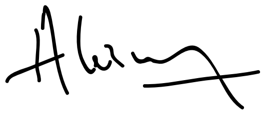
However, Intertek is not immune to the impact of the Novel Coronavirus and our 2020 performance will be affected by the temporary disruption to the supply chains of our clients and any impact it might have on global trade activities.

Moving forward, we are continuing to shift our emphasis towards the most attractive growth and margin areas of our industry, positioning ourselves to benefit from the currently untapped potential latent in companies, markets and industries across the world. I believe our divisions will continue to perform increasingly strongly, delivering sustainable GDP+ organic growth as we make progress on the twin fronts of performance and strategy.

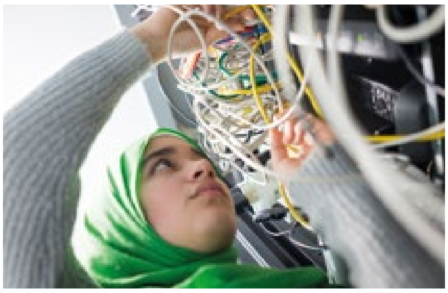
Above all, I am confident that we will remain true to our all-important vision and purpose that drive us to excel every minute of every day. We are here to bring quality, safety and sustainability to life, making the world a better and a safer place for everybody.

This is an immense challenge, but one that we are rising to, today and into the future. It is why we are committed to being Ever Better.

It is the legacy that we are creating for future generations.



André Lacroix
Chief Executive Officer



Measuring safety and quality
We continuously focus on ensuring that our people work in the best possible environment.

Complex sustainability challenges
Sustainability is the movement of our time – and we want Intertek to be a force for good for many years.

Key performance indicators
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 46 and 47.

Non-financial KPIs are shown in the Sustainability Report on pages 24 to 35.

Definitions

- **Constant rates ('CCY'):** Growth at constant exchange rates compares both 2019 and 2018 figures at the average and year-end exchange rates for 2019, 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 2018.
- **Operating profit:** Revenue less operating costs.
- **Operating margin:** Operating profit divided by revenue.
- **Return On Invested Capital ('ROIC'):** Adjusted profit after tax (see income statement on page 104) divided by invested capital.
- **Invested capital:** Net assets excluding tax balances, net financial 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 (page 108 to the financial statements).

Adjusted actual rates
Adjusted constant rates
Statutory actual rates
2019 Adjusted
2018 Adjusted
ROIC under IFRS 16
Statutory

1. Revenue, adjusted operating profit and ROIC are recalculated using 2018 exchange rates to form the basis for Executive Director remuneration, as described in more detail on pages 92 to 93.
2. Adjusted operating profit, adjusted operating margin, adjusted cash flow from operations and adjusted diluted earnings per share are stated on an IAS 17 basis before Separately Disclosed Items, which are described on pages 46 to 47. There is no difference between adjusted and statutory revenue. IFRS 16 was adopted on 1 January 2019 without restating prior year numbers. As such, statutory measures are shown on an IFRS 16 basis in 2019 and IAS 17 basis in 2018. Reconciliations between IAS 17 and IFRS 16 results are disclosed in note 24 to the financial statements on pages 153 to 158.
3. Dividend per share is based on the interim dividend of 34.2p (2018: 31.9p) plus the proposed final dividend of 71.6p (2018: 67.2p).
4. Invested capital excludes the IFRS 16 liability on an adjusted basis.
5. 2018 ROIC has been prepared using 2019 average exchange rates for adjusted operating profit and adjusted tax, and year-end 2019 exchange rates for invested capital. 2018 ROIC at actual rates was 20.6%.

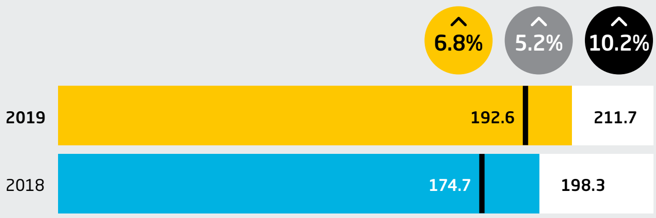
REVENUE[1] (£m)
Revenue growth measures how well the Group is expanding its business and includes currency impacts.

ORGANIC REVENUE (£m)
Revenue growth, excluding acquisitions and disposals.

OPERATING PROFIT[1,2] (£m)
Measures profitability of the Group and includes currency impacts.

OPERATING MARGIN[1,2] (%)
Measures profitability as a proportion of revenue.

DILUTED EARNINGS PER SHARE[2] (pence)
A key measure of value creation for the Board and for shareholders.



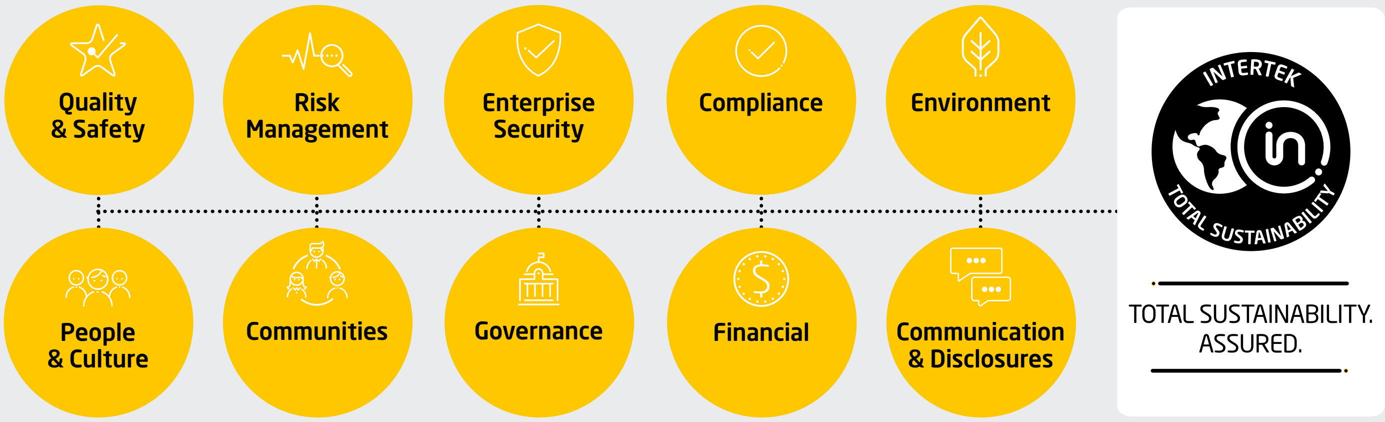
DIVIDEND PER SHARE[3] (pence)
Measures returns provided to shareholders.

CASH FLOW FROM OPERATIONS[2] (£m)
Shows the ability of the Group to turn profit into cash.

RETURN ON INVESTED CAPITAL AT CONSTANT RATES[4,5] (%)
Measures how effectively the Group generates profit from its invested capital.

Sustainability
Our Ever Better approach

Demonstrating our commitment to transparency, we are reporting our progress against our sustainability goals through ten Corporate Sustainability Standards.



Our approach and impact

As a world leader in sustainability services and a purpose-led organisation, it is important for us to ensure that our own standards are as high as those we provide for our clients. That's why from 2019 our sustainability reporting will be based on the ten Corporate Sustainability Standards we follow to verify and certify the corporate sustainability processes in place inside our clients' organisations. We have also conducted an independent materiality assessment to better understand the topics that matter to our stakeholders. More detail on the assessment can be found in our 2019 Sustainability Report.

We are proud of the progress we have made in 2019 and know that our approach to reporting will further embed sustainability into our global business end-to-end. At Intertek 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 and look forward to contributing to an Ever Better future for all.

Progress

Sustainability is truly important to Intertek people around the world and in 2019 we have made excellent progress across all areas of our sustainability agenda. We are deeply committed to supporting our customers, having a positive impact on our people and communities, minimising our environmental impacts, operating with integrity by doing business the right way, and pursuing socially responsible activities through living our strong values every day, everywhere.

Looking ahead

True to our Ever Better approach, we will continue to improve how we operationalise sustainability in all parts of the organisation. Building on the materiality assessment to understand those topics which are most pertinent to our stakeholders, we will continue to assess our own performance in more detail against each of the ten Corporate Sustainability Standards.

Download the full Sustainability Report 2019 at intertek.com/about/our-responsibility

Quality & Safety

End-to-end assurance of operations and products

The principles of quality and safety, part of our purpose and operations, are cornerstones of sustainability and sit at the heart of what Intertek has been supporting clients with for over 100 years.

We understand the importance of incorporating sustainability principles into our quality and safety management policies and systems: how we capture data to drive operational excellence; consistently improving our services to our customers; adopting the Intertek Sustainable Procurement policy; and ensuring the health and safety of our people.

You can download the Intertek Sustainable Procurement policy from intertek.com/about/compliance-governance

Intertek considers the health, safety and welfare of its employees, clients and third parties connected with its business to be of paramount importance. Our aim is to encourage a culture of proactive Health and Safety ('H&S') awareness, industry best practice and continuous improvement so as to increase H&S performance globally.

Our Group-wide 'General Safe Working Guidelines' provide the basis for a common and aligned H&S standard for all Intertek sites globally. We aim to achieve zero lost time incidents and are committed to the continuous review and improvement of our H&S performance.

There is a dedicated fire warden, first aider and H&S 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 targeting continuous improvement.

During 2019 we made several improvements to the systemic embedding of H&S awareness and processes within the Group. Helping to set the right tone from the top, H&S reviews and reminders were implemented as the first agenda item for every Group leadership meeting. The approach has been replicated throughout many parts of the Group and sends a very powerful message on its critical importance.

Building on the progress in 2018, we continue to believe that the increases seen in First Aid reporting and Lost Time Incidents is linked to greater awareness and reporting overall.

The growth in H&S engagement in 2019 is encouraging and this progress drives the Total Recordable Incident Rate ('TRIR') down 4bps on 2018.

Risk Management

Building resilience through systemic risk management and awareness

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

Risk management is embedded in the running of each division, business line, country and support function with oversight through risk committees which in turn report to the Group Risk Committee as part of our integrated Risk, Control and Compliance framework. Through our strategy we have determined our appetite for risk and cascaded this through our processes.

Our risk environment consists of emerging risks, which are addressed through the risk footprint process, and systemic risks, that are addressed through our controls and group policies.

At an operational level, all global and country business lines are required to maintain a process by which the risks of each opportunity is assessed. These processes are embedded in each business' Quality Management System.

Read more about our processes, the role of the Board and the Audit Committee in the Directors' report on pages 58 to 102, together with the Group's principal risks and uncertainties on pages 50 to 55

Health and Safety Data

	2019	2018	% change
Hazard Observation	14,610	9,155	60%
Near Miss	2,491	2,207	13%
First Aid	1,347	1,094	23%
Lost Time Incidents	155	137	13%
Medical Treatment Incidents	125	149	(16)%
Fatalities	–	1	(1)
Total Recordable Incident Rate ('TRIR')[1]	0.61	0.65	(4)bps

1. Rate refers to the number of lost time incidents, medical treatment incidents and fatalities occurring per 200,000 hours worked.

16%
Reduction in medical treatment incidents year-on-year

Sustainability continued

Enterprise Security

Protecting the safety and security of people, critical assets and intellectual property

The importance of ensuring the security of our data and IT systems is paramount, as are the continual actions required in order to protect from ongoing threats. Intertek has robust measures in place to protect people, processes and data.

At Intertek we have adopted a risk based security framework, based on international best practices to protect customers, employees and Intertek data.

Our framework is based on clear policies, standards and supporting guidelines.

We support our operations and ultimately our customers by facilitating growth and change with:

- scalable, flexible IT solutions and services;
- streamlining operations and improving processes and productivity to reduce costs of IT infrastructure and applications; and
- innovations, enhancing service delivery and strengthening internal and external customer relationships.

Data Protection

We believe that all our people and all our customers have the right to data privacy, and so we have adopted the best practices and standards set out in the General Data Protection Regulation ('GDPR') across all of our markets and operations, and in relation to all individuals whose personal data we obtain and use (not just individuals in the EEA).

Our Group Data Protection Policy is aligned with the GDPR requirements to set out the minimum data protection standards we apply throughout our operations so that we use all personal data transparently, fairly and securely.

Read more on our approach to Enterprise Security in our Sustainability Report 2019

Compliance

Doing Business the Right Way

We are committed to maintaining the total confidence of our stakeholders. One of the Group's primary business objectives is to help our customers meet quality standards for virtually any market in the world and protect them against risk by ensuring compliance with local, national and international laws.

The accuracy and validity of reports and certificates that we provide and maintaining the trust and confidence of our customers, their customers and others impacted by our work, are therefore important factors which contribute to our success. Integral to this is 'Doing Business the Right Way'; our internal risk, control, compliance and quality programme.

This 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.

Our Internal Audit function provides an independent and objective assurance over compliance with the financial controls.

Read more in the Audit Committee Report on pages 76 to 80

Ethics, integrity and professional conduct

Our commitment to the highest standards of integrity and professional ethics is embedded in the Group's culture through our Code of Ethics ('Code'). Our reputation is built on the integrity and know-how of our people, so we do not tolerate unethical behaviour by our employees, contractors, agents or anyone acting on our behalf. The Code sets clear expectations for people working in our business to act at all times with integrity and in an open, honest, ethical and socially responsible manner. The Code 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 the Code can be raised and discussed openly without recrimination. We operate a strict zero-tolerance policy regarding any breach of our Code 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 the Code upon joining the business or before commencing work on our behalf. This confirms their acceptance of the high standards expected of them in all business dealings.

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. Every year, to support the continuing understanding in this area, all of our people are required to complete our comprehensive training course. Over 85% of our workforce can complete their training online. For those without IT access, a process is in place to ensure their access to the information. Regional and country HR representatives are given updates throughout the training window, and on closure follow up locally to ensure full completion.

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.

The Code of Ethics is available on our website intertek.com/about/compliance-governance

Whistleblowing hotline

To empower our people and stakeholders to voice any concerns about breaches of the Code or 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 and 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 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.

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 2019, 168 reports of non-compliance with the Code were made to our hotline. Of those reports, 40 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.

100%
of our colleagues are required to complete our Code of Ethics training

Environment

Protecting the future of the planet

Our environmental mission is to provide a better quality of life today and a more environmentally responsible world tomorrow. We 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.

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 our employees, suppliers and customers. As such, our aim is to improve operational and natural resource efficiency in a consistent manner across all our sites.

Read more in our Sustainability Report 2019 about the ways our local teams are ensuring our operations around the world become more environmentally efficient.

Sustainability continued

Operational scope

We have measured our Scope 1 and 2 GHG emissions as well as certain Scope 3 emissions covering the categories of fuel and energy-related activities and employee commuting.

Scope 3 emissions, while not viewed as mandatory, provide valuable insights on the full emissions picture for a company. There are 15 potential Scope 3 categories, but not all are relevant to every company. Utilising a reputable third party vendor, Intertek determined in 2018 that seven were relevant to our operations, and of these seven categories five were material and should be reported.

For 2019, Intertek is disclosing Scope 3 emissions, including for the first time employee commuting data results. Over 14,200 employees responded to the Group-wide commuting survey, showing their support for our Ever Better philosophy towards sustainability.

Our data

Our desire for improved data accuracy and environmental reporting continues with our annual GHG reporting cycle running from 1 October 2018 to 30 September 2019. The corresponding average number of employees for this period was 44,775. Throughout 2019, we have continued to increase attention to detail and diligence across all Intertek sites and we continue to embed policies and procedures in our regional and divisional structures.

CO_2e[1] emissions from 2019 activities for which Intertek is responsible include:

Our disclosure in accordance with the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 is stated in the table below and is incorporated in the Directors' report by reference on page 101.

		GHG Emissions (tonnes of CO_2e)[1]	
Operational Emissions		2019	2018 (restated)[2]
Scope 1	Fugitive Emissions	2,141	2,793
	Mobile Combustion – Owned Fleet	35,565	33,452
	Stationary Combustion	27,245	26,678
Scope 2	Purchased and Used Electricity (location-based)	126,981	121,243
	Purchased and Used Electricity (market-based)	132,458	127,774
	Purchased Heat and Steam	1,712	1,625
Scope 3	Energy-Related Activities[3]	7,688	7,611
Total emissions (location-based)		**201,332**	**193,402**
Total emissions (market-based)		**206,809**	**199,933**
Outside of scope	Biomass	322	624
	Fugitive Emissions	2,060	1,444
Total emissions (location-based) including outside of scope		**203,714**	**195,470**
Total emissions (market-based) including outside of scope		**209,191**	**202,001**
Intensity ratios – Scope 1, 2, 3 emissions			
Operational emissions			
CO_2 per employee (location-based)		4.50	4.37
CO_2 per employee (market-based)		4.62	4.52
Average number of employees during reported period		44,775	44,255
Employee commuting			
Total emissions		74,332	–
CO_2 per employee commuting		1.66	–

1. CO_2e – Carbon dioxide equivalent.
2. The prior year total emissions (location-based) was 182,333 (reported) vs. 193,402 (restated). This is a result of increased reporting visibility in a number of locations, as well as the removal of refrigerants used for cooling buildings, as it was considered immaterial. We continue to include refrigerants used in testing.
3. Scope 3 energy-related activities only include Transmission and Distribution losses.

Our Global Sustainability Environmental software platform, used to monitor and track our global GHG emissions, allows us to diligently collate the data at site level and roll up reporting packs to both the business line and country levels.

This provides us with intelligence on our emissions performance both through a regional and business line view and enables us to understand where our operations are more impactful, which in turn helps us to understand where to implement our mitigation plans.

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

Full details of our emissions are contained in the table opposite.

Our activities across the world are diversified, with a mixed spread of both laboratories and offices, with our carbon emissions intensity higher in businesses that are more capital intensive, such as our global laboratory network, compared to our audit and office-based operations, which have much lower capital intensity.

Additionally, where possible, we also use technology to generate onsite energy from the fuel consumed, thereby ensuring the footprint is minimised. Fleet management and testing efficiency continue to be areas Intertek will innovate for future emissions reductions.

In 2019, we have improved our disclosures by reporting the emissions linked to employee commuting. Our CO_2e emissions intensity ratio from operations was 4.5, 3% ahead of 2018 and 180bps below our total revenue growth rate at constant rates.

Our electricity consumption was reported to be 263,576 MWh (5.89 MWh per employee) and natural gas consumption was reported to be 69,871 MWh (1.56 MWh per employee) for 2019.

As a result of the commuting survey, Intertek is heightening the importance of commuting habits and encouraging employees to consider greener alternatives, such as ride sharing, public transport and flexible working practices.

Methodology and approach

The emission factors are sourced from the relevant government department in each country, including UK DEFRA and the US Environmental Protection Agency ('US EPA') . 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'.

At Intertek we take an Ever Better approach to ensure our data is wholly accurate and consistent year-on-year. Data collection continues to improve, with over 130 users adding site level data every month. Where material items are identified, we include these both prospectively and retrospectively to understand our full global carbon footprint.

Targets

Intertek clients depend on our safety, quality and environmental expertise to ensure their products meet global market expectations. Intertek will continue to strive for emissions reductions internally as the world's leading Total Quality Assurance ('TQA') provider.

In line with our prior year reporting our target is maintained and we continue to strive for a reduction in GHG emissions per employee by 5% against our 2018 base year.

As part of our environmental mission, we will continue to make improvements going forward and are committed to reducing the carbon footprint of our direct operations. We will report our progress on this in the coming year.

You can read more about our global environment activities in our Sustainability Report 2019.

External assurance

2019 marks the second consecutive year that Intertek's GHG data has been independently assured by Ernst & Young to ensure our internal processes provide the most accurate reporting while also focusing on emissions reductions. Their independent assurance statement can be found on page 30.

Sustainability continued

Independent Assurance Statement to Intertek Group plc Management

We have performed a limited assurance engagement on selected performance data presented on pages 27-29 of the Intertek Group plc ("Intertek Group") Annual Report 2019 ("the Annual Report") and pages 24-26 of the Intertek Group plc ("Intertek Group") Sustainability Report 2019 ("the Sustainability Report").

Respective responsibilities

Intertek Group management is responsible for the collection and presentation of the information within the Annual Report and the Sustainability Report. Intertek Group management is also responsible for the design, implementation and maintenance of internal controls relevant to the preparation of the Annual Report and the Sustainability Report, so that they are 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 in the tables on pages 28 of the Annual Report and 26 of the Sustainability Report:

- Greenhouse gas emissions – scope 1;
- Greenhouse gas emissions – scope 2; and
- Greenhouse gas emissions – scope 3
  - Fuel and energy related activities
  - Employee commuting
- 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 Annual Report and the Sustainability Report have been evaluated against the following criteria (collectively "the Criteria"):

Completeness

- Whether all material data sources have been included and that boundary definitions, (outlined in pages 27-29 of the Annual Report and 24-26 of the Sustainability Report), have been appropriately interpreted and applied.

Consistency

- Whether the Intertek Group scope and definitions, (outlined in pages 27-29 of the Annual Report and 24-26 of the Sustainability Report), 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 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 2019 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.

Our independence

Our assurance team has the appropriate expertise to perform the engagement and with the exception of this work we have provided no other services relating to Intertek nor are we a connected person.

In performing this engagement, we have applied International Standard on Quality Control (ISQC) and the independence and other ethical requirements of the International Ethics Standards Board for Accountants (IESBA)[1].

Ernst & Young LLP
London
3 March 2020

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

People & Culture

Building a sustainable workforce

Intertek's first corporate goal is to have fully engaged employees working in a safe environment.

Employee engagement, human rights and worker health, safety and wellness are core to the long-term success of our business and we strive for a sustainable workforce that is stable, engaged and committed to the organisation, our goals and objectives. We respect and protect the rights of our people across operations and throughout our business relationships.

Our People Strategy is all about energising our colleagues to take our business to new heights.

Employee safety and wellbeing

True to our first corporate goal, we have made a lot of progress in the way in which we manage employee health and safety and initiatives have been created around the world in every country and business line. In 2019 we undertook a survey to benchmark ourselves against best-in-class, which is shaping our thinking and our vision for our employees' safety and wellbeing. To further elevate this vital agenda, in 2019 we appointed a VP Global Employee Health and Safety.

The safety of our people is of paramount importance and we will continue to develop our approach, building on our policies and processes to ensure these provide more tailored support for colleagues across different roles and responsibilities.

Talent attraction, development and retention

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) 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 business first.

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 the skills to grow our business.

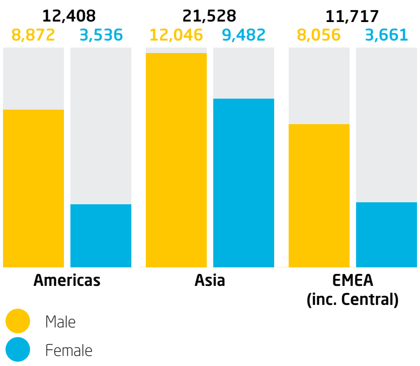
With an Ever Better mindset we encourage our people to continuously learn new skills that help advance their careers and deliver our TQA Customer Promise. Our talent-planning process is critical to our future success in delivering our strategy and fostering our culture and values throughout Intertek.

We believe in personal growth for every employee and we know that when each of us is growing and developing, we move faster along our good-to-great journey. Over the years we have made great progress with our Leadership Development agenda.

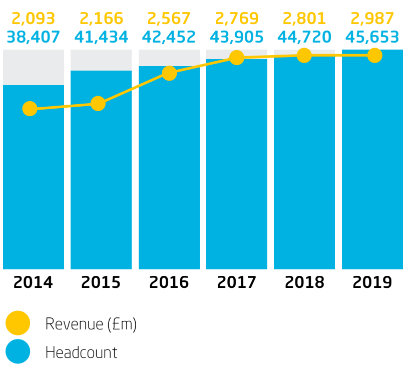
Today we have in place many Group-wide programmes to support this agenda including talent planning processes, the 10X Journey that provides structure for individual growth planning, our 10X Energies that help define winning behaviours and 10X Way! training to help address key development and training needs. There are many more programmes across the business, providing in-house and external learning opportunities.

As we operate across a wide range of sectors, different types of technical training, education and support are required, including apprenticeships and internship programmes, as well as college degrees and professional qualifications.

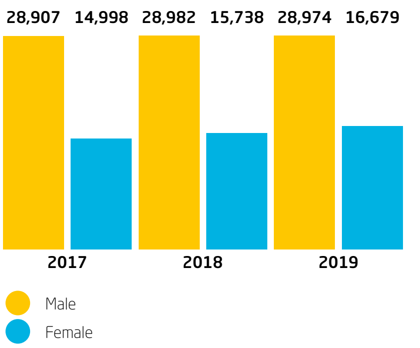
INTERTEK TQA EXPERTS BY REGION



REVENUE AND HEADCOUNT



TQA EXPERTS BY GENDER



11%
increase in female employees since 2017 and

6%
over the past year

Sustainability continued

At Intertek our leaders strive to be of the highest quality in the industry and we believe in the spirit of Ever Better and know that the ability our leaders have to develop and grow employees in their teams is one of the biggest factors that will influence the exciting growth journey we have ahead of us.

During the year we appointed a VP Group Leadership Development to further advance our global Leadership Development agenda.

Protecting human rights

We are committed to ensuring that our employees are subject to fair working practices and are treated with respect. Within our business, the rights of our employees are respected by the implementation of our Labour and Human Rights policy and Code of Ethics. Both are aligned to the principles of the United Nation's ('UN') Convention on Human Rights and the International Labour Organisation's ('ILO') eight core conventions on fundamental human rights, those being: non-discrimination; forced labour; child labour; freedom of association and collective bargaining; harassment; working hours; benefits and wages; leave; and employee contracts and letters.

In 2019, we published our third Modern Slavery Act Statement to outline the steps we are taking internally, in our supply chain and through partnerships and advocacy to avert modern slavery and human trafficking.

For our Labour and Human Rights policy and Modern Slavery Statement, visit our website intertek.com/about/compliance-governance

Read more about how we are building a sustainable workforce in our Sustainability Report 2019.

Inclusion, diversity and gender equality

We are an inclusive global family that values diversity by applying 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 facilitates a culture of inclusiveness where people are able to perform at their best, where their views, opinions and talents are respected, harnessed and not discriminated against. We are committed to maintaining the highest standards of fairness, respect and safety.

As a business we want to ensure that we have the right capabilities to deliver our strategy. We recognise the value that individuals of different backgrounds and capabilities bring to the business. Our diverse workforce helps us to understand, communicate and trade with our vast client base through their understanding of local issues and cultures, adding value in assuring our services are tailored to our customer needs, and underpins sales growth, customer retention and satisfaction.

We recognise the importance of gender diversity, in management and across all levels of our business. In line with the Hampton-Alexander Review, as well as supporting gender diversity on our Board, in June 2019 we contributed our data on the gender balance across our senior executive team and their direct reports:

	2018		2019	
	Male	Female	Male	Female
Board	7	3	7	3
Executive Management Team (Exec)*	11	3	10	4
Direct reports (DR)	95	24	97	24
Combined: Exec + DR	106	27	107	28

Data submitted as at 30 June 2019.

* Executive Management Team: comprised the Group Executive Committee for 2018 and 2019. Since June 2019 we have combined the Group Executive Committee and Group Operational Excellence Committee into the Intertek Leadership Team.

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.

At Intertek, men and women are paid equally for doing equivalent roles and we are 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.

Our UK Gender Pay Gap Report is published on our website at intertek.com/about/corporate-responsibility

Communities

Giving back to society

Our global business spans more than 100 countries and, as such, we understand the huge opportunity and responsibility we have to make a positive and lasting impact on our local communities where we work. As a business we contribute by creating employment opportunities, and our 46,000 people are passionate about volunteering, funding education programmes and supporting charities to benefit their local communities and neighbourhoods.

Each of our Countries and Business Lines define their own sustainability agendas, which are tied to the Group priorities, aligned to the UN Sustainable Development Goals and focus on their local operations and communities.

Read more about our local initiatives in our Sustainability Report 2019

Governance

Embedding accountability across our organisation

Our governance practices demonstrate our values and our progress against policies and sustainability objectives to both internal and external stakeholders.

The focus on corporate governance in the UK and around the world has continued to evolve with increased emphasis on corporate culture, purpose and the values which are critical to ensuring long-term sustainable success.

In embedding responsibility throughout Intertek, we focus on the areas we are deeply committed to; supporting our customers and having a positive impact on our people and communities, minimising our environmental impacts, operating with integrity by Doing Business the Right Way, and pursuing our socially responsible activities through living our strong values every day, everywhere. These areas are linked to and support our 5x5 strategy for growth.

We continue to develop these and the supporting network. The process is led by the Sustainability Operating Committee, whose purpose is to advance our initiatives, both internally and in our external sustainability services for our clients.

Read more about our approach to corporate governance, the work of the Intertek Board and its Committees in the Directors' report on pages 58 to 102

Colleagues around the world regularly take part in activities that benefit their local communities and wider society. Read more about these activities in our Sustainability Report 2019.

Sustainability continued

Financial

Ensuring the integrity of process and accounts

Sound financial practices drive the sustainability of our business at every phase of our short- and long-term planning and execution. We have a holistic approach to financial planning and execution, supported by our internal policies and procedures which are reviewed and updated regularly. Our global process documents are applicable to all finance functions across the Group.

Further information about the process and governance of our financial reporting can be found in the Audit Committee report on pages 76 to 80.

Communication & Disclosures

Delivering transparency to all our stakeholders

Engagement with our shareholders and wider stakeholder groups plays a key role throughout our global business, including at Board level. It helps us to get a better understanding of the impact of our decisions on stakeholder interests as well as gain an insight into their needs and concerns. It underpins good governance, which is embedded throughout our business.

The following list of stakeholders represents the key resources and relationships that support the generation and preservation of value in the Group, as well as our unique culture.

Customers
We aim to always deliver a superior and continuously improving customer service.

People
We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career, supported and enabled by great leaders.

Investors
We aim to deliver robust returns and long-term sustainable value for our investors.

Suppliers
We recognise the importance of our supply chains and invest in our relationships with them.

Communities and society
We strive to operate as a sustainable and environmentally responsible company, driving prosperity through our core business, and collaborating with local partners to promote social and economic development.

Governments and regulators
Doing business the right way; complying with global, regional and local regulations is who we are.

Details of how we have engaged with, and taken into consideration, the interests of those stakeholders who are material to the long-term success of our business can be found in the section 172 statement and in the Directors' report on pages 56 and 57 and 58 to 102 respectively.

Our approach to materiality

We recognise the importance of determining and prioritising the key sustainability topics relevant to the business and our stakeholders. For this reason, in 2019 we conducted an independent materiality assessment which ensured that current views and emerging trends are being addressed by Intertek.

The materiality assessment specifically considered topics that are consistent with areas typically under the umbrella of sustainability, and the assessment analysed data and information from a variety of internal and external sources to ensure that all potential topics were considered and captured.

The methodology was aligned to AccountAbility's AA1000 Principles, the GRI Standards, IIRC, CDP, UN SDGs, DJSI and SASB guidelines. The process ensured that all relevant topics have been considered appropriately within the scope of the study.

Material topics

- Employee care
- Diversity and inclusion
- Environment
- Societal impact
- Human and labour rights
- Customer and product responsibility
- Working with customers
- Compliance and legislation
- Privacy and security
- Governance

GROUP NON-FINANCIAL INFORMATION STATEMENT

The table below is intended to help our stakeholders understand our position on key non-financial matters in line with the reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006. Most of our reporting on these topics and KPIs is contained in our Strategic report. More detail can also be found in our full Sustainability Report which is available on our website.

REPORTING REQUIREMENT	POLICIES AND STANDARDS WHICH GOVERN OUR APPROACH	DESCRIPTION, IMPLEMENTATION, DUE DILIGENCE, OUTCOMES AND ADDITIONAL INFORMATION
Environment	• Environmental and Climate Change Policy[1] • GHG Protocol: 'Corporate Accounting and Reporting Standard' • ISO 140064-1 • UK Government's 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance'	Environment – **pages 27 to 30**
Employees	• Board Diversity Policy[2] • Code of Ethics[2] • General Safe Working Guidelines • Inclusion and Diversity Policy[1] • International Labour Organisation's Core Conventions	Nomination Committee report – **pages 74 and 75** Compliance – **pages 26 and 27** Quality & Safety – **page 25** People & Culture – **pages 31 to 33**
Social matters	• Engaging with our stakeholders • Giving back to society	Communications & Disclosures – **page 34** Communities – **page 33**
Human rights	• Labour and Human Rights Policy[1] • Modern Slavery Statement[2] • Modern Slavery Policy[2] • Privacy Policy[2] • UN Convention on Human Rights	People & Culture – **pages 31 to 33**
Anti-corruption and anti-bribery	• Anti-Bribery Policy[2] • Anti-Bribery External Relationships Policy[2] • Whistleblowing Hotline	Principal risks and uncertainties – **pages 50 to 55** Compliance – **pages 26 and 27** People & Culture – **pages 31 to 33**
Description of principal risks and impact of business activity		Principal risks and uncertainties – **pages 50 to 55**
Description of the business model		Our 5x5 Strategy – **pages 12 and 13** Our High Quality Earnings Model – **page 9**
Non-financial key performance indicators		Quality & Safety – **page 25** People & Culture – **pages 31 to 33** Environment – **pages 27 to 30**

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.

Download the full Sustainability Report 2019 at intertek.com/about/our-responsibility

Operating reviews
Products

Robust margin-accretive revenue growth

BUSINESS LINES

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

REVENUE
£1,796.7m

ADJUSTED OPERATING PROFIT (IAS 17)
£398.6m

STATUTORY OPERATING PROFIT (IFRS 16)
£381.5m

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.

Product Sustainability Certifications

- **Sustainability Services Innovation:** As part of our Operational Sustainability Services, Intertek is developing a comprehensive suite of Product Sustainability Certifications, including Recycled Content, Reduced Resources, Carbon Footprinting and Biodegradability.
- **Customer Benefit:** With independent verification of the improvements they are making to the sustainability of their products, our customers can effectively manage increasing scrutiny from stakeholders and ever-more stringent regulatory requirements.

FINANCIAL HIGHLIGHTS 2019

	2019 IAS 17 £m	2018 IAS 17 £m	Change at actual rates IAS 17	Change at constant rates IAS 17	2019 IFRS 16 £m
Revenue	**1,796.7**	1,680.2	6.9%	4.6%	1,796.7
Organic revenue	**1,743.4**	1,667.5	4.6%	2.3%	1,743.4
Adjusted operating profit	**398.6**	371.0	7.4%	5.7%	405.4
Adjusted operating margin	**22.2%**	22.1%	10bps	20bps	22.6%
Operating profit	**374.7**	344.5	8.8%		381.5
Operating margin	**20.9%**	20.5%	40bps		21.2%

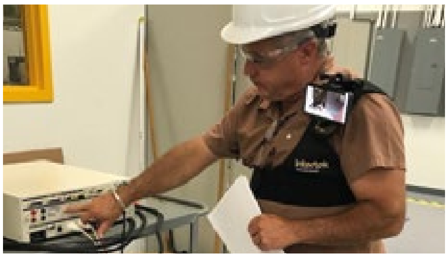
Intertek High Performance Mark

- **Softlines Innovation:** Intertek's unique High Performance Mark sets the standard for assuring product claims and quality of high-performance textile products in the fast-growing athleisure market.
- **Customer Benefit:** Our customers are now able to differentiate their athleisure offering, giving consumers the peace of mind that their purchase is safe, of high quality and that the high-performance claims made are validated.

Intertek People Assurance

- **People Assurance Innovation:** Intertek Alchemy has developed a revolutionary platform that puts the collective knowledge, skill and expertise of every employee in the palm of a supervisor's hand. The new Alchemy Playbook technology enables companies to create, deliver and track job-specific training right on the production floor. And it also allows plant supervisors to find qualified workers for any job within seconds.
- **Customer Benefit:** Companies gain a wide range of benefits from this new Alchemy Playbook technology, including: eliminating downtime from unexpected employee absences; capturing institutional knowledge from a rapidly retiring workforce; easily creating job-specific training using videos from the production floor and replacing overflowing paper SOP binders with accurate and consistent on-the-job training.

Virtual Audits



- **Business Assurance Innovation:** Intertek has developed a pioneering Virtual Audits solution, through which our TQA experts are able to audit remotely. This allows us to deliver our audits faster and with a wider audience of observers.
- **Customer Benefit:** As the world of our clients becomes increasingly complex, our customers can now benefit from real-time quality audits, delivering robust assurance against key risk areas across their supply chains.

Strategic report
Directors' report
Financial statements

CASE STUDY

STEM TOY MARK

Supporting STEM skills development by guaranteeing the safety and quality of educational toys

Skills in Science, Technology, Engineering and Mathematics ('STEM') are key for success in advanced, knowledge-based economies.

Our Hardlines and Toys' customers are offering parents educational toys that promote STEM skills to encourage early-development and prepare their children for the future. But as the sophistication of toys increases, so do the safety risks.

We have developed a unique STEM Toy Mark, verifying that our customers' toys have met stringent quality and safety standards, as well as bringing educational benefits to aid STEM skills development.

With the STEM Toy Mark, our customers are able to offer consumers assurance that their products are safe and educational.

Operating reviews continued

Products continued

2019 performance

In 2019 our Products business delivered a robust performance with continuous margin-accretive revenue growth.

Our revenue growth at constant rates was 4.6% and our organic revenue growth was 2.3%, driven by broad-based revenue growth across business lines and geographies. We delivered robust operating profit of £398.6m, up 5.7% at constant rates, enabling us to deliver a margin of 22.2%, up 20bps versus last year as we benefitted from positive operating leverage and disciplined cost management.

