

# Enterprise Risk Management



# Our commitment

Clarivate's Board of Directors ('Board') and Executive Leadership Team are fully committed to ensuring that risk management is a core capability and an integral part of the company's activities.

**The company's overarching Enterprise Risk Management (ERM) Framework is developed to support the business by:**

- **Fostering** a risk intelligent culture by establishing a common language, culture and direction related to risk management
- **Facilitating** open communication between management and the Board with respect to risk
- **Assisting** the company in achieving its strategic goals by embedding a systematic approach to identifying, analyzing, mitigating and reporting risk and controls
- **Understanding** critical risks (value protection) and opportunities (value creation) in the organization's activities and strategy
- **Assigning** clear governance roles for risk management oversight and continuous evaluation of the framework and risk management processes
- **Improving** the business performance, operational efficiency, and its results as ERM balances governance, risk and opportunity management, compliance and financial reporting
- **Measuring** and trending level of risks over time
- **Protecting** the company's brand and reputation



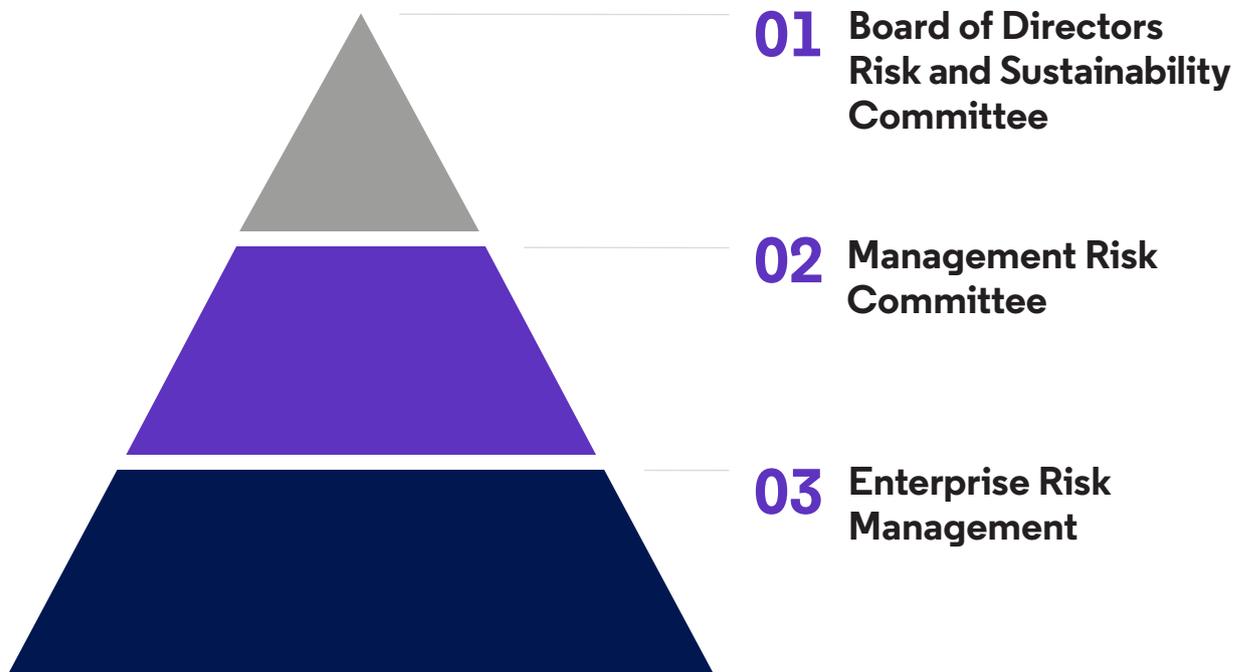
# ERM governance

Our Enterprise Risk Management (ERM) Framework includes a comprehensive and defined accountability of the various components of a risk management process.

**Risk Management is the responsibility of every colleague in the company. Different stakeholders have different objectives and levels of accountability with respect to risk management.**

The Executive Leadership Team ensures that those who are responsible are equipped to fulfil their role by providing them with the appropriate authority, training and resources.

The assignment of roles and responsibilities takes into consideration the reality that a source of risk in one area can affect other areas, and thus an organization-wide focus and approach is essential.



# Governance Roles

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## **Board of Directors Risk and Sustainability Committee**

- Review the organization's portfolio of risk and evaluate against agreed risk appetite
  - Review ERM program: governance, process and adoption
  - Individual prioritized risk oversight and allocation to the various committees
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## **Management Risk Committee (MRC) and Executive Committee**

- Engage in identification and assessment of risks
  - Oversee ERM processes and efforts to monitor, control and mitigate risks
  - Ensure alignment to the strategic planning process and allocation of resources
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## **Risk Owners / Business / Operational Risk Forums (Life Sciences & Healthcare, Academia & Government, IP Group)**

- Make business decisions involving risk / opportunities within the appetite of the organization
- Identify, assess and respond to risks
- Monitor risks and report to the enterprise risk team
- Appoint business risk and compliance liaison

## **ERM Program**

- Aggregate risk information
- Develop assessment scales and risk universe for the company
- Facilitate MRC, Operational Risk Forums, Executive Leadership Team, and other individual stakeholders to identify, assess, develop response plans, and prioritize risks
- Monitor risks and risk response plans
- Report to BOD and shareholders (via Risk Factors in 10K)

## **Information Security; Corporate Compliance; Corporate Privacy; Environmental, Social, and Governance; and other compliance and control functions**

- Provide guidance / support to ERM function and Business Segments

## **Internal Audit (independent function — reports to the Audit Committee)**

- Tests response plans and activities
- Provides risk assurance to internal and external stakeholders
- Offers advice on best practices

# 01

**The Risk and Sustainability Committee** is created by the Board of Directors of Clarivate to discharge the responsibilities set forth in the Risk and Sustainability Committee Charter. The governing charter can be found at **[Clarivate Risk and Sustainability Committee Charter](#)**.

**The Committee is responsible for the following matters:**

- To oversee management's policies and activities relating to the identification, evaluation, management and monitoring of the Company's critical enterprise risks, including risks associated with the Company's strategic initiatives, business plans and capital structure (the "Enterprise Risks");
- To review periodic reports from management pertaining to the Company's Business Segments, products and services, including any major risks with respect to such Business Segments, products and services, as the Committee deems appropriate;
- To review any material complaints received through the Company's Code of Conduct hotline (other than complaints regarding accounting, internal accounting controls or auditing matters, which shall be reviewed by the Audit Committee in accordance with the procedures established by it under such policy);
- To review and discuss with management the significant Enterprise Risks, the steps management is taking to assess and manage such risks and the adequacy of the Company's resources and infrastructure to fulfill its risk management responsibilities;
- To oversee management's development of analyses and metrics to understand the impact of ESG and stakeholder interests on the Company and oversee the integration and balancing of these interests to promote the long-term success of the Company;
- To review periodic reports from management pertaining to cyber security programs and data protection controls and such other appropriate information security reports as the Committee deems appropriate;
- To review periodic reports from management on selected risk topics as the Committee deems appropriate from time to time encompassing major risks other than those delegated by the Board to other committees of the Board in their respective charters or otherwise;
- To oversee compliance with legal and regulatory requirements with respect to the conduct of the Company's business, except for those specific compliance matters under the jurisdiction of other Committees of the Board, as determined by the Board;
- To review periodic reports from management pertaining to corporate sustainability strategy and initiatives;
- To assign for review to other committees of the Board such selected risk topics identified by the Committee as the Committee determines is appropriate for effective oversight of such risks;
- To share and discuss information with the Audit Committee of the Board as necessary and appropriate to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities.

# 02

## **The Management Risk Committee (MRC)**

is an integral part of the Governance Framework for Enterprise Risk Management and has been established to serve as an internal forum for identifying, communicating, assessing, responding to, and monitoring risk and issues that could impact Clarivate.

**The responsibilities of this committee have been set forth in the Management Risk Committee Charter.**

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# 03

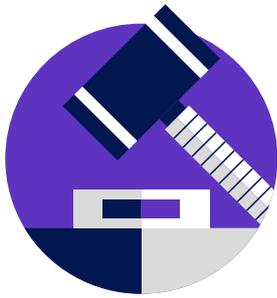
## **Enterprise Risk Management:**

- Business Segment and Functional Leaders are responsible for maintaining a sustainable risk management program following the company wide ERM framework.
- Operational Risk Forums have been identified at our Business Segment level and these serve as an internal forum for identifying, communicating, assessing, responding to, and monitoring risks and issues that could impact Clarivate at an operational level.
- The Chief Risk Officer (CRO) is responsible for the establishment of the enterprise risk management process within the organization. ERM understands the relationship between risks across different categories (risk interdependencies). The CRO will facilitate the process to define risk oversight and accountability for managing risks at all levels of the company by presenting best practice, common risk management techniques and driving a consistent risk appetite.
- The CRO will collaborate with other teams that support our second line of defense: Compliance, Information Security, Privacy functions, etc. to ensure alignment of common objectives, evaluate common frameworks, establish coordinated reporting and minimize duplication of efforts.
- The Internal Audit function at Clarivate will provide ongoing advice, be a standing member of the MRC and include the ERM program as an auditable function in the Audit Universe.

