

OUR VALUE TO SOCIETY



CORPORATE SUSTAINABILITY REPORT 2018

SGS

CONTENTS

INTRODUCTION

PAGE 03

SGS AT A GLANCE 04

LETTER TO OUR
STAKEHOLDERS 05

SUSTAINABILITY
TEAM'S LETTER 06

SUSTAINABILITY
HIGHLIGHTS 07

ECONOMIC PERFORMANCE 08

SUSTAINABILITY AT SGS

PAGE 09

OUR SUSTAINABILITY
GOVERNANCE 10

SHAPING OUR STRATEGY 13

OUR SUSTAINABILITY
STRATEGY 25

OUR VALUE TO SOCIETY

PAGE 29

WHY WE MEASURE OUR
VALUE TO SOCIETY
30

HOW WE MEASURE OUR
VALUE TO SOCIETY
31

THE MEASURE OF OUR
VALUE TO SOCIETY
36

 **ONLINE REPORT**

www.sgs.com/cs-report-2018

PROFESSIONAL EXCELLENCE

PAGE 39

COMPLIANCE AND INTEGRITY 40

HUMAN RIGHTS 45

PUBLIC POLICY 50

PROCUREMENT AND SUPPLY
CHAIN MANAGEMENT 51

CUSTOMER RELATIONSHIP
MANAGEMENT 62

DATA SECURITY AND PRIVACY 65

INNOVATION 67

PEOPLE

PAGE 69

TALENT MANAGEMENT 70

DIVERSITY AND EQUAL
OPPORTUNITIES 81

OPERATIONAL INTEGRITY 84

ENVIRONMENT

PAGE 93

CLIMATE CHANGE 94

WATER AND WASTE
MANAGEMENT 108

EXTERNAL PARTNERSHIPS
AND INITIATIVES 111

COMMUNITY

PAGE 112

LOCAL COMMUNITY
SUPPORT 113

DATABANK

PAGE 124

OUR APPROACH TO REPORTING

PAGE 130

GRI CONTENT INDEX

PAGE 134

*This report has been prepared in
accordance with the GRI Standards:
Comprehensive option*

STAKEHOLDER INFORMATION

PAGE 140

INTRODUCTION

At SGS, we strive to become an ever more sustainable company by maximizing the positive impact we have on all our stakeholder groups while minimizing our negative impact throughout the value chain.

We add value to society through our operations, supply chain and services. By evaluating and quantifying our efforts, we demonstrate our value in a concrete and systematic way.

SGS AT A GLANCE	4
LETTER TO OUR STAKEHOLDERS	5
SUSTAINABILITY TEAM'S LETTER	6
SUSTAINABILITY HIGHLIGHTS	7
ECONOMIC PERFORMANCE	8

SGS AT A GLANCE

SGS is the world's leading inspection, verification, testing and certification company. We are recognized as the global benchmark for quality and integrity. With more than 97 000* employees, SGS operates a network of over 2 600 offices and laboratories around the world.

THE WORLD LEADER

We provide competitive advantage, drive sustainability and deliver trust. At SGS, we are continually pushing ourselves to provide innovative services and solutions that help our customers move their businesses forward. Our sustainability approach is about more than just reducing carbon emissions: We aim to maintain the highest professional standards, ensure our employees are able to lead fulfilling working lives and seek to maximize the positive impact our business has on society.

OUR VISION

We aim to be the most competitive and the most productive service organization in the world. Our core competencies in inspection, verification, testing and certification are being continuously improved to be best in class. Our chosen markets are and will be determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers.

OUR VALUES

We seek to be characterized by our passion, integrity, entrepreneurialism and innovative spirit, as we strive to fulfill our vision. These values guide us in all that we do and are the bedrock on which our organization is built.

SUSTAINABILITY – MAKING SURE WE ADD LONG-TERM VALUE TO SOCIETY

We use our scale and expertise to enable a more sustainable future. We ensure that we have a positive impact across our supply chain and direct operations, while offering services that help our customers achieve their own sustainability objectives.

+97 000*

EMPLOYEES

**Full-time equivalent.*

+2 600

OFFICES AND LABORATORIES

ONE

GLOBAL NETWORK



LETTER TO OUR STAKEHOLDERS

DEAR COLLEAGUES, PARTNERS AND STAKEHOLDERS,

As the world's leading inspection, verification, testing and certification company, we play a key role in creating a sustainable future for our stakeholders. Climate change, growing populations and rapid urbanization combined with increasing consumer demand from emerging markets are creating a unique set of challenges and opportunities.

With 97 000 employees in more than 2 600 offices and laboratories around the world, SGS is engaged directly with many of these challenges on a daily basis.

Over our 140-year history, long-term business performance and world-class sustainability performance have gone hand in hand. As a result, we are committed to embedding sustainability thinking into SGS' culture – a commitment that is enshrined in our Business Principles – the very foundation of the way we operate.

Consequently, we strive to add value to society beyond traditional financial returns, making a positive impact for all our stakeholders: customers, employees, shareholders and society. For example, we continue to provide our customers with world-class services, and our employees were

offered 4.4 million hours of training this year – providing them with transferable skills that can benefit them throughout their careers. Our shareholders benefited from the growth in Adjusted Earnings Per Share of 4% to CHF 95.17, and our dividend grew by 4% to CHF 78, while investing sustainably.

We continue to provide benefit to society by providing consumers with confidence, supporting more than 400 local communities, protecting the environment, helping industries to innovate and enabling governments to more effectively deliver services to their citizens.

In addition, as is clarified in this report, we are positively contributing to the Sustainable Development Goals, pursuing our Sustainability Ambitions 2020 and taking a leadership position by measuring our value to society on a quantitative basis.

We also improved our safety record by 63% (against a 2014 baseline), initiated several human rights initiatives, further optimized our energy efficiency, reduced our CO₂ emission intensities and maintained our carbon neutral company status.

Collectively, these efforts have been recognized. We were awarded the RobecoSAM Industry Leader Gold Class Sustainability Award for the fifth consecutive

year and also received a gold rating from EcoVadis for the fourth consecutive year. In addition, we were included in the FTSE4GOOD Index for the second consecutive year and were again named Industry leader in the Dow Jones Sustainability Indices (World and Europe categories). We are proud to have our efforts publicly acknowledged in this way. However, we are still ambitious to make further improvements and to be an increasingly net positive company going forward.

We will achieve this by continuing to apply our integrated leadership model and to align our efforts to the Integrated Reporting Framework. As we move towards the completion of our Sustainability Ambitions 2020 and start to look towards 2030 and beyond, we will strengthen our sustainability leadership. This is fundamental to our culture and inherently present in many of our services. It allows us to be better aligned with the expectations of new generations of stakeholders and deliver long-term value to shareholders and society.



SUSTAINABILITY TEAM'S LETTER

DEAR COLLEAGUES, PARTNERS AND STAKEHOLDERS,

Thank you for your interest in SGS and our sustainability efforts. We hope that the information presented in this report will be both insightful and informative to you.

As first announced in our 2017 Annual and Sustainability reports, SGS has joined a small group of pioneering companies in using impact valuation techniques to attempt to quantify our value to society in financial terms. The approach we use for achieving this is detailed in this report.

The purpose of taking on this complex and technical task is to provide a year-on-year benchmark of our performance in creating value to society and to feed that data back into the organization to support our continual improvement. This effort, which has been under development for several years, illustrates our commitment to creating a “double positive” benefit to both SGS as a business and society at large.

In 2018, we successfully integrated our sustainability risks into our main risk management tool and collaborated with the Procurement function on a joint global sustainable mobility project. This aims to continually

reduce our fleet emissions and explore alternative transportation methods. Additionally, we took steps to further drive human rights protection by beginning the deployment of a detailed internal human rights e-learning course.

In 2018, we also increased the number of community projects we are engaged in (462 in 2018, from 305 in 2017). We saw a 20% reduction in motor vehicle incidents and 100 additional buildings were added to our Energy Efficiency in Buildings program. Our employee engagement survey, meanwhile, indicated that 70% of employees feel enabled at work.

The examples above are also practical demonstrations of how we are using our integrated leadership model to ensure that decision-making is genuinely holistic and looks beyond the bottom line. This is in accord with the aims of the Integrated Reporting Framework.

The sustainability team is just the tip of the iceberg. All employees have a role to play in making SGS a more sustainable company, irrespective of the location, office size and the function or line of business in which they are based. This is also true of our affiliates, who are fundamental in developing initiatives that address local needs.

Looking forward, while we are happy with our progress, we will continue to drive sustainability thinking through the company's culture over the coming years. In 2019, we will initiate a full materiality process, which will engage us in a renewed dialog with our stakeholders. As we begin to plan towards 2030, this will help us understand how we can best contribute to the Sustainable Development Goals, which will become even more important markers for us.

We hope you enjoy reading this report and find benefit in the information contained within it. Certainly, for us, it has proven (as it always does), a useful moment of reflection. It is undoubtedly an excellent way for us to track our own performance – to celebrate our successes and to hold ourselves accountable for any short-comings.

FINALLY, WE WOULD LIKE TO TAKE THIS OPPORTUNITY TO THANK ALL OUR COLLEAGUES AND PARTNERS FOR THEIR SUPPORT, EXPERTISE AND COMMITMENT IN 2018.



DANIEL RÜFENACHT
Group Vice President, Corporate Communication and Sustainability

PAULA ORDOÑEZ
Global Head of Corporate Sustainability

SUSTAINABILITY HIGHLIGHTS

ACHIEVEMENTS



SGS RECEIVED THE ROBECOSAM GOLD CLASS AWARD FOR ITS EXCELLENT SUSTAINABILITY PERFORMANCE



SGS WAS NAMED CARBON DISCLOSURE PROJECT (CDP) SUPPLIER ENGAGEMENT LEADER

CHF 1.5 MIO

INVESTED IN COMMUNITIES AROUND THE WORLD

22%

DECREASE IN TOTAL GREENHOUSE GAS EMISSIONS AGAINST A 2014 BASELINE

CARBON NEUTRAL

SGS MAINTAINED ITS STATUS AS A CARBON NEUTRAL COMPANY



SGS WAS NAMED INDUSTRY LEADER BY THE DOW JONES SUSTAINABILITY INDEX FOR THE FIFTH YEAR



SGS RECEIVED A GOLD RATING FROM ECOVADIS FOR THE FOURTH YEAR

63%

TOTAL RECORDABLE INCIDENT RATE (TRIR) REDUCED BY 63% AGAINST A 2014 BASELINE

+CHF 6 176 MIO

ESTIMATED POSITIVE VALUE TO SOCIETY

4.4 MIO

EMPLOYEE TRAINING HOURS ACROSS THE SGS NETWORK



SGS WAS INCLUDED IN THE FTSE4GOOD INDEX FOR THE SECOND YEAR



LAUNCHED HUMAN RIGHTS TRAINING FOR CUSTOMERS AND ADAPTED THE CONTENT FOR EMPLOYEES

58%

LOST TIME INCIDENT RATE (LTIR) REDUCED BY 58% SINCE 2014 BASELINE

18 544

VOLUNTEERING HOURS DONATED TO COMMUNITY PROJECTS

PARTNERSHIPS



ECONOMIC PERFORMANCE

Our economic performance directly influences our ability to maintain a long-term, profitable business and to distribute wealth – through salaries paid to employees; as taxes to government; as donations to charitable causes; and as profit, dividends and reserves to our investors. Sustainability plays a role in boosting economic performance by reducing operating costs, mitigating risk, improving brand value and increasing sales through customer trust and loyalty.

For a comprehensive account of our economic performance, see our Annual Report 2018.



REVENUE +6.0%¹ (+5.3% ORGANIC)



ADJUSTED OPERATING INCOME² +8.4%¹



PROFIT FOR THE PERIOD +3.9%



PROPOSED DIVIDEND

1. Constant currency basis. 2. Before amortization of acquired intangibles and non-recurring items.

SGS GROUP STATEMENT OF ECONOMIC VALUE GENERATED AND DISTRIBUTED

CHF MILLION	2016	%	2017	%	2018	%
ECONOMIC VALUE GENERATED						
Revenue	5 985		6 349		6 706	
Financial income	8		14		19	
TOTAL ECONOMIC VALUE GENERATED	5 993	100.00	6 363	100.00	6 725	100.00
ECONOMIC VALUE DISTRIBUTED						
EMPLOYEE WAGES AND BENEFITS						
Salaries and wages	3 009		3 196		3 442	
TOTAL	3 009	50.21	3 196	50.23	3 442	50.88
OPERATING EXPENSES						
Subcontractors' expenses	368		394		387	
Depreciation, amortization and impairment	336		336		316	
Other operating expenses	1 423		1 420		1 512	
TOTAL	2 127	35.49	2 150	33.79	2 215	32.94
PAYMENT TO SHAREHOLDERS AND LENDERS						
Financial expenses	53		57		58	
Dividends paid ³	566		571		636	
TOTAL	619	10.33	628	9.87	694	10.32
PAYMENT TO GOVERNMENT						
Income taxes	185		187		218	
Other taxes	32		30		36	
TOTAL	217	3.62	217	3.41	254	3.78
PAYMENT TO COMMUNITY						
Community contributions and charitable donations	1		1		1	
TOTAL	1	0.02	1	0.02	1	0.01
TOTAL ECONOMIC VALUE DISTRIBUTED	5 973	99.67	6 192	97.32	6 586	97.93
ECONOMIC VALUE RETAINED	20	0.33	171	2.68	139	2.07

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

SUSTAINABILITY AT SGS

We use our scale and expertise to enable a more sustainable future. We ensure that we minimize our impact on the environment throughout the value chain, while positively investing in the communities in which we operate. In this way, we add significant value to society.

OUR SUSTAINABILITY GOVERNANCE	10
SHAPING OUR STRATEGY	13
OUR SUSTAINABILITY STRATEGY	25

OUR SUSTAINABILITY GOVERNANCE

As well as delivering services that promote sustainable development, we manage our own sustainability performance through our global management system and develop sustainability programs, which inspire a wide range of initiatives across our affiliates.

A strong governance structure underpins the delivery of our sustainability strategy. The Board of Directors is ultimately responsible for the direction of the Group and reviews sustainability risks as part of its annual risk review. The Board is also responsible for SGS' top-level strategy, mission and values.

SGS' Operations Council takes the top-level strategy forward, approving and implementing more detailed strategies, policies and targets through all operations across the Group.

The Sustainability Steering Committee supports the Operations Council and meets to develop SGS' sustainability strategy, review our sustainability management performance and approach, and agree on core programs and targets. Chaired by the CEO, the Sustainability Steering Committee comprises 16 Chief Operating Officers, Executive Vice Presidents and Senior Vice Presidents, who represent the full breadth of the SGS Group in terms of regions, functions and services.

