

CORPORATE SUSTAINABILITY REPORT

INTERACTIVE PDF

SGS

WE DELIVER EXPERTISE

This report is our annual statement to employees, customers and other stakeholders to inform you about our sustainability performance and progress. As previously, we are publishing it alongside our annual report to provide an integrated view of our business approach and performance. As a sustainable business, we demand our people to become even more innovative and resourceful in their work, balancing our need for growth with the need to manage our impacts. By telling our story through our people, we hope to illustrate the unique qualities that our employees bring to the business.







WHO WE ARE

At SGS, we provide industry leading inspection, verification, testing and certification services that touch the lives of millions of people across the globe. Our services enable our customers to operate in a more sustainable manner, by reducing their effects on the environment, ensuring product safety, safeguarding trade and helping to bring new technologies to market. With our headquarters in Geneva, Switzerland, we employ over 75 000 people in more than 1 500 offices and laboratories around the world.

OUR VISION

We aim to be the most competitive and the most productive service organisation in the world. Our core competencies in inspection, verification, testing and certification are being continuously improved to be best-in-class. They are at the heart of what we are. Our chosen markets will be solely determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers all over the world.

OUR HISTORY

Since 1878, SGS has grown from an agricultural inspection services company in Europe to become the world's largest company offering inspection, verification, testing and certification services to all industry sectors. The Company became listed on (SWX) Swiss Exchange in 1981. The SGS Group posted revenues of CHF 5.6 billion and an adjusted operating margin of 16.9% in 2012. An annual general meeting of shareholders is held with outcomes published on the SGS website.

OUR VALUES

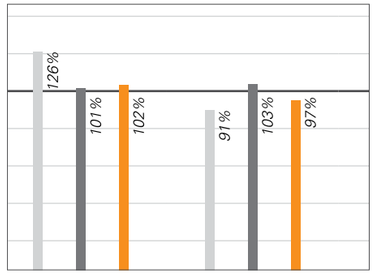
We seek to be epitomised by our passion, integrity, entrepreneurship and our innovative spirit, as we continually strive to fulfil our vision. These values guide us in all that we do and are the bedrock upon which our organisation is built.

WHEN WE NEED TO BE SURE

Our success and value to society is dependent on us exercising foresight, judgement and responsiveness to the needs of our stakeholders. This means applying the same scrutiny to our own operations as to our customers' while striving for operational excellence.

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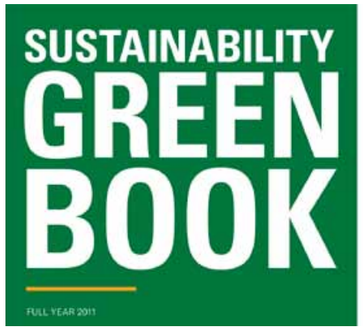
OVER 500 MANAGERS TRAINED IN SUSTAINABILITY

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THE SGS GLOBAL ONBOARDING PROGRAMME, SHINE, WAS LAUNCHED ACROSS ALL REGIONS

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CO_2 EMISSIONS PER KILOMETRE DRIVEN FELL FROM 155G TO 128G BETWEEN 2010 AND 2012 IN THE NETHERLANDS

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SGS INVESTED IN 251 COMMUNITY PROJECTS IN 2012

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DEAR STAKEHOLDERS,

The past year was a positive one for SGS, not just in terms of our business growth and financial results, but also our sustainability performance. By the end of the year, we had grown the business by 16.3% and achieved an adjusted operating margin of 16.9% in line with the 2014 Plan. We acquired 18 new businesses and welcomed over 8 000 additional employees into the Company. In parallel, we achieved significant operational efficiencies by working smarter and optimising resources.

Doing more with less has become our business mantra; achieving operational excellence through leadership and expertise, streamlining processes, better utilising natural resources, and improving productivity. This approach is in perfect symmetry with our sustainability objective to support business growth while managing our social and environmental impacts. We have put significant investment into strengthening our systems and programmes aimed at driving operational excellence. As a result, we are beginning to see positive performance outcomes which are outlined in the following chapters.

This report showcases our sustainability programmes and presents the many architects and innovators in SGS who are driven by the desire to constantly push themselves to achieve operational excellence and deliver exceptional services. We celebrate their skills and imagination in seeking out new technologies, adapting to the constantly evolving needs of our customers and finding innovative solutions aimed at delivering positive results for our business and stakeholders.

A highlight in 2012 has been the launch of The Green Book, a pioneering instrument which analyses our sustainability performance using qualitative, quantitative and monetary data across human resources, health and safety, environmental management, and community investment. The model identifies trends and 'hot spots' we need to be aware of in order to effectively manage risks and harness value at global and local levels. Based on our estimations, our current sustainability performance represents around 7% of revenue in our trend countries. Meeting our goals in areas such as employee turnover, sickness absence and overall energy consumption has the potential to reduce costs while improving employee wellbeing. This intelligence adds a compelling dimension to our sustainability and risk management and provides a catalyst for action across functions and business lines.

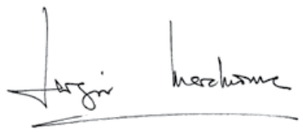
Managing growth, while safeguarding our existing talent base, remains a key focus. In the People section we discuss the global roll-out of SHINE, our new onboarding programme, and explain how we are developing future leaders as part of our enhanced learning and development strategy. In 2012, we launched CATALYST, our employee engagement programme, to ensure we stay in touch with and respond to the needs of our people. Linked to this we can measure employee involvement in sustainability through our Sustainability Engagement Index. The survey, which achieved an outstanding 85% participation rate involving more than 18 000 employees in 12 countries, indicates that 75% of employees are aware of SGS sustainability targets and the importance of sustainability to business growth.

We are encouraged by the progress that is being made in our energy efficiency in buildings programme and the gains we are starting to see from initiatives linked to clean power, green IT and green transport. While overall energy consumption increased in 2012 by 10.4%, it was markedly lower than business growth, with carbon intensity per employee and revenue remaining stable.

Looking to the year ahead, we plan to hold a series of employee events linked to specific sustainability themes, roll out a global campaign to drive environmental behaviour in the workplace, and launch an exciting global programme focused on reducing carbon emissions.

We thank all our employees for actively contributing to the 2014 Plan and for ensuring that sustainability remains a vital and integral part of the way we do business. This means seeking out ways, with all our stakeholders, to optimise efficiency while upholding our professional integrity, safeguarding employee health and safety, minimising our impact on the environment and contributing positively to our local communities.

We hope you find this report an interesting insight into our world. As always, we look forward to your feedback and suggestions on how we can further improve our contribution to sustainable development.



SERGIO MARCHIONNE
Chairman



CHRISTOPHER KIRK
Chief Executive Officer

DOING MORE WITH LESS HAS BECOME OUR BUSINESS MANTRA. ACHIEVING OPERATIONAL EXCELLENCE THROUGH LEADERSHIP AND EXPERTISE, STREAMLINING PROCESSES, BETTER UTILISING NATURAL RESOURCES AND IMPROVING PRODUCTIVITY; THIS APPROACH IS IN PERFECT SYMMETRY WITH OUR SUSTAINABILITY OBJECTIVE TO SUPPORT BUSINESS GROWTH WHILE MANAGING OUR SOCIAL AND ENVIRONMENTAL IMPACTS.

As well as prompting changes in behaviour the "Do more with Lëss" campaign has inspired people to take a wider look at their impacts. For example, an investigation into power consumption between workstation devices revealed that mobile phone chargers plugged in unnoticed for long time periods consumed more energy than LCD monitors left on standby.

TREVOR PILBEAM
Facility and Sustainability Manager, SGS Australia

WORKING SMARTER

PROFESSIONAL EXCELLENCE*

OUR PERFORMANCE ANALYSIS

In 2012, 198 concerns were reported via our global helplines or directly to the SGS Compliance team. Of those investigated, 91 were found not to have breached the Code of Integrity. Of the remaining reported concerns, investigations revealed 46 confirmed breaches of the Code of Integrity.

71 148 employees received face-to-face training on the Code of Integrity in 2012, representing 95% of employees. The remaining employees will receive training as part of our annual integrity training and e-learning programmes in 2013.

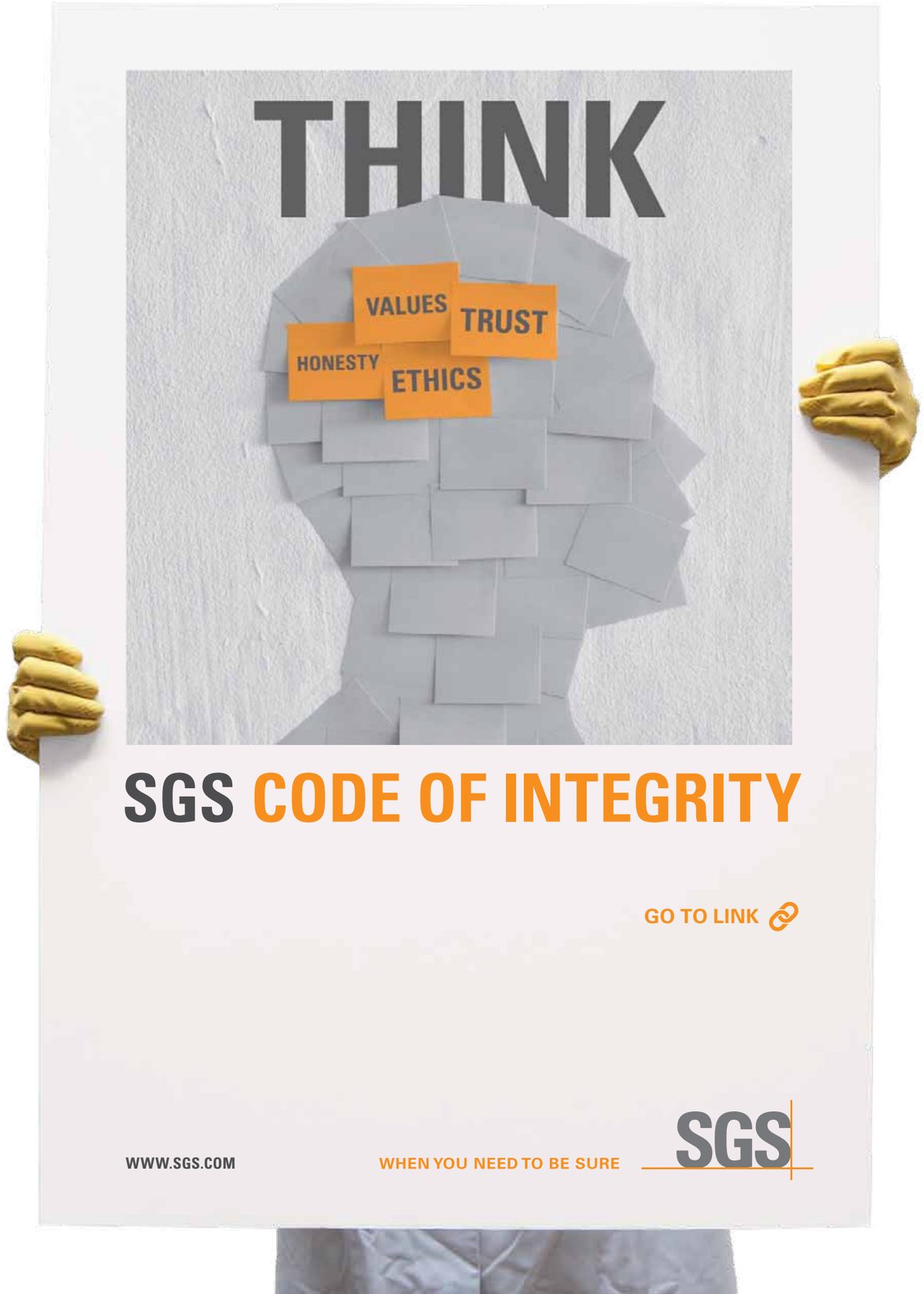
71 148

employees received training on the Code of Integrity in 2012

CODE OF INTEGRITY

	2010	2011	2012	REMARKS AND COMMENTS
Code of Integrity reports to helplines *Total number of integrity issues reported through integrity helplines*	150	168	198	*Includes data from the confidential hotline dedicated to investigating potential cases of discrimination in the US*
Code of Integrity investigations *Total number of valid reports investigated concluding in no breaches*	53	52	91	
Code of Integrity non-compliances *Total number of breaches of the Code of Integrity identified through integrity helplines*	29	22	46	
Employees signing the Code of Integrity *% of employees signing the Code of Integrity*	100	100	100	
Approximate hours of training undertaken across SGS on the Code of Integrity			71 148 *employees trained during 1 hour face-to face training equating to approximately 71 148 hours of training*	*Repeated annually*
Percentage and total number of business units analysed for risks related to corruption			*17 risk assessments carried out in 2012, covering 13% of operations. The assessment includes corruption as a risk factor*	
Actions taken in response to incidents of corruption			*5 cases of incidents of corruption in 2012 resulting in termination of employment and criminal prosecution*	

*On pages 12-15 data covers all SGS operations except for the sustainability e-learning.



BUSINESS INTEGRITY

	2012 PERFORMANCE	REMARKS AND COMMENTS
Financial assistance received from governments	*No significant financial assistance received*	*Various small-scale energy saving incentives received from government-related departments*
Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	0	*Prohibited by the Code of Integrity*
Number of legal actions related to anti-competitive behaviour, anti-trust and monopoly practices	*No legal action pending or threatened*	
Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	0	
Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes	0	
Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	0	
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	0	
Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	0	
Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of SGS services by type of outcomes	4	*Refers to cases that have been reported through the SGS Compliance function*

HUMAN RIGHTS

	2012 PERFORMANCE	REMARKS AND COMMENTS
Operations identified as having significant risk for incidence of child labour, forced or compulsory labour, or where the right to exercise freedom of association may be violated	*No significant risks identified*	*All aspects covered under the Code of Integrity*
Total number of incidents of discrimination and actions taken	8 *alleged cases*	*Four cases closed due to lack of substance; one closed as HR-related; one closed as employee relations; one case pending; one case of discrimination*
Total number of incidents of violations involving rights of indigenous people and actions taken	0	
Number of grievances identified through hotline related to human rights	0	

SUSTAINABILITY E-LEARNING

	2010	2011	2012	2014 TARGET
Employees completing sustainability e-learning	n/a	9 488	6 594	100%

PROGRESS ON OUR 2011 COMMITMENTS

	PROGRESS	REMARKS AND COMMENTS
Roll out our revised Code of Integrity and integrity training across all areas of the business	✓	
Develop a new global integrity e-learning programme for new employees	▶	*Revised e-learning on the Code of Integrity for new starters is currently being developed, to be launched in early 2013*
Improve our internal Code of Integrity reporting to better capture and report all breaches globally	✓	
Roll out the new system for tracking employees' travel plans to alert them to dangers or hazards	▶	*We are still testing the technology before committing to a global roll-out*
Expand our Strategic Transformation programme and enhance dialogue with our customers	▶	*Our customers are our own business units in this context*
Provide leadership and support to the Innovation Teams in the design, resourcing and successful delivery of innovation projects that will benefit the business and stakeholders	✓	

Achieved *In progress* *Not achieved*

LOOKING AHEAD

We will:

Expand our global investigation network to cover all affiliates and locations

Roll out updated Code of Integrity e-learning for people joining SGS

Expand our work to protect the integrity of the SGS brand and certification

Update and continue rolling out our sustainability e-learning

IT IS ESSENTIAL THAT EMPLOYEES KNOW WHERE TO GET HELP AND WHO TO CONTACT IF THEY HAVE SERIOUS CONCERNS RELATING TO THE CODE OF INTEGRITY. PEOPLE SHOULD NOT FEEL FRIGHTENED ABOUT DOING THIS. MY MESSAGE TO OUR EMPLOYEES AND BUSINESS PARTNERS IS TO TALK ABOUT ANY CONCERNS THEY HAVE AT AN EARLY STAGE, BEFORE THE PROBLEM ESCALATES AND RISKS HARMING THEM, THEIR COLLEAGUES OR SGS.

OLIVIER MERKT
General Counsel and
Chief Compliance Officer

OUR PEOPLE

28.8

2012 saw an increase in training, with employees receiving on average 28.8 hours annually

68

% employees receiving performance reviews

13.7

Employee turnover across the Group remained stable in 2012 at 13.7%

500

Over 500 managers trained in Sustainability

SHINE, OUR GLOBAL ONBOARDING PROGRAMME WAS LAUNCHED ACROSS ALL REGIONS.

75

% of employees surveyed are aware of SGS sustainability targets according to our Sustainability Engagement Index

OUR PERFORMANCE ANALYSIS

The work we have conducted with our affiliates through data audits and our sustainability workshops throughout the past three years has yielded positive results in terms of more data consistency and robustness as well as improved reporting.

Employee turnover across the Group remained stable in 2012 at 13.7%. We have noticed some positive improvements in affiliates where turnover rates have been historically high. Nevertheless, we continue to experience increased competition for talent in certain skill sets and geographies, especially where we have a concentration of services relating to the mining, oil, gas and chemical sectors.

Our gender ratio saw a marginal increase in the proportion of female to male employees in 2012, although our equal opportunity ratio decreased slightly, reflecting the movement of new and existing employees into managerial roles which are more male-centred.

We observed an increase in our sickness absence rate of 5.5% to 1.54%, which is slightly above our target of 1.5%. The 2011 figure was understated for three countries which improved their reporting in 2012.

2012 saw an increase in training, with employees receiving on average 28.8 hours annually. This is partly explained by programmes linked to our revised Code of Integrity, the roll-out of Group-wide Operational Integrity programmes and sustainability e-learning modules.

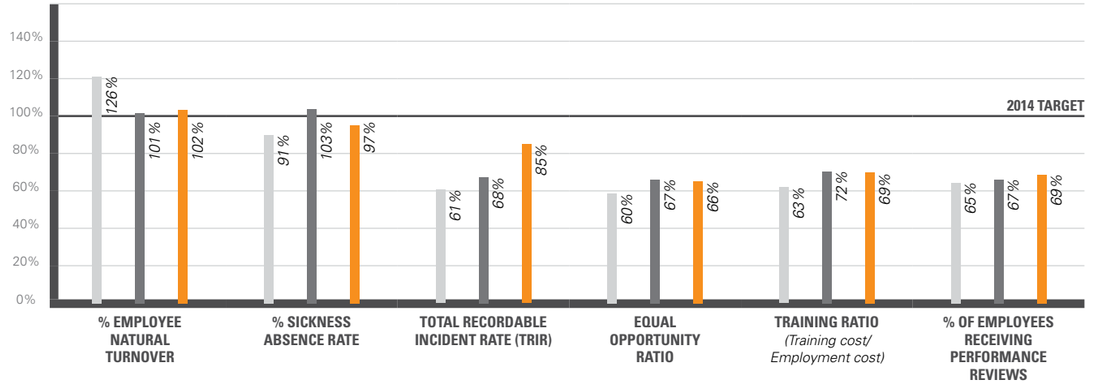
Following sustainability workshops our affiliates are also better equipped to monitor training, resulting in better reporting. While we notice a 25.2% increase in training hours per FTE, the investment in training spend has slightly declined since more efficient and flexible training tools are being developed (such as e-learning programmes). This decrease is also explained by an improvement in tracking training expenses.







PEOPLE *% achievement to target*



PEOPLE	2010	2011	2012	Δ	2014 TARGET
Natural turnover *% of employees that leave SGS each year of their own will*	11.1	13.8	13.7	*-0.7%*	<14%
Gender ratio *% male employees* *% female employees*	64.8 35.2	65.6 34.4	65.2 34.8	*-0.6%* *1.2%*	
Equal opportunity ratio *(Female managers/female employees)/ (Male managers/male employees)*	0.60	0.67	0.66	*-1.5%*	1.0
Sickness absence rate *Number of days of sickness absence as a percentage of total days worked*	1.65	1.46	1.54	*5.5%*	1.5
Training hours *Number of annual training hours/FTE*	21.1	23.0	28.8	*25.2%*	
Training ratio *% of total employment costs spent on training (includes safety training hours)*	0.63	0.72	0.69	*-4.2%*	1.0
Performance review *% of employees receiving regular performance reviews*	65.2	67.4	68.6	*1.8%*	100
Collective bargaining *% of employees covered by collective consultation/ representation processes*	22.54	22.70	24.33	*7.2%*	



SUSTAINING OUR GLOBAL SUCCESS

CATALYST FOR EXCELLENCE

To sustain our current success we can continuously improve across all areas of our business. The brainpower from everyone in our global team is vital to help us make SGS a great place to work. Put your ideas into action and get involved in our EMPLOYEE ENGAGEMENT INITIATIVE

CATALYST 01

WHEN YOU NEED TO BE SURE SGS

PROGRESS ON OUR 2011 COMMITMENTS

	PROGRESS	REMARKS AND COMMENTS
The SGS global onboarding programme, SHINE, will be launched across all regions	✓	
100% of SGS operations will have completed a staffing review process to support succession planning by the end of 2012	▶ *More than 85%*	*The remainder will be completed in 2013*
We will by the end of 2012 have completed an interim review of local initiatives in trend countries relating to people including equal opportunity in employment, natural turnover, investment in training, performance reviews, sickness absence rate, total recordable injury rates and alignment with human rights principles	✓	
We aim to launch development planning and associated manager and employee training in 2012	✓	
We will launch the third module of our leadership development programme (LDP)	▶ *Postponed to 2013*	*We focused effort on enhancing Module 2 of the LDP in 2012. Module 3 will now be developed in 2013*
We will conduct a review of reward tools and establish a global framework for our reward strategy	▶	*We will continue to focus on establishing a global framework during 2013 and 2014*
We will monitor our performance around natural turnover and share our insights with our affiliates	✓ ▶	
The SGS Rules for Life will be rolled out during 2012	✓ ▶	

✓ *Achieved* ▶ *In progress* ⊗ *Not achieved*

LOOKING AHEAD

We will:

Launch a new HR information system during 2013 to allow accurate, user friendly and quickly accessible data that will enable us to manage the workforce, maximise our recruitment, manage people's contribution to the business and track their journey with SGS

Implement our global L&D strategy to provide a structured and consistent approach to learning and development across the network

Review our current global programmes linked to employee reward and recognition, succession planning and career management as part of the second phase of HR transformation, during 2013 and 2014

Expand our global initiative to evaluate job families and grading in order to further enhance consistency across the Group

Develop the third module of our Leadership Development Programme in 2013

Launch e-recruitment in more than 17 countries

Monitor the implementation of SHINE across our global business and establish baseline data on which we can benchmark performance on effective employee onboarding

Further enhance our leadership development approach by strengthening individual development plans and developing critical skills

Roll out globally the 'Doing More with Lëss' campaign to drive employee environmental behaviour in the workplace

SGS PHILIPPINES AND SGS GULF WERE AWARDED THE INVESTORS IN PEOPLE (IIP) CERTIFICATE BY THE PEOPLE MANAGEMENT ASSOCIATION OF THE PHILIPPINES (PMAP) IN RECOGNITION OF OUR APPROACH TO MANAGING AND DEVELOPING EMPLOYEES.