- Our **Softlines** business reported an organic growth performance slightly below last year. We are benefitting from the investments we have made to support the expansion of our customers into new markets, seizing the exciting growth opportunities in the footwear sector and continuing to leverage the strong demand from our customers for chemical testing. However, the lack of visibility around the outcome of negotiations on tariffs has resulted in a delay in the launch of new products in the second half.
- 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 solid organic revenue growth performance across our main markets of Greater China, India and Vietnam.
- We delivered good 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.
- Our **Business Assurance** business delivered good 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.
- Driven by the growing demand for more environmentally friendly and higher quality buildings and infrastructure in the US market, our **Building & Construction** business reported good organic revenue growth.
- Our **Transportation Technology** business delivered robust organic revenue growth as we capitalise on our clients' investments in new powertrains to lower emissions and increase fuel efficiency.
- We continue to benefit from the increased focus of corporations on food safety and delivered good organic revenue growth in our **Food** business.
- We delivered an organic revenue performance slightly below last year in our **Chemicals & Pharma** business due to a base line effect in 2018 driven by the 1 June 2018 REACH registration deadline.

Mid- to long-term growth 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.

CASE STUDY

intertek inlight

ADDRESSING SUPPLIER RISK

Intertek InLight, an easy-to-implement solution that helps buyers identify risks at every level of the supply chain, making compliance straightforward. Coupling its data-gathering platform with rich supply chain and compliance expertise, it delivers n-Tier visibility alongside end-to-end risk benchmarking and prioritisation, remediation, ongoing data analysis and reports.

CASE STUDY

CYBER ASSURED

Cyber Assured is the first cybersecurity testing and certification programme focused on consumer products, helping protect against the new risks of the connected world

The explosion in connectivity is transforming everyday life. In particular, consumer products of all types are joining the IoT. Whilst these developments bring great benefits, they also carry significant risks; whether a hacked door smart lock facilitating burglary or privacy threats from a compromised baby monitor. New weaknesses are also constantly being discovered in devices and software already on the market. This makes cybersecurity of critical importance to clients launching IoT products.

Connected World Innovation

Using our heritage in high-end governmental cybersecurity and understanding of the consumer products market, Intertek has developed Cyber Assured, the first cybersecurity testing and certification programme focused on consumer products. This delivers a comprehensive yet risk-appropriate testing and certification solution, covering the whole IoT 'triangle': the product, app and cloud. It includes continuous vulnerability monitoring, protecting against evolving and emerging threats.

Customer Benefit

Cyber Assured benefits brands, manufacturers and retailers in three main ways: comprehensive testing to launch fundamentally secure products; continuous vulnerability monitoring to enable timely action to fix weaknesses; and recognition that the product is secure.

For consumers, it is peace of mind that the products they buy are secure, and monitored to ensure they remain so over their life cycle.

Operating reviews continued

Trade

Revenue acceleration

BUSINESS LINES

Caleb Brett

Government & Trade Services

AgriWorld

REVENUE

£679.4m

ADJUSTED OPERATING PROFIT (IAS 17)

£83.5m

STATUTORY OPERATING PROFIT (IFRS 16)

£82.0m

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 **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.

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:

Intertek Beerlab

intertek beerlab

- **AgriWorld Innovation:** Through our remote sample submission mechanism, craft brewers now have access to state-of-the-art lab equipment and Intertek TQA expertise.
- **Customer Benefit:** QA in the craft brewing industry is typically performed via taste and smell. Now, for the first time, craft brewers can rapidly identify quality issues, resulting in waste reduction and ingredient optimisation for a more efficient brewing process.

Inflow for IMO2020 Compliance

- **Caleb Brett Innovation:** We combine near-infrared scanners and our market-leading proprietary Inflow technology to look outside the usual fuel analysis parameters to identify unexpected issues with oil quality and compatibility.

FINANCIAL HIGHLIGHTS 2019

	2019 IAS 17 £m	2018 IAS 17 £m	Change at actual rates IAS 17	Change at constant rates IAS 17	2019 IFRS 16 £m
Revenue	**679.4**	642.1	5.8%	4.5%	679.4
Organic revenue	**671.3**	636.5	5.5%	4.1%	671.3
Adjusted operating profit	**83.5**	83.4	0.1%	(0.2)%	86.6
Adjusted operating margin	**12.3%**	13.0%	(70)bps	(60)bps	12.7%
Operating profit	**78.9**	78.3	0.8%		82.0
Operating margin	**11.6%**	12.2%	(60)bps		12.1%

- **Customer Benefit:** Our solution allows our shipping customers to mitigate the risks arising from the changes they have made to their fuel to comply with the IMO2020 emissions regulations.

QR Codes for Report Authentication

- **Caleb Brett Innovation:** Intertek Caleb Brett have introduced tech-augmented reports, with QR codes providing indisputable evidence of authenticity.
- **Customer Benefit:** Our new tech-augmented approach reinforces our customers' confidence in the authenticity of our QA reports and by extension of the quality, safety and sustainability of the products and operations they assure.

2019 performance

Our Trade-related businesses benefitted from an acceleration in revenue momentum with 4.5% growth and 4.1% organic revenue growth at constant rates, driven by broad-based revenue growth across business lines and geographies. We delivered a stable operating profit of £83.5m, down 0.2% at constant rates, enabling us to deliver an operating margin of 12.3%, down 60bps versus last year driven by portfolio mix effect within GTS and challenging trading conditions within Caleb Brett North America and Northern Europe.

- Our **Caleb Brett** business reported good organic revenue growth, reflecting the structural growth drivers in the Crude Oil and Refined Product global trading market.
- Our **Government & Trade Services** business delivered double-digit organic revenue growth driven by growth with existing contracts and benefits of new contracts.
- Our **AgriWorld** business delivered good organic revenue growth driven by a broad based growth performance across our global inspection businesses.

Mid- to long-term growth outlook

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

CASE STUDY

intertek
inview

Inview: our unique remote real-time Virtual Audit solution

Inview, a new remote inspection service that has been designed to provide customers with better and faster access to Intertek's team of technical inspection experts – wherever and whenever required.

Customers connect with our technical inspection experts via live video through the Inview app on their smart device and are guided through the entire inspection process in real time. The app has plenty of features and in a trade environment, where speed is of the essence, Inview provides customers with tangible benefits: better and faster access to Intertek's team of technical inspection experts; faster inspection turnaround time; immediate flagging of potential issues identified during inspections; and easily available full inspection records, including video and images, for assessment and auditing.

Operating reviews continued

Resources

Revenue and margin improvement

BUSINESS LINES

Industry Services

Minerals

REVENUE

£510.9m

ADJUSTED OPERATING PROFIT (IAS 17)

£31.2m

STATUTORY OPERATING PROFIT (IFRS 16)

£22.3m

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:

Windlife

- **Industry Services Innovation:** Windlife, our state-of-the-art wind turbine management platform, is built on Intertek's proprietary algorithms, giving real-time asset data through a fully customisable web portal
- **Customer Benefit:** Our customers are leveraging Windlife's prediction and visualisation capabilities to monitor and optimise the performance and useful life of their wind assets

Rock Chip Imagery for AI Analysis

- **Minerals Innovation:** Our Minerals TQA experts are using cutting-edge technology to deliver rapid, high quality and consistent minerals imagery to feed AI-powered mineral modelling systems

FINANCIAL HIGHLIGHTS 2019

	2019 IAS 17 £m	2018 IAS 17 £m	Change at actual rates IAS 17	Change at constant rates IAS 17	2019 IFRS 16 £m
Revenue	**510.9**	478.9	6.7%	5.7%	510.9
Organic revenue	**510.9**	478.9	6.7%	5.7%	510.9
Adjusted operating profit	**31.2**	27.4	13.9%	16.0%	32.2
Adjusted operating margin	**6.1%**	5.7%	40bps	50bps	6.3%
Operating profit	**21.3**	13.4	59.0%		22.3
Operating margin	**4.2%**	2.8%	140bps		4.4%

- **Customer Benefit:** With consistent, high quality images, our customers can estimate geological features with unprecedented accuracy, reducing the need for field geologists, driving efficiency and safety in their mining operations

Helicopter Underwater Escape Simulations

- **Industry Services Innovation:** The entrepreneurialism and customer centricity of Intertek's experts led them to address our customers' risk by developing a helicopter underwater escape simulation programme under international standards
- **Customer Benefit:** Our Exploration and Production customers now have peace of mind that their staff are prepared for the situations where the risk to their safety is greatest, under real simulated conditions

2019 performance

We benefitted from an improved revenue momentum with margin accretion in our Resources-related businesses. We reported robust organic revenue, up year-on-year by 5.7% at constant rates, and we delivered an operating profit of £31.2m, which was up year-on-year by 16.0%, enabling us to deliver a margin of 6.1%, up year-on-year by 50bps.

- We delivered robust organic revenue growth in our **Capex Inspection Services** business which benefitted from the increased investment of our customers in exploration and production activity as well as wins of new clients in several geographies. The demand for **Opex Maintenance Services** remained stable.
- We benefitted from robust organic revenue growth in our **Minerals** business driven by stronger demand for testing and inspection across most geographies.

Mid- to long-term growth outlook

Our Resources division will grow in the medium- to long-term as we benefit from investments in Exploration and Production of Oil and Minerals, to meet the demand of the growing population around the world.

CASE STUDY

intertek riskAware

Delivering precise focus on the highest supply chain risks

Intertek's RiskAware predictive analytics solution answers a critical question affecting buying organisations across the world: how to minimise the total cost of quality in the supply chain by prioritising high-risk areas and reducing spend where risks are lower.

Intertek has built up more than a decade of supply chain insights into issues ranging from non-conformance rates and equipment defects to rectification timing and delivery overruns.

Now, with RiskAware enabling a deep analytical approach to this data, the Group is helping customers develop highly efficient and effective quality assurance and quality control inspection strategies that are laser focused on high-risk areas.

As a result, customers are gaining assurance via independently validated data that the value of quality will always outweigh the cost of equipment or operational failure.

Financial review
Introduction

Our disciplined approach to performance management has enabled the Group to make further progress in 2019.

Ross McCluskey
Chief Financial Officer

Continued focus on costs and capital allocation has resulted in margin progression at constant rates, strong cash and higher ROIC.

Actual rates	Constant rates	Measure	Actual rates	Constant rates	Measure
+6.6%	+4.8%	Revenue up to £2,987m	+6.8%		Dividend per share
+6.5%	+5.2%	Adjusted operating profit up to £513m	+11.4%	+10.2%	Statutory operating profit up to £486m
0bps	+10bps	Adjusted operating margin up to 17.2%	+70bps	+80bps	Statutory operating margin up to 16.3%
+6.8%	+5.2%	Adjusted diluted EPS	+10.2%	+8.9%	Statutory diluted EPS
£117m		Organic investment spend	22.8%	+150bps	Return On Invested Capital
£101m	(8.2)%	Working capital	3.4%	(50)bps	Working capital % revenue

Actual rates Constant rates

Consolidated income statement commentary

Revenue for the year was £2,987.0m, up 6.6% (up 4.8% at constant rates), with organic revenue growth of 3.3% at constant rates.

The Group's organic revenue reflected 2.3% growth in the Products division, 4.1% growth in the Trade division and 5.7% in the Resources division at constant rates.

The Group's adjusted operating profit was £513.3m, up 6.5% on the prior year (up 5.2% at constant rates). The adjusted operating margin was 17.2%, an increase of 10bps from the prior year at constant rates, representing another year of margin improvement for the Group. On an IFRS 16 basis, the Group's adjusted operating profit was £524.2m; resulting in an operating profit margin of 17.5%.

In March 2016, the Group announced its 5x5 differentiated strategy for growth and our implementation continued at pace in 2019, and after four years we are now moving into the final year of 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 £13.3m restructuring cost has been recognised in Separately Disclosed Items ('SDIs') in the year, which impacted 13 business units in the year, taking the total programme to 89.

On an IFRS 16 basis, the Group's statutory operating profit was £485.8m. The Group's statutory profit for the year after tax was £333.6m (2018: £305.2m) reflecting lower SDIs in the year, a decreased tax rate and a £1.4m benefit resulting from the implementation of IFRS 16.

Net financing costs

The adjusted net financing costs increased to £30.3m (2018: £25.3m) in the year. Adjusted net financing costs pre-foreign exchange movements increased by £0.8m in the year to £27.6m (2018: £26.8m), with the full-year impact of the acquisition of Alchemy offset by continued strong underlying cash generation. Foreign exchange movements resulted in a loss of £2.7m in the year (2018: £1.5m gain). On an IFRS 16 basis, statutory net financing costs of £40.7m included £1.3m (2018: £6.4m) relating to SDIs.

Tax

The Group effective tax rate on adjusted profit before income tax was 24.5% (2018: 24.7%). The year-on-year change primarily reflects the one-off benefit from the recognition of the UK deferred tax asset in FY18 being offset by the release of Group provisions in 2019 following closure of certain tax audits. The adjusted tax charge was £118.4m (2018: £112.8m).

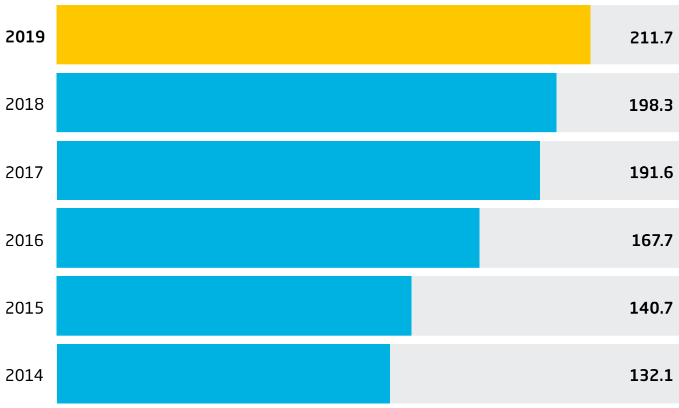
The statutory tax charge, including the impact of SDIs, of £111.5m (2018: £99.3m), equates to an effective rate of 25.1% (2018: 24.5%). The cash tax on adjusted results was 23.1% (2018: 20.4%).

RESULTS FOR THE YEAR[1]

Key financials	2019 £m	2018 £m
Adjusted	**IAS 17**	IAS 17
Revenue	**2,987.0**	2,801.2
Operating profit	**513.3**	481.8
Diluted EPS	**211.7p**	198.3p
Profit after tax	**364.6**	343.7
Cash flow from operations	**651.8**	602.9
Statutory	**IFRS 16**	IAS 17
Revenue	**2,987.0**	2,801.2
Operating profit	**485.8**	436.2
Diluted EPS	**192.6p**	174.7p
Profit after tax	**333.6**	305.2
Cash flow from operations	**715.3**	580.9
Dividend per share	**105.8p**	99.1p
Dividends paid in the year	**163.2**	128.3

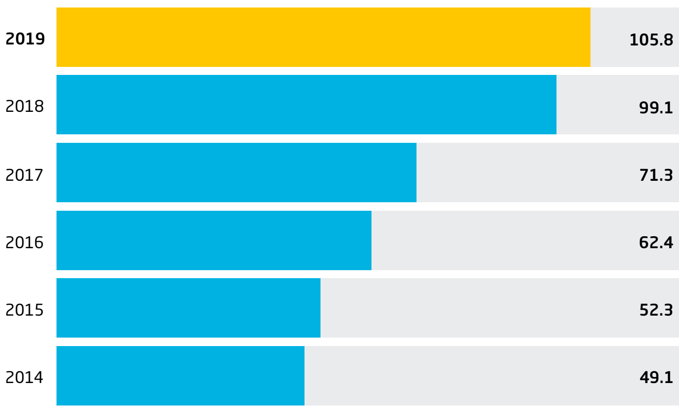
FIVE-YEAR PERFORMANCE – ADJUSTED DILUTED EPS[1] (PENCE)

+9.9% CAGR[3]



DIVIDEND PER SHARE[2] (PENCE)

+16.6% CAGR[3]



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 as adjusted, before Separately Disclosed Items and the effects of adoption of IFRS 16 (see notes 3 and 24 to the financial statements). A reconciliation between adjusted and statutory performance measures is set out overleaf.
2. Dividend per share for 2019 is based on the interim dividend paid of 34.2p (2018: 31.9p) plus the proposed final dividend of 71.6p (2018: 67.2p).
3. CAGR represents the compound annual growth rate from 2014 to 2019.

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

	Notes	Revenue 2019 £m	Revenue Change at 2019 actual rates %	Revenue Change at constant rates %	Adjusted operating profit 2019 £m	Adjusted operating profit Change at 2019 actual rates %	Adjusted operating profit Change at constant rates %	Adjusted operating profit 2019 IFRS 16 £m
Products	2	**1,796.7**	6.9	4.6	**398.6**	7.4	5.7	405.4
Trade	2	**679.4**	5.8	4.5	**83.5**	0.1	(0.2)	86.6
Resources	2	**510.9**	6.7	5.7	**31.2**	13.9	16.0	32.2
Group total		**2,987.0**	**6.6**	**4.8**	**513.3**	**6.5**	**5.2**	**524.2**
Net financing costs	14, 24				**(30.3)**			(39.4)
Adjusted profit before income tax					**483.0**	**5.8**	**4.5**	**484.8**
Adjusted income tax expense	6, 24				**(118.4)**			(118.8)
Adjusted profit for the year					**364.6**	**6.1**	**4.7**	**366.0**
Adjusted diluted EPS	7, 24				**211.7**	**6.8**	**5.2**	**212.5**

Financial review continued

Earnings per share

The Group delivered adjusted diluted earnings per share ('EPS') of 211.7p (2018: 198.3p), up 6.8% year-on-year. Statutory diluted EPS after SDIs was 192.6p (2018: 174.7p), and basic EPS was 194.5p (2018: 176.8p).

Dividend

In line with our dividend policy that targets a payout of circa 50%, the Board recommends a full-year dividend of 105.8p per share, an increase of 6.8%. 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 105.8p represents a total cost of £170.8m, or 50% of adjusted profit attributable to shareholders of the Group, for 2019 (2018: £159.9m). The dividend is covered 2.0 times by earnings (2018: 2.0 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 Group 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; and
- 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 £13.3m 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 increased to £13.4m (2018: £12.5m) driven by periodic updates to our actuarial assumptions. Following the High Court ruling in 2018 regarding guaranteed minimum pension liabilities, the Group recorded a past service cost of £0.8m within SDIs.

In 2019, the Group recorded a £5.8m pension curtailment gain on the closure of the Hong Kong defined benefit scheme. In 2018, the Group recorded a £5.4m 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; unrealised market or fair value gains or losses on financial assets or liabilities, including contingent consideration; and significant legislative changes.

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 2019 comprises amortisation of acquisition intangibles of £29.1m (2018: £24.6m); acquisition costs relating to successful, active or aborted acquisitions of £1.6m (2018: £8.5m); restructuring costs (as described above) of £13.3m (2018: £13.6m); gain on disposal of subsidiaries and associates of £1.8m (2018: £1.1m); release of claims provisions of £4.6m (2018: £nil); and GMP equalisation adjustment of £0.8m (2018: £nil).

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

2019 RECONCILIATION OF STATUTORY TO ADJUSTED PERFORMANCE MEASURES[1]

£m	Statutory	IAS 17[1]	SDIs	Adjusted
Revenue	2,987.0	2,987.0	–	2,987.0
Operating profit	485.8	474.9	38.4	513.3
Operating margin (%)	16.3%	15.9%	1.3%	17.2%
Net financing costs	(40.7)	(31.6)	1.3	(30.3)
Income tax expense	(111.5)	(111.1)	(7.3)	(118.4)
Profit for the year	333.6	332.2	32.4	364.6
Cash flow from operations	715.3	636.5	15.3	651.8
Basic EPS (pence)	194.5p	193.7p	20.1p	213.8p
Diluted EPS (pence)	192.6p	191.8p	19.9p	211.7p

2018 RECONCILIATION OF STATUTORY TO ADJUSTED PERFORMANCE MEASURES[1]

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

1. Following the adoption of IFRS 16 on 1 January 2019, the statutory results for 2019 are on an IFRS 16 basis and IAS 17 basis in 2018.

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

The Group completed one (2018: four) acquisition in the year with 2019 cash consideration paid of £16.9m (2018: £387.9m), net of cash acquired of £0.9m (2018: £5.6m).

In December 2019, the Group acquired Check Safety First Limited ('CSF'), a market-leading global health, safety, quality and security risk management business focused on the travel, tourism and hospitality sectors.

This acquisition will 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 2019, the Group acquired the remaining shares in a non-controlling interest for cash consideration of £5.2m (2018: £nil). In 2019, £0.6m was paid in relation to consideration for prior-year acquisitions (2018: £0.1m received).

Organic investment

The Group also invested £116.8m (2018: £113.2m) organically in laboratory expansions, new technologies (including software) and equipment and other facilities. This investment represented 3.9% of revenue (2018: 4.0%).

Key performance indicators

The Group uses a variety of key performance indicators ('KPIs') to monitor the financial performance of the Group and its operating divisions. The specific metrics and associated definitions are disclosed on pages 22 to 23.

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 2018) and removing the impact of currency translation from the Group's growth figures.

Organic revenue at constant currency	2019 £m	2018 £m	Change %
Reported revenue	**2,987.0**	2,801.2	6.6
less: Acquisitions/disposals revenue	**(61.4)**	(18.3)	
Organic revenue	**2,925.6**	2,782.9	5.1
Impact of foreign exchange movements	**-**	48.9	
Organic revenue at constant currency	**2,925.6**	2,831.8	3.3

To improve the understanding of the Group's organic growth performance, moving forward we will adopt a 'like-for-like revenue' definition for organic revenue. 'Like-for-like revenue' will include acquisitions following their 12-month anniversary of ownership, and remove the historical contribution of any business disposals/closures.

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.

ROIC in 2019 of 22.8% compares to 21.3% in the prior year at constant exchange rates. On an IFRS 16 basis, which includes the net lease liability in invested capital, ROIC in 2019 was 23.7%.

Return On Invested Capital at constant currency (IAS 17)	2019 £m	2018 £m	Change %
Adjusted operating profit	**513.3**	487.8	5.2%
less: Adjusted tax[1]	**(125.7)**	(120.5)	4.4%
Adjusted profit after tax	**387.6**	367.3	5.5%
Invested capital[1]	**1,696.3**	1,721.5	(1.5)%
ROIC %	**22.8%**	21.3%	150bps

Return On Invested Capital (IFRS 16)	2019 £m
Adjusted operating profit	**524.2**
less: Adjusted tax[1]	**(128.4)**
Adjusted profit after tax	**395.8**
Invested capital[1]	**1,673.1**
ROIC %	**23.7%**

1. Definitions of the above measures are given on page 22.

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:

Cash conversion	IAS 17 2019 £m	2018 £m	Change %	IFRS 16 2019 £m
Cash flow from operations	**636.5**	580.9	9.6	715.3
add back: Cash flow relating to SDIs	**15.3**	22.0	(30.5)	15.3
Adjusted cash flow from operations	**651.8**	602.9	8.1	730.6
add back: Special contributions to pension schemes	**2.0**	2.0	–	2.0
Repayment of lease liability	–	–	–	(69.7)
Cash flow for cash conversion	**653.8**	604.9	8.1	662.9
Cash conversion %	**127.4%**	125.6%	180bps	126.5%

Free cash flow reconciliation	IFRS 16 2019 £m	IAS 17 2019 £m	2018 £m
Cash generated from operations	**715.3**	**636.5**	580.9
less: Net capital expenditure	**(114.3)**	**(114.3)**	(109.7)
add back: Interest received	**1.2**	**1.2**	1.8
less: Interest paid	**(40.7)**	**(31.6)**	(29.3)
less: Income tax paid	**(111.8)**	**(111.8)**	(93.1)
less: Lease liabilities paid	**(69.7)**	**-**	–
Free cash flow	**380.0**	**380.0**	350.6
add back: SDI cash outflow	**15.3**	**15.3**	22.0
Adjusted free cash flow	**395.3**	**395.3**	372.6

IFRS 16 and IAS 17 measures are included in the above table to aid comparability.

Net debt

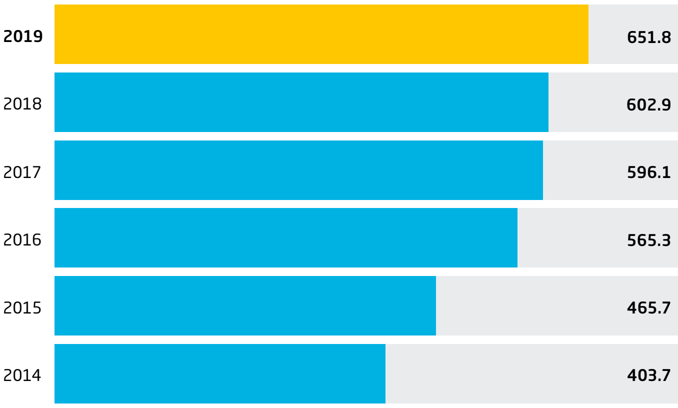
Net financial debt has decreased from £778.2m at 31 December 2018 to £629.4m at 31 December 2019, primarily reflecting the continued strong underlying cash generation of the Group in 2019. Including the new IFRS 16 lease liability, total net debt was £875.4m at 31 December 2019.

In the year, the Group drew on facilities it had in place at 31 December 2018. At 31 December 2019, total undrawn committed borrowing facilities were £326.2m (2018: £247.9m).

The Group has a well-balanced loan portfolio to enable the funding of future growth opportunities with a maturity profile as shown on page 49. In January 2020, the Group renewed its existing revolving credit facility, increasing to US$850m and maturing in 2025.

FIVE-YEAR TREND – ADJUSTED CASH FLOW FROM OPERATIONS (£M)

10.1% CAGR[1]



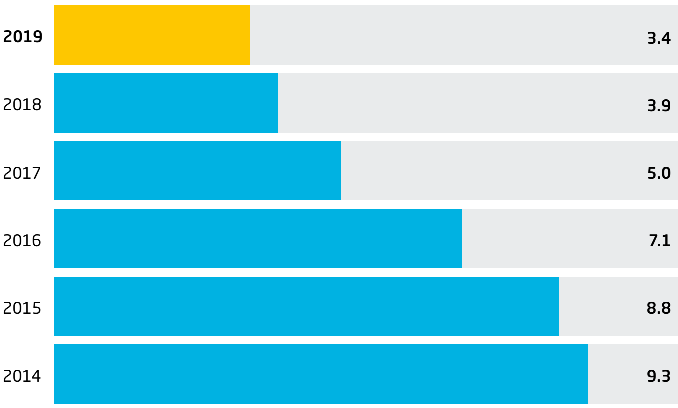
1. CAGR represents the compound annual growth rate from 2014 to 2019.

Working capital

During 2019, we have continued our working capital intensity and through disciplined performance management working capital has reduced by £9.0m to £100.7m. Working capital has declined to 3.4% of revenue, reflecting 50bps improvement year-on-year, contributing to continued strong cash conversion.

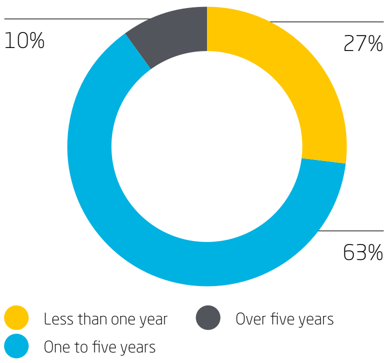
FIVE-YEAR TREND – WORKING CAPITAL AS % OF REVENUE

(590) BPS[1]



1. Reduction in working capital as a percentage of revenue from 2014 to 2019.
2. Working capital is defined under the statement of financial position within the financial statements.

BORROWINGS BY MATURITY PROFILE
(AT 31 DECEMBER 2019)



Under existing facilities the Group has available debt headroom of £326.2m at 31 December 2019. The components of net debt at 31 December 2019 are outlined below:

	1 January 2019 £m	Cash and non-cash movements £m	Exchange adjustments £m	31 December 2019 £m
Cash	203.2	31.1	(21.3)	**213.0**
Borrowings[1]	(981.4)	110.5	28.5	**(842.4)**
Financial net debt	(778.2)	141.6	7.2	**(629.4)**
Lease liabilities[1]	(269.9)	16.9	7.0	**(246.0)**
Net debt	(1,048.1)	158.5	14.2	**(875.4)**

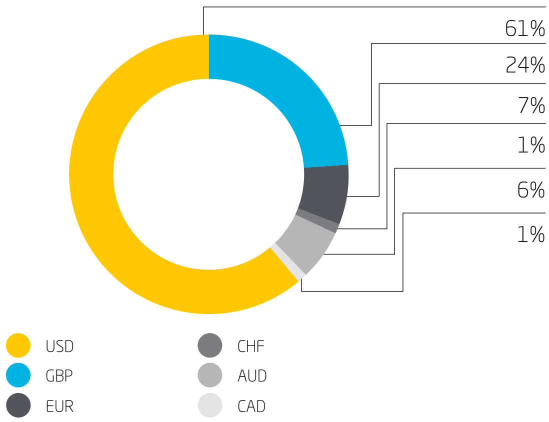
1. Borrowings include £0.8m of non-cash movements related to amortisation of facility fees (see note 14 of the financial statements). Lease liabilities include £52.8m of non-cash movements.

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 2019, 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 rates, revenue grew 4.8% (actual rates 6.6%) and adjusted operating profit grew 5.2% (actual rates 6.5%).

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:

	Statement of financial position rates		Income statement rates	
Value of £1	**2019**	**2018**	**2019**	**2018**
US dollar	**1.31**	1.26	**1.28**	1.34
Euro	**1.17**	1.11	**1.14**	1.13
Chinese renminbi	**9.17**	8.69	**8.82**	8.84
Hong Kong dollar	**10.18**	9.90	**10.00**	10.47
Australian dollar	**1.87**	1.80	**1.84**	1.79

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 2019, being IFRS 16 and IFRIC 23, are shown in note 1 to the financial statements.

Ross McCluskey
Chief Financial Officer

Principal risks and uncertainties

How we're managing assurance

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 76 to 80.

The Group Audit Director 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 which is owned by each of the Group's divisional, regional and functional risk committees. Risk registers are updated throughout the year by these risk committees and are used to plan the Group's internal audit and risk strategy.

In addition to the risk registers, 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 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.

Changes to principal risks

Our principal risks continue to evolve in response to our changing risk environment. We added Brexit as a risk last year and have retained it because of the continuing political uncertainty. 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.

We have added two risks this year. The first is third-party relationships, which relates to how we manage the way in which we work with third parties (including landlords, suppliers, sub-contractors or agents) optimally from a financial, commercial, risk, governance, security or sustainability perspective. We have added this risk to reflect our increased focus on sustainability, including in our supply chains.

The second is Coronavirus (Covid-19), which relates to the outbreak of coronavirus which started in Wuhan in December 2019 and has been declared a Public Health Emergency of International Concern by the World Health Organisation. It is too early to assess what impact the developing situation in China and other countries will have on our clients' resumption of production activities. We are working closely with our clients to mitigate the risks caused by the virus and maximise business continuity in our and their operations.

Long-term viability statement

In accordance with provision 30 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a five-year period to 31 December 2024, 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.

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 2024. The statement on going concern is in the Directors' report on page 77.

SCENARIO	ASSOCIATED PRINCIPAL RISKS	DESCRIPTION
Regulatory environment change	• Industry and competitive landscape • Customer service • Regulatory and political change • People retention • Reputation • Brexit • Coronavirus	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.
Customer service issue	• Industry and competitive landscape • Customer service • Business ethics • People retention • Reputation • Third-party relationships • Brexit • Coronavirus	Failure to respond/adapt to a customer service issue leads to a loss of key customers and detrimentally impacts reputation.
Ethical and/or quality breach	• Customer service • Business ethics • People retention • Financial risk • Operational health, safety and security • Reputation • Third-party relationships • Brexit • Coronavirus	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.
IT systems breach	• Customer service • People retention • IT systems and data security • Reputation • Third-party relationships • Brexit • Coronavirus	A serious data security/IT systems breach results in a significant financial penalty and a loss of reputation among customers.

Principal risks and uncertainties continued

Operational

PRINCIPAL RISK	POSSIBLE IMPACT	MITIGATION	2019 UPDATE
REPUTATION			
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.	• Failure to meet financial performance expectations. • Exposure to material legal claims, associated costs and wasted management time. • Destruction of shareholder value. • Loss of existing or new business. • Loss of key staff.	• 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.	This risk remains stable compared with 2018. The Group continues to invest in staff development, quality systems and standard processes to prevent operational failures.
CUSTOMER SERVICE			
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.	• May lead to customer dissatisfaction and customer loss. • Gradual erosion of market share and reputation if competitors are perceived to have better, more responsive or more consistent service offerings.	• 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.	This risk remains stable compared with 2018.
PEOPLE RETENTION			
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.	• Poor management succession. • Lack of continuity. • Failure to optimise growth. • Impact on quality, reputation and customer confidence. • Loss of talent to competitors and lost market share.	• HR strategy policies and systems. • Development and reward programme to retain and motivate employees. • Succession planning to ensure effective continuation of leadership and expertise.	This risk remains stable compared with 2018.
OPERATIONAL HEALTH, SAFETY AND SECURITY			
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.	• Individual or multiple injuries to employees and others. • Litigation or legal/regulatory enforcement action (including prosecution) leading to reputational damage. • Loss of accreditation. • Erosion of customer confidence.	• Quality management and associated controls, including safety training, appropriate PPE (Personal Protective Equipment), Health & Safety policies (including due diligence on sub-contractors), meetings and communication. • 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.	This risk remains stable compared with 2018.

PRINCIPAL RISK	POSSIBLE IMPACT	MITIGATION	2019 UPDATE
INDUSTRY AND COMPETITIVE LANDSCAPE			
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.	• Failure to maximise revenue opportunities. • Failure to take advantage of new opportunities. • Lack of ability to respond flexibly. • Erosion of market share. • Impact on share price. • Failure to respond to macroeconomic factors. • Sanctions and fines for non-compliance with new laws, etc.	• GKAM and LKAM initiatives in place. • Diversification of customer base. • Focus on new services and acquisitions. • Tracking new laws and regulations. • Regular strategic and business line reviews. • Development of ATIC-selling initiatives. • NPS customer research to understand customer satisfaction.	This risk remains stable compared with 2018. 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.
THIRD-PARTY RELATIONSHIPS			
A failure to optimally manage the way in which we work with third parties (including landlords, suppliers, sub-contractors or agents) from a financial, commercial, risk, governance, security or sustainability perspective. Poorly established and maintained relationships could increase the chances of poor quality work, ethical issues and a lack of control over the services Intertek is providing via third parties.	• Poor quality work. • Ethical issues. • Lack of control over services being provided via third parties. • Failing to agree optional terms, including pricing with suppliers. • Contracting with suppliers whose sustainability, ethical, cyber or other standards cause a risk to Intertek, its reputation or its operations.	• Third-party appointment and due diligence processes. • Standard third-party contracts. • Third-party lease reviews. • Vendor/supplier financial diligence. • Supplier Code of Conduct. • Annual reviews of quality and pricing. • Training on Code of Ethics for key third parties. • Supply chain risk review as part of compliance with Modern Slavery Act.	This has been added as a new risk for 2019 to capture risks relating to Intertek's relationships with all third parties. The mitigating controls in place should address the risks faced and we continue to monitor these relationships on an ongoing basis.
UK WITHDRAWAL FROM THE EU (BREXIT)			
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 on their investment decisions.	• Reduced work volumes or delays in anticipated customer orders. • 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. • A failure to attract and retain talent could lead to a failure to optimise growth. • 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.	• Monitoring of legal/regulatory/political developments affecting Group companies and our ability to operate. • Engagement with customers to monitor developments, views and feedback. • Monitoring of media and public statements by customers/regulatory bodies/other stakeholders. • Liaising with UK Government departments to gather intelligence and explore opportunities to support. • Brexit planning to mitigate impacts on Notified Bodies, people and customer service delivery. • Access to market sector analysis from advisers. • Prioritised investment in growth/strategic areas.	This risk remains the same as in 2018, and uncertainty remains. Brexit has a direct impact on our UK Notified Bodies and we have taken steps to relocate these businesses to address that risk. We continue to monitor developments.

Principal risks and uncertainties continued

Operational

PRINCIPAL RISK	POSSIBLE IMPACT	MITIGATION	2019 UPDATE
IT SYSTEMS AND DATA SECURITY			
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.	• Loss of revenue due to down time. • Potential loss of sensitive data with associated legal implications, including regulatory sanctions and potential fines. • Potential costs of IT systems' replacement and repair. • Loss of customer confidence. • Damage to reputation. • Loss of revenue/profitability if we fail to adopt an IT investment strategy which supports the Group's growth, innovation and customer offering.	• Information systems policy and governance structure. • Regular system maintenance. • Backup systems in place. • Disaster recovery plans that are constantly tested and improved to minimise the impact if a failure does occur. • Global Information Security policies in place (IT, Data Protection, CyberSecurity). • Adherence to IT finance systems controls (part of Core Mandatory Controls ('CMCs')). • Adherence to IT general controls. • Internal and external audit testing. • Processes to ensure compliance with GDPR.	We believe this risk has increased in 2019 as cyber-attacks are becoming increasingly sophisticated. In 2019, we implemented mandatory IT awareness training for all employees. A key focus of our mitigation activities was on identity and access management to ensure end-user security and data management.
CORONAVIRUS (COVID-19)			
The risk caused by the outbreak of coronavirus, which started in Wuhan in December 2019 and has been declared a Public Health Emergency of International Concern by the World Health Organisation. The virus is a potential risk to: (1) the health and safety of our people; (2) the ability of our and our customers' businesses to operate normally; and (3) global supply chains and the flow of goods and services.	• There is a health and safety risk to our people who come into contact with confirmed cases. • In affected areas, there is a risk that the ability of our people to work as normal is impacted by mandatory health and safety restrictions, including quarantine and travel restrictions in certain cases. • There is a risk that the ability of our people to perform field-based work (audits and inspections) is further affected by control and prevention measures that we and our clients are taking. • In affected areas, there is risk of disruption to our normal operations both as a consequence of the issues faced by our people and of the impact to our clients' operations and production levels. • There is a risk that an ongoing situation could disrupt the China and/or global supply chains, which could lead to a need to refocus our service offering or delivery locations to align optimally with customer requirements and to remain competitive. • There is a risk that our 2020 performance will be affected by the temporary disruption to the supply chains of our clients and any impact it may have on global trade activities.	• We are closely monitoring our people's health, safety and security and relevant regulatory requirements. • We have implemented extensive hygiene control and prevention measures for our office and field-based people. • We have made changes to operational procedures to redirect work to Intertek facilities in unaffected locations. • We are engaging closely with our customers to support their needs. • We have put in place temporary travel restrictions into and out of China and Hong Kong. • We have working groups at the Group, regional and local levels to monitor the situation and put appropriate mitigation action and continuity plans in place.	This has been added as a new risk for 2019 to capture the risks of this developing situation in China and other countries. We are working closely with our clients to prioritise the health and safety of our and their people and to maximise business continuity.

