

Risk management

Risk vision

To achieve its strategic objectives, TNO wants to protect its legitimacy and continuity. To do so, risk management, in which opportunities and risks are weighed up, is carried out.

Responsibility for risk management

The Executive Board is responsible for developing, implementing, and monitoring TNO's comprehensive risk management and control system. This system aims to ensure the achievement of TNO's objectives by adequately and sufficiently managing the risks associated with these objectives.

The Executive Board is supported by several preparatory policy-making advisory bodies. In these bodies, new developments in risk management that may affect TNO are discussed:

- The Governance, Risk & Compliance Advisory Board consists of the CFO (chairperson) and relevant representation from the Units and the SO. The purpose of this Advisory Board is to prepare, advise, and support the Executive Board with major strategic, policy, and organisation-wide framing and decision-making in the field of Governance, Risk & Compliance. It meets at least twice a year.
- The Integrity Advisory Board consists of the CEO (chairperson), CSO, relevant representation from the Units, the SO, and a Works Council member. The purpose of this Advisory Board is to prepare, advise, and support the Executive Board with major strategic, policy, and organisation-wide framing and decision-making in the field of Integrity (integrity, ethics, behaviour, and culture). It meets at least twice a year.

Risk management framework

In the design of its risk management, TNO uses the lines-of-defence model, implemented as follows:

- First line: the controlled and monitored execution by all TNO employees of the primary process within the (internally and externally) set frameworks aimed at achieving the objectives.
- Second line: advising on and monitoring the proper implementation of these TNO activities using, among others, the Compliance Cycle model. Second-line compliance with legislation, regulations, and ethical standards is ensured by the central compliance function (key role

holder: head of Corporate Legal & Compliance) with proactive signalling and agenda-setting role and operational support on specific compliance topics by various SO departments. The key role holder reports directly to the CFO and has a functional line with the other Executive Board members regarding specific compliance and integrity topics. The Compliance & Integrity reports are submitted to the Executive Board and fed back to the Audit Committee of the Supervisory Board.

- Third line: internal audits give both the Executive Board and the Supervisory Board independent assurance regarding the quality and operation of first- and second-line processes within TNO. The Internal Auditor reports directly to the Executive Board and has a functional line with the Audit Committee of the Supervisory Board. The audit reports are discussed with the Executive Board and fed back to the Audit Committee of the Supervisory Board.
- Fourth line: external audits conducted by third parties on financial aspects (e.g. by the External Auditor), but also on non-financial aspects. These include quality audits on ISO certifications, IT audits, Knowledge Position Audits, and inspections on compliance with legislation (such as licences, health and safety, environment, export control and sanctions) by regulatory bodies.

Internal Control Framework

In addition to the strategic risks mentioned above, risks that lie in the operational sphere are recorded in the Internal Control Framework (ICF). This involves demonstrably identifying risks, control measures, and their validation. This is subject to very frequent, dynamic monitoring and adjustment in the executive processes.