OPERATIONAL INTEGRITY

OUR PERFORMANCE ANALYSIS

We are pleased to report that progress has been made towards achieving the goals we set in late 2010 and we anticipate continued significant progress over the next few years as a result of our efforts. Significantly, the total recordable incident rate has decreased by over 20% and the lost time incident frequency rate has decreased by 9% from 2011. Furthermore, the implementation of Crystal is allowing the Group to focus efforts and resources on affiliates with the highest incidents record.

Whilst 2012 saw some key improvements in our year-on-year safety performance, we are deeply saddened that three male employees lost their lives in work-related incidents in Western Europe, South East Asia and Northern Africa. Each of these accidents is extremely regrettable and underlines the vital need to continually reinforce the SGS Rules for Life and instil a safety culture across the Group.

20.4

Total recordable incident rate went down by 20.4% from 2011

OPERATIONAL INTEGRITY

	2010	2011*	2012	Δ	2014 TARGET
Number of recordable incidents *Number of lost time, restricted duty, medical treatment incidents and fatalities*	691	739	642	*-13.1%*	
TRIR *Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked*	1.64	1.47	1.17	*-20.4%*	<1
LTIFR *Number of lost time incidents occurring per 200 000 hours worked*	0.80	0.67	0.61	*-9%*	
Near misses *Event, situation or physical environment with the potential to cause injury, damage or loss to people, property and the environment, but which was avoided by circumstance*	1 982	1 904	1 818	*-4.5%*	
Safety training hours	199 076	286 043	322 700	*12.8%*	

**2011 statistics excluded data for one trend country.*

PROGRESS ON OUR 2011 COMMITMENTS

	PROGRESS	REMARKS AND COMMENTS
Crystal incident reporting tool will be implemented across the Group	✓	

Achieved In progress Not achieved

THE TOTAL RECORDABLE INCIDENT RATE HAS DECREASED BY OVER 20% AND THE LOST TIME INCIDENT FREQUENCY RATE BY 9% FROM 2011.



LOOKING AHEAD

For Operational Integrity (OI), our focus will be on delivering a best-in-class service to the Group in order to achieve maximum efficiency and enhance local contribution in support of the 2014 Plan. This will include:

- *Activities to support risk management and incident reduction including OI global management field coaching sessions; consistent incident reporting and record keeping requirements for the Group; the development and deployment of leadership and OI auditing mobile applications, and risk assessment and incident investigation methodology*
- *Further reinforcement of the SGS Rules for Life*
- *Enhanced electronic management and reporting of OI through Crystal, including breakdown of data by gender and for new KPIs such as occupational diseases*
- *Implementation of the Group Operational Integrity Management System*

ENVIRONMENT

OUR PERFORMANCE ANALYSIS

SGS' environmental performance is closely linked to the intensity of our operations and our strong growth. In 2012, our absolute carbon emissions increased by 10.4% to 222 726 tonnes CO_2, against the backdrop of 14.5% annual growth in revenue (on a constant currency basis).

The overall distribution of our CO_2 emissions by source remained consistent with our 2010 baseline, with a slight increase in non-transport fuels resulting from improved reporting in our affiliates, and a decrease in vehicle fuels due to better fuel efficiency in our car fleet. During 2012 we purchased renewable energy certificates equivalent to approximately 18 000 tonnes CO_2 which brought down our overall CO_2 emissions to almost 205 000 tonnes.

Vehicle fuels emissions increased by 4.4% against an increase of 8.1% in the number of fleet cars. This is explained by vehicles with expired leases being replaced by more efficient models and by the effectiveness of our Green Car projects. For instance, in the Netherlands, CO_2 emissions per kilometre driven fell from 155g to 128g between 2010 and 2012, mainly due to vehicle selection and improvements to vehicle design. There, we are expecting to reach a figure of 126g per kilometre by 2014, representing a reduction of over 18%.

Total air and train transport emissions increased by 10.4% due, in part, to improvements in the reporting process and better classification of long-haul versus short-haul flights. Non-transport fuel emissions increased by 17.6% due mainly to acquisitions, new laboratories and discontinuity in electricity supply for some of our affiliates.

Electricity consumption (kWh) grew by 13.5% due to the impact of acquisitions (for example, in Brazil), the expansion of buildings and new laboratories, especially in Korea, South Africa and France, and an overall increase in business activity and related use of equipment. The increase in headcount has also contributed to higher electricity consumption.

Due to acquisitions and new laboratories, absolute water consumption rose by 13.4% but remains comparable to 2011 in terms of intensity by FTE.

As reported in 2011, we expected variations in the hazardous and non-hazardous waste data. Whereas local regulatory environments for hazardous waste serve as a solid base for collecting this type of data, we admit that we still have inconsistencies in non-hazardous waste reporting. This is expected to improve following the implementation of our waste management plan initiated in 2012.

10.4

Our absolute carbon emissions increased by 10.4% to 222 726 tonnes CO_2, against the backdrop of a 14.5% annual growth in revenue (constant currency basis)

128

CO_2 emissions per kilometre driven fell from 155g to 128g between 2010 and 2012 in the Netherlands

17

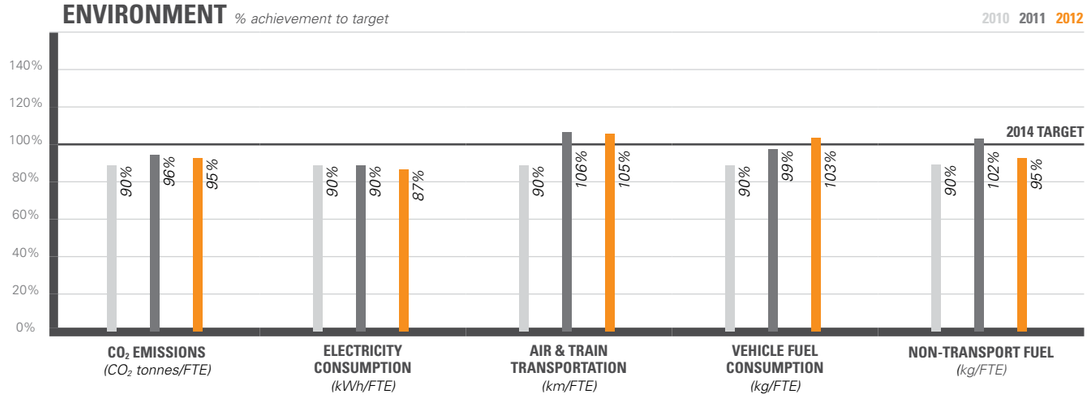
% reduction in costs, energy and paper by switching to network printing in Singapore

10

Tonnes CO_2 saved per year as a result of tinted glazing in Perth

SOURCE OF CO_2 (TONNES)

2010	16 357 AIR & TRAIN TRANSPORT	19 483 NON-TRANSPORT FUELS	53 043 VEHICLE FUELS	103 328 ELECTRICITY		192 211
2011	15 567 AIR & TRAIN TRANSPORT	19 070 NON-TRANSPORT FUELS	53 988 VEHICLE FUELS	113 189 ELECTRICITY	-12 497 RENEWABLE ENERGY CERTIFICATES PURCHASED	189 317
2012	17 189 AIR & TRAIN TRANSPORT	22 420 NON-TRANSPORT FUELS	56 373 VEHICLE FUELS	126 743 ELECTRICITY	-17 738 RENEWABLE ENERGY CERTIFICATES PURCHASED	204 988



ENVIRONMENT

	2010	2011	2012	Δ	2014 TARGET
CO_2 emissions *Total annual CO_2 emissions (tonnes)*	192 211	201 814	222 726	*10.4%*	
Renewable energy *Total renewable energy certificates of origin purchased (tonnes of CO_2)*		-12 497	-17 738	*41.9%*	
Carbon intensity (people) *Annual CO_2 emissions per employee (tonnes/FTE)*	4.5	4.22	4.27	*1.2%*	4.05
Carbon intensity (revenue) *Annual CO_2 emissions per revenue (tonnes/CHF million)*	59.0 58.0*	54.4 53.5*	53.1	*-0.7%*	47.0 52.2*
Total electricity consumption *Total annual kilowatt hours of electricity consumed (million kWh)*	199	223	253	*13.5%*	
Electricity consumption (people) *Annual kilowatt hours of electricity consumed per employee (kWh/FTE)*	4 662	4 661	4 843	*3.9%*	
Building energy intensity in SGS-owned offices *Annual kilowatt hours per square metre for SGS-owned offices*	269**	267**	276	*3.4%*	*Target 242** (based on 10% reduction*
Building energy intensity in SGS-owned laboratories *Annual kilowatt-hours per square metre for SGS-owned laboratories*	430	402	422	*5.0%*	*Target 387 (based on 10% reduction)*
Water use *Annual water purchased (m^3)*	960 886	1 039 904	1 179 044	*13.4%*	
Water intensity *Annual water purchased per employee (m^3/FTE)*	22.5	21.8	22.6	*3.7%*	
Hazardous waste generated *Total weight of hazardous waste generated (tonnes)*		5 812	6 501	*11.9%*	
Non-hazardous waste generated *Total weight of non-hazardous waste generated (tonnes)*		16 829	24 856	*47.7%*	
Spills *Total number and volume of significant spills*		2	0		
Environmental compliance *Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations*			0		

** Restated on a constant currency basis.*
*** Restated following the closing of a building. The scope of SGS buildings covered by the Energy Efficiency in Buildings (EEB) project encompasses all SGS-owned offices and laboratories of over 2000m^2 and excludes buildings recently acquired.*

PROGRESS ON OUR 2011 COMMITMENTS

ENERGY EFFICIENCY IN BUILDINGS

	PROGRESS	REMARKS AND COMMENTS
We will compile a global database of EEB projects with details of investments and projected savings	✓	
We will continue to implement the projects we have identified during 2011 and continue to identify new opportunities for energy efficiency	✓	*Commitment achieved. Work on identification of further improvements is ongoing*
We will implement our Green Building Guidelines in as many sites as possible and work with property owners to build EEB aspects into our lease agreements	▶	

GREEN IT

	PROGRESS	REMARKS AND COMMENTS
The installation of cold aisle cooling in the Geneva data centre will be completed in 2012 and rolled out globally	✓	
Videoconferencing will be piloted and future roll-out considered, based on the results of pilots	▶	
Managed print services will be implemented in Geneva and other offices worldwide	✓	

SUSTAINABLE PURCHASING

	PROGRESS	REMARKS AND COMMENTS
We will continue to raise awareness of sustainability considerations when making investment decisions	✓	
During 2012 we will begin to roll out our sustainable sourcing charter to suppliers who are under global agreements	✗	*This project has been shelved in favour of a more specific set of criteria which feature in procurement decisions*
We will continue to broaden the application of our supplier appraisal process to incorporate suppliers who are sourced and managed locally	▶	

GREEN CARS

	PROGRESS	REMARKS AND COMMENTS
We will continue to work at a global level to review new fuel-efficient vehicles and recommend appropriate replacements	▶	
We will monitor the uptake of environmentally responsible vehicles by SGS businesses and report on the overall impact of replacements on our carbon footprint	▶	

WASTE MANAGEMENT

	PROGRESS	REMARKS AND COMMENTS
We will focus our efforts on further reduction initiatives, supporting the in-country programmes, sharing best practices and providing further guidance and communications	▶	

✓ Achieved ▶ In progress ✗ Not achieved



LOOKING AHEAD

We will:

Expand reporting of our greenhouse gas emissions by type by 2014

Further support the in-country programmes, sharing best practices and providing further guidance and communications on waste management

Further expand the implementation of our Green Building Guidelines

Further investigate possibilities linked to electric vehicles for our fleet

Review our methodology to provide information on our Energy Efficiency in Buildings (EEB) project

Following sustainability audits, we will implement corrective actions regarding our water KPIs and improve reporting on this topic

COMMUNITY

OUR PERFORMANCE ANALYSIS

2012 saw a 10.9% increase in our community investment to CHF 356 000 across our trend countries, along with a 22.9% increase in the amount invested by business in sponsorship to CHF 681 000 (constant currency basis). SGS employees volunteered around 8 300 hours to our 251 community projects in 2012.

251
SGS invested in 251 community projects in 2012

10.9
% increase in our community investment

8 300
Hours volunteered by SGS employees across our 251 community projects in 2012

COMMUNITY	2010	2011	2012	
Investment in community *Donations to community organisations and voluntary groups (CHF thousand)*	418	317 321*	356	*10.9%*
Total community projects *Total number of projects*	155	306	251	*-17.9%*
Investment in sponsorship *Sponsorship of community programmes (CHF thousand)*	590	547 554*	681	*22.9%*
Impact assessment, percentage of operations with implemented local community engagement, impact assessments and development programmes**	n/a	n/a	22%	

** Constant currency basis.*
*** Data covers all SGS operations.*

PROGRESS ON OUR 2011 COMMITMENTS

	PROGRESS	REMARKS AND COMMENTS
We will support affiliates in implementing the Group Community Guidelines and Policy	▶	*Support for community programmes has been cascaded through sustainability champions and sustainability coordinators in affiliates. This work is ongoing*
We will identify a global community programme based on the framework developed in 2011	▶	
We will conduct a global survey to re-evaluate our community project impact and alignment with the Millennium Development Goals	✓	

✓ Achieved ▶ In progress ✗ Not achieved



WE WILL LAUNCH A CARBON REDUCTION PROGRAMME AND ENCOURAGE COMMUNITY PROJECTS RELATING TO CLIMATE CHANGE.

LOOKING AHEAD

We will:
Launch a carbon reduction programme and encourage community projects linked to climate change

Continue to align our community projects to the Millennium Development Goals

Encourage employees across the Company to get involved in the Global Corporate Challenge

Expand the scope of our community impact survey

SGS SUSTAINABILITY SERVICES

A MAJOR PLAYER IN E-MOBILITY / BIOSIMILARS / SAVING ENERGY IN MINING / A COLD CHAIN FACILITY IN INDIA / A SUSTAINABLE OLYMPICS /

IN MY VIEW, E-MOBILITY IS A WAY TO ASSURE SUSTAINABLE MOBILITY OF SOCIETY IN THE FUTURE.

MATTHIAS POPP
Vice President, SGS Consumer Testing Services, Automotive

HELPING BUSINESSES ADVANCE EFFICIENTLY

We are continually pushing ourselves to deliver innovative services and solutions that help our customers move their businesses forward. Innovations from SGS have transformed the way businesses work worldwide. From our foundations of creating trust in grain trading routes across Europe, to developing today's cutting edge technologies for the oil and gas industry, we continue to offer our customers independent and valued solutions.

DID YOU KNOW?

200

customers received energy management services from SGS in 2012

SGS CERTIFIED THE LONDON 2012 OLYMPICS TO ISO 20121, THE NEW SUSTAINABLE EVENT MANAGEMENT STANDARD.

17.5

CHF million invested by SGS in new laboratories in Mauritania, Mali, Burkina Faso, Kenya, Sierra Leone and Liberia in 2012

SGS HAS BECOME A MAJOR PLAYER IN E-MOBILITY



SUPPORTING PREMIUM CAR MANUFACTURERS

MATTHIAS POPP
Vice President, SGS Consumer Testing Services, Automotive

"In my view, e-mobility is a way to assure sustainable mobility of society in the future. Fossilised fuels are going to expire and so the electrification of the car is a must. It is only a question of when this technology takes over from the current combustion engine. SGS has become a major player in this area, supporting premium car manufacturers with the development and testing of technologies that will eventually cascade into everyday motoring. Battery technology is relatively new and so international legislation and regulations are still being developed; we are able to help manufacturers understand what is needed and carry out testing to make sure that the batteries comply.

Many countries have their own requirements and SGS is able to provide support through its international network, particularly in China.

We now have a team of 120 employees in Munich who carry out a large range of tests on automotive components, batteries and type approval of all variants of vehicles including electric cars. One of the main things we have to consider is how the batteries will be recycled. Recycling lithium-ion batteries on this scale is a completely new field; it is important the batteries are able to be dismantled and their components recycled to be truly sustainable."

BATTERY TESTING

SGS Germany's laboratory in Munich provides the technical verification required for the new generation of lithium-ion batteries that power electric and hybrid cars. Specialist teams at SGS ensure that the batteries are safe, durable, perform efficiently and can be recycled. SGS also certifies the safety of battery test charge stations that will become the fuel stops for future motorists.

120

employees in Munich carry out a large range of tests on automotive components

70

A specially constructed blade testing facility is able to test modern onshore and offshore wind turbine blades as long as 70 metres

TESTING WIND TURBINE EFFICIENCY

A specially constructed blade testing facility is able to test modern onshore and offshore wind turbine blades as long as 70 metres. High reliability and efficiency is essential in the design and manufacture of blades. The SGS Wind Energy Technology Centre in China helps manufacturers to extend the lifespan of rotor blades, avoid failures and downtime, and ensure that they can operate safely. The purpose-built test centre can perform full-scale static and dynamic blade testing.

COLLECTION OF MOBILE PHONE REVENUES

SGS introduced a new service in 2012 to monitor international mobile phone gateways including an anti-fraud system to identify fraudulent calls which deny legitimate phone operators their fees for handling calls, and deny governments tax revenues. There have been several prosecutions of illegal operators by governments as a result of SGS monitoring. In Haiti, although parliament still needs to ratify the bill, the government agreed to divert the money collected from the service into education.

BIOTIC INDICES TO MEASURE WATER PURITY

Biodiversity conservation involves protecting the whole ecosystem. If one species disappears, others can rapidly disappear too. In contaminated natural water, the presence of different organisms varies depending on their resistance to pollution. Measuring the numbers of these species present in water is the basis of biotic index identification. SGS uses biotic index sampling to test for organisms in rivers, lakes and sediment to determine water quality and any purification treatment needed to protect ecosystems.

SGS is supporting clients in the development of biosimilars which are generally more affordable to people living in both developed and developing economies.

BIOSIMILARS

Over the last 20 years there has been a revolution in the design of pharmaceutical products, from small molecular compounds to the development of an array of large, complex protein molecules produced within living cells. These new medicines have the potential to prevent, cure or treat many illnesses.

Many of these first generation products have now reached patent expiry and this has led to the advent of 'biosimilars'; legally approved versions of an existing branded biologic which are similar in structure, but not identical to, the original medicine, and provide the same clinical benefit.



HELPING TO BRING BIOSIMILARS TO MARKET

FIONA GREER

Global Director, Bio Pharmaceutical Services Development, SGS Life Science Services

"Some of the analytical techniques we are now routinely using for structural analysis were developed by my previous company, M-Scan, in the 1980s. When M-Scan became part of SGS in 2010, we seized a unique opportunity to bring together a range of specific services from various laboratories in the network, in different geographical areas, to support the development and clinical testing of biosimilars. My goal is to create a holistic service that supports clients via a single point of contact through all stages in the development, testing and launch of biosimilars.

OUR MANY YEARS OF EXPERIENCE IN THIS FIELD WILL ALLOW US TO OFFER CONSULTANCY AND GUIDANCE THROUGH THE COMPLEX REGULATORY PATHWAYS.

Life Science Services continue to build on our established track record of in-vitro biological, bioanalytical and clinical testing by acquiring Vitrology in 2012, a company which tests the cells used to create biomolecules, the raw materials and the final products for the presence of harmful viruses. It is exciting to look into the future and see how SGS will broaden this range of services further to become a world leader in this area."

ENERGY PROFILING OF MINERAL DEPOSITS

A mine is typically divided into blocks of ore and the mine plan outlines which blocks are to be extracted year by year. By extracting and testing core samples that represent the blocks, SGS can profile and predict the amount of energy needed by the mine over its operational lifespan.

Combined with energy management procedures, this can lead to marked improvements in operating costs and financial performance.

SGS CAN PROFILE AND PREDICT THE AMOUNT OF ENERGY NEEDED BY THE MINE OVER ITS OPERATIONAL LIFESPAN.

SAVING ENERGY IN MINING

DAVE BULLED

Principal Consultant in mineral processing, Minerals Services, SGS Canada

"In 2000, it was already obvious that mines faced a major problem. Whilst the mining machinery at a site has a fixed power output, its capacity could vary by up to 50% due to variation in the hardness of the ore it was grinding. Output would sometimes drop significantly in a 24-hour period, which made any sort of planning impossible. This had a huge impact on the downstream supply chains that relied on a consistent supply of raw material. As mines became larger, this problem became greater.

The vision to provide a reliable forecasting service was not fully implemented until we became part of SGS in 2005. This provided the springboard to combine cutting edge technology with comprehensive testing facilities. The integrated SGS team in Ontario was able to pull together metallurgical and geological expertise, mathematical and statistical know-how, technical laboratory capabilities, and also bring in the powerful IT resources needed to carry out mathematical modelling necessary to process the huge amounts of data generated from the sample testing and the mine operations. Seven years later, we are now the only company to provide a complete service that can forecast mining capacity and energy usage throughout the life of a mine. This has enabled our clients to predict and manage the associated risks and has allowed their supply chains to plan accordingly."



BUILDING A COLD CHAIN FACILITY IN INDIA

PREVENTING FOOD SPOILAGE

SGS has designed and developed a unique integrated cold chain facility in Mumbai, India, which provides nearly 17 000m³ of temperature controlled storage where food can be stored, checked and tested in carefully controlled, refrigerated environments to ensure the highest standards of hygiene. The new facility is one of the largest units of its kind in India and was formally opened in 2012.

17 000

m³ of temperature controlled storage where food can be stored

4

We opted for an ammonia-based refrigeration system which is ozone-friendly and saves around 4-5% energy compared with traditional hydrofluorocarbon systems

SMITI GUPTA

Project Manager, Agricultural Services, SGS India

"Demand for fresh produce in India is on the rise, but there comes the problem of how to get these products to consumers, while minimising waste. This is why I was so excited by the cold chain facility which will make a real difference.

It took two years from concept to commissioning. The scoping and designing stages were particularly challenging as we wanted to build in many best practice features, including low energy systems and environmentally-friendly refrigeration. We opted for an ammonia-based refrigeration system which is ozone-friendly and saves around 4-5% energy compared with traditional hydrofluorocarbon systems. Other features included the provision of natural lighting, the use of turbo ventilators and an evaporative condenser which saves a further 4-5% of energy. Erecting a 12-metre high polyurethane foam wall and ceiling panels was our biggest challenge. These panels play a vital role in the building's energy efficiency, saving an additional 5% of energy.

This project has given me the opportunity to contribute to the improvement and enhancement of the socio-economic life of India. I feel very proud and grateful to have worked with such a strong and dedicated project team under the leadership of Dr Sudhir Kumar."

LONDON 2012 OLYMPICS – CATALYST FOR ISO 20121

In 2010, The London Organising Committee of the Olympic Games (LOCOG) invited SGS to present a proposal to certify the London 2012 Olympics against the Sustainable Events Management standard, ISO 20121. SGS demonstrated that it could be flexible and adapt to the unique needs, timescales and challenges of the Olympics.

18

The entire certification process for the London 2012 Olympics took around 18 months to complete

THE ISO 20121 STANDARD PROVIDED LOCOG WITH A FRAMEWORK TO IMPLEMENT SUSTAINABILITY AND FULFIL ITS SUSTAINABILITY PLEDGE TO THE INTERNATIONAL OLYMPIC COMMITTEE.

HELPING TO CREATE A SUSTAINABLE OLYMPICS

ANA INACIO

Business Development Manager, SGS Systems and Services Certification

"I had an environmental background as a consultant in Lisbon, Portugal, so was excited by the opportunity to take on this role at SGS. The whole certification process for the London 2012 Olympics took around 18 months to complete. I had helped to develop and write the international standard and so this was a fantastic opportunity to audit it, especially given the circumstances.

It was a challenge initially to understand how an event as large as the Olympics was organised and structured. We spent a lot of time in the early stages reviewing documents and holding interviews.

IN THE BUILD-UP TO THE OLYMPICS, WE AUDITED A NUMBER OF TEST EVENTS. DURING THE GAMES, WE AUDITED THE NORTH GREENWICH ARENA, GREENWICH PARK (LONDON), THE OLYMPIC PARK, AND WEYMOUTH AND PORTLAND, WHERE THE OLYMPICS AND PARALYMPICS SAILING WAS TO BE HOSTED.

We evaluated the various risks and impacts associated with each venue, the engagement with stakeholders and the supply chain management, among other aspects. The ISO 20121 standard provided LOCOG with a framework to implement sustainability and helped it to fulfil its sustainability pledge to the International Olympic Committee. To strengthen the certification, we chose an external validation scheme for the standard, using the International Centre for Responsible Tourism, mandated by Visit England (the National English Tourist Board) to audit and endorse the certification process."



MONITORING LOGGING IN LIBERIA

PREVENTING ILLEGAL LOGGING

As new timber trade regulations come into place in the EU and the US, it is becoming more important than ever to improve transparency and accountability in the forestry sector. Effective forestry monitoring helps to collect essential government revenue and ensure that the trade in timber is legal and compliant. Critically it also helps to conserve natural assets and ecosystems through improved forestry management.

Building on our history of responsible forestry management, in January 2008, SGS Forestry Monitoring Programme, part of SGS Governments and Institutions Services, signed a five-year contract with the Forest Development Authority and the Ministry of Finance of Liberia to verify forest logging, timber chain of custody and forest product exports.

WE NOW BARCODE EVERY TREE WHICH IS FELLED, THEREBY HELPING THE TIMBER INDUSTRY TO MEET REGULATIONS.

SEBASTIAN SCHRADER

Project Manager, Forestry in Liberia, SGS Governments and Institutions Services

"Following the end of the Second Liberian Civil War in 2003, trade slowly began to open up resulting in the United Nations withdrawing restrictions on timber exports which used to fuel the purchase of weapons.

I joined SGS in 2012 and now manage the LIBERFOR initiative, leading a team of 47 SGS employees who ensure the chain of custody, traceability and tax collection for all timber exported from Liberia (approximately 240 000m³ of timber in 2012, equivalent to 50 000 logs, which has generated CHF 9.1 million of tax revenues). The project is the only one of its kind in the world and SGS has worked with the Liberian government from the outset to help them re-establish responsible trade in timber. We firstly had to set up and manage a comprehensive database, capable of handling the tagging and traceability of individual trees. SGS services grew with the industry over the years and we now barcode every tree which is felled, thereby helping the timber industry to meet the strict regulations imposed by the European Union from March 2013.

Many countries are now entering into voluntary partnership agreements with the European Union that binds them to implement similar systems to LIBERFOR. As experts in this area, SGS will be playing a huge part in ensuring that both human rights and tropical rainforests are protected in the future."

ACCORDING TO CATALYST, THE SGS ENGAGEMENT SURVEY, 75% OF EMPLOYEES ARE AWARE OF OUR SUSTAINABILITY TARGETS AND UNDERSTAND THE IMPORTANCE OF SUSTAINABILITY TO THE BUSINESS.

ALLY SONG
Human Resources, SGS Shenzhen

OUR APPROACH TO CORPORATE SUSTAINABILITY

EMBEDDING SUSTAINABILITY / SUSTAINABILITY MANAGEMENT SYSTEM / MANAGEMENT APPROACH / DEFINING MATERIALITY / MANAGING RISK / ISO 26000 / MEASURING PERFORMANCE / THE GREEN BOOK / OUR STAKEHOLDERS / STAKEHOLDER DIALOGUE / GROUP POLICIES AND GUIDELINES /

INTEGRATING SUSTAINABILITY INTO EVERYTHING WE DO

OUR SUSTAINABILITY VISION IS TO MANAGE A LONG-TERM, PROFITABLE BUSINESS WHILE TAKING INTO ACCOUNT ALL THE POSITIVE AND NEGATIVE ENVIRONMENTAL, SOCIAL AND ECONOMIC EFFECTS WE HAVE ON SOCIETY.



At SGS, our sustainability mantra, to 'do more with less', has never been more pertinent as the business proceeds with its ambitious growth plan. Our 2014 sustainability goals are structured around our four sustainability pillars and are designed to support the Company by maximising efficiency and productivity while minimising cost and negative impacts on the environment. They focus on driving operational excellence, reducing our environmental impacts, promoting SGS as an employer of choice and contributing to the communities we operate in.

DID YOU KNOW?

SGS HAS LAUNCHED THE GREEN BOOK, A PIONEERING INSTRUMENT WHICH ANALYSES THE FINANCIAL EFFECT OF OUR SUSTAINABILITY PERFORMANCE.

200

In 2012, there are more than 200 sustainability projects involving over 500 managers globally

92

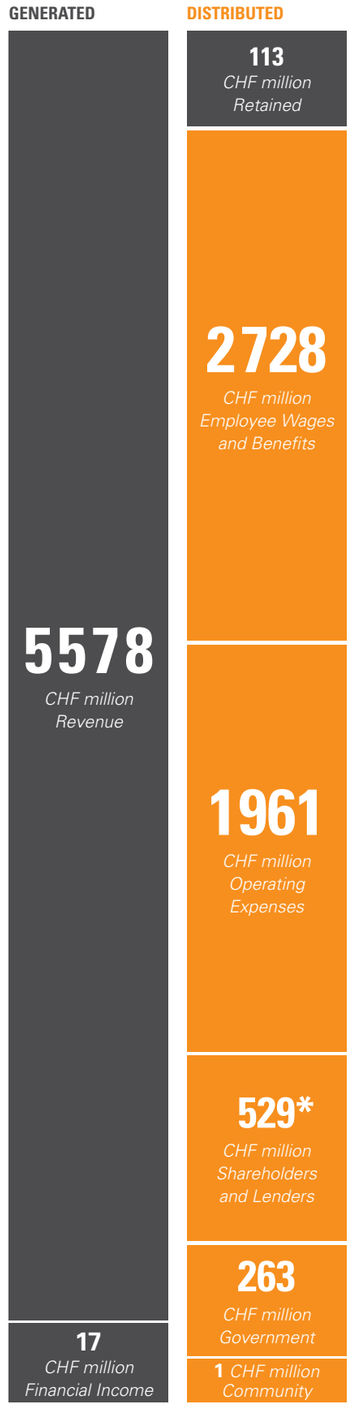
performance indicators are used to measure and monitor sustainability in every country SGS operates in

SGS received a positive review by Bilanz, an influential Swiss business magazine, following a ranking of listed companies in Switzerland using 100 sustainability performance indicators.

7

according to estimations in our Green Book, the cost of our sustainability performance is equivalent to 7% of revenue

SGS GROUP STATEMENT OF ECONOMIC VALUE GENERATED AND DISTRIBUTED



*Dividends due to non-controlling interests and to shareholders as proposed by the Board of Directors.

HOW SGS IS EMBEDDING SUSTAINABILITY GLOBALLY

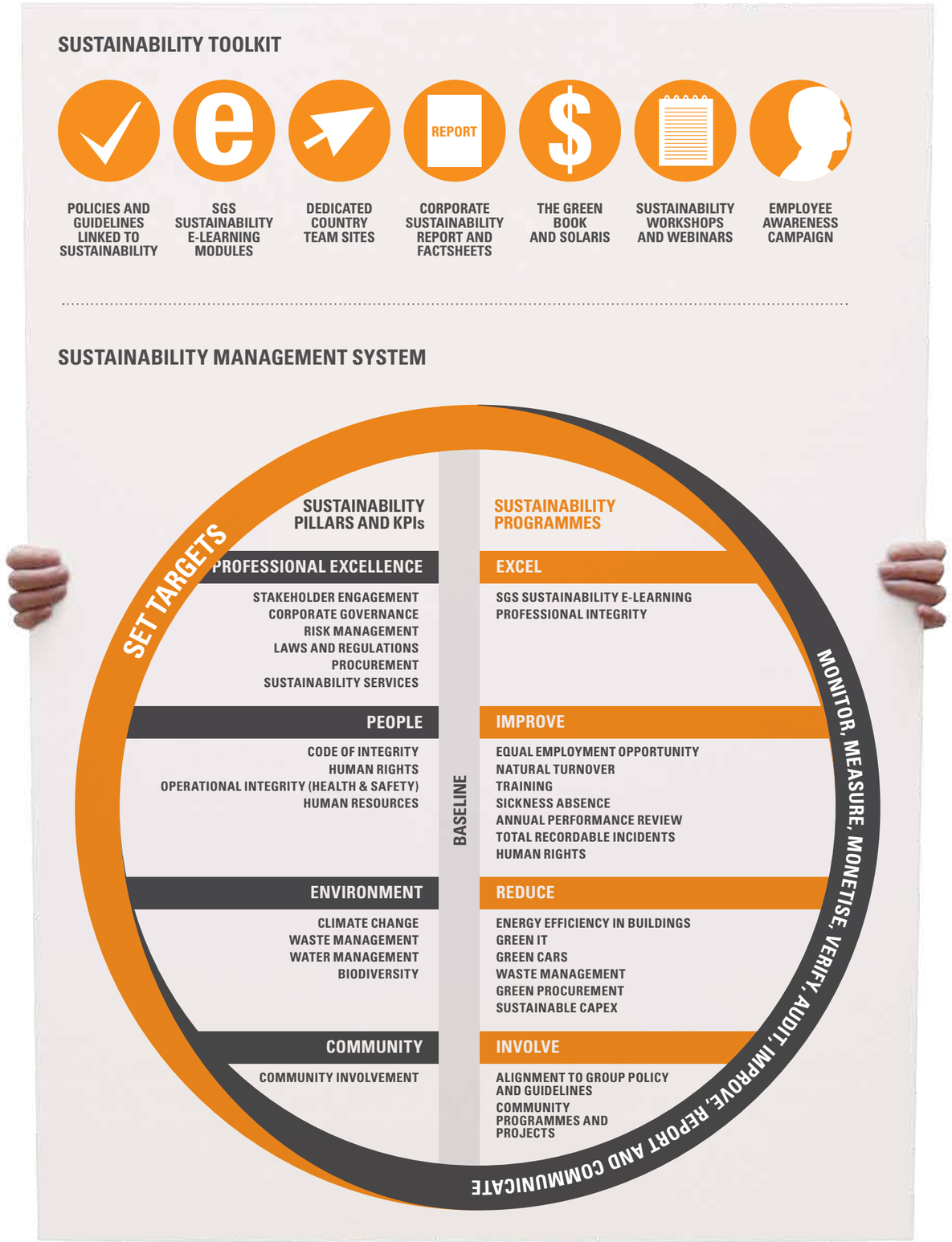
DANIEL RÜFENACHT
Vice President, Corporate Sustainability

"Equipping the business to achieve our 2014 goals has required investment in establishing a robust management system, evolving our reporting approach and integrating sustainability principles and priorities into our business strategy, operations and culture. The programmes described in this report illustrate the extent to which sustainability is being managed through a collaborative process with core business functions. Today, our affiliates have committed to more than 200 projects and initiatives designed to help us meet our 2014 sustainability goals and deliver direct benefits to our business and communities locally. This 'top down and bottom up' approach appears to be effective in embedding sustainability through our global business. During 2012, we hosted another series of workshops and launched new projects with affiliates. I have been impressed with the commitment from business managers and employees, both in our affiliates and at corporate level, to drive our sustainability programmes. We are already starting to see some improvement in performance and I am confident that we have the right programmes, people and passion in SGS to realise our vision.

We are committed to upholding the highest standards to ensure our business operates in a sustainable way. As an industry leader, and in support of this aim, we have completed a successful gap analysis of our approach using the principles, fundamental practices and core subjects in the ISO 26000 standard."



TODAY OUR AFFILIATES HAVE COMMITTED TO MORE THAN 200 PROJECTS AND INITIATIVES DESIGNED TO HELP US MEET OUR 2014 SUSTAINABILITY GOALS AND DELIVER DIRECT BENEFITS TO OUR BUSINESS AND COMMUNITIES LOCALLY.



MANAGEMENT APPROACH

Sustainability is governed by the SGS Sustainability Steering Committee which meets twice yearly and is responsible for developing strategy, reviewing performance and agreeing core programmes and targets. Chaired by the Chief Executive Officer, the Committee comprises Chief Operating Officers, Executive Vice Presidents and Vice Presidents across our regions.

The Corporate Sustainability team, led by the Vice President for Sustainability, who reports into the Chief Executive Officer, oversees the Group's core sustainability programmes and management system, supports the affiliates on sustainability matters, and liaises with external stakeholders including the World Business Council for Sustainable Development (WBCSD), the Carbon Disclosure Project (CDP) and the Global Reporting Initiative (GRI).

SGS operations are governed by corporate policies which define the parameters for operating in a responsible and sustainable way. A number of these can be viewed on our Company website.

THE SOCIAL RESPONSIBILITY ASSURANCE TEAM IN SGS HAS BEEN TASKED WITH COMPLETING A FULL ISO 26000 PERFORMANCE ASSESSMENT OF THE COMPANY'S OWN SUSTAINABILITY APPROACH, STARTING WITH A GAP ANALYSIS IN 2012.

APPLYING RIGOUR TO OUR OWN SUSTAINABILITY SYSTEMS AND PROCESSES

REBECCA BOWENS
Global Product Manager, Sustainability Report Assurance, SGS Systems and Services Certification

"ISO 26000 was introduced in 2010 to promote sustainable development by providing a framework of guidance to enable organisations to engage in socially responsible behaviours. Developed using a multistakeholder process with over 400 experts from 80 countries, it has a Memorandum of Understanding with the ILO, UNGC and OECD. SGS has developed a performance assessment methodology aimed at evaluating the extent to which organisations are adhering to expectations within ISO 26000, and thereby grading an organisation's performance in relation to social responsibility principles, fundamental practices and core subjects.

The Social Responsibility Assurance team in SGS has been tasked with completing a full ISO 26000 performance assessment of the Company's own sustainability approach, starting with a gap analysis in 2012. This will result in a Statement of Performance demonstrating the grading level achieved. SGS will benefit from a detailed review of its systems and processes to identify areas of strength and weakness, enabling enhanced social responsibility and benefits gained from improved relations with its stakeholders.

As a sustainability professional, I am delighted that SGS has committed to the gap analysis. It gives me enormous satisfaction knowing that my employer is willing to subject its own operations to the same rigour it applies to client operations."

DEFINING MATERIALITY

We use our expertise, knowledge of markets and dialogue with stakeholders to identify, prioritise and review emerging sustainability issues. We align our data monitoring and reporting on material issues to the AA 1000 Principles standard, GRI G3.1 Guidelines (A+) and ISO 26000, as well as institutional, financial, governance and risk related reporting.

We engage our stakeholders in our sustainability approach through formal and informal dialogue at local and corporate levels. This engagement is helpful on two counts: first, we use stakeholder views and opinions to both inform the development of sustainability services and the management of our business impacts; second, we canvass opinion on what information stakeholders are interested in as part of our annual reporting cycle.

During 2012, SGS engaged in a number of dialogues with stakeholders as part of our materiality approach (see our Stakeholder Map, p.44-45).

MANAGING RISK

The Board of Directors is responsible for the ultimate direction of the Group which includes the assessment of risks facing the business and the review of risk management and mitigation policies. The Board assesses risks on a yearly basis, with active participation and input from management. Identified risks are assessed according to likelihood, severity and mitigation. The Board also deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility for implementation of such measures. The Audit Committee supports the Board in a number of ways including the appropriateness of risk management, regulatory compliance and the reliability of internal financial and operational information.

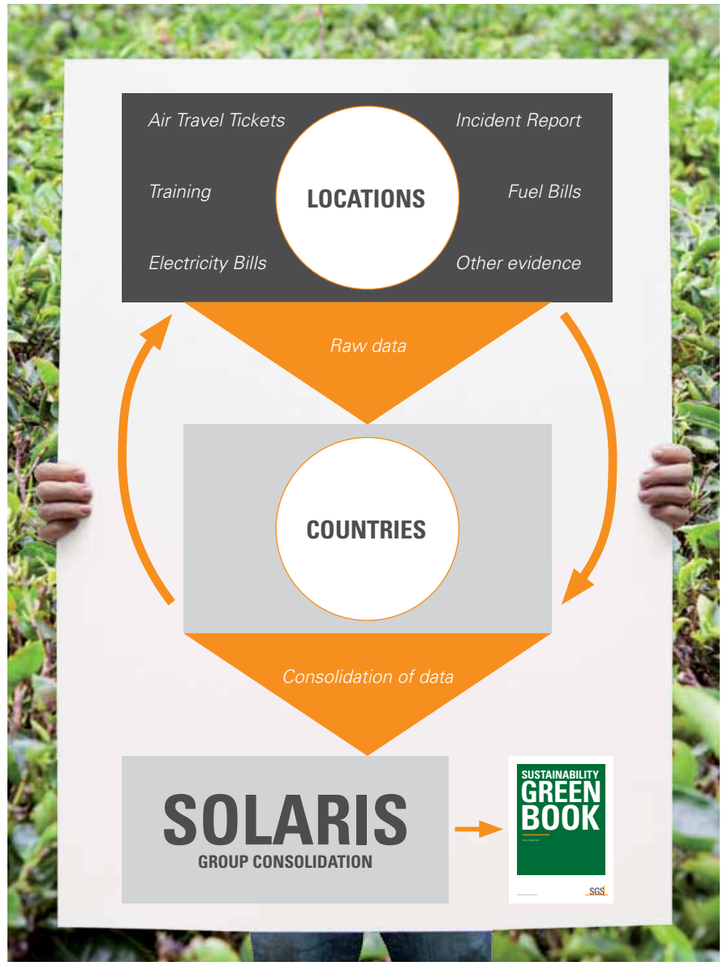
Sustainability parameters are an integral part of the overall assessment of risk at SGS, which includes an evaluation of the impact of regional and global factors such as climate change. The Sustainability Steering Committee oversees sustainability-related impacts and risks. During 2012, our evaluation of sustainability risks was further strengthened by the creation of the Green Book, enabling us to quantify risks and opportunities relating to our sustainability performance. Using this intelligence, we have begun to refine our sustainability risk matrix for presentation to the Sustainability Steering Committee in 2013.

MEASURING PERFORMANCE

All countries are required to report on their sustainability performance every six months. Data is systematically collated and consolidated via Solaris, our sustainability data management system, which is overseen by the Group Financial Controlling Team. Using 92 performance indicators, Solaris tracks Group performance across professional excellence, people, environmental and community parameters.

Formal guidance for affiliates is provided in the SGS Group Sustainability Control and Reporting Manual (GSM) and is supported with training and webinars during the year as well as a dedicated Solaris team site.

We embarked on a programme in 2010 to audit our data management system at country level to provide assurance on data accuracy and materiality. By the end of 2012, all trend countries on which we report, and an important number of countries outside the existing scope (representing 91% of Group revenue and 91% of employee headcount in total), had been audited by our second party auditors and corrective actions are currently being implemented.



GOING BEYOND GREEN ACCOUNTING

THE GREEN BOOK

The Green Book is a new tool to assess and monitor the financial impact of our sustainability performance. This innovative model is helping us to improve our people performance, reduce our environmental impact and understand how sustainability can detect operational efficiencies in order to achieve our targets to 2014 and beyond. For example, we measure costs related to turnover, sickness absence, energy, CO_2, and many other sustainability KPIs material to our business. To date, we estimate that the cost of our sustainability performance is equivalent to 7% of revenue.

ESTHER BARES
Project Manager, Corporate Sustainability

"The Green Book is a pioneering tool prepared every six months to equip senior management with a global view of risks and opportunities linked to our sustainability performance. Essentially, it uses qualitative, quantitative and financial metrics to assess material sustainability risk themes (hot spots) and trends by highlighting the relative and absolute exposure of sustainability performance at local and Group levels. This enables us to determine if action is required to mitigate or eliminate risk or whether there is value to be derived from our current approach, in terms of promoting best practice across our affiliates through shared learning and understanding of improved performance. Although we are in the early days, it is clear that the Green Book is beginning to influence our decision-making around our management of sustainability risks and opportunities at all levels in the organisation. I am very excited about the potential of this tool in giving SGS the cutting edge when it comes to driving sustainability performance."

OUR STAKEHOLDERS

During 2012, the Corporate Sustainability team in collaboration with the Chief Operating Officers, Executive Vice Presidents and Managing Directors, reviewed our stakeholder map to ensure it reflects the nature of our existing relationships with stakeholders.

In this section, we highlight examples of the types of stakeholder dialogue that took place during 2012, summarise feedback from stakeholders, and explain how SGS is responding or planning to respond to stakeholder comments and expectations.



OUR APPROACH

EMPLOYEES AND SUB-CONTRACTORS

How we engage and respond to our stakeholders	
Face-to-face dialogue	O
Internal workshops and meetings (p.40)	O
SHINE Onboarding (p.60)	O
Performance reviews (p.17)	A
L&D programmes (pp.60)	O
CATALYST employee engagement survey (p.64)	A
SGS Intranet/CEO Corner/ Team sites and portals	Q
SGS Inside newsletter/Local newsletters	O
Internal campaigns (eg SGS Rules for Life pp.68 and 'Do more with Lëss' pp 66)	P
Mobile phone apps/social media	P
Corporate Sustainability Report/Fact Sheet/Survey	A
E-learning Survey (p.54)	O
Community Survey (p.83)	A

Stakeholder input into sustainability materiality approach

Our global employee engagement survey in August and September involving 18 000 respondents measured employee engagement in sustainability.

Employees completing the SGS sustainability e-learning module were invited to participate in an online survey.

A sustainability workshop with elected employee members of the SGS Euroforum was held in Prague in September.

Employees can contact our Integrity helpline to raise concerns with regard to our Code of Integrity.

CUSTOMERS

How we engage and respond to our stakeholders	
Face-to-face dialogue	O
Site visits and business meetings	O
Corporate website/Business web pages	O
Integrity of services (p.35)	P
Company brochures	O
Trade shows and seminars	P
White Papers	P
Corporate Sustainability Report/Fact Sheet/Survey	A

Stakeholder input into sustainability materiality approach

Over 885 stakeholders responded to our annual survey inviting feedback and suggestions on our report content.

TRADE BODIES AND ASSOCIATIONS

How we engage and respond to our stakeholders	
Direct dialogue	O
Workshops and meetings	P
Corporate website	O
Conferences	P

SUPPLIERS, BUSINESS PARTNERS AND CONSULTANTS

How we engage and respond to our stakeholders	
Direct dialogue	O
Workshops and meetings	O
Site visits	P
Sustainability Screening Questionnaire	P
Corporate website	O
Social media	P

Stakeholder input into sustainability materiality approach

Over 885 stakeholders responded to our annual survey inviting feedback and suggestions on our report content.

SHAREHOLDERS

How we engage and respond to our stakeholders	
Briefings and presentations	O
Face-to-face meetings	P
Annual General Meeting	A
Corporate website	O
Annual Report and Accounts	A
Corporate Sustainability Report/Fact Sheet/Survey	A
Responses to questionnaires and information requests	P

Stakeholder input into sustainability materiality approach

Sustainability presentations were given at our investor day in South Africa and during the 'Half Way to the Plan 2014' presentation by our Chief Executive Officer in October.

FINANCIAL COMMUNITY AND SOCIALLY RESPONSIBLE INVESTORS

How we engage and respond to our stakeholders	
Regular briefings and presentations	O
Corporate website	O
Annual Report and Accounts	A
Corporate Sustainability Report/Fact Sheet/Survey	A
Economic Value Generated and Distributed (p.39)	A
Sustainability Presentations	P

Stakeholder input into sustainability materiality approach

Various presentations on our sustainability approach were made to financial and academic institutions, NGOs and to professionals in the energy and carbon sectors.

Sustainability presentations were given at our investor day in South Africa and during the 'Half Way to the Plan 2014' presentation by our Chief Executive Officer in October.

MEDIA

How we engage and respond to our stakeholders	
Regular briefings/press releases	P
Corporate website	O

O *Ongoing* A *Annual* Q Quarterly P *Periodic*

SPECIAL INTEREST GROUPS, NGOS AND ACADEMICS

How we engage and respond to our stakeholders	
Face-to-face dialogue	P
Conferences and meetings	P
Corporate website	O
Responses to questionnaire	P
Carbon Disclosure Project questionnaire response	A
Geneva University workshop (p.47)	P
Human Rights (p.52)	O

Stakeholder input into sustainability materiality approach

Various presentations on our sustainability approach were made to financial and academic institutions, NGOs and to professionals in the energy and carbon sectors. Feedback collection from critical friends.

A workshop involving graduates on a CSR Diploma of Advanced Studies course was held at Geneva University in November to discuss and review materiality issues and reporting approach for SGS.

LOCAL COMMUNITIES

How we engage and respond to our stakeholders	
Face-to-face dialogue	O
Employee engagement and volunteering in community projects (p.80)	O
Corporate engagement in community programmes	O
Corporate website	O

Stakeholder input into sustainability materiality approach

Over 885 stakeholders responded to our annual survey inviting feedback and suggestions on our report content.

AUTHORITIES, GOVERNMENTS AND REGULATORS

How we engage and respond to our stakeholders	
Face-to-face meetings	O
Business organisation meetings	O
Written communication	O
Corporate website	O
Corporate Sustainability Report/Fact Sheet/Survey	A

Stakeholder input into sustainability materiality approach

Our materiality approach is informed by the evolution in sustainability regulation at local and global levels (eg carbon tax in Australia).

UNIONS AND WORKS COUNCILS

How we engage and respond to our stakeholders	
Annual meetings	A
Dialogue and briefings with union representatives	P
Meetings with European Works Council/ Euroforum	O

Stakeholder input into sustainability materiality approach

A sustainability workshop with elected employee members of the SGS Euroforum was held in Prague in September.

SGS INTRODUCED A SUSTAINABILITY ENGAGEMENT INDEX (SEI) TO GAUGE THE LEVEL OF EMPLOYEE AWARENESS AND INVOLVEMENT IN OUR SUSTAINABILITY APPROACH.

DIALOGUE WITH INVESTORS AND RESEARCH ANALYSTS

We actively engage with investors and research analysts to share information relating to our business and sustainability approach. During 2012, Sustainable Investment Research International rated SGS for disclosure on a range of sustainability parameters and the results indicated that SGS performs consistently higher in all areas when compared to industry averages.

During 2012, SGS responded to multiple information requests from investment institutions, research companies and analysts including EthiFinance, BNP Paribas Asset Management, Vigeo, Trucost, and the Carbon Disclosure Project. In addition, a number of presentations on SGS' sustainability approach and performance were made to investor audiences including participation in an SGS Investor Day in South Africa in October, which involved over 30 investors and the media.

EMPLOYEE ENGAGEMENT

In the People section, we share the outcome of our new global employee engagement programme, CATALYST. The survey included questions linked to an externally benchmarked Employee Engagement Index (EEI) and Performance Excellence Index (PEI), which will be used to track areas of employee engagement and performance that are considered critical to business success. Alongside this, we introduced a Sustainability Engagement Index (SEI) to gauge the level of employee awareness and involvement in our sustainability approach. While the SEI is not externally benchmarked – SGS is the first company to use it – results indicate that 75% of employees are aware of our sustainability targets and understand the importance of sustainability to the business. This is an extremely strong base on which to build employee engagement and action in the workplace.

STAKEHOLDER FEEDBACK ON OUR REPORTING APPROACH

Every year we invite feedback from stakeholders and actively use this to improve our reporting and management approach. Over 885 stakeholders responded to our online survey, the majority of whom were employees. Responses were received from managers and employees across all regions, with the highest response levels in South East Asia Pacific, North America and Western Europe.

Most respondents have an interest in sustainability, being either 'very', 'quite interested' or an 'expert' in sustainability. 60% of respondents had read our 2011 report, with 40% either being 'aware of it' but had not read it, or were 'not aware' of it.

Respondents had an overall positive view of SGS' sustainability performance, with 64% expressing a 'good' or 'excellent' view. Less than 3% considered our performance to be 'below average' or 'poor'. When compared to the previous year, the majority considered our performance to be 'somewhat' or 'significantly' improved in 2012. Of those who had read our 2011 Report, 85% found it 'interesting and informative' or 'quite interesting and informative'.

This year, we are specifically addressing the following areas based on feedback from stakeholders in 2012:

Improving the overall design and readability of graphs and performance data

More case studies involving employees and a greater focus on the people behind the programmes

More detailed reporting on stakeholder feedback and how SGS is responding

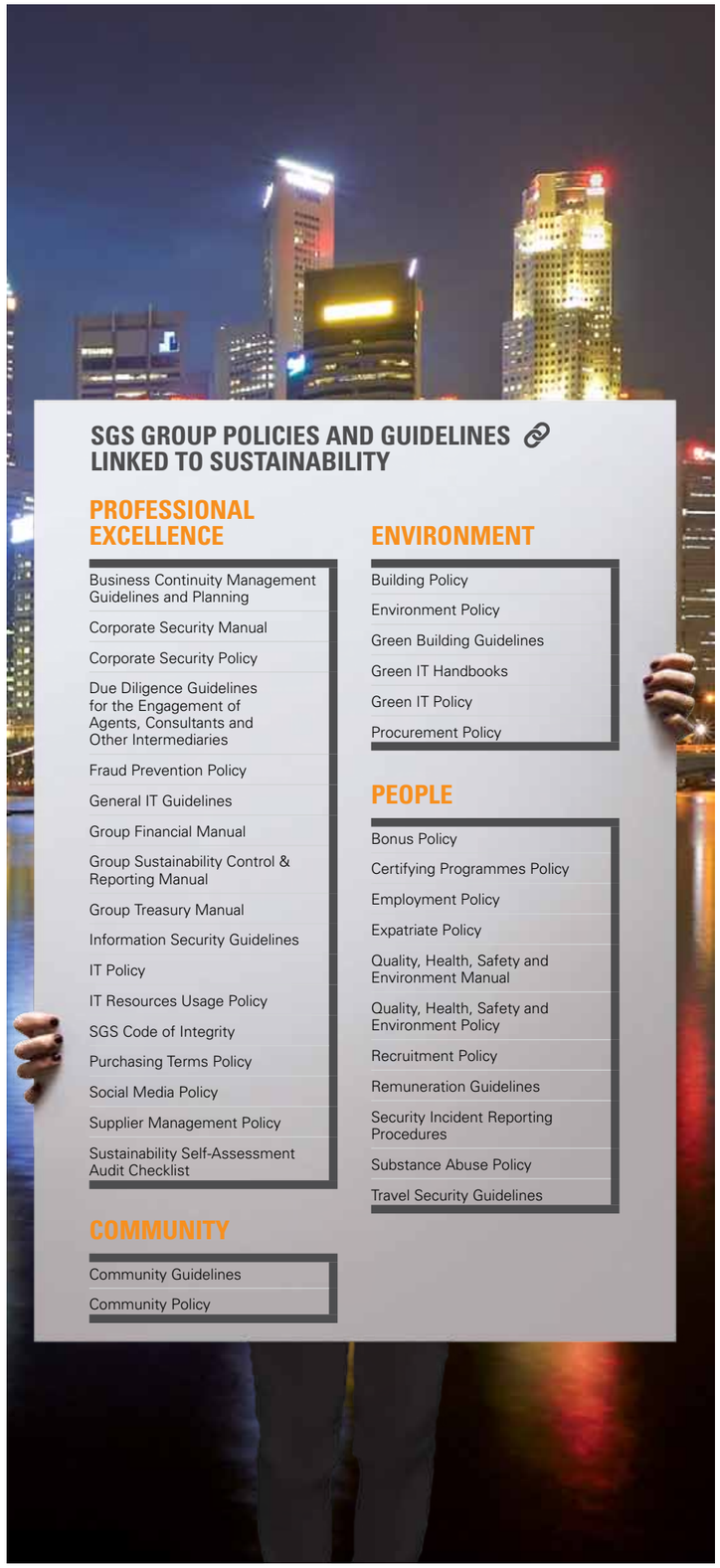
DIALOGUE WITH ACADEMICS

In September 2012, members of the Corporate Sustainability team delivered a module to international business and sustainability professionals participating in the CSR Graduate Programme at Geneva University. This included presentations on SGS' approach to sustainability, risk and materiality, as well as dialogue on SGS sustainability reporting.

We heard a clear message about the opportunity for SGS to be more proactive about the direction we are travelling in and to show leadership in reporting, rather than appearing neutral. This is a fair comment and one that we will look to build on as we progress with our sustainability goals up to and beyond 2014. We also noted the request for more comparability of reported performance data. The benchmarking of this year's report to GRI A+ may help to an extent, and we have taken on board the request for greater context around performance, particularly in areas such as energy consumption and carbon emissions. We intend to build on comments asking for more detail around our suppliers and supply chain, and more upfront discussion of key challenges, as well as our position on emerging trends and controversial issues to show how SGS is thinking about them.

PROF. MICHAEL HOPKINS
Director, CSR Graduate Programme, Geneva University

"I was very pleased to receive the SGS Corporate Sustainability team to engage with our lively and experienced delegates. One of the criticisms posed to companies is that they produce excellent reports but that their data may not show the whole and true picture (ie companies 'walking the talk'). That SGS exposed their work and preliminary drafts to a detailed examination by our delegates shows SGS' commitment to accurate and comprehensive reporting, while also being mature enough to accept constructive and open criticism. We hope to continue our dialogue with SGS in the future and thereby contribute to mutual benefits between their team and our aspiring next generation of CSR analysts."



IN SGS WE NEED PEOPLE WHO ARE REALLY PASSIONATE ABOUT DEVELOPING SUSTAINABILITY FOR FUTURE GENERATIONS.

NITHI THAYANITHI
Project Leader, Life Science Services, SGS Singapore

PROFESSIONAL EXCELLENCE

MANAGEMENT APPROACH / UPDATED CODE OF INTEGRITY /
HUMAN RIGHTS / STRATEGIC TRANSFORMATION /
SUSTAINABILITY E-LEARNING / PROTECTING OUR ASSETS & REPUTATION /
INTEGRITY OF SERVICES / PROCUREMENT /

INTEGRITY IS THE REASON WHY THE BEST BUSINESSES CHOOSE TO WORK WITH SGS

MANAGEMENT APPROACH

The quality, accuracy and integrity of SGS services are of paramount importance and are continually reviewed and improved through a range of corporate functions including Compliance, Operational Integrity and Strategic Transformation. Our overall performance is overseen by the Professional Conduct Committee which is chaired by the non-executive Chairman of the Board of Directors, Sergio Marchionne, and is regularly reported to the Operations Council. SGS Group commitments relating to our service responsibility are formalised in the SGS Code of Integrity. As a provider of inspection, verification, testing and certification services, SGS is required to achieve a wide range of accreditations in order to meet legal or customer-specific requirements. These can be found on our corporate website www.sgs.com

DID YOU KNOW?

29

The revised Code of Integrity is translated into 29 languages

91

We have completed our first three-year cycle of sustainability data auditing in countries representing 91% of SGS revenue

18

A team of 18 specialists provides employees and customers with improved safety, security and integrity

97

% of employees in Singapore completed

INTEGRITY IS AT THE HEART OF SGS. THE TRUST THAT WE INSPIRE IN OUR CUSTOMERS AND STAKEHOLDERS IS THE KEY TO OUR SUCCESS AS AN ORGANISATION AND AS INDIVIDUALS.

CHRISTOPHER KIRK
Chief Executive Officer



COMMUNICATING OUR NEW CODE OF INTEGRITY

SOPHIE BESNARD
International Legal Counsel, SGS Legal and Compliance

UPDATED CODE OF INTEGRITY

The SGS Code of Integrity sets out the standards of business conduct required from all employees, officers and directors of SGS and its affiliated companies. The Code encourages employees to think about their individual and collective commitment to building trust with our customers and other stakeholders and within our organisation.

The SGS Code of Integrity was revised in 2011, taking into account a number of internationally respected benchmarks and standards which included the United Nations Declaration on Human Rights, anti-corruption legislation and ILO Conventions.

THE REVISED CODE WAS COMMUNICATED TO ALL AFFILIATES DURING 2012.

All aspects of the Code, which are not specifically related to SGS employees, must also be adhered to by contractors, consultants, freelancers, joint venture partners, agents, subcontractors, and anyone acting on behalf of, or representing SGS.

Each year, all employees are required to undergo training on our Code of Integrity. During 2012, we created 25 training cases which challenged employees to consider the right course of action in situations they might possibly encounter at work. These cases were distributed throughout the business in 14 languages and delivered through a network of over 100 in-house integrity trainers and managers who held workshops to discuss aspects of the Code. We are currently in the process of developing revised training for new employees to learn about SGS standards of integrity which will be launched in 2013.

"Relaunching the Code of Integrity was a major initiative for us during 2012. We had consulted widely on the revised content and wanted to be sure that this was communicated and understood throughout the Company. Translating the Code into 29 languages was itself a major task as we had to be sure that the fine detail was accurately interpreted. We used experts within SGS to critically check our translations and advise where changes were needed.

We created an audio presentation with our Chief Executive Officer and Chief Compliance Officer describing the Code and emphasising its importance. This was presented early in the year to all managers worldwide. We backed this up with a poster campaign based around the THINK concept. These posters were translated and replicated by our affiliates. The official relaunch was in March 2012 when we held an integrity day in Geneva, distributed the Code and asked employees to describe the five integrity principles. It was good to see that this generated a lot of discussion which helped to raise awareness and profile."

INTEGRITY TRAINING IN RUSSIA

JULIA KOLOMENKO
Legal Counsel, SGS Russia

"Each year I am responsible for the Code of Integrity training for employees at SGS in Russia. This year was especially interesting because of the changes that have been made to the Code. Overall, we had 1 500 people to train and so I started by training approximately 30 employees in each of the six branches of SGS in Russia who then became trainers for their teams. We used a combination of the three menus of case studies to make sure that the training content reflected people's jobs and addressed potential real life situations. The sessions were lively with plenty of discussion around many topics of the Code, but especially around situations that people faced when carrying out inspections. It was very useful, we looked at ways of solving problems that existed in real life. Although most cases in the training pack related directly to our local situation, there were some which we adapted a little to be more precise about how to apply the code in the context of Russian legislation.

Another area of focus was the integrity hotline and how to report concerns. People generally felt comfortable using the hotline if they needed to, and it was useful to be able to discuss how it worked in practice."

IT IS ESSENTIAL THAT EMPLOYEES KNOW WHERE TO GET HELP AND WHO TO CONTACT IF THEY HAVE SERIOUS CONCERNS RELATING TO THE CODE OF INTEGRITY. PEOPLE SHOULD NOT FEEL FRIGHTENED ABOUT DOING THIS.

RAISING CONCERNS

SGS provides a number of ways for employees to raise concerns about the Code of Integrity in confidence and in the knowledge that they will be investigated. Issues or questions can be raised directly with line managers, to the Chief Compliance Officer or through an independent external integrity helpline which is also available to all suppliers and business partners.

HOW TO RAISE CONCERNS

OLIVIER MERKT
General Counsel - Chief Compliance Officer

"With the launch of the revised Code of Integrity, we took the opportunity this year to strengthen our communications on how to raise concerns. Specific cases that highlighted when and how to raise concerns were included in our Annual Integrity Training which is run globally for all employees, as well as in our e-learning for new starters.

It is essential that employees know where to get help and who to contact if they have serious concerns relating to the Code of Integrity. People should not feel frightened about doing this. My message to our employees and business partners is to talk about any concerns they have at an early stage before the problem escalates and risks harming them, their colleagues or SGS. In the first instance, people can talk to their line manager, Chief Operating Officer, Executive Vice President, or Managing Director. If they feel unable to speak to line management, they can report their concerns directly and confidentially to me by phone or by email."

SGS OPERATES A CONFIDENTIAL TOLL-FREE INTEGRITY HELPLINE WHICH IS AVAILABLE 24 HOURS, EVERY DAY.

HUMAN RIGHTS

In 2011, the United Nations Human Rights Council endorsed the Guiding Principles on Business and Human Rights which provide guidance for businesses to assess and manage the risk of human rights violations that are linked to business activity. We are in the process of integrating these principles into our human rights self-assessment project. In assessing human rights risks, we are aware of the need to pay particular attention to security personnel employed in high risk countries or regions. During 2012, Corporate Security completed a risk assessment of our global mining business, which included physical security arrangements and the employment of guards. We did not identify any reasonable likelihood of security personnel engaging in human rights abuses.



UPHOLDING HUMAN RIGHTS

GERALDINE MATCHETT
Chief Financial Officer

"SGS provides services in a multitude of locations, which include countries that are involved in conflict or that are undergoing political, social or economic instability. We continuously monitor the regions where we operate for signs of elevated risks to human rights. This monitoring also takes into consideration the possible risks to our own employees' safety and security.

Regional monitoring and associated decision-making fall under the direct responsibility of the SGS Operations Council which carefully assess our scope of involvement in the region and weigh up the various risks. We also continuously assess any potential direct or indirect human rights impacts of our own operations and seek to better understand and discharge our responsibilities under the UN Guiding Principles.

The Operations Council considers the following factors:

Legality: we comply with international legislation

Security: we safeguard the safety and security of our employees

Continuity: we attempt to remain operational to provide essential services that enable civil society to function

Independence: we preserve our independence, impartiality and neutrality

These help us arrive at a decision on whether or not to withdraw our services from countries or regions of concern."

IMPLEMENTING GOOD IDEAS

FILIPPO ROTA
Vice President, Strategic Transformation

"The service delivery model which has been shaped for Strategic Transformation and designed around Business, Region and Central expertise, is demonstrating its validity. This organisation allows our group to be faster, more pragmatic and to better target the priorities defined by the businesses and regions to manage projects across the company in key business areas. There are many examples where the drive for process optimisation has also identified opportunities to improve our sustainability performance. Many parts of the business are assisting in identifying improvement areas, driving a proactive and constructive approach to efficiency across the company:

FOSTERING GROWTH – SALES MANAGEMENT PROGRAMME

During 2012 we reviewed our sales processes in eight countries and across six global sales teams which led to the alignment of sales processes along the entire sales pipeline and within similar sales groups. The combination of sales of process analysis and Customer Relationship Management implementation is demonstrating positive results. As a consequence, the revised sales management process and our Sales Pipeline Tool are now live in most of our business lines. This creates significantly improved visibility of the entire sales pipeline which leads to a more focused organisation and improved awareness of sales opportunities.

LABORATORY OPERATIONAL AND EXECUTION EFFICIENCY – SLIM AND LAB IMPROVEMENT PROGRAMMES

SLIM, our laboratory information management system, has been implemented in 197 laboratories with a further 35 planned for 2013. We have made some significant progress with the integration of laboratory instrumentation directly into SLIM, which optimises data recording, making it more efficient and reliable. This has a potentially significant impact on the value we deliver to customers.

The SGS Lab Excellence System now extensively supports the businesses by collating key information regarding major analytical capabilities, creating better visibility of all laboratory information, looking at laboratory capability, performance and identifying opportunities for efficiency improvement to optimise resources.

Lab Improvement has been working closely with businesses to develop more relevant KPIs and improvement initiatives setting up the basis for moving towards a world class standard.

INSPECTION METHODS STANDARDISATION – SIR PROGRAMME

The Standard Inspection Reporting (SIR) Tool captures best practice and provides a means of standardising the recording and reporting of inspection information. This tool has been developed through a very successful collaboration between Strategic Transformation, Information Technology and three business lines. Proof of concept was implemented across these three businesses during 2012 and the project will go live in 2013. It will enable inspectors to focus on key activities related to managing inspections, minimising the time needed to collate and report information.

BUSINESS SUPPORT ENHANCEMENTS – BACK-OFFICE PROGRAMME

Improvements in the efficiency of back-office support activities are now being driven across 40 countries within the SGS network. The appropriate usage of backoffice system functionalities is constantly monitored through specific KPIs linked in to our financial systems so that we can understand the financial impact of the various performance indicators and drive actions to improve business support activities. Examples include a reduction in days to invoice, decreased numbers of open orders and reduced credit notes. This back office improvement programme looks at the entire Order-to-Cash value stream to realise business opportunities from non-core activities, leaving the business to focus on creating value for customers, setting up a platform and model for process standardisation."

40

Improvements in the efficiency of back office support activities are now being driven across 40 countries within the SGS network

197

SLIM, our laboratory information management system, has been implemented in 197 laboratories with a further 35 planned for 2013

SUSTAINABILITY E-LEARNING

In 2011 we reported that we had rolled out interactive sustainability e-learning which provides employees with a background to sustainability and helps them to understand how they can contribute. The e-learning is available in nine languages and during 2012 we again had very positive feedback with 67% of employees indicating that the e-learning had increased their level of understanding of the subject.

CHAMPIONING SUSTAINABILITY IN SINGAPORE



LOVELINO ARBOLEDA
Valuation Analyst, Governments and Institutions Services, SGS Singapore

"In 2011, I volunteered to become a Sustainability Champion. One of my main tasks was to roll out the sustainability e-learning. We defined a clear project scope and objective to educate the Singapore staff to have an increased understanding of sustainability. We formed a team of 10 e-learning coordinators representing the business functions. Management was fantastic in supporting this. In only six weeks, we achieved a 97% completion rate. The first reaction from many people to the e-learning was that it was additional work and that sustainability was all about charity work, but through the training they learnt it covered many topics such as the wellbeing of employees and professional excellence. Once they realised that sustainability not only affects our business but also benefits the communities to which we belong, they wanted to get involved. Many people came forward to suggest ways in which they could participate. We now incorporate this e-learning into our induction training, covering between 20 and 30 new employees each month."

PROTECTING OUR ASSETS AND REPUTATION

In 2011, SGS made the decision to create a resource to investigate actual or potential threats to the business. A Global Head of Investigation Services was appointed to create a network of trained investigators who would be on hand to look into any issues that jeopardised the security of individuals or the integrity of the Company. During 2012, we appointed 18 investigators who have handled approximately 100 cases, providing employees and customers with improved safety, security and integrity.

CREATING A NETWORK OF TRAINED INVESTIGATORS

STEVE ELLIOT
Global Head of Corporate Security, SGS UK

"Rather than create a disconnected investigation function, we felt it would be more efficient to use people from within the business who already had knowledge of SGS. We sought people who had unquestioned integrity, good communication skills and a varied range of experiences within different parts of the Company. Their investigation role is in addition to their day job.

During 2012, we ran eight sessions to teach the networking investigation techniques and now have 18 people globally who can run professional investigations. Their varied backgrounds include inspection, operational integrity, sales, marketing, finance, back office management, and quality which means we are able to support each other if we are called to help areas of the business we are less familiar with. Between us, we speak 19 languages.

Over 50% of cases we look into are external threats to SGS or to our employees and so the role is vital. Throughout our work we share a passion across the investigation network for honesty, integrity, fairness and respect in the way we look into issues. We want people across the Company to see us as a resource that they can turn to if they have a problem. During 2013 we hope that more people will come forward to join the network so that we can provide true global coverage."

INTEGRITY OF SERVICES

The name of SGS is used across the world to validate the quality of goods and materials that are sold or traded. Purchasing an item with an SGS logo or certificate verifies that it has met a certain standard. In October this year, the Operations Council approved and sponsored an initiative to eliminate the falsification, adulteration or misuse of SGS certification documents. The project will target all areas where we have potential vulnerability and will provide further safeguards to customers and consumers who rely on SGS certification or validation.

PROTECTING SGS AGAINST DOCUMENT FRAUD

FRANCOIS MARTI
Executive Vice President, SGS Systems and Services Certification

"The approval of a new document protection project by the Operations Council is another sign of the professionalism of SGS in safeguarding the quality and reliability of its services. Modern technology is used to falsify or change our certification documents and it is essential that we remain ahead of these developments by putting controls in place that safeguard the integrity of our services. Although I am the individual sponsor of this project, it is sponsored by the entire Operations Council, which gives an idea of the importance SGS places on this aspect of our business.

We will be evaluating vulnerability, risks and controls along all elements of the SGS pipeline from the assigning of work to inspectors, completing analysis or inspections, recording results, loading results onto systems, publishing our work, distributing results, and monitoring the external usage of our outputs. We have already made an excellent start in this regard by working with leading trading websites, where the SGS name is used to show that a product or service has been checked by us. This work will be continued and expanded next year."

PROCUREMENT

Meeting the 2014 Plan involves an expansion of SGS' operations, combined with a drive for increased efficiency. This growth has created an opportunity to leverage both commercial advantage and environmental improvements throughout our supply chain as our purchasing influence increases. In the Environment section, we look at how policies such as the Green IT Policy and our Green Buildings Guidelines are being incorporated into purchasing decisions.

SOURCING LOCALLY

SEBASTIEN CRAMON
Global Category Procurement Manager

"SGS is moving towards central coordination in order to better leverage its buying power and maximise compliance to the global procurement policy which includes sustainability criteria. SGS selects its suppliers based on their overall capabilities to deliver optimum service locally, suppliers being either global or local. 70% to 80% of our expenditures are local."

6

In only 6 weeks, SGS Singapore has achieved a 97% completion rate of the sustainability e-learning

70

% to 80% of our expenditures are local



OUR PEOPLE

MANAGEMENT APPROACH / TALENT ACQUISITION /
SHINE - ONBOARDING / LEARNING AND DEVELOPMENT /
TALENT RETENTION AND REWARD / DIVERSITY & EQUAL OPPORTUNITY /
CATALYST - EMPLOYEE ENGAGEMENT / EMPLOYEES & THE ENVIRONMENT /
OPERATIONAL INTEGRITY /

WE EMBARKED ON AN AMBITIOUS PROGRAMME WHICH INCLUDED PROMOTING A GOOD WORK-LIFE BALANCE AND FOCUSING ON OPERATIONAL EFFICIENCY TO ENSURE OPTIMISED PRODUCTIVITY.

ARIEL MIRANDA
Managing Director, SGS Bangladesh

TIME TO SHINE

MANAGEMENT APPROACH

Global competition for talent is growing, with many companies, industry sectors and markets looking to attract the same pool of highly skilled people. The SGS Wheel of Talent guides our approach to acquiring, managing, developing and retaining talent in line with our business needs, while ensuring that employees are provided with the necessary support at every step of their journey with us.

DID YOU KNOW?

8 000

We welcomed over 8 000 employees into SGS in 2012

64

% of managing directors are recruited from the local labour market

18 000

More than 18 000 employees participated in our initial employee engagement survey, CATALYST

2013

SHINE, our new onboarding programme, was successfully piloted in France, the Philippines and Canada and will be launched globally in 2013

25

Total recordable incidents and lost time incidents have decreased by more than 25% and 20% respectively since 2010

75 000

Over 75 000 people are employed by SGS around the world

SUPPORTING GROWTH THROUGH PARTNERSHIP

DOMINIQUE BEN DHAOU
Senior Vice President,
Corporate Human Resources

"In 2012 we strengthened our Human Resources (HR) governance and aligned our HR programmes with key business priorities. We established a HR Governance Committee, developed HR Principles and hosted a global conference for corporate and regional HR managers. Highlights for the year included a massive talent acquisition programme and the successful piloting and implementation of our onboarding and employee engagement programmes. We have worked hard to build a competent, geographically diverse and multifunctional HR team which works in partnership with the businesses and functions to support the 2014 Plan. Looking ahead, 2013 will focus on using our global HR programmes and tools to maximise productivity and drive operational efficiency while ensuring employees feel motivated and stay focused on delivering against the 2014 Plan."

TALENT ACQUISITION

BUILDING OUR TALENT PIPELINE IN HR

VALÉRIE BLASCO
Head of Global Talent Acquisition

"As a global company with a diverse and attractive service portfolio, it is important that we attract the best international talent. With this in mind, we have launched the HR Discovery Pass to actively seek out highly qualified and diverse HR professionals. The programme recruits trainees in their local country and sends them on three six-month international assignments to immerse them in corporate and local HR teams, in order to develop their skills and enhance their knowledge of our culture, values and business. From experiencing our global headquarters through to working in local operations under our affiliates, trainees lead projects on improving HR processes, participating in recruitment and supporting new strategic programmes. HR Discovery Pass is proving an effective way of building a pipeline of talent in HR. We have shortlisted 25 candidates representing the breadth of diversity we are keen to see in our HR teams globally."











AS A SECTOR LEADER, OUR ABILITY TO ACQUIRE, MANAGE, DEVELOP AND RETAIN TALENT IS THE LIFEBLOOD OF SGS. OUR BUSINESS PLAN IS WHOLLY DEPENDENT ON OUR ABILITY TO ATTRACT, RETAIN AND OPTIMISE TALENT WHERE IT IS NEEDED IN ORDER TO GROW THE BUSINESS, NURTURE RELATIONSHIPS WITH CUSTOMERS AND DELIVER RESULTS.

CHRISTOPHER KIRK
Chief Executive Officer

ONBOARDING - A CHANCE TO SHINE

Officially launched in October 2012, SHINE provides a structured, disciplined approach to onboarding and is designed to make a significant, positive impact within the first six months of an employee's journey at SGS. During the year, nine global webinars were held involving managing directors and country and regional HR managers. Intensive training was provided to managers and employees to ensure that all key stakeholders were fully briefed about the programme and their role in ensuring its success. A comprehensive toolkit including training programmes is being translated and adapted for local use in preparation for new employee deployment from January 2013. The objective is to ensure all our employees receive a structured and well informed onboarding experience across the Group by completing the SHINE programme.

DURING THE YEAR, SGS FRANCE, SGS PHILIPPINES AND SGS CANADA PARTICIPATED IN A GLOBAL PILOT.

SHINE BENEFITS US ALL

SUSAN HUNTER

Human Resources Strategic Recruitment, SGS Canada

"SHINE is essentially about change management; it is integrating onboarding into the fibre of the organisation. We want managers to realise that giving everybody who joins SGS the same structured introduction and making them feel a part of our Company from the get-go is something that we can all benefit from. A key challenge for us is that many of our employees are in remote locations – they are the people who need the SHINE programme the most.

We have been using memory sticks to bring the programme to these people and make them feel engaged and supported. The programme has many positive outcomes, but one that we were not anticipating is how beneficial the programme is to existing employees. Many know the organisation well, but by being involved in SHINE as peer advisors – being the 'go-to' person for new employees – these employees are finding out so much about SGS that they were unaware of. We have seen the biggest change in these people as they learn more about the organisation, and they take great pride in their role as peer advisors."

EXPERIENCING SHINE

RAYMOND O. CASTOR

Inspector/QHSE – GUAM, SGS Philippines

"When I was informed that I needed to attend the SHINE Programme, I felt curious about it. Little did I know that SHINE is the signature programme of SGS designed to make you feel very welcome as an employee. I was informed about the Company profile, its history, culture, vision, values, and the SGS Code of Integrity and its principles. I was expecting it to be a bore, but it was presented in a way that caught my attention. The programme is very unique. I have never experienced a company orientation the way SGS formulated, designed and presented SHINE. It is a helpful and systematic way of welcoming, familiarising, guiding, and informing new employees on what to expect from day one. It will keep track of my progress and direct me on where I need improvement. With SHINE, I can easily assess which route to take for my personal growth in the Company that will benefit both. I am so glad that I made the decision to join a well recognised company in its field of expertise. I'm very proud to be a part of SGS."

LEARNING AND DEVELOPMENT (L&D)

Our vision is to contribute to our vitality and ongoing business success through a compelling L&D culture that brands SGS as an employer of choice. Our new global L&D strategy will be rolled out in 2013. Designed to create a 'performance contributing' approach, its goals create a road map that will ensure a strong partnership with business leaders to align all L&D activities to their dynamic market environments and challenges. It will also provide employees with opportunities for continued career development and progression.

SHINE IS A HELPFUL AND SYSTEMATIC WAY OF WELCOMING, FAMILIARISING, GUIDING AND INFORMING NEW EMPLOYEES ON WHAT TO EXPECT FROM DAY ONE.

DEBORAH O'DWYER

Global Head Learning & Development

TRAINING PROGRAMMES

SGS provides high quality training on vocational and technical skills enhancement as well as compliance-based learning (such as on the SGS Code of Integrity, operational integrity and sustainability). These ensure that employees are adequately equipped with the knowledge and technical know-how to meet our customers' and our own exacting standards. Many programmes are tailored by the affiliates. For example, 'The Moment of Truth' is a successful course designed by SGS Taiwan to develop team working and communications skills amongst sales staff, technicians and administrators.

LEADERSHIP DEVELOPMENT PROGRAMME

We continue to enhance this global programme aimed at developing future leaders within SGS. Module One, 'Building Collaboration', is well supported by our affiliates, with SGS Vietnam, the Philippines, China and Hong Kong all running it in 2012.

During the year, we revised Module Two, 'Essential Project Management for Leaders', with a pilot held in Europe and the first full revised programme taking place in Thailand which received positive feedback from participants.

BUILDING COLLABORATION IN EASTERN ASIA

DENNIS YANG

Chief Operating Officer, SGS East Asia Region

"In 2012, the Eastern Asia Region organised a 'Building Collaboration' training course in Manila and in Ho Chi Minh City involving 49 senior managers. This 'learning-by-doing' course provides fun, challenging and engaging exercises to develop effective collaboration, communication and teamwork which are essential when working cross-border with peers, subordinates and superiors.

Each course involves a mix of business line and function managers from different countries. Over three intensive days, the experience definitely helped with team working and cross-selling between countries and key accounts.

Following the course, participants defined and finalised eight Leadership Development Action Plans which they will lead and be regularly monitored on. This course delivers exceptional results by developing leadership skills in effective collaboration in order to maximise resources and offer best-in-class services to our customers."

MANAGEMENT DEVELOPMENT

SGS is committed to developing managers across all levels in the organisation. From locally developed programmes, such as supervisor training in Australia and Talent Pool in China, to the established Manager Passport and Managing People and Performance Programmes, our regions and affiliates are committed to developing the competencies of managers and future leaders in order to drive winning teams and deliver successful outcomes.

TAKING LEARNING TO A NEW DIMENSION

DEBORAH LANGDON

Human Resources Director – Regional Training, SGS North America

"Here in North America, we have used a cloud-based communication platform to empower our employees to search out information and knowledge. Learning content is now available 24 hours a day, seven days a week, providing open access to learning programmes on leadership development, annual integrity training, sales and marketing, performance management and safety. Adapting an 'asynchronous' learning style, employees have ready access to information and knowledge, whenever they need it. In addition, reporting capabilities through the learning platform allow us to view completion of content by individual employee or by training content."

49

In 2012, the Eastern Asia Region organised a 'Building Collaboration' training course in Manila and in Ho Chi Minh City involving 49 senior managers

AWARDS AND RECOGNITION

In February 2012, SGS Philippines and SGS Gulf were awarded the Investors in People (IiP) certificate by the People Management Association of the Philippines (PMAP) in recognition of our approach to managing and developing employees.

SGS INDIA RUNNER-UP IN BEST LEARNING ORGANISATION OF ASIA AWARDS

ASHOK GUJAR

Human Resources Director, SGS India

"SGS was delighted to be recognised for its business-driven approach and investment in learning and development in 2012. We combine rigorous training with continuous improvement. Our competitive and growth-driven culture encourages everyone to challenge the status quo and focus on continuous improvement. We nurture an environment where continuous redesigning of our competitive advantage is a way of life."

SGS INDIA CELEBRATES ENVIRONMENT WEEK

MONIKA SHARMA

Head of Soft Lines Division and Head of Sustainability, SGS India

"SGS India held its annual Environment Week to coincide with World Environment Day. Activities included a film screening, daily quiz, family-based competitions, an online seminar on indoor air quality, and tree planting. In addition, it held a 'Green Hour' during which power in various facilities was switched off, resulting in 2 800 kWh of electricity and 355 litres of diesel being saved."

TALENT RETENTION AND REWARD

REMUNERATION AND REWARD

During 2011, the Corporate Reward team was reinforced by the recruitment of two experienced team members who partner with Regional HR teams to ensure consistency across different geographies. In 2012, SGS paid CHF 2.7 billion in salaries and wages.

The Company offers competitive remuneration and provides a range of benefits designed to enhance the compensation of our employees. We have standard entry-level salary rates by division and region, which are equally applicable to both men and women. Thereafter, salaries are influenced by a number of factors including relevant experience and performance and the local labour market, and are subject to local laws and regulations. We benchmark remuneration by industry and geography across more than 35 countries to ensure consistency as well as external competitiveness. In 2013, we will expand our global initiative to evaluate job families and grading in order to further enhance consistency across the Group.

LOCAL MINIMUM WAGE

SGS ensures full compliance with minimum wage levels in countries where these are established by law. Where no specific law exists, a minimum wage is often established by collective bargaining agreements between SGS and union representatives. This is the case in certain European countries for example, where pay and employment conditions are negotiated at the regional or national level, with the possibility of establishing higher wage levels. As part of the enhancement of our remuneration governance implementation, we aim to evaluate the adequacy of entry-level salaries by relevant workforce families, with a view to reporting on these in 2015.

BENEFITS

Our benefits, which typically include retirement plans and healthcare cover, aim to be competitive and appropriate to the industry. These are largely determined at country level in accordance with local labour practices. Employee contributions to the success of SGS are recognised and rewarded through performance-related pay and variable remuneration such as incentive plans. Benefits are provided to permanent full- and part-time employees based in Geneva and other principal locations. Currently SGS does not have a global policy on benefits for employees on temporary contracts as decisions are made at affiliate level. At the highest level, top executives are rewarded in line with long-term Company and shareholder interests. Executive remuneration is reviewed and approved by the Nomination and Remuneration Committee of the Board of Directors. In addition to an annual performance-related bonus, the Board of Directors and the Committee may also grant discretionary cash bonuses to reward outstanding personal achievements, which may or may not be linked to financial performance. During 2013, we aim to explore how SGS might formally recognise sustainability performance as part of a balanced scorecard, using intelligence from The Green Book to help inform this approach.

SUCCESSION PLANNING

HR managers collaborate with businesses, functions and regions to continually review staffing needs and identify potential successors in key roles. As of 31 December 2012, more than 85% of key roles at corporate, business, function and regional levels had been reviewed and succession plans were put in place.

EMPLOYEE TURNOVER

Our employee turnover rate is influenced by a range of internal and external factors, and we rely on ongoing communication with our employees, exit interviews, our employee engagement survey, as well as market intelligence to understand the reasons why employees choose to stay or leave. Reviewing our attrition data, it is evident that turnover is highest in the initial 12 months of joining SGS and tends to stabilise after five years. We therefore believe that SHINE and CATALYST both have critical roles to play in helping us to manage and improve our performance around employee turnover.

EMPLOYEE REPRESENTATION AND CONSULTATION

Collective bargaining agreements exist in most of the countries SGS operates in and we strictly adhere to tariff structures and collective bargaining agreements negotiated with trade unions. In 2012, 24% of employees were covered by collective bargaining agreements. We recognise the need to keep employees informed and consulted on business activities that relate to them. Our affiliates operate communications and consultation systems that are tailored to meet the specified needs of each business. Within the European Union, the SGS Euroforum exists to ensure constructive dialogue with elected employee representatives on transnational issues that affect them.

RESTRUCTURING

Employees are given reasonable notice periods of any significant operational changes in line with local practices and labour markets. This is specified in collective bargaining agreements between SGS and trade unions or employee works councils. We aim to implement these measures in a fair, responsible and consistent manner and we respect minimum notice periods where these are mandated. For example, in Italy we are required to give employees six months' notice of any termination of employment. In 2012, SGS allocated CHF 47 million net of tax to restructuring.

DIVERSITY AND EQUAL OPPORTUNITY

A diverse workforce helps us to innovate and improve our understanding of the markets we operate in, and provides a more inspiring workplace. We consider diversity and inclusion to encompass, but not be limited to race, ethnicity, gender, thinking styles, religion and belief, sexual orientation, age, ability, education, languages, professional background, nationality, and life experiences.

We believe that our business is best managed by a leadership team which reflects the diversity of our global workforce and customer base. At the highest level, the SGS Operations Council, comprising 23 members, includes four women and represents more than 10 nationalities. At affiliate level, 64% of managing directors in our trend countries are recruited from the local labour market and are native to their country of operation.

Gender ratios and equal opportunity in employment are measured as part of our sustainability management system. We will publish additional diversity data, including recruitment by gender, as part of our upgraded human resources information system from 2015.

We monitor return to work and retention rates of employees following parental leave at our headquarters and in our affiliates. At our headquarters, 100% of employees returned to work following parental leave in 2012.

PROMOTING WOMEN IN MANAGEMENT

At the end of 2012, a webinar facilitated by the UK-based organisation, Aspire, was held for women managers across SGS. The event about 'time and life leadership' was attended by 30 women who either directly report to the Operations Council or hold regional management roles. Working with Aspire, Corporate HR is interested in exploring the global mindset of women in leadership and building a community of interest internally.

IMPROVING EMPLOYMENT STABILITY IN AUSTRALIA

JENNIFER HAWKINS
Human Resources Manager, SGS Australia

"In 2012, we worked with managers to develop recruitment skills and introduced supervisor training alongside our management development programme focused on managing, motivating and leading teams and projects. We also provided training to managers on holding performance reviews with employees.

CATALYST has highlighted certain issues which we can now address. We have also studied data on the people leaving our business in the first 12 months and, through better onboarding, we are starting to see an improvement in retention figures. We will be rolling out SHINE in January 2013 and believe that this, coupled with additional investment in training, and improved employee engagement through CATALYST, should result in a positive trend in our turnover performance."

WORKING HOURS

ARIEL MIRANDA
Managing Director, SGS Bangladesh

"When I assumed the role of Managing Director in 2009, this coincided with a period of intense growth and change. With the business having to respond quickly to rapid growth within the garment industry, we needed to increase our headcount and recruit additional skills, while managing the additional demands being placed on existing employees. A priority was to ensure that working hours were being actively managed in line with SGS employment policy and local labour laws. We were also concerned with ensuring that employees and managers were provided with adequate support to do their jobs within permitted working hours and to protect their health and wellbeing.

We embarked on an ambitious programme which included: helping employees understand and respect the need to comply with SGS policies and local labour laws; investment in employee learning and development and leadership training to ensure that employees and managers were adequately equipped to do their jobs; promoting a good work-life balance; and focusing on operational efficiency to ensure optimised productivity. These efforts presented some challenges to employees and the business as a whole. Against a backdrop of a strong culture of long working hours within Bangladesh, particularly within the garment industry, there were concerns about the financial implications of employees having to limit overtime-working hours. This resulted in a number of people deciding not to join SGS or electing to leave the Company in order to work for companies with more relaxed policies. We have learned many lessons along the way, including the need to engage the workforce in a dialogue and actively seek their inputs. However, through perseverance, we have seen a marked improvement in our turnover and revenue in the last two years. We have increased our headcount and talent base, while maximising our productivity and service delivery. As President of the Switzerland-Bangladesh Chamber of Commerce in Bangladesh, I am committed to sharing our experience with other companies. I am very proud of the efforts of our employees and managers and I hope they will take equal pride in SGS Bangladesh being regarded as an employer with a sound reputation for being socially responsible."





EMPLOYEE ENGAGEMENT

Early in 2012, the Operations Council decided to launch CATALYST, an employee engagement initiative to better understand how engaged employees felt and how well the business strategy was understood. An online survey was designed using 48 questions across 15 topics and one open question. It included three indices – linked to performance excellence, employee engagement and sustainability – to allow composite attitudes by region, business and management responsibility to be tracked year-on-year and evaluated against global norms.

SURVEY RESULTS

Our Employee Engagement Index (EEI) measures the extent to which employees are motivated to contribute to organisational success.

The Performance Excellence Index (PEI) measures the extent to which an organisation is strongly committed to high levels of customer service and product quality and relies upon continuous improvement to achieve superior organisational results.

Our PEI and EEI scores indicate that SGS performs well above average compared to global norms.

The Sustainability Engagement Index (SEI) measures employee awareness of our sustainability targets and the importance of sustainability to the business, as well as employee understanding of how they can contribute to sustainability and the actions they can take to make SGS more sustainable. Our SEI score tells us that 75% of employees are aware of our targets and understand the importance of sustainability to the business. While we are delighted with this score, there is more work to be done to help employees understand how they can further contribute to making SGS more sustainable. As this is the first SEI on the market, it is not yet possible to benchmark scores externally.

EMPLOYEES EMBRACE THE OPPORTUNITY TO SHARE THEIR VOICE

SUZY BARRAILLER
Global Human Resources Communications Manager

"The survey took place between August and September in countries representing around 25% of headcount. These countries will continue with the survey over the next three years to enable us to track trend performance alongside additional countries. The survey achieved an 85% participation rate, with 18 174 employees completing it. Of these, 69% answered the open question about 'one thing that would make SGS a better place to work', resulting in more than 12 500 comments.

This strong participation indicates that employees have high expectations of actions resulting from the survey. As well as the overall results, managers received dedicated reports for their teams. Country-level results were shared by managing directors with all employees, while team results were shared by managers who invited feedback from employees. By the end of February 2013, employees will have been invited to become involved in the action planning phase which will result in each team agreeing two or three meaningful improvement actions."



48

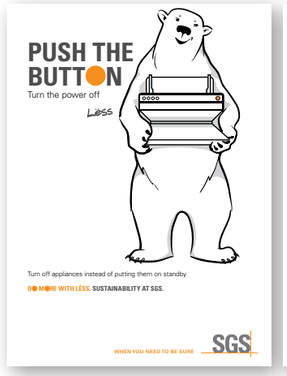
An online survey was designed using 48 questions across 15 topics and an open question

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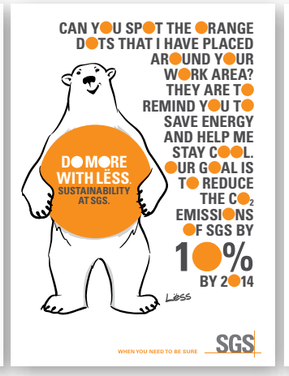
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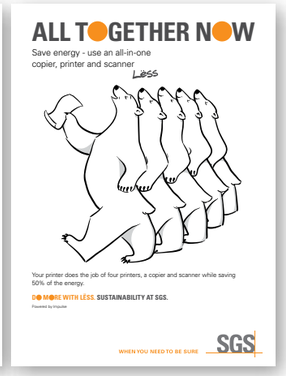
12 500

answers about one thing that would make SGS a better place to work









EMPLOYEES AND THE ENVIRONMENT

To complement local actions aimed at encouraging employees to reduce consumption of natural resources and manage waste, we have designed a new campaign called 'Do more with LËSS'. Rather than crowding the workplace with multiple reminders to switch off, turn down or use less, the campaign uses orange stickers to provide a visual prompt for employees to take action. LËSS, our six-foot campaign mascot, acts as a fun but serious reminder of the impact of our actions on the natural environment and why it is important to take action.

POLAR BEARS SPOTTED IN AUSTRALIA

TREVOR PILBEAM
Facility and Sustainability Manager, SGS Australia

"What is the dot?" has been the question echoing around SGS Australia. Overnight small and large orange dots appeared on light switches, air conditioning controls, large LCD screens, fume hood sashes, dust extractors, and in vehicles. Across more than 70 sites, Sustainability Champions placed them on control locations where potential savings existed. In addition, posters and email messages, the intranet, and banners kept awareness high. The campaign coincided with the introduction of a new carbon tax which will significantly increase the cost of electricity. Its introduction provided an opportunity to test whether the new campaign could reduce costs while improving environmental performance.

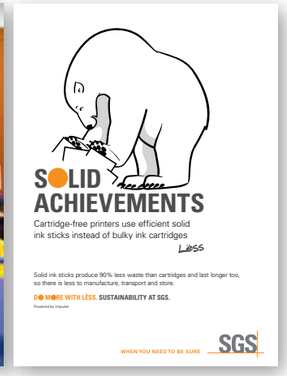
As well as prompting changes in behaviour the campaign has inspired people to take a wider look at their impacts. For example, an investigation into power consumption between workstation devices revealed that mobile phone chargers plugged in unnoticed for long time periods consumed more energy than LCD monitors left on standby. Our IT department created posters illustrating paper and printing usage data for offices and facilities, while other departments created cut-out displays to demonstrate our commitment to customers visiting SGS. We have had some great feedback from mine site-based minerals geochemistry laboratories and our mining customers have welcomed the campaign – some have even begun to run their own in parallel.

This campaign has become the launch pad for realising savings for SGS in Australia and beyond. It has assisted our Phase III targets for the Energy Efficiency in Buildings programme and provided the tools and resources to implement efficiency measures. It is a hard task to instil behaviour changes in a large population of employees, but the benefits are very rewarding."

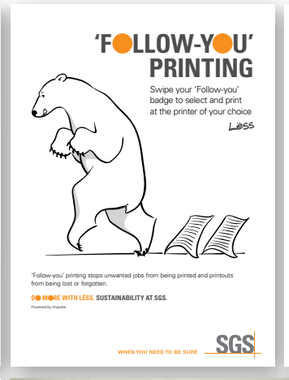
AUSTRALIA MAY NOT BE THE FIRST PLACE YOU THINK OF WHEN GOING IN SEARCH OF A POLAR BEAR. BUT IN RECENT MONTHS, LËSS HAS BEEN SEEN ROAMING AROUND OUR OFFICES AND FACILITIES.





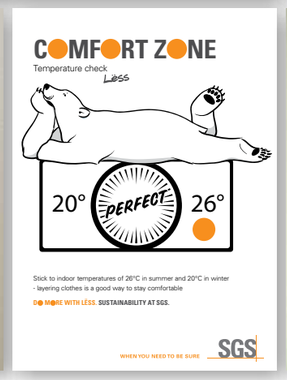






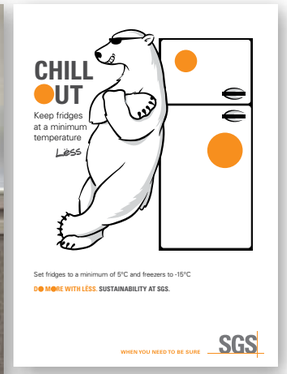














OUR PEOPLE



SGS RULES FOR LIFE

OPERATIONAL INTEGRITY

Our commitment to health, safety, quality, and protection of the environment enables us to deliver the highest quality services in the industries we serve; maximises long-term returns for our shareholders, and provides a safe workplace for employees, while protecting the communities in which we work from potential harm resulting from our activities.

Operational Integrity (OI) is how we define our approach to managing quality, health, safety, and environment (QHSE). Our OI strategy is based on the aim to 'save lives'. Protecting the health and welfare of every employee is our highest priority. We believe that everyone working for, or on behalf of, SGS has an equal right to a safe and healthy work environment. Our customers expect us to have the highest standards and management systems in place to provide the high quality service and standards they have come to expect from SGS.

IMPLEMENTING QHSE

BRIAN DUNAGAN
Vice President, Operational Integrity

"Implementation of our QHSE systems, procedures and processes in the field is the responsibility of each front line supervisor and manager. It is essential that they demonstrate clear leadership and personal commitment every day through their words and actions. OI professionals in the regions, and at corporate level, partner with management to identify opportunities for improvement and provide solutions and support in building the safety culture within SGS. In addition, OI professionals work on joint initiatives with other areas of the Company to support business goals. For example, we are working with Corporate Sustainability to increase energy efficiency, reduce operational costs and improve laboratory safety by eliminating unnecessary laboratory hood usage during hours when hoods are inactive; we are working on a joint initiative with Corporate Security to improve awareness of the importance of information security and on physical document security in particular; and we are working with Corporate Security and Human Resources to improve travel safety for SGS employees, especially when travelling in remote locations or designated areas of concern."

CRYSTAL INCIDENT REPORTING TOOL

Crystal provides an incident management and reporting interface in 12 languages. By the end of 2012, Crystal had been effectively implemented across the Group, enabling us to standardise reporting templates and benchmark any line of business or affiliate. Collated data will provide an enhanced level of detail and expedite our regulatory and client-mandated incident reporting. From 2013, all users will be able to use Crystal to identify trends, allowing us to target the most serious gaps and apply our resources for maximum benefit.

SGS RULES FOR LIFE

Based on the risks identified within SGS and in the industries where we work, the SGS Rules for Life are 12 non-negotiable rules that help save lives. They apply to all employees, contractors and personnel working on behalf of SGS.

The SGS Rules for Life were rolled out in January 2012 and by the year-end all employees and contractors working on behalf of SGS had received training on them via regional training, webinars or safety meetings. Non-compliance is managed through investigation and, where appropriate, disciplinary measures.

A Safety Day planned for June 2013 will focus on individual employee and management involvement in accident prevention.

SGS RULES FOR LIFE

SARAH ANDERSON
Global Operational Integrity Manager for Communications and Technical Development

"Having worked in HSE management systems for 25 years, primarily in the oil industry, I felt it was important for SGS to have operational integrity rules – simple actions based on common sense but with expectations around them. I was keenly aware of the high expectations that SGS' industrial customers have and knew that as a business we could meet them. The SGS Rules for Life are designed to help transform our safety culture and ensure that the fundamentals become ingrained in our way of thinking and life. So supportive was the leadership team, we launched the Rules one year earlier than planned. I have been very impressed with the commitment from management; there has been a great deal of support and understanding about what we are doing and why we are doing it."

OPERATIONAL INTEGRITY MANAGEMENT SYSTEM (OIMS)

OIMS is an enterprise-wide, integrated management system, providing employees, contractors and clients with a single interface to standardise SGS policies, procedures, guidelines, standards, best practices, and other information. The system will satisfy the requirements of Quality (ISO 9001), Health and Safety (OHSAS 18001), Environmental (ISO 14001), Inspection Management (ISO 17020:1998), Testing and Calibration Laboratory (ISO 17025:2005), and Sustainability (ISO 26000:2010) standards. It will comprise four levels of documents:

1) SGS Group Policies and Manuals

2) SGS Group Minimum Standards and Guidelines

3) Localised Procedures and Work Instructions (to meet specific local regulatory or client requirements)

4) Records (checklists, incident reports, safe work permits, etc)

Benefits include adherence to a uniform management system for affiliates which will reduce costs and the burden of maintaining multiple systems. It will help to formalise roles and responsibilities of operational staff and leaders in managing health, safety, quality, and environmental risk in their businesses and will allow SGS to respond quickly and easily to information requests. It will also provide a system that is certifiable to all businesses and countries that wish to pursue formal certification to relevant standards.

Following a successful pilot of OIMS in Africa in 2012, implementation will be phased over four years to allow orderly transitions from existing systems. During 2013, South America, China and Hong Kong will implement OIMS. The system is available in French, Portuguese and English, with additional languages becoming available in 2013.

Some customers require SGS to have specific defined standards in place and will periodically evaluate quality and health and safety systems at local operational level. For example, the SGS Minerals laboratory in Ankara is a new 1 000m² facility providing geochemical and trade analysis related to chrome and manganese ores. It achieved certification to ISO 9001 and OHSAS 18001 in 2012, demonstrating SGS' commitment to quality and health and safety management.

GLOBAL HARMONISED CHEMICAL HAZARD COMMUNICATION

SGS is in the process of signing a contract with Chemwatch™, a chemicals information and materials safety data sheet (MSDS) database providing detailed information on chemical hazards identification, first aid, first response, personal protective equipment, physical properties, toxicology, and regulations. Its implementation from 2013 will enable every affiliate to comply with local and client requirements for access to MSDS.

SERIOUS DISEASES

As part of a preventative strategy for managing the health and safety of employees and subcontractors in countries or business lines with a high risk or incidence of communicable diseases, SGS offers education, training, counselling, prevention, and risk-control programmes to assist employees, their families and community members. For example, SGS Sri Lanka conducted a Dengue fever awareness programme in collaboration with the Ministry of Health, following the reporting of 730 cases involving members of the public in Colombo alone in early 2012. Employees distributed information leaflets on prevention measures and collected public concerns which were passed to the Public Health Division of the Colombo Municipal Council.

12

The SGS Rules for Life are 12 non-negotiable rules that help save lives

THE SGS RULES FOR LIFE ARE DESIGNED TO HELP TRANSFORM OUR SAFETY CULTURE AND ENSURE THAT THE FUNDAMENTALS BECOME INGRAINED IN OUR WAY OF THINKING AND LIFE.

In our affiliates, we operate a number of joint management and employee health and safety committees that help to monitor and advise on operational integrity programmes. The SGS Euroforum, which represents 100% of employees in Europe, informs and consults employees on topics relating to safety, health and environmental affairs. For instance, guidelines on the use of alcohol and drugs were included in an agreement in Belgium in 2010 and another on office workspace was agreed upon in 2012.

WE PROMOTE 'GREENING', AS ONE OF THE WAYS WE HELP TO PROTECT THE PLANET AND INSTIL ENVIRONMENTAL AWARENESS IN EACH EMPLOYEE. WE ACHIEVE THIS THROUGH CLOSE COOPERATION BETWEEN EMPLOYEES, MANAGEMENT AND THE COMMUNITY IN A MANNER WHICH DOES NOT COMPROMISE QUALITY OR EFFICIENCY.

ARUN DESHPANDE
Regional Managing Director,
SGS South Africa – Chair of the
regional Sustainability Committee

FOCUSING OUR ENERGY ON SAVINGS

SGS has a clear intent to accelerate our carbon reduction programmes, both in terms of our own performance and also by helping communities to reduce their emissions.

DID YOU KNOW?

19

kg of paper consumed per employee in 2012

67

We reduced water consumption by 67% at our laboratory in Evry, France

624 201

kWh planned savings through energy efficiency at our laboratory in Booysens, South Africa

MANAGEMENT APPROACH

Our global programmes, overseen through our Sustainability Steering Committee, continue to drive improvements at local level across our affiliates in our goal to meet the environmental targets set under the 2014 Plan. Having set out these programmes and communicated them to affiliates in 2011 and 2012, the majority of the work is now being undertaken at local level through a wide array of local initiatives. By the end of 2012, our team of managing directors across our affiliates had committed to 95 environmental projects. Furthermore, our Operational Integrity and Strategic Transformation teams instigate a number of environmental corrective actions and improvements at local level. In this section, we illustrate examples of local innovation and project management that collectively will deliver our Group objectives.

SGS SUPPORTS THE PRECAUTIONARY PRINCIPLE THROUGH ITS COMMITMENT TO MEASURING AND REDUCING ITS CARBON FOOTPRINT AND ACTIVELY SUPPORTING THE CARBON DISCLOSURE PROJECT.

65 000

renewable energy certificates purchased in 2012 corresponding to 17 700 tonnes CO_2 of clean power

CLEAN POWER

OUR JOURNEY TOWARDS CARBON EMISSIONS REDUCTION

DANIEL RÜFENACHT
Vice President, Corporate Sustainability

"Writing this article coincides with the latest global climate change conference in Doha. Like many sustainability professionals, I am becoming increasingly concerned by the difficulty to reduce carbon emissions quickly enough on a global scale to prevent irreversible climate change. Time is running out and, as a large global company, SGS has a clear intent to accelerate our carbon reduction programmes, both in terms of our own performance and also by helping our customers and communities to reduce their emissions. As SGS grows its share of the business, we take on the responsibility for managing energy efficiency within the new businesses that we acquire or develop. I see this as an opportunity to create and disseminate best practice. But we must not stop when we have achieved our 10% reduction targets. We must do everything we can to become as energy efficient as possible as we grow.

To maximise opportunities in this area, we are looking at how we can use our scientific and technical expertise around the world to promote carbon reduction through our community programmes. We are also looking at how we can play a role in helping communities adapt to future climate change. In 2013 we will continue to work on our carbon reduction programmes and also look into efficient ways of carbon offsetting."

IN 2013 WE WILL CONTINUE TO WORK ON OUR CARBON REDUCTION PROGRAMMES AND ALSO LOOK INTO EFFICIENT WAYS OF CARBON OFFSETTING.

56

Over 56 individual projects are now underway to reduce energy across SGS

ENERGY EFFICIENCY IN BUILDINGS (EEB)

IDENTIFYING ENERGY SAVINGS AT GENEVA HEADQUARTERS

FRÉDÉRIC GALETTO
Headquarters Facility Manager, SGS Geneva

"In 2011, we were presented with a unique opportunity to work with both the local authority in Geneva and our energy provider to improve the overall energy efficiency of our headquarters. The authorities provided a substantial subsidy to carry out two detailed audits, the first on the architecture and structure of the building and the second on the internal engineering and energy management systems. Whilst we had performed audits in the past, in 2012 we initiated a collaboration with an external engineering consultant. This highlighted several new areas to make substantial savings; in particular where the heating, cooling systems and energy management systems were not working optimally. Although these were basic checks, they provided a lot of useful data and triggered actions leading to energy saving as well as increased occupancy comfort. The subsidy from the authorities was part of an energy saving initiative, ECO 21, under which we made a commitment to reduce energy by at least 10% and carbon by at least 5% by 2014. It is an example of a unique partnership approach to energy conservation. Under the agreement, SGS will continue to gain an incentive of CHF 7 cents per kWh saved providing we stay on target.

In addition, we took the opportunity to look at the overall design and utilisation of the workspace in Geneva, setting out to improve the comfort of the working environment and the workflow efficiency of the teams working within our headquarters. We formed a consultation committee with employees to help us include the views of the various occupants on how they use the building and how we could become even more energy efficient. We have already identified a number of areas which could deliver substantial savings."

ENERGY EFFICIENCY IN BUILDINGS (EEB)

SAVING ENERGY AND MONEY IN SOUTH AFRICA

VIVIANE LOKALE
SGS Governments and Institutions Services
'Sustainability Champion', SGS South Africa

"When I became the Sustainability Champion for South Africa, I also inherited the programme to improve energy efficiency in our buildings and one laboratory. The first thing we did was to hire a specialist company to carry out detailed energy audits, starting with lighting and then looking at air conditioning. These audits ran from July through to November 2012.

We identified many opportunities to save energy. For example, at the Booysens laboratory we could save 57% in energy demand and an overall 52% per annum for lighting and air conditioning. We are estimating annual savings of over 624 000 kWh at this site alone, equivalent to around CHF 70 000 per year."

At first it was difficult to get accurate usage data but we worked closely with the municipality and we now have confidence in the figures we are being given. Most of the energy-saving activities were common sense but we needed the figures to demonstrate how much energy we could save. It was a real team effort, they worked with the maintenance manager at each facility and the sales and marketing teams helped us to put the communications together.

Early in 2013, we will appoint Sustainability Champions to get even more energy savings from our buildings. It is important that we feed our success back to the teams. We also hope to create some competition between the sites by building a sustainability barometer. Our marketing team are helping us with this project which will be implemented in 2013."

10

Commitment made to 10% reduction in CO_2 emissions from SGS-owned buildings by 2014 and a further 10% by 2020, against a 2010 baseline

2

Only 2% of SGS sites are located next to protected environmental areas







TEAMWORK TO DELIVER ENERGY SAVINGS

ARUN DESHPANDE
Regional Managing Director,
SGS South Africa

"Energy Efficiency in Buildings (EEB) in SGS South Africa is about reducing energy usage in terms of how we use energy (energy-efficient bulbs) and when we use energy (switching off lights and printers during down time). We promote 'greening' as one of the ways we help to protect the planet and instil environmental awareness in each employee. We achieve this through close cooperation between employees, management and the community in a manner which does not compromise quality or efficiency. We have the power to extend the knowledge from classroom to home, and home to community, making small steps in building this dream. Everyone should do it!"

ENERGY AUDITS WERE CONDUCTED IN 2012 ACROSS SGS BUILDINGS IN AUSTRALIA, SPAIN, SOUTH AFRICA, INDIA AND GERMANY.

Green Building Guidelines and Self Assessment Checklist introduced in 2012.

GREEN IT

BECOMING GREENER AND SMARTER IN AUSTRALIA

DEREK VAN BUREN
Chief Information Officer,
SGS South East Asia Pacific

"Purchasing the right IT equipment is a major decision for any company. We seek technology that suits the current and future needs of the business, also looking for areas where green IT and business needs merge to deliver improved operating efficiency, lower power consumption, reduced consumables, and the ability to recycle.

Our philosophy is to build these factors into our IT infrastructure to make it easy for our employees to be more sustainable. A major project which was completed in 2012 involved virtualising 48 physical servers in Australia. By centralising and virtualising them we can provide faster service to our business while being able to maintain them more easily and use less energy. We estimated yearly savings of CHF 72 000 in energy and data centre space.

Ideally it would be great if we didn't have to print anything but, unfortunately, the predictions of a paperless society that were made in the 1980s have never come to fruition and we now print more than ever. Thankfully, new models of printers can offer lower environmental footprints. The adoption of 'on demand printing' has created further savings in paper and toner. This feature holds the print job in memory until the user is at the printer where they are able to select and print their job. On demand printing ensures that we only print documents that are needed. The remainder stay on the printer spool where they can be printed at a later date or deleted.

We still have more work to do, for example we are now looking at using smart 'power boards' that optimise the power settings on PCs and laptops and are constantly reviewing other technologies that have the potential to reduce costs and environmental impacts."



SGS HAS OVER 60 000 COMPUTERS AND AROUND 3 600 DATA SERVERS.

ON DEMAND PRINTING INTRODUCED ACROSS SEVERAL SITES IN 2012.

GLOBAL APPROACH TO PROCUREMENT USED TO PURCHASE BEST PRACTICE IT EQUIPMENT.

GREEN CARS

PERSUADING PEOPLE TO SWITCH TO LOW EMISSION VEHICLES IN THE NETHERLANDS

ROB GIJZEL
General Affairs Manager, SGS Netherlands

"We have been actively looking for environmentally friendly vehicles in the Netherlands during the last few years. By setting CO_2 limits for leased cars we have been able to significantly reduce the total CO_2 emissions. However there was a unique opportunity in 2011 to benefit environmentally from planned increases on company car taxation. We cooperated with our lease company to bring forward the contract renewal date to enable drivers to benefit from the existing taxation rules. The catch was that they could only do this if they opted for a low emission vehicle. This was a win-win situation that created financial benefits for our drivers, lower fuel consumption and lower CO_2 emissions.

In 2012 we piloted the use of two diesel hybrid cars which offer exceptional energy efficiency over long mileages. We are also investigating the possibility of using full electric cars but their limited range continues to be a problem which we are working to overcome.

A calculation shows that our CO_2 emissions per kilometre driven fell from 155g to 128g between 2010 and 2012, mainly due to vehicle selection and improvements to vehicle design. This is a significant reduction but we are not stopping there. With increased uptake of low emission vehicles, we are expecting to hit a figure of 126g per kilometre by 2014, representing a reduction of over 18%."



ESTHER BARES
Project Manager, Corporate Sustainability

"On July 12, 2012, SGS organised a green mobility day to showcase electric vehicles at SGS headquarters in Geneva. The event started with two conferences on green mobility and, throughout the afternoon, SGS employees had the opportunity to test electric vehicles on site which included bikes, motorbikes, scooters, and cars. The objective was to demonstrate electric vehicles as an alternative means of transport as part of our objective to reduce CO_2 emissions to 130g of CO_2 per kilometre as an average across the SGS fleet by 2014.

Car dealers and rental shops made their electric vehicles available on the SGS premises, whilst a manufacturer of charging stations installed two stations to demonstrate how the vehicles can be charged. Over 80 test runs on electric cars and 40 on electric bikes took place during the day."

80

Over 80 test runs on electric cars and 40 on electric bikes took place during our Green Mobility Day in Geneva

130

Our target is to reduce average carbon emissions to 130g per kilometre across the fleet

128

CO_2 emissions per kilometre driven fell from 155g to 128g between 2010 and 2012 in the Netherlands

GREEN PROCUREMENT

REDUCING OUR PAPER USAGE IN GENEVA

VANESSA GRANDI
Purchasing Manager

"Across SGS, we consume significant quantities of paper, not only for office printing but also to print certificates and validation documents for clients. For example, within our headquarters, each person uses around 1 000 pages of paper each month, compared with an all industry average of 955. We have been looking at sustainable solutions for over two years and first purchased paper certified to the Forestry Stewardship Council (FSC) standard in 2010. All paper used at our head office is FSC certified. In seeking sustainable products, we need to strike a balance as some specialist environmentally friendly products can be prohibitively expensive. However, we can combine sustainable purchasing with initiatives to reduce consumption and so manage costs in a more holistic way. For example, we now have green printing implemented in many SGS offices which reduces print volumes. Ideally, I would like all SGS offices to use recycled paper for internal printing and to select lighter 70g paper for general internal use.

This in itself creates a 12.5% saving compared with standard 80g paper. Rather than mandate this across the company, we instead seek to capture people's views and change their minds through an informal process which helps us to be sustainable, while also meeting the needs of the business.

As people become more aware of sustainability across SGS, I'm hoping that the take-up for sustainable paper and sustainable options for other office consumables will increase. In many cases, this also makes sound commercial sense as raised awareness of sustainability also drives a reduction in consumption."

2012

A new KPI on paper consumption was introduced in 2012

12 000

On average, employees at SGS Geneva use over 12 000 sheets of A4 paper per year

WASTE MANAGEMENT

IMPROVING OUR WASTE MANAGEMENT

JEFFREY DAGGS
Global Manager - Technical HSE / IH, Operational Integrity

"Historically, the tracking of waste produced by our operations has proven difficult as the reporting of types and amount of waste produced varied significantly amongst our affiliates worldwide. In 2012, SGS initiated a waste management and minimisation standard to more accurately monitor and manage our waste streams.

The SGS waste management and minimisation standard details the methodology for the management of waste, in compliance with local and national regulations, along with strategies for reducing waste within our operations. A requirement of this standard includes the development and implementation of a Waste Management Plan that details information about the management and disposal of each waste stream, including waste minimisation procedures and goals.

In the roll-out phase, a few challenges were encountered in terms of finding environmentally-friendly, licensed waste vendors capable of safely disposing of our generated waste. Operational Integrity Project Advisors were present to assist locations in contracting appropriate waste vendors. Following implementation in Africa in 2012, roll-out will include China and Hong Kong, as well as South America in 2013."

WATER EFFICIENCY IS MANAGED THROUGH THE SGS ENERGY EFFICIENCY IN BUILDINGS PROGRAMME.

2

Two new indicators for waste were introduced in 2012

SGS OPERATES AN AIR QUALITY AND EMISSIONS PROCEDURE WHICH ENSURES THAT OPERATIONS AND FACILITIES ADHERE TO LOCAL AND NATIONAL REGULATIONS.

WASTE MANAGEMENT WAS INTEGRATED INTO THE OPERATIONAL INTEGRITY MANAGEMENT SYSTEM IN 2012.

WATER

REDUCING WATER CONSUMPTION BY 67% IN FRANCE

JULIETTE PORRET
Sustainability and Operational Integrity, SGS France

"We have combined sustainability with Operational Integrity as there is a lot of synergy between these areas. There are four people dedicated to this role within SGS France, working closely with laboratory teams, Procurement, General Services, and Building Management. The energy efficiency programme is managed with the support of Loic Rugraff, our Laboratory Procurement and Facilities Manager, who began the first water reduction programme in 2010, concentrating initially on water efficiency in our Life Sciences laboratory at Clichy. In 2011, we duplicated this programme at our Environmental Sciences laboratory in Evry. The main source of laboratory water consumption comes from specialised fume hoods that have built-in water scrubbers to remove acidic substances before the air is passed into the atmosphere. The two other areas of significant consumption include water used to cool laboratory equipment and the domestic water supplied to the building. Our efforts focused on making people more aware of water consumption and helping them to change their ways of working to conserve water. Briefings have been organised between management and laboratory staff twice a month to discuss energy reduction scenarios and initiatives (in particular, the use of fume hoods) and to report back on savings. For example, we established an optimal way of operating the fume hoods by training the concerned interested parties, such as the laboratory technicians. Once teams were aware of how we use water, this quickly led to people turning off equipment when not in use and implementing formal checks to ensure that equipment and water supplies were shut down at night. We were able to replace the water-cooling systems for some laboratory equipment with refrigerating coolers which reduce water consumption. We also changed the taps in the cloakrooms to control water flow, which produced a further saving. Through water metering, we have been able to monitor reductions very carefully and feed consumption data back to the team on a regular basis. We were delighted to report a reduction in water consumption at Evry of 67% during the 12 months to September 2012, corresponding to over CHF 25 000 in savings.

In 2012, we implemented the programme at our Rouen laboratory and we are now rolling water conservation programs out across other laboratories, learning from our initial pilots. We look forward to seeing the initial results in 2013."

Requirements for water use, reduction, monitoring and reuse are contained within our green building checklist and are required for new buildings and major renovations to existing buildings.

THIS YEAR OUR EMPLOYEES TOOK PART IN A PROGRAMME TO TEACH UNDERPRIVILEGED CHILDREN IN CHEMISTRY, PHYSICS AND BIOLOGY. THEY ALSO PLANTED 250 TREES IN SHAN YING PARK WITH THE HIMA FOUNDATION.

GINA CHEN
Human Resources Director,
SGS Taiwan & East Asia Region

PLANTING SEEDS, CULTIVATING MINDS AND NURTURING FUTURES

MANAGEMENT APPROACH

Giving something back to the communities where SGS operates is something very important to our employees. Each year, many new community initiatives are started by individuals, teams or affiliates across SGS who want to give their time and expertise to a community programme or raise money for worthy causes. Our Community Guidelines, revised in 2012, will better guide our employees who want to initiate new community projects. We also encourage initiatives that support the United Nations Millennium Development Goals (MDGs).

Across SGS, we have over 250 community initiatives covering all the Millennium Development Goals. Community investment performance is monitored and reported by all countries via our sustainability data management system, Solaris. In this section we highlight a small number which illustrate the breadth of areas covered and the dedication of our staff to help communities.

DID YOU KNOW?

10 000

Out of the 10 000 trees, SGS Indonesia has planted 6 000 so far

73

% of our community projects benefit people

200

employees in SGS Hong Kong take part in a variety of community programmes

At SGS we need to deliver today, deliver tomorrow and deliver the day after tomorrow. We can only do this if we know each other well and work as teams. Through our community programmes, we share a passion which is an important part of working together as a team. This work has made the relationships between our colleagues in Hong Kong very close.

SUSANNE SUN
Softlines Director, Consumer Testing Services, SGS Hong Kong

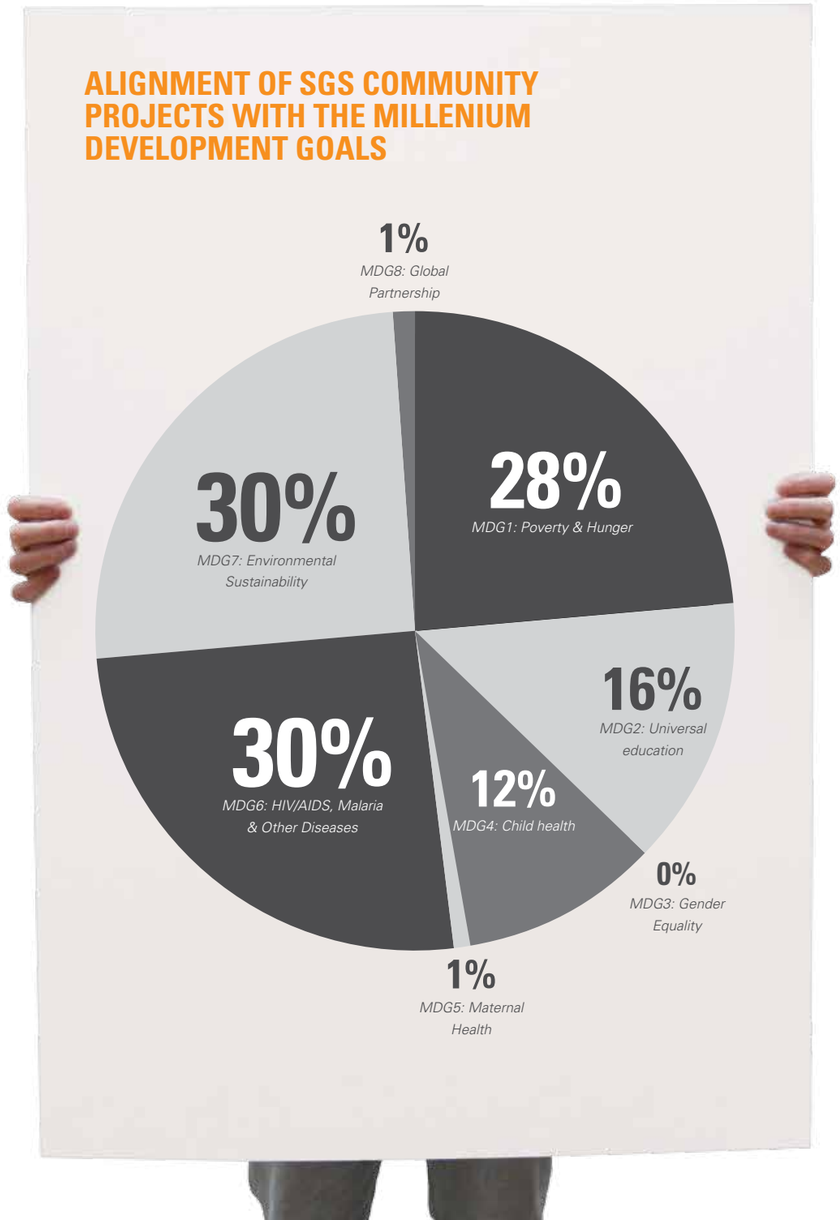
SURVEYING OUR COMMUNITY PROGRAMMES

NATHALIE GERVAZ
Corporate Communications and Corporate Sustainability

"SGS runs hundreds of community projects around the world, with some having been recently initiated while others have run for several years. In 2012 we launched a survey to measure the impacts of our main projects in the communities in which we operate. The survey was sent to our affiliates and information on over 80 projects was collected.

We were encouraged to see that 81% of community projects enhanced the reputation of SGS as a company while 67% of community projects have helped raise awareness of wider social issues amongst employees. For instance, 86% of environmental projects successfully engaged people on environmental issues. 73% of our projects benefit people, with 61% of these directly benefiting children and young people. 41% reported increased levels of empathy with colleagues and 42% mentioned that they had experienced an increased sense of wellbeing or happiness by being associated with the project."

ALIGNMENT OF SGS COMMUNITY PROJECTS WITH THE MILLENIUM DEVELOPMENT GOALS










SGS


















LOCATION:
SGS Bangladesh

BENEFICIARY:
Rural communities

MILLENNIUM DEVELOPMENT GOAL
1 – End Poverty and Hunger

ABDUL QUADER
Coordinator, Human Resources,
SGS Bangladesh

"Microfinance involves providing low level loans to businesses which they then pay back over a period of time. In this way, donated money can be used many times over. It is particularly popular in Bangladesh for helping rural communities and small businesses.

We started our microfinance projects in 2010, working with the Dhaka Ahsania Mission, an organisation which focuses on restoring livelihoods through job creation in poor rural communities. We considered many different community projects, but were impressed by this one as it was very much focused on providing support where it was most needed and was making a lasting impression.

In 2011 we supported 43 people and this grew to 73 during 2012. They apply for the loans which are typically around CHF 200 and are paid back over two years. We mainly support villagers in the remote Gazipur district of Bangladesh. They need help with many aspects of rural life, such as poultry farming, cattle rearing or the management of dairy cows. As well as finance, the Dhaka Ahsania Mission also provides the businesses with management support and technical assistance where it is needed.

SGS provided CHF 5 200 to the project during 2012, and followed this up with research into how the money was being spent. People from the SGS Bangladesh office also regularly visit the projects so that they can feel involved and also to provide help if it is needed."

LOCATION:
SGS Indonesia

BENEFICIARY:
Environment

MILLENNIUM DEVELOPMENT GOAL
7 – Ensuring Environmental Sustainability

GUY ESCARFAIL
Managing Director, SGS Indonesia

"I joined the SGS Group 19 years ago and have worked in Africa, Switzerland, Madagascar, Senegal, and now here in Indonesia. Along the way, I have been involved in launching several sustainability programmes, one of which is our current tree planting initiative. We proactively work with the WWF reforestation initiative, 'NEWtrees', which is supporting the 'One Man, One Tree' campaign championed by President Susilo Bambang Yudhoyono, which aims to cut carbon emissions in Indonesia by 26% over the next 10 years. Our involvement is a reflection of SGS' commitment to helping Indonesia achieve that goal.

Last year, we had over 180 employees volunteer and help plant 2 000 trees here at the Puncak Tea Plantation. This year, 350 employees volunteered to plant a further 3 000 trees and we are already planning next year; as we still have 4 000 trees to plant from our total commitment of 10 000 trees planted in four years. This SGS project is extremely beneficial in educating the younger generation of Indonesia on the impact we all have on the planet. We know the children in Jakarta, who are surrounded by concrete all day long, do not fully realise why we need to do a simple thing like plant a tree. By bringing them and their parents to the tree plantation they can see first-hand the vastness of nature, and ask questions on how to protect it. Simply by being in that environment everyone is encouraged to create a more sustainable future.

I see this encouragement every day at SGS Indonesia. Even when I switch off the lights when leaving the office in the evening, I now see others do the same; when you see behaviour change for the better of the planet, however small or big, it makes you happy to know that you have helped make a difference."

LOCATION:
SGS Chile

BENEFICIARY:
Hogar de Cristo

MILLENNIUM DEVELOPMENT GOAL
1 - End Poverty and Hunger

KARINA GARIDO
Head of Training and Development,
SGS Chile

"Hogar de Cristo was founded in 1944 to provide support and refuge to homeless people in Chile's cities. Since then it has grown from offering a single night's accommodation, to serving people who are terminally ill, destitute or elderly, along with children with drug addiction problems and other social issues. It currently provides support for over 27 000 people across our country.

I am proud that SGS has supported Hogar de Cristo for the past 10 years. It really needs corporate support and we encourage not only our employees to get involved, but also their families and local communities too. This is really important as several homes have had to close in recent years due to lack of funding. Having so many people involved means we can also support Hogar de Cristo with our time. During the year, we ran a summer school for kids and young people, we helped with 'Kids Month', we organised a 'Solidarity Olympics' and we helped to stage a Christmas play. It is great to see our teams involved.

I am passionate about creating these types of links between the private sector and social needs; there is huge potential in this area. People at SGS want to reach out to employees, their families and communities. We have been very creative as a team in how we do this so it is an efficient use of resources. It is my hope that we are able to contribute even more in the future."







1%
MDG5: Maternal Health

LOCATION:
SGS Singapore

BENEFICIARY:
MINDS

MILLENNIUM DEVELOPMENT GOAL
6 - Universal Education

NITHI THAYANITHI
Project Leader, Life Science Services, SGS Singapore

"In 2012 we wanted to unite the employees at SGS Singapore behind a single community cause. Firstly we carried out a survey asking which type of charitable cause our employees would like to support. The response was overwhelmingly in favour of youth and young people. We then selected a wonderful charity, Movement for the Intellectually Disabled of Singapore (MINDS) which was founded in 1962 and now provides support for over 2 300 persons with intellectual disabilities by running special education schools, employment development centres, training and development centres, homes and a hostel in Singapore.

All our projects and fundraising activities are now directed towards supporting MINDS. We make donations to MINDS through another remarkable organisation, Community Chest which aims to raise CHF 66 million for 82 charities. Through SHARE, Community Chest's monthly workplace giving programme, employees make donations directly from their payroll, which provides an easy and efficient way for them to support MINDS."

IN 2012 WE WANTED TO UNITE THE EMPLOYEES AT SGS SINGAPORE BEHIND A SINGLE COMMUNITY CAUSE.

LOCATION:
SGS Russia

BENEFICIARY:
Orphanage

MILLENNIUM DEVELOPMENT GOAL
4 – Child Health

NATALIYA KLOCHKOVA
Chief Accountant, Nakhodka, SGS Russia

"SGS' office in Nakhodka, Russia, has been supporting the Children's Home, an orphanage in the paediatric department of the city's hospital since 2002. The Children's Home cares for around 20 children aged from birth up to three years.

Every month we pay for much needed medical equipment, toys, clothes and any other items the Children's Home might require. Over the last 10 years in total we have donated around CHF 37 000. The Children's Home also invites us to help them celebrate dedicated children's events, such as holiday festivities. Normally up to eight people from our office attend and we hand out sweets and presents to the children."

SGS' OFFICE IN NAKHODKA, RUSSIA, HAS BEEN SUPPORTING THE CHILDREN'S HOME, AN ORPHANAGE IN THE PAEDIATRIC DEPARTMENT OF THE CITY'S HOSPITAL SINCE 2002.

LOCATION:
SGS Hong Kong

BENEFICIARY:
Children with speech impairments

MILLENNIUM DEVELOPMENT GOAL
6 - Universal Education

CHIBI CHAN
Human Resources, SGS Hong Kong

"The Benji's Centre was founded in 2004 and provides support to over 1 200 children with speech difficulties from lower income families in Hong Kong. Many children also suffer social exclusion and lack of confidence.

We first became aware of the Benji's Centre in 2011 after we revitalised our volunteer team in Hong Kong. We wanted to focus our efforts on children and looked at several NGOs, but were overcome by the enthusiasm and passion of the people who ran Benji's. We ran a small trial event in 2011 which was a huge success and in 2012 we now have between 40 and 50 people from SGS who take part in three or four major community events each year. Our team at SGS is young and employees are able to relate well with the children, using a variety of activities to engage in conversations and to develop social skills.

We now have over 200 people in SGS Hong Kong who take part in a variety of community programmes in their own time, mostly at weekends. We have a core team of 8 to 10 people who coordinate and organise events. People need to get something from this involvement and so we carefully choose events that they enjoy, as well as those which benefit the community. In this way, we are hoping that even more people will become involved in 2013. Making a contribution to the community in this way helps people achieve a good work-life balance and creates a wonderful working environment."

ASSURANCE AND CLOSING REMARKS

THIS REPORT HIGHLIGHTS THE INDIVIDUAL AND COLLECTIVE EFFORTS OF OUR PEOPLE IN BRINGING ABOUT MEANINGFUL CHANGE – IN OUR WORKPLACES, IN OUR COMMUNITIES AND IN THE MARKETPLACE

WHEN YOU SEE BEHAVIOUR CHANGE FOR THE BETTER OF THE PLANET, HOWEVER SMALL OR BIG, IT MAKES YOU HAPPY TO KNOW THAT YOU HAVE HELPED MAKE A DIFFERENCE.

GUY ESCARFAIL
Managing Director, SGS Indonesia

REPORT STRUCTURE AND SCOPE

This report has been developed using the AA1000 Accountability Principles Standard as a framework for identifying, prioritising and responding to sustainability challenges. This year, we have conducted a gap analysis of our management system and report against ISO 26000 which will identify recommendations for us to act upon in 2013.

The scope of the report covers all regions and business lines and relates to the year ending 31 December 2012. Some examples of initiatives or programmes preceding the reporting year have been provided for additional context. The report follows the same format as previously, with our sustainability performance presented across four pillars: Professional Excellence, People, Environment, and Community. Based on the positive response to our section on SGS Sustainability Services, we have included it again this year.

During the year, the average headcount of full-time employees once again grew by more than 10%. The Company acquired 18 businesses with a headcount of more than 3 300 employees. Given the nature of some of these businesses, we believe there may be a material bearing on growth and acquisitions on SGS' sustainability performance and provide explanations for any substantive changes in performance data or restated data in the relevant sections. A full list of acquisitions in 2012 appears on our corporate website.

REPORTED DATA

Data covers permanent, temporary and casual employees working for SGS but excludes subcontractors. As previously, our reporting scope is limited to trend countries to enable us to confidently report on accurate and reliable performance data. This year, we have looked to extend the scope of trend countries so that in 2015 we will be able to report on data representing more than 91% of Group revenue and more than 91% of headcount (compared with three-quarters of revenue and two-thirds of headcount in 2012). Our trend countries include business lines, subsidiaries, Company-owned offices and laboratories, and leased facilities. We also include case studies from countries outside of our trend countries. Performance relating to suppliers is not included.

Sustainability performance is tracked using 92 indicators covering people, the environment, business, community, reputation and trust. During 2012, we added a new indicator on paper in our offices and laboratories. In line with our financial reporting, KPIs which are geared to our financial reporting, such as revenue, are stated on a constant currency basis to eliminate the effects of fluctuations in exchange rates. Explanations on certain assumptions used and techniques underlying estimations are, where necessary, provided alongside published data.

REPORT ASSURANCE

We have again commissioned Deloitte SA to verify the report's text, performance data and management of data in accordance with the International Standard of Related Services (ISRS 4400) as established by the International Federation of Accountants (IFAC). This complements the work of our second party auditors who have checked the accuracy and veracity of reported data and content using SGS' own sustainability reporting assurance framework. They have also assured the report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2011 (3.1). This year we are delighted to have achieved Level A+. We consider this to be a significant achievement given that this is only our fourth year of reporting. All disclosures have been mapped against the United Nations Global Compact Principles and ISO 26000. These appear as part of our benchmark report for the GRI on our website.

In addition to a review by the SGS Sustainability Sub-Committee and members of the Operations Council, the report has been formally reviewed by elected employees of the SGS European Works Council and the Managing Directors in our trend countries.



STATEMENT FROM EXTERNAL AUDITOR

Deloitte SA was appointed by the SGS Group to perform agreed-upon procedures with respect to SGS Sustainability Report for the year ended December 31, 2012. This engagement was undertaken in accordance with the International Standard on Related Services (ISRS 4400) as established by IFAC and applicable to agreed-upon procedures engagements. The procedures were performed solely to assist SGS Group in supporting the assurance process conducted by SGS subcontracted assurors with respect to SGS Sustainability Report for the year ended December 31, 2012. This agreed-upon procedures report was issued only for the information of the SGS Group. In addition, a copy of the report was also provided to Global Reporting Initiative (GRI).

BENCHMARK AGAINST GRI G3.1 AND UNGC INDEX

SGS uses the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI G3.1) in developing its corporate sustainability reports. GRI has verified that the report is prepared according to the GRI guidelines, at application level A+.

As previously, we have developed a separate content index which lists our GRI disclosures and indicators and this is available on our website.

We have also cross-referenced each of the 10 principles of the United Nation's Global Compact to relevant sections of this Report.



Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **SGS SA** has presented its report "Annual Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 18 February 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

The "+" has been added to this Application Level because SGS SA has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 February 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

STATEMENT FROM SGS MANAGING DIRECTORS

2012 was a year in which we focused our sustainability priorities by implementing local programmes to support the achievement of the 2014 sustainability goals. With the support of corporate and regional functions through webinars, sustainability workshops and web-based portals, we have been able to develop a detailed understanding of our sustainability performance locally as well as how it compares across our regions and at Group level. The Green Book provides further insight into our actual and projected sustainability performance. This ability to monitor and act upon our sustainability performance at country and Group levels is critical to understanding how we manage our business for growth in a responsible manner. Equally important, is the opportunity to describe to our stakeholders what we are doing to manage and progress our sustainability performance. For this reason, we are delighted to be invited once again to review the draft report prior to publication. Overall, we believe it offers an interesting and accurate portrayal of sustainability within SGS, both through the professional services we offer and our corporate efforts to proactively manage our impacts. We are pleased to see our story this year told through our employees, as we believe this brings a more human face to our reporting and helps the content to be more appealing. We are proud of the efforts of our employees and managers in embracing sustainability in their work and look forward to deepening internal engagement on sustainability in the coming year through the 'Doing More With LËSS' campaign and sustainability themed days. This report is an essential tool for us in our dialogue with existing and prospective customers and employees and we are committed to supporting its development year-on-year. In particular, we would like to appeal to our internal and external stakeholders to share their feedback on the report and their comments on our sustainability approach using the link on page 98.

STATEMENT FROM THE CHAIRMAN OF THE EUROPEAN WORKS COUNCIL

This year, as part of the 2014 Plan, there have been a number of operational changes and business activities which have had significant impact on employees in certain areas of the Company. Thus, engaging employees in consultation has been vital to ensuring everyone feels informed and empowered about changes affecting them. During the year, representatives were involved in a select committee meeting in February and a meeting in Prague in October, along with three conference calls. These involved nine executives and senior managers including the Chief Executive Officer, the Senior Vice President of HR and Vice Presidents of Operational Integrity and Corporate Sustainability. The consultations provided an important opportunity for our Employee Representatives to understand key strategic and operational activities and to pose questions on behalf of their constituents. We believe the 2012 Corporate Sustainability Report mirrors the significant effort that is taking place at corporate, regional and country levels to engage employees through consultation and direct involvement in driving sustainability programmes and initiatives. We were particularly pleased to see fair coverage of CATALYST, the employee engagement programme and expect to see more detail in next year's report about how the Company has responded to the feedback. We were also encouraged to learn that 75% of employees who responded to the 2012 survey were aware of the Company's sustainability approach. We believe that significant strides can be made to ensure that every employee feels inspired and empowered to directly contribute to our sustainability performance.

GUUS WIESEMANN
Chairman of the SGS European Works Council



SGS

ASSURANCE STATEMENT

REPORT ON THE INTERNAL ASSURANCE OF SGS CORPORATE SUSTAINABILITY REPORT 2012

NATURE AND SCOPE THE ASSURANCE

The scope of assurance included the text, performance data and a review of the management of this data.

This Corporate Sustainability Report has been assured using SGS's own protocols to ensure consistency with the service offered to customers and follows the basic protocol for content veracity. The assurance comprised a combination of documentation review and validation and face-to-face interviews with relevant employees at the Head Office in Geneva and at affiliate level. Audits reviews of data samples and management were also carried out in selected sites. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors with the following qualifications: Lead Quality, Health and Safety, Environmental and SA8000 Auditor and Assurance Practitioner.

The responsibility of the assurance team is to express an opinion on the text, data, graphs and statements within the scope of verification, to evaluate the report against the Global Reporting Initiative Sustainability Reporting Guidelines GRI 3.1 (2011) and to inform improvements in the process for future reporting.

ASSURANCE OPINION

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within Corporate Sustainability Report 2012 is reliable and provides a fair and balanced representation of SGS activities in 2012 within the limitations of the stated reporting scope.

In our opinion the SGS Corporate Sustainability Report 2012 fulfills the content and quality criteria for GRI G3.1 Application Level A+

We believe that SGS has chosen an appropriate level of assurance for this stage of its reporting journey.

COMMENTS ON MATERIALITY

Identification of Material issues has improved from previous reporting and the challenge now is to expand on those issues material to affiliates locally.

GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (2011) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

In our opinion, the SGS Corporate Sustainability Report 2012 meets the content and quality requirements of the Global Reporting Initiative G3 Version 3.1 Application Level A+.

Principles and management approach – In our opinion the content and quality of the report adheres to the ten GRI Principles. Opportunities were identified for consideration in future reporting cycles to ensure continual improvement, including:

- It is recommended to be more specific on the degree of achievement labelled "in progress"
- It is recommended that reporting should also show how material issues change in priority from year to year and why
- It is recommended to modify the methodology to also capture the topics that local stakeholders may find relevant.

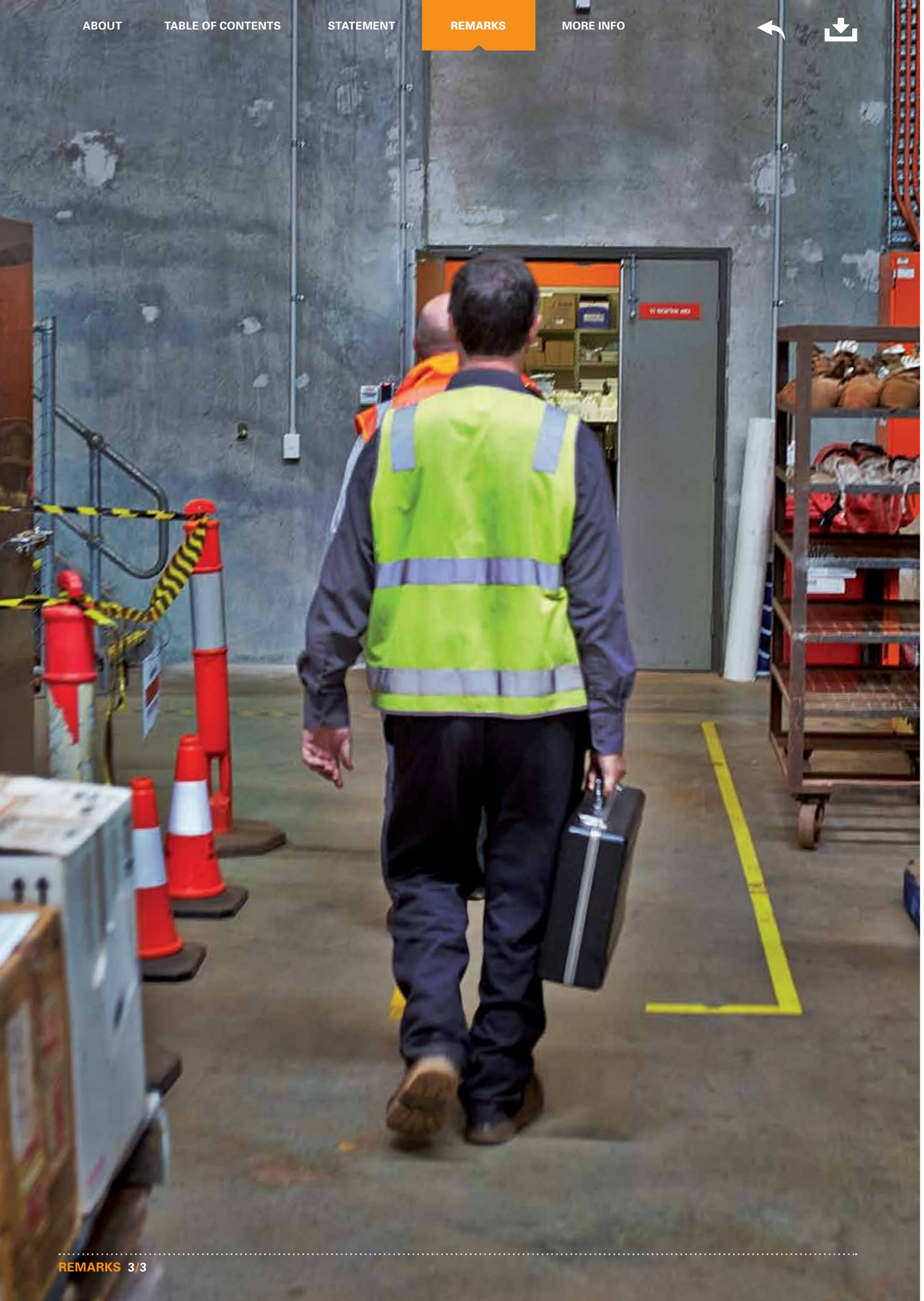
RECOMMENDATIONS

The report has included the sections written by people from around the company globally. This could be improved by expanding the reporting to encourage regions to produce their own 'stand alone' report sections reflecting local issues.

A report has been prepared for SGS management which includes a detailed set of recommendations to help identify areas for future improvement.

RITA GODFREY *SRA Assuror*
February 2013

MICHEL MOOSER *SRA Assuror*
February 2013



CLOSING REMARKS

DEAR STAKEHOLDERS,

As we conclude our fourth Corporate Sustainability Report, we would like to take a minute or so to reflect on our journey so far. Over the past four years, we have worked resolutely to make our business more responsible and, therefore, sustainable. We have built the management systems, established governance structures, and worked with experts inside and outside of the Company to develop innovative programmes and initiatives that will ensure we excel at professional excellence; improve the way we attract, retain and develop people; reduce our environmental impacts; and increase our involvement in the communities we operate in. Alongside our many corporate programmes, we now have more than 200 sustainability projects underway in our affiliates, supported by over 500 managers. This is a significant investment by the Company and we trust that it will return valuable results in terms of enhanced operational efficiency, cost benefits and environmental protection in the coming years.

Our confidence in our ability to meet the 2014 sustainability goals is fuelled by the passion, entrepreneurship and integrity of our employees. This report highlights the individual and collective efforts of our people in bringing about meaningful change – in our workplaces, in our communities and in the marketplace. We are inspired, for example, by efforts in Life Science Services to support clients in the development of biosimilars, aimed at providing more affordable medicines to people living in the developed and developing countries; work by Minerals Services to reliably forecast mining capacity and energy usage throughout the life of a mine; and the pioneering work in Governments and Institutions Services to ensure full chain of custody, traceability and tax collection for timber exported from Liberia. Within our own operations, we have developed some outstanding programmes and initiatives including the SGS Rules for Life aimed at saving lives; SHINE, our new onboarding programme; and CATALYST, our employee engagement programme which received an outstanding response from employees in 2012. In addition, we have developed a pioneering instrument, The Green Book to provide detailed intelligence on our actual and predicted sustainability performance.

There is some considerable way to go to becoming a sustainable business. However, with 75% of our employees now being aware of our sustainability targets and understanding its importance to the business, we believe we are in a great position to leverage this. In 2013, we will be ensuring that every employee is given the tools and opportunity to fully engage in our sustainability approach, through local projects at affiliate level, in various planned sustainability themed events, and via our global campaign, to enhance environmental behaviour at work.

As always, we rely on your support and guidance on how we can further improve our approach to being a responsible business. Please share your thoughts, ideas and feedback with us using this link.

Our thanks go out to each and every one of our employees and business partners for your unstinting commitment to our sustainability efforts and we look forward to working with you in 2013 to deliver an exceptional performance.



CHRISTOPHER KIRK
Chief Executive Officer



DANIEL RÜFENACHT
Vice President, Corporate Sustainability

FURTHER INFORMATION AND FEEDBACK

This report is available as an interactive and downloadable document and is summarised in a fact sheet. These can be accessed via our website.

If you have a moment, please share your comments on this report and our overall sustainability approach by using the link above to access a short survey. Alternatively you can contact a member of our Corporate Sustainability team via the website corporate.sustainability@sgs.com

Employees can access a dedicated intranet site on sustainability for more information, review the latest performance data, and share knowledge, advice and best practice.

A SPECIAL THANK YOU TO ALL EMPLOYEES AND STAKEHOLDERS FOR THEIR CONSTRUCTIVE CONTRIBUTION TO OUR FOURTH CORPORATE SUSTAINABILITY REPORT.

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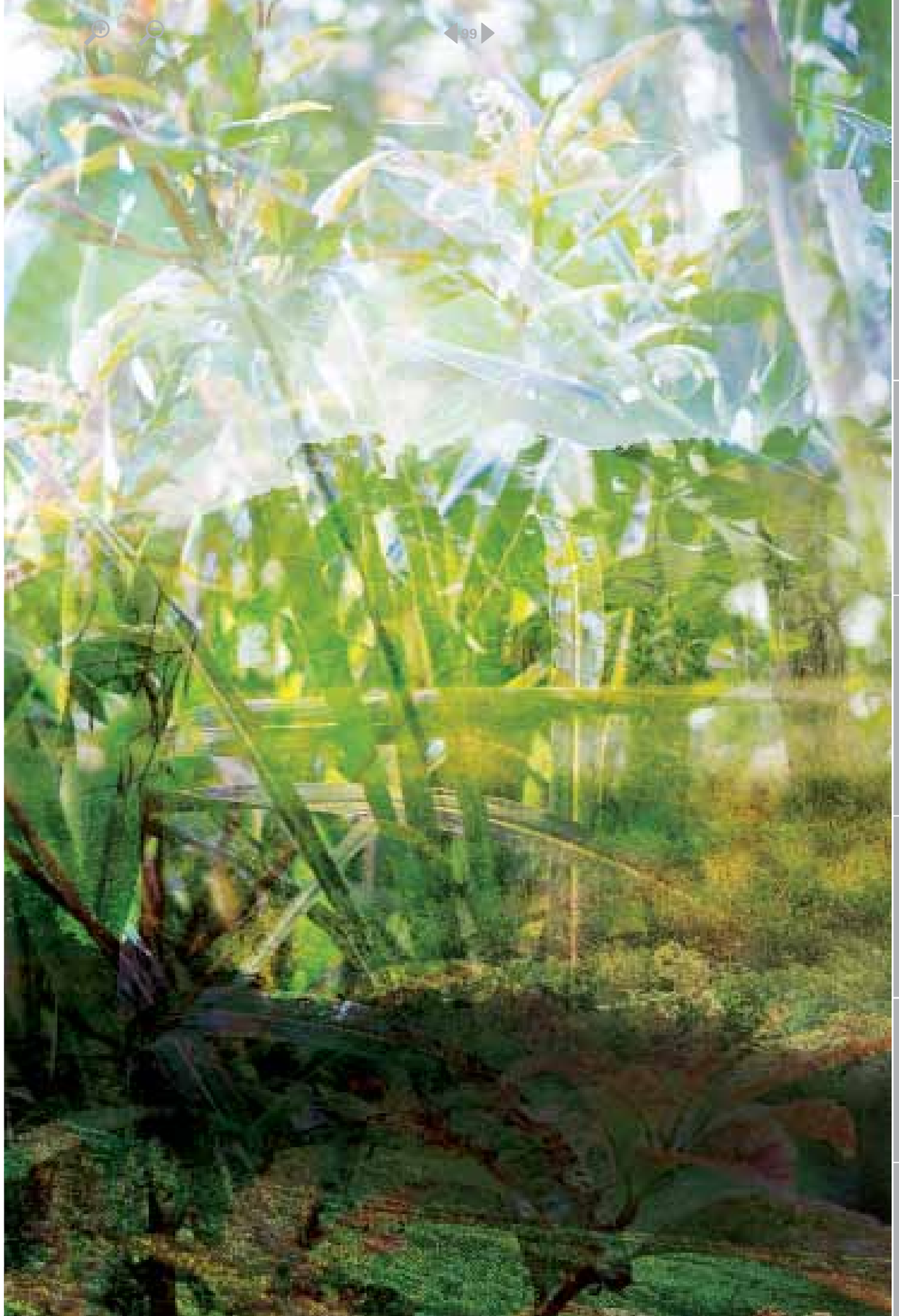
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