Land and Regulatory

PRINCIPAL RISK	POSSIBLE IMPACT	MITIGATION	2019 UPDATE
REGULATORY AND POLITICAL LANDSCAPE			
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.	• Loss of revenue, profitability and/or market share. • Increase to costs of operations, reduction in profitability. • Reduction in the attractiveness of investment in specific businesses, sectors or markets and/or adverse change in the competitive landscape.	• 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.	This risk remains stable compared with 2018.
BUSINESS ETHICS			
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.	• Litigation, including significant fines and debarment from certain territories/activities. • Reputational damage. • Loss of accreditation. • Erosion of customer confidence. • Impact on share price.	• 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.	This risk remains stable compared with 2018. 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 2019, 168 (2018: 158) non-compliance issues were reported through the whistleblowing hotline and other routes. All were investigated, with 40 (2018: 45) substantiated and corrective action taken.

Financial

PRINCIPAL RISK	POSSIBLE IMPACT	MITIGATION	2019 UPDATE
FINANCIAL RISK			
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.	• Financial losses with a direct impact on the bottom line. • Large-scale losses can affect financial results. • Potential legal proceedings leading to costs and/or management time. • Corresponding loss of value and reputation could result in funding being withdrawn or provided at higher interest rates. • Possible adverse publicity.	• 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 2018. Review and update of core mandatory controls for year-end compliance certification.

Our stakeholders
Section 172 statement

As a Board we have always been committed to the successful delivery of long-term sustainable growth and shareholder value, underpinned by the highest standard of corporate governance. We uphold the utmost standard of conduct and integrity in our decision-making and expect all our people, at every level of the business, to do the same. We are clear in our purpose to make the world a better place and to create sustainable value and growth opportunities for all our stakeholders. Our business can only grow and prosper over the long term if we understand and respect the views and needs of our customers, people and the communities in which we operate, as well as our suppliers and the shareholders to whom we are accountable.

At our Board meeting in February 2019, we examined our engagement activities. A summary of our key relationships and how we engage with these stakeholder groups is set out below. During the year, we received presentations from the Executive Vice President, Europe; President, Business Assurance and Food Services; Executive Vice President, Global Trade; Joint CEOs, Greater China; and the Business Line Leaders in China on their respective business together with information on stakeholder engagement as outlined below.

These presentations ensure that the potential impact on any of our stakeholders is considered as part of the Board decision-making process. When the Board is reviewing the growth strategy for Intertek, as part of the 5x5 strategic review and the five-year strategic plan, stakeholders are considered as part of this annual process.

The case study on page 65 gives an example of how the Board has met its section 172 obligations.

Our Customers (read more on page 66)

How we engaged during 2019

Board presentations on ATIC progress, the TQA Customer Promise, innovations and NPS customer satisfaction metrics.

The CEO and Chairman had meetings with customers during the year, e.g. a visit was made to a customer in Thailand in October. The Board also visited two customers in China in October 2019 to gain a greater understanding of their business and future needs and requirements.

Why we engage

Customers are at the heart of everything we do at Intertek and we aim to always deliver a superior and continuously improving customer service.

Issues relevant to this Group

Customer and product responsibility; Customer needs and requirements; Customer satisfaction; Product and service innovation; Sales levels; and Working with customers.

Result of engagement

The Board has developed a deep understanding of the issues arising from the vast and complex supply chains that exist for our customers. The visits to two of our major customers by the Board in October provided a real insight into their needs and requirements and expectations from the work we do. This engagement contributed to the Board discussions on strategy in December.

Our People (read more on page 65 and pages 68 to 71)

How we engaged during 2019

The CEO visited many sites during the year and held 40 townhalls during 2019.

The Chairman and Non-Executive Directors have visited 14 sites over the last two years to meet and engage with our employees.

Conference for senior colleagues, attended by the CEO and the Leadership Team.

Board presentations on organisation structures, rules of people engagement and talent growth and development.

The Executive Vice President, Human Resources presented the Group People Strategy to the Board and held sessions on Group Talent Planning and separately on Leadership Team succession planning with the Board.

At every Board meeting, the CEO reported on People issues and Health & Safety across the Group and the Group General Counsel presented an update on Hotline and whistleblowing reports.

Why we engage

Our passionate employees are customer-centric and deliver sustainable value through unmatched expertise and quality of work for our customers globally on a daily basis.

We recognise their contribution 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. We want all our people to pursue their ambitions, deliver with purpose and have a rewarding career, supported and enabled by great leaders.

Issues relevant to this Group

Employee care and value; Diversity and inclusion; Organisation; Retention; Talent and succession; and Training and progression.

Result of engagement

This engagement ensured that the Board met the Leadership Team and senior managers throughout the year which informed the discussions on talent and succession at the end of the year in order to have the right talent in place to drive the long-term success of Intertek.

The visits to the operations continued to develop each Director's understanding of the business and see in practice how we are bringing quality, safety and sustainability to life. At each site, there has been a Health & Safety moment at the start of every presentation which has demonstrated the importance of this throughout the organisation. On the site visits, the Board has been impressed by the incredible and demonstrable passion and pride our employees take in their work and this consistent culture is felt by the Chairman and each Non-Executive Director across all the sites they have visited.

Our Investors (read more on page 66 and pages 72 to 73)

How we engaged during 2019

Annually, the Chairman invites the largest shareholders comprising more than 50% of the share register to share their views and discuss any corporate governance issues. The Chairman holds meetings joined by the Group Company Secretary by phone or in person, and the feedback from these meetings is presented to the Board. This year, it was noted that shareholders continue to be supportive of the strategy, management and the Board.

The Chair of the Remuneration Committee held a shareholder consultation on the proposed Remuneration Policy and had meetings with shareholders as requested. The views of the shareholders were reported back to the Board.

The CEO reported on investor relations at every Board meeting.

All Directors attended the 2019 Annual General Meeting to engage with shareholders and answer any questions.

Shareholder and analyst meetings were held with the CEO and CFO.

Why we engage
The views of our shareholders and investors are essential to the Board and we are committed to maintaining an active and open dialogue. We work to ensure that our shareholders and investors have a good understanding of our strategy, business model, opportunities and culture. When making decisions, we seek to ensure that we promote the long-term success of the Group for the benefit of members and ensure that all shareholders are treated fairly. We aim to deliver robust returns and long-term sustainable value for all our investors.

Issues relevant to this Group
Business practices; Compliance and legislation; Long-term value creation; Privacy and security; and Sustainability governance, management and advocacy.

Result of engagement
The Board is well briefed and understands the views of shareholders on governance.

The review of the Remuneration Policy presented for approval by shareholders at the 2019 Annual General Meeting took into consideration the feedback received from our shareholders, as outlined in the letter from the Chair of the Remuneration Committee on pages 81 and 82.

At the 2019 Annual General Meeting, questions on the reclassification of some near misses in the Health & Safety reporting, the profit margin in Trade and Resources, large contracts and the dividend policy were answered by the relevant Director.

Our Suppliers (read more on page 66)
How we engaged during 2019
Board presentations included information regarding suppliers where relevant.

The Board reviewed and approved the 2018 Modern Slavery Act statement.

The Group General Counsel presented an update on Hotline and whistleblowing reports at every Board meeting and the 2019 training on Doing Business the Right Way.

Why we engage
We recognise the importance of our supply chains and invest in our relationships with them.

Issues relevant to this Group
Anti-bribery; Business practices; Modern Slavery Act; and Supply chain.

Result of engagement
The work on the 2018 Modern Slavery Act statement updated the Board on the controls, policies and the assurance programme in place and the priorities were agreed for 2019 to drive the right behaviours across the Group.

Governments & Regulators (read more on page 66)
How we engaged during 2019
The Board presentations mentioned above also included details of the impact of regulations and the political environment.

In October, Board presentations took place on China and the economic and market outlook by expert external speakers.

We reviewed recent regulatory developments and the political environment as part of the annual strategic review.

The Board received updates on engagement with regulators through the Board Committees e.g. the FRC review of the 2017 Annual Report and Accounts.

Why we engage
Compliance with local laws and regulations is key and as a responsible employer and business, we are committed to engaging constructively with governments as well as regulators to ensure we are supporting the wider community.

Issues relevant to this Group
Long-term value creation; Compliance and legislation; Sustainability governance, management and advocacy; and Business practices.

Result of engagement
In a period of change, the Board has kept abreast of the impact of changing regulations and the political environment on the business.

The external speakers' presentations on China in October 2019 were very informative for the Board to gain a deeper understanding of the current local economic and political environment and impact on the business.

Communities & Society (read more on page 66)
How we engaged during 2019
Sustainability Operating Committee chaired by the CEO considered matters relating to the environment, suppliers, communities and other topics.

In December, the Board received the annual update on the Group Sustainability Strategy and approved the priorities for 2020.

The Directors' site visits provided insights into local operations and their involvement in sustainability and community initiatives.

Read more in the Sustainability section in the Strategic report on page 33.

Why we engage
Our sustainability and growth, innovations as well as the services we provide to our customers generate direct and indirect benefits for communities in which we operate. Our passionate and dedicated colleagues are proud of improving the lives of the people and communities around them.

We strive to operate as a sustainable and environmentally responsible company, driving prosperity through our core business and collaborating with local partners to promote social and economic development.

Issues relevant to this Group
Energy and climate change; Circular economy and waste; Biodiversity; Water; Societal impact; Human and labour rights; and Supply chain.

Result of engagement
The Board believes that climate change is one of the most important issues facing companies and society in general for the future and this is an area where all stakeholders have an increasing interest. There is increasing regulation and legislation in this area and one where we can provide services to help our customers. In September 2019, the Intertek Total Sustainability Assurance initiative was launched. This is a pioneering initiative that provides an end-to-end independent, systemic sustainability programme from both an operational and corporate perspective.

The Strategic report was approved by the Board on 3 March 2020.

By order of the Board

André Lacroix
Chief Executive Officer

Directors' report
Chairman's introduction

The Board and I remain committed to working with the highest standards of corporate governance. Our strategy is clear and compelling and our internal processes ensure that all of us at Intertek are fully aligned and engaged to deliver our TQA Customer Promise.

Sir David Reid
Chairman

Dear shareholder

The Board has developed a promise that defines our work and purpose at Intertek.

> We recognise our responsibility to all stakeholders and will strive to ask the questions that matter and make the right decisions.
>
> We will be forward looking and use our diverse perspectives and insights to promote Intertek's purpose of bringing Quality, Safety and Sustainability to life.
>
> We will inspire our people to take client relationships and our performance to greater heights and to create sustainable growth for all.

I am pleased to report another year of good and consistent progress in a period of global uncertainty and upheaval; not only in the UK where Brexit has cast a long shadow, but elsewhere in the world where there was political and social unrest, such as in Chile, Hong Kong and Venezuela. Tariff wars, and the doubt created, have impacted trade flows; digital disruption continued at pace and climate change moved to the top of the agenda for many stakeholders. These clearly pose risks to Intertek but have also opened up new growth avenues for the business. Despite these challenges, Intertek has retained a positive attitude; focusing on our productivity, innovation and delivery for customers.

Following the strategy agreed by the Board and approach to innovation, two innovations during the year show how Intertek is grasping new opportunities. First, in September, Intertek launched Total Sustainability Assurance, an independent assurance solution enabling companies to demonstrate their end-to-end commitment to sustainability. Secondly, in November, Cyber Assured, the world's first cybersecurity certification programme to provide continuous vulnerability monitoring, was unveiled. We are extremely proud of these groundbreaking developments.

As you will have read in the CEO's review and the Strategic report, Intertek continued to deliver on its '5x5' strategy. Revenue of £3.0bn increased 3.3% on an organic basis, representing the fifth consecutive year of growth. Margins improved once again by 10bps at constant rates to 17.2% and we generated £380m of free cash flow. Return on invested capital, a key performance indicator, was 22.8%. We have a disciplined approach to capital allocation, investing 3.9% of revenue, or £117m in capital expenditure and in December announced the acquisition of Check Safety First, a market-leading hospitality assurance business.

Our progressive dividend policy aims to deliver sustainable dividend growth over time, based on a dividend payout ratio of circa 50%. We returned £163m to shareholders in 2019 through cash dividends, compared to £128m in 2018. The Board is recommending a final dividend of 71.6p, bringing the full-year total to 105.8p, an increase of 6.8%.

The Board and I remain committed to working with the highest standards of corporate governance. Our strategy is clear and compelling and our internal processes ensure that all of us at Intertek are fully aligned and engaged to deliver our TQA Customer Promise. We are of the firm belief that a business with purpose, vision and values, underpinned by a responsible, supportive culture and strong governance makes sound business sense. The Board and the Leadership Team's primary focus will continue to be on delivering sustainable performance and long-term value for the benefit of all of our 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, demonstrating how this links and contributes to the delivery of our strategy, how we have applied the 2018 UK Corporate Governance Code and the work of the Board and its Committees during 2019.

Corporate governance

The regulatory framework has continued to evolve, especially with the introduction of the new UK Corporate Governance Code in 2018, which became effective at the beginning of 2019. At its heart is an increased emphasis on corporate culture, purpose and values which are critical to ensuring long-term sustainable success which we endorse and fully support.

Compliance with the 2018 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. During 2019, 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. The information required to be disclosed in accordance with DTR 7.2.6 can be found in the Other Statutory Information section on pages 100 to 102.

The Board, with the Leadership Team, sets the corporate culture that defines our purpose and establishes an environment where values are appreciated and respected, encouraging all of our people to 'Do Business the Right Way'. Our culture and values have been, and remain, the core foundations of Intertek. Our culture is one of entrepreneurial spirit and high performance, where we are totally focused on our customers, as outlined in the Strategic report.

A summary of our key stakeholders and how we engage with them is set out on in the section 172 statement on pages 56 and 57 and also on pages 65 and 66.

Performance evaluation

As Chairman, I am responsible for ensuring the effectiveness of the Board and its Committees as well as each individual Director. An external evaluation was completed in 2018, the outcome of which we reported on last year. An internal evaluation process has been carried out for 2019 and more information can be found on pages 67 and 68. It concluded that the Board and its Committees have the policies, processes, information, time and resources they need in order to continue to function effectively and that they have the appropriate balance of skills, experience, independence and knowledge to encourage challenge and debate, and are well placed to meet the needs of the business.

Succession planning

As a Board we have purposely sought to identify the future skills that we believe will be necessary to continue to drive future performance. Managed through the Nomination Committee, we have put in place detailed criteria and processes, proactively planning to ensure that individuals with the appropriate behaviours and dynamics for our culture are appointed.

People

Our people are the key to our success. They are vital to achieving our purpose, delivering our vision and living our values. We are committed to engaging with our employees and ensuring their voices are heard at the highest level in the business. As a global organisation with 46,000 employees operating in more than 100 countries, we agreed that the whole Board will continue to have responsibility for employee engagement, being an alternative option as per the 2018 UK Corporate Governance Code, as we believe this is a more effective way for us to maximise employee engagement throughout Intertek. All Directors and senior management visit different operations throughout the year and this enables each person to see and feel the culture operating within the business.

When I, or any other Board member, visit our operations around the world, as a priority, we encourage discussion with employees through open forums and ask local management to share and review their employee engagement processes as well as their approach to training and talent development. In 2019, we attended operational sites in China as part of the Board's annual programme.

We are cognisant of the Hampton-Alexander and Parker Reviews and are as supportive as ever of the need to promote diversity throughout the organisation. Diversity is one of our core values. We are very confident that our approach and the initiatives that we have in place will help to identify the leaders of the future and will lead to greater diversity in senior management. Emphasis will remain on ensuring we have a talent pipeline throughout the organisation that reflects ambition, enthusiasm, ability, diversity and a commitment to our values.

Summary

It is our aim to maintain an open and positive dialogue with all of our stakeholders. We listen and respond to the views and needs of those with whom Intertek comes into contact. It is fundamental to building a sustainable future. To understand the views of our shareholders, Intertek conducts a wide-ranging investor relations programme, the details of which are outlined on pages 72 and 73.

Intertek continues on its good-to-great journey and I would like to express my and the Board's thanks to our CEO, André Lacroix, and the Leadership Team, and to all of our people for their continued passion, commitment and support.

Board of Directors

Committees:

Audit	A
Nomination	N
Remuneration	R

1 Sir David Reid
Chairman N

Appointed to the Board in December 2011 and became Chairman in January 2012. Sir David Reid retired as 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. Sir David was Chairman of the charity Whizz-Kidz from 2008 until 2019. He was formerly the Senior Independent Non-Executive Director of Reed Elsevier Group PLC (now RELX Group plc), Chairman of Kwik-Fit Group Ltd, Non-Executive Director at Greenalls Group Plc (now De Vere Group), Legal & General Group plc, Westbury plc, and a member of the Global Senior Advisory Board of Jefferies International Limited.

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 to 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 Non-Executive Director of Reckitt Benckiser Group plc.

3 Ross McCluskey
Chief Financial Officer

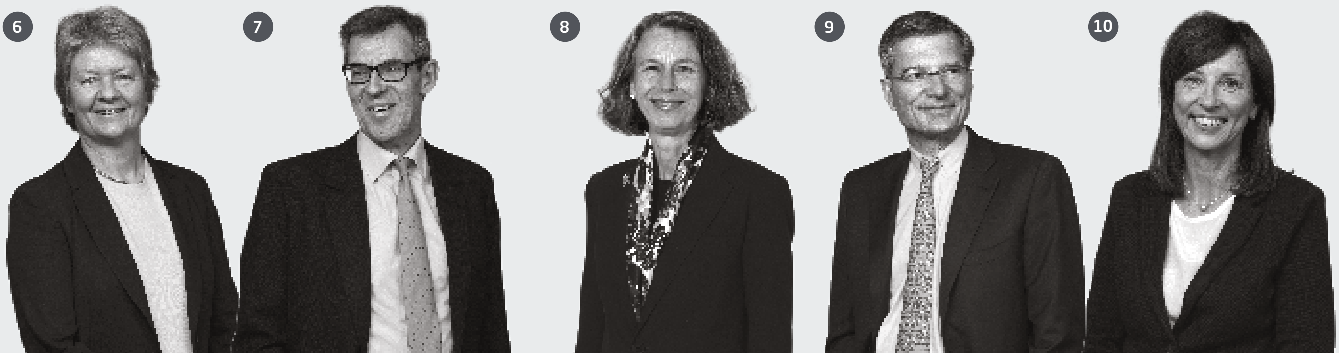
Appointed to the Board as Chief Financial Officer in August 2018. Ross McCluskey joined Intertek in August 2016 as the Group's Financial Controller. Prior to that, he spent five years at Inchcape plc, where he held senior operational financial positions, including Finance Director of Inchcape's Australasian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

4 Graham Allan
Senior Independent Non-Executive Director N R

Appointed to the Board as Senior Independent 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. Graham is also Chairman of Bata International, a private footwear company, a Retail Council member of IKANO Pte Ltd, an Asian retail and property company, a Non-Executive Director of Kuwait Foods (Americana) Ltd, and a Strategic Advisor to Nando's Ltd. 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, after serving for five years with the Group. Prior to joining Dairy Farm in 2012, he had been President and Chief Executive Officer 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. 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, a premier global business psychology consultancy. He led the business as Chief Executive Officer 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 and CEO and Founder of the Global Future Think Tank. 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 a Non-Executive Director of Theramex Group, a pharmaceuticals company focused on women's health. She is also the Chair of the 1851 Trust, a Trustee of The Outward Bound Trust and an Honorary Fellow of St John's College Cambridge. Louise was Chief Executive Officer of BTG plc, an international specialist healthcare company, from 2004 until August 2019. Before joining BTG, Louise was at Baxter Healthcare from 2000, holding the roles of Vice President, Strategy & Business Development Europe, and from 2001, President of the Biopharmaceuticals division of Baxter Healthcare, where she was responsible for Europe, Africa and the Middle East. Prior to her time at Baxter, she was Director of Global Ceramics at English China Clay, and in her earlier career, held a variety of roles at ICI between 1985 and 1998. She was, until 1 October 2019, a Non-Executive Director of Woodford Patient Capital Trust plc and 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 and was a partner at Arthur Andersen.

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 Sleep Number Corporation and the Lead Director, Chairman of the Audit Committee and member of the Nominating/Governance and Compensation Committees of The Boston Beer Company, both US-listed companies. From 2004 to 2012, Jean-Michel was Chairman of Peet's Coffee and Tea, Inc. He has an MBA from Harvard Business School.

10 Lena Wilson CBE FRSE
Non-Executive Director A N

Appointed to the Board as a Non-Executive Director in July 2012. Lena Wilson is a Non-Executive Director of the Royal Bank of Scotland Group plc and leads their board on Employee Voice. Lena also acts as Senior Independent Director of Argentex Group PLC, is Chairperson of their Nominations Committee and a member of their Audit and Remuneration Committees and is a Non-Executive Director of ScottishPower Renewable Energy Limited. Lena is an Ambassador for the Prince and Princess of Wales Hospice and the Edinburgh Military Tattoo, a visiting professor and adviser to the University of Strathclyde Business School and also acts as Chairperson of Chiene & Tate, an Edinburgh professional services firm, and Chairs the advisory board of Turtle Pack. In 2019, Lena was elected a fellow of the Royal Society of Edinburgh. Until October 2017, Lena 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 Task Force. She was also a Senior Advisor to The World Bank in Washington DC on private sector development for developing countries.

Further information on each Director's skills, experience and contribution can be found in the Notice of AGM, next to the resolution proposing their reappointment as a Director.

Direct reports to the CEO

Global functions

Diane Bitzel
Group Chief Information Officer

Tony George
Executive Vice President, Human Resources

Ken Lee
Executive Vice President, Marketing and Communications

Timo Lieber
Vice President, Group ATIC Innovation

Ross McCluskey
Group Chief Financial Officer

Julia Thomas
Senior Vice President, Corporate Development

Mark Thomas
Group General Counsel and Head of Risk & Compliance

Geographies

Fred Bai
Joint CEO, Greater China

Sandeep Das
Regional Managing Director, South Asia

Colm Deasy
Regional Managing Director, Asia Pacific

Ian Galloway
Executive Vice President, Middle East and Africa

Patrick Lee
Joint CEO, Greater China

Graham Ritchie
Executive Vice President, Europe and Central Asia

Gregg Tiemann
Executive Vice President, Americas

Global business lines

Alex Buehler
Executive Vice President, Global Resources

Ian Galloway
Executive Vice President, Global Trade

Tim Hubbard
Sr. Vice President, Transportation Technologies

Christina Law
President, Global Softlines and Hardlines

Calin Moldovean
President, Business Assurance and Food Services

Saranpal Rai
Sr. Vice President, Electrical

Strategic report
Directors' report
Financial statements

Corporate governance

GOVERNANCE AT A GLANCE – 2019

Intertek views corporate governance as an evolving and core discipline which generates value for our stakeholders and underpins our success. We have worked closely with management to ensure that the new Code requirements have been addressed in a way that is appropriate for us.

OUR STAKEHOLDERS AND SECTION 172 pages 56 and 57 and pages 65 and 66

LEADERSHIP pages 60 to 62

BOARD ACTIVITIES pages 65 to 73

EMPLOYEE ENGAGEMENT pages 68 to 71

NOMINATION COMMITTEE REPORT pages 74 and 75

AUDIT COMMITTEE REPORT pages 76 to 80

REMUNERATION COMMITTEE REPORT pages 81 to 99

Our governance framework

Our Board of Directors and their responsibilities

The Board has the ultimate responsibility to promote the long-term sustainable success of the Company, ensuring that value is created for shareholders through entrepreneurial and innovative leadership. It sets the strategic aims of the Company, its purpose, customer promise, vision and values in alignment with our culture. In accordance with its obligations under section 172 of the Companies Act 2006, the Board engages with, and considers, key and relevant stakeholders as part of its decision-making process. The Board reviews all key policies and regulations, its strategy and long-term objectives, the annual business plan and budget, large acquisitions, governance composition, major investments and disposals, succession planning of senior 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. It also ensures that appropriate resources are in place to achieve the Company's long-term strategy and to deliver sustainable performance. The Board Approval Matrix outlines the matters specifically reserved for the Board.

Biographical details can be found on pages 60 and 61

Read more about our Board's activities during the year on pages 65 to 73

The Board delegates certain matters to its three principal committees to carry out business as defined in their respective Terms of Reference.

Audit Committee

Oversees the Group's financial reporting, maintains an appropriate relationship with the External Auditor, reviews the Group's financial internal controls and monitors the internal audit function.

Read more on pages 76 to 80

Nomination Committee

Ensures the Board and its Committees have the correct balance of skills, knowledge and experience and that adequate succession plans are in place.

Read more on pages 74 and 75

Remuneration Committee

Establishes the Group's Remuneration Policy and ensures there is a clear link between performance and remuneration and the alignment with culture.

Read more on pages 81 to 99

The Board Approval Matrix and the Terms of Reference for each Committee are available on our website at www.intertek.com

Leadership Team

The Board delegates specific responsibilities, subject to certain financial limits, to management. This is governed by the Core Mandatory Controls, a regularly reviewed and refreshed framework that allows the delivery of the strategic aims and financial performance whilst allowing risk to be assessed and managed. Biographical details of the Leadership Team can be found on our website.

Supporting Committees

The Leadership Team operates a number of supporting committees which provide oversight on key business activities and risks, including the:

- Disclosure Committee
- Ethics & Compliance Committee
- Group Risk Committee
- Investment Committee
- Sustainability Operating Committee

Corporate governance continued

Division of 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.

The letters of appointment of the Non-Executive Directors, as well as the service agreements for the Executive Directors, are available for inspection at the Company's registered office and at the Annual General Meeting ('AGM').

Responsibilities of the Chairman, Senior Independent Non-Executive Director, Executive and Non-Executive Directors and the Group Company Secretary

Board

Chairman

- Leading and governing the Board to ensure its overall effectiveness in directing the Company.
- Assessing and monitoring the culture within the Company and ensuring that it aligns to the Company's purpose.
- Ensuring that Directors receive accurate, timely and clear information to enable them to discharge their duties to promote the long-term sustainable success of the Company.
- Ensuring effective two-way communication between the Board and shareholders and key stakeholders.
- Communicating to all Directors the views, issues and concerns of major shareholders.
- Promoting a culture of openness and debate and facilitating constructive Board relations and the effective contribution of the Non-Executive Directors.

Senior Independent Non-Executive Director

- Providing a sounding board for the Chairman.
- Being available as an intermediary between the other Directors and shareholders if necessary.
- Leading the annual performance review of the Chairman.
- Being available to meet with shareholders and other stakeholders should they have any concerns that have not been resolved through the normal channels.

Group Company Secretary

- Supporting the Chairman in delivering Board and governance procedures.
- Advising the Board on governance.
- Ensuring good information flows within the Board and its Committees.
- Facilitating induction and assisting with professional development as required.
- Developing and overseeing the systems that ensure that the Company complies with all applicable codes, in addition to its legal and statutory requirements.
- Facilitating access to independent professional advice at the Group's expense.

Chief Executive Officer

- Proposing and agreeing the strategy with the Board.
- Running the day-to-day operation of the business in line with the agreed strategy and commercial objectives.
- Promoting and conducting the affairs of the Company with the highest standards of ethics, integrity, sustainability and corporate governance.
- Managing the Leadership Team.

Non-Executive Directors

- To constructively debate and add value with respect to the proposals on strategy and risk management and offer specialist advice.
- Reviewing the performance of management in meeting agreed goals and performance objectives and scrutinise and hold to account the performance of management.
- Reviewing the appointment and removal of Executive Directors.
- Allocating sufficient time to the Company to discharge his/her responsibilities effectively.

Chief Financial Officer

- Managing the financial delivery and performance of the Group.
- Analysing the Company's financial strengths and weaknesses and proposing corrective actions.
- Managing the finance and accounting departments and ensuring that the Company's financial reports are accurate and completed in a timely manner.
- Overseeing the capital structure of the Company, and determining the best mix of debt, equity and internal financing.

Board activities

The following pages give an insight into how we, as a Board, use our meetings as a mechanism for discharging our responsibilities, including how the consideration of stakeholders is embedded into our workings as a Board and the range of matters we considered and discussed during the year.

Each Board meeting follows a carefully structured agenda agreed in advance by the Chairman, CEO and Group Company Secretary; this ensures that proper oversight of key areas of responsibility are scheduled regularly and that adequate time is available for the Board to fully consider strategic matters. In addition to regular items, we receive presentations from the Leadership Team and global leaders across the business on their particular areas of responsibility and expertise. External speakers also present periodically to provide an overview on global or regional matters. One meeting a year is conducted overseas. Read more about our visit to China on page 70.

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.

Board meeting attendance during the year to 31 December 2019

Sir David Reid Chairman	5/5
André Lacroix Chief Executive Officer	5/5
Ross McCluskey Chief Financial Officer	5/5
Graham Allan Senior Independent Non-Executive Director	5/5
Gurnek Bains Non-Executive Director	5/5
Dame Louise Makin Non-Executive Director	5/5
Andrew Martin Non-Executive Director	5/5
Gill Rider Non-Executive Director	5/5
Jean-Michel Valette Non-Executive Director	5/5
Lena Wilson Non-Executive Director	4/5*

* Lena Wilson was unable to attend a meeting due to a scheduled operation. Lena reviewed the papers circulated for the meeting and gave feedback to the Chairman and CEO prior to the meeting taking place.

When required, the Board also met at short notice on a quorate basis. The Chairman and the 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.

Where Directors have concerns about the operation of the Board or the management of the Company that cannot be resolved, the minutes will reflect this. No such concerns were raised during the year.

Section 172 Companies Act 2006

We, as a Board, understand clearly our responsibility to deliver long-term sustainable success and returns for our shareholders and we collectively review, discuss and annually agree the Group's strategic review; this covers a period of five years and is then linked to the viability statement as outlined on page 51. We take great pride in Doing Business the Right Way and this is the very platform upon which we are making our good-to-great journey. It is at the heart of our Company's values and our Ever Better approach. We are very conscious of the different areas and stakeholders that need to be considered, and be cognisant of, as part of the Board decision-making process as they are vital to driving the success of Intertek. We take time to engage and understand the needs of our employees, customers, the communities within which we operate, suppliers, impact on the environment and our shareholders.

At the front of every Board and Committee agenda, our purpose, customer promise and vision, together with our section 172 responsibilities, are outlined as a reminder before the meeting and to ensure we act in accordance with our duties.

CASE STUDY

ACQUISITION OF CHECK SAFETY FIRST SECTION 172 DECISION-MAKING

This acquisition was presented to the Board for approval in accordance with the Board Approval Matrix. A paper was prepared by the Senior Vice President, Corporate Development and she attended the Board meeting to present the proposed acquisition.

The Board reviewed and discussed how the acquisition was in line with the strategy for the Group and the Senior Vice President, Corporate Development took the Board through the market context, gave an overview of the business, and the rationale for the acquisition, details of customers, the management, integration plan and reporting lines, gave a financial overview and returns analysis and outlined any risks together with mitigation plans.

The Board considered the cultural fit with Intertek and the long-term consequences of this company joining the Group. They approved the acquisition after reviewing and agreeing that Check Safety First would form part of the future success of Intertek, was in the best interests of all shareholders, and would provide valuable additional services for customers.

Engagement with suppliers, customers and others in business with the Company

Below, we outline how the different stakeholder groups have been considered throughout the year.

Employees

We, as a Board, are responsible for ensuring that appropriate financial and human resources are in place to achieve our long-term strategy and deliver sustainable performance. Our employees are a key and vital part of the success of the Group and we spend a good proportion of our time on people matters. Over the course of the year, we regularly considered reports at every Board meeting related to our people and the organisation, including on matters such as Health & Safety, from the CEO and Executive Vice President, Human Resources. We discussed global talent and succession planning for the Leadership Team to ensure we have the right talent in the short and longer term to lead and grow the business, as well as reviewed progress against, and agreed future goals, with our global people strategy.

Read more on our engagement with employees on pages 68 to 71.

Board activities continued

Customers

Innovation for customers is a cornerstone of our strategy, as demonstrated by the launch of the Total Sustainability Assurance and Cyber Assured programmes during the year. As pioneers of a fully integrated Assurance, Testing, Inspection and Certification solution, we offer our customers a unique risk-based approach to quality assurance, supporting them to thrive in an increasingly complex world, living our purpose to bring quality, safety and sustainability to life.

During the year, we reviewed and discussed our strategy and strategic plan, the increasing risk and operating complexity for our customers and reviewed how our ATIC solutions and new innovations can support them.

In October, as part of our annual overseas Board meeting, we visited and engaged with two important customers to understand their business needs and requirements for the future and how we support them, one of which was Midea Group, a world-leading technologies group in consumer appliances, HVAC systems, robotics and industrial automation systems, and smart supply chain (logistics).

Read more in our Strategic report on page 56.

Investors

We are responsible to the Company's shareholders and key stakeholders for the proper conduct and success of the business through our entrepreneurial and innovative leadership, setting the strategic aims values, standards and culture of the Company. In addition to our strategic plan and shareholder updates at every meeting, we reviewed the full, half-year and AGM documentation, as well as agreed dividend payments.

Every year, the Chairman holds meetings with shareholders, and their views on governance are presented at a subsequent Board meeting for review and discussion. The Chair of the Remuneration Committee also undertook a detailed consultation with our shareholders on the proposed Remuneration Policy during the year and their feedback was considered and taken into account when presenting the Remuneration Policy for shareholder approval at the 2019 AGM.

Read more on our investor engagement on pages 72 and 73.

Suppliers

We recognise the importance of our supply chains and invest in our relationships with them to ensure that they are treated in a fair and consistent way. During the year, the Board received updates on our supply chain, where relevant, from our business line leaders.

The Board also reviewed and approved the 2018 Modern Slavery Act statement noting the supplier mapping that had taken place and the due diligence processes in place to ensure compliance with regulations and to address and meet the expectations of our employees, shareholders and wider society.

Governments & Regulators

Compliance with local laws and regulations is key. We operate in accordance with the requirements of the Companies Act 2006 and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ('FCA'). Governance is fundamental to the operations of the Group and 2019 was a busy year for developments in this area. We have a responsibility to ensure the Group's compliance with all relevant regulations and, in order to achieve this, we have considered and approved the following: operating plans, the reappointment of Directors, the method and approach to risk management and internal control, financial reporting, audit, approach to the Modern Slavery Act, sustainability and ethics. In addition, we reviewed the Group's Risk Register. We also received updates from the principle Committees on the work they undertake on our behalf.

In October, the Board received two presentations from external speakers on the Greater China economic and political arena to add to the understanding of where the Group operates and the local operating environment.

Community

Fostering good relationships, our operations generate direct and indirect benefits for the communities in which we work, and these are vital for the success of our business.

The Board has spent time with senior management, receiving updates on developments and global trends as well as reviewing progress against our Sustainability Strategy.

The introduction of the groundbreaking Total Sustainability Assurance programme, which launched in September 2019 to support our clients' end-to-end sustainability commitment, demonstrates the importance we place on sustainability.

Read more in the Sustainability section in the Strategic report on page 33.

Internal control and risk management

The Board is ultimately responsible for monitoring the Group's system of internal control and risk management and ensuring its effectiveness. Monitoring and reviewing the effectiveness of the Group's internal and risk management controls is discharged by the Audit Committee and they report to the Board on its evaluation of the systems in place. The Board confirms that it has completed a robust assessment of the Group's emerging and principal risks and that the Company has fully complied with the Financial Reporting Council's ('FRC') Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. Further information on the framework, its effectiveness and on our financial risk management can be found on pages 77 to 78.

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 whereby the risk committees produce a register of emerging risks in their area of responsibility which 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. At each Board meeting, the Group General Counsel presents 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. This 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 section in the Strategic report on pages 26 and 27.

Whistleblowing is the responsibility of the Board and the Group has a whistleblowing process, which includes a global hotline system enabling all employees, contractors and others representing Intertek to confidentially report suspected misconduct or 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 Board receives quarterly reporting on whistleblowing and integrity issues. The Group Compliance function is independent of the Group's operational business and reports directly to the Group General Counsel.

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 receive an annual refresher. 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.

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. 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 and, during the year, this process operated effectively.

Independence

All Non-Executive Directors were independent on appointment to the Board. The Board continues to review the independence of the Non-Executive Directors, other than the Chairman, as part of its annual Board effectiveness review and considers that all of them continue to demonstrate independence in both character and judgement. 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 terms within the Code for Non-Executive Directors and the Chairman and, as such, any terms beyond these are subject to a particularly rigorous review to ensure the progressive refreshing of the Board meets the evolving needs of the Company.

Induction, training 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 advisers and visits to our laboratories and sites. 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 the Leadership Team 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 advisers on regional economic trends. These are supplemented by the Directors' site visits in both the UK and overseas. These visits facilitate not only an enhancement of understanding but also allow the Directors to experience and monitor the Company's culture. Read more about our employee engagement on pages 68 to 71.

The Company also encourages Directors to attend briefings and seminars offered by professional and commercial bodies in order to keep abreast of current legal and regulatory requirements, especially within their specialist fields such as audit or remuneration.

