

Chief Executive Officer's letter

# It is our people who give us the right to call Intertek a force for good



**André Lacroix**  
Chief Executive Officer

As I reflect on the significant disruption that Covid-19 has created for everyone on the planet, I deeply recognise and value the role we play at Intertek in every part of society.

We are a purpose-led force for good at the forefront of one of the world's most critical and exciting industries, bringing quality, safety and sustainability to life in more than 100 countries.

Covid-19 will be remembered as a tragedy for the world, changing life for millions of people, and it is my view that when the history books are written, Covid-19 will be remembered as much more than a global pandemic.

Indeed, Covid-19 has also caused the greatest dislocation of the global supply chain since the 1970s, demonstrating that the world was operating with significant intrinsic risks inside corporations and in our health services, making the need for risk-based Quality Assurance more critical than ever moving forward.

That is why Covid-19 has been a profound catalyst for change in all parts of society and all stakeholders realise that going back to the way the world operated pre-Covid-19 is just not good enough.

**€2,786m**  
**Revenue**  
1.6% at actual rates

**190.8p**  
**Adjusted Diluted EPS**  
11.6% at actual rates

**24.4%**  
**Organic ROIC**  
350bps at constant rates

**17.0%**  
**Adjusted Margin**  
140bps at actual rates

**132%**  
**Cash conversion**  
(1,600bps) at actual rates

**105.8p**  
**Dividend**  
In line with prior year

Everyone understands the need to build back an ever better world with higher quality, safety and sustainability standards, which of course is creating exciting growth opportunities for Intertek, whose purpose is to make the world an ever-better and ever-safer place.

As you will have heard, corporations across the globe have faced immense disruption to their supply chains during 2020 and 2021. I am pleased to report that our clients have had the peace of mind of being able to operate safely, knowing that they could count on 24/7 support from our 44,000 Total Quality Assurance ('TQA') experts across our global network of over 1,000 laboratories.

Throughout 2020 and 2021, our science-based, highly technically skilled individuals and teams have been acting in our customers' best interests with precision, pace and passion, going above and beyond our clients' expectations, delivering our customer promise: "Total Quality Assurance expertise delivered consistently with precision, pace and passion, enabling our customers to power ahead safely".

It is our people's unwavering commitment that has driven our continued strong performance throughout the pandemic and the associated economic downturn. Our strong performance during this period has demonstrated the importance of our role and the mission-critical services we provide for companies everywhere.

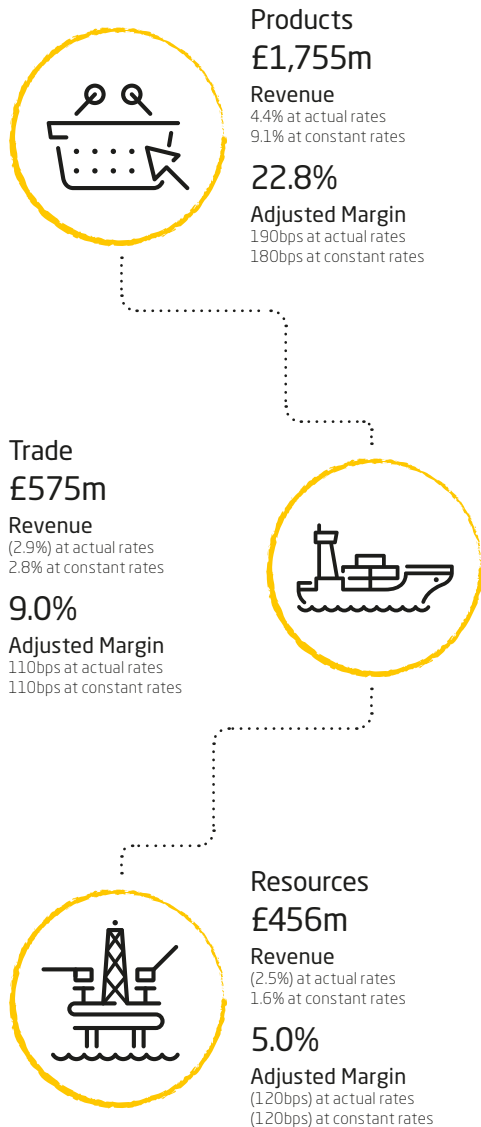
And it is thanks to the Science-based Customer Excellence of our people that we continue to be the global leader in risk-based Quality Assurance in one of the world's most exciting industries, the very attractive \$250 billion Quality Assurance market.