Led by the Group Vice President, Corporate Communications and Sustainability – who reports to the CEO – the Corporate Sustainability Team consults with the Sustainability Steering Committee to support the development of the Group's sustainability strategy, and propose appropriate approaches and targets. The Corporate Sustainability Team is also in charge of our sustainability management systems, materiality processes and other related projects on a day-to-day basis. Measuring and reporting sustainability performance through the Green Book, liaising with external stakeholders and supporting affiliates in improving performance are also critical tasks for the team.

The team ensures that sustainability is embedded throughout the Group and that each function operates in line with SGS' Integrated Leadership Model (see page 11). This is partially achieved through co-leading various sustainability-related projects undertaken by the functions.

At a local level, initiatives are executed by our affiliates. Sustainability ambassadors are charged with overseeing this in our largest countries by operation.

SUSTAINABILITY STEERING COMMITTEE



CHIEF EXECUTIVE OFFICER

FRANKIE NG



NORTH AMERICA

FRANÇOIS MARTI
COO



AFRICA

FABRICE EGLOFF
COO



SOUTH EAST ASIA PACIFIC

MALCOLM REID
COO



WESTERN EUROPE

PAULINE EARL
COO



INVESTOR RELATIONS

TOBY REEKS
SVP



DIGITAL & INNOVATION

FRED HERREN
SVP



MINERALS

DERICK GOVENDER
EVP



CERTIFICATION & BUSINESS ENHANCEMENT

JEFFREY MCDONALD
EVP



FINANCE

CARLA DE GEYSELEER
CFO and SVP



HUMAN RESOURCES

JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO
SVP



LEGAL & COMPLIANCE

OLIVIER MERKT
SVP



OIL, GAS & CHEMICALS

ALIM SAIDOV
EVP



CONSUMER & RETAIL

CHARLES LY WA HOI
EVP



NORTH EAST ASIA

HELMUT CHIK
COO



SOUTH & CENTRAL AMERICA

LUIS FELIPE ELIAS
COO

OUR INTEGRATED LEADERSHIP MODEL

Our operations and services respond to global drivers and add significant value to our stakeholders. We measure value creation with the aim of empowering smarter decision-making.

OUR VALUE TO SOCIETY

Our business activity is designed to create value for and through our six main stakeholders: investors, customers, governments and industries, consumers, employees and suppliers, and communities and the planet.

OUR VALUE TO SOCIETY IS: MEASURING OUR GLOBAL IMPACT

We benchmark and analyze our performance, using pioneering impact valuation techniques.

OUR VALUE TO SOCIETY IS: PURPOSE BEYOND PROFIT

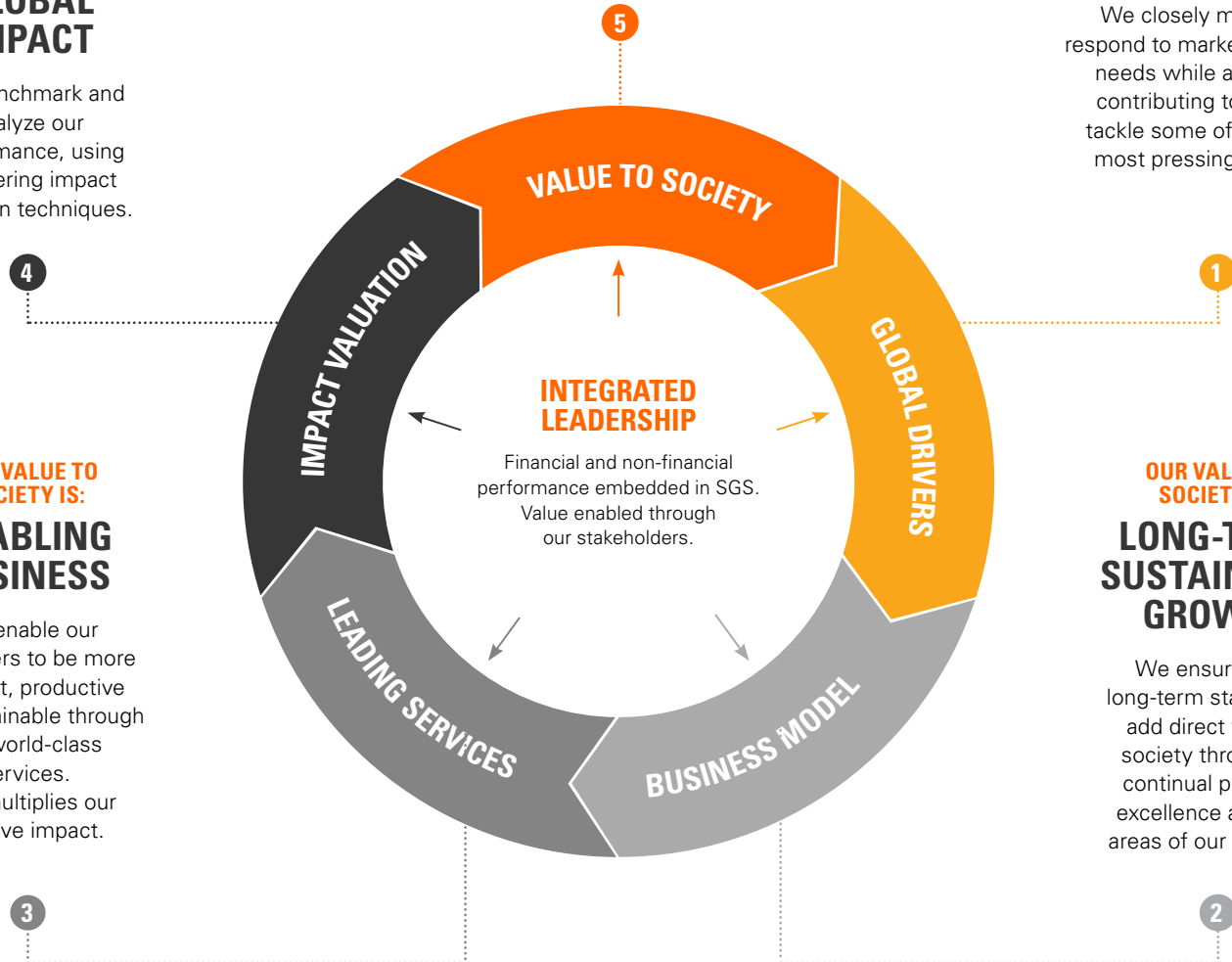
We closely monitor and respond to market and societal needs while also directly contributing to efforts to tackle some of the world's most pressing problems.

OUR VALUE TO SOCIETY IS: ENABLING BUSINESS

We enable our customers to be more efficient, productive and sustainable through our world-class services. This multiplies our positive impact.

OUR VALUE TO SOCIETY IS: LONG-TERM SUSTAINABLE GROWTH

We ensure SGS' long-term stability and add direct value to society through the continual pursuit of excellence across all areas of our business.



SUSTAINABILITY AS PART OF OUR CULTURE

Sustainability is an integral part of the SGS culture, with the CEO taking ultimate responsibility for sustainability across the Group. Sustainability is one of our six SGS Business Principles, which are fundamental, overarching beliefs and behaviors that guide our decisions and allow us to embody the SGS brand in everything we do.

Each Business Principle is owned and maintained by a designated Principle Owner at Operations Council level and underpinned by a policy statement that defines our commitments. More detailed operational policies describe the rules that must be observed by our employees and subcontractors. For more information on our Business Principles, see page 18 of the SGS Annual Report 2018.

INTEGRITY

MAKING SURE WE BUILD TRUST

QUALITY AND PROFESSIONALISM

MAKING SURE WE ACT AND COMMUNICATE RESPONSIBLY

SUSTAINABILITY

MAKING SURE WE ADD LONG-TERM VALUE TO SOCIETY

HEALTH AND SAFETY

MAKING SURE WE ESTABLISH SAFE AND HEALTHY WORKPLACES

RESPECT

MAKING SURE WE TREAT ALL PEOPLE FAIRLY

LEADERSHIP

MAKING SURE WE WORK TOGETHER AND THINK AHEAD

INTEGRITY POLICY STATEMENT

HEALTH, SAFETY AND ENVIRONMENT POLICY STATEMENT

QUALITY AND PROFESSIONALISM POLICY STATEMENT

RESPECT POLICY STATEMENT

CORPORATE SUSTAINABILITY POLICY STATEMENT

LEADERSHIP POLICY STATEMENT

SUSTAINABILITY POLICIES

COMMUNITY

GREEN BUILDINGS

GREEN IT

GREEN TRAVEL

VEHICLE EMISSIONS

SGS HUMAN RIGHTS

CODE OF INTEGRITY

SUPPLIER CODE OF CONDUCT



SHAPING OUR STRATEGY

AS A MULTINATIONAL COMPANY, SGS AND ITS SUPPLY CHAIN ARE EXPOSED TO GLOBAL DRIVERS THAT INCLUDE MEGATRENDS, RISKS, THE SUSTAINABLE DEVELOPMENT GOALS AND MATERIAL TOPICS. GLOBAL DRIVERS INFLUENCE OUR STRATEGY DEVELOPMENT AND WE EMPLOY A COMPREHENSIVE RISK MANAGEMENT SYSTEM TO MINIMIZE, MITIGATE AND MANAGE OUR RISKS.



GLOBAL STRATEGY DRIVERS

The SGS Sustainability Strategy is based on an analysis of a series of Global Drivers: the external megatrends that are influencing our business, the Sustainable Development Goals, the results of our risk assessment and our identified material topics. Together these provide us with the information we need to set our Ambitions and to establish our Key Performance Indicators (KPIs)

under each of our strategic pillars. This in turn guides our management system that monitors our progress against our Ambitions and KPIs. Our management teams oversee this whole process through our governance mechanisms, ensuring that our Sustainability Strategy stays in line with current external and internal analyses.

MEGATRENDS

SUSTAINABLE DEVELOPMENT GOALS

RISKS AND MATERIAL TOPICS



MEGATRENDS

SGS has outlined five megatrends that are influencing the way we live and do business.

These trends are interconnected, and while the pace and impact of the changes they cause may vary, our responsibility is to anticipate them. We design our strategy using this long-term thinking, while at the same time remaining agile and adjusting our operations and services to new developments.

URBANIZATION, MOBILITY AND SMART CITIES

Currently, most of the global GDP is generated in cities, and more than half of the world's population lives in metropolitan areas – a trend that will intensify. Urbanization provides opportunities to increase productivity and attract talent, but the need for resources and space impacts the economy, environment and quality of life. Governments and businesses are using technologies and data to build smart cities, towns and villages as well as to deliver smart mobility, advance economic growth and improve infrastructure and community services.

CLIMATE CHANGE

Extreme weather conditions and climate change can cause droughts and flooding that affect natural resources – such as water, energy, minerals/metals and food. This is especially true for some developing countries, where population growth trends further accelerate the demand for

natural resources. Governments are responding by developing new regulations. This means businesses and communities will need to develop actionable strategies that reduce the impact on climate change while supporting new demographic structures and securing the supply of resources.

ECONOMIC GROWTH

The global economy has grown twenty times over the last two centuries and is estimated to increase six-fold by 2050. The economy's primary challenge is to balance our desire for economic growth and prosperity with finite natural resources. On the consumer side, the production and disposal of items with a short lifespan can cause environmental damage and impact people's health, while the progress of emerging economies increasingly influences the global consumption pattern. To support economic growth, businesses must invest in sustainability, human capital and promote fair access to the workplace, technology and markets.

POPULATION AND SOCIAL TRENDS

The world's population is projected to rise by more than 1 billion by the year 2030, bringing the total to over 8 billion, and 97% of this growth will come from emerging or developing countries. This pace of change poses significant

challenges for governments and businesses. Empowering the next generation of workers – millennials (born in the 80s, 90s and early 2000s) – is critical to meeting these social challenges. Businesses and communities need strategies that can support the new demographic structure.

DIGITALIZATION AND CYBERSECURITY

The billions of devices that are connected to the internet, interacting and sharing data back and forth on an entirely new scale, present huge potential to save time and money. Moreover, advanced technology – such as robotics, artificial intelligence and big data – is revolutionizing our personal and professional lives. As much as these advances are improving societies and economies, the security risks are significant. Personal data has become a valuable asset and attacks on security gaps can cause considerable damage. Adequate cybersecurity is one of the basic requirements for a digital society: People need to be able to trust that their digital devices are secure and that their data is private and safe. Any company that works with data needs to provide the infrastructure and security measurements to avoid data breaches and maintain uninterrupted business operations.

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) provide a comprehensive and universally recognized framework that sets out a series of societal objectives that companies can contribute to.

Adopted in 2015, the SDGs aim to eliminate poverty, protect the planet and ensure prosperity for all. Each of the 17 goals has specific targets that define global priorities and aspirations for 2030.

Our Sustainability Ambitions 2020 are closely linked to the SDGs, and our services support them. In a further step, we have mapped all of our direct operations, supply chain and services against the 17 goals (which can be seen on the following pages). By using this mapping to visualize the contributions we are making towards the SDGs, we can develop strategic plans that can be integrated into management and reporting processes at the affiliate level.

In taking this approach, we can maximize the value we create for society: Connecting SGS' internal initiatives with the SDGs allows us to allocate resources efficiently and create a well-balanced approach that addresses social needs, climate change and the environment.

OUR SERVICES

BUSINESS LINE	SUSTAINABLE DEVELOPMENT GOALS																
AGRICULTURE, FOOD AND LIFE																	
MINERALS																	
OIL, GAS AND CHEMICALS																	
CONSUMER AND RETAIL																	
CERTIFICATION AND BUSINESS ENHANCEMENT																	
INDUSTRIAL																	
ENVIRONMENT, HEALTH AND SAFETY																	
TRANSPORTATION																	
GOVERNMENTS AND INSTITUTIONS																	

OUR OPERATIONS AND SUPPLY CHAIN

INITIATIVE	SUSTAINABLE DEVELOPMENT GOALS
CLIMATE CHANGE MITIGATION STRATEGY*	
CLIMATE NOW PARTNERSHIP	
CODE OF INTEGRITY	
CUSTOMER RELATIONSHIP MANAGEMENT & CUSTOMER SATISFACTION	
DO MORE WITH LESS CAMPAIGN – SPOT THE ORANGE DOT	
EMPLOYEE ENGAGEMENT SURVEY	
ENERGY EFFICIENCY IN BUILDINGS PROGRAM	
EQUIPNET PROGRAM	
GLOBAL CORPORATE CHALLENGE	

INITIATIVE	SUSTAINABLE DEVELOPMENT GOALS
SUSTAINABLE MOBILITY STRATEGY	
GREEN IT PROGRAM	
HUMAN RIGHTS STRATEGY	
INDUSTRIAL HYGIENE PROGRAM	
INNOLAB	
RE100 PARTNERSHIP	
RULES FOR LIFE	
SAFETY MONTH	
SCIENCE BASED INITIATIVE TARGETS	

INITIATIVE	SUSTAINABLE DEVELOPMENT GOALS
SGS ACADEMY	
SGS COMMUNITY PROGRAM*	
STOP WORK AUTHORITY PROGRAM	
WASTE MANAGEMENT PROGRAM	
WATER PLEDGE PROGRAM	
WBCSD PARTNERSHIP	
WOMEN IN LEADERSHIP STRATEGY*	

*Sustainability Ambitions 2020.