During the year, at the request of the Board, cybersecurity training was developed and implemented for the Directors to increase their knowledge in this important area of risk to a business.

2019 internal Board and Committee evaluation

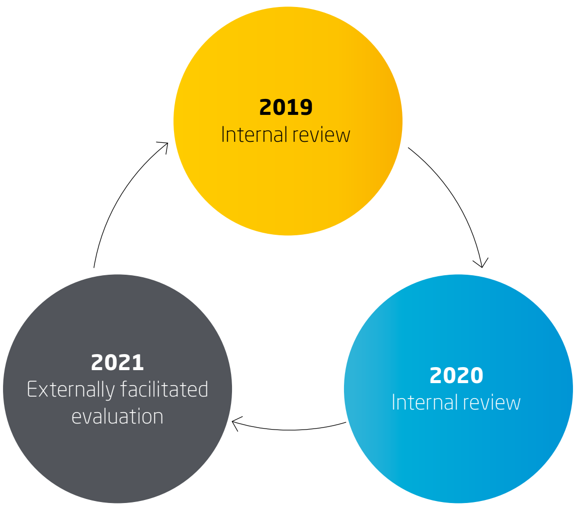
The effectiveness of the Board, and its Committees, is reviewed annually and an independent externally facilitated review is conducted every three years.

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

- the completion of detailed questionnaires by each Board member;
- discussions on the outcomes and recommendations with the Chairman and each Board member; and
- following discussion of the results of the evaluation with the relevant Committee and the Board as a whole, identifying and agreeing areas for improvement – the strategy and strategic agenda having already been agreed at the Board.

Board Activities continued

BOARD, COMMITTEE AND DIRECTORS' EVALUATION CYCLE



In 2018, a full externally facilitated Board evaluation process was led by the Chairman. This evaluation reconfirmed how the Board was continuing to actively progress and implement the agreed strategy and put in place the strategic initiatives and capability to deliver sustainable growth and strong returns to shareholders through the Total Quality Assurance value proposition which forms the core of our 5x5 differentiated strategy for growth. Whilst, also implementing plans to push on in our "journey areas" such as sustainability and actions to implement the provisions of the 2018 UK Corporate Governance Code.

This year, the findings from the internally facilitated Board evaluation were very positive and constructive, with the focus during the year on continuing to improve Board processes to ensure the maximum use of time on discussion, and focus on a few significant areas such as culture, customers and our people. We want to understand more about what our employees are thinking and how we can support and develop them. Sustainability will continue to be hugely important as demonstrated by the launch in September 2019 of Total Sustainability Assurance, a new industry-leading, independent assurance solution enabling businesses to demonstrate their end-to-end commitment to sustainability. Our customer centricity is the cornerstone of what we do 24/7 and the Board visits to two of our major customers in October 2019 were extremely informative and the Board will continue to support customer innovation and the drive into the services that our customers need.

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 recommends that shareholders should be supportive of their re-election to the Board at the 2020 AGM.

Engagement with employees

Our people are the blocks upon which the success of the Company is built, so it is vital that we empower them with the tools and confidence to ensure a strong foundation is created from which the business can operate. Organisationally, we aim to create a fast-moving environment, where people take responsibility and make things happen in a commercially responsible way, safeguarding shareholders' value. We promote an attitude of equal respect, humility and involvement. The 10X programme that has been rolling out across the Group over the past two years is focused on developing the best in each and every individual within the Intertek family and allowing them to reach their full potential, whilst ensuring that we have a pipeline of dedicated experts ready to take the Group forward and deliver on our Ever Better promise.

We have established platforms to allow our employees to engage with each other at all levels. Employees across the globe can converse, seek assistance and share knowledge and best practice with each other through an online platform. The 'WhatsIn' intranet platform keeps employees informed of what is happening across the Group, including details of the many awards won by employees globally, volunteering and charitable activities, as well as business activity and providing links to key tools to allow efficient working. The 'WhatsIn' mobile app, made by Intertek for Intertek people, puts Intertek news, contacts and ATIC services at employees' fingertips which is especially useful for our colleagues on-the-go, at client sites or in remote locations. Employees can comment on articles and share news on success stories.

Employees are internally recognised for their '10X' accomplishments through the awarding of peer-nominated and metrics-based awards. Awards are given for those displaying particular excellence in our five Energies: Emotional, Right, Inspirational, Engaging and Winning. Awards are also given out based on metrics such as performance, leadership, years of service, business and industry-specific excellence.

Having considered the size, complexity and geographical diversity of the Group and the need for all Directors to engage directly with employees across the Group, the Board considered the methods for employee engagement suggested by the Code and concluded that an alternative approach would be the most suitable for Intertek. As outlined in the Chairman's introduction, all members of the Board visit different locations across the world to meet and speak to our employees. We consider this to be an effective means of employee engagement for Intertek as it allows all Directors face-to-face interaction with our people within their working environment and this facilitates the dissemination of their views into Board-level discussions.

Throughout the year, the CEO also regularly visits sites around the world to recognise employees' contributions and achievements. Our CEO engages with our people through forums such as unscripted Q&A sessions and a programme of townhall meetings and site tours, which gives employees the opportunity to ask questions, demonstrate the work they do and showcase their facilities.

Townhalls are held across all sites and Executive Directors make a point to hold a townhall wherever possible on their site visits. At the end of every session there is a 'Safety Moment' which focuses on topics of health, wellbeing and the safety of our people. This is then followed by an informal gathering to encourage discussion in a less formal forum with the Executive Directors and the Leadership Team amongst peers.

40
CEO townhalls in 2019

CASE STUDY

10X TALENTS RECOGNISED IN SINGAPORE

Our CEO, André Lacroix, visited Intertek's office in Singapore in April 2019 to meet with regional leaders to review Q1 performance and to recognise the 10X talents in the country for their efforts and contributions.

A townhall meeting was held, during which André gave an update on Group performance over the last five years and recognised all Intertek colleagues around the world for their contribution to the sustainable year-on-year results. A number of employees were also specifically recognised for their commendable performance.

CASE STUDY

RECOGNISING C&P FRANCE PHARMACEUTICAL SERVICES EXPERTISE, 10X SPIRIT AND HSE PROGRESS

In December 2019, André and Graham Ritchie, our EVP for Europe, visited Dardilly, France Chemicals & Pharmaceuticals ('C&P') team. Key discussions between André, Graham and the C&P team centred on the different Health, Safety & Environment actions that Intertek France has implemented in its sites to ensure that Intertek employees working in a safe environment remains our number one goal. These included Road Safety Day, Life Quality at Work Week, Disability Week and Kindness Day at Work. During a townhall, André recognised and rewarded colleagues for their 10X accomplishments.

Board activities continued

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 2019, the Board visited China; more information on this is provided in the case study below.

CASE STUDY

BOARD VISIT TO CHINA OCTOBER 2019

Going out into the business, the Directors are able to meet with a diverse group of colleagues on a more informal basis which greatly assists not only in employee engagement but also in the succession planning process. These visits provide an opportunity to: assess local management performance and potential, gain further insight into how the business works on a day-to -day basis and speak first hand to local management and listen to their views.

The format of these visits often comprises a tour of our facilities and presentations on the macroeconomic environment of the country; its social and political systems; challenges and opportunities; a review of the competitive landscape; and a detailed review of the relevant business lines and our people.

In October 2019, the Board travelled to China where they visited two customer sites, one of which was Midea Group in Guangzhou and Shun De, Fo Shan, for a deeper insight into their operations. Visits were also made to our laboratories in Guangzhou and Shenzhen where the Board was able to see the broad range of local products we are able to test and inspect on behalf of our customers at each facility. We were also able to meet with employees at the laboratories and receive presentations from key local management.

The Board and Greater China management visiting Midea

Touring the footwear laboratory in Guangzhou

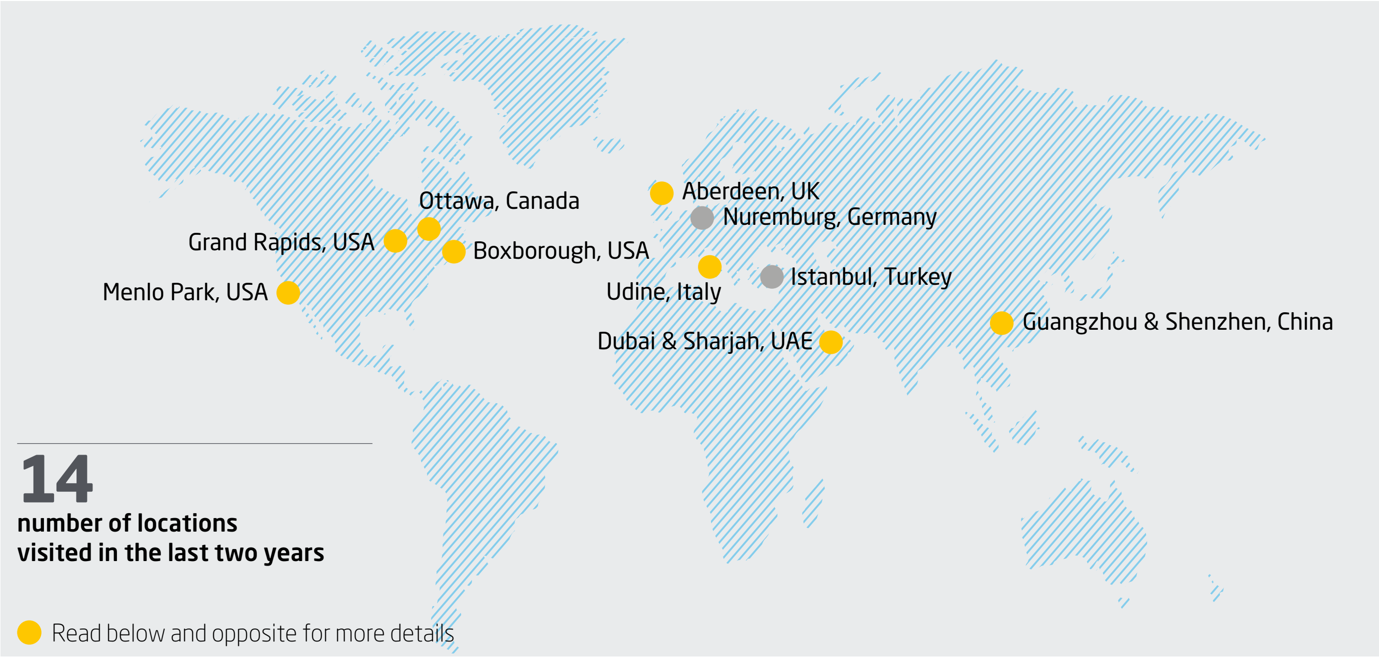
The individual Non-Executive Directors and the Chairman undertake visits to sites across our global operations. The map on the next page shows the visits undertaken by the Chairman and the Non-Executive Directors during 2019. The visits are arranged by the Group Company Secretary and each visit will include a presentation by local management, a tour of the laboratory and lunch or dinner with the local teams; which provides great opportunities for interaction, discussion and feedback to the Directors. These visits are invaluable as they increase the Directors' understanding of the operations of the Group and provides them with an opportunity to engage with the wider workforce, and to assess how the values and culture are embedded across the Group. During the year, the feedback from these visits is shared with the rest of the Board and ensures that all the Board have met a cross-section of the wider workforce which, together with presentations to the Board by the Leadership Team, inform the annual Board discussions on people strategy, talent and succession across the Group.

Americas

In May, Sir David Reid visited our Connected World business in Ottawa, Canada; in the US, he visited our Electrical Lab in Boxborough, our Transportation Technologies facilities in Grand Rapids and concluded his tour at our Electrical Lab in Menlo Park.

Transportation Technologies facilities, Grand Rapids, US

Our Non-Executive Directors' Site Visits in 2019



Middle East

In December, Graham Allan visited our site in Dubai, UAE and was given a tour of the food, petroleum and Product & Integrity Assurance laboratories. The local team gave a review on financial performance and spoke about the activities of the Regional Sustainability Committee and the range of local social activities organised by Intertek.

Sir David Reid also visited our Sharjah Centre of Excellence in the UAE, where he was given a tour of the laboratory facilities followed by a townhall with employees from all five business lines, to discuss the latest financial performance, sustainability initiatives, HR programmes and Social Committee activities.

Europe & Central Asia

The Udine laboratory in the North-East of Italy is the hub for all of our Electrical operations in Italy, Spain, Portugal, France and EU eastern countries. Arianna Fogar, Regional Manager South EU & France, gave an in-depth presentation to the Non-Executive Directors of the local business, its development over the years and, at the core, their customer-centric approach.

In August, Lena Wilson visited our Exploration and Production site in Aberdeen, Scotland where the local team gave a business overview and a tour of the laboratory.

Sharjah Centre of Excellence, UAE


Udine laboratory, Italy

Board activities continued

Investor engagement

Our approach

The Board is committed to maintaining an active and open dialogue with investors and sees this as an important part of the governance process. The Board retains overall responsibility for investor 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, our Board are available to meet with institutional investors.

Intertek's largest shareholders are invited annually to meet with the Chairman to share their views and discuss any corporate governance matters. In 2019, shareholders holding more than 58.59% of the share register collectively were invited to these meetings.

The Remuneration Committee also invited views from our largest shareholders on policy matters. More details are included in the letter from the Chair of the Remuneration Committee on pages 81 and 82.

We have 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

Materials

A wealth of information is available to investors through our Annual Report, full-year and half-year results and trading updates. These materials are available on our website, which are supplemented by videos, webcasts and presentations.

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 key conferences attended this year include the Bernstein Strategic Decisions Conference in London, the Berenberg TIC Conference in London and the ODDO BHF Conference in Lyon. A full list of conferences attended is outlined in the calendar below.

Roadshows

Following the full-year and half-year results announcements in March and August respectively, the Executive Directors and Investor Relations team held meetings with principal shareholders across London, Edinburgh, New York, Boston, Chicago and Toronto. A full list of roadshows is included in the calendar below.

January	March	April	May	June
• ODDO BHF Conference, Lyon • US East Coast Roadshow	• Full-Year Results 2018 • London, Edinburgh, Toronto, Boston, New York – Annual Results Roadshow • Berenberg UK Corporate Conference, Hertfordshire	• Stockholm, Helsinki, Copenhagen Roadshow • Den Haag, Amsterdam, Utrecht Roadshow • Brussels Roadshow	• Trading Statement • AGM	• Barclays Testing, Inspection & Certification ('TIC') Conference, London • Zurich, Geneva Roadshow • Frankfurt Roadshow

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 2019 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 2020 AGM will be held on 21 May 2020 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.

CASE STUDY

ENGAGING WITH STAKEHOLDERS

Events

In September, we launched our Total Sustainability Assurance certification programme with an event for investors at the London Stock Exchange. The event was well attended with a total of 65 external participants, including investors, sell-side analysts and advisers. The event also provided investors with the opportunity to meet the Chairman and members of our Leadership Team.

August	September	October	November	December
• Half-Year Results 2019 • London, Edinburgh, Toronto, Boston, New York, US Mid-Atlantic, Chicago & Midwest – Interim Results Roadshow • UBP – Positive Impact Event, Geneva	• Bernstein London Strategic Decisions Conference • Management Event at the London Stock Exchange for the launch of Total Sustainability Assurance • London Roadshow	• Berenberg London Testing, Inspection & Certification ('TIC') Conference • Jefferies 2019 Industrials Conference, London • Paris Roadshow • US Southwest Roadshow	• Trading Statement • Deutsche Bank Business Services Conference, London	• Berenberg European Corporate Conference, London • Jefferies Business Services Conference, San Francisco • Credit Suisse Business Services Conference, New York • US Southeast Roadshow • Morgan Stanley Business Services Conference, London

Nomination Committee report

The Committee has continued to focus its discussions on reviewing the current experience and skills on the Board and likely future needs.

Sir David Reid
Chair

As Chair of the Nomination Committee ('Committee'), I am pleased to present the Committee's report for 2019.

During the past year, the Committee has continued to focus its discussions on reviewing the current experience and skills on the Board and likely future needs in order to build up a total skills overview and identify any gaps. A priority for us was Executive and Non-Executive succession planning. The need to keep the Board refreshed but at the same time maintain a knowledgeable and experienced team of Non-Executive Directors is crucial and forms a large part of the Committee's work.

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

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[1].
- 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.
- Review the time commitment required from Non-Executive Directors.

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

The full Terms of Reference of the Committee, which were updated in 2019, can be found on our website.

Committee responsibilities and how we met them in the year

Performance evaluation

As part of the annual Board evaluation, the Committee's performance was evaluated by all Committee members 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.

Committee meeting attendance

Sir David Reid (Chair)	3/3
Graham Allan	3/3
Gurnek Bains	3/3
Dame Louise Makin	3/3
Lena Wilson	2/3*

* Lena Wilson was unable to attend a meeting due to a scheduled operation.

Board and Committee composition

During the year, we continued to monitor the composition of the Board and its principal Committees and the independence of its Non-Executive Directors. We undertook our annual review of the Board's effectiveness and composition. To ensure that the Board comprises a wide range of skills, experience and attributes, the Committee discusses and reviews extensively the experience, skills and behaviours required of future Directors, including the qualities of the individual required to ensure the right fit with the culture and style of Intertek.

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

Board reappointments

Having come to the end of his first term as a Non-Executive Director on our Board, Andrew Martin's appointment was reviewed. Following this review, the Committee was pleased to recommend to the Board the reappointment of Andrew for a further three years, from 25 May 2019. 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.

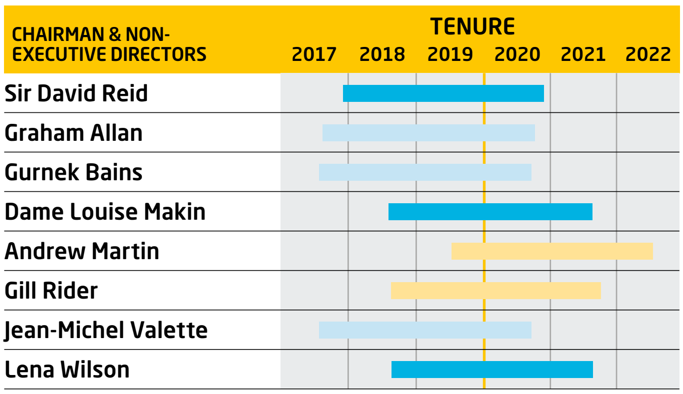
Biographies for all of the Directors are available on pages 60 and 61, and a resolution for each Director will be proposed at the forthcoming AGM for their re-election.

Talent mapping, succession planning and senior management succession

There have been no Board vacancies to fill in the year, however the Committee has discussed the experience, skills and behaviours desired for the pipeline of future Non-Executive Directors. Plans have been discussed for Chairman succession and also for Non-Executive Directors to replace Louise Makin and Lena Wilson when they would expect to step down from the Board in 2021 after nine years' service.

In the past year, we have particularly focused our discussions on the different time horizons within our succession planning, including contingency planning for sudden and unforeseen departures, the orderly replacement of current Board members and senior executives, and a longer-term view looking at the relationship between the delivery of the Company strategy and objectives and the skills needed on the Board now and in the future.

The tenure of the Board is shown below.



EXECUTIVE DIRECTORS	DATE OF APPOINTMENT TO THE BOARD
André Lacroix	Appointed May 2015
Ross McCluskey	Appointed August 2018

First term Second term Third term

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 in the Leadership 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.

The Leadership Team can be found on page 62.

Diversity

The Board and the Committee are 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. 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 to deliver the strategy and the long-term sustainable success of Intertek.

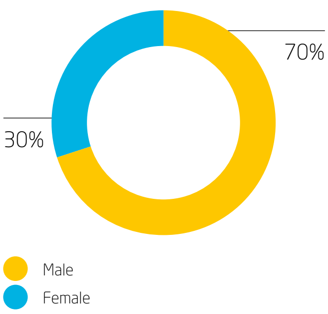
In reviewing Board composition, the Committee aims to maintain an appropriate balance of skills, experience and background on the Board, by considering all aspects of diversity, including gender.

In identifying suitable candidates to recommend for appointment to the Board, the Committee considers all 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 make continued progress as our existing Non-Executive Directors rotate in the ordinary course of business.

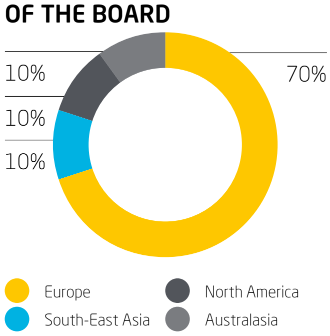
Our policy on Board gender diversity is aligned to the recommendations of both Lord Davies in his report 'Women on Boards', and the Hampton-Alexander Review (the 'Review'), which encourages at least 33% representation of women on FTSE 350 boards by the end of 2020. We currently have three female Non-Executive Directors on the Company's Board, representing a 30% female membership; following the Review in November 2019, Intertek was ranked as having the potential to be on target or high performing. However, when recommending new candidates to the Board, the Committee's primary focus is on ensuring that the correct balance of skills, knowledge and experience is maintained, as this is paramount for Intertek's long-term sustainable success.

Below, we have set out the gender balance and geographical heritage of our Board. Further details regarding gender balance across the Group and in the Leadership Team, and their direct reports, can be found within the Sustainability section in the Strategic report on pages 31 and 32.

GENDER BALANCE



GEOGRAPHICAL HERITAGE OF THE BOARD



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 range of leaders are considered for new appointments.

Audit Committee report

The Committee's primary focus centred on the accuracy of the Group's financial reporting, together with the ongoing improvements in internal control activities, risk and compliance matters.

Andrew Martin
Chair

Dear shareholder

On behalf of the Audit Committee ('Committee'), I am pleased to present this year's report. 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 auditor, 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 Company.

As Chair of the Committee, I make myself available to shareholders, especially at the AGM, to facilitate the answering of any questions that they may have around the scope of the Committee's responsibilities as a whole, the Committee's activities throughout the year, and any other questions that may arise from this report.

We advised the Board that the 2019 Annual Report and Accounts is fair, balanced and understandable and provides the necessary information for our shareholders to assess the Company's position, performance, business model and strategy. The process of review is described in greater detail on page 77.

During 2019, the Committee's primary focus centred on the accuracy of the Group's financial reporting, together with the ongoing improvements in internal control activities, risk and compliance matters.

PricewaterhouseCoopers LLP ('PwC') completed their third full audit of the Company for the year ended 31 December 2018. During the year, the Committee reviewed and agreed the independence and effectiveness of the audit process, in 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.

We carried out an internal evaluation of the Committee 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.

Andrew Martin
Chair of the Audit Committee

Committee composition

The Board, as a whole, is satisfied that the Committee, led by Andrew Martin, has recent and relevant financial experience and competence relevant to the sectors in which Intertek operates, meeting the requirements of the Code.

Jean-Michel, Lena and Louise all collectively possess the qualities which, complemented with Andrew's financial background, are indicative of an effective committee. Their collective experience in the roles of Chief Executive Officer, as well as other senior global positions, demonstrates their ability to oversee key risks, not just financial, as well as maintain the intellectual curiosity and professional challenge needed to operate effectively as a committee.

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. During the year, there were no changes to the composition of the Committee.

An overview of the background, knowledge and experience of the Committee Chair and each of the Committee members can be found on pages 60 and 61 and in the Notice of AGM.

During the year, the Committee held four formal meetings. Attendance of members at meetings is shown in the table below.

Committee meeting attendance

Andrew Martin (Chair)	4/4
Dame Louise Makin	4/4
Jean-Michel Valette	4/4
Lena Wilson	3/4*

* Lena Wilson was unable to attend a meeting due to a scheduled operation.

Committee responsibilities and how we met them in the year

The Committee has specific responsibilities delegated to it by the Board and the full Terms of Reference of the Committee can be found on the website. The Group Company Secretary, the audit partner and his team attended all meetings held during the year. At the invitation of the Committee, the Chairman, CEO, CFO, Deputy Group Financial Controller and the Group Audit Director attended all of the meetings. Other members of senior management were invited to attend the meetings as necessary.

The business of the Committee is linked to the Group's financial calendar of events and the timetable for the annual audit.

Financial reporting

A principal responsibility of the Committee is to monitor the integrity of the financial statements of the Company, having regard to the matters communicated to us by the external auditor, and to 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.

In order to fulfil this responsibility, we reviewed the full-year and half-year results, as well as any formal announcements relating to the Company's financial performance, prior to release. We also reviewed significant accounting policies and confirmed that it remains appropriate to report as a going concern.

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 2024. As disclosed in note 14 of the financial statements, all the current borrowing facilities are expected to be available at 31 December 2020 with the exception of US$150m senior notes maturing in December 2020 and the US$800m revolving credit facility which, in January 2020, was refinanced with a US$850m revolving credit facility maturing in 2025.

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.

Fair, balanced and understandable assessment

The Code depicts that through its financial reporting, the Board should provide a fair, balanced and understandable assessment of the Company's position and prospects. We, at the Board's request, reviewed the Annual Report and Accounts to determine whether, taken as a whole, the report meets the standard prescribed, whilst simultaneously providing shareholders with the necessary information to facilitate their assessment of the Company's position, performance, 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;
- comprehensive review by the senior management team to ensure overall consistency and balance;
- review conducted by external advisers 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 by the Board.

Internal control and risk management systems

A key focus for the Committee is to keep under review the adequacy and effectiveness of the internal financial controls and the internal control and risk management and assurance systems.

We regularly review and approve the statements to be included in the Annual Report and Accounts to ensure they remain relevant to the Group's strategy and operations as well as complying with any regulatory requirements.

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. In 2019, significant changes were made to the CMCs following the full integration of the Authorities Cascade, to enable the CMCs to act as a single source for all control matters. At the end of the year, the Committee undertook a review of the CMCs and Assurance map to ensure that they continued to be fit for purpose. Where non-compliances with the current CMCs were identified in the 2019 internal audit review

Audit Committee report continued

process, remediation plans have been put in place. For 2020, this process was reviewed and only minor changes were made to provide a high degree of continuity in the Company's control environment across all operations.

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 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 Leadership 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 2019, and up to the date on which these financial statements were approved. No significant failings or weaknesses were identified.

Whistleblowing and fraud

We reviewed 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. We are advised of any significant notifications from the whistleblowing hotline.

In addition, we review the Company's systems and procedures for detecting fraud, the prevention of bribery and receive regular reports on non-compliance and keep under review the adequacy and effectiveness of the compliance function.

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, and associated disclosures, were 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, including provisions related to transfer pricing risk, 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 December 2019, the Group completed the acquisition of Check Safety First Limited. 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 2019, management concluded its final assessment of the assets and liabilities for acquisitions made in 2018 and presented an update to the Committee. The Committee reviewed management's final accounting paper on acquisitions made in 2018 and 2019, and considered the report presented by the external auditor, before determining that the acquisition accounting is appropriate.

Impairment

The Group's strategy includes acquisition-led growth to generate new services and expand into new locations. These acquisitions, being in the service sector, can generate significant goodwill that benefits the Group as a whole and specifically the business to which the acquisition relates. Goodwill, aggregated at the 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 considered the work undertaken by the external auditor in respect of impairment and is satisfied that no impairment is required against any CGU.

Pensions

The Group operates a number of post-employment plans. In most locations, these are defined contribution arrangements. However, there are significant defined benefit schemes in the United Kingdom and Switzerland.

Having considered advice from external actuaries and assumptions used by companies with comparator plans, the Audit Committee agreed that the assumptions used to calculate the income statement and balance sheet assets and liabilities for post-employment plans were appropriate (see note 16). In 2019, the Committee also reviewed, and considered appropriate, the accounting treatment for the closure of the Hong Kong defined benefit scheme.

The significant issues considered by the Committee in relation to the financial statements were consistent, with the exception of restructuring and accounting for acquisitions, with those identified by the external auditor in their report on pages 164 to 171.

Engagement with the Financial Reporting Council ('FRC')

The Committee reviewed and answered the correspondence received from the FRC following their review of our 2017 Annual Report and Accounts. The Committee has overseen the incorporation of reporting improvements agreed with the FRC following their review. These improvements were incorporated into our 2018 Annual Report and Accounts, and in April 2019, the FRC confirmed the improvements satisfactorily addressed the matters raised in their review. The Committee notes that the FRC's review 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.

Internal audit

The Committee monitors and reviews the effectiveness, and resources, of the internal audit function.

To this end, the Committee approves the Internal Audit programme and charter for the year. The Committee reviews the internal audit reports and monitors management's responsiveness to the findings and recommendations of the Group Audit Director, as well as approving the appointment and removal of the Group Audit Director as appropriate.

The Group has an Internal Audit function, whose activities are overseen by the Committee, which provides assurance over compliance with the Group's framework of financial CMCs. In 2019, 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;
- 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 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.

Independent review of effectiveness

An independent review of effectiveness, which is carried out every three years, was undertaken by Grant Thornton during the year and their findings were presented at the December Committee meeting. Their approach considered four key areas: Performance, Planning, People and Positioning. The review concluded that Internal Audit is a valued function of the business and that their role in defining expectations and improving compliance with the financial CMCs is widely acknowledged. They further concluded that the function exhibits a number of areas of good practice, in particular in the continuous improvement agenda of the team, as well as their innovative processes and reporting. The report also highlighted that the remit of the Internal Audit role could evolve and expand in the future.

External auditor

The appointment, review and relationship with the external audit firm and the annual review of the effectiveness of the external audit is a responsibility that is delegated to the Committee.

The Committee monitors and reviews the independence and objectivity of the external auditor and reviews the effectiveness of the external audit process. The Committee also considers and makes 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. It ensures that at least once every ten years the audit services contract is put out to tender to enable us to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms.

A transparent and independent audit tender process was completed in 2015 and 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.

Audit Committee report continued

The independence of the external auditor is critical for the integrity of the audit. The Committee 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:

1. PwC presents to the Committee its approach to safeguarding and maintaining the quality and independence of their audit of the Company and their auditors, including addressing any risks they face in maintaining audit quality across their network.

2. The views of management and the Directors on PwC's service are obtained via a questionnaire and the feedback is presented to the Committee.

3. The key findings and recommendations from both processes then form the basis of the assessment of PwC's effectiveness, together with the Committee's experience of dealing with PwC during the year.

The responses to the annual appraisal questionnaire were collated and incorporated into the planning process for the following areas: 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 2019 Committee meeting and PwC effectively addressed questions and challenges provided by Committee members. As a result of the findings, it was felt that, to increase connectivity and achieve zero defect, it would be beneficial for regional briefings to be held to inform and onboard the PwC auditors on the Intertek business due to the complex nature of the business, and in turn, further enhance the quality of the audit.

The Committee concluded, at the meeting held in May 2019, 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 resources and continued to build their knowledge of the business.

The effectiveness of the 2019 audit of the Group will be reviewed by the Committee in May 2020.

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 adviser 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 2019, the Committee pre-approved a total non-audit spend of £225,000. 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 2019, 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 117.

Audit fee breakdown for services provided by PwC in 2019

	2019 £m	2018 £m
Total non-audit fees	**0.1**	0.2
– audit-related services	**0.1**	0.2
– tax services	**–**	–
– other non-audit services	**–**	–
Audit fee	**4.6**	3.9
% of audit fee	**2%**	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.

Committee review

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, review and discussion of the results of the evaluation and identifying and agreeing areas for improvement. The Committee reviewed their functionality, members' individual strengths and identified any additional training that may be beneficial. 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.

Remuneration Committee report

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 growth strategy.

Gill Rider
Chair

Dear shareholder

I am delighted to present our Remuneration report for the year ended 31 December 2019.

Policy review

As part of the regular three-year renewal cycle, the Remuneration Committee presented a Directors' Remuneration Policy at the 2019 AGM. The key changes made were to align the policy with prevailing corporate governance guidance, including extending the time horizons for long-term incentive awards, introducing a post cessation shareholding requirement and reducing the pension for new appointments to be in line with the majority of the workforce.

Whilst the Remuneration Policy received strong support from our shareholders, with over 97% of votes cast in favour of the resolution at the 2019 AGM, the Committee received feedback from some investors in respect of the performance metrics that were used for the long-term incentive plan.

In light of the feedback received, the Remuneration Committee reviewed the performance metrics used for incentive plans to ensure that they were aligned with the Group's 5x5 differentiated strategy for sustainable growth. Whilst the current LTIP performance metrics (EPS and TSR) have served the Group well to date, the Committee proposed to make the following changes to provide better alignment between the long-term incentive and the Group's growth strategy:

- retain earnings per share but reduce the weighting from 50% to one-third of the award;
- replace relative Total Shareholder Return with the following metrics:
  - return on invested capital metric weighted at one-third of the award;
  - free cash flow from operations weighted at one-third of the award.

No changes are proposed to the performance metrics for the short-term incentive plan.

We believe that the proposed changes ensure that the performance metrics used for incentive plans at Intertek are directly aligned with our earnings model. Our remuneration plans therefore support delivery of our differentiated strategy, which aims to move the centre of gravity of the Company towards high-growth, high-margin areas in our industry.

The Committee has consulted with the Group's largest shareholders (representing circa 65% of the Group's shareholder base) on the proposed changes and have received support on the approach going forward. I would like to thank shareholders for their engagement on this matter.

As the previous performance metrics were detailed in the Remuneration Policy, the proposed change triggers a requirement for a new Remuneration Policy (as set out on pages 82 to 87) to be subject to shareholder approval at the 2020 AGM.

The Remuneration Committee discussed at length all current advice, guidance and governance requirements and concluded no other changes were required to the Remuneration Policy.

The Remuneration report includes our proposed Remuneration Policy, which, subject to shareholder approval, will apply for the three years from the 2020 AGM.

Pay for performance

As set out earlier in the Annual Report, Intertek has continued to perform well in 2019, with 6.6% growth in revenue (4.8% at constant currency) and 6.5% growth in adjusted operating profit (5.2% at constant currency), a record operating margin of 17.2% (up 10bps at constant currency), a proposed full-year dividend of 50% and ROIC of

Remuneration Committee report continued

22.8%. Based on our predetermined performance matrix, the Committee approved an annual incentive result of 52.3% of maximum.

Over the longer term, the three-year performance of the Group has delivered EPS CAGR growth of 8.3% and Total Shareholder Return in the upper quartile of the comparator group, which resulted in a payout of 89.40%.

When determining incentive outcomes, the Committee exercised independent judgement to determine whether the results felt appropriate given the performance of the Group overall and wider circumstances. It was the view of the Committee that the incentive outcomes appropriately reflected performance in the period and the Remuneration Policy operated as intended and therefore no discretion was applied.

With regard to salary, the Committee has awarded the CEO and CFO a 2% salary increase in line with the wider UK workforce.

Alignment to the wider workforce

The Committee continued to apply oversight of the Core Purpose, Culture and Values and the wider workforce. As set out in my letter last year, 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.

Last year, the Committee updated the Remuneration Policy to reduce the pension provision for new Executive Directors to 5% of salary, in line with the wider workforce. The policy was also updated to include a policy on post cessation shareholding guidelines for executive directors, which, in line with our principles of alignment across the workforce, applies to all participants in the Long Term Incentive Plan.

The elements of this report specifically required to be audited are on pages 92 to 96 and have been audited by PwC in compliance with the requirements of the regulations. These areas are marked as such by the inclusion of (audited) within the section header.

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 2020 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 2020 AGM.

In determining the Remuneration Policy, the Committee followed a robust process which included discussions on the content of the Policy at two Remuneration Committee meetings. The Committee considered input from management, although conflicts of interest were managed with decisions being taken by the members of the Remuneration Committee, and our independent advisers as well as in the context of best practice and guidance from our major shareholders and the proxy advisory bodies.

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 differentiated strategy for sustainable growth;
- 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 sets the individual remuneration of the Executive Directors and certain senior management. 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 benchmark 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
BASE SALARY	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.
BENEFITS	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 normally 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
PENSION	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
ANNUAL INCENTIVE PLAN ('AIP')	To drive the short-term strategy and recognise annual performance against targets which are based on business objectives.	Awards are based on Group annual performance targets, with performance targets normally 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. The payout at below threshold performance is 0% of maximum, with 25% of the maximum bonus normally payable for threshold performance. Payouts between threshold and maximum (100%) are determined on an annual basis. Details of the payout schedule will be disclosed in the relevant Directors' Remuneration report. 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 adjust the performance measures if not appropriate in the context of overall performance. 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 Committee report continued

ELEMENT OF PAY	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE MEASURES
LONG TERM INCENTIVE PLAN ('LTIP')	To retain and reward Executive Directors for the delivery of long-term performance. To support the continuity of the leadership of the business. To provide long-term alignment of executives' interests with shareholders by linking rewards to Intertek's performance.	Annual grant of conditional shares which vest after three years, subject to Company performance and continued employment. Awards may be made in other forms (e.g. nil-cost options) if considered appropriate. The shares will also normally be subject to a two-year holding period after vesting. Performance targets are normally set annually for each three-year performance cycle by the Board. 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. The Committee has the ability to adjust incentive payments if it believes that out-turns are not appropriate in the context of overall performance. Malus and clawback provisions apply.	Up to 250% of salary in respect of any financial year.	LTIP awards are subject to an appropriate balance of earnings, cash and capital efficiency based performance measures. The Committee retains the discretion to introduce another performance metric, with a maximum weighting of up to one-third of the incentive. Were the Committee to introduce such measures, it would normally consult with the Company's largest institutional shareholders. For 2020 the LTIP award will be based on earnings per share, return on invested capital and free cash flow from operations. Each measure will have an equal weighting. 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets.
SHARE OWNERSHIP GUIDELINES	To increase alignment between executives and shareholders.	Executive Directors are expected to retain any vested shares (net of tax) under the Group's share plans until the guideline is met. The guideline should normally be met within five years of the guideline being set. Further details of the share ownership guidelines and the new post-cessation shareholding guidelines are set out in the Directors' Remuneration report.	200% of salary	n/a
POST CESSATION OF EMPLOYMENT SHAREHOLDING	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
NON-EXECUTIVE DIRECTORS' FEES	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 only change that has been made is to the performance metrics for the Long Term Incentive Plan. From 2020 onwards, awards will be subject to an appropriate balance of earnings, cash and capital efficiency-based performance measures.

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 2020 LTIP award is based on earnings per share growth, return on invested capital and free cash flow from operations. The performance metrics align with Intertek's earnings model, which supports delivery of the Company's differentiated strategy, which aims to move the centre of gravity of the company towards high-growth, high-margin areas in our industry. Earnings per share ensures that there is a clear focus on margin-accretive revenue growth; free cash flow from operations ensures focus on strong cash management; and return on invested capital ensures a focus on disciplined capital management.

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. 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.

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.

Remuneration scenarios for Executive Directors

The chart overleaf illustrates how the Executive Directors' remuneration packages vary at different levels of performance under the revised Policy, which will apply in 2020 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

Remuneration Committee report continued

common law and contractual principles. Any payments in lieu of notice may be paid in a lump sum or may be paid in instalments and reduce if the Director finds alternative employment. The service contracts are available for inspection at the Company's registered office. The Committee reviews the contractual terms for new Executive Directors to ensure these reflect best practice.

In summary, the contractual provisions are:

PROVISION	DETAILED TERMS
Notice period	12 months
Common law and contractual principles	Common law and contractual principles apply
Remuneration entitlements	An incentive may be payable (pro-rata where relevant) and outstanding Share Awards may vest (see below)
Change of control	No Executive Director's contract contains provisions or additional payments in respect of change of control. The treatment of 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.

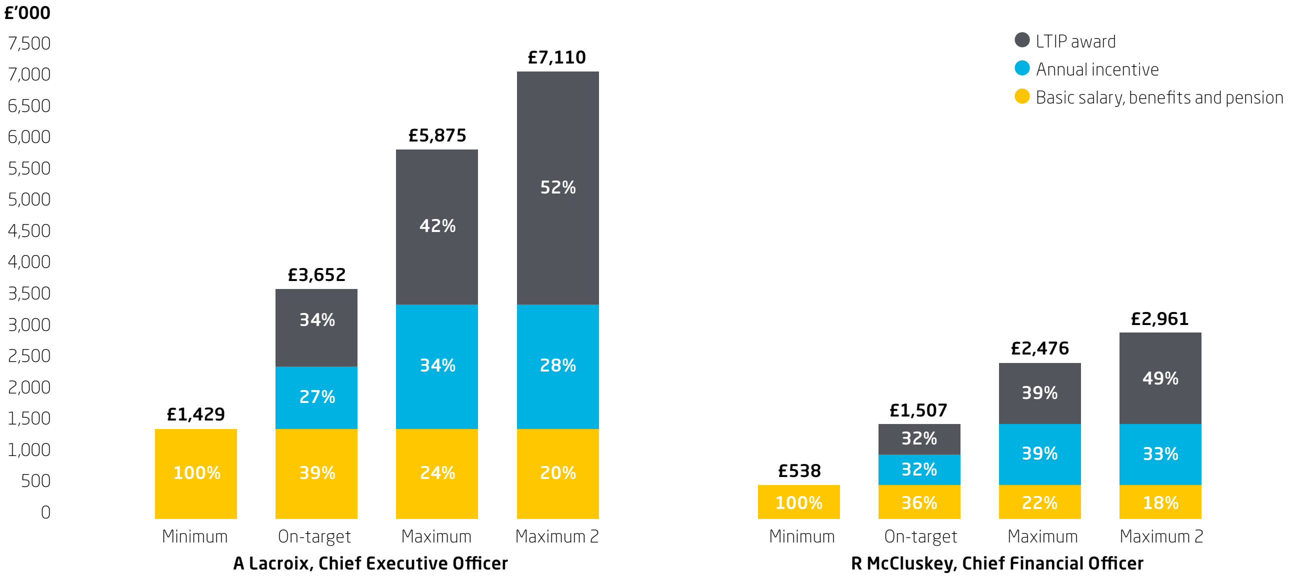
The default treatment under the 2011 LTIP, and under the 2021 LTIP (subject to shareholder approval at the 2020 AGM), is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, injury, disability or other circumstances at the discretion of the Committee, 'good leaver' status may be applied.

For good leavers, Deferred Share Awards will vest in full on the original vesting date (as permitted under the plan rules), unless the Remuneration Committee determines that awards should vest at an earlier date. LTIP awards will normally vest on the original vesting date (they will normally, where appropriate, be subject to any holding period), and 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 (for example, death). 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.

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 2020.
2. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ended 31 December 2019.
3. The value of pension receivable by the CEO and CFO in 2020 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 Maximum 2 scenario.

Letters of appointment for Non-Executive Directors

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

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

	Date of appointment	Notice period/ unexpired term as at 31 December 2019
Sir David Reid	1 December 2011 Reappointed: 1 December 2017	One month/11 months
Graham Allan	1 October 2017	One month/9 months
Gurnek Bains	1 July 2017	One month/6 months
Dame Louise Makin	1 July 2012 Reappointed: 1 July 2018	One month/18 months
Andrew Martin	26 May 2016 Reappointed: 26 May 2019	One month/29 months
Gill Rider	1 July 2015 Reappointed: 1 July 2018	One month/18 months
Jean-Michel Valette	1 July 2017	One month/6 months
Lena Wilson	1 July 2012 Reappointed: 1 July 2018	One month/18 months

Consideration of employment conditions elsewhere within the Group

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 2020 AGM, the Committee consulted with shareholders on changes being made to the proposed policy. 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 Executive 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; or

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 an Executive Director of the Company.

Remuneration Committee report continued

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. Meeting attendance is shown below.

Gill Rider (Chair)	3/3
Graham Allan	3/3
Gurnek Bains	3/3
Andrew Martin	3/3

The above members were members throughout 2019 and at all times when Directors' remuneration for the year was considered. Throughout the year, the composition of the Committee was compliant with the Code. All members are independent Non-Executive Directors. Prior to joining Intertek in July 2015, Gill had been Chair of the Remuneration Committee at Charles Taylor Plc since January 2002. This enabled the Nomination Committee to recommend her appointment as Chair of the Committee which was then approved by the Board.

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 advisers 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.

Committee responsibilities and how we met them in the year

We have specific responsibilities reserved to us by the Board and the full Terms of Reference of the Committee, which were updated in 2019, can be found on our website.

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.

Executive Director remuneration

We are responsible for determining the Company's policy on the remuneration of the Chairman, the Executive Directors and senior executive management. We also determine their remuneration packages, including any compensation on termination of office and review their alignment with our culture and with those of the workforce as a whole.

In the year we addressed this by reviewing and agreeing the remuneration of the Executive Directors as well as the Leadership Team. We received advice from Deloitte LLP ('Deloitte') to inform our discussions.

Wider workforce remuneration

We also review the remuneration and related policies of the wider workforce to ensure that incentives and rewards align to our purpose, values and culture. This is used to inform decisions when setting the policy for Executive Director remuneration and for when we consult with, or provide advice to, the CEO on major policy issues affecting the remuneration of other executives.

During the year, we reviewed the salary levels for senior management and the determination of the annual incentive payments for 2018. We considered a report on the general market trends that could impact the Group.

Remuneration Policy and report

It is important that we keep the Remuneration Policy under review in light of regulatory and best practice developments, Listing Rules and Governance Code changes as well as shareholder expectations.

Having consulted with our significant shareholders and developed the Remuneration Policy to accommodate their views and expectations, we were able to recommend our revised Remuneration Policy for adoption at the Annual General Meeting in 2019. The policy was subsequently approved with 97.7% of votes cast.

In addition, we undertook a review of the Directors' Remuneration report to ensure compliance with Remuneration Reporting Regulations. We discussed the 2019 proxy voting agencies reports and their recommendations issued prior to the 2019 AGM.

The key issue raised by investors in relation to the Directors' Remuneration report (at the 2019 AGM) was the performance metrics used for the purpose of the LTIP. As set out in the statement from the Remuneration Committee Chair, the Committee reflected on the feedback received and, following an in-depth review of the appropriate metrics for the LTIP, has proposed to replace the current mix of metrics (EPS and TSR) with metrics directly aligned to the Group's long-term strategy (EPS, ROIC and free cash flow from operations).

Incentives

A key task for us each year is to review the outcomes for the incentive schemes and agree on payment levels taking into account actual performance and any extraordinary events which may have impacted on performance. We will consider if there is a need to apply malus or clawback and, should there be, we would agree the quantum.

We undertook, with external advice, a thorough review of the 2019 annual incentive targets, performance measures and the TSR and EPS results to determine the percentage of incentive awards that should be paid.

We also agreed the performance conditions that should apply to the LTIP awards granted in the year to vest based on the performance to the end of 2021. We reviewed the quantum of awards given and were satisfied that they reflected the Remuneration Policy and were appropriate.

Committee review

We undertake an annual review of how effectively we are working as a Committee and take steps to develop any areas identified for improvement.

In the year, we carefully planned future agendas to ensure that we had sufficient time to ensure proper consideration could be given to all areas of remuneration for which we are responsible. We reviewed how we work as a Committee, members' individual strengths and also any additional training that may be beneficial. We received updates on market trends in remuneration from Deloitte and also an update on corporate governance developments including on our expanded role and responsibilities.

Advisers

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.

We review the appointment of the remuneration consultant and consider if they remain independent and applicable for the needs of the Committee. In the event that we decide that they are no longer appropriate we would arrange a review and any subsequent appointment.

In 2019, the Committee received advice from 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 and has sufficient breadth of knowledge to support our deliberations across the diverse Group as a whole. 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 £80,045. 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.

In addition to the services provided to the Committee, Deloitte provided unrelated tax services to the Group during the year.

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. No Executive Director currently has an external appointment.

Statement of shareholder voting

At the 2019 AGM, a resolution was proposed to shareholders to approve the Directors' Remuneration report for the year ended 31 December 2018. This resolution received the following votes from shareholders:

	Votes	%
In favour	118,919,423	89.18
Against	14,421,886	10.82
Total	133,341,309	82.62[1]
Withheld	97,157	

1. Percentage of total issued share capital voted.

At the 2019 AGM, a resolution was proposed to shareholders to approve the Remuneration Policy. This resolution received the following votes from shareholders:

	Votes	%
In favour	129,934,598	97.70
Against	3,052,618	2.30
Total	132,987,216	82.40[1]
Withheld	451,249	

1. Percentage of total issued share capital voted.

Remuneration Committee report continued

Directors' Remuneration Policy – Implementation in 2020

ELEMENTS	IMPLEMENTATION IN 2020
Base salary	Following a review of base salaries, the Remuneration Committee approved a salary increase of 2.0% for the CEO and the CFO. This is in line with the increase provided to UK employees in the Group. Base salaries from 1 April 2020: • André Lacroix: £988,153 • Ross McCluskey: £484,500
Benefits	Include, for example, 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 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. Total value of benefits (excluding all-employee plans) will not exceed 12% of salary.
Pension	• 30% and 5% of base salary for the CEO and CFO respectively.
Annual incentive plan ('AIP')	• Maximum opportunity for the CEO and CFO: 200% of base salary. • 50% of any incentive is paid in cash and 50% is deferred into shares vesting after three years. • Malus and clawback provisions apply. • Performance metrics – 80% will be based on a matrix based on revenue and adjusted operating profit growth, and 20% will be based on ROIC. Targets are not disclosed prospectively due to commercial sensitivity; however, detailed disclosure of the performance targets and actual outturns will be provided in the following year. • 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.
Long Term Incentive Plan ('LTIP')	• Maximum opportunity for the CEO and CFO: 250% and 200% of base salary respectively. • Two-year holding period after vesting. • Malus and clawback provisions apply. • Performance metrics for awards being granted in 2020:

Measures	Definition	Threshold (25%)	Maximum (100%)	Commentary
Earnings Per Share (EPS) (1/3)	Annualised fully diluted, adjusted EPS growth. Measured on a constant currency basis. Per the definition used for the Group's KPIs on page 22.	4% p.a.	10% p.a.	Compound annual growth rate targets.
Adjusted free cash flow (1/3)	Free cash flow generated from operations less net capital expenditure, net interest paid and income tax paid. Adjusted for separately disclosed items. Measured on a constant currency basis. Per the definition used on page 48.	£1,126m	£1,206m	Cumulative targets measured over three years. Targets set taking into account stretch within business plan and expected capital expenditure over the coming three years. Prior three-year cumulative free cash flow £1,126m.
Return on Invested Capital (ROIC) (1/3)	Adjusted operating profits less adjusted tax divided by invested capital (net assets excluding tax balances, net financial debt and net pension liabilities). Measured on a constant currency basis. Per the definition used for the Group's KPIs on page 22.	20%	24%	Cumulative adjusted operating profits divided by cumulative invested capital in each of the three performance years. Target set taking into account stretch within business plan, current ROIC performance, and reflective of the Group's strategy of making small bolt-on acquisitions which complement the Group's business. The treatment of significant acquisitions would be determined at the time of the transaction.

Share ownership guidelines	Shareholding guidelines are 200% of salary for the CEO and CFO.

ELEMENTS	IMPLEMENTATION IN 2020
Non-Executive Directors' fees	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.

Board membership	From 1 April 2020 £'000	From 1 April 2019 £'000
Chairman	**320**	320
Non-Executive Director	**62**	62
Senior Independent Non-Executive Director	**12**	12
Committee membership		
Chair Audit Committee	**20**	20
Chair Remuneration Committee	**15**	15
Chair Nomination Committee	**–**	–
Member Audit Committee	**10**	10
Member Remuneration Committee	**10**	10
Member Nomination Committee	**5**	5

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

Remuneration in context

The following section sets out how the Remuneration Committee has addressed the factors in Provision 40, as set out in the 2018 UK Corporate Governance Code.

CODE REQUIREMENT	INTERTEK APPROACH
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce	Variable remuneration arrangements, which are cascaded throughout the workforce, are based on clearly defined financial performance metrics which are aligned with the Group's '5x5' differentiated strategy for sustainable long-term growth.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand	Remuneration arrangements are simple, comprising the following key elements: • Fixed element: comprises base salary, benefits and pension, which is aligned to that offered to the majority of the workforce. • Short-term incentive: annual bonus which incentivises the delivery of financial performance metrics. Half of the bonus is paid in cash with the balance deferred for a period of three years. • Long-term incentive: LTIP which incentivises financial performance over a three-year period, promoting long-term sustainable value creation for shareholders. Awards are subject to a two-year holding period post vesting.
Risk Remuneration structures should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated	Performance targets are calibrated to be aligned with the Group's business plan which is set in line with the Group's risk framework. The Remuneration Committee retains the flexibility to review formulaic outcomes to ensure that they are appropriate in the context of overall performance of the Group, including risk.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy	The remuneration scenario charts, set out on page 86, provide estimates on the potential future reward opportunity in a range of scenarios, including below threshold, target and maximum performance (including share price appreciation).
Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear and outcomes should not reward poor performance	Variable remuneration is directly aligned to the Group's strategic priorities (through the selection of key financial performance metrics), with payments calibrated to ensure that payments are only made where strong performance is delivered. As noted above, the Remuneration Committee retains the flexibility to review formulaic outcomes to ensure that they are appropriate in the context of the overall performance of the Group.
Alignment with culture Incentive schemes should drive behaviours consistent with the Company purpose, values and strategy	As set out on page 82, the Remuneration Policy at Intertek has been set to be 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' differentiated strategy for sustainable growth; • 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 through well designed and appropriately calibrated incentive schemes.

Remuneration Committee report continued

The following sections on pages 92 to 96 have been audited.

Directors' remuneration earned in 2019 (audited)

The table below summarises Directors' remuneration received for 2019 and the prior year for comparison.

Executive Directors		Base salary or fees £'000	Benefits[1] £'000	BIK arising from performance of duties £'000	Annual incentive[2] £'000	Long-term incentives £'000	Pension[7] £'000	Total £'000	Total fixed £'000	Total variable £'000
André Lacroix	**2019**	**964**	**141**	**14**	**1,014**	**2,975**[3]	**289**	**5,397**	**1,408**	**3,989**
	2018	945	117	8	1,434	3,528[4]	284	6,316	1,354	4,962
Ross McCluskey	**2019**	**475**	**28**	**2**	**497**	**72**[3]	**24**	**1,098**	**529**	**569**
	2018[5]	172	10	1	259	58[6]	9	509	192	317

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 (£67,568).
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 2017 LTIP award which is still due to vest at the time of writing. The value shown is based on the share price of £54.09, which was the average mid-market share price in the fourth quarter of 2019. Further details on performance are set out on page 94. Of the total amount, 28.0% (£834,149 and £20,076 for André and Ross respectively) affects share price appreciation in the period.
4. This figure has been updated to show the actual value of the vested LTIP share awards based on the share price of £47.655, the share price at vesting in March 2019, as the 2018 Report included figures based on the share price for the final quarter of 2018 (£46.42).
5. This relates to the period from 22 August 2018 when Ross McCluskey was appointed as a Director.
6. This figure has been updated to show the actual value of the vested LTIP share awards based on the closing share price of £55.54, the share price at vesting in September 2019, as the 2018 Report included figures based on the share price for the final quarter of 2018 (£46.42).
7. Neither of the Executive Directors had a prospective entitlement to a defined benefit pension.

Non-Executive Directors		Base salary or fees[1] £'000	Benefits[2] £'000	BIK arising from performance of duties[3] £'000	Total £'000
Sir David Reid	**2019**	**320**	**25**	**9**	**354**
	2018	320	25	7	352
Graham Allan	**2019**	**89**	**-**	**-**	**89**
	2018	87	–	–	87
Gurnek Bains	**2019**	**77**	**-**	**-**	**77**
	2018	75	–	–	75
Dame Louise Makin	**2019**	**77**	**-**	**-**	**77**
	2018	75	–	–	75
Andrew Martin	**2019**	**92**	**-**	**-**	**92**
	2018	90	–	–	90
Gill Rider	**2019**	**77**	**-**	**1**	**78**
	2018	76	–	1	77
Jean-Michel Valette	**2019**	**72**	**-**	**5**	**77**
	2018	71	–	4	75
Lena Wilson	**2019**	**77**	**-**	**4**	**81**
	2018	75	–	11	86

1. 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.
2. 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.
3. 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.

Annual incentive (audited)

The annual incentive for 2019 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 52.3% of maximum opportunity. Performance of individual components is shown below.

2019 Company performance against annual incentive targets (at 2018 constant currency)

Financial measures	% Weighting	2019 Threshold	2019 Target[2]	2019 Maximum	2019 Actual	Achieved[3]	Weighted achievement
Total external revenue[1]		£2,898.9m	£2,958.1m	£3,017.3m	**£2,942.3m**		
Adjusted operating profit[1]		£498.0m	£513.4m	£528.8m	**£508.4m**		
Revenue/profit matrix	80%					40.4%	32.3%
Return on invested capital[1]	20%	20.5%	20.7%	20.9%	**22.1%**	100.0%	20.0%
Total	**100%**						**52.3%**

1. Calculated using constant 2018 exchange rates. Adjusted results exclude the impact of Separately Disclosed Items.
2. Target is equivalent to 50% payout.
3. Percentage achieved against maximum targets.

For 2019, the annual incentive outturn in cash and shares is as follows:

	Payable in cash £'000	Deferred Share Award* £'000
André Lacroix	**507**	**507**
Ross McCluskey	**249**	**249**

* These awards vest three years after the date of grant, subject to continued employment or good leaver status.

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 96 for further details). Overpayments may be reclaimed in line with the provisions set out on page 96.

Remuneration Committee report continued

Vesting of LTIP Share Awards (audited)

The LTIP Share Awards granted in 2017 are subject to performance for the three-year period ended 31 December 2019.

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 (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%	8.30%	78.75%
Total Shareholder Return (50%)	Relative TSR performance against the FTSE 31 to 130 (excluding banks and investment trusts)	Median	Upper quartile	At or above upper quartile[1]	100.00%
Total vesting					**89.40%**

1. TSR performance calculation was calculated by Deloitte; Intertek was ranked 15th of the 90 members of the comparator group of companies.

The LTIP Share Awards granted in 2017 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	Number of shares to lapse	Number of shares to vest	Value of vested shares £'000[1]
André Lacroix	58,636	2,879	61,515[2]	(6,521)	54,994	2,975
Ross McCluskey	2,826	135	2,961[2]	(314)	2,647	143
Total vesting	**61,462**	**3,014**	**64,476**	**(6,835)**	**57,641**	**3,118**

1. The value shown is based on the share price of £54.09 which is based on the average mid-market share price in the fourth quarter of 2019.
2. Due to vest in March 2020.

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 (audited)

The following LTIP Share Awards were granted to the Executive Directors on 21 March 2019:

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	47.378	50,117	2,374	25%	Three years to 31 December 2021
Ross McCluskey	LTIP Share Award	200% of salary	47.378	20,051	950	25%	

The LTIP Share Awards granted in 2019 are conditional share awards subject to performance for the three-year period ending 31 December 2021. This note relates to performance shares only; details of Deferred Shares granted in 2019 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 (audited)

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 2018 Number of shares	Granted in 2019 Number of shares	Award price[1] £	Dividend accrued in 2019[2]	Vested in 2019 Number of shares	Lapsed in 2019 Number of shares	31 December 2019 Number of shares	Date of vesting
André Lacroix									
2016	LTIP Share[3,4]	71,982	–	31.084	–	(70,758)	(1,224)	–	Mar 2019
	Dividend	3,341	–	–	–	(3,284)	(57)	–	
	Deferred Share[3]	17,376	–	31.084	–	(17,376)	–	–	Mar 2019
	Dividend	804	–	–	–	(804)	–	–	
2017	LTIP Share[4,6]	58,636	–	38.922	–	–	–	58,636	Mar 2020
	Dividend	1,753	–	–	1,126	–	–	2,879	
	Deferred Share[6]	16,474	–	38.922	–	–	–	16,474	Mar 2020
	Dividend	491	–	–	316	–	–	807	
2018	LTIP Share[4,7]	47,037	–	49.49	–	–	–	47,037	Mar 2021
	Dividend	728	–	–	904	–	–	1,632	
	Deferred Share[7]	18,815	–	49.49	–	–	–	18,815	Mar 2021
	Dividend	291	–	–	361	–	–	652	
2019	LTIP Share[4,8]	–	50,117	47.378	–	–	–	50,117	Mar 2022
	Dividend	–	–	–	963	–	–	963	
	Deferred Share[8]	–	15,135	47.378	–	–	–	15,135	Mar 2022
	Dividend	–	–	–	290	–	–	290	
Total		**237,728**	**65,252**		**3,960**	**(92,222)**	**(1,281)**	**213,437**	

	Type of Award	31 December 2018 Number of shares	Granted in 2019 Number of shares	Award price[1] £	Dividend accrued in 2019[2]	Vested in 2019 Number of shares	Lapsed in 2019 Number of shares	31 December 2019 Number of shares	Date of vesting
Ross McCluskey									
2016	LTIP Share[4,5]	3,117	–	35.288	–	(3,064)	(53)	–	Sep 2019
	Dividend	108	–	–	39	(144)	(3)	–	
2017	LTIP Share[4,6]	2,826	–	38.922	–	–	–	2,826	Mar 2020
	Dividend	82	–	–	53	–	–	135	
	Deferred Share[6]	715	–	38.922	–	–	–	715	Mar 2020
	Dividend	21	–	–	13	–	–	34	
2018	LTIP Share[4,7]	2,244	–	49.49	–	–	–	2,244	Mar 2021
	Dividend	33	–	–	42	–	–	75	
	Deferred Share[7]	2,244	–	49.49	–	–	–	2,244	Mar 2021
	Dividend	33	–	–	42	–	–	75	
2019	LTIP Share[4,8]	–	20,051	47.378	–	–	–	20,051	Mar 2022
	Dividend	–	–	–	385	–	–	385	
	Deferred Share[8]	–	3,890	47.378	–	–	–	3,890	Mar 2022
	Dividend	–	–	–	74	–	–	74	
Total		**11,423**	**23,941**		**648**	**(3,208)**	**(56)**	**32,748**	

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 21 March 2019, on which date the closing market price of shares was £47.378, having been granted on 21 March 2016, on which date the closing market price was £31.13.
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).

Remuneration Committee report continued

5. Awards vested on 5 September 2019, on which date the closing market price of shares was £55.54, having been granted on 5 September 2016, on which date the closing market price was £35.53.
6. 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 at 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.
7. 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.
8. The basis of the 2019 Deferred Share award is the deferral of the 2018 bonus. The award is a conditional share award. The face value of the awards are £717,066 and £184,300 for André and Ross respectively. Awards will vest on 21 March 2022, subject to continued employment or good leaver status, having been granted on 21 March 2019, on which date the closing market price was £47.70. Awards were made on a share price of £47.378, being the share price obtained by averaging the closing share prices for the five dealing days before the date of grant.

Malus and clawback (audited)

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 (audited)

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.

	Beneficially owned at 31 December 2018	Beneficially owned at 31 December 2019[1]	Outstanding LTIP Share Awards[2]	Outstanding Deferred Shares[3]	Shareholding as a % of salary[4]	Shareholding Guideline met
André Lacroix[5]	345,353	**394,230**	161,264	52,173	2,381	Yes
Ross McCluskey[6]	1,813	**3,513**	25,716	7,032	43	No
Sir David Reid	6,244	**6,595**	–	–	n/a	n/a
Graham Allan	110	**233**	–	–	n/a	n/a
Gurnek Bains	112	**235**	–	–	n/a	n/a
Dame Louise Makin	956	**1,068**	–	–	n/a	n/a
Andrew Martin	251	**363**	–	–	n/a	n/a
Gill Rider	509	**632**	–	–	n/a	n/a
Jean-Michel Valette	10,112	**10,237**	–	–	n/a	n/a
Lena Wilson	940	**1,063**	–	–	n/a	n/a

1. No changes in the above Directors' interests have taken place between 31 December 2019 and the date of this report.
2. Subject to performance conditions.
3. Subject to continued employment or good leaver status.
4. Calculated as the number of shares beneficially owned at 31 December 2019 based on a share price of £58.52 as at 31 December 2019, being the last trading day, and applied to the annual salary for 2019.
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. Joined Intertek in August 2016 with the guideline to hold 35% of base salary in shares by August 2021. This 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 (audited)

Wolfhart Hauser received 8,329 shares on 20 March 2019 which vested at a share price of £47.655, the final tranche of awards payable under the good leaver status granted on leaving the Company. The shares were granted in March 2016, on which date the closing market price was £31.13 per share. These vested in line with the LTIP awards vesting for other executives in respect of the performance period ending on 31 December 2018 (98.3% of maximum).

Payments for loss of office (audited)

As previously advised, Edward Leigh ceased to be a Director of the Company with effect from 22 August 2018; however, he remained an employee of the Company until 21 August 2019 and received salary of £364,969 and contractual benefits (other than car allowance) in accordance with his service agreement during this period. In addition, in line with the good leaver status granted to him, a total of 34,321 shares vested on 20 March 2019 at a share price of £47.655, having been granted in March 2016 at which date the closing market price was £31.13 per share. A final payment of £3,810 was paid to Edward Leigh for loss of office in August 2019 when his employment terminated.

Percentage change in remuneration levels

The table below shows the average movement in salary and annual incentive for UK employees between the 2018 and 2019 financial year ends.

	Salary	Incentive	Benefits
CEO (A Lacroix[1])	2.0%	(29.3)%	20.1%
Average pay based on Intertek's UK employees[2]	4.9%	29.4%	17.7%

1. The percentage change for incentive and benefits for André Lacroix are based on actual amounts earned in 2018 and 2019.
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

The following table sets out the CEO pay ratio, comparing the CEO's total remuneration against that of all of its UK employees. The table below shows the required information for 2018 (voluntarily disclosed) and 2019.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	**Option B**	**222:1**	**164:1**	**116:1**
2018	Option B	262:1	189:1	123:1

The regulations also require the total pay and benefits and the salary component of total pay to be set out as follows:

	Base salary £	Total pay and benefits £
CEO remuneration	964,028	5,397,286
UK employee 25th percentile	22,786	24,351
UK employee median	29,781	32,895
UK employee 75th percentile	43,529	46,738

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 2019 and uses the single total figure methodology for the identified individuals.

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 215:1 to 227:1, with an arithmetic mean of 222:1.
- For the three employees around the 50th percentile: Ratios ranged from 160:1 to 167:1, with an arithmetic mean of 164:1.
- For the three employees around the 75th percentile: Ratios ranged from 112:1 to 121:1, with an arithmetic mean of 116:1.

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.

The pay ratio reflects how remuneration arrangements differ as responsibility increases for more senior roles in the organisation, including reflecting that an increased proportion is based on performance related variable pay and short term based incentives for more senior executives.

Relative importance of the spend on pay

The table below shows the movement in spend on staff costs between the 2018 and 2019 financial years, compared to dividends.

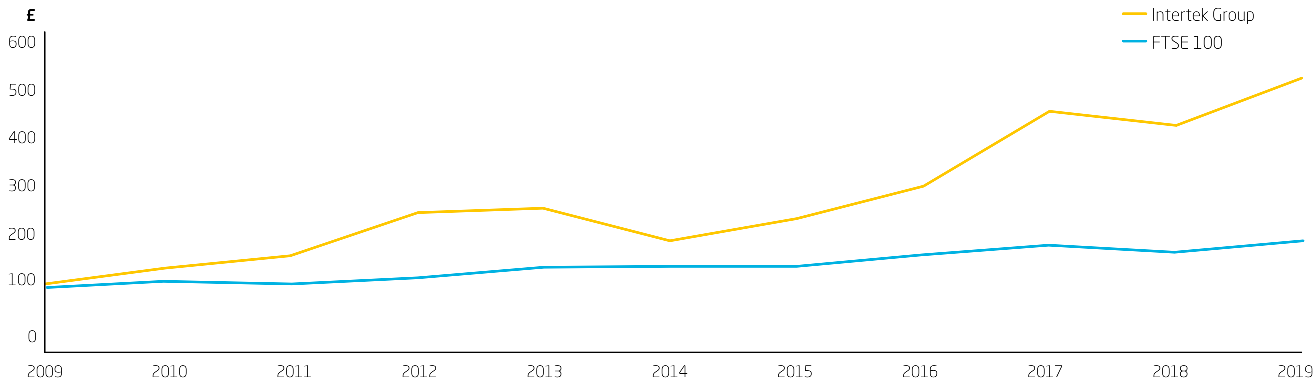
	2019 £m	2018 £m	% change
Staff costs[1]	**1,314.5**	1,239.0	6.1%
Dividends	**163.2**	128.3	27.2%

1. Staff costs are shown at actual rates. At constant currency, staff costs increased by 4.2%, reflecting a 1.9% foreign exchange impact.

Remuneration Committee report continued

Performance graph

Consistent with prior years, the graph below shows the TSR in respect of the Company over the last ten 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.



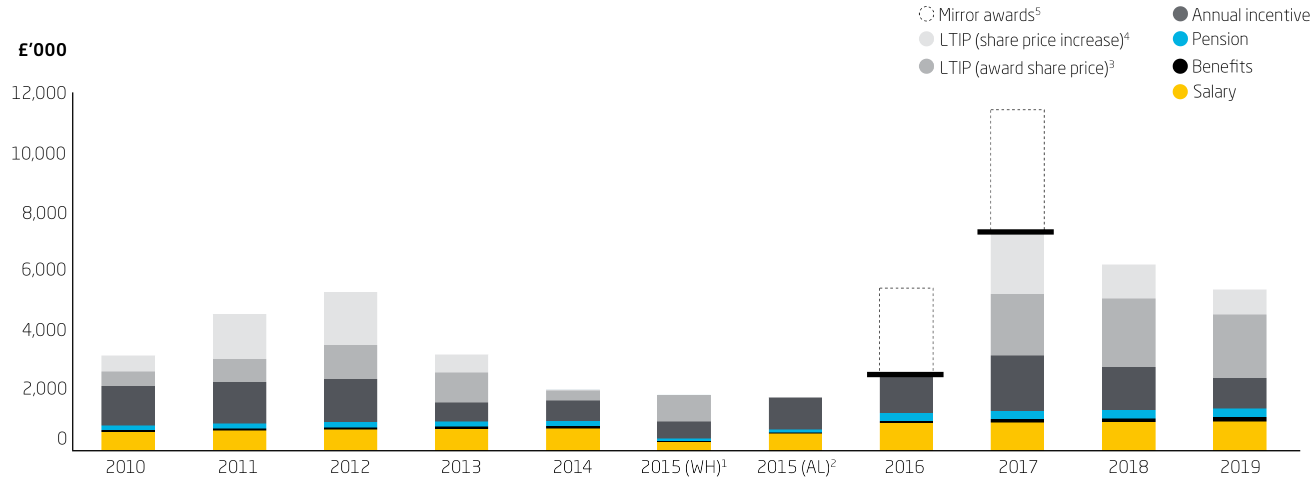
CEO total remuneration

The total remuneration figures for the CEO during each of the past ten 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									
	2010	**2011**	**2012**	**2013**	**2014**	**W Hauser 2015**	**A Lacroix 2015**	**2016**	**2017**	**2018**	**2019**
Total remuneration £'000	3,164	4,554	5,298	3,195	2,011	876	1,824	5,452[1]	11,417[1]	6,316	**5,397**
Annual incentive (%)	96.6	92.3	83.1	34.6	38.4	90.6	96.6	70.2	100.0	75.5	**52.3**
LTIP award vesting (%)	100.0	100.0	100.0	81.8	25.2	–	–	–	90.87	98.32	**89.40**

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.

The graph below shows the total remuneration of the Intertek CEO over the ten-year period from 2010 to 2019.



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, which in 2019 was £834,149.
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.

Approval of the Directors' Remuneration report

The Directors' Remuneration report, including the Remuneration Policy Annual Report on Remuneration, was approved by the Board on 3 March 2020.

Gill Rider
Chair of the Remuneration Committee

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 60 and 61.

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 meetings 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 2019, 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 95 and 96.

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 71.6p per ordinary share (2018: 67.2p) making a full-year dividend of 105.8p per ordinary share (2018: 99.1p) which will, if approved at the AGM, be paid on 11 June 2020 to shareholders on the register at the close of business on 22 May 2020.

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, receive the Company's Annual Report and Accounts, attend and speak at general meetings of the Company, appoint proxies and exercise voting rights. A waiver of dividend exists in respect of 446,823 shares held by the Intertek Group Employee Share Ownership Trust ('Trust') as at 31 December 2019. 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 2019, 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 held in 2019, 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 ten-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 2019 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 3 March 2020, 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
Fiera Capital Corporation	8,485,236	5.26
Fundsmith LLP	8,215,293	5.10
Mawer Investment Management Ltd	8,110,417	5.03
Marathon Asset Management LLP	8,037,714	4.98

Employment

Information about the Group's employees, employment of disabled persons and employment practices is contained within our Sustainability section in the Strategic report on pages 31 and 32. 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 our Sustainability section in the Strategic report on pages 27 to 29.

Political donations

At the AGM in 2019, shareholders passed an ordinary 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 any such political donations (2018: £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 147 to 152.

Auditor

The auditor, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office. Upon the recommendation of the Audit Committee, a resolution 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.

Annual General Meeting

The Notice of AGM, which is to be held on 21 May 2020, is available for download from the Company's website at 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.

Other statutory information continued

Annual Report and Accounts and compliance with Listing Rule ('LR') 9.8.4 R

The Board has prepared a Strategic report (pages 1 to 57) which provides an overview of the development and performance of the Company's business during the year ended 31 December 2019 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 81 to 99)
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 101)
10. Any contracts for the provision of services by a controlling shareholder	Not applicable
11. Shareholder waivers of dividends	Other statutory information (page 100)
12. Shareholder waivers of future dividends	Other statutory information (page 100)
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
3 March 2020

Registered Office
33 Cavendish Square
London
W1G 0PS

Registered Number: 04267576

Consolidated income statement

For the year ended 31 December 2019	Notes	IFRS 16 Adjusted results £m	IFRS 16 Separately Disclosed Items* £m	IFRS 16 Total 2019 £m	IAS 17 Adjusted results £m	IAS 17 Separately Disclosed Items* £m	IAS 17 Total 2018 £m
Revenue	2	**2,987.0**	**-**	**2,987.0**	2,801.2	–	2,801.2
Operating costs		(2,462.8)	(38.4)	(2,501.2)	(2,319.4)	(45.6)	(2,365.0)
Group operating profit/(loss)	2	**524.2**	**(38.4)**	**485.8**	481.8	(45.6)	436.2
Finance income	14	1.2	–	1.2	1.8	–	1.8
Finance expense	14	(40.6)	(1.3)	(41.9)	(27.1)	(6.4)	(33.5)
Net financing costs		**(39.4)**	**(1.3)**	**(40.7)**	(25.3)	(6.4)	(31.7)
Profit/(loss) before income tax		484.8	(39.7)	445.1	456.5	(52.0)	404.5
Income tax (expense)/credit	6	(118.8)	7.3	(111.5)	(112.8)	13.5	(99.3)
Profit/(loss) for the year	2	**366.0**	**(32.4)**	**333.6**	343.7	(38.5)	305.2
Attributable to:							
Equity holders of the Company		345.5	(32.4)	313.1	322.9	(38.5)	284.4
Non-controlling interest	20	20.5	–	20.5	20.8	–	20.8
Profit/(loss) for the year		**366.0**	**(32.4)**	**333.6**	343.7	(38.5)	305.2
Earnings per share**							
Basic	7			**194.5p**			176.8p
Diluted	7			**192.6p**			174.7p

* See note 3.
** Earnings per share on the adjusted results is disclosed in note 7.

IFRS 16 was adopted on 1 January 2019 for our statutory reporting, without restating prior year figures. As a result, the statutory statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 24 provides a reconciliation of the two measures.

Consolidated statement of comprehensive income

For the year ended 31 December 2019	Notes	IFRS 16 2019 £m	IAS 17 2018 £m
Profit for the year	2	**333.6**	305.2
Other comprehensive income			
Remeasurements on defined benefit pension schemes	16	(3.2)	(0.8)
Tax on items that will never be reclassified to profit or loss	6	0.2	(0.5)
Items that will never be reclassified to profit or loss		**(3.0)**	(1.3)
Foreign exchange translation differences of foreign operations		(72.4)	45.3
Net exchange gain/(loss) on hedges of net investments in foreign operations	14	31.2	(32.6)
Gain on fair value of cash flow hedges		0.7	1.1
Items that are or may be reclassified subsequently to profit or loss		**(40.5)**	13.8
Total other comprehensive (expense)/income for the year		**(43.5)**	12.5
Total comprehensive income for the year		**290.1**	317.7
Total comprehensive income for the year attributable to:			
Equity holders of the Company		271.8	299.7
Non-controlling interest	20	18.3	18.0
Total comprehensive income for the year		**290.1**	317.7

IFRS 16 was adopted on 1 January 2019 for our statutory reporting, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 24 provides a reconciliation of the two measures.

Consolidated statement of financial position

As at 31 December 2019	Notes	IFRS 16 2019 £m	IAS 17 2018 £m
Assets			
Property, plant and equipment	8	644.2	441.2
Goodwill	9	859.8	874.9
Other intangible assets	9	302.4	329.5
Investments in associates		–	0.3
Deferred tax assets	6	51.9	58.4
Total non-current assets		**1,858.3**	1,704.3
Inventories*		19.2	18.3
Trade and other receivables*	11	685.0	684.4
Cash and cash equivalents	14	227.4	206.9
Current tax receivable		28.5	19.7
Total current assets		**960.1**	929.3
Total assets		**2,818.4**	2,633.6
Liabilities			
Interest-bearing loans and borrowings	14	(238.9)	(138.3)
Current taxes payable		(57.2)	(62.5)
Lease liabilities	14	(61.7)	–
Trade and other payables*	12	(518.0)	(515.1)
Provisions*	13	(24.2)	(26.8)
Total current liabilities		**(900.0)**	(742.7)
Interest-bearing loans and borrowings	14	(617.9)	(846.8)
Lease liabilities	14	(184.3)	–
Deferred tax liabilities	6	(68.2)	(80.8)
Net pension liabilities	16	(13.4)	(12.5)
Other payables*	12	(29.2)	(26.5)
Provisions*	13	(20.1)	(16.0)
Total non-current liabilities		**(933.1)**	(982.6)
Total liabilities		**(1,833.1)**	(1,725.3)
Net assets		**985.3**	908.3
Equity			
Share capital	15	1.6	1.6
Share premium		257.8	257.8
Other reserves		(31.2)	7.1
Retained earnings		727.7	607.5
Total equity attributable to equity holders of the Company		**955.9**	874.0
Non-controlling interest	20	29.4	34.3
Total equity		**985.3**	908.3

IFRS 16 was adopted on 1 January 2019 for our statutory reporting, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 24 provides a reconciliation of the two measures.

Working capital of £100.7m (2018: £109.7m) comprises the asterisked items in the above statement of financial position less refundable deposits aged over 12 months of £12.0m (2018: £8.6m).

The financial statements on pages 104 to 158 were approved by the Board on 3 March 2020 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 2019	Notes	Attributable to equity holders of the Company							
				Other reserves					
		Share capital £m	Share premium £m	Translation reserve £m	Other £m	Retained earnings £m	Total before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2018		1.6	257.8	(13.8)	4.3	459.8	709.7	34.5	744.2
Total comprehensive income for the year									
Profit		–	–	–	–	284.4	284.4	20.8	305.2
Other comprehensive income/(expense)		–	–	15.5	1.1	(1.3)	15.3	(2.8)	12.5
Total comprehensive income for the year		–	–	15.5	1.1	283.1	299.7	18.0	317.7
Transactions with owners of the Company recognised directly in equity									
Contributions by and distributions to the owners of the Company									
Dividends paid	15	–	–	–	–	(128.3)	(128.3)	(18.2)	(146.5)
Adjustment arising from changes in non-controlling interest	20	–	–	–	–	–	–	–	–
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)
Total contributions by and distributions to the owners of the Company		–	–	–	–	(135.4)	(135.4)	(18.2)	(153.6)
At 31 December 2018		1.6	257.8	1.7	5.4	607.5	874.0	34.3	908.3
Adoption of IFRS 16 *Leases*	1	–	–	–	–	(19.0)	(19.0)	–	(19.0)
IFRIC 23 *Uncertainty Over Income Tax Treatments*	1	–	–	–	–	(0.2)	(0.2)	–	(0.2)
At 1 January 2019		**1.6**	**257.8**	**1.7**	**5.4**	**588.3**	**854.8**	**34.3**	**889.1**
Total comprehensive (expense)/income for the year									
Profit		–	–	–	–	313.1	313.1	20.5	333.6
Other comprehensive (expense)/income		–	–	(39.0)	0.7	(3.0)	(41.3)	(2.2)	(43.5)
Total comprehensive (expense)/income for the year		**-**	**-**	**(39.0)**	**0.7**	**310.1**	**271.8**	**18.3**	**290.1**
Transactions with owners of the Company recognised directly in equity									
Contributions by and distributions to the owners of the Company									
Dividends paid	15	–	–	–	–	(163.2)	(163.2)	(19.1)	(182.3)
Adjustment arising from changes in non-controlling interest	20	–	–	–	–	4.1	4.1	(4.1)	–
Purchase of own shares	15	–	–	–	–	(23.1)	(23.1)	–	(23.1)
Tax paid on Share Awards vested*	17	–	–	–	–	(11.6)	(11.6)	–	(11.6)
Equity-settled transactions	17	–	–	–	–	21.9	21.9	–	21.9
Income tax on equity-settled transactions	6	–	–	–	–	1.2	1.2	–	1.2
Total contributions by and distributions to the owners of the Company		**-**	**-**	**-**	**-**	**(170.7)**	**(170.7)**	**(23.2)**	**(193.9)**
31 December 2019		**1.6**	**257.8**	**(37.3)**	**6.1**	**727.7**	**955.9**	**29.4**	**985.3**

* 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.

IFRS 16 was adopted on 1 January 2019 for our statutory reporting, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 24 provides a reconciliation of the two measures.

Consolidated statement of cash flows

For the year ended 31 December 2019	Notes	IFRS 16 2019 £m	IAS 17 2018 £m
Cash flows from operating activities			
Profit for the year	2	**333.6**	305.2
Adjustments for:			
Depreciation charge	8	156.2	76.2
Amortisation of software	9	15.3	12.5
Amortisation of acquisition intangibles	9	29.1	24.6
Equity-settled transactions	17	21.9	20.9
Net financing costs	14	40.7	31.7
Income tax expense	6	111.5	99.3
Profit on disposal of subsidiary/associate		(1.8)	(1.1)
(Profit)/loss on disposal of property, plant, equipment and software		(0.9)	0.4
Operating cash flows before changes in working capital and operating provisions		**705.6**	569.7
Change in inventories		(1.5)	1.0
Change in trade and other receivables		(25.6)	(16.0)
Change in trade and other payables		40.7	35.2
Change in provisions		(1.9)	(7.0)
Special contributions into pension schemes	16	(2.0)	(2.0)
Cash generated from operations		**715.3**	580.9
Interest and other finance expense paid		(40.7)	(29.3)
Income taxes paid		(111.8)	(93.1)
Net cash flows generated from operating activities*		**562.8**	458.5
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software*		2.5	3.5
Interest received*	14	1.2	1.8
Acquisition of subsidiaries, net of cash acquired	10	(16.9)	(387.9)
Consideration (paid)/received in respect of prior year acquisitions		(0.6)	0.1
Sale of associate		2.1	–
Acquisition of property, plant, equipment and software*	8,9	(116.8)	(113.2)
Net cash flows used in investing activities		**(128.5)**	(495.7)
Cash flows from financing activities			
Purchase of own shares	15	(23.1)	(16.7)
Tax paid on share awards vested		(11.6)	(9.9)
Drawdown of borrowings		110.0	341.4
Repayment of borrowings		(221.3)	(75.9)
Repayment of lease liabilities*		(69.7)	–
Purchase of non-controlling interest		(5.2)	–
Dividends paid to non–controlling interest	20	(19.1)	(18.2)
Equity dividends paid		(163.2)	(128.3)
Net cash flow (used in)/generated from financing activities		**(403.2)**	92.4
Net increase in cash and cash equivalents	14	31.1	55.2
Cash and cash equivalents at 1 January	14	203.2	135.9
Exchange adjustments	14	(21.3)	12.1
Cash and cash equivalents at 31 December	14	**213.0**	203.2

IFRS 16 was adopted on 1 January 2019 for our statutory reporting, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 24 provides a reconciliation of the two measures.

The notes on pages 109 to 158 are an integral part of these consolidated financial statements.

Cash outflow relating to Separately Disclosed Items was £15.3m for year ended 31 December 2019 (2018: £22.0m).

Free cash flow of £380.0m (2018: £350.6m) 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 in England & Wales and domiciled in the UK.

The Group financial statements as at and for the year ended 31 December 2019 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 The Companies Act 2006 and 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 159 to 163.

Significant new accounting policies

During the year the following new accounting standards were adopted by the Group.

IFRS 16 *Leases*

IFRS 16 *Leases* came into effect on 1 January 2019. During the year ended 31 December 2018 management completed a data collection exercise to determine the 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 adoption of IFRS 16 on 1 January 2019 had the following effect on the Group:

£m	Total assets	Total liabilities	Net assets
31 December 2018	2,633.6	(1,725.3)	908.3
Impact of IFRS 16	244.1	(269.9)	(25.8)
Deferred tax impact	6.8	–	6.8
1 January 2019	2,884.5	(1,995.2)	889.3

The Group has applied the modified retrospective approach, where the cumulative effect of applying IFRS 16 is recognised in retained earnings with no restatement to prior years. The majority of leases were recognised under 'modified retrospective B' on transition, whereby the right-of-use asset was 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 were deemed reasonably certain to be adopted. For certain leases the 'modified retrospective A' approach was 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.

For new leases entered into after 1 January 2019, the right-of-use asset is measured initially at cost and includes the amount of initial measurement of the lease liability, any initial direct costs incurred, including advance lease payments, and an estimate of the dismantling, removal and restoration costs required in the terms of the lease.

Where leases have a non-lease component that is separately identifiable, this has been excluded from the right-of-use asset and the cost taken to the income statement.

Depreciation is charged to the consolidated income statement to depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The lease term shall include the period of an extension option where it is reasonably certain that the option will be exercised.

The lease liability is measured at the present value of the future lease payments, including variable lease payments that depend on an index, discounted using the incremental borrowing rate ('IBR'). The IBR rates are updated biannually and are applied to new leases.

Finance charges are recognised in the consolidated income statement over the period of the lease.

The impact on the Group's primary statements is disclosed in note 24. The impact of IFRS 16 to the key adjusted financial measures is summarised below.

Adjusted measures (£m)	IAS 17	Impact	IFRS 16	Commentary
EBITDA[1]	616.5	79.2	695.7	No operating lease expense under IFRS 16
Operating profit	513.3	10.9	524.2	No operating lease expense offset by IFRS 16 depreciation charge
Net finance costs	(30.3)	(9.1)	(39.4)	IFRS 16 lease expense
Profit before tax	483.0	1.8	484.8	PBT increased £1.8m
Net debt	629.4	246.0	875.4	Notional long-term loan created on application of IFRS 16 which increases net debt
Adjusted free cash flow	395.3	–	395.3	No impact on free cash flow as lease cash payments are unaffected

1. EBITDA is a non-GAAP internal measure of operating profit plus depreciation and amortisation of software.

Notes to the financial statements continued

1 Significant accounting policies (continued)

The Group has elected to adopt two exemptions proposed by the standard. The Group has not recognised right-of-use assets and lease liabilities for short-term leases (less than 12 months' duration) and low-value assets (usually less than £4,000).

The Group applied the practical expedient available under IFRS 16 to recognise leases ending within 12 months of the transition date as a short-term lease at the date of transition.

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*.

The comparative results are displayed under IAS 17 and the Group recognised most of its leases as operating leases. 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 are recognised in the income statement as an integral part of the total lease expense over the term of the lease.

During the prior period, the Group was required to report the operating lease commitments as classified under IAS 17 *Leases*; a reconciliation to the opening lease liability under IFRS 16 is summarised below:

	Land & buildings	Other	Total
Operating lease commitment as at 31 December 2018	267.1	36.5	303.6
Recognition exemption for short-term leases	(4.5)	(2.1)	(6.6)
Discounting effect of incremental borrowing rates at weighted average of 3.4%	(22.1)	(0.6)	(22.7)
Other adjustments*	0.9	(5.3)	(4.4)
Lease liability as at 1 January 2019	241.4	28.5	269.9

* Other adjustments include leases that were missing or adjusted from the initial dataset.

Since the publication of the 2019 half-year financial statements, some adjustments to the impact of IFRS 16 on the opening balance sheet at 1 January 2019 have been required to include some additional leases and update some assumptions on rental increases, which are included within the other adjustments line of the above reconciliation.

IFRIC 23 *Uncertainty Over Income Tax Treatments*

The Group has adopted IFRIC 23 *Uncertainty Over Income Tax Treatments* effective from 1 January 2019. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatment. Current tax liabilities increased by £0.2m as a result of the implementation of IFRIC 23, with a corresponding decrease of £0.2m to opening retained earnings.

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. A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2019, but do not have a material effect on the consolidated financial statements of the Group, except for those new standards outlined on page 109.

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.

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:

	Assets and liabilities Actual rates		Income and expenses Cumulative average rates	
Value of £1	**31 Dec 2019**	**31 Dec 2018**	**2019**	**2018**
US dollar	1.31	1.26	1.28	1.34
Euro	1.17	1.11	1.14	1.13
Chinese renminbi	9.17	8.69	8.82	8.84
Hong Kong dollar	10.18	9.90	10.00	10.47
Australian dollar	1.87	1.80	1.84	1.79

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.

Notes to the financial statements continued

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.

IFRIC 23 *Uncertainty Over Income Tax Treatments* interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It clarifies that an entity must consider the probability that the tax authorities will accept the treatment in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings. The main areas of judgment in the Group tax calculation are reassessment of the uncertain tax positions and the probability of the tax treatments in its tax filings being retained.

The Group has applied IFRIC 23 using the retrospective approach, without restating the comparative information for 2018 as permitted by the specific transitional provisions. The cumulative effect of first application of IFRIC 23 has been recognised as an adjustment to the opening consolidated statement of financial position at 1 January 2019.

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 on page 111. The Group acquisitions are 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. Check Safety First Limited ('CSF') in 2019, 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 2018 acquisitions of Aldo Abela Surveys Limited, Proasem S.A.S., NTA Monitor Limited and Alchemy Investment Holdings, Inc., 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.

Leases

Normally the lease term is based upon the start and end date stated within the lease contract. Some lease contracts may also contain an extension option or a break option. Judgement is applied to assess whether to include these options in calculating term of a lease.

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. CSF), 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 12 months, as detailed in the sensitivity analysis in note 9.

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.

1 Significant accounting policies (continued)

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.

Other accounting policies

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. The economic factors affecting revenue for both short- and long-term contracts are consistent within each.

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.

Notes to the financial statements continued

2 Operating segments and presentation of results (continued)

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.

The performance of the segments is assessed based on adjusted operating profit which is stated before Separately Disclosed Items. The operating segment revenue disclosures provided under IFRS 8 are consistent with the disaggregated revenue disclosure and recognition and measurement requirements of IFRS 15.

A reconciliation to operating profit by division and Group profit for the year is included overleaf.

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax liability. Measurement is dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house tax experts, professional firms and previous experience.

Following the adoption of IFRS 16 *Leases* on 1 January 2019, the Group's statutory results for 2019 are on an IFRS 16 basis, whereas the statutory results for 2018 are on an IAS 17 basis as previously reported, with any comparison between the two bases of reporting not being meaningful. The segmental analysis set out below is primarily on an IAS 17 basis for all periods presented, as this is the basis on which the chief operating decision maker currently allocates resources and assesses performance, with the expectation that this will transition to an IFRS 16 basis in the financial year ending 31 December 2020.

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, people assurance, 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.

2 Operating segments and presentation of results (continued)

The results of these divisions for the year ended 31 December 2019 are shown below:

Year ended 31 December 2019

IFRS 16	Revenue from contracts with customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,796.7	(105.2)	405.4	(23.9)	381.5
Trade	679.4	(44.6)	86.6	(4.6)	82.0
Resources	510.9	(21.7)	32.2	(9.9)	22.3
Total	2,987.0	(171.5)	524.2	(38.4)	485.8
Group operating profit			**524.2**	**(38.4)**	**485.8**
Net financing costs			(39.4)	(1.3)	(40.7)
Profit before income tax			**484.8**	**(39.7)**	**445.1**
Income tax expense			(118.8)	7.3	(111.5)
Profit for the year			**366.0**	**(32.4)**	**333.6**

Year ended 31 December 2019

IAS 17	Revenue from contracts with customers £m	Depreciation and software amortisation £m	Adjusted operating profit £m	Separately Disclosed Items £m	Operating profit £m
Products	1,796.7	(66.7)	398.6	(23.9)	374.7
Trade	679.4	(23.9)	83.5	(4.6)	78.9
Resources	510.9	(12.6)	31.2	(9.9)	21.3
Total	2,987.0	(103.2)	513.3	(38.4)	474.9
Group operating profit			**513.3**	**(38.4)**	**474.9**
Net financing costs			(30.3)	(1.3)	(31.6)
Profit before income tax			**483.0**	**(39.7)**	**443.3**
Income tax expense			(118.4)	7.3	(111.1)
Profit for the year			**364.6**	**(32.4)**	**332.2**

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
Total	2,801.2	(88.7)	481.8	(45.6)	436.2
Group operating profit			481.8	(45.6)	436.2
Net financing costs			(25.3)	(6.4)	(31.7)
Profit before income tax			456.5	(52.0)	404.5
Income tax expense			(112.8)	13.5	(99.3)
Profit for the year			343.7	(38.5)	305.2

IFRS 16 was adopted on 1 January 2019 for our statutory reporting, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 24 provides a reconciliation of the two measures.

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.

Notes to the financial statements continued

2 Operating segments and presentation of results (continued)

	Revenue from external customers		Non-current assets	
	2019 £m	2018 £m	2019 £m	2018 £m
United States	969.9	872.8	1,016.7	1,034.7
China (including Hong Kong)	553.3	530.3	75.8	56.9
United Kingdom	188.9	186.4	197.1	116.2
Other countries and unallocated	1,274.9	1,211.7	516.8	438.1
Total	**2,987.0**	2,801.2	**1,806.4**	1,645.9

IFRS 16 was adopted on 1 January 2019 for our statutory reporting, without restating prior year figures. As a result, the primary statements are shown on an IFRS 16 basis for 2019 and an IAS 17 basis for 2018. Note 24 provides a reconciliation of the two measures.

Major customers

No revenue from any individual customer exceeded 10% of total Group revenue in 2018 or 2019.

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:

		2019 £m	2018 £m
Operating (costs)/income:			
Amortisation of acquisition intangibles	(a)	(29.1)	(24.6)
Acquisition costs	(b)	(1.6)	(8.5)
Restructuring costs	(c)	(13.3)	(13.6)
Gain on disposal of business	(d)	1.8	1.1
Material claims and settlements	(e)	4.6	–
Guaranteed minimum pension equalisation	(f)	(0.8)	–
Total operating costs		**(38.4)**	(45.6)
Net financing costs	(g)	(1.3)	(6.4)
Total before income tax		**(39.7)**	(52.0)
Income tax credit on Separately Disclosed Items		7.3	13.5
Total		**(32.4)**	(38.5)

(a) Of the amortisation of acquisition intangibles in the current year, £8.7m (2018: £3.6m) 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 £1.2m (2018: £8.5m) for transaction costs in respect of successful, active and aborted acquisitions in the current year, and £0.4m in respect of prior-years' acquisitions (2018: £nil).

3 Separately Disclosed Items (continued)

(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) £1.8m of small non-core businesses were disposed of in 2019 (2018: £1.1m).

(e) Material claims and settlements relate to a commercial claim that is separately disclosable due to its size.

(f) £0.8m has been recorded as past service cost under the defined benefit scheme – see note 16.

(g) Net financing costs of £1.3m (2018: £6.4m) relate to the change in fair value of contingent consideration and the unwinding of discount on put options related to acquisitions.

4 Expenses and auditor's remuneration

An analysis of operating costs by nature is outlined below:

	2019 £m	2018 £m
Employee costs	1,314.5	1,239.0
Depreciation and software amortisation (notes 8 and 9)	171.5	88.7
Other expenses	1,015.2	1,037.3
Total	**2,501.2**	2,365.0

Certain expenses are outlined below, including fees paid to the auditors of the Group:

	2019 £m	2018 £m
Included in profit for the year are the following expenses:		
Property rentals	13.7	77.6
Lease and hire charges – fixtures, fittings and equipment	8.7	25.7
(Profit)/loss on disposal of property, fixtures, fittings, equipment and software	(0.9)	0.4

2019 results are reported under IFRS 16. During the year the lease charges expensed to the income statement include charges for short-term, low-value and variable lease payments. The comparative period is reported under IAS 17, see note 1 for further information.

	2019 £m	2018 £m
Auditor's remuneration:		
Audit of these financial statements	0.8	0.5
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	3.8	3.4
Total audit fees payable pursuant to legislation	**4.6**	3.9
Audit-related services	0.1	0.2
Total	**4.7**	4.1

5 Employees

Total employee costs are shown below:

Employee costs	2019 £m	2018 £m
Wages and salaries	1,121.1	1,052.0
Equity-settled transactions	21.9	21.0
Social security costs	123.9	120.0
Pension costs (note 16)	47.6	46.0
Total employee costs	**1,314.5**	1,239.0

Notes to the financial statements continued

5 Employees (continued)

Details of pension arrangements and equity-settled transactions are set out in notes 16 and 17 respectively.

Average number of employees by division	**2019**	**2018**
Products	24,320	23,961
Trade	10,740	10,550
Resources	7,998	8,025
Central	1,910	1,926
Total average number for the year ended 31 December	**44,968**	44,462
Total actual number at 31 December	**45,653**	44,720

The total remuneration of the Directors is shown below:

Directors' emoluments	**2019 £m**	**2018 £m**
Directors' remuneration	4.4	5.0
Amounts charged under the long-term incentive scheme	3.0	4.5
Total Directors' emoluments	7.4	9.5

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.

Tax provisions are recognised for uncertain tax positions where a risk of an additional tax liability has been identified and it is probable that the Group will be required to settle that tax liability. Measurement is dependent on management's expectation of the outcome of decisions by tax authorities in the various tax jurisdictions in which the Group operates. This is assessed on a case-by-case basis using in-house tax experts, professional firms and previous experience.

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.

6 Taxation (continued)

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 statutory tax charge, including the impact of SDIs, of £111.5m (2018: £99.3m), equates to an effective rate of 25.1% (2018: 24.5%) and the cash tax on adjusted results is 23.1% (2018: 20.4%).

The income tax expense for the adjusted profit before tax for the 12 months ended 31 December 2019 is £118.8m (2018: £112.8m). The Group's adjusted consolidated effective tax rate for the 12 months ended 31 December 2019 is 24.5% (2018: 24.7%).

Differences between the consolidated effective tax rate of 25.1% 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 movement in unrecognised deferred tax asset; 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% (2018: 27.1%).

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:

	2019 £m	2018 £m
Current tax charge for the period	101.1	106.1
Adjustments relating to prior year liabilities	(0.1)	0.7
Current tax	**101.0**	106.8
Deferred tax movement related to current year	11.8	(4.8)
Deferred tax movement related to prior year	(1.3)	(2.7)
Deferred tax movement	**10.5**	(7.5)
Total tax in income statement	**111.5**	99.3
Tax on adjusted result	118.8	112.8
Tax on Separately Disclosed Items	(7.3)	(13.5)
Total tax in income statement	**111.5**	99.3

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.

	2019 £m	2018 £m
Profit before taxation	**445.1**	404.5
Notional tax charge at UK standard rate 19.0% (2018: 19.0%)	84.6	76.9
Differences in overseas tax rates	13.2	15.0
Withholding tax on intercompany dividends	9.4	6.5
Non-deductible expenses	23.6	24.3
Tax exempt income	(13.8)	(14.1)
Change in tax rate impact	(0.4)	–
Movement in unrecognised deferred tax	2.7	(9.2)
Adjustments in respect of prior years	(1.4)	(2.0)
Other[1]	(6.4)	1.9
Total tax in income statement	**111.5**	99.3

1. The Other category contains R&D tax credits of £3.1m (2018: £1.3m) and a provision release of £6.0m following the conclusion of tax reviews and as a result of the statute of limitations.

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.

Notes to the financial statements continued

6 Taxation (continued)

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 2019 £m	Tax charge 2019 £m	Net of tax 2019 £m	Before tax 2018 £m	Tax charge 2018 £m	Net of tax 2018 £m
Foreign exchange translation differences of foreign operations	(72.4)	(0.6)	(73.0)	45.3	–	45.3
Net exchange gain/(loss) on hedges of net investments in foreign operations	31.2	–	31.2	(32.6)	–	(32.6)
Gain on fair value of cash flow hedges	0.7	–	0.7	1.1	–	1.1
Remeasurements on defined benefit pension schemes	(3.2)	0.7	(2.5)	(0.8)	(0.5)	(1.3)
Tax on other items that will never be reclassified to profit or loss	–	0.1	0.1	–	–	–
Total other comprehensive (expense)/income for the year	**(43.7)**	**0.2**	**(43.5)**	13.0	(0.5)	12.5

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 2019 £m	Tax charge 2019 £m	Net of tax 2019 £m	Before tax 2018 £m	Tax credit 2018 £m	Net of tax 2018 £m
Equity-settled transactions	**21.9**	**1.2**	**23.1**	20.9	(1.4)	19.5

Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 £m	Assets 2018 £m	Liabilities 2019 £m	Liabilities 2018 £m	Net 2019 £m	Net 2018 £m
Intangible assets	0.5	0.5	(87.5)	(91.1)	(87.0)	(90.6)
Property, fixtures, fittings and equipment	9.8	12.1	(5.9)	(7.8)	3.9	4.3
Pensions	2.2	2.6	–	–	2.2	2.6
Equity-settled transactions	8.6	8.2	–	–	8.6	8.2
Provisions and other temporary differences	41.3	41.9	(0.1)	0.3	41.2	42.2
Tax value of losses	14.8	10.9	–	–	14.8	10.9
Total	**77.2**	76.2	**(93.5)**	(98.6)	**(16.3)**	(22.4)
As shown on balance sheet:						
Deferred tax assets*					51.9	58.4
Deferred tax liabilities*					(68.2)	(80.8)
Total					**(16.3)**	**(22.4)**

* 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 £25.3m, but the net liability of £16.3m 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 2019 £m	Exchange adjustments £m	Acquisitions £m	Recognised in income statement £m	Recognised in equity and OCI £m	31 December 2019 £m
Intangible assets	(90.6)	3.2	0.6	(0.2)	–	(87.0)
Property, fixtures, fittings and equipment	4.3	(1.0)	–	1.1	(0.5)	3.9
Pensions	2.6	–	–	(0.6)	0.2	2.2
Equity-settled transactions	8.2	–	–	–	0.4	8.6
Provisions and other temporary differences	42.2	(0.4)	–	(7.4)	6.8	41.2
Tax value of losses	10.9	(1.4)	9.9	(3.4)	(1.2)	14.8
Total	(22.4)	0.4	10.5	(10.5)	5.7	**(16.3)**

6 Taxation (continued)

	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
Total	12.0	(3.4)	(36.6)	7.5	(1.9)	(22.4)

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:

	2019 £m	(represented) 2018 £m
Intangibles	29.2	26.1
Provisions and other temporary differences	2.0	0.2
Tax losses[1]	113.7	111.3
Foreign tax credits[2]	12.4	–
Total	**157.3**	137.6

1. The 2018 tax losses of £111.3 has been updated to include all unrecognised losses from the previously reported £29.1m.
2. The total unrecognised foreign tax credits is £3.4m, the grossed-up equivalent amount of which is £12.4m as stated above.

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 £250.8m (2018: £235.8m) 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:

	2019 £m	2018 £m
Profit attributable to ordinary shareholders	313.1	284.4
Separately Disclosed Items after tax (note 3)	32.4	38.5
Adjusted earnings	**345.5**	322.9
Number of shares (millions)		
Basic weighted average number of ordinary shares	161.0	160.9
Potentially dilutive share awards	1.6	1.9
Diluted weighted average number of shares	**162.6**	162.8
Basic earnings per share	194.5p	176.8p
Potentially dilutive share awards	(1.9)p	(2.1)p
Diluted earnings per share	**192.6p**	174.7p
Adjusted basic earnings per share	**214.6p**	200.7p
Potentially dilutive share awards	(2.1)p	(2.4)p
Adjusted diluted earnings per share	**212.5p**	198.3p

Notes to the financial statements continued

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

All leases where the Group is the lessee (with the exception of short-term and low-value leases) are recognised in the statement of financial position. A lease liability is recognised based on the present value of the future lease payments, and a corresponding right-of-use asset is recognised. The right-of-use asset is depreciated over the shorter of the lease term or the useful life of the asset. Lease payments are apportioned between finance charges and a reduction of the lease liability.

Low-value items, usually below £4,000, and short-term leases with a term of 12 months or less are not required to be recognised on the balance sheet and payments made in relation to these leases are recognised on a straight-line basis in the income statement. The Group leases various properties, principally offices and testing laboratories, which have varying terms and renewal rights that are typical to the territory in which they are located. Non-property includes all other leases, such as cars and printers. Normally the lease term is the contractual start to end date, except when a break or extension option are reasonably certain to be taken, which are considered on a lease-by-lease basis.

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. Freehold land is not depreciated.

The estimated useful lives are as follows:

Freehold buildings	50 years
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.

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
Cost			
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
At 31 December 2018	104.0	1,177.9	1,281.9
Depreciation			
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
Disposals	–	(25.5)	(25.5)
At 31 December 2018	36.9	803.8	840.7
Net book value at 31 December 2018	67.1	374.1	441.2
Cost			
At 1 January 2019	104.0	1,177.9	1,281.9
IFRS 16 asset recognised on 1 January 2019	437.0	37.4	474.4
Exchange adjustments	(16.6)	(57.6)	(74.2)
Additions	47.0	96.4	143.4
Disposals	(27.2)	(34.6)	(61.8)
Businesses acquired (note 10)	0.4	0.2	0.6
At 31 December 2019	**544.6**	**1,219.7**	**1,764.3**
Depreciation			
At 1 January 2019	36.9	803.8	840.7
IFRS 16 asset recognised on 1 January 2019	221.4	8.9	230.3
Exchange adjustments	(8.8)	(40.4)	(49.2)
Charge for the year	59.1	97.1	156.2
Disposals	(24.9)	(33.0)	(57.9)
At 31 December 2019	**283.7**	**836.4**	**1,120.1**
Net book value at 31 December 2019	**260.9**	**383.3**	**644.2**

The Group adopted IFRS 16 on 1 January 2019 and as a result recognised a right-of-use asset for leases (see note 1 for further information). The net book value of the right-of-use asset comprised:

	Land and buildings £m	Other £m	Total £m
Opening right-of-use asset on transition at 1 January 2019	215.6	28.5	244.1
Cost movement in year	6.2	4.3	10.5
Depreciation movement in year	(23.9)	(8.3)	(32.2)
Net book value at 31 December 2019	**197.9**	**24.5**	**222.4**

Fixtures, fittings, plant and equipment include assets in the course of construction of £40.6m at 31 December 2019 (2018: £33.0m), mainly comprising laboratories under construction. These assets will not be depreciated until they are available for use.

Notes to the financial statements continued

8 Property, plant and equipment (continued)

The net book value of land and buildings comprised:

	2019 £m	2018 £m
Freehold	58.7	62.6
Leasehold*	202.2	4.5
Total	**260.9**	67.1

* IFRS 16 Leases was adopted on 1 January 2019 and all the Group leases were recognised on balance sheet.

Commitments

Lease payments

The comparative period results are presented under IAS 17, and as such the Group was required to report unprovided lease commitments at the end of the period. Following the adoption of IFRS 16 on 1 January 2019 the Group provided for the leases on the balance sheet. See note 1 for further information.

	Land and buildings 2018 £m	Other 2018 £m	Total 2018 £m
Within one year	64.3	17.4	81.7
In the second to fifth years inclusive	139.8	19.0	158.8
Over five years	63.0	0.1	63.1
Total	267.1	36.5	303.6

Contracts for capital expenditure which are not provided in the financial statements amounted to £4.0m (2018: £5.2m).

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 *First-Time Adoption of International Financial Reporting Standards* 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.

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 within operating costs. 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.

Notes to the financial statements continued

9 Goodwill and other intangible assets (continued)

Intangibles

The intangibles employed by the business are analysed below:

	Goodwill £m	Other intangible assets: Customer relationships £m	Licences £m	Other acquisition intangibles £m	Computer software £m	Total other intangible assets £m
Cost						
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
At 31 December 2018	1,418.0	452.6	11.5	79.3	205.6	749.0
Amortisation						
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)
At 31 December 2018	543.1	271.9	9.6	25.9	112.1	419.5
Net book value at 31 December 2018	874.9	180.7	1.9	53.4	93.5	329.5
Cost						
At 1 January 2019	1,418.0	452.6	11.5	79.3	205.6	749.0
Exchange adjustments	(38.5)	(11.0)	(0.3)	(2.4)	(6.8)	(20.5)
Additions	–	0.2	–	–	28.8	29.0
Transfers	(7.2)	(2.4)	–	–	–	(2.4)
Reclassifications	–	–	–	–	–	–
Disposal	(0.2)	–	–	–	(1.8)	(1.8)
Businesses acquired (note 10)	19.3	–	–	–	0.4	0.4
At 31 December 2019	**1,391.4**	**439.4**	**11.2**	**76.9**	**226.2**	**753.7**
Amortisation						
At 1 January 2019	543.1	271.9	9.6	25.9	112.1	419.5
Exchange adjustments	(11.5)	(6.6)	(0.4)	(0.5)	(3.4)	(10.9)
Transfers	–	–	–	–	–	–
Reclassifications	–	9.3	–	(9.3)	–	–
Charge for the year	–	21.4	0.5	7.2	15.3	44.4
Disposal	–	–	–	–	(1.7)	(1.7)
At 31 December 2019	**531.6**	**296.0**	**9.7**	**23.3**	**122.3**	**451.3**
Net book value at 31 December 2019	**859.8**	**143.4**	**1.5**	**53.6**	**103.9**	**302.4**

Other intangible assets

Computer software additions of £28.8m (2018: £22.2m) relates to separately acquired computer software of £14.8m (2018: £6.8m) and internally developed intangible assets of £14.0m (2018: £15.4m). Licence additions of £nil (2018: £2.2m) relates to separately acquired intangible assets.

The other acquisition intangibles of £53.6m (2018: £53.4m) consist of guaranteed income, order backlog, covenants not to compete and know-how. The average remaining amortisation period for customer relationships is eight years (2018: eight years).

Computer software net book value of £103.9m at 31 December 2019 (2018: £93.5m) includes software in construction of £50.4m (2018: £48.5m). Research and development expenditure of £34.7m (2018: £31.6m) was recognised as an expense in the year.

9 Goodwill and other intangible assets (continued)

Goodwill

Goodwill arising from acquisitions in the current and prior year has been allocated to reportable segments as follows:

	2019 £m	2018 £m
Products	19.3	275.0
Trade	–	3.3
Resources	–	–
At 31 December	**19.3**	278.3

The total carrying amount of goodwill by CGU is as follows, which is also used for the assessment of the Group's impairment review.

	2019 £m	2018 £m
Industry Services	14.7	15.2
Business Assurance	289.0	286.5
Food & AgriWorld	16.6	17.4
Caleb Brett	56.1	57.3
Government & Trade Services	0.8	0.8
Minerals	37.0	38.5
Softlines	6.2	6.3
Hardlines	8.9	9.4
Electrical & Wireless	88.0	90.0
Transportation Technologies	43.6	45.2
Building & Construction	218.9	226.4
Chemicals & Pharma/Health, Environmental & Regulatory	80.0	81.9
Net book value at 31 December*	**859.8**	874.9

* 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. The long-term growth rate is used in the perpetuity calculations. 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 2019.

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 2.6% (2018: 1.8% to 2.5%). The discount rate for each CGU is based on the Group's weighted average cost of capital adjusted for the risks specific to the CGU. Pre-tax discount rates ranged from 8.0% to 9.3% (2018: 9.1% to 10.3%).

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. 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.

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 2021 to 2024 from the 2020 budgeted revenues, with margins increasing with base assumptions.

(ii) Assuming zero growth in operating profit margins in 2020 to 2024 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.

Notes to the financial statements continued

10 Acquisitions

Acquisitions in 2019

On 13 December 2019, the Group acquired 100% of Check Safety First Limited ('CSF'), a market-leading global health, safety, quality and security risk management business focused on the travel, tourism and hospitality sectors, for an estimated purchase price of £21.0m, (£20.1m net of cash acquired) generating goodwill of £19.3m.

On 3 July 2019, the Group acquired the remaining shares in Laboratorios ABC Química, Investigación y Análisis, S.A. de C.V. ('ABC') for cash consideration of £5.2m (2018: £nil).

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.

Check Safety First Limited	**2019**		
Total	**Book value prior to acquisition £m**	**Provisional fair value adjustments £m**	**Fair value to Group on acquisition £m**
Property, plant and equipment	0.6	–	0.6
Goodwill	0.9	18.4	19.3
Other intangible assets	0.4	–	0.4
Trade and other receivables	1.8	–	1.8
Trade and other payables	(1.0)	(0.6)	(1.6)
Provisions for liabilities and charges	(0.4)	–	(0.4)
Net assets acquired	**2.3**	**17.8**	**20.1**

Goodwill and intangible assets

The total goodwill arising on acquisitions made during 2019 was £19.3m, 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 Group expects to gain from increasing its presence in the relevant sectors in which the acquired businesses operate. The intangible assets of £0.4m primarily represent the value of computer software obtained on acquisition. The value of customer relationships, trade names and technology will be calculated within 12 months following the date of acquisition. The deferred tax thereon was £nil.

Consideration paid

The total cash consideration for the acquisition in the year was £18.0m (2018: £393.5m), with further contingent consideration payable of £3.0m (2018: £0.7m) which is recognised in note 13. Cash consideration includes cash acquired of £0.9m. The estimated purchase price net of cash was £17.1m (of which £0.2m was paid in January 2020).

Contribution of acquisitions to revenue and profits

In total, acquisitions made during 2019 contributed revenues of £nil and a statutory net profit after tax of £nil from the date of acquisition to 31 December 2019. The Group revenue and statutory profit after tax for the year ended 31 December 2019 would have been £2,997.1m and £335.0m respectively if the acquisition was assumed to have been made on 1 January 2019.

10 Acquisitions (continued)

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 a purchase price of £378.3m, (£375.3m net of cash acquired), generating goodwill of £263.3m.

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 purchase price for these three acquisitions was £15.7m (£13.3m net of cash acquired, of which £0.7m was paid in January 2019), generating goodwill of £7.7m.

The fair value adjustments 12 months from the date of acquisition were:

Alchemy Investment Holdings, Inc	**2019**			**2018**		
Total	**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**
Property, plant and equipment	1.8	–	1.8	1.8	–	1.8
Goodwill	20.9	242.4	263.3	20.9	249.7	270.6
Other intangible assets	14.9	120.6	135.5	14.9	123.0	137.9
Inventories	2.1	(1.7)	0.4	2.1	(1.7)	0.4
Trade and other receivables	10.3	(0.8)	9.5	10.3	(0.6)	9.7
Trade and other payables	(23.7)	9.6	(14.1)	(23.7)	10.1	(13.6)
Deferred tax assets/(liabilities)	0.5	(21.8)	(21.3)	0.5	(32.0)	(31.5)
Net assets acquired	**26.8**	**348.3**	**375.1**	26.8	348.5	375.3

Others	**2019**			**2018**		
Total	**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**
Property, plant and equipment	3.2	(0.2)	3.0	3.2	(0.2)	3.0
Goodwill	–	7.7	7.7	–	7.7	7.7
Other intangible assets	–	6.2	6.2	–	6.2	6.2
Trade and other receivables	2.9	(0.4)	2.5	2.9	(0.4)	2.5
Trade and other payables	(4.2)	(0.3)	(4.5)	(4.2)	(0.3)	(4.5)
Deferred tax assets/(liabilities)	–	(1.6)	(1.6)	–	(1.6)	(1.6)
Net assets acquired	**1.9**	**11.4**	**13.3**	1.9	11.4	13.3

The provisional fair values disclosed in 2018 have been updated, resulting in a decrease in goodwill of £7.3m. These fair value adjustments were made in the 12 months following the acquisitions and are now final.

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 £0.3m, and a 1% decrease in the discount rate would have increased the financial liability by £0.3m. 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 £1.3m, whilst a decrease of 10% in the probability used would have decreased the financial liability by £2.3m.

Notes to the financial statements continued

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 forward-looking data, namely 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.

Trade and other receivables

Trade and other receivables are analysed below:

	2019 £m	2018 £m
Trade receivables	463.4	485.2
Contract assets	121.3	99.7
Other receivables	65.9	62.7
Prepayments	34.4	36.8
Total trade and other receivables	**685.0**	684.4

Trade receivables and contract assets are shown net of allowance for impairment losses of £20.6m (2018: £16.3m) and £5.9m (2018: £9.6m) respectively and are all expected to be recovered within 12 months. The largest individual element within allowance for impairment relates to a counterparty where the net exposure to the Group is £9.6m (2018: £6.8m). Net impairment on trade receivables and contract assets charged as part of operating costs was £3.4m (2018: £1.3m) and £3.5m (2018: £3.5m) 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:

	2019 £m	2018 £m
Under 3 months	479.1	489.1
Between 3 and 6 months	55.2	54.2
Between 6 and 12 months	27.8	30.0
Over 12 months	49.1	37.5
Gross trade receivables and contract assets	**611.2**	610.8
Allowance for impairment	(26.5)	(25.9)
Trade receivables and contract assets, net of allowance	**584.7**	584.9

Included in trade receivables under three months of £383.4m (2018: £404.9m) are trade receivables of £332.6m (2018: £351.9m) 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	2019 £m	2018 £m
At 1 January	25.9	24.0
Exchange differences	(0.9)	0.3
Acquisitions	0.1	0.6
Net impairment loss recognised	6.9	4.8
Receivables written off	(5.5)	(3.8)
At 31 December	**26.5**	25.9

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 £2.0m. There were no material individual impairments of trade receivables or contract assets.

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 2019 £m	Current 2018 £m	Non-current 2019 £m	Non-current 2018 £m
Trade payables	163.8	154.0	0.9	–
Other payables	39.0	57.3	20.1	18.6
Accruals	240.6	240.0	2.8	2.3
Contract liabilities	74.6	63.8	5.4	5.6
Total trade and other payables	**518.0**	515.1	**29.2**	26.5

The Group's exposure to liquidity risk related to trade payables is disclosed in note 14. £50.9m of contract liabilities at the end of 2018 was recognised in revenue in 2019. 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.

In one part of the group an arrangement is available that allows payment terms to suppliers to be extended by up to 60 days. At 31 December 2019, this arrangement was applicable to trade payables totalling £3.7m (2018: £5.3m).

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 2019	16.7	10.4	15.7	42.8
Exchange adjustments	(0.6)	–	(0.1)	(0.7)
Provided in the year:	–	2.8	17.9	20.7
in respect of current year acquisitions	3.0	–	–	3.0
in respect of prior year acquisitions	5.9	–	–	5.9
Released during the year	–	(5.1)	(4.4)	(9.5)
Utilised during the year	(0.7)	(3.8)	(13.4)	(17.9)
At 31 December 2019	**24.3**	**4.3**	**15.7**	**44.3**
Included in:				
Current liabilities	4.6	4.3	15.3	24.2
Non-current liabilities	19.7	–	0.4	20.1
At 31 December 2019	**24.3**	**4.3**	**15.7**	**44.3**

The maximum contingent consideration, on a discounted basis, that could be paid in relation to acquisitions is £35.8m. The contingent consideration is a financial liability held at fair value through profit and loss with the measurement basis disclosed in note 14.

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 £4.3m (2018: £10.4m) represents an estimate of the amounts payable in connection with identified claims from customers, former employees and other plaintiffs and associated legal costs. A release of £4.6m is included in SDIs – see note 3 for further information. 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 (2018: £15.7m) includes restructuring provisions. The timing of the cash outflow is uncertain, but is likely to be within one year.

Notes to the financial statements continued

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; interest income and expense relating to pension assets and liabilities; net foreign exchange gains or losses on financial assets or 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.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently at amortised cost less impairment losses (including bad debt provision).

Cash and cash equivalents and net debt

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 financial debt comprises borrowings less cash and cash equivalents and total net debt is net financial debt plus the IFRS 16 lease liability.

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.

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.

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. 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 when the hedged subsidiary is disposed of. 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 when the hedged item impacts the income statement. If the instrument is no longer deemed effective, then future movements in fair value are posted to the income statement.

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.

Net financing costs

Net financing costs are shown below:

Recognised in income statement	2019 £m	2018 £m
Finance income		
Interest on bank balances	1.2	1.8
Total finance income	**1.2**	1.8
Finance expense		
Interest on borrowings	(26.4)	(26.2)
Net pension interest cost (note 16)	(0.2)	(0.4)
Foreign exchange differences on revaluation of net monetary assets and liabilities	(2.7)	1.5
Leases – IFRS 16	(9.1)	–
Facility fees and other*	(3.5)	(8.4)
Total finance expense*	**(41.9)**	(33.5)
Net financing costs*	**(40.7)**	(31.7)

* Includes £1.3m (2018: £6.4m) relating to SDIs.

Analysis of net debt

	2019 £m	2018 £m
Cash and cash equivalents per the statement of financial position	227.4	206.9
Overdrafts	(14.4)	(3.7)
Cash per the statement of cash flows	**213.0**	203.2

The components of net debt are outlined below:

	1 January 2019 £m	IFRS 16 transition £m	1 January 2019 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2019 £m
Cash	203.2	–	203.2	31.1	–	(21.3)	**213.0**
Borrowings:							
Revolving credit facility US$800m 2021	(384.8)	–	(384.8)	90.0	–	9.3	(285.5)
Senior notes US$20m 2019	(15.8)	–	(15.8)	15.5	–	0.3	-
Senior notes US$150m 2020	(118.6)	–	(118.6)	–	–	3.9	(114.7)
Senior notes US$15m 2021	(11.8)	–	(11.8)	–	–	0.3	(11.5)
Senior notes US$140m 2022	(110.7)	–	(110.7)	–	–	3.7	(107.0)
Senior notes US$40m 2023	(31.6)	–	(31.6)	–	–	1.0	(30.6)
Senior notes US$125m 2024	(98.9)	–	(98.9)	–	–	3.3	(95.6)
Senior notes US$40m 2025	(31.7)	–	(31.7)	–	–	1.1	(30.6)
Senior notes US$75m 2026	(59.3)	–	(59.3)	–	–	1.9	(57.4)
Other*	(118.2)	–	(118.2)	5.8	(0.8)	3.7	(109.5)
Total borrowings	(981.4)	–	(981.4)	111.3	(0.8)	28.5	**(842.4)**
Total net financial debt	(778.2)	–	(778.2)	142.4	(0.8)	7.2	**(629.4)**
Lease liabilities (note 1)	–	(269.9)	(269.9)	69.7	(52.8)	7.0	(246.0)
Total net debt	(778.2)	(269.9)	(1,048.1)	212.1	(53.6)	14.2	**(875.4)**

* Includes other uncommitted borrowings of £110.0m and facility fees of £0.7m (2018: £0.9m).

Notes to the financial statements continued

14 Borrowings and financial instruments (continued)

	1 January 2018 £m	Cash flow £m	Non-cash movements £m	Exchange adjustments £m	31 December 2018 £m
Cash	135.9	55.2	–	12.1	203.2
Borrowings:					
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)
Total borrowings	(680.0)	(265.5)	(0.8)	(35.1)	(981.4)
Total net financial debt	(544.1)	(210.3)	(0.8)	(23.0)	(778.2)

* Includes other uncommitted borrowings of £118.6m and facility fees of £0.9m in 2018.

Borrowings

Borrowings are split into current and non-current as outlined below:

	Current 2019 £m	Current 2018* £m	Non-current 2019 £m	Non-current 2018* £m
Senior term loans and notes	114.7	15.8	618.2	847.4
Other borrowings	109.8	118.8	(0.3)	(0.6)
Total borrowings	**224.5**	134.6	**617.9**	846.8

* The current and non-current borrowings comparatives have been reclassified.

Analysis of debt	2019 £m	2018 £m
Debt falling due:		
In one year or less	224.5	134.6
Between one and two years	296.9	118.2
Between two and five years	233.1	538.9
Over five years	87.9	189.7
Total borrowings	**842.4**	981.4

Description of borrowings

Total undrawn committed borrowing facilities as at 31 December 2019 were £326.2m (2018: £247.9m).

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 2019 were £285.5m (2018: £384.8m). In January 2020, the US$800m revolving credit facility was refinanced with a US$850m revolving credit facility maturing in 2025.

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 repaid 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%.

14 Borrowings and financial instruments (continued)

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%.

Lease liabilities

The Group adopted IFRS 16 on 1 January 2019 (see note 1 and note 8 for further information). Lease liabilities are split into current and non-current as outlined below:

	2019 £m
Analysis of lease liabilities falling due:	
Current:	
Repayable in less than 1 year	61.7
Non-current:	
Repayable in 1-2 years	49.1
Repayable in 2-5 years	83.3
Repayable in more than 5 years	51.9
Total lease liabilities	**246.0**

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 44.

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:

	2019 £m	2018 £m
Trade receivables, net of allowance (note 11)	463.4	485.2
Cash and cash equivalents	213.0	203.2
Total	**676.4**	688.4

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	2019 £m	2018 £m
Asia Pacific	126.4	134.1
Americas	188.1	191.8
Europe, Middle East and Africa	148.9	159.3
Total	**463.4**	485.2

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.

Notes to the financial statements continued

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 2019):

2019	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
Non-derivative financial liabilities							
Senior term loans and notes	732.9	798.8	10.6	125.1	311.3	259.4	92.4
Other loans	109.5	110.3	110.1	0.2	–	–	–
Trade payables (note 12)	164.7	164.7	160.4	3.5	0.7	0.1	–
Lease liabilities	246.0	312.5	36.1	33.2	54.7	92.7	95.8
Contingent consideration (note 13)	24.3	26.7	–	4.6	14.5	7.6	–
Put option liability over non-controlling interest	–	–	–	–	–	–	–
	1,277.4	1,413.0	317.2	166.6	381.2	359.8	188.2
Derivative financial liabilities/(assets)							
Foreign currency forwards							
Outflow	–	435.8	435.8	–	–	–	–
Inflow	(0.2)	(436.0)	(436.0)	–	–	–	–
Cross currency interest rate swaps							
Outflow	4.4	81.8	0.8	81.0	–	–	–
Inflow	–	(79.5)	(1.5)	(78.0)	–	–	–
	4.2	2.1	(0.9)	3.0	–	–	–
Total	**1,281.6**	**1,415.1**	**316.3**	**169.6**	**381.2**	**359.8**	**188.2**

2018 (represented*)	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
Non-derivative financial liabilities							
Senior term loans and notes	863.2	962.5	30.1	15.7	146.7	573.1	196.9
Other loans	118.2	119.8	118.9	0.9	–	–	–
Trade payables (note 12)	154.0	154.0	141.2	11.1	1.4	0.2	0.1
Contingent consideration (note 13)	16.7	20.5	0.7	–	–	19.8	-
Put option liability over non-controlling interest	9.6	9.9	–	–	–	9.9	–
	1,161.7	1,266.7	290.9	27.7	148.1	603.0	197.0
Derivative financial liabilities/(assets)							
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	–	–
Total	1,169.7	1,270.1	290.6	27.1	152.4	603.0	197.0

* 2018 results are updated to include all contractual cash flows.

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 2019, 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 £15.0m (2018: £9.6m). 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:

2019	Carrying amount £m	Sterling £m	US dollar £m	Chinese renminbi £m	Hong Kong dollar £m	Other currencies £m
Cash	**213.0**	11.6	57.5	55.7	3.1	85.1
Trade receivables (note 11)	**463.4**	35.5	161.5	48.9	13.4	204.1
Trade payables (note 12)	**164.7**	19.7	67.9	14.3	3.5	59.3
2018						
Cash	203.2	26.3	26.4	49.7	1.5	99.3
Trade receivables (note 11)	485.2	42.6	162.6	48.0	15.6	216.4
Trade payables (note 12)	154.0	14.0	63.0	16.4	3.4	57.2

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 2019, £3.0m 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 nominal amount of these loans at 31 December 2019 was £561.3m (2018: £902.8m).

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 gain of £31.2m (2018: £32.6m foreign exchange loss) 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.

Notes to the financial statements continued

14 Borrowings and financial instruments (continued)

The Group has the following hedging instruments:

2019	Nominal amounts in local currency	Carrying value £m	Other comprehensive income: 1 January 2019 £m	Fair value gain/(loss) deferred to OCI £m	FX (gain)/loss recycled to the income statement £m	31 December 2019 £m
Cash flow hedges – foreign exchange and interest rate risk						
Cross currency interest rate swaps	US$100m	(9.4)	(1.0)	(2.3)	3.0	(0.3)
Hedges of net investment in a foreign operation – foreign exchange risk						
Cross currency interest rate swaps	EUR 93.8m	13.8	(19.3)	5.5	–	(13.8)
Foreign currency borrowings	£561.3m	561.3	(258.2)	25.7	–	(232.5)
		565.7	(278.5)	28.9	3.0	**(246.6)**

2018	Nominal amounts in local currency	Carrying value £m	Other comprehensive income: 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
Cash flow hedges – foreign exchange and interest rate risk						
Cross currency interest rate swaps	US$100m	(11.6)	(2.1)	5.5	(4.4)	(1.0)
Hedges of net investment in a foreign operation – foreign exchange risk						
Cross currency interest rate swaps	EUR 93.8m	19.3	(18.0)	(1.3)	–	(19.3)
Foreign currency borrowings	£902.8m	896.4	(226.9)	(31.3)	–	(258.2)
		904.1	(247.0)	(27.1)	(4.4)	(278.5)

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 and foreign currency forwards 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.

Hedge ineffectiveness may occur due to:

a) The fair value of the hedging instrument on the hedge relationship designation date if the fair value is not nil;

b) Changes in the contractual terms or timing of the payments on the hedged item; and

c) A change in the credit risk of the Group or the counterparty with the hedged instrument.

The hedge ratio for each designation will be established by comparing the quantity of the hedging instrument and the quantity of the hedged item to determine their relative weighting; for all of the Group's existing hedge relationships the hedge ratio has been determined as 1:1.

The carrying values of the hedging instruments; US$485m senior notes and RCF drawings US$100m, EUR65m, CHF5.5m, AUD90.6m and CAD10m, 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 loss of £3.0m recycled from the cash flow hedge reserve are presented in interest on borrowings within finance expenses in the income statement.

14 Borrowings and financial instruments (continued)

Sensitivity

It is estimated that an increase of 10% in the value of sterling against the US dollar and Chinese renminbi (the main currencies impacting the Group) would have decreased the Group's profit before tax for 2019 by approximately £24.8m (2018: £21.1m). 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 £58.3m (2018: £89.8m) 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.

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 2019 £m	Fair value 2019 £m	Book value 2018 £m	Fair value 2018 £m
Financial assets				
Cash and cash equivalents	213.0	213.0	203.2	203.2
Trade receivables (note 11)	463.4	463.4	485.2	485.2
Foreign currency forwards*	0.2	0.2	–	–
Total financial assets	**676.6**	**676.6**	688.4	688.4
Financial liabilities				
Interest-bearing loans and borrowings	842.4	851.0	981.4	974.5
Trade payables (note 12)	164.7	164.7	154.0	154.0
Foreign currency forwards*	–	–	0.3	0.3
Contingent consideration**	24.3	24.3	16.7	16.7
Put option liability over non-controlling interest	–	–	9.6	9.6
Cross currency interest rate swaps*	4.4	4.4	7.7	7.7
Total financial liabilities	**1,035.8**	**1,044.4**	1,169.7	1,162.8

* Cross currency interest rate swaps and foreign currency forwards 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.
** Contingent consideration is categorised as level 3 under which the fair value is measured using unobservable inputs – being the EBITDA performance of the acquired companies.

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	2019 number	2019 £m	2018 £m
Allotted, called up and fully paid:			
Ordinary shares of 1p each at start of year	161,393,127	1.6	1.6
Share awards	–	–	–
Ordinary shares of 1p each at end of year	**161,393,127**	**1.6**	1.6
Shares classified in shareholders' funds		**1.6**	1.6

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 nil (2018: 2,587) ordinary shares in respect of all share plans.

Purchase of own shares for trust

During the year ended 31 December 2019, the Company financed the purchase of 459,078 (2018: 340,000) of its own shares with an aggregate nominal value of £4,591 (2018: £3,400) for £23.1m (2018: £16.7m) 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, 477,718 shares were utilised to satisfy the vesting of share awards (note 17). At 31 December 2019, the ESOT held 446,823 shares (2018: 455,463 shares) with an aggregate nominal value of £4,468 (2018: £4,555). The associated cash outflow of £23.1m (2018: £16.7m) has been presented as a financing cash flow.

Notes to the financial statements continued

15 Capital and reserves (continued)

Dividends	2019 £m	2019 Pence per share	2018 £m	2018 Pence per share
Amounts recognised as distributions to equity holders:				
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
Final dividend for the year ended 31 December 2018	108.2	67.2	–	–
Interim dividend for the year ended 31 December 2019	55.0	34.2	–	–
Dividends paid	**163.2**	**101.4**	**128.3**	**79.7**

After the reporting date, the Directors proposed a final dividend of 71.6p per share in respect of the year ended 31 December 2019, which is expected to amount to £115.7m. 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 11 June 2020.

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 is 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 and Switzerland. The United Kingdom Scheme is funded, with assets held in separate trustee-administered funds and the Switzerland Scheme is an insured scheme. The schemes in the United Kingdom were closed to new entrants in 2002. 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.

16 Employee benefits (continued)

Total pension cost

The total pension cost included in operating profit for the Group was:

	2019 £m	2018 £m
Defined contribution schemes	(45.2)	(43.1)
Defined benefit schemes – current service cost and administration expenses	(2.4)	(2.9)
Pension cost included in operating profit (note 5)	**(47.6)**	(46.0)

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 2019, and for IAS 19 accounting purposes has been updated to 31 December 2019. The Switzerland Scheme was valued for IAS 19 purposes as at 31 December 2019. The average duration of the schemes are 20 years and 15 years for the United Kingdom and Switzerland schemes respectively.

Defined benefit schemes

The cost of defined benefit schemes

The amounts recognised in the income statement were as follows:

	2019 £m	2018 £m
Current service cost	(2.0)	(2.7)
Curtailment gain	5.8	5.4
GMP pension equalisation (note 3)	(0.8)	–
Scheme administration expenses	(0.5)	(0.2)
Net pension interest cost (note 14)	(0.2)	(0.4)
Total credit	**2.3**	2.1

The current service cost, scheme administration expenses and curtailment gain 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:

	2019 £m	2018 £m
Remeasurements arising from:		
Demographic assumptions	(1.5)	0.8
Financial assumptions	(17.6)	7.4
Experience adjustment	2.4	1.3
Asset valuation	13.3	(10.1)
Other	0.2	(0.2)
Total	**(3.2)**	(0.8)

Company contributions

The Company assessed the triennial actuarial valuation for the United Kingdom Scheme and its impact on the scheme funding plan in 2019 and future years. In 2020 the Group expects to make normal contributions of £0.6m (2019: £1.0m) and has made a special contribution of £2.0m (2019: £2.0m). The next triennial valuation is due to take place as at 1 April 2022 and will include a review of the Company's future contribution requirements.

Notes to the financial statements continued

16 Employee benefits (continued)

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	Switzerland Scheme £m	Total £m
Fair value of scheme assets	120.8	16.0	136.8
Present value of funded defined benefit obligations	(130.1)	(20.1)	(150.2)
Deficit in schemes	**(9.3)**	**(4.1)**	**(13.4)**

The fair value changes in the scheme assets are shown below:

	2019 £m	2018 £m
Fair value of scheme assets at 1 January	144.6	152.3
Interest income	3.3	3.3
Normal contributions by the employer	1.2	1.6
Special contributions by the employer	2.0	2.0
Contributions by scheme participants	0.5	0.6
Benefits paid	(5.1)	(6.9)
Effect of exchange rate changes on overseas schemes	(0.1)	2.0
Remeasurements	13.2	(10.1)
Scheme administration expenses	(0.5)	(0.4)
Contribution to fund scheme administration expenses	0.2	0.2
Closure of Hong Kong Scheme*	(22.5)	–
Fair value of scheme assets at 31 December	**136.8**	144.6

* The Hong Kong Scheme closed during 2019 – see page 144.

Asset allocation

Investment statements were provided by the Investment Managers which showed that, as at 31 December 2019, the invested assets of the United Kingdom Scheme totalled £120.8m (2018: £108.1m), broken down as follows.

	United Kingdom Scheme	
Asset class	**2019 £m**	**2018 £m**
Equities	48.0	49.6
Property	11.1	11.6
Absolute Return Fund*	–	24.3
Liability-Driven Investment*	14.0	16.5
Cash	47.7	6.1
Total	**120.8**	108.1

* 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 £2.0m as at 31 December 2019 (2018: £0.9m).

The United Kingdom Scheme invested assets comprise both quoted and unquoted assets. The value of quoted assets in 2019 was £30.9m (2018: £24.0m), included within equities in the above table, with the remaining assets being unquoted. The Switzerland Scheme is fully insured.

16 Employee benefits (continued)

Changes in the present value of the defined benefit obligations were as follows:

	2019 £m	2018 £m
Defined benefit obligations at 1 January	157.1	170.1
Current service cost	2.0	2.7
Past service cost	0.8	–
Interest cost	3.5	3.7
Contributions by scheme participants	0.2	0.2
Benefits paid	(5.1)	(6.9)
Effect of exchange rate changes on overseas schemes	0.1	2.2
Remeasurements	16.7	(9.5)
Curtailment gain	(5.8)	(5.4)
Closure of Hong Kong Scheme*	(19.3)	–
Defined benefit obligations at 31 December	**150.2**	157.1

* The Hong Kong Scheme closed during 2019 – see page 144.

Principal actuarial assumptions:

	United Kingdom Scheme		Switzerland Scheme	
	2019 %	2018 %	2019 %	2018 %
Discount rate	2.0	2.8	0.1	0.8
Inflation rate (based on CPI)	2.2	2.4	n/a	n/a
Rate of salary increases	–	–	1.0	1.0
Rate of pension increases:				
CPI subject to a maximum of 5% p.a.	2.3	2.4	n/a	n/a
Increases subject to a maximum of 2.5% p.a.	1.8	1.9	n/a	n/a

The Switzerland Scheme is an insured plan.

Life expectancy assumptions at year end for:

	United Kingdom Scheme		Switzerland Scheme	
	2019	2018	2019	2018
Male aged 40	49.0	48.8	42.8	42.8
Male aged 65	22.2	22.0	19.7	19.7
Female aged 40	51.1	50.9	45.4	45.4
Female aged 65	24.3	23.9	21.9	21.9

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 (and lives to 65) or 65 at 31 December. The mortality tables adopted in 2019 for the United Kingdom Scheme are the S3PA projected by year of birth, based on the CMI 2018 mortality projection model with a 1.25% long-term annual rate for future improvement. In 2018 the S2PA tables were used, based on the CMI 2017 mortality projection model. For the Switzerland Scheme, the mortality table adopted in both 2019 and 2018 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 pension assets and liabilities as at 31 December 2019 of the two main assumptions:

	UK Scheme	
Change in assumptions	Liabilities £m	Increase/ (decrease) in deficit £m
No change	130.1	–
0.25% rise in discount rate	124.6	(5.5)
0.25% fall in discount rate	136.0	5.9
0.25% rise in inflation	133.1	3.0
0.25% fall in inflation	126.7	(3.4)

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 £5.3m and decreases by £5.4m respectively.

Notes to the financial statements continued

16 Employee benefits (continued)

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 2019 valuation.

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 the majority of companies with a UK defined benefit plan, including the Intertek Pension Scheme. A formal calculation of the impact has been undertaken during 2019 as part of the scheme's three-yearly valuation process, £0.8m has been recorded as past service cost under the defined benefit scheme.

Hong Kong Scheme closure

There was a significant defined benefit scheme in Hong Kong, which was closed during 2019 and the scheme was fully settled at 31 December 2019. The Hong Kong Scheme was a funded scheme, with assets held in trustee-administered funds. The Scheme closed to new entrants in 2000 and the average duration of the scheme was ten years. Scheme members did not contribute to the scheme. The employer paid contributions of 11.5% of salaries including 0.6% in respect of scheme expenses.

During the year, the Group recognised a curtailment gain of £5.8m in the income statement. As a result of the closure of the scheme, the Group received a cash settlement of £3.2m.

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.

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. The weighted average remaining contractual life of share options outstanding at the end of the period is one year.

	2019			2018		
Outstanding awards	**Deferred Share Awards**	**LTIP Share Awards**	**Total awards**	**Deferred Share Awards**	**LTIP Share Awards**	**Total awards**
At beginning of year	895,582	962,657	1,858,239	869,796	1,080,222	1,950,018
Granted*	303,942	369,529	673,471	308,885	338,386	647,271
Vested**	(318,629)	(344,123)	(662,752)	(239,087)	(351,415)	(590,502)
Forfeited	(68,578)	(60,668)	(129,246)	(44,012)	(104,536)	(148,548)
At end of year	**812,317**	**927,395**	**1,739,712**	**895,582**	**962,657**	**1,858,239**

* Includes 13,796 Deferred Share Awards (2018: 11,933) and 18,006 LTIP Share Awards (2018: 17,725) granted in respect of dividend accruals.

** Of the 662,752 awards vested in 2019, nil were satisfied by the issue of shares and 439,631 by the transfer of shares from the ESOT (see note 15). The balance of 223,121 awards represented a tax liability of £11.6m (2018: £9.9m) which was settled in cash on behalf of employees by the Group, of which £10.3m was settled by the Company.

17 Share schemes (continued)

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.

Outstanding awards	2019 Deferred Share Awards	2019 Total awards	2018 Deferred Share Awards	2018 Total awards
At beginning of year	120,014	120,014	66,154	66,154
Granted*	24,806	24,806	103,086	103,086
Vested**	(54,661)	(54,661)	(32,098)	(32,098)
Forfeited	(21,599)	(21,599)	(17,128)	(17,128)
At end of year	**68,560**	**68,560**	120,014	120,014

* Includes 2,048 Deferred Share Awards (2018: 697) granted in respect of dividend accruals.
** Of the 54,661 awards vested in 2019, 38,087 were satisfied by the transfer of shares from the ESOT (see note 15). The balance of 16,574 awards represented a tax liability of £0.9m which was settled in cash on behalf of employees by the Group, of which £0.7m was settled by the Company.

Equity-settled transactions

During the year ended 31 December 2019, the Group recognised an expense of £21.9m (2018: £20.9m). The fair values and the assumptions used in their calculations are set out below:

	2019 Awards			
	Deferred Share Awards (DSP)	Share Awards	LTIP Share Awards EPS element	LTIP Share Awards TSR element
Fair value at measurement date (pence)	4,590	4,523	4,508	2,122
Share price (pence)	4,590	4,523	4,508	4,508
Expected volatility	–	–	–	21.3%
Risk–free interest rate	–	–	–	0.8%
Time to maturity (years)	1-3	3	3	3

	2018 Awards			
	Deferred Share Awards (DSP)	Share Awards	LTIP Share Awards EPS element	LTIP Share Awards TSR element
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

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 2019 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.

Notes to the financial statements continued

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:

	2019 £m	2018 £m
At 1 January	34.3	34.5
Exchange adjustments	(2.2)	(2.8)
Share of profit for the year	20.5	20.8
Adjustment arising from changes in non-controlling interest	(4.1)	–
Dividends paid to non-controlling interest	(19.1)	(18.2)
At 31 December	**29.4**	34.3

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:

	2019 £m	2018 £m
Short-term benefits	11.4	10.6
Post-employment benefits	0.9	0.8
Equity-settled transactions	9.7	8.5
Total	**22.0**	19.8

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.

22 Contingent liabilities

	2019 £m	2018 £m
Guarantees, letters of credit and performance bonds	**26.7**	27.5

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. These claims are not currently expected to result in meaningful costs and liabilities to the Group. 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 continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company regime was published. It concludes that the legislation up until December 2018 does partially represent State Aid. The Group considers that the potential amount of additional tax payable remains between £nil and £16.3m (excluding interest and penalties) depending on the basis of calculation and the outcome of HMRC's appeal to the EU Commission. Based on current advice, the Group does not consider any provision is required in relation to this investigation. This judgement is based on current interpretation of legislation, management experience and professional advice.

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 2019. 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 (i)	England	Holding
Intertek Technical Services, Inc. (ii)	USA	Trading
Intertek Testing Services Holdings Limited (i)	England	Holding
Intertek Testing Services Hong Kong Limited (iii)	Hong Kong	Trading
Intertek Testing Services Limited Shanghai (iv)	China	Trading
Intertek Testing Services NA, Inc. (v)	USA	Trading
Intertek Testing Services Shenzhen Limited (vi)	China	Trading
Intertek USA, Inc. (vii)	USA	Trading
Intertek USD Finance Limited	England	Finance
Labtest Hong Kong Limited (viii)	Hong Kong	Trading
RCG-Moody International Limited	England	Holding
Testing Holdings USA, Inc. (ix)	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 or common stock shares which are indirectly held by Intertek Group plc as at 31 December 2019. 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 (i)
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

Admon Labs Servicios Corporativos y Administrativos, S.A. de C.V.
Boulevard Adolfo Lopez Mateos #2259, Atlamaya, Alvaro Obregon, Ciudad de Mexico, C.P. 01760, Mexico

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.
5301 Riata Park Court, Building F, Austin, TX, 78727, United States

Alchemy Systems Training, Inc.
8015 Shoal Creek Blvd, Suite 100, Austin, TX, 78757, United States

Alchemy Systems Training Limited

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

Alta Analytical Laboratory, Inc. (i)
200 Westlake Park Blvd., Westlake Building 4, Suite 400, Houston, TX 77079, United States

Amtac Certification Services Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

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
3011 American Way, Missoula County, Missoula MT 59808, United States

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 (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

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

Notes to the financial statements continued

23 Principal Group companies (continued)

Fully owned subsidiaries (continued)

Check Safety First Limited

Checkpoint Benchmark Ltd (i)

Checkpoint Solutions Ltd

Cristal Fire Limited (i)

Cristal Iberica Consulting S.A.
Carrer Jaume Vidal Alcover, 9, Palma, Mallorca, 07010, Spain

Cristal International Care Limited

Cristal International Limited (viii)

Cristal Middle East
22 El-Imam Ali, Almazah, Heliopolis, Cairo Governorate, Egypt

Cristal North Africa SARL
6 Rue Lac Roba, Les Berges Du Lac, Tunis, 1053, Tunisia

Cristal World Wide Limited

Ecristal Europe Limited (i)

Ecristal Limited (i)

Electrical Mechanical Instrument Services (UK) Limited (ii)
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 (ii)
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

Gamatek, S.A. de C.V.
Alanis Valdez #2308, Industrial, Monterrey, Nuevo Leon, Mexico

GCA Calidad y Analisis de Mexico, S.A. de C.V.
Jacarandas #19, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P. 01740, Mexico

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 (vi)
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. (ix)
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. (i)
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, 2, 6000 Kolding, Denmark

Intertek Argentina Certificaciones S.A. (iii)
Cerrito 1136 3rd floor CF, Ciudad Autónoma de Buenos Aires, C1010AAX, 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 (i)
Ouagadougou, Secteur 13, Parcelle 21, Lot 11 Section EO Arrondissement de Nongr'Masson, Ouagadougou, 11 GP 1429, Burkina Faso

Intertek C&T Australia Holdings PTY Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek C&T Australia Pty Ltd (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

Intertek Caleb Brett (Uruguay) S.A. (xiv)
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 Tzn Limited
Plot number 5, Minizani str.-Opposite Roman Catholic Church, Kilwa Road, Kurasini Temeke, Dar Es Salaam, 15109, United Republic of Tanzania

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 3JI, 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 (i)
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

23 Principal Group companies (continued)

Fully owned subsidiaries (continued)

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 (ii)
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, 2, 6000 Kolding, Denmark

Intertek do Brasil Inspecoes Ltda
Av Eng. Augusto Barata s/n, Alamoa, 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), Elobour 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 (x)

Intertek Finland OY
Teknoublevardi 3-5, FI-01530 Vantaa, Finland

Intertek Fisheries Certification Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

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, Doha, PO Box 47146, Qatar

Intertek Global Limited
1st Floor, Liberation House, Castle Street, St Helier, JE1 1GL, Jersey

Intertek Health Sciences Inc. (v)
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, Tananger, 4056, 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-Ayudhaya 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 (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 de Argentina S.A.
Cerrito 1136, 2nd floor CF, Ciudad Autonoma de Buenos Aires, C1010AAX, Argentina

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, Bahrain

Intertek Inspection (Malaysia) Sdn. Bhd. (xi)
Lot 3.01A Level 3 Tower 1, Menara PGRM, No. 8 Jalan Pudu Ulu, Cheras, 56100 Kuala Lumpur, Malaysia

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, 2éme étage, Libreville, B.P: 13312, Gabon

Intertek International Guinee S.A.R.L. (i)
Conakry Republique de Guinee, Compte Bancaire: 52481.369.10 0 (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
Cevizli Mah. Tansel Cad. No: 12-18, Maltepe, Istanbul, Turkey

Intertek Korea Industry Service Ltd
Yeouido Dept Bldg #916, 36-2, Yeouido-Dong, Youngdeungpo-Gu, Seoul, 150-749, Republic of Korea

Notes to the financial statements continued

23 Principal Group companies (continued)

Fully owned subsidiaries (continued)

Intertek Labtest S.A.R.L
Route 110, (par Chefchaouni), Lot Saadi no. 20, Q.I. Aïn 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

Intertek Overseas Holdings Limited

Intertek Overseas Holdings, Eritrea Limited (i)
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 Polychemlab 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 (i)

Intertek Resource Solutions (Trinidad) Limited (i)
#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 (i)

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. (i)
Res. San Ignacio, Calle San Ignacio de Loyola con Avenue Francisco de Miranda, Local 3, Chacao, Caracas, Venezuela

Intertek Statius 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
Averon House 3 Dail Nan Rocas, Teaninich Industrial Estate, Alness, IV17 0PH, United Kingdom

Intertek Technical Inspections Canada Inc. (iv)
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 Private Limited Company (i)
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 Ltd

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
5th Floor Charter House, 13 Brand Road Glenwood, Kwa-Zulu Natal, 4001, South Africa