**Please refer to the Appendix for further details of how ERM integrates within the business, and outline of the key roles and responsibilities delegated to the CRO, Business Segment Leaders, and Operational Level Managers.**

# ERM methodology

ERM framework has been defined based on existing practices, leading guidance and recognized frameworks. The framework is supported by three pillars:



## Governance

- Governance and oversight
- Framework, policy and procedures
- Roles and responsibilities



## Process

- Risk identification
- Risk assessment
- Risk response / treatment
- Risk monitoring
- Risk reporting



## Culture

- Continuous improvement
- Technology enablement
- Education
- Training and awareness
- Environmental, Social and Governance Sustainability





# Governance

A systematic and integrated risk management approach creates efficiency and effectiveness by promoting teamwork, strengthening trust, reducing redundancies and sharing responsibility.

## Working within the business:

- 1 The following elements are essential when managing risk:
  - **Assurance:** Stakeholders are assured that risk is being managed within the organization's risk tolerance.
  - **Oversight and Responsibility:** All critical risks facing the organization have been identified, managed and reported on a level and frequency that support the organization's risk tolerance.
  - **Ownership:** Risk owners are assigned and understand their responsibility for management, oversight and assurance.
  - **Accountability:** Risk owners and other parties are given appropriate authority and are made responsible and accountable for their roles in ERM.
- 2 Risk response options for identified risks will be assessed according to the organization's risk appetite. The four possible risk responses options are to:
  - **Avoid** (eliminate) the risk;
  - **Reduce** (mitigate) the risk;
  - **Transfer** the risk (for example, insurance – share or insure the entire risk);
  - **Accept** the risk.
- 3 A formal or informal evaluation of risk will be considered depending on the scope of the decision or action taken by the organization. This will be done both at the onset and throughout the life of the decision or action.
- 4 Major risks must be managed in a timely manner by defining, documenting and implementing risk treatment plans with clear actions, owners and deadlines.
- 5 There will be a desire to learn from events that have transpired — the risk management process is a cycle where experience provides key information for new decisions and actions. Open and appropriate communication of results and lessons learned is required to facilitate learning.
- 6 Clarivate's risk register will be evaluated regularly, at least annually. New risks will be considered and risks no longer relevant will be removed. The risk register will be refreshed by rating the likelihood and impact for each risk. This information is used to prioritize the risks and this, in turn, flows into the organization planning cycle.



## Process

Five interrelated components form the basis for establishing and putting ERM into practice in the business.



**Identification**



**Assesment**



**Response**



**Monitoring**



**Reporting**

The risk assessment evaluates the extent to which potential threat events and trends might affect the company's objectives.

**Threat events and trends are assessed by two criteria — impact and likelihood.**



## Culture

There are two necessary approaches that are together utilized for identifying key risks at the organization:

**1 Top-down approach** which starts by identifying enterprise-wide risks that affect the organization's strategic objectives.

**2 Bottom-up approach** which starts by identifying the assets at a Business Segment level, determining and assessing relevant threats and controls in place.

Assessed risks are aggregated and rolled-up to division level and Clarivate group level.

# Glossary

The following definitions are used in defining the ERM Framework.

<b>Risk</b>	Effect of uncertainty on organizational objectives. Risk is an event, situation or circumstance that could deter the organization from achieving its objectives. Risk is often classified in terms of a combination of the impact / consequences and the associated probability / likelihood. The source of risk can be internal or external.
<b>Risk Management</b>	The identification, assessment, and response to risk to a specific objective or within a specific risk category. A continuous risk management process supports the accomplishment of an organization's strategic objectives.
<b>Risk Management Framework</b>	Provides a direction and guidance to strengthen risk management practices within the organization.
<b>Risk Owner</b>	Person or entity with the responsibility and authority to manage an identified risk.
<b>Risk Appetite</b>	The amount and type of risk that an organization is willing to take to meet their strategic objectives.
<b>Risk Treatment</b>	Measure or management action to treat risk. It includes the policies, procedures, reporting and initiatives performed by the organization to ensure that the desired risk response is carried out. These activities take place at all levels and functions of the organization.
<b>Likelihood</b>	The probability of an event occurring.
<b>Impact</b>	The severity of an event occurring; measured in terms of financial, operational and strategic consequences.
<b>Risk Communication</b>	The process of identifying risk and informing relevant parties, to enable all personnel to deliver on their responsibilities.
<b>Risk Register</b>	Official recording of the identified risks facing the organization. A catalogue of the full spectrum of risks (with impact and likelihood assessed) forms the organization risk register.
<b>Opportunity</b>	A situation or circumstance that would allow the organization to fulfil or expand its mission and strategy.
<b>Residual Risk</b>	The remaining risk after management has implemented risk response.
<b>Inherent Risk</b>	The risk level or exposure without considering the actions that management has taken or might take (for example, implementing controls).
<b>Risk Aggregation</b>	The process of integrating risk assessments at a corporate level to obtain a complete view on the overall risk for the organization.
<b>Risk Culture</b>	The set of shared values and beliefs that governs attitudes towards risk-taking, care and integrity, and determines how openly risks and losses are reported and discussed.

# Appendix

Team	Key roles and responsibilities
<b>CRO</b>	<p><b>Support and strengthen Risk Governance</b></p> <ul style="list-style-type: none"><li>• Supports Risk and Sustainability Committee, Management, and the Board and facilitates implementation and coordination of governance, policy and appetite.</li><li>• Ensures risk management governance within Business Segments is compatible with enterprise governance.</li></ul> <p><b>Design and embed</b></p> <ul style="list-style-type: none"><li>• Designs and embeds a consistent and sustainable approach for enterprise risk assessment, assessment scales, risk universe, and taxonomy.</li><li>• Establishes and integrates a sustainable corporate risk management framework to ensure that the Business Segments have processes in place to identify, measure, monitor, mitigate and report on risks and associated mitigation strategies consistent with this policy and corporate risk tolerances. Assists managers to integrate this into Business Segment's business planning and performance management.</li><li>• Ensures risk information reporting processes are clear and opportunities exist for discussing risk interdependencies to enable better exchange of risk information.</li></ul> <p><b>Ongoing Risk Monitoring and Reporting</b></p> <ul style="list-style-type: none"><li>• Works with the Risk and Sustainability Committee and MRC to establish regular reporting rhythm.</li><li>• Monitors risk profile and mitigation programs and routinely reports to MRC and Risk and Sustainability Committee of the Board any material changes in the corporate risk profile.</li><li>• Independently oversees and assesses risk management and mitigation efforts. Reviews Business Segment risk mitigation proposals for enterprise-wide alignment and considers their potential impact on other mitigation plans across the organization.</li><li>• Develops compendium of risk mitigation best practices.</li><li>• Advocates for Business Segment-level risk mitigation funding that will affect enterprise risks.</li></ul>
<b>Operational Risk Forums, Business Segment and Functional Leaders</b>	<ul style="list-style-type: none"><li>• In coordination with the CRO, the Operational Risk Forums will facilitate the incorporation of Risk Management processes within their verticals.</li><li>• Business Segment and Functional leaders will incorporate risk management processes within their purview.</li><li>• In coordination with CRO, Business Segment and Functional leaders should conduct deep dives to identify risks and align / map risks to enterprise risks.</li><li>• Business Segment and Functional leaders will define internal monitoring approach, response strategies and drive mitigation action plans.</li><li>• Manage day to day, short and long-term business risks and ensure activities are within risk tolerances and in compliance with approved risk management policies, procedures and limits.</li><li>• Monitor mitigation strategies to verify their appropriateness and effectiveness.</li><li>• Regularly assess and report to the MRC any exceptions to risk management policies, procedures and limits.</li><li>• Develop key risk indicators that support ongoing monitoring of risk trends and benchmark against risk appetite.</li></ul>

## About Clarivate

Clarivate is a leading global information services provider. We connect people and organizations to intelligence they can trust to transform their perspective, their work and our world. Our subscription- and technology-based solutions are coupled with deep domain expertise and cover the areas of Academia & Government, Life Sciences & Healthcare and Intellectual Property. For more information, please visit [clarivate.com](https://clarivate.com).