Intertek people are the driving force behind our industry leading scale positions in our various end-markets, our subject matter expertise, providing excellence in everything we do, all of which will enable us to give our clients the peace of mind they need from a quality, safety and sustainability standpoint.

It is our people who give us the right to call Intertek 'an amazing force for good'. And I want to show in my 2021 CEO letter and wider report what this means in practice for ourselves, for our clients, for the world as a whole and for generations to come.

Chief Executive Officer's letter  
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Performance by business



**Strong progress in 2021**

I would like to thank all of my colleagues at Intertek for their outstanding contribution that has enabled us to make strong progress in 2021 in revenue, margin, earnings and cash. 2021 marked another year that demonstrated the strengths of our differentiated ATIC (Assurance, Testing, Inspection and Certification) value proposition, the Science-based Customer Excellence of our organisation, our unique performance management approach and the quality of our earnings model, delivering sustainable value for all stakeholders: customers, employees, suppliers, shareholders, regulators and our communities.

Group revenue was £2,786m up 6.5% at constant rates driven by a robust Lfl revenue growth of 5.6% and by the benefits of the acquisitions recently made. Operating profit grew by over 15% to £474m with margins increasing to 17%. Our free cash flow performance was excellent, with strong cash conversion driven by further improvements in working capital. This provides the Group with a strong balance sheet and the flexibility to invest in growth. Our ROIC was strong at 18.2% with an excellent organic ROIC of 24.4%, up 350bps year-on-year at constant rates. We continue to deliver sustainable returns to our shareholders and we have announced a full year dividend of 105.8p in-line with 2019 and 2020 enabling the Company to rebuild its dividends cover towards 2x.

**“We enter 2022 with confidence given the strong progress made in 2021.”**

**Key 2021 performance highlights**

- Revenue of £2,786.3m: +6.5% at constant rates and +1.6% at actual rates
- Robust Lfl revenue growth of 5.6% at constant rates: Products: +7.6%, Trade: +3.0%, Resources +1.7%
- Broad-based Lfl revenue growth and record operating profit and margin in H2
- Double-digit adjusted operating profit growth of +15.4% at constant rates and +10.8% at actual rates
- Strong adjusted operating margin of 17.0%: +130bps at constant rates and +140bps at actual rates
- Double-digit adjusted diluted EPS growth of +16.8% at constant rates and +11.6% at actual rates
- Strong cash conversion delivers free cash flow of £402m; financial net debt of £733m, 1.1x adjusted EBITDA
- 18.2% ROIC with organic ROIC of 24.4% up 350bps at constant rates
- Sustainable returns to shareholders with FY21 dividend of 105.8p in-line with 2019 and 2020
- Well positioned to seize the exciting growth opportunities ahead with industry leading ATIC services

We enter 2022 with confidence given the strong progress made in 2021 and we are targeting robust Lfl revenue growth at constant currency, further margin progression and strong free cash flow, notwithstanding the supply chain challenges faced by clients in some of our markets.

The supply chain disruption being experienced by corporations across multiple industries has made the need for comprehensive risk-based quality, safety and sustainability assurance more critical than ever. Companies are investing in Quality Assurance to build greater resilience and safety, whilst innovating to deliver new high-quality products and services as consumer expectations rapidly evolve. The sprint to net zero emissions also means that corporations are reinventing the way they reduce their carbon footprints across their operations, adopting a comprehensive approach to sustainability with independently verified greater disclosures.

The Covid-19 pandemic has made the case for Total Quality Assurance clearer and stronger for our clients and we expect the \$250 billion global Quality Assurance market to grow faster post-Covid. Moving forward, all stakeholders in society expect governments and corporations to build back a better world with a sharper focus on end-to-end Quality Assurance.

Thanks to our leading ATIC capability and expertise, innovation and insight, Intertek is uniquely positioned to benefit from the GDP+ like-for-like revenue growth prospects in the Quality Assurance industry. We are investing organically and inorganically to seize the sustained long-term growth opportunities in our industry through a disciplined approach to capital allocation.

Read more in the Operating Review on page 36

Chief Executive Officer’s letter

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**Stronger demand for ATIC solutions moving forward**

Intertek is a science-based company at its core, based on a global network of laboratories operated by customer-facing technical experts who are dedicated to helping customers use our innovations to overcome their risks and challenges in quality, safety and sustainability.

Our science-based expertise has never been more relevant than today – and it is set to become more so in the years ahead as the lingering impact of the pandemic drives accelerating growth in demand for our ATIC services.

There is no doubt in my mind that Covid-19 will be remembered as the greatest dislocation of the global supply chain since the 1970s, creating significant challenges for businesses, governments and consumers across the world. Its impacts included major issues such as the lack of PPE and medical devices during phase 1 of the pandemic, a shortage of components and raw materials in multiple industries across multiple markets, and the significant disruption of global trade and delayed availability of some products and services hindering the rebound of the global economy.

These factors resulted in many impacts, from empty shelves in supermarkets and ‘out of stock’ notices in e-commerce across many product categories to labour shortages in certain sectors of the economy. These in turn have placed inflationary pressure on wages and a lack of synchronisation between demand and supply in the world’s energy markets, creating a shortage of electricity in several countries and putting inflationary pressure on energy costs.

The disruption we are seeing in the global supply chain springs from the compounding effect of three factors. First came a rapid fall in demand in Q2 2020, triggering cost reductions in major sectors and causing lower stock levels and a reduced workforce. This was followed by a strong recovery in global demand in Q4 2020 and H1 2021 for many product categories, running well ahead of expectations that had just been lowered. These factors were compounded by a lack of business intelligence inside corporations, restricting their ability to read the global trade rebound early and start ordering and hiring on time.

At Intertek, we are supporting our 400,000 customers as they work to synchronise their sourcing, production and logistics activities to get their supply chains back to normal and service their clients.

The supply chain disruption within our clients’ eco-systems is highly complex and everybody is working hard but it will take time before the global supply chain is back to normal. I met many of our customers in 2021 who share a common learning from this significant disruption to the global supply chain: they have been operating with substantial intrinsic risks in their supply chains without the right data, processes and independent assurance.

That’s why we expect our clients to increase their investments in three key areas:

**Resilient supply chains**

Covid-19 is proving a catalyst for many corporations to improve the resilience of their supply chains and the major corrective actions our clients are putting in place include:

- Better data on what is happening in all parts of the supply chain;
- Tighter risk management, with razor-sharp business continuity planning;
- A more diversified portfolio of suppliers across all tiers;
- A more diversified portfolio of factories, including on-shoring to both enhance supply chain resilience and reduce the carbon footprint of their operations; and
- Investments in processes, technology and training to improve their supply chain capabilities.

**Product and service innovation**

We are seeing our clients realise that they need to invest more in product and service innovation to meet the changing needs of their consumers. As a result of the pandemic, corporations have seen consumer expectations change rapidly as they target a brighter, better future.

As a result, corporations need to step up their game in quality, safety, sustainability, convenience and value for money to enhance their products and services.


**Sustainability**

The sprint to net zero emissions is real, forcing corporations to reinvent how they reduce their carbon footprint, across their operational footprint and how they communicate their progress towards net zero with independently verified carbon-emission claims disclosures that assure transparency and greater accountability.

Our clients’ additional investments in these three areas of their quality-assurance activities to build greater resilience, sustainability and safety will deliver additional growth opportunities for Intertek.

All stakeholders in society expect governments and corporations to build back a better world with a sharper focus on end-to-end Quality Assurance, and we expect the \$250 billion global Quality Assurance market to grow faster post-Covid-19.

In short, the world of Quality Assurance, our unique TQA position within it and our emphasis on quality, safety and sustainability, is set to become more exciting than ever, as companies everywhere gear up to meet the needs and expectations of their stakeholders, outperform the competition and attract new customers and investment.

 **You can read more about our latest innovations on page 36 in the Operating Review**

Chief Executive Officer’s letter  
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Memberships,  
& ratings



[leafcoalition.org](https://leafcoalition.org)



[getnaturepositive.com](https://getnaturepositive.com)



[msci.com](https://msci.com)



[communicatemagazine.com/awards](https://communicatemagazine.com/awards)

**Sustainability is the movement of our time**

I shared with you in my previous CEO letters why sustainability had become the movement of our time, and recent events have pushed ESG issues ever more firmly into the spotlight.

At Intertek, we live by the same values that our wide range of sustainability services enable our clients to embrace. For example, we are committed to reaching net zero by 2050, and sustainability is at the heart of our 5x5 differentiated strategy for growth, realising sustainability means much more than achieving net zero.

For Intertek, doing business the right way with a systemic approach is the only way to deliver our corporate goals and create sustainable value for all stakeholders. We are therefore committed to leading by example with our own sustainability excellence agenda, implemented in every operation.

We are proud to have been recognised for our leading sustainability credentials with the highest possible ‘AAA’ ESG rating from MSCI, the world’s largest provider of ESG indexes. This provides external validation for the incredible work that our colleagues do every day to support our clients with their own sustainability agendas, as well as being focused on sustainability excellence in our own operations.

We were also humbled to win the Gold Award in the Best CSR/ESG Report category at the 2021 Corporate and Financial Awards. This year, we are taking our Annual Report and Accounts to the next level, producing a report with three distinct sections: Strategic, Sustainability (incorporating Governance) and Financial. This is true to our belief that transparency creates accountability which is what the world needs to be a better place for all future generations.

During the year, we were proud to announce our participation in the LEAF (Lowering Emissions by Accelerating Forest Finance) Coalition, furthering our commitment to a net zero future. LEAF is a new public-private initiative designed to accelerate climate action by providing results-based finance to countries committed to protecting their tropical forests.

We made progress in 2021 in terms of reducing our carbon emissions as you will read in the Sustainability Report and moving forward, we will include yearly carbon emissions reduction targets in short-term incentives for all of our employees.

Our sustainability targets go beyond net zero and we have set targets for the entire organisation in the areas of customers satisfaction, diversity & inclusion, health and safety, compliance, employee turnover and engagement.



At Intertek, we live by the same values that our wide range of sustainability services enable our clients to embrace.”

Chief Executive Officer’s letter  
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**Supporting our clients’ sustainability agendas**

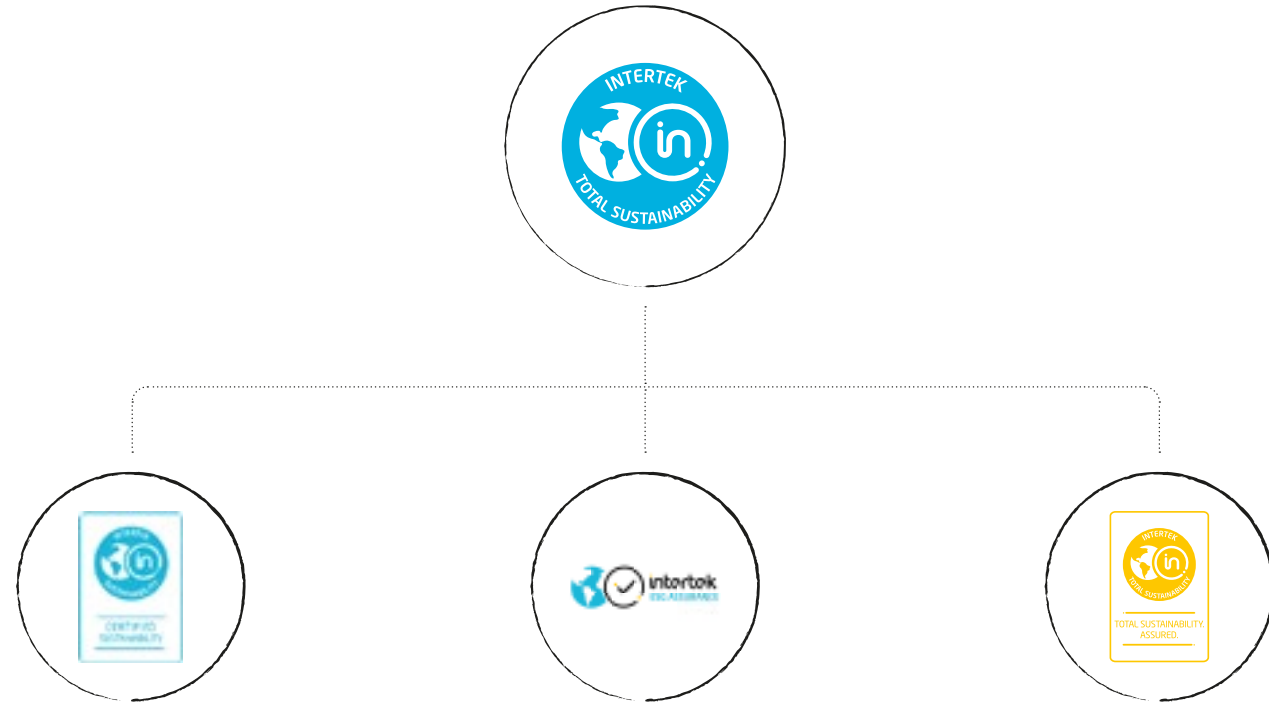
Our clients understand that they have to focus on operational and corporate sustainability matters, and they are asking us to deliver comprehensive solutions that address both aspects. With Intertek Total Sustainability Assurance, we deliver the independent end-to-end assurance our clients need on all aspects of their sustainability journey, helping them achieve sustainability excellence across all aspects of their business.

Intertek Total Sustainability Assurance is a holistic programme that leverages our footprint in more than 100 countries and covers all industries. Our teams of sustainability experts in every major region, whose expertise combines global and local perspectives, are committed to the thought leadership and innovation that set us apart in three distinctive sustainability assurance areas:

1. Intertek Operational Sustainability Solutions
2. Intertek ESG Assurance
3. Intertek Corporate Sustainability Certification

**You can read more about the work we have done with clients on pages 80 to 85 of the Sustainability Report**

**Total Sustainability Assurance**



**1. INTERTEK OPERATIONAL SUSTAINABILITY SOLUTIONS**

These are designed to help our customers achieve sustainability excellence in all parts of their operations, including across the supply chain. Our broad portfolio of industry-specific and industry-agnostic solutions is continuously evolving, and recent breakthrough innovations include CarbonClear™, CarbonZero™ and SourceClear™.

[intertek.com/sustainability/operational](https://www.intertek.com/sustainability/operational)

**2. INTERTEK ESG ASSURANCE**

With this programme, we support our clients on all aspects of their ESG reporting journey and non-financial data needs. Support ranges from strategy setting to preparing reports and providing independent verification of sustainability disclosures and reporting. This allows our customers to communicate with total confidence with their stakeholders on all aspects of their ESG journey.

[intertek.com/sustainability](https://www.intertek.com/sustainability)

**3. INTERTEK CORPORATE SUSTAINABILITY CERTIFICATION**

The world’s first independently verified corporate sustainability audit and certification programme is based on the 10 standards that we believe define a truly sustainable organisation from a company strategy and corporate governance perspective. They go beyond the criteria that are commonly looked at by ESG rating agencies to include other factors that stakeholders and investors should consider, including business resilience, risk appetite and enterprise security.

[intertek.com/sustainability/corporate](https://www.intertek.com/sustainability/corporate)

## Chief Executive Officer's letter

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### Implementing our 5x5 differentiated strategy for growth

Intertek has the track record of delivering sustainable value creation for all stakeholders which is testament to the strength of our 5x5 differentiated strategy for growth and our commitment to the kaizen principles of continuous improvement.

Our 5x5 differentiated strategy continued to inform our operational priorities in the face of the pandemic and is still doing so as we learn to live with the ongoing impacts of Covid-19.

It is based on five strategic priorities, which are deliverable through five strategic enablers, and is designed to help us achieve five goals:

- Fully engaged employees working in a safe environment;
- Superior customer services across all our Assurance, Testing, Inspection and Certification solutions;
- Margin-accretive revenue growth based on GDP+ organic growth;
- Strong cash conversion from our operations; and
- An accretive, disciplined capital-allocation policy.

Our strategic priorities – through which we will sustain and further extend our global leadership position – are:

- Differentiated brand proposition, positioning us as leader of the global TQA market;
- Superior customer service, making us the most trusted and respected TQA partner;
- Effective sales strategy, continuously improving our margin-accretive revenue growth;
- Growth and margin-accretive portfolio, prioritising investments with high-growth and high-margin prospects; and
- Operational excellence: our 'Ever Better' approach continuously improves efficiency and productivity.

The fact that we have consistently and demonstrably delivered against all these priorities reflects the power of our five strategic enablers:

- Living our customer-centric culture;
- Disciplined performance management;
- Superior technology;
- Energising our people; and
- Delivering sustainable results.

### Investing in innovation to meet the changing needs of our clients

True to our pioneering spirit, and building on our existing strengths, we will continue to innovate and provide customers with the mission-critical solutions they need. We are investing organically and inorganically to seize the sustained long-term growth opportunities in our industry through a disciplined approach to capital allocation, targeting high-margin and high-growth areas that in turn accelerate margin-accretive revenue growth.

Intertek has been a pioneer in the industry, providing new innovative solutions to our clients capitalising on the Science-based Customer Excellence and the creativity of our organisation.

Our focused approach to innovation uses our proven three-tiered method: 'core', building on strengths of existing products and services; 'adjacent', expanding into fast-growing and high-margin markets; and 'breakthrough', developing innovative products and services.

We have brought many innovations to market under all these headings. Examples of core innovations include Facility Health Management ('FHM'), part of our Protek™ offering, which focuses on health, hygiene, safety and risk management. Protek FHM's science-based audit helps our customers reduce the risks of pathogen transmission and enhances their buildings' air quality, controls costs and risks, and increases employee and customer comfort.

We also added new and enhanced features to our market-leading supply chain compliance solution Inlight 2.0, that enables organisations to manage increasingly complex supply chain risks, empowering them to bring visibility to the workings of their vendor partners and turn potential disruptions and compliance irregularities to their competitive advantage.

In August we opened our new Minerals Global Centre of Excellence in Perth, Western Australia as a key hub for the minerals and mining industry. With more than 500 employees, this state-of-the-art laboratory gives our customers access to trusted sustainability expertise in mineral testing, inspection and analysis.

Examples of adjacent innovations include WindAware, an actionable data-mining SaaS platform launched at the beginning of the year. This data intelligence solution helps wind asset owners and operators make informed decisions in real time to optimise performance and maximise their asset life cycle.

In November, we formally opened our new Electric Vehicle Centre of Excellence for high-voltage EV propulsion systems in Milton Keynes, UK. This state-of-the-art testing centre will further enhance our offering to automotive companies in the fast-developing world of electric and hybrid vehicles.

Examples of breakthrough innovations include CarbonClear™, the world's first independent carbon-intensity certification programme, and SourceClear™, a new technology platform that provides visibility and traceability across the full range of supply chain relationships.

In April, we announced the launch of Intertek CarbonZero™, our new independent carbon-neutral certification for products and services. We subsequently issued the first Intertek CarbonZero™ Verified certification to Lundin Energy, representing the world's first certified carbon-neutral oil trade.

All these innovations and many more performed exceptionally well in 2021, underlining how we have created and maintained our leadership position. And it is by continuing to invest and innovate that we will further extend our lead in the years ahead.

**You can read more about these and other innovations in the Operating Review on page 36**



**You can read more about our new Minerals Global Centre of Excellence on page 43**



**You can read more about our new Electric Vehicle Centre of Excellence on page 39**

Chief Executive Officer's letter  
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**Seizing new ATIC growth opportunities through strategic acquisitions**

We are also targeting inorganic investments with attractive M&A opportunities that strengthen our ATIC portfolio in high-margin, high-growth areas. During the year we made two important acquisitions: SAI Global Assurance and JLA Brasil Laboratório de Análises de Alimentos S.A., which are excellent examples of investments in complementary businesses.

SAI Global Assurance is a highly complementary, capital-light and high-margin Quality Assurance business. It adds strongly to our existing strengths in industries like Food, Quick-Service Restaurants ('QSR') and Forestry and expands our business in Australia, USA, Canada and China. In addition, it has an excellent Standards business, which will help our clients traverse a fast-changing and increasingly complex regulatory environment.

JLA expands our existing Food and Agri Assurance capabilities into the attractive food-testing market in Brazil, which is one of the world's largest agri-food exporters.

We strongly believe in the benefit of scaling up organic and inorganic investments with a disciplined performance management approach and I am pleased to report that in 2021 our teams have made excellent progress leveraging the investments made in the last few years as evidenced by our strong return on capital.



**We are passionate about always being there for our customers."**

**Giving our clients the ATIC advantage**

Intertek's pioneering history, which was initiated by founding fathers such as Thomas Edison, has lasted for more than 130 years. But it was only recently, in 2015, that we took a major step for both our company and our industry as a whole.

That is when we redefined the industry as we added Assurance to our Testing, Inspection and Certification ('TIC') solutions to create ATIC; an end-to-end, fully integrated portfolio of services that gives clients complete peace of mind across their operating systems, quality-management systems and supply chains.

We call this Total Quality Assurance ('TQA'), as our clients benefit from risk mitigation at every stage of their operations.

Our unique ATIC proposition brings to life our commitment to always taking customer service to the next level. While we recognise that TIC will remain very important for our clients moving forward, we also understand that it is no longer sufficient in a world where global trade was exponentially adding complexity to our clients' supply chains. Introducing Assurance was therefore an essential step forward to provide our clients with a superior customer service.

Today, Assurance is at the cutting edge of our value proposition and Intertek is the only company in the world providing a truly global TQA portfolio, delivered with precision pace and passion, and enabling our customers to power ahead safely.

We are proud of having provided our clients with our TQA approach since 2016 as we have helped them build stronger businesses and importantly given them the ATIC advantage they need to operate safely.

We truly believe that risk-based Quality Assurance powered by our unique ATIC solution is the future of our industry.

**Building Back Ever Better in our communities**

Each of our operations is part of a local ecosystem and I want to close my yearly letter with what we did in 2021 to take our community work to the next level and ultimately make the world ever better.