Intertek Testing Services (Fiji) Pte 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, (C1010AAX), Argentina

Intertek Testing Services Bolivia S.A.
Calle Chichapi # 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 Rozenshteina 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. (iii)
Poniente 134, No 660 Industrial Vallejo, Mexico DF CP, 02300, Mexico

Intertek Testing Services Environmental Laboratories Inc. (i)
Lexis 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 (i)
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 Testing Services Zhejiang Ltd.
Room 262, Building B, No 126 Shuanglian Road, Haining Economic Development Zone, Haining, Jiaxing, Zhejiang, China

Intertek Timor, S.A.
Hotel Timor, Colmera, Vera Cruz, Dili, Timor-Leste

23 Principal Group companies (continued)

Fully owned subsidiaries (continued)

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
Oljevegen 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 (Subic Bay), Inc.
Area 8 – 10, Lots 11/12 Boton Wharf, Argonaut Highway, Subic Bay, Freeport Zone, Olongapo City, Philippines

ITS Hong Kong NA, Limited (i)
2/F Garment Centre, 576 Castle Peak Road, Kowloon, Hong Kong

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 (xiii)
Kirschberg 20, 64347, Griesheim, Germany

Laboratorio Fermi S.A. de C.V.
Jacarandes #15, San Clemente, Alvaro Obregon, Ciudad de Mexico, C.P. 01740, Mexico

Laboratorios ABC Química, Investigación y Análisis, S.A. de C.V. (xii)
Jacarandas #19, San Clemente, Alvaro Obregón, Ciudad de Mexico, C.P. 01740, Mexico

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. (i)
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 (i)
59 Road No.104, Second Floor, Maadi, Cairo, Egypt

Management Systems International Limited (i)

Materials Testing & Inspection Services Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

Materials Testing Lab, Inc.
145 Sherwood Avenue, Farmingdale NY 11735, United States

McPhar Geoservices (Philippines) Inc. (i)
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
RM602, No.4 Building, 123 Juli Road, Zhangjiang High-Tech Park, Pudong, Shanghai, China, 201203

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 (vii)

Moody International (India) Private Limited
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Moody International (Russia) Limited

Moody International Certification India Limited
E-20, Block B1, Mohan Co-operative Industrial Area, Mathura Road, New Delhi, 110044, India

Moody International Holdings LLC
24900 Pitkin Road, Ste. 200, The Woodlands TX 77386, United States

Moody International Philippines, Inc. (i)
Intertek Building, 2310 Chino Roces Avenue Extension, Metro Manila, Makati City, 1231, Philippines

Moody United Certification Limited (i)
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 (i)
Level 3, 235 St Georges Terrace, Perth WA 6000, Australia

NTA Academy Limited (ii)
CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, United Kingdom

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 C-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 Asesoría Empresarial y de Ingenieria S.A.S.
Calle 120, No. 45A – 32, Bogota, Colombia

Professional Service Industries (Canada) Inc. (i)
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, 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 (i)
Graha STR 3rd floor, Suite#302, Jl. Ampera Raya No. 11, Jakarta, 12550, Indonesia

RCG Moody International Uruguay S.A.
Cerrito 507, 4th Floor, Off. 46, 47, Montevideo 11000, Uruguay

Schindler & Associates (L.C.) (i)
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

Notes to the financial statements continued

23 Principal Group companies (continued)

Fully owned subsidiaries (continued)

Testing Holdings Sweden AB
Torshamnsgatan 43, Box 1103, Kista, S-164 22, Sweden

Tourcheck Limited

Tradegood Singapore Pte. Ltd. (i)
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 (i)
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

Related undertakings where the effective interest is less than 100%

Euro Mechanical Instrument Services LLC (49.0%)
PO Box 46153, Abu Dhabi, United Arab Emirates

Caleb Brett Abu Dhabi LLC (49.0%)
CB UAE (Private) Ltd, c/o Al Nahiya Group, PO Box 3728, Abu Dhabi, United Arab Emirates

International Inspection Services LLC (70.0%)
PO Box 193, Al Hamriyah, Muscat, PC 131, Oman

Intertek (Qeshm Island) Limited (51.0%)
Unit 107, Goldis Building, Valiasr Boulevard, Qeshm Island, Islamic Republic of Iran

Intertek Angola LDA (99.0%)
282 Rua Amilcar Cabral no.147 2nd floor, Apartment Z, Luanda, Angola

Intertek ETL SEMKO KOREA Limited (90.0%)
5F, Intertek building, Gongdan-ro, 160beon-gil 3, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

Intertek GM Testing Service Zhuhai Co., Ltd (70.0%)
55 Guangdong-Macau TCM Park Commercial Service Center, 2522 Huan Dao Bei Road, Hengqin New Area, Zhuhai, Guangdong, China

Intertek Industry Services (PTY) LTD (69.9%)
3 EL Wak Street, Vereeniging, 1930, Gauteng, South Africa

Intertek Industry Services Colombia Limited (99.0%)
Calle 127A No. 53A-45, Oficina 1103, Bogotá, Colombia

Intertek Kimsco Co. Ltd. (50.0%)
Intertek Building, 3, Gongdan-ro, 160beon-gil, Gunpo-si, Gyeonggi-do, 15845, Republic of Korea

Intertek Lanka (Private) Limited (70.0%)
Intertek House, No: 282, Kaduwela Road, Battaramulla, Sri Lanka

Intertek Libya Technical Services and Consultations Company Spa (65.0%)
P.O Box 3788, Hay Alandalus, Gargaresh, Tripoli, Libya

Intertek Life Bridge (Shanghai) Testing Services Co., Ltd. (80.0%)
Room 401, Building #5-6, Lane 1218, WanRong Road, JinAn District, Shanghai, Shandong, China

Intertek Robotic Laboratories Pty Limited (50.0%)
15 Davison Street, Maddington, WA 6109, Australia

Intertek South Africa Holdings (Pty) Ltd (75.0%)
5th Floor, Charter House, 13 Brand Road, Glenwood, Kwazulu-Natal, South Africa

Intertek Test Hizmetleri Anonim Sirketi (85.0%)
Merkez Mahallesi, Sanayi Cad. No.23, Altindag Plaza, Yenibosna-34197, Istanbul, Turkey

Intertek Testing Services (Hangzhou) Limited (70.0%)
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 (50.0%)
1st Fl., Aju Digital Tower, 284-56, Seongsu-dong 2-ga, Seongdong-gu, Seoul 133-120, Republic of Korea

Intertek Testing Services Nigeria Limited (60.0%)
No. 2 Bombay Crescent, Apapa, Lagos, Nigeria

Intertek Testing Services Sichuan Co., Ltd (90.0%)
No 1, Jiuxiang Blvd, Pharmacy Industry Park, Luzhou National High Technology District, Sichuan, China

Intertek Testing Services Wuxi Ltd (70.0%)
No. 8 Fubei Road, Xishan Economic Development Zone, Wuxi, Jiangsu, 214101, China

ITS Caleb Brett Deniz Survey A S (xv) (50.0%)
Ulus Mah. Oz Topuz cad. no.32, Besiktas, Istanbul, 34340, Turkey

ITS Testing Services (M) Sdn Bhd (74.0%)
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 (49.0%)
Unit 30-01 Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia

Moody International Angola Ltda (i) (78.6%)
Rua de Macau, Edifico ex Edil Apto 1, Res de Chao Esq. C.P 215, Cabinda, Angola

Moody International Bangladesh Limited (99.9%)
House 6, Road 17/A, Block E, Ground Floor, Banani, Dhaka, 1213, Bangladesh

Moody International Holdings Chile Ltda (99.0%)
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 (xv) (50.0%)
Jl. Raya Bogor KM 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

PT. Intertek Utama Services (xv) (50.0%)
Jl. Raya Bogor KM. 28, RT/RW. 04/07, Kel. Pekayon, Kec. Pasar Rebo, Jakarta Timur, 13710, Indonesia

Qatar Calibration Services LLC (49.0%)
Petrotec, PO Box 16069, 8th Floor, Toyota Tower, Doha, Qatar

RCG Moody International de Venezuela S.A. (i) (99.0%)
Res Morgana, p_4, #04, Av.Andres Bello, Fco de Miranda, Los Polos Grandes, Caracas, Venezuela

Shanghai Moody Management & Technical Services Co. Ltd (i) (90.0%)
Room 225, No. 14 at Lane No. 1700 Luo Shan Road, Shanghai, China

Societe Tunisienne d'Inspection Caleb Brett SARL (51.0%)
67 rue Ech-Chem, Tunis, 1002, Tunisia

UzIntertek Testing Services LLC (51.0%)
Abdulla Kodiriy Str., C-4, House 24,100017, Tashkent, Uzbekistan

Associates

Cristal Americas S.R.L. (12.0%)
Calle 5TA ESQ, Pablo Pujols No.6, Los Restauradores, Santo Domingo, Dominican Republic

Intertek Geronimo JV Limited (i) (48.9%)
1, North Industrial Area, Klan Street, Accra, Ghana

Lynx Diagnostics Inc.(xv) (50.0%)
#220, 8 Perron Street, St Albert AB T8N 1E4, Canada

Moody International Certification Limited (40.0%)
Brivibas iela 85, Riga, LV-1001, Latvia

Moody International Certification Ltd (40.0%)
53, Nautic, Triq l-Ortolan, San Gwann, SGN 1943, Malta

Moody International Morocco (30.0%)
28, Rue de Provins, 2 eme etage, Casablanca, Morocco

Moody International SA (35.0%)
4 Rue Des Brasseurs, Zone 3 Abidjan, Cote d'Ivoire

(i) Dormant.
(ii) In Liquidation/Strike off requested.
(iii) Ownership held in class A and B shares
(iv) Ownership held in class A and E shares.
(v) Ownership held in class A, B, C, D and E shares.
(vi) Ownership held in class A, B, C, D, E and F shares.
(vii) Ownership held in class ordinary and ordinary-A shares.
(viii) Ownership held in class Ordinary-A, Ordinary-B and Deferred shares.
(ix) Ownership held in ordinary and preference shares.
(x) Ownership held in ordinary and redeemable shares.
(xi) Ownership held in ordinary and redeemable preference shares.
(xii) Ownership held in class I Series B shares and class II Series B shares.
(xiii) Ownership held in No.1 and No.2 shares.
(xiv) Ownership held in Ordinary Bearer shares.
(xv) 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.

24 Impact on application of IFRS 16

Consolidated income statement – IAS 17 basis

	Notes	2019 Adjusted results IAS 17 £m	2019 Separately Disclosed Items* IAS 17 £m	Total 2019 IAS 17 £m	2018 Adjusted results IAS 17 £m	2018 Separately Disclosed Items* IAS 17 £m	Total 2018 IAS 17 £m
Revenue	2	**2,987.0**	**–**	**2,987.0**	2,801.2	–	2,801.2
Operating costs		(2,473.7)	(38.4)	(2,512.1)	(2,319.4)	(45.6)	(2,365.0)
Group operating profit/(loss)	2	**513.3**	**(38.4)**	**474.9**	481.8	(45.6)	436.2
Finance income	14	1.2	–	1.2	1.8	–	1.8
Finance expense		(31.5)	(1.3)	(32.8)	(27.1)	(6.4)	(33.5)
Net financing costs		**(30.3)**	**(1.3)**	**(31.6)**	(25.3)	(6.4)	(31.7)
Profit/(loss) before income tax		483.0	(39.7)	443.3	456.5	(52.0)	404.5
Income tax (expense)/credit		(118.4)	7.3	(111.1)	(112.8)	13.5	(99.3)
Profit/(loss) for the year	2	**364.6**	**(32.4)**	**332.2**	343.7	(38.5)	305.2
Attributable to:							
Equity holders of the Company		344.2	(32.4)	311.8	322.9	(38.5)	284.4
Non-controlling interest		20.4	–	20.4	20.8	–	20.8
Profit/(loss) for the year		**364.6**	**(32.4)**	**332.2**	343.7	(38.5)	305.2
Earnings per share							
Basic		213.8p		**193.7p**	200.7p		176.8p
Diluted		211.7p		**191.8p**	198.3p		174.7p

* See note 3.

Consolidated income statement – IFRS 16 impact

	Notes	For the year ended 31 December 2019 Adjusted results IAS 17 £m	IFRS 16 impact £m	Adjusted results IFRS 16 £m	Statutory results IAS 17 £m	IFRS 16 impact £m	Statutory results IFRS 16 £m
Revenue	2	**2,987.0**	**–**	**2,987.0**	**2,987.0**	**–**	**2,987.0**
Operating costs		(2,473.7)	10.9	(2,462.8)	(2,512.1)	10.9	(2,501.2)
Group operating profit	2	**513.3**	**10.9**	**524.2**	**474.9**	**10.9**	**485.8**
Finance income	14	1.2	–	1.2	1.2	–	1.2
Finance expense	14	(31.5)	(9.1)	(40.6)	(32.8)	(9.1)	(41.9)
Net financing costs		**(30.3)**	**(9.1)**	**(39.4)**	**(31.6)**	**(9.1)**	**(40.7)**
Profit before income tax		483.0	1.8	484.8	443.3	1.8	445.1
Income tax expense	6	(118.4)	(0.4)	(118.8)	(111.1)	(0.4)	(111.5)
Profit for the year	2	**364.6**	**1.4**	**366.0**	**332.2**	**1.4**	**333.6**
Attributable to:							
Equity holders of the Company		344.2	1.3	345.5	311.8	1.3	313.1
Non-controlling interest	20	20.4	0.1	20.5	20.4	0.1	20.5
Profit for the year		**364.6**	**1.4**	**366.0**	**332.2**	**1.4**	**333.6**
Earnings per share							
Basic	7	**213.8p**	**0.8p**	**214.6p**	**193.7p**	**0.8p**	**194.5p**
Diluted	7	**211.7p**	**0.8p**	**212.5p**	**191.8p**	**0.8p**	**192.6p**

Notes to the financial statements continued

24 Impact on application of IFRS 16 (continued)

Consolidated statement of comprehensive income – IAS 17 basis

	Notes	2019 IAS 17 £m	2018 IAS 17 £m
Profit for the year	2	**332.2**	305.2
Other comprehensive income/(expense)			
Remeasurements on defined benefit pension schemes	16	(3.2)	(0.8)
Tax on items that will never be reclassified subsequently to profit or loss		0.2	(0.5)
Items that will never be reclassified to profit or loss		**(3.0)**	(1.3)
Foreign exchange translation differences of foreign operations		(73.1)	45.3
Net exchange gain/(loss) on hedges of net investments in foreign operations	14	31.2	(32.6)
Gain on fair value of cash flow hedges		0.7	1.1
Items that are or may be reclassified subsequently to profit or loss		**(41.2)**	13.8
Total other comprehensive (expense)/income for the year		**(44.2)**	12.5
Total comprehensive income for the year		**288.0**	317.7
Total comprehensive income for the year attributable to:			
Equity holders of the Company		269.4	299.7
Non-controlling interest		18.6	18.0
Total comprehensive income for the year		**288.0**	317.7

Consolidated statement of comprehensive income – IFRS 16 impact

	Notes	2019 IAS 17 £m	IFRS 16 impact £m	2019 IFRS 16 £m
Profit for the year	2	**332.2**	**1.4**	**333.6**
Other comprehensive income/(expense)				
Remeasurements on defined benefit pension schemes	16	(3.2)	–	(3.2)
Tax on items that will never be reclassified subsequently to profit or loss	6	0.2	–	0.2
Items that will never be reclassified to profit or loss		**(3.0)**	**-**	**(3.0)**
Foreign exchange translation differences of foreign operations		(73.1)	0.7	(72.4)
Net exchange gain on hedges of net investments in foreign operations	14	31.2	–	31.2
Gain on fair value of cash flow hedges		0.7	–	0.7
Items that are or may be reclassified subsequently to profit or loss		**(41.2)**	**0.7**	**(40.5)**
Total other comprehensive (expense)/income for the year		**(44.2)**	**0.7**	**(43.5)**
Total comprehensive income for the year		**288.0**	**2.1**	**290.1**
Total comprehensive income for the year attributable to:				
Equity holders of the Company		269.4	2.4	271.8
Non-controlling interest	20	18.6	(0.3)	18.3
Total comprehensive income for the year		**288.0**	**2.1**	**290.1**

24 Impact on application of IFRS 16 (continued)

Consolidated statement of financial position – IAS 17 basis

	Notes	2019 IAS 17 £m	2018 IAS 17 £m
Assets			
Property, plant and equipment		421.8	441.2
Goodwill	9	859.8	874.9
Other intangible assets	9	302.4	329.5
Investments in associates		–	0.3
Deferred tax assets		45.6	58.4
Total non-current assets		**1,629.6**	1,704.3
Inventories*		19.2	18.3
Trade and other receivables*	11	685.0	684.4
Cash and cash equivalents	14	227.4	206.9
Current tax receivable		28.5	19.7
Total current assets		**960.1**	929.3
Total assets		**2,589.7**	2,633.6
Liabilities			
Interest-bearing loans and borrowings	14	(238.9)	(138.3)
Current taxes payable		(57.2)	(62.5)
Trade and other payables*		(518.4)	(515.1)
Provisions*	13	(24.2)	(26.8)
Total current liabilities		**(838.7)**	(742.7)
Interest-bearing loans and borrowings	14	(617.9)	(846.8)
Deferred tax liabilities	6	(68.2)	(80.8)
Net pension liabilities	16	(13.4)	(12.5)
Other payables*	12	(29.2)	(26.5)
Provisions*	13	(20.1)	(16.0)
Total non-current liabilities		**(748.8)**	(982.6)
Total liabilities		**(1,587.5)**	(1,725.3)
Net assets		**1,002.2**	908.3
Equity			
Share capital	15	1.6	1.6
Share premium		257.8	257.8
Other reserves		(32.3)	7.1
Retained earnings		745.4	607.5
Total attributable to equity holders of the Company		**972.5**	874.0
Non-controlling interest		29.7	34.3
Total equity		**1,002.2**	908.3

Working capital of £100.3m (2018: £109.7m) comprises the asterisked items in the above statement of financial position less refundable deposits aged over 12 months of £12.0m (2018: £8.6m).

Notes to the financial statements continued

24 Impact on application of IFRS 16 (continued)

Consolidated statement of financial position – IFRS 16 impact

	Notes	2019 IAS 17 £m	IFRS 16 Impact £m	2019 IFRS 16 £m
Assets				
Property, plant and equipment	8	421.8	222.4	644.2
Goodwill	9	859.8	–	859.8
Other intangible assets	9	302.4	–	302.4
Deferred tax assets	6	45.6	6.3	51.9
Total non-current assets		**1,629.6**	**228.7**	**1,858.3**
Inventories		19.2	–	19.2
Trade and other receivables	11	685.0	–	685.0
Cash and cash equivalents	14	227.4	–	227.4
Current tax receivable		28.5	–	28.5
Total current assets		**960.1**	**–**	**960.1**
Total assets		**2,589.7**	**228.7**	**2,818.4**
Liabilities				
Interest-bearing loans and borrowings	14	(238.9)	–	(238.9)
Current taxes payable		(57.2)	–	(57.2)
Lease liabilities	14	–	(61.7)	(61.7)
Trade and other payables	12	(518.4)	0.4	(518.0)
Provisions	13	(24.2)	–	(24.2)
Total current liabilities		**(838.7)**	**(61.3)**	**(900.0)**
Interest-bearing loans and borrowings	14	(617.9)	–	(617.9)
Lease liabilities	14	–	(184.3)	(184.3)
Deferred tax liabilities	6	(68.2)	–	(68.2)
Net pension liabilities	16	(13.4)	–	(13.4)
Other payables	12	(29.2)	–	(29.2)
Provisions	13	(20.1)	–	(20.1)
Total non-current liabilities		**(748.8)**	**(184.3)**	**(933.1)**
Total liabilities		**(1,587.5)**	**(245.6)**	**(1,833.1)**
Net assets		**1,002.2**	**(16.9)**	**985.3**
Equity				
Share capital	15	1.6	–	1.6
Share premium		257.8	–	257.8
Other reserves		(32.3)	1.1	(31.2)
Retained earnings		745.4	(17.7)	727.7
Total attributable to equity holders of the Company		**972.5**	**(16.6)**	**955.9**
Non-controlling interest	20	29.7	(0.3)	29.4
Total equity		**1,002.2**	**(16.9)**	**985.3**

24 Impact on application of IFRS 16 (continued)

Consolidated statement of cash flows – IAS 17 basis

	Notes	2019 IAS 17 £m	2018 IAS 17 £m
Cash flows from operating activities			
Profit for the year	2	**332.2**	305.2
Adjustments for:			
Depreciation charge		87.9	76.2
Amortisation of software	9	15.3	12.5
Amortisation of acquisition intangibles	9	29.1	24.6
Equity-settled transactions	17	21.9	20.9
Net financing costs		31.6	31.7
Income tax expense		111.1	99.3
Profit on disposal of subsidiary/associate		(1.8)	(1.1)
(Profit)/loss on disposal of property, plant, equipment and software		(0.9)	0.4
Operating cash flows before changes in working capital and operating provisions		**626.4**	569.7
Change in inventories		(1.5)	1.0
Change in trade and other receivables		(25.6)	(16.0)
Change in trade and other payables		41.1	35.2
Change in provisions		(1.9)	(7.0)
Special contributions into pension schemes	16	(2.0)	(2.0)
Cash generated from operations		**636.5**	580.9
Interest and other finance expense paid		(31.6)	(29.3)
Income taxes paid		(111.8)	(93.1)
Net cash flows generated from operating activities*		**493.1**	458.5
Cash flows from investing activities			
Proceeds from sale of property, plant, equipment and software*		2.5	3.5
Interest received*	14	1.2	1.8
Acquisition of subsidiaries, net of cash acquired	10	(16.9)	(387.9)
Consideration (paid)/received in respect of prior year acquisitions		(0.6)	0.1
Sale of an associate		2.1	–
Acquisition of property, plant, equipment, software*	8,9	(116.8)	(113.2)
Net cash flows used in investing activities		**(128.5)**	(495.7)
Cash flows from financing activities			
Purchase of own shares	15	(23.1)	(16.7)
Tax paid on share awards vested		(11.6)	(9.9)
Drawdown of borrowings		110.0	341.4
Repayment of borrowings		(221.3)	(75.9)
Purchase of non-controlling interest		(5.2)	–
Dividends paid to non-controlling interest	20	(19.1)	(18.2)
Equity dividends paid	15	(163.2)	(128.3)
Net cash flows (used in)/generated from financing activities		**(333.5)**	92.4
Net increase in cash and cash equivalents	14	31.1	55.2
Cash and cash equivalents at 1 January	14	203.2	135.9
Exchange adjustments	14	(21.3)	12.1
Cash and cash equivalents at end of the year	14	**213.0**	203.2

Cash outflow relating to Separately Disclosed Items was £15.3m (2018: £22.0m).

Free cash flow of £380.0m (2018: £350.6m) comprises the asterisked items in the above statement of cash flows.

Notes to the financial statements continued

24 Impact on application of IFRS 16 (continued)

Consolidated statement of cash flows – IFRS 16 impact

	Notes	2019 IAS 17 £m	IFRS 16 Impact £m	2019 IFRS 16 £m
Cash flows from operating activities				
Profit for the year	2	**332.2**	**1.4**	**333.6**
Adjustments for:				
Depreciation charge	8	87.9	68.3	156.2
Amortisation of software	9	15.3	–	15.3
Amortisation of acquisition intangibles	9	29.1	–	29.1
Equity-settled transactions	17	21.9	–	21.9
Net financing costs	14	31.6	9.1	40.7
Income tax expense	6	111.1	0.4	111.5
Profit on disposal of subsidiary/associate		(1.8)	–	(1.8)
Profit on disposal of property, plant, equipment and software		(0.9)	–	(0.9)
Operating cash flows before changes in working capital and operating provisions		**626.4**	**79.2**	**705.6**
Change in inventories		(1.5)	–	(1.5)
Change in trade and other receivables		(25.6)	–	(25.6)
Change in trade and other payables		41.1	(0.4)	40.7
Change in provisions		(1.9)	–	(1.9)
Special contributions into pension schemes	16	(2.0)	–	(2.0)
Cash generated from operations		**636.5**	**78.8**	**715.3**
Interest and other finance expense paid		(31.6)	(9.1)	(40.7)
Income taxes paid		(111.8)	–	(111.8)
Net cash flows generated from operating activities		**493.1**	**69.7**	**562.8**
Cash flows from investing activities				
Proceeds from sale of property, plant, equipment and software		2.5	–	2.5
Interest received	14	1.2	–	1.2
Acquisition of subsidiaries, net of cash acquired	10	(16.9)	–	(16.9)
Consideration paid in respect of prior year acquisitions		(0.6)	–	(0.6)
Sale of an associate		2.1	–	2.1
Acquisition of property, plant, equipment, software	8,9	(116.8)	–	(116.8)
Net cash flows used in investing activities		**(128.5)**	**-**	**(128.5)**
Cash flows from financing activities				
Purchase of own shares	15	(23.1)	–	(23.1)
Tax paid on share awards vested		(11.6)	–	(11.6)
Drawdown of borrowings		110.0	–	110.0
Repayment of borrowings		(221.3)	–	(221.3)
Repayment of lease liability		–	(69.7)	(69.7)
Purchase of non-controlling interest		(5.2)	–	(5.2)
Dividends paid to non-controlling interest	20	(19.1)	–	(19.1)
Equity dividends paid	15	(163.2)	–	(163.2)
Net cash flows used in financing activities		**(333.5)**	**(69.7)**	**(403.2)**
Net increase in cash and cash equivalents	14	31.1	–	31.1
Cash and cash equivalents at 1 January	14	203.2	–	203.2
Exchange adjustments	14	(21.3)	–	(21.3)
Cash and cash equivalents at end of the year	14	**213.0**	**-**	**213.0**

Intertek Group plc – Company balance sheet

As at 31 December 2019	Notes	2019 £m	2018 £m
Fixed assets			
Investments in subsidiary undertakings	(D)	**339.6**	334.4
Current assets			
Debtors due within one year	(E)	694.2	634.5
Debtors due after more than one year	(E)	121.3	–
		815.5	634.5
Cash at bank and in hand		0.1	0.3
		815.6	634.8
Creditors due within one year			
Other creditors	(F)	(448.2)	(284.5)
		(448.2)	(284.5)
Net current assets		**367.4**	350.3
Total assets less current liabilities		**707.0**	684.7
Net assets		**707.0**	684.7
Capital and reserves			
Called up share capital	(G)	1.6	1.6
Share premium	(G)	257.8	257.8
Profit and loss account	(G)	447.6	425.3
Shareholders' funds		**707.0**	684.7

The profit for the financial year was £197.2m (2018: £469.1m).

The financial statements on pages 159 to 163 were approved by the Board on 3 March 2020 and were signed on its behalf by:

André Lacroix
Chief Executive Officer

Ross McCluskey
Chief Financial Officer

Company number: 04267576

Intertek Group plc – Company statement of changes in equity

	Notes	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
At 1 January 2018		1.6	257.8	89.3	348.7
Total comprehensive income for the year					
Profit	(B)	–	–	469.1	469.1
Total comprehensive income for the year		–	–	469.1	469.1
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the company					
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
Total contributions by and distributions to the owners of the company		–	–	(133.1)	(133.1)
At 31 December 2018		1.6	257.8	425.3	684.7
At 1 January 2019		**1.6**	**257.8**	**425.3**	**684.7**
Total comprehensive income for the year					
Profit	(B)	–	–	197.2	197.2
Total comprehensive income for the year		**–**	**–**	**197.2**	**197.2**
Transactions with owners of the company recognised directly in equity					
Contributions by and distributions to the owners of the company					
Dividends paid	(C)	–	–	(163.2)	(163.2)
Purchase of own shares		–	–	(23.1)	(23.1)
Tax paid on Share Awards vested		–	–	(10.5)	(10.5)
Equity-settled transactions	(D)	–	–	21.9	21.9
Total contributions by and distributions to the owners of the company		**–**	**–**	**(174.9)**	**(174.9)**
At 31 December 2019		**1.6**	**257.8**	**447.6**	**707.0**

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 have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101').

These financial statements have been prepared on a historical cost basis. The Company continues to adopt the going concern basis of accounting in preparing these financial statements.

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.

Notes to the Company financial statements continued

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 16 *Leases* came into effect on 1 January 2019. Management has performed its review of IFRS 16. The Company does not hold any leases therefore the new standard is not relevant to the Company. Further details of the work performed around the assessment of IFRS 16 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 (2018: nil).

Details of the remuneration of the Directors are set out in the Remuneration report.

(C) Dividends
The aggregate amount of dividends comprises:

	2019 £m	2018 £m
Final dividend paid in respect of prior year but not recognised as a liability in that year	108.2	76.9
Interim dividends paid in respect of the current year	55.0	51.4
Aggregate amount of dividends paid in the financial year	**163.2**	128.3

The aggregate amount of dividends proposed and recognised as liabilities as at 31 December 2019 is £nil (2018: £nil). The aggregate amount of dividends proposed and not recognised as liabilities as at 31 December 2019 is £115.7m (2018: £108.5m).

(D) Investment in subsidiary undertakings

	2019 £m	2018 £m
Cost and net book value		
At 1 January	334.4	324.5
Additions due to share-based payments	21.9	20.9
Recharges of share-based payments to subsidiaries	(16.7)	(11.0)
At 31 December	**339.6**	334.4

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 £21.9m (2018: £20.9m). 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 2019: 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 (2018: £nil).

(E) Debtors

	2019 £m	2018 £m
Amounts owed by group undertakings – due within one year	694.2	634.5
Amounts owed by group undertakings – due in more than one year	121.3	–
Total debtors	**815.5**	634.5

The amounts owed by Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. A mixture of the amounts due are interest bearing and interest free.

Amounts owed by Group undertakings are recognised initially at the value of the invoice or loan raised 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 Company 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 a review of all receivables to see if 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.

(F) Creditors due within one year

	2019 £m	2018 £m
Amounts owed to Group undertakings	**448.2**	284.5

The amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. A mixture of the amounts due are interest bearing and interest free.

(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 £163.2m (2018: £128.3m), was £197.2m (2018: £469.1m) which was mainly in respect of dividend income in relation to 2019.

The Company has sufficient distributable reserves to pay the 2019 final dividend and the anticipated 2020 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 2019 amounting to £11.6m (2018: £9.9m) of which the Company settled £10.5m (2018: £9.0m).

During the year ended 31 December 2019, the Company purchased, through its Employee Benefit Trust, 459,078 (2018: 340,000) of its own shares with an aggregate nominal value of £4,591 (2018: £3,400) for £23.1m (2018: £16.7m) 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 £2.8m at 31 December 2019 (2018: £3.4m).

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 2019 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 (IFRSs) 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 consolidated statement of financial position and company balance sheet as at 31 December 2019; the 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

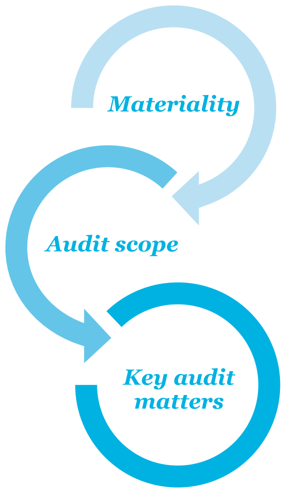
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities 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 2019 to 31 December 2019.

Our audit approach

Overview



- Overall group materiality: £22 million (2018: £20 million), based on 5% of profit before tax.
- Overall company materiality: £11.5 million (2018: £9.7 million), based on 1% of total assets.

- We performed full scope audit procedures over 61 legal entities and performed specific audit procedures on a further 7 entities, covering 29 territories in total.
- The Group audit team held regular meetings with component teams, and visited the USA, UK, China, Hong Kong, Taiwan, Singapore, Vietnam, South Africa and Mexico component 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 areas of focus.
- Taken together, the entities over which audit work was performed accounted for 81% of the group's revenue and 93% of the group's statutory profit before tax.

Our assessment of the risk of material misstatement also informed our views of the areas of particular focus of our audit work which are listed below:

- Completeness and valuation of customer claims (Group)
- Carrying value of goodwill and intangible assets (Group)
- Valuation of defined benefit pension scheme liabilities (Group)
- Valuation of current tax balances in relation to transfer pricing risk (Group)

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, reduce working capital 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; understanding the results of whistleblowing procedures and assessing any related investigations; meeting with internal audit; obtaining legal confirmations; testing journal entries; 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.

Independent Auditors' Report continued
to the Members of Intertek Group plc

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
Completeness and valuation of customer claims (Group) Refer to the Audit Committee report on page 78 and to note 13 in the financial statements. 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. Where customer claims may give rise to a future liability, the Directors are required to either recognise a liability or disclose a contingent liability in the financial statements. As the potential cost is often unknown, management must exercise judgement as to whether a liability should be recognised or a specific disclosure is required.	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. 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. 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. 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.
Carrying value of goodwill and intangible assets (Group) Refer to the Audit Committee report on page 79 and to note 9 in the financial statements. The Group had £859.8m of goodwill and a further £302.4m of other intangible assets recognised on the balance sheet at 31 December 2019. 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. 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 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. 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: • the discount rate by comparing the cost of capital for the group with comparable organisations; and • 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. We concluded that they were within the range of reasonable assumptions based on this information. 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
Valuation of defined benefit pension scheme liabilities (Group) Refer to the Audit Committee report on page 79 and to note 16 in the financial statements. The group had net and gross pension liabilities of £13.4m and £150.2m respectively recognised on the balance sheet at 31 December 2019. The valuation of pension liabilities involves the exercise of judgement and technical expertise in choosing appropriate actuarial assumptions such as the discount rate, inflation level, mortality rates and salary increases. Management engaged external actuarial experts to assist them in selecting appropriate assumptions and to calculate the liabilities. The methodologies and assumptions utilised are judgemental and could significantly impact the magnitude of the liabilities recognised.	We utilised our in-house actuarial experts to evaluate whether the assumptions and methodology used in calculating the pension liabilities were reasonable, by: • Assessing whether salary increases and mortality rate assumptions were reasonable based on the consideration of the specifics of each plan, pension plans of similar maturity to the group's and industry benchmarks; • Evaluating the consistency of the discount and inflation rate assumptions with our internally developed benchmarks based on national data; and • Reviewing the methodology and calculations prepared by external actuaries to assess their appropriateness and the consistency of the assumptions used. Based on our procedures, we concluded that the key assumptions utilised lay within acceptable ranges and that the methodology was appropriate and consistent with the prior year. We assessed the related disclosures included in the group financial statements and consider them to be appropriate.
Valuation of current tax balances in relation to transfer pricing risk (Group) Refer to the Audit Committee report on page 78 and to note 6 in the financial statements. Provisions in relation to potential tax exposures are subject to judgement and involve estimation techniques that could influence the current tax positions. The Group operates in a large number of jurisdictions, which increases the risk of non-compliance in relation to transfer pricing considerations relating to intercompany financing, management recharges and trading transactions.	We involved our in-house tax specialists in our testing of the appropriateness of the techniques, estimates and judgements taken over current tax balances in relation to the transfer pricing risk. In so doing, we evaluated: • Third party tax advice received by the group; • The status of recent and current tax authority audits and enquiries; • The outturn of previous claims; • Judgemental positions taken in tax returns and current year estimates; and • Management's methodology, calculations and assumptions utilised in provisions recorded, or rationale for not recording a provision. The procedures above did not identify any issues with regards to the valuation of current tax balances.

We determined that there were no key audit matters 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 considered the 46 countries in which PwC are appointed statutory auditor. Of these, 22 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 52 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 eight of the largest entities in the US and Canada for full scope audits, representing those with the largest contribution to Group profit, and two further entities in the USA and Brazil, over which we performed specified procedures over the complete financial information.

We instructed a local audit firm to perform an audit of the complete financial information for one entity in Bangladesh for the purpose of the group audit.

Independent Auditors' Report continued
to the Members of Intertek Group plc

We identified a further four entities in Japan, Peru and Guatemala over which we instructed specific audit procedures to be performed over revenue and receivables to supplement coverage over these key financial line items. In addition, we identified one further entity in Germany over which we instructed specific audit procedures to be performed over taxation to further supplement coverage over this key financial line item.

In total we performed procedures over 68 legal entities in 29 countries, which together accounted for 81% of the group's revenue and 93% of the group's profit before tax.

During the year, members of the group engagement team visited the USA, UK, China, Hong Kong, Taiwan, Singapore, Vietnam, South Africa and Mexico component teams, and we held planning workshops with a further seven 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. We also facilitated workshops in Hong Kong and London with management presentations in order to further enhance our understanding of the Group's global business, which our component teams attended.

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:

	Group financial statements	Company financial statements
Overall materiality	£22 million (2018: £20 million).	£11.5 million (2018: £9.7 million).
How we determined it	5% of profit before tax.	1% of total assets.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the group.	These are a single set of company accounts for an entity which has no external revenue and takes advantage of the exemption offered under S408 of CA 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 £1.5 million and £11.5 million. 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 £1.1 million (group audit) (2018: £1.0 million) and £1.1 million (company audit) (2018: £1.0 million) 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:

Reporting obligation	Outcome
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 of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group'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.

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).

Independent Auditors' Report continued
to the Members of Intertek Group plc

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 2019 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 51 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 51 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 103, 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 76 to 80 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, 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/auditors responsibilities. 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 4 years, covering the years ended 31 December 2016 to 31 December 2019.

Ian Chambers
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
3 March 2020

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. 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
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.

Financial calendar

Financial year end	31 December 2019
Results announced	3 March 2020
Ex-dividend date for final dividend	21 May 2020
Annual General Meeting	21 May 2020
Record date for final dividend	22 May 2020
Final dividend payable	11 June 2020
Interim results announced	31 July 2020
Ex-dividend date for interim dividend	17 September 2020
Record date for interim dividend	18 September 2020
Interim dividend payable	8 October 2020

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London Stock Exchange Support Services
FTSE 100
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