



POST EVENT REPORT

ROUND TABLE DISCUSSION
CERTIFICATION

18 October 2023
Home House - London - UK



redswan
PARTNERS

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OPENING REMARKS

We are so pleased to have hosted our second annual Certification roundtable and VIP dinner; they were not just an event but milestones in our journey to navigate the dynamic certification industry. The heart of these gatherings lies in the connections we foster and the knowledge we share.

Bringing together industry leaders and experts is a privilege, and the synergy that emerged from this intimate event was truly inspiring. Our focused discussions delved into critical topics such as ESG, the green economy, and AI's influence, charting a course for the future.

During our discussions, we also gained insights into what strategic buyers and private equity firms seek when investing in certification bodies. We also pondered whether business value should be a key performance indicator for business owners and CEOs.

Once again, thank you for being an integral part of our community. Here's to continued connections, discussions, and collaborations that drive Certification forward.



Talal Yousef
CEO
Red Swan Partners



John Willox
Operating Partner
Red Swan Partners



Sue Putters
Advisory Board Member
Red Swan Partners



Paul Stennett
Advisory Board Member
Red Swan Partners

AGENDA

8:30 A.M. Registration and Networking

9:00 A.M. Opening Session

Welcome Remarks by Red Swan Partners Talal Yousef, RSP
Attendees Introductions All

9:15 A.M. Spotlight on the Certification Industry

Main topic: The Influence of Emerging Standards Related
to Climate Change and the Green Economy on
Governance, Specifically ESG Reporting Moderator: Simon Payne, LRQA

9:55 A.M. AI's Impact on the Certification Industry

Main Topic: Exploring the Transformative Role
of Artificial Intelligence in Certification Moderator: Alan Carter, AMTIVO

10:15 A.M. Freeform (Market Trends and Challenges Discussion)

Demand for Accredited Certification vs. Non-
Accredited Certification, Implications of UKCA
in a Post-Brexit Economy, Recognition of UKAS
Accreditation in the EU Moderators: Sue Putters, RSP
Paul Stennett, RSP

10:30 A.M. Short Break and Coffee

10:45 A.M. Maximizing Business Value

Key Strategies for Growth
and Effective Exit Planning Moderator: John Willox , RSP

11:25 A.M. Understanding the Mindset of Buyers

Insights into What Private Equity Firms and Strategic
Buyers Look for in a Company. Moderator: John Willox , RSP

12:00 P.M. Event Round-Up and Closing

Summary of Key Takeaways Moderator: John Willox , RSP

12:10 P.M. Networking and Buffet Lunch

Continue networking and discussions
Group Photo Session (Photographer/Videographer)
Optional: Vox Pops - Share Your Insights (6 participants) All

DELEGATES



Alan Carter
Strategic Advisor
AMTIVO



Alexander Pisani
General Manager
Scandinavian Certification



Daniel Oliva
Strategy & Operations
Executive
Cotecna



David Campbell
General Manager
Emirates Safety Laboratory



Harald Schjølberg
CTO
Scandinavian Certification



Hardy Giesler
CEO
British Board of Agrément



Hamed Jamal
CEO & Founder
RACS



James Gibb
Technical Director
Advance Certification



Jonathan Chidley
Corporate Development
Director
LRQA



Marcus Long
CEO
IIOC



Mike Venner
CEO
Auva Certification



Miraç Wolska
Integrity and OPEX Manager
USB Certification



Nesrin Serin
Founder & General Manager
USB Certification



Rafal Andruszkiewicz
Managing Director
BM Certification UK Ltd.



Roman Zadrozny
Executive Vice President
DEKRA Group



Rose Maher
General Manager
RACS



Simon Payne
Global Sales Director
LRQA

The Influence of Emerging Standards Related to Climate Change and the Green Economy on Governance, Specifically ESG Reporting

KEY HIGHLIGHTS AND INSIGHTS

Moderator: Kevin Franklin from LRQA



There has been an explosion of ESG reporting requirements driven primarily by Private Equity (PE) companies and increasing interest from the business community and other stakeholders. Many investors now consider ESG factors when making investment decisions. They recognise that companies with strong ESG performance may be more resilient and have better long-term prospects.

Concerns were raised about the substandard quality of some certification-related work, posing risks to finance, health, safety and environment, and from a reputational standpoint. Additionally, balancing short-term financial goals with long-term ESG objectives can be challenging. Some investors may prioritise immediate returns over sustainable practices.

Some regions and industries have introduced regulations mandating ESG disclosure. However, standards and regulations are still too slow to catch up. Additionally, there is no universal ESG certification standard, leading to confusion and inconsistency in reporting and evaluation methods. Companies may need to navigate various frameworks and criteria.

Is there an argument for Certification Companies to join together to help drive regulation standards in the areas of sustainable practises? Discussion on this question followed and it was generally agreed that we need to protect the industry from charlatans and work together to drive regulatory standards in sustainable practices, ensuring the industry's integrity.

AI's Impact on the Certification Industry, specifically Exploring the Transformative Role of AI in Certification

KEY HIGHLIGHTS AND INSIGHTS

Moderator: Alan Carter from Amtivo

AI can solve many issues, especially in the areas of problem identification, number crunching and risk identification. The topic discussed how AI might assist within the Certification industry in particular, and touched on the benefit of converting AI data and information into continuous auditing to make better businesses. Alan explained, that over the next decade, the TIC industry especially Certification is expected to undergo a significant evolution and adaptation by leveraging emerging technologies not only AI but blockchain, 5G, Web 2.0 and the Industrial Internet of Things. He presented a flowchart for audit and certification processes with AI opportunity showing for a number of areas:

- Certification decision making
- Certification programme monitoring
- Application review
- Audit planning
- Trend analysis
- Establishing an audit program
- Production of audit reports
- Audit team, identification, balancing and selection
- CAPA monitoring and trends analysis
- Surveillance and recertification monitoring and planning

Opportunities for Certification Companies:

- **Efficiency Gains:** AI can significantly reduce the time and resources required for certification processes, allowing certification companies to handle more clients and certifications simultaneously.
- **Improved Accuracy:** AI can reduce human errors in data analysis and reporting, leading to more accurate certification assessments and decisions.
- **Scalability:** Certification bodies can scale their operations more easily with AI, reaching a broader client base and expanding their services.
- **Value-Added Services:** AI can enable certification companies to offer additional value-added services, such as predictive analytics, benchmarking, and trend analysis, which can be monetised.
- **New markets:** All companies will need to be certified or accredited when using AI. This certification process can involve validation of AI Algorithms, Data Privacy Compliance, Transparency and Accountability, and Auditing AI Systems.



AI's Impact on the Certification Industry, specifically Exploring the Transformative Role of AI in Certification

KEY HIGHLIGHTS AND INSIGHTS

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Challenges for Certification Companies:

- **Initial Investment:** During ensuing discussions, it was felt that the cost of setting up a robust AI function was outside of the financial resources of many small businesses and could lead to the demise of these smaller Certification companies. The people aspect was also discussed, businesses need to ensure that their staff are tech-enabled and back-office processes would need to be digitised in order to take advantage of advances in this field.
- **Data Quality and Expertise Gap:** It's agreed that AI relies on high-quality data. Certification companies must ensure that the data they use for AI-driven assessments is accurate, complete, and up-to-date. Certification companies may need to invest in staff training or hire AI experts to effectively implement and manage AI systems.
- **Ethical Considerations:** AI-driven decisions should align with ethical standards. Certification companies must ensure that AI does not inadvertently introduce bias or discrimination.
- **Cybersecurity:** As AI systems collect and analyse sensitive data, certification bodies must prioritise cybersecurity to protect this data from breaches or misuse.

It was agreed that this is an exciting area with a lot of interest broadly and also specifically within Certification Industry and thus worthy of a Roundtable discussion in its own right. The Red Swan team promised to include a new Roundtable or other discussion forum to bring this opportunity to our Certification industry network.

Certification Market Trends and Challenges

KEY HIGHLIGHTS AND INSIGHTS

Moderator: Paul Stennett from Red Swan Partners



Topics included the demand for Accredited Certification vs. Non-Accredited Certification, the implications of UKCA in a Post-Brexit Economy and recognition of UKAS Accreditation in the EU. The emergence of Certifications that have exploited a gap in the market have the potential to diminish trust in legitimate Accredited Certification companies. They are considered a threat to the integrity of the Certification industry. The emergence of these Certification schemes that work to meet customer needs by creating sector schemes more rapidly than the current ISO standards and accreditation infrastructure can accommodate have the potential to diminish trust in Accredited Certification.

Delegates from some of the certification bodies discussed examples of the growth and wider use of unaccredited schemes with the standards being outside of the existing "ISO standards" framework. There was concern over the rapid growth of some of these unaccredited certification bodies. Delegates noted that the processes required to develop a new international standard by ISO were very lengthy, and the additional time taken for national accreditation bodies to then implement accreditation for these standards is one of the issues they find most frustrating. Opinions were expressed that where there is currently a lot of change in areas such as climate change, social and environmental performance, new unaccredited certification standards will enter the market to respond to these demands, developing schemes quickly without submitting to the lengthy ISO-accreditation processes. There was concern that these types of schemes now offered a quick and economic alternative that might make national accreditation less acceptable for businesses looking to accelerate their growth and profitability through certification.

Maximizing Business Value: Strategies for Growth and Exit Planning, and PE Perspective on the TIC Industry

KEY HIGHLIGHTS AND INSIGHTS

Moderator: John Willox from Red Swan Partners

According to John, there are often 3 “Q”s that business owners typically ask depending on their directness and sense of urgency:

- What can you get me for my business?
- What is my business worth?
- What is the value of my business?

The answer is often not as simple and straight forward as some would like to hear, and always leads to further debate about what constitutes value and how to unlock it.

John went on to suggest that there are three main 'buckets' that buyers use to determine value and ultimately what they are prepared to pay for a business:

- Quality of earnings and cash
- Quality of process and execution
- Quality of people and succession

He posed the question: “Should there be a KPI on executive dashboards – What is my business' value?” and asked the group **why is value often left on the table in a sale process?** Although not supported by everyone John emphasised that knowing the value of your business and how it goes up with investment, is a wise thing for a board / executive team to be aware of. In the deals he sees, there is often more value to be had than sellers are cognisant of.



Maximizing Business Value: Strategies for Growth and Exit Planning, and PE Perspective on the TIC Industry

KEY HIGHLIGHTS AND INSIGHTS

CONTINUED



According to the John, predictable profits without adjustments, a high percentage of cash conversion along with the existence of a growth strategy, a budget, one and three-year planning, all supported by a strong people process and ESG story, are sought after, and preferred characteristics of buyers in the current environment.

Other important areas that will attract a premium are:

- If the business for sale can be a platform for 'buy and build'.
- If the business has a strong technology, data or even AI component.
- If the business can demonstrate a strong, well-managed pipeline.

Looking at [Understanding the Mindset of Buyers](#), John gave the group insights into [What Private Equity Firms and Strategic Buyers Look for in a Company](#) using actual input from three large PE firms. PE continues to view the TIC industry as "hot" with a major interest in "buy and build" opportunities.

However, high interest rates impacting the cost of borrowing in EU/UK especially, were noted as a potential dampeners where the use of debt is a requirement. PE is now steering well away from "almost TIC" (those companies that aren't really TIC but are attempting to look like TIC to achieve higher multiples), companies where EBITDA might be good, but cash generation is poor.

With buyers being more cautious in their approach, due diligence is taking much longer, and more deals are falling over due to negative findings in the due diligence stage. The growth story is extremely important and seen most positively when there is a blend of organic and inorganic opportunity. They like recurring revenues, repeatable business, and highly regulated markets – seen as recession proof.



Red Swan Partners has the experience to assess the value of your business. We not only examine the current value, but we evaluate what the potential future value might be if there were various improvements, or if market conditions were to change.

We use a variety of processes including our proprietary Exit Readiness Assessment to provide objective measures. We will be totally candid with you with our findings and highlight any areas that need to be addressed if you are to achieve a greater value/successful sale of your company.

Whatever stage your business is at, we can help you on your value creation journey. We will invest our specialised skills and knowledge and network contacts into your business to take it to the next level.

Contact us today for more information.

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