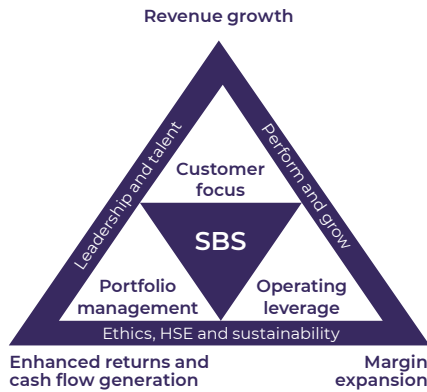


Managing our principal risks



Strategic transformation

Definition

Failure to successfully deliver the Group strategy, including business transformation and key mergers, acquisitions and divestments activity.

Link to strategy

- Customer focus
- Operating leverage
- Portfolio management
- Spectris Business System ('SBS')
- Perform and grow

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced



Cyber threat

Definition

Failure to appropriately protect critical information and other assets from cyber threats, including external hacking, cyber fraud, demands for ransom payments and inadvertent/intentional electronic leakage of critical data.

Link to strategy

- Customer focus
- Operating leverage
- Ethics, HSE and sustainability

Risk assessment

High

Change in rating



Risk appetite

Cautious

Risk assessment scale*

Very low

Low

Moderate


High

Very high

* The combined impact and likelihood of a risk occurring, net of mitigation activities

Change in rating

Increase 

No change 

Decrease 

New risk 

Risk appetite

Highly cautious

Cautious

Balanced

Opportunistic

Highly opportunistic

Impact

Our day-to-day activities are inherently aligned to the successful achievement of the Group's strategic objectives. Nevertheless, we recognise the importance of specifically managing some of the more transformative elements of strategic execution as a Principal Risk. These elements include mergers, divestments and acquisitions, growth initiatives including capital investment, R&D, technology and digitising our offering.

Our businesses face both internal and external information security risks, the nature and complexity of which are constantly changing, becoming more sophisticated and unpredictable. With the introduction of data privacy regulatory requirements, and a continuing trend of high-profile information security breaches occurring across a wide range of businesses, the Group takes a necessarily proactive and cautious approach to safeguarding its information assets.

Mitigation

- Remuneration policy aligned to incentivise delivery of the strategy
- Deployment of the SBS
- Continued review of acquisition/merger pipeline, integration processes and capability
- Regular reviews to track strategy execution
- Platform Audit and Risk Committees
- Information security and data privacy policies and controls
- Cyber risk assurance undertaken by Internal Audit
- Online and face-to-face awareness and 'cyber fitness' training
- Regular Board and Audit and Risk Committee reviews on cyber threat
- Continued strengthening of IT systems
- Cyber-attack simulation exercise undertaken at the Executive level



Compliance

Definition

Failure to comply with laws and regulations, leading to reputational damage, substantial fines and potential market exclusion.

Link to strategy

- Ethics, HSE and sustainability
- Customer focus

Risk assessment

High

Change in rating



Risk appetite

Highly cautious



Political

Definition

Material adverse changes in the geopolitical environment putting at risk our ability to execute our strategy. Includes trade protectionism, punitive tax/regulatory regimes, and general heightened tension between trading parties or blocs.

Link to strategy

- Customer focus
- Operating leverage
- Perform and grow
- Ethics, HSE and sustainability

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced



Market/financial shock

Definition

Material adverse changes in market conditions, such as economic recession, inflation, sudden negative investor sentiment and currency fluctuation.

Link to strategy

- Customer focus
- Operating leverage

Risk assessment

High

Change in rating



Risk appetite

Balanced

Impact

We operate in many jurisdictions and, as a consequence, are subject to wide-ranging laws and regulations, including export controls, data privacy, fair competition and anti-bribery and corruption. Any compliance failure by the Group or its representatives could result in civil or criminal liabilities, leading to significant fines and penalties or the disqualification of the Group from participation in government-related contracts or entire markets.

We operate in a range of end markets around the world and may be affected by political or regulatory developments in any of these countries. Material adverse changes in the political environment in the countries in which we operate have the potential to put at risk our ability to execute our strategy. We continually monitor the geopolitical landscape and develop response plans accordingly.

As a public company, and one that conducts business in a large number of markets, we recognise the global or local impact that a recession or period of instability could have on the Group. As with political risk, we are limited in our ability to reduce the likelihood of such events, but with careful monitoring and response planning we can ensure that the potential impact is restricted.

Mitigation

- Strong cultural alignment to the Spectris value of 'Be true'
- Global implementation of new Code of Business Ethics
- Formal compliance programme including policies, procedures and training
- Contract review and approval processes
- Investment in experienced compliance professionals

- Event monitoring and horizon scanning
- Working groups and sub-committees to limit the impact of materialising risks, including Executive Export Controls Committee
- Operate in a broad spread of geographical markets and end users
- Response planning
- Maintain a strong balance sheet

- Market monitoring and horizon scanning
- Maintain a strong balance sheet
- Operate in a broad spread of geographical markets and end users
- Response planning
- Cost saving opportunities identified by SBS and regular review of pricing to mitigate impacts of cost inflation



Talent and capabilities

Definition

Failure to attract, retain, and deploy the necessary talent to deliver Group strategy.

Link to strategy

- Leadership and talent

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced



Business disruption

Definition

Failure to appropriately prepare for and respond to a crisis or major disruption to key operations either across the Group, in a key region/location, or via a critical supplier.

Link to strategy

- Customer focus
- Operating leverage
- Perform and grow

Risk assessment

Low

Change in rating



Risk appetite

Cautious



Climate change

Definition

Failure to respond appropriately, and sufficiently, to climate change risks or failure to identify the associated potential opportunities in assisting others manage their climate agendas.

Link to strategy

- Ethics, HSE and sustainability
- Customer focus
- Perform and grow

Risk assessment

Moderate

Change in rating



Risk appetite

Balanced

Impact

The Group needs to attract, develop, motivate and retain the right people to achieve our operational and strategic targets. Effective talent management is essential to successfully delivering our current business requirements and strategic goals, and to realising the full potential of our businesses. Therefore, failure to leverage talent and capabilities could significantly impact the successful execution of our strategy. The three broad areas of focus are leadership, engineering and entry level roles.

The nature of our geographically diverse and segmented businesses provides a degree of natural hedging from Group-wide disruption arising from a major event, be it a physical disaster at a major site, or a global external event, such as the COVID-19 pandemic. However, we acknowledge the importance of proactively ensuring a consistent and effective business continuity management process across the Group.

The transition and physical risks present in climate change have the potential to impact the medium and long-term success of our business through market regulation and additional taxes, the changing macroeconomic landscape and the potential physical impact on our operations. We see the potential for additional sales opportunities as well as increased costs and investment.

Mitigation

- Structured recruitment and succession processes for senior Group talent
- Full deployment of Workday HR system with recruitment, performance and talent management processes
- Annual organisation capability review process
- Appropriate incentives with benchmarking at all levels
- Global employee engagement programme
- Leadership development programmes for senior and middle management and high potentials

- Common policy and enhanced standard for business continuity planning across the Group in progress
- IT disaster recovery plans
- Testing plans
- Risk identification and monitoring
- Effective internal and external communications

- Agreed action plan to meet Net Zero targets validated by the Science Based Targets initiative
- Head of Sustainability appointed to Executive to coordinate sustainability activity globally
- Board and Executive oversight of sustainability performance as well as progress against Net Zero roadmap
- Geographical diversity of businesses and supply chain
- Climate physical risks monitored and reported by each business
- Aligning strategy with current and emerging sustainability thematic