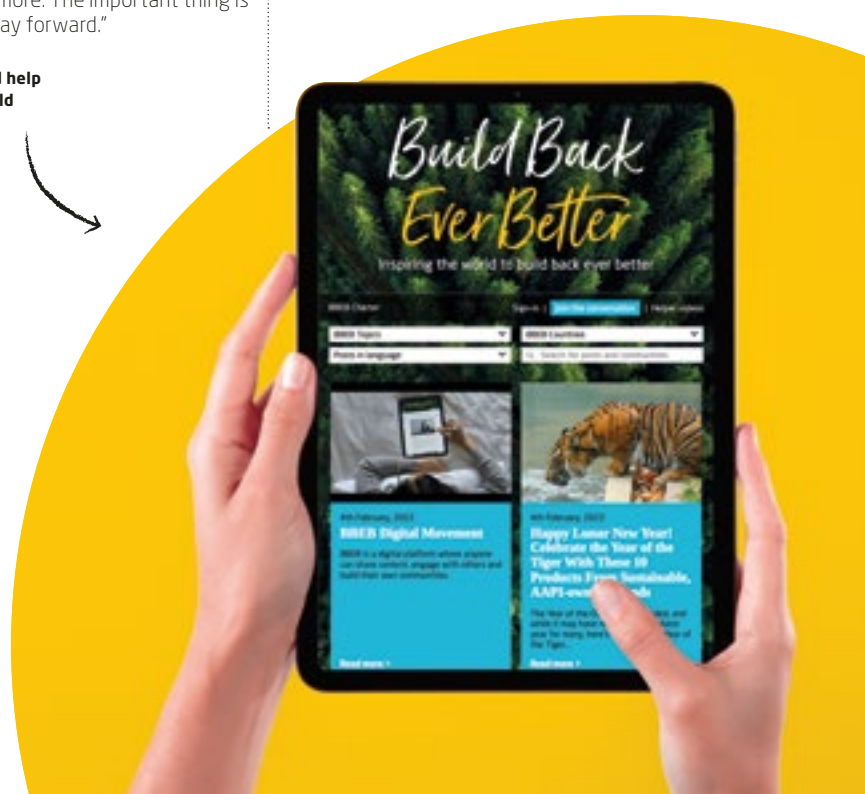
During the year, we launched the #BBEB platform, bbeb.com, with the intention of creating "a truly Glo-cal community-based movement to help people in their local community space to inspire friends, family and public institutions to Build Back an Ever Better world".

This is what the BBEB charter says: "BBEB is the place that makes it easy for anyone to be active on our platform, inspiring them to build back ever better by making step by step sustainable progress in the community, have a voice, to launch ideas that can make the world better, no matter how big or small. It could be anything from organising a beach clean or litter pick, creating a new recycling scheme, supporting clean energy, urban regeneration, helping others in need and much more. The important thing is that it's simply a better way forward."

**Join BBEB.com today and help build an Ever Better World**

Today, our multilingual site carries thousands of powerful stories posted by individuals across the world, highlighting inspirational initiatives from individuals, groups, communities, organisations and companies, all with the ambition of creating positive change by demonstrating what can be achieved with the right determination, focus and energy.

Since its launch at the end of March, our BBEB community digital space has been a big success.



Chief Executive Officer's letter  
Continued

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We can proudly say that  
Intertek is an amazing force  
for good in the world."

**An amazing force for good**

We are a purpose-led business, in which our 44,000 colleagues are united by their shared belief in the urgent need to make the world an ever-better and ever-safer place for everybody.

We are in the early stages of a 'new normal' and are observing new trends and behaviours, as well as demand for products and services that didn't exist prior to the pandemic. Consumers want more sustainable products, supply chain simplicity, visibility and traceability of goods, new solutions for hygiene, health and wellbeing, as well as lower carbon emissions.

Our clients equally recognise that they need us more than ever before in the face of this increasing consumer and regulatory demand to deliver products and services that are better, safer and more sustainable than anything that has gone before.

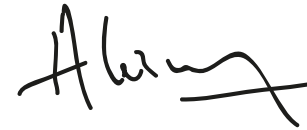
Moving forward, I therefore expect the global market for our ATIC services to grow faster than ever before.

As the global leader in risk-based Quality Assurance we are well positioned to benefit from our clients' increased investments in Total Quality Assurance to make their businesses stronger.

Our USP is our Science-based Customer Excellence in quality, safety and sustainability that enables us to provide our 400,000 clients with our leading ATIC solutions in Products, Trade and Resources in more than 100 countries.

We are deeply committed to our sustainability agenda and we will continue delivering sustainable value for all our stakeholders; customers, employees, suppliers, shareholders, regulators and our communities.

We can proudly say that Intertek is an amazing force for good.



**André Lacroix**  
Chief Executive Officer