IDENTIFYING AND MINIMIZING RISKS

STRATEGY AND GOVERNANCE

As a global company, SGS and its supply chain are exposed to economic, political, social and environmental risks in the countries where we operate. To minimize, mitigate and manage these risks, we employ a comprehensive risk management system.

The SGS Board of Directors and Executive Management are responsible for the integration of risk management into key business planning processes. Every year, the SGS Board of Directors assesses the risks faced by the Group.

Additionally, the Group employs a comprehensive approach to identifying and articulating the risks to the business. This involves the active participation of various management levels throughout the company. This risk assessment process is supported by our Enterprise Risk Management (ERM) model. ERM frameworks are widely used by businesses to identify, analyze, monitor and respond to risks and opportunities. Our risk categorization is structured into external and internal risks.



SGS RISK CATEGORIZATION STRUCTURE

EXTERNAL RISKS

These include economic and market risks, legal and regulatory risks, natural disaster risks and public relations risks.

MITIGATION (INCLUDING BUT NOT LIMITED TO):

- Insurance policies
- Business continuity planning
- Sustainable Supply Chain initiative
- Legal and Compliance team
- Economic and geopolitical risk analysis

INTERNAL RISKS

STRATEGIC RISKS

These include risks related to the business model, intellectual property, advertising, structure, product lifecycle, resource allocations and social responsibility.

MITIGATION (INCLUDING BUT NOT LIMITED TO):

- Solid business and development plans
- Mergers and Acquisitions Policy
- Legal and Compliance team
- Investor Relations
- Communications and Sustainability team

PROCESS RISKS

These include risks relating to business interruption, the environment, compliance, health and safety, knowledge loss, contracts, taxation, talent acquisition and retention, and data integrity.

MITIGATION (INCLUDING BUT NOT LIMITED TO):

- Business continuity planning
- Operational Integrity team, policies and training
- Sustainability team, internal communications and community investment
- Legal and Compliance team
- IT committee, policies, training and architecture
- Employee branding, global HR strategy

FINANCIAL RISKS

These include risks relating to counterparty, credit, equity, foreign exchange, interest rate, liquidity, commodities and opportunity costs among others.

The specific process for Financial Risk management is described in detail in the finance section of our 2018 Annual Report (pages 116-180).

In 2018, a new Risk Management Oversight Committee (RMOC), which is chaired by the CEO, was established. It includes senior representatives from various key departments, such as the CFO and CIO. The Committee is expected to meet twice a year and on an ad-hoc basis as necessary. The RMOC's role is to manage the ERM framework. It reports directly to the Board.

2018 INITIATIVES AND ACHIEVEMENTS

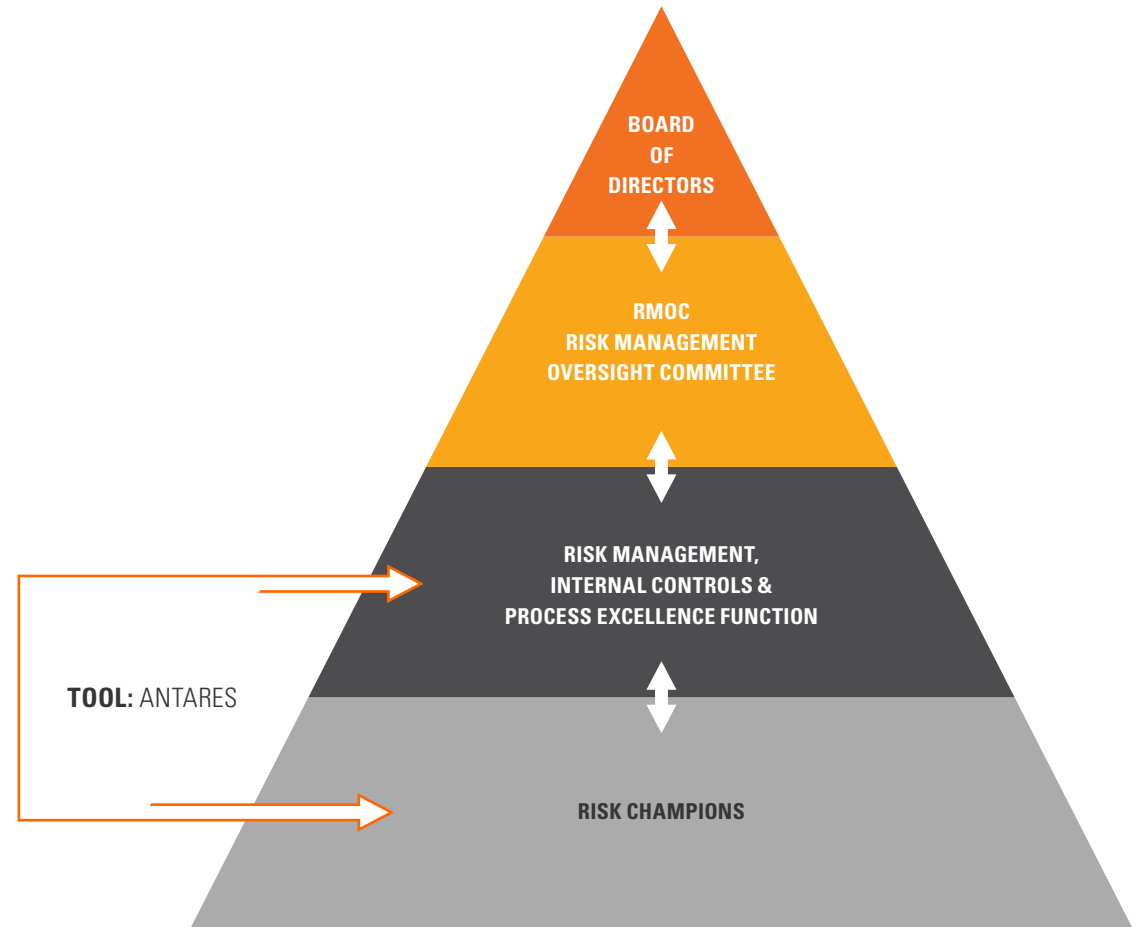
2018 was a transitional year for SGS' Risk Management function, with the rollout of an enhanced management structure, a new global Governance Risk and Compliance (GRC) platform and updated Risk Management processes.

RISK OVERSIGHT

An enhanced integrated Risk Management Framework and governance process uses a matrix approach to analyze risk through the company verticals (business lines and functions) and across geographic (country level) entities. Mapping is then conducted across all areas. Where significant discrepancies arise between Group-level priorities and local perceptions of risk, Executive Vice Presidents are required to visit the country in question to examine the details. The new methodology therefore encourages more detailed risk management dialog between

global business and function heads and their respective country-level managers. This allows for better localization of risk management and a clearer understanding of Group-level concerns at a country level. The new framework also places responsibility and accountability for managing risk much closer to our operations, with Risk Champions now responsible for risk in their jurisdiction.

The revised risk model now also integrates a broader array of risk categories, such as sustainability risks (e.g. climate change, human rights risks), directly into the management process, where they were previously a separate administrative task. This is expected to result in an even more robust and comprehensive approach to risk management in SGS and to better balance value preservation with value creation.



NEW RISK MANAGEMENT TOOL

To support the new global framework, a customized GRC platform (named ANTARES) is being deployed across the business. ANTARES enables a more detailed analysis of both gross and residual risk and standardizes risk management evaluation and reporting procedures.

After successful country-level pilots of the new platform and framework in Morocco, South Africa and Australia, the new tool was deployed through the company verticals. As part of this, more than 100 workshops were held with senior management – including heads of all business lines and every business function – to obtain a comprehensive overview of their risk and mitigation activities.

2018 RISK ASSESSMENT AND RESULTS

The 2018 Risk Assessment showed that SGS continues to have a moderate risk profile. Competition for talent (affecting both hiring and staff retention), succession planning, correct pricing and global economic conditions are our main residual risks after mitigation. Other areas of note include political risk, which was exacerbated in 2018 by a significant shift in how the

United States exercises its global leadership role and continued uncertainty over Brexit. Despite robust mitigation efforts in recent years, cybersecurity remains a risk priority for the Group, owing to the rapidly evolving technological landscape.

For details on the specific approach, results and mitigation actions for our sustainability risks in our direct operations and supply chain, please see pages 46-48 and 56-59 of this report.

108

RISK WORKSHOPS HELD

1ST

RISK MANAGEMENT OVERSIGHT COMMITTEE MEETING HELD



MATERIAL TOPICS

We conduct materiality assessments in order to identify the topics that are most material to our stakeholders. Our last materiality assessment was conducted in 2016. This involved a consultation with around 850 stakeholders in 52 countries, including customers, senior managers, employees, suppliers, non-governmental organizations, ratings agencies, sustainability professionals and academics. Alongside the survey, we conducted a detailed benchmark review of globally relevant and sector-specific sustainability issues and trends, and conducted a weighted analysis of the results by stakeholder type. This process allowed us to identify our material topics.

We subsequently merged these with the outputs of our business risk assessment process. The result was a consolidated list of the most

salient environmental, social and governance topics for SGS.

Next, we conducted an impact assessment, which involved over 80% of Operations Council members, to rank each topic according to its relative impact on the business and assess the controls in place to mitigate that impact. The outcome of this process was the development of our first Business Materiality Matrix.

During 2018, we carried out our annual high-level review of the material topics identified, adapting the Materiality Matrix to new trends. The review included the integration of updated information from sustainability ratings, financial analysts, media, investors and new business risks raised as a result of our risk identification process.

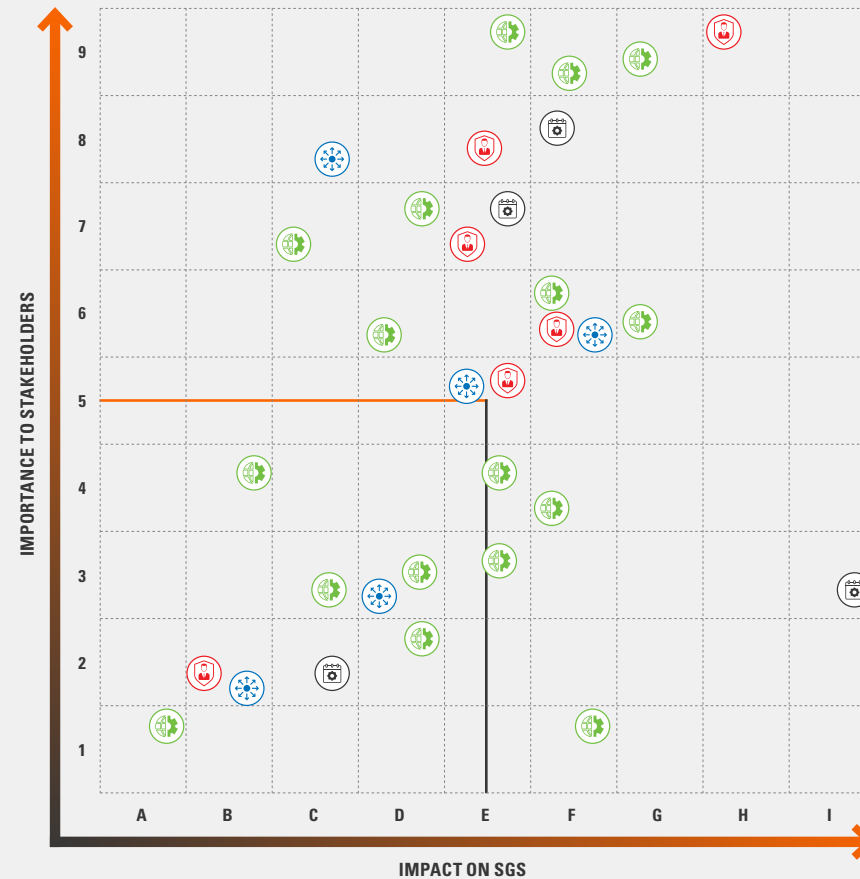
The results of this process are presented on page 22.



BUSINESS MATERIALITY MATRIX

1A INDIGENOUS RIGHTS PROTECTION	Impacts of SGS' operations on indigenous communities
1F BUSINESS CONTINUITY	Business continuity practices and strategy
2B ROLE IN PUBLIC POLICY DEVELOPMENTS	Positioning on lobbying and policy developments
2B PROTECTION OF BIODIVERSITY	Impacts of SGS' operations on biodiversity
2C TAX STRATEGY	Tax strategy across the Group
2D CYBERSECURITY	Practices on protecting the Organization against cyberattacks
3C MATERIALS CONSUMED	Types of materials consumed by SGS
3D WATER AND WASTE MANAGEMENT, AIR POLLUTION	Waste, water and effluents management systems and performance
3D IT PREPAREDNESS AND DIGITALIZATION	Digitalization and secure IT systems and infrastructure
3E FAIR AND EQUAL REMUNERATION	Fair and equal remuneration practices
3I PRICING	Pricing strategy and practices
4B INVESTMENT IN LOCAL COMMUNITIES	Contributions to local communities
4E TALENT DEVELOPMENT AND RECOGNITION	Talent development strategy
4F EMPLOYEE ENGAGEMENT	Employee survey and engagement practices

5E INNOVATION	Innovation strategy for services and solutions
5E RISK AND CRISIS MANAGEMENT	Risk assessment practices and crisis management systems
6D ECONOMIC CONDITIONS	Present state of the economy
6F RESPECT FOR HUMAN RIGHTS	Human rights practices in our operations and supply chain
6F BRAND AND REPUTATION	The integrity, independence and quality that define SGS
6F CRM AND CUSTOMER SATISFACTION	Customer practices and satisfaction
6G CUSTOMER PRIVACY AND DATA PROTECTION	Data protection practices for employees and customers
7C SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN	Sustainable practices relating to suppliers
7D DIVERSITY AND EQUAL OPPORTUNITIES	Fair practices and equal opportunities for all employees
7E CORPORATE GOVERNANCE	Effective and fair corporate policies and processes
7E INVESTMENT STRATEGY	Types of organic and inorganic growth
8C ENERGY AND CLIMATE CHANGE	Energy consumption and greenhouse gas emissions
8E COMPLIANCE WITH LOCAL LAWS AND REGULATIONS	The laws, regulations and government policies we respect
8F MARKET PRESENCE	Competitive advantage in the market
9E ECONOMIC PERFORMANCE	Strategic objectives linked to growth and margins
9F TALENT ACQUISITION AND RETENTION	Practices to attract, support and retain skilled employees
9G OPERATIONAL INTEGRITY	Employee health and safety and protection of the environment
9H PROFESSIONAL INTEGRITY	Group-wide procedures and standards for ethical behavior









Strategy and planning
Governance and integrity
Global support
Operations

Our Materiality Matrix maps our identified material topics against their importance for stakeholders and their impact on SGS, providing us with a powerful analytical tool.

STAKEHOLDER ENGAGEMENT

Maintaining continuous dialog with stakeholders is critical to our long-term success. We engage with stakeholders to inform the development of our sustainability strategy and determine which topics they want to see covered in the Sustainability Report. We see it as important to have a good understanding of the issues that matter to our stakeholders, why they are relevant at any given time and what they consider to be their impacts. Through this continuous dialog we gain insights that enable us to align our sustainability initiatives to stakeholder requirements and ensure we deliver value to society.

STAKEHOLDER	WHY WE ENGAGE	HOW WE ENGAGE	
 <p>EMPLOYEES AND SUPPLIERS</p>	<p>As a service company, our people are essential to our business. With this in mind, it is important to nurture their potential, offering them the right training and opportunities, and to clearly communicate business and personal performance criteria. At the same time, we rely on our suppliers to support us in the smooth delivery of our services. Our supplier relationships are mutually beneficial: Our custom adds stability to their businesses and supports their local communities.</p>	<p>Global employee engagement program, CATALYST</p> <p>SGS Sharepoint intranet portal</p> <p>SGS Inside newsletter</p> <p>Training programs, videos and e-learning modules</p> <p>SHINE Onboarding</p> <p>Annual integrity training</p> <p>Annual Safety Month</p>	<p>Spot the Orange Dot environmental behavior campaign</p> <p>Sustainability learning</p> <p>Employee Representation Councils (e.g. European Works Council – Euroforum)</p> <p>Supplier Self-Assessment</p> <p>Supplier Code of Conduct</p> <p>Supplier Audits</p> <p>Supplier Innovation Program</p>
 <p>CUSTOMERS</p>	<p>Our customers are at the heart of everything we do. We continually aim to provide them with services that help make their businesses more efficient, profitable and sustainable. Through our customers we create value to society in the form of job security for their employees, higher quality products and better environmental management.</p>	<p>One-to-one meetings</p> <p>SGS-hosted conferences, seminars and webinars</p> <p>Customer surveys, e.g. Voice of the Customer</p>	<p>White papers</p> <p>Customer portal</p>
 <p>GOVERNMENTS AND INDUSTRIES</p>	<p>Given our scale and leadership in the industry, we shape the markets in which we operate. We help to drive innovation and promote sustainable development.</p>	<p>SGS-hosted conferences, seminars and webinars</p> <p>Membership meetings and events</p>	<p>White papers</p> <p>Governments and Institutions business line</p>

STAKEHOLDER	WHY WE ENGAGE	HOW WE ENGAGE	
 INVESTORS	Our investors are vital to the ongoing success and growth of SGS. Our relationship with them relies on effective and transparent communication. We aim to continue offering a sound investment and to create value by being a robust, sustainable business with a 140-year track record, strong leadership and a commitment to long-term sustainability.	Annual General Meeting SGS Investor Days	Meetings with investors and analysts Responses to analyst questionnaires
 COMMUNITIES AND THE PLANET	Our communities and the planet both have an affect on our business and have the potential to be affected by our operations. Therefore we look to nurture local people and to protect our environment. We do this by minimizing our impact on the environment and supporting local groups and disaster relief efforts. As such, our sustainability endeavors are recognized as being among the very best – both regionally and in the TIC industry.	Annual community survey to measure the impact of community investment White papers	One-to-one meetings with NGOs and responses to questionnaires
 CONSUMERS	The trust consumers have in the products they buy as a result of our services is fundamental to our business. Our quality, safety and authenticity analyses, among others, give them confidence and assure them that their purchases can be depended on.	Certification and product labeling Direct marketing and communication with certain B2C products	

OUTLOOK

In 2019, the new GRC platform will be deployed on a country level, following its successful pilot in 2018. Over the course of the year, 43 countries will be covered, with the priority being the largest countries (by operation) and some smaller countries with a high-risk profile. Follow-up monitoring for actions identified during the platform’s deployment across the verticals and pilot countries in 2018 will also be initiated.

Additionally, a Group-wide risk profile (appetite) will be formally established, aligned with our Business Principles, Vision

and Core Values. This will be determined by the Operations Council and will form a third risk assessment parameter to accompany “likelihood” and “impact” by which we can assess all mitigation activities. In this sense, it will help guide not just risk management policy but also the Group’s broader decision-making across a number of actions.

Regarding our Business Materiality Matrix, with 2016 as our year zero, we are committed to conducting a high-level materiality review every year and an external stakeholder survey on a biennial

basis to ensure that our business objectives and our Sustainability Ambitions remain focused on the most important issues for our stakeholders and for the business. However, the 2018 survey was postponed until early 2019 to allow time for the full integration of our sustainability risks into the global risk management system. In addition to the survey, another high-level materiality review will be completed in 2019. Together, these two activities will be pivotal in providing the insights we need to finalize our future business and sustainability goals.



OUR SUSTAINABILITY STRATEGY

WITH OUR DESIRE TO CREATE VALUE TO SOCIETY CENTRAL TO OUR PLANS MOVING FORWARD, OUR SUSTAINABILITY ACTIVITY IS INCREASINGLY INTEGRAL TO THE WAY WE OPERATE. TO BE SUCCESSFUL, WE NEED TO BE SYSTEMATIC, WHICH IS WHY WE HAVE A COMPREHENSIVE SUSTAINABILITY STRATEGY.

PILLARS AND PROGRAMS




Our Sustainability Strategy is built on four pillars: Professional Excellence, People, Environment and Community. Each one is supported by Group-wide policies, global programs and local initiatives. This structure guides our

Ambitions 2020 and helps us add value to society. As we are in the process of framing our goals for 2025, while evolving our understanding of where we want to be in 2030, the four pillars provide an important

framework for our continued aim of contributing to a more sustainable future.

Since we report against the pillars, they also provide an outline for much of this sustainability report.

Under each pillar, we have a number of core sustainability program areas. These tackle key issues, ranging from integrity to vehicle emissions. More detailed information on individual programs can be found throughout this report.

<h2>OUR PILLARS</h2>																		
	<p>PROFESSIONAL EXCELLENCE</p> <p>Trust lies at the heart of the value we deliver to our customers and society. Our responsibility to maintain the highest levels of operational excellence, professional integrity and best-in-class quality strengthens our position as a global market leader and helps us evolve as market conditions change (page 39).</p>	<p>PEOPLE</p> <p>We empower our employees to succeed in a safe, diverse and inclusive workplace that treats everyone fairly and with respect. We also seek to employ and develop local talent and offer our employees flexibility, mobility and opportunity within the SGS Group (page 69).</p>	<p>ENVIRONMENT</p> <p>We are committed to achieving sustainable growth while managing our impact on the environment. We follow a carbon neutrality strategy, seek to use resources efficiently and work to deliver sustainable value for society. We also recognize our role in supporting our customers to improve their own environmental performance (page 93).</p>	<p>COMMUNITY</p> <p>We want to create a positive, measurable and lasting impact on the local communities where we operate. We welcome local talent and engender a company culture of giving back through projects that are aligned with the Sustainable Development Goals and focus on education, empowerment and environmental sustainability (page 112).</p>														
<h2>OUR CORE SUSTAINABILITY PROGRAMS</h2>	<p>PROGRAMS LEAD BY CORPORATE SUSTAINABILITY</p> <table border="0"> <tr> <td>Value to society measurement</td> <td>Sustainability training</td> </tr> <tr> <td>Carbon neutrality</td> <td>Human rights awareness</td> </tr> <tr> <td>Spot the Orange Dot</td> <td>Employee volunteering</td> </tr> <tr> <td>Energy efficiency program</td> <td>Social projects through SGS Academy</td> </tr> </table>		Value to society measurement	Sustainability training	Carbon neutrality	Human rights awareness	Spot the Orange Dot	Employee volunteering	Energy efficiency program	Social projects through SGS Academy	<p>PROGRAMS IN PARTNERSHIP WITH OTHER FUNCTIONS</p> <table border="0"> <tr> <td>Human rights protection</td> <td>Sustainable mobility strategy</td> </tr> <tr> <td>Sustainable procurement strategy</td> <td>Employee satisfaction: Catalyst</td> </tr> <tr> <td>Sustainability risk management</td> <td>Women in leadership</td> </tr> </table>		Human rights protection	Sustainable mobility strategy	Sustainable procurement strategy	Employee satisfaction: Catalyst	Sustainability risk management	Women in leadership
	Value to society measurement	Sustainability training																
Carbon neutrality	Human rights awareness																	
Spot the Orange Dot	Employee volunteering																	
Energy efficiency program	Social projects through SGS Academy																	
Human rights protection	Sustainable mobility strategy																	
Sustainable procurement strategy	Employee satisfaction: Catalyst																	
Sustainability risk management	Women in leadership																	

SUSTAINABILITY MANAGEMENT SYSTEM

SGS' Sustainability Management System provides the structure for the measurement of the Group's sustainability performance.

DELIVERING OUR SUSTAINABILITY STRATEGY

The SGS Sustainability Management System provides a mechanism through which we can monitor the delivery of the Group's Sustainability Strategy and our progress against our Sustainability Ambitions 2020. It also allows us to set and analyze sustainability Key Performance Indicators that act as our set of controls and provides us with the insight we need to ensure we stay on track in terms of initiatives, activities and results.

OUR FOUR SUSTAINABILITY PILLARS

The four pillars of Professional Excellence, People, Environment and Community are the foundation of SGS' Sustainability Strategy. Each one is supported by Group-wide policies, global programs and local initiatives. As such, these four pillars are also central to our Sustainability Management System.

OUR SUSTAINABILITY MANAGEMENT SYSTEM AS A FRAMEWORK

Our Sustainability Management System is the framework with which we:

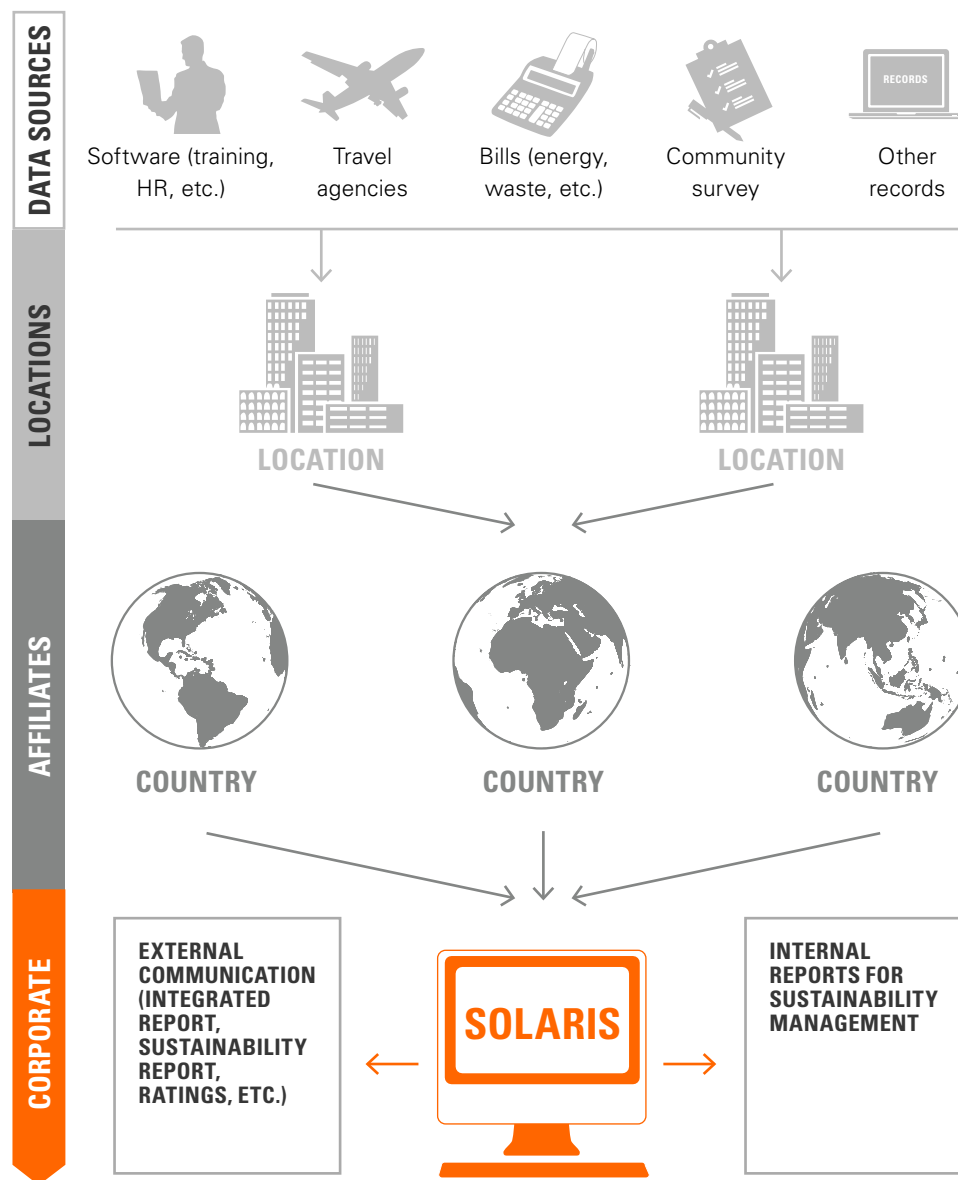
- Set targets
- Conduct audits
- Implement programs
- Measure our progress
- Analyze and improve our performance

MANAGEMENT AND REPORTING SYSTEM ALIGNMENTS

We align our management system to ISO 26000 and the Global Reporting Initiative's standards. We also use the AA1000 Principles as well as specific frameworks, such as the ISO 14064 International Standard for emissions inventories and verification and the London Benchmarking Group's guidance for community investment, to monitor our data and report on material issues.

DATA GATHERING PROCESS

Robust data gathering is important to set targets and monitor performance. Most of our data is collected locally through centralized software (Solaris). The remainder is gathered at a corporate level.



SUSTAINABILITY AMBITIONS 2020: 2018 PERFORMANCE

	2014	2015	2016	2017	2018	2020 TARGET
PEOPLE						
Maintain a natural turnover rate of no more than 15%*	12.8	11.9	12.1	13.0	14.6	15.0
30% of leadership positions will be held by women		25.6	26.3	26.2	26.4	30.0
Reduce our LTIR by 50%**	0.60	0.38	0.27	0.23	0.25	0.30
Reduce our TRIR by 50%**	1.11	0.65	0.53	0.40	0.41	0.55
ENVIRONMENT						
Reduce our annual CO ₂ emissions (per FTE) by 20%** (CO ₂ e tonnes/FTE)	2.6	2.4	2.1	1.9	1.7	2.1
Reduce our annual CO ₂ emissions (by revenue) by 20%** (CO ₂ e tonnes/M CHF)	38.8	35.8	31.1	27.8	25.0	31.1
COMMUNITY						
Increase our investment in communities around the world by 30%,** with a focus on volunteering (thousands CHF)	775	1 091	1 152	1 222	1 545	1 007
PROFESSIONAL EXCELLENCE						
Deliver measurable sustainable value to society (CHF MIO)				5 865	6 176	N/A
Link management incentive plan to sustainability					NOT YET ACHIEVED YET – IN PROGRESS	N/A

* Adjusted from 10% to 15% to provide a more realistic target for our industry, based on market studies and external rating benchmarks. ** Against 2014 baseline.

OUR VALUE TO SOCIETY

We are convinced that our long-term success depends on our capacity to deliver sustainable value to our shareholders and society. To understand our value creation and make better strategic decisions, we have developed our Impact Valuation Framework that aims to quantify and monetize our positive and negative impacts on society beyond our financial return.

WHY WE MEASURE OUR VALUE TO SOCIETY 30

HOW WE MEASURE OUR VALUE TO SOCIETY 31

THE MEASURE OF OUR VALUE TO SOCIETY 36

WHY WE MEASURE OUR VALUE TO SOCIETY

In traditional economics, GDP is used to measure the total economic value generated at a national level while a company's impact is defined as gross value-added (GVA). GVA is generated through traditional financial calculations such as the payment of wages and salaries, profits generated and taxes paid. In 2017,* SGS added up to CHF 4 045 million to society, notably through salaries and taxes for the 95 000 employees we had in 2017, according to this traditional metric.

However, these metrics have been questioned as they only give a partial picture of wealth and performance. Economic indicators such as GDP were never designed to be comprehensive measures of prosperity and well-being. There is a global consensus to build adequate indicators to address new global challenges, such as climate change, resource depletion, health and quality of life. Alternatives like the OECD Better Life Index or the United Nations Human Development Index have been proposed. With the same motivation, at a company level we

have proposed a methodology, our Impact Valuation Framework, to move beyond GVA.

We seek to maximize the positive impact that our business has on society. If we are determined to do this in a non-abstract, concrete and systematic way, then Value to Society as a concept must be made tangible. Only in this way can our Integrated Leadership model fulfill its potential to perform meaningful, holistic cost-benefit analysis at a strategic level.

Consequently, we need a method of calculating and benchmarking our performance in this area. Our Impact Valuation Framework is based on calculating the impacts we have across six comprehensive capitals, as determined by the Integrated Reporting initiative.

** Value to Society is calculated using 2017 figures.*

“WHAT WE MEASURE AFFECTS WHAT WE DO”

– STIGLITZ COMMISSION REPORT ON THE MEASUREMENT OF ECONOMIC PERFORMANCE AND SOCIAL PROGRESS.



HOW WE MEASURE OUR VALUE TO SOCIETY

Organizations depend on various forms of capital for their success. Financial, manufactured, social and relationship, human, natural and intellectual capital are the six commonly recognized forms of capital. Throughout the year and due to corporate activities, the capitals undergo change, according to levels of use and investment flows.

SGS' cutting-edge Impact Valuation Framework seeks to value the societal impacts that result from SGS-driven activities across the six capitals in a common unit – namely Swiss Francs. These impacts can be

either positive or negative in order to reflect an associated benefit or cost. We strive to increase the positive contribution of our business activities and minimize their negative impacts.

At present, the model is not intended to be a financial accounting tool. Instead, it will help us understand and monitor our path towards achieving our sustainability 2020 ambitions and demonstrating SGS' Value to Society in a comprehensive way. On this basis, our total Value to Society could eventually become a strategic KPI in its own right. With this new approach, we are also embracing the strategy encouraged by the International Integrated Reporting Framework to create a cohesive and comprehensive view on how our material factors generate value over time.

SGS' impact is explored across the entire value chain: our operations, supply chain and services. At present, our analysis only comprehensively covers the first two scopes, with advanced technical work on developing accounting procedures for the

value created through our services ongoing. Once integrated however, we can expect to see a significant increase in our Value to Society figure. This is because many of our services help other businesses and governments achieve their own sustainability targets and add value for citizens and customers.

OUR IMPACT VALUATION FRAMEWORK HAS BEEN DEFINED TO MEET A TWO-FOLD PURPOSE:

VALUE TO SGS

As a materialization of the “triple bottom line” concept, we aim to assess how impacts in non-financial capitals and their dependencies affect, positively or negatively, the financial performance of our company, either now or in the future.

Over the last five years, “value to SGS” has been used to make internal reports, which demonstrate how sustainability actions shape financial performance – and to make internal decisions smarter. These so-called Green Book reports have been generated for SGS' top 60 countries by revenue on a biannual basis. Through this endeavor, the senior management of those respective countries has access to a brand-new source of fresh and relevant local data sets to be leveraged. As time goes on and the model is further refined, it has the potential to support a deeper culture of more informed, holistic decision-making.

VALUE TO SOCIETY

We are determined to understand how our company impacts society positively and negatively. To achieve this, our framework has been designed to measure the externalities generated by our activities. Through this process we gain a more detailed understanding of SGS' holistic performance. This information has the potential to enable better strategic decision-making as the data becomes available to managers. Over the long term, this should create a virtuous cycle, allowing us to create greater value to society.

<p>WE MEASURE OUR VALUE TO SOCIETY ACROSS</p> <p>OUR VALUE CHAIN</p> <p>SUPPLY CHAIN OPERATIONS SERVICES (METHOD IN DEVELOPMENT)</p>	<p>6 CAPITALS</p> <p>FINANCIAL MANUFACTURED NATURAL HUMAN INTELLECTUAL SOCIAL AND RELATIONSHIP</p>	<p>31 INDICATORS THAT ARE TIED TO</p> <p>OUR STRATEGIC KPIS</p>
--	---	--



OUR CAPITALS

Capitals are stores of value that are used by all businesses as inputs into the organization’s business model. These capitals are then enhanced, consumed or modified by the business as part of their business processes. There is a continual flow between and within the capitals as they are increased, decreased or transformed by the business. Understanding these flows forms the basis for understanding a company’s value to society.

In line with the Integrated Reporting Framework’s approach, SGS analyzes six types of capital stock across our operations and supply chain. The sum of the collective positive and negative impacts of these six capitals provides us with a figure that represents our value to society in quantitative terms (see page 36).

OUR INDICATORS

In order to calculate SGS’ impact on each capital, a set of 31 measurable indicators has been identified. These relate to specific corporate level performance indicators, such as CO₂ emissions, employee turnover and research and development. An economic value has been assigned to each indicator that, in turn, contributes to the positive or negative flow of each capital.

For example, reducing our CO₂ emissions would decrease our negative impact on our natural capital flow, while increasing our investment in research and development would increase our intellectual capital flow and vice versa. Our indicators have been selected based on materiality principles and the available research literature and data to enable calculation.

This approach allows us not only to benchmark our overall holistic performance but to observe areas of weakness and strength, and to get relatively granular in identifying areas for performance improvement in the future. Moreover, it allows us to gain some insight into the subtle interlinkages between the capitals, in line with the objectives of the Integrated Reporting Framework.



NATURAL CAPITAL

Comprises the renewable and non-renewable natural resources and processes SGS needs to operate. Natural inputs include air, water, land and ecosystem health.



MANUFACTURED CAPITAL

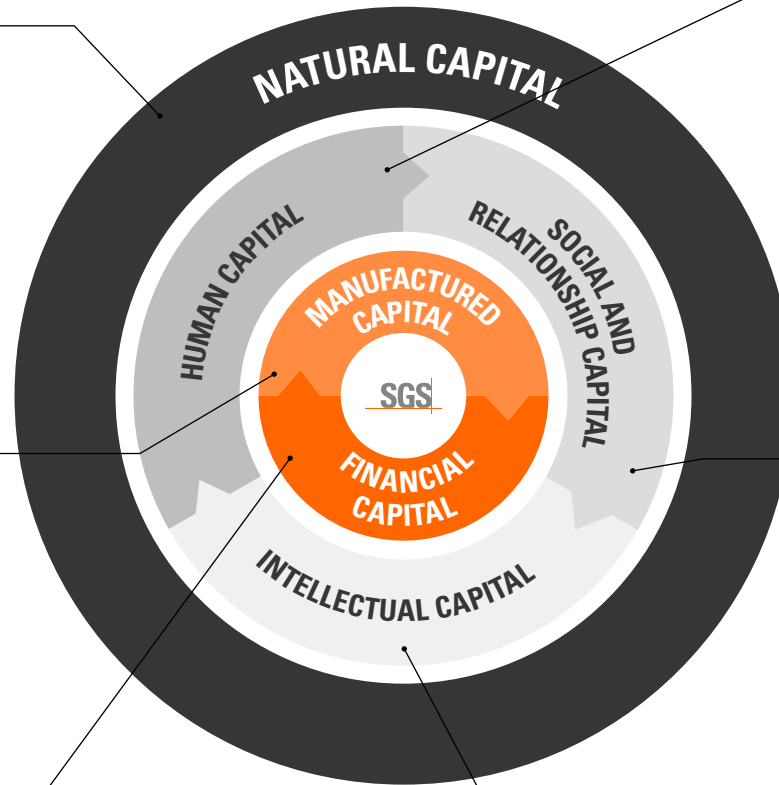
Relates to the inventory of property, plant, equipment and other manufactured goods that enable SGS business activities and enable SGS to successfully compete in the global marketplace.



FINANCIAL CAPITAL

Relates to the storage of cash and cash equivalents that can be used in exchange for other stock functions (e.g. human capital) that enable SGS to successfully compete in the global marketplace.

SGS VALUE TO SOCIETY MODEL



HUMAN CAPITAL

Relates to the physical and psychological capacity of individuals (e.g. motivation, safety or well-being) to undertake market-based employment and to pursue wider aspirations.



SOCIAL AND RELATIONSHIP CAPITAL

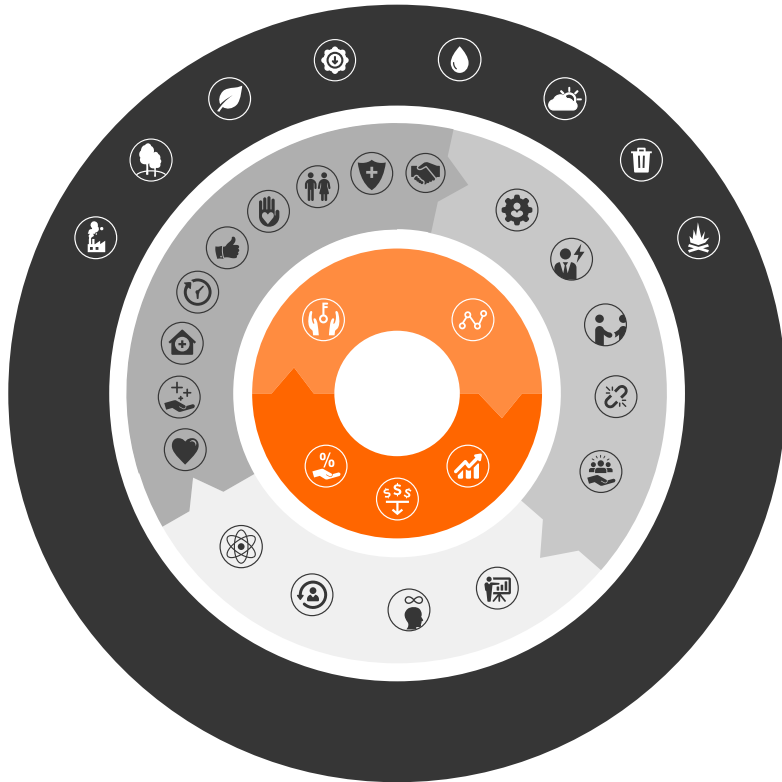
Covers SGS' relationships and interactions with communities, stakeholders, organizations and networks. It includes notions like trust, loyalty and other values.



INTELLECTUAL CAPITAL

Consists of intangible and knowledge-based assets. Intellectual inputs include the brand, patents and copyrights, as well as employees' knowledge of protocols and procedures.

OUR INDICATORS DETAILED



Mapping our indicators against our capitals

NATURAL CAPITAL

CO₂ EMISSIONS

The social cost of the CO₂ released into the atmosphere as a result of our activities.

CARBON OFFSETTING

The associated economic benefit of our carbon neutrality approach. Any carbon that we cannot eliminate from our operations is offset through investments in clean energy projects that deliver both social and environmental benefits in communities where SGS operates.

WATER MANAGEMENT

The opportunity cost for wider society and the environment of our water consumption.

WASTE MANAGEMENT

The environmental cost, in monetary terms, resulting from the final disposal methods of waste flows.

ENVIRONMENTAL INCIDENTS

The economic cost of damage to the environment due to site incidents (e.g. oil spills).

AIR POLLUTION

The social cost of the NO_x, SO_x, NH₃ and NMVOC released into the atmosphere as a result of our activities.

RESOURCE DEPLETION

The cost of damaging scarce natural resources as a result of the extraction

of coal, gas, oil, other fuels and minerals due to the procurement of products and services.

LAND USE CHANGE

The social cost of the use of land that results from the procurement of products and services.

For more information on our natural inputs, see our Environment section.

HUMAN CAPITAL

EMPLOYEE HEALTH AND WELL-BEING

The impact, in monetary terms, of our well-being programs and non-mandatory health care benefits (the latter being only evaluated in Switzerland at present).

SICKNESS ABSENCE

The economic cost of days spent absent as a result of sickness, in terms of reduced quality of life. Even though we cannot fully control all factors affecting our employees' health, it is our duty to create a healthy working environment to ensure our contribution is positive.

EMPLOYEE SALARY SCHEMES AND BENEFITS

The measurement of several non-mandatory benefits to employees and salary schemes.

OVERTIME

The impact on the health of our employees of working overtime hours and the impact of lowered productivity.

EMPLOYEE ENGAGEMENT

Employee engagement in terms of productivity and reduced sickness absence, resulting from increased job satisfaction.

EMPLOYEE VOLUNTEERING

The social (mental and physical) benefits for employees involved in volunteering.

DIVERSITY AND EQUAL OPPORTUNITIES

Gender-related opportunities at SGS measured in economic terms (e.g. the social cost of gender salary gap)

OCCUPATIONAL SAFETY

The human and societal costs (e.g. cost of treatment) of injuries and fatalities resulting from workplace incidents.

HUMAN RIGHTS COMPLIANCE

The economic cost of potential cases of modern slavery and child labor as a result of procurement of products and services.

For more information on our human inputs, see our People section.



SOCIAL AND RELATIONSHIP CAPITAL

SUPPLIER RELATIONSHIP MANAGEMENT (SRM)

The impact of investing resources in SRM IT infrastructure and systems.

SUPPLIER STRESS

The cost of declining or impaired relationships with suppliers, resulting from late payment of invoices.

CUSTOMER RELATIONSHIP MANAGEMENT (CRM) AND DATA SECURITY

The positive impact in relationships with customers arising from investments in CRM infrastructure and systems, including investments in data security (GDPR). In the future, this indicator will also evaluate the impact of our online communications activities.

SUBSTANDARD SERVICES

The damage to relationships with customers due to poor service delivery.

LOCAL COMMUNITY INVESTMENT

The social benefit of investing time and money in local community projects.

INTELLECTUAL CAPITAL

EMPLOYEE TRAINING

The benefits of enhancing capabilities through training and development programs.

KNOWLEDGE DEVELOPMENT

The measurement of social impact, in monetary terms, of intellectual property, knowledge and skills developed while employees are at SGS and the benefits of this knowledge beyond SGS. In particular, it evaluates the benefits of white papers, webinars and SafeGuardS technical bulletins.

EMPLOYEE TURNOVER

The impact of suboptimal turnover rates and talent flows.

RESEARCH AND DEVELOPMENT

The social benefit of enhancing know-how through research and development activities.

MANUFACTURED CAPITAL

ASSET MAINTENANCE

The damage, wear and tear and maintenance work on SGS' physical assets, including buildings, equipment and vehicles.

MARKET MOVEMENTS

The economic costs and benefits of property market movements, both upwards and downwards.

FINANCIAL CAPITAL

PROFITABILITY

We measure profitability through operating profit. Profit (or loss) is the sum of income minus expenditure.

EMPLOYMENT COSTS

We measure costs relating to SGS employees, recruitment, wages and benefits, restructuring and redundancies.

TAXES

SGS contributes economically to society by paying all taxes due as part of our responsibilities to the countries in which we operate.

THE MEASURE OF OUR VALUE TO SOCIETY

Our Value to Society model seeks to take a more holistic view of the value we add to society, beyond our financial return. Currently, through the methods outlined below we are able to calculate the value we add to society through our supply chain and direct operations.

In 2017*, according to traditional metrics, SGS added CHF 4 045 million to society, notably through salaries and taxes for our (then) 95 000 employees worldwide. With our model we have calculated that our direct operations and supply chain activities created CHF 2 131 million of additional positive impact, which was distributed to society through our stakeholders, for a total value to society of CHF 6 176 million. To date, we have identified significant societal benefits arising from training and development programs, while we have noted that our main negative societal impacts are caused by the environmental footprint of our supply chain.

However, we also add significant value to society through our services. Therefore, the development of a methodology to

calculate the total net impact that we enable through our services will provide a much more rounded picture of our true value to society.

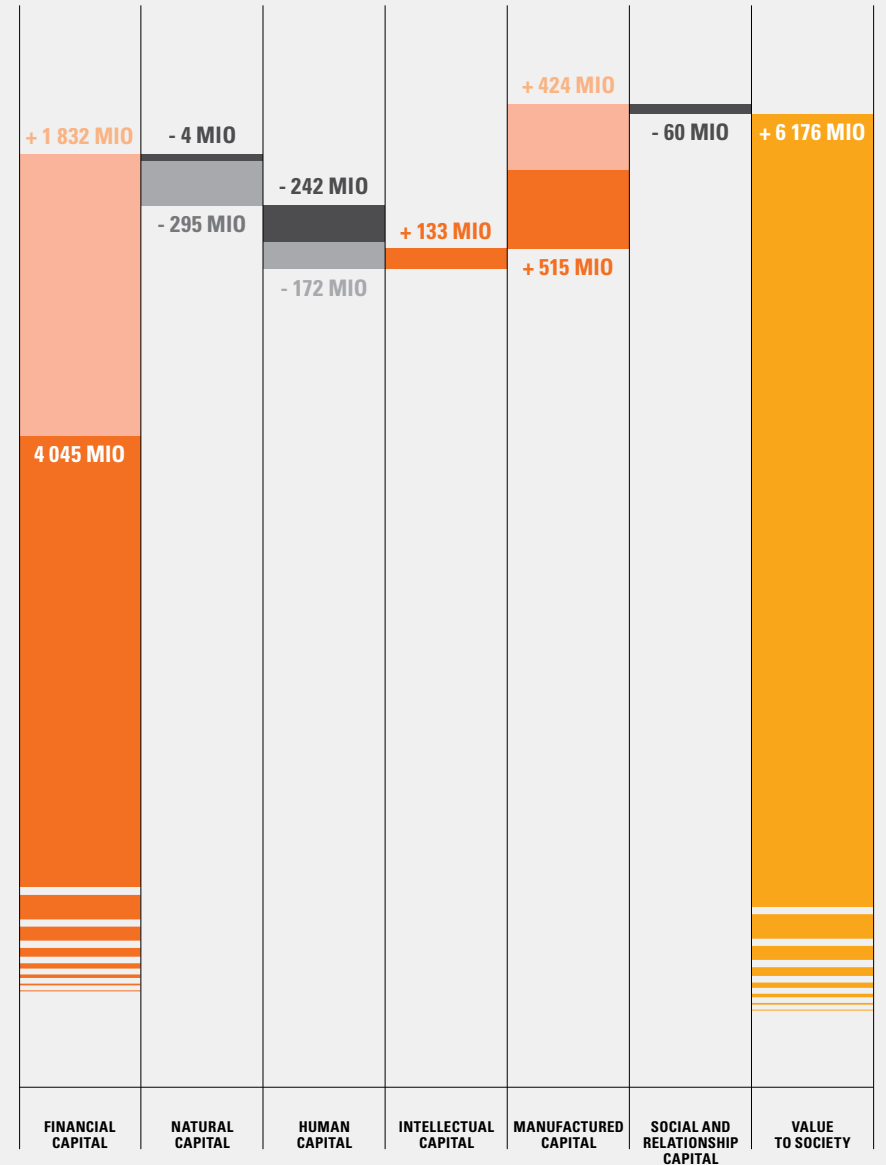
Our calculations demonstrated that SGS generated +CHF 7 149 million of positive societal benefit, primarily created through profit generation, the paying of taxes and wages, and training and development programs, and CHF 974 million of negative societal impacts, primarily from SGS' supply chain environmental footprint, in particular by water consumption and greenhouse gas emissions. SGS' positive impacts were primarily driven by the Company's own operations, which accounted for 68% of the total.

CHF 6 176 MIO

THE TOTAL VALUE TO SOCIETY OF SGS DIRECT OPERATIONS AND SUPPLY CHAIN ACTIVITIES

CHF 4 387 MIO

ESTIMATED TOTAL VALUE TO SOCIETY OF OUR DIRECT OPERATIONS



■ Positive direct operations ■ Positive supply chain ■ Negative direct operations ■ Negative supply chain

* Value to Society is calculated using 2017 figures.



BEHIND OUR VALUE TO SOCIETY

As our value to society model matures it enables us to create a baseline against which to compare future results. This allows us to observe our year-on-year progression.

5%

INCREASE IN VALUE TO SOCIETY
GENERATED FROM 2016-2017¹

53%

INCREASE OF OUR IMPACT
(FROM OUR DIRECT
OPERATIONS AND SUPPLY
CHAIN) WHEN MOVING
BEYOND GVA

1. Value to society figures presented in this report are based on 2017 figures.

OUR VALUE TO SOCIETY

SDG **4** **8**

EMPLOYEE TRAINING

VALUE TO SOCIETY

Our people can carry the training they receive at SGS with them when they leave the office, potentially benefiting society with the skills that they have learned. Taking this into account, we have estimated that our investment in training and development programs, which in 217 represented almost 2.7 million workforce hours, has an impact on society of more than CHF 188 million.

VALUE TO SGS

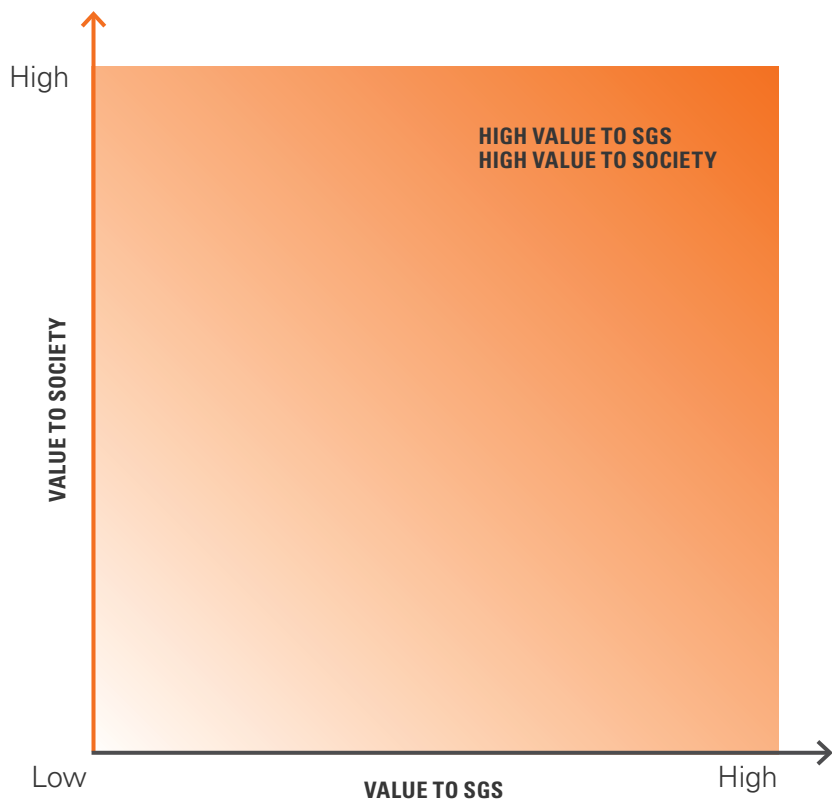
Our commitment to training our people ensures that our employees are onboarded faster and continually enhance their skills. This helps SGS retain the leading experts in the market. Investment in training translates into financial benefit for the company due to enhanced skills and productivity.

OUTLOOK

DOUBLE-POSITIVE DECISION MATRIX DRIVING VALUE FOR SGS AND SOCIETY

Looking forward, in addition to continuing to refine our model, we will also promote its potential to support holistic decision-making within the organization. To this end, we have begun to develop a decision-making tool to encourage managers to prioritize actions that have the potential to add value to society and to SGS.

The double-positive decision matrix will directly support our Integrated Leadership approach, which seeks to emphasize to managers that in addition to profit and loss, they should be striving to consider the broader impacts of their actions.



MODEL DEVELOPMENT

As new research is conducted and new approaches to impact valuation are deemed robust enough, we will evolve our methods of calculation accordingly. In addition, we are continuing to explore ways in which we can calculate the value of our services to society.

Our diverse service portfolio and geographic spread make impact valuation at a global level extremely complex. However, we have no doubt that through assisting other organizations, large and small, to achieve their own quality, efficiency, safety and sustainability targets, we are adding positive value to society.

Additionally, while we are as yet unable to conduct an impact valuation across our entire service portfolio, we have studied certain individual services in relation to our capitals. Two such examples are provided below.

<p>OUR VALUE TO SOCIETY</p> <p>SDG 5 8 10 12</p> <p>HUMAN CAPITAL: SOCIAL RESPONSIBILITY AUDITS</p> <p>Social Responsibility Audits detect and assess the controls in place to prevent issues such</p>	<p>as forced labor, discrimination and sexual harassment in the workplace. They include audits against third-party standards and corporate codes of conduct, corrective action monitoring and other tailored audits. SGS analyzed the socioeconomic</p>	<p>benefits of reducing the prevalence of forced labor, exploitation, discrimination and sexual harassment. The avoided social costs equate to a Value to Society of CHF 333 million.</p>
<p>OUR VALUE TO SOCIETY</p> <p>SDG 7 13</p> <p>NATURAL CAPITAL: ENERGY MANAGEMENT CERTIFICATION</p> <p>The ISO 50001 Energy Management certification helps</p>	<p>organizations save money and conserve resources while tackling climate change through energy efficiency and the development of an energy management system. SGS has helped around 1 000 companies achieve ISO</p>	<p>50001 certification, resulting in an estimated reduction in CO₂ emissions that equates to an estimated Value to Society of CHF 219 million.</p>

PROFESSIONAL EXCELLENCE

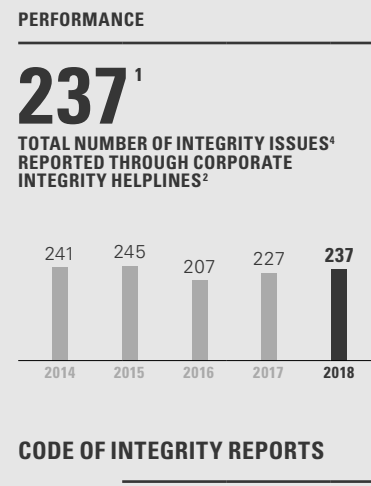
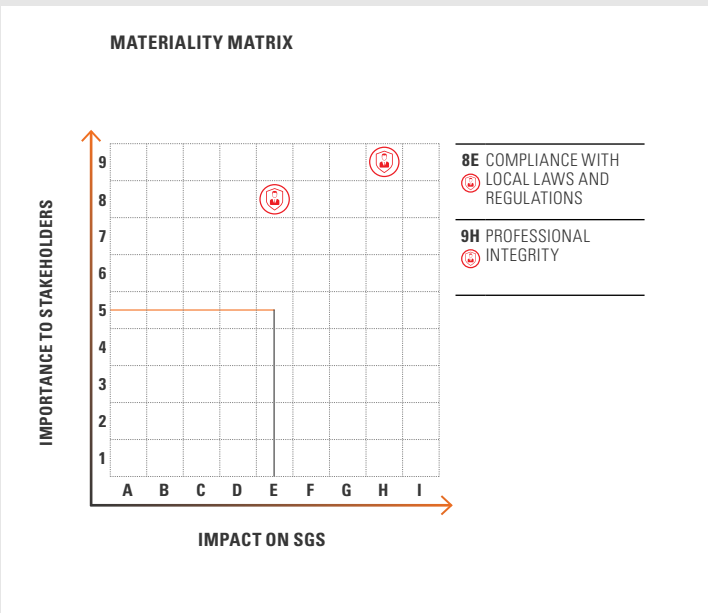
The confidence and trust that our services create relies on our employees and suppliers behaving with the highest levels of integrity. Our employees are expected to embody the SGS values in everything they do: the way they conduct themselves, treat others and work with suppliers and customers. Every employee action has the potential to impact our reputation, which is why professional excellence is an imperative. We expect the same of our suppliers. We use our industry-leading position to inspire them, encouraging them to add value to society through their stakeholders, as SGS does.

COMPLIANCE AND INTEGRITY	40
HUMAN RIGHTS	45
PUBLIC POLICY	50
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT	51
CUSTOMER RELATIONSHIP MANAGEMENT	62
DATA SECURITY AND PRIVACY	65
INNOVATION	67

COMPLIANCE AND INTEGRITY

GRI 103-1, 103-2, 103-3, 102-17, 205-1, 205-2, 205-3, 307-1, 406-1, 412-3, 417-2, 419-1

Integrity is at the heart of the SGS brand. It is pivotal to our ability to bring value to our stakeholders. Our success is built on the trust our customers and investors place in us. To maintain this trust, we expect our employees to embody SGS' values in everything they do.



1. At the time of reporting, 30 pending cases were still open and under review. 2. A breach of the Code of Integrity is a violation of the Code of Integrity. 3. "Helplines" means channels used by employees and external parties to report suspected violations of the Code of Integrity. The reports can be submitted online or by phone, email, fax or post. 4. An integrity issue is a breach of one or more of the 15 SGS Code of Integrity rules.

STRATEGY AND GOVERNANCE

Our professional conduct and behavior toward others helps us build and maintain trust with our customers and other stakeholders. A significant amount of the value we can bring to society through our services is built on the concept of trust. Whether it is providing trust in air quality or the standard of olive oil, our services bring confidence to our stakeholders. Yet this can only be the case if we maintain the exceptionally high standards of integrity on which this trust is built.

Integrity guides our decisions in everything we do – in business, in our communities and in how we collaborate and relate to each other. We have well-established mechanisms to ensure that our people embrace our integrity principles and comply with the standards we expect of them.

Our Code of Integrity expresses our values and defines professional integrity for everyone in the SGS Group. It ensures that we treat everyone with fairness, dignity and respect. The Code exists to help anyone acting for SGS to make the correct decisions, and we hold anyone acting on behalf of or representing SGS to the highest standards of professional integrity, at all times. To make this a working reality, the Code applies to all SGS employees and affiliated companies, contractors, subcontractors, joint venture partners and agents. Compliance to the Code is managed through mandatory training, risk assessments, due diligence, performance monitoring and reporting, and whistle-blowing procedures. Any

reported violations of the Code of Integrity are investigated by Legal and Compliance, which includes Corporate Security and may be referred to as the Professional Conduct Committee. The result of these investigations may lead to disciplinary action, including termination of employment and criminal prosecution. Analyses of investigations are also used to inform future prevention and continuous improvement of our businesses and functions.

Our Business Principles, which are the cornerstone of all our activities, include the principle of integrity and outline the expectations placed on all SGS employees and those acting on our behalf. Both our Code of Integrity and our Business Principles apply not only to our employees but also to all

affiliated companies, contractors, subcontractors, joint-venture partners and agents.

Additionally, our shared principles keep us from seeking any business advantage that would compromise our integrity or threaten our assets, brand, people or intellectual property. As such, SGS does not engage in any form of bribery or corruption, and we adhere strictly to the legal requirements of every country we operate in. Employees and suppliers receive clear guidance on grievance mechanisms. Any suspected violations can be reported using confidential integrity helplines or by contacting local or corporate level Compliance teams. To further strengthen our culture of integrity, we have a global procedure for ensuring that alleged or suspected integrity violations

TO PREVENT CORRUPTION AND MISCONDUCT, SGS HAS ESTABLISHED CLEARLY DEFINED GOVERNANCE SYSTEMS COVERING TRAINING AND COMMUNICATION, CONTRACTUAL OBLIGATIONS, EFFECTIVE REPORTING AND MONITORING AND A RESPONSIVE NETWORK OF INVESTIGATORS TO REVIEW CASES OF SUSPECTED VIOLATIONS.

are either reported directly to the global compliance and integrity function or brought to the attention of local managers. These are then subjected to a process of assessment for criticality, then either investigated locally or by Corporate Security. In either case, respect for human rights, confidentiality and the presumption of innocence are hallmarks of any investigative process and specialist advice is always available. Key lessons from these investigations are fed into our Annual Integrity Training and quarterly Integrity Talks.

SGS CODE OF INTEGRITY RESPONSIBILITIES

BODY	RESPONSIBLE FOR	INCLUDES	
PROFESSIONAL CONDUCT COMMITTEE	Ensuring implementation of the Code of Integrity Advising Management on all issues of business ethics	Chairman of the Board of Directors Two other Board members	Chief Executive Officer Chief Compliance Officer
CHIEF COMPLIANCE OFFICER	Implementing procedures governing ethical behavior and conducting investigations of alleged staff misconduct		
CORPORATE SECURITY TEAM	Ensuring that security arrangements adequately protect our people and assets and respect human rights	Continuous evaluation of assets and businesses	
HUMAN RIGHTS COMMITTEE	Overseeing implementation of human rights commitments Supporting human rights as defined in the Code and Business Principles	Chief Executive Officer Chief Compliance Officer	Vice President Corporate Sustainability

INITIATIVES AND ACHIEVEMENTS

INTEGRITY TRAINING

Training is an essential part of creating and maintaining a company culture that embeds integrity. At SGS, this training begins during the onboarding process: Besides learning about the Code of Integrity (see page 41), all new hires must complete an e-learning module within three months of joining. This ensures clarity on SGS' integrity expectations and standards, with violations leading to possible disciplinary action, termination and/or criminal prosecution.

We also conduct a mandatory Annual Integrity Training (AIT), which was attended by 91 500 employees – or 94% of SGS employees in 2018. The AIT covers all aspects of the SGS Code of Integrity and includes human rights, bribery, corruption, non-discrimination and employee relations.

In 2018, we updated the content and format of our AIT, and it is now available as a classroom training and an e-learning. Providing the training online and face-to-face ensures that all employees, even those without an email address, can complete the AIT. To keep the content up to date and include different teaching methods, the revised training now comprises case studies and videos, while a quiz assesses how well SGS

employees understand the training and the content.

Complementing the AIT are quarterly Integrity Talks, in which supervisors and their teams discuss important integrity issues that cover the Code of Integrity and are related to their work in the field. The topics covered in the 2018 Integrity Talks were: Resisting Pressure, No Shortcuts, Keeping It on the Record, and The Right Degree.

Our compliance and HR teams ensure employees sign the Code of Integrity and complete the AIT and e-learning module on the Code. Our overall performance against the SGS Code of Integrity is reported to the Professional Conduct Committee.

THE CONTENT OF THE ANNUAL INTEGRITY TRAINING IS REFRESHED EACH YEAR, USING CASE STUDIES DRAWN FROM THE ISSUES THAT ARISE IN THE BUSINESS – INCLUDING THOSE IDENTIFIED BY THE INVESTIGATIONS PERFORMED BY CORPORATE SECURITY (SEE PAGE 43).

SGS ANNUAL INTEGRITY TRAINING

WAS MADE AVAILABLE IN BOTH CLASSROOM AND E-LEARNING FORMATS

94%

OF EMPLOYEES ATTENDED THE ANNUAL INTEGRITY TRAINING (EQUATING TO 91 500 EMPLOYEES)

74

COUNTRIES PARTICIPATED IN QUARTERLY INTEGRITY TALKS

22

INTEGRITY-RELATED QUESTIONS WERE ADDED TO STELLAR, OUR SELF-ASSESSMENT AUDIT TOOL



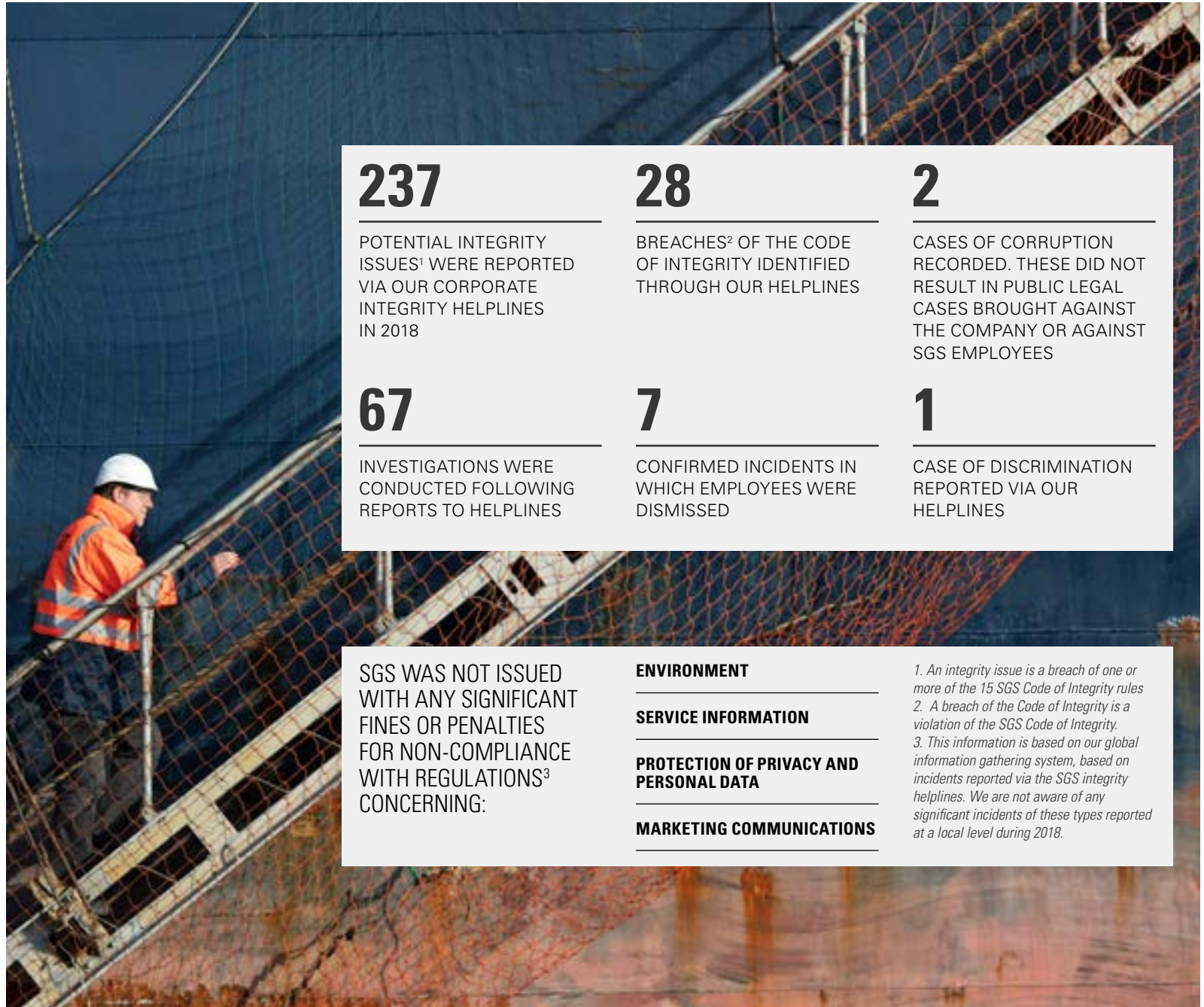
INCIDENT INVESTIGATION

In addition to fostering an integrity culture, there must also be a mechanism in place to report and investigate integrity-related incidents without fear of retribution.

Both the SGS Code of Integrity and the SGS Supplier Code of Conduct (see page 56) contain clear guidance on grievance mechanisms. Any suspected violations, including cases of discrimination, can be reported using our confidential integrity helpline or by contacting local or corporate-level Compliance teams.

To prevent corruption and misconduct, SGS has established clearly defined governance systems covering training and communication, contractual obligations, effective reporting and monitoring and a responsive network of investigators to review cases of suspected violations.

We cooperate with the relevant authorities to identify, mitigate and remedy any adverse human rights impacts that our operations may have caused or contributed to.



237

POTENTIAL INTEGRITY ISSUES¹ WERE REPORTED VIA OUR CORPORATE INTEGRITY HELPLINES IN 2018

28

BREACHES² OF THE CODE OF INTEGRITY IDENTIFIED THROUGH OUR HELPLINES

2

CASES OF CORRUPTION RECORDED. THESE DID NOT RESULT IN PUBLIC LEGAL CASES BROUGHT AGAINST THE COMPANY OR AGAINST SGS EMPLOYEES

67

INVESTIGATIONS WERE CONDUCTED FOLLOWING REPORTS TO HELPLINES

7

CONFIRMED INCIDENTS IN WHICH EMPLOYEES WERE DISMISSED

1

CASE OF DISCRIMINATION REPORTED VIA OUR HELPLINES

SGS WAS NOT ISSUED WITH ANY SIGNIFICANT FINES OR PENALTIES FOR NON-COMPLIANCE WITH REGULATIONS³ CONCERNING:

ENVIRONMENT

SERVICE INFORMATION

PROTECTION OF PRIVACY AND PERSONAL DATA

MARKETING COMMUNICATIONS

1. An integrity issue is a breach of one or more of the 15 SGS Code of Integrity rules
 2. A breach of the Code of Integrity is a violation of the SGS Code of Integrity.
 3. This information is based on our global information gathering system, based on incidents reported via the SGS integrity helplines. We are not aware of any significant incidents of these types reported at a local level during 2018.

OUTLOOK

To improve the process of submitting integrity issues, we will focus on decentralizing the reporting process in 2019. Starting in January, violations will be separated, based on severity and priority, into central and local investigations that will be conducted by specialized teams. This method will make sure that cases can be solved more efficiently and effectively as any non-major integrity breach will be investigated locally. As part of this, all incidents and integrity breaches reported will be consolidated in Crystal, the SGS Operational Integrity reporting system. This consolidation, which omits any names and personal data, will improve the reporting process at a global level and will help Compliance and Integrity support the OI function.

Starting in Q1 of 2019, the SGS Integrity Helpline – which is used by employees and external parties to submit suspected violations of

the Code of Integrity via online forms, phone and email – will be handled through an external case management tool.

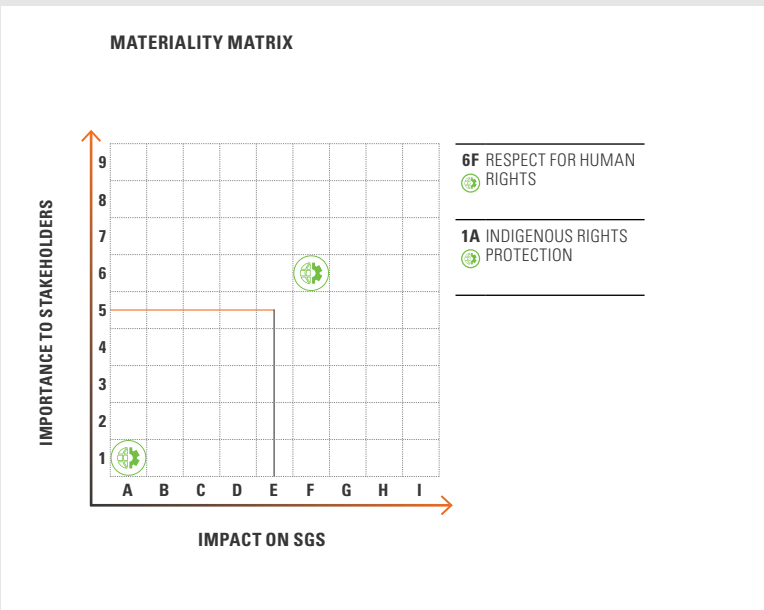
AS A RESULT OF THE MOVE, SGS WILL HAVE ENHANCED ANALYTICS ON REPORTED CASES TO BETTER INVESTIGATE ANY ISSUES. THE NEW HELPLINE WILL BE LAUNCHED WITH AN INTERNAL COMMUNICATION CAMPAIGN.

We will also continue to assess the value of our e-learning modules and improve the content and delivery of our training to better reach employees and suppliers. Because the Annual Integrity Training is distributed via e-learning, face-to-face sessions and private email accounts for employees without an SGS email address, further improving the consolidation process for reporting the numbers of attendees is another objective for 2019.

HUMAN RIGHTS

GRI 103-1, 103-2, 103-3, 205-1, 407-1, 408-1, 409-1, 412-1, 412-2

Respecting the rights and dignity of everyone affected by our business activities is a critical element of our company culture. By leading by example in this space and driving our requirements down our supply chain, we can positively influence others to do the same – adding value to communities, employees, suppliers and society.



PERFORMANCE

0

THERE WERE NO REPORTED VIOLATIONS OF THE RIGHTS OF INDIGENOUS PEOPLE

PERFORMANCE

0

THERE WERE NO CASES OF CHILD LABOR, FORCED OR COMPULSORY LABOR, OR VIOLATION OF THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION

STRATEGY & GOVERNANCE

Respecting human rights is part of our corporate culture and helps us to minimize risks. We believe that business can only thrive in societies where human rights are protected, and that we have a responsibility to respect human rights and to manage any adverse human rights impacts through business relationships.

Our human rights commitments are embedded in the SGS Code of Integrity, the SGS Human Rights Policy, the SGS Business Principles and related policies. Our Supplier Code of Conduct also sets out our standards for suppliers on respecting human rights in our supply chain.

As with all other areas of integrity, we make human rights a working reality by ensuring compliance is managed through mandatory training, risk assessments, due

diligence, performance monitoring and reporting, as well as whistle-blowing procedures.

All approaches are continually evaluated and reviewed to reflect legal developments and societal expectations.

We also cooperate with the relevant authorities to identify, mitigate and remedy any adverse human rights impacts our operations may have caused or contributed to.

We take human rights seriously when we evaluate any potential new acquisition joining the SGS Group. As part of our screening process, we investigate how the company manages human rights, ask them to comply with our Code of Conduct and only continue with the acquisition process with companies that align to our values.

The SGS Human Rights Committee, chaired by the Chief Executive Officer, is ultimately responsible for and oversees the implementation of our human rights commitments across the Group. The Chief Compliance Officer is responsible for managing compliance with the SGS Code of Integrity, while the SGS Supplier Code of Conduct is jointly managed by the Global Procurement and Corporate Sustainability teams. Senior managers are expected to demonstrate visible and explicit support for human rights as defined in the SGS Code of Integrity, the SGS Business Principles, the SGS Supplier Code of Conduct and related policy statements.

HUMAN RIGHTS RISK MANAGEMENT

The Management, Internal Controls & Process Excellence function is implementing a new risk management tool (ANTARES), which will embed all sustainability risks into its system (see page 19). Until the ANTARES rollout has been fully implemented across the Group, we will continue to run our former process on sustainability macro risk assessment in parallel.

This assessment identifies the potential sustainability risks from both our direct operations and our supply chain. Our model evaluates

the sustainability risks across 220 geographies and includes our own employees, suppliers, children, indigenous people, migrant labor and local communities.

By introducing our revenue generated and spend per country into the risk assessment process, we are able to assess the potential sustainability risks – for both our direct operations and supply chain – across all the countries we operate in. More than 50 sustainability risks are covered, including items such as natural hazards and business continuity, climate change, water stress and sanitation, carbon pricing regimes, health and safety, unemployment and corruption.

The data that underpins the assessment of these risks comes from different sources, such as the IMF World Economic Outlook, IHS Markit, the World Economic Forum, the Global Conflict Risk Index, the Global Slavery Index, the World Resource Institute and the Notre Dame Global Adaptation Initiative.



SGS HUMAN RIGHTS POLICY

OUR HUMAN RIGHTS POLICY INCLUDES:

- A statement of commitment to respect human rights in accordance with internationally accepted standards
- Expectations of our operations (employees, direct activities, products or services)
- Expectations of our suppliers
- Expectations of our partners
- Actions and procedures we undertake to meet our commitment

Our human rights policy is complemented by our Supplier Code of Conduct. You can find our HR Policy and our Suppliers Code of Conduct on our website.

- INTRODUCTION
- SUSTAINABILITY AT SGS
- OUR VALUE TO SOCIETY
- PROFESSIONAL EXCELLENCE
- PEOPLE
- ENVIRONMENT
- COMMUNITY
- DATABANK
- OUR APPROACH TO REPORTING

INITIATIVES & ACHIEVEMENTS

In 2018, SGS identified different areas where we could face potential risks in our operations and supply chain. These now constitute our key sustainability risks. They include government and policy instability, vulnerable migrant labor, water stress and natural hazards.

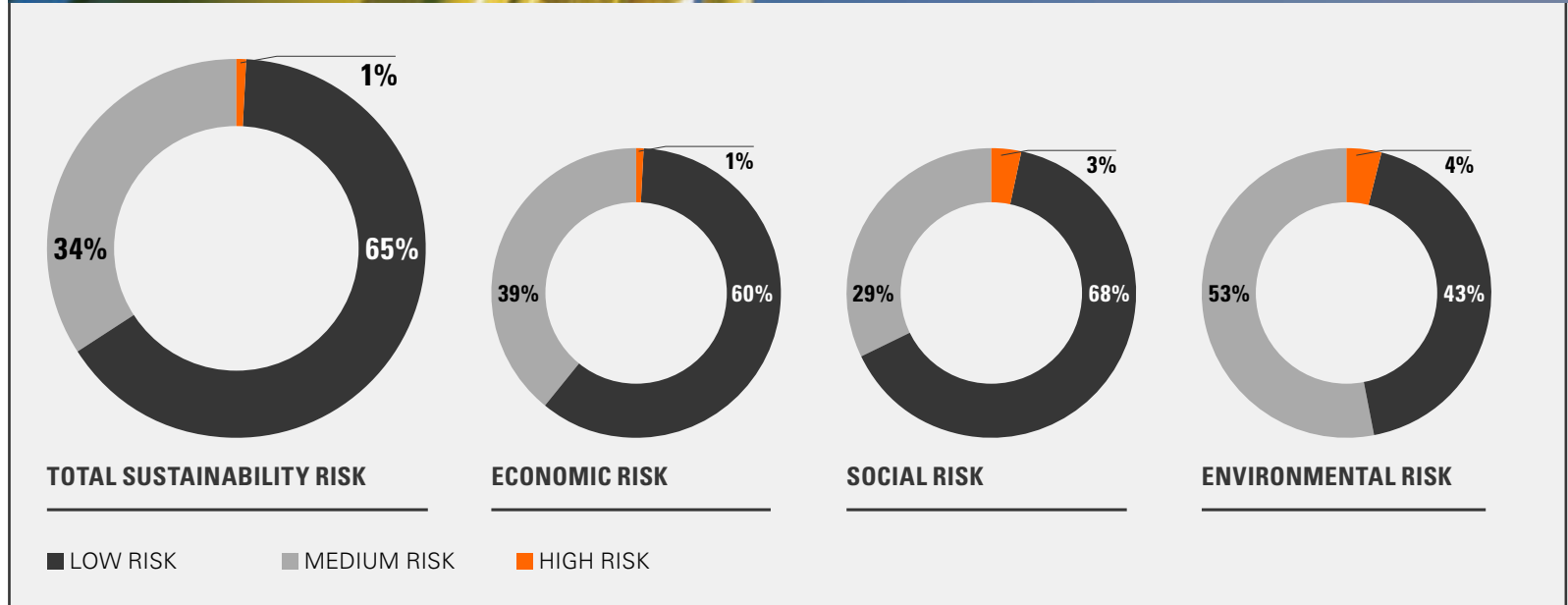
HUMAN RIGHTS TRAINING

The Human Rights Committee reviewed the Human Rights Policy and supported the advancement of human rights knowledge throughout SGS. Human rights training, developed by the SGS Academy together with the Corporate Sustainability Department, trains employees on human rights issues, HR governance and the reporting of human rights breaches. Deployment at country level will continue throughout 2019.

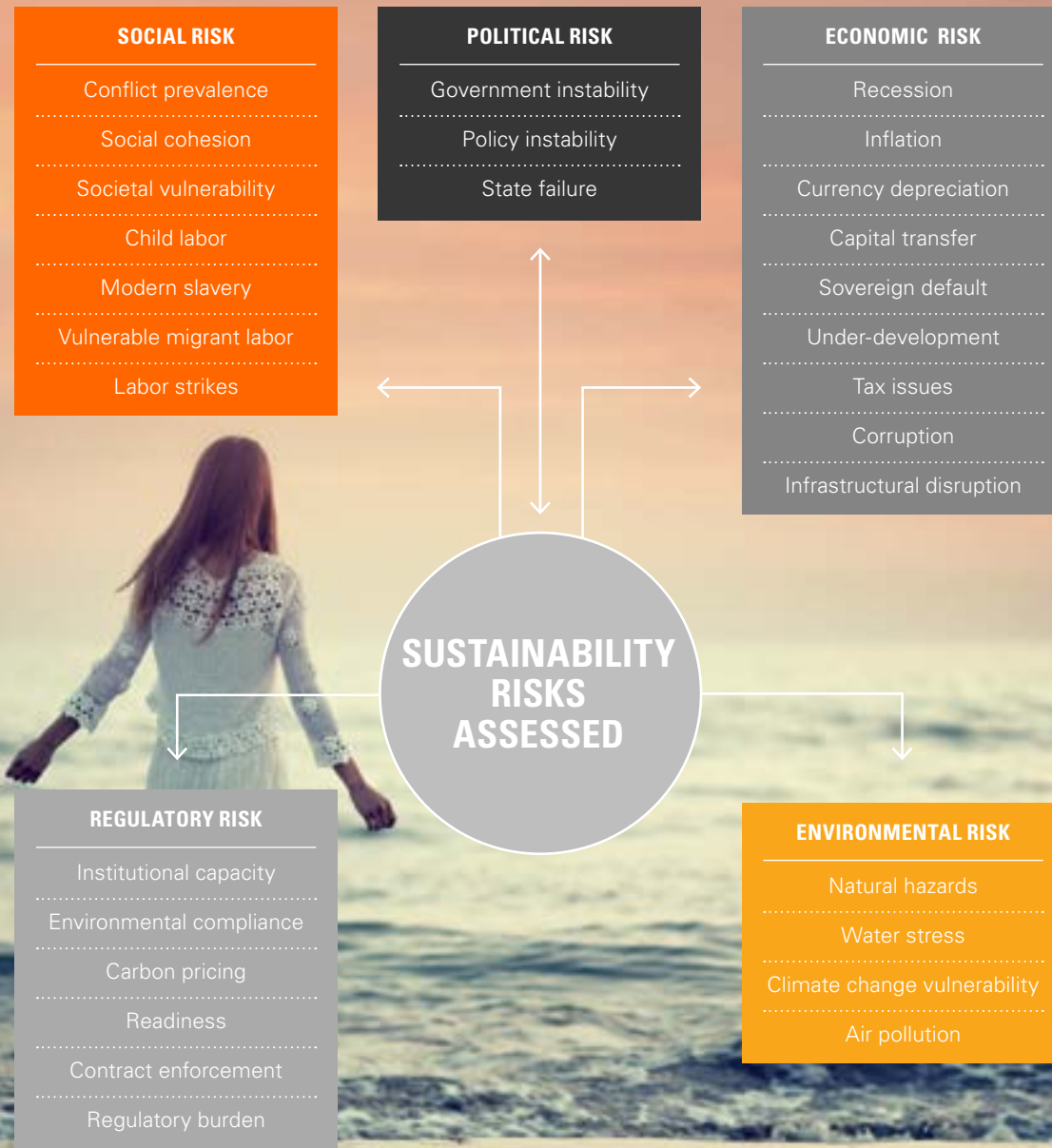
In 2018, we launched our internal e-learning course on international Human Rights Day. As part of the first phase, some global functions, including members of our Operations Council, were invited to participate. In 2019, the training course will be rolled out to all employees, in local languages.



POTENTIAL SUSTAINABILITY RISKS
DIRECT OPERATIONS



SUSTAINABILITY RISKS EVALUATED AT SGS



MITIGATION ACTIONS

DIRECT OPERATIONS

To mitigate the human rights risks in our own operations, we use our Code of Integrity Management system. Every year, all SGS employees have to sign the Code of Integrity and complete annual training. The SGS internal audit team conducts periodic audits, following an audit plan agreed by the Audit Committee of the Board of Directors. Such audits aim to validate compliance with internal processes and the existence of appropriate internal control systems. Violations of the Code of Integrity result in disciplinary action, including termination of employment and criminal prosecution for serious violations.

The Professional Conduct Committee ensures the implementation of the Code of Integrity within our organization and advises management on all issues of business ethics. The Committee comprises the

Chairman of the Board of Directors, two other Board members, the Chief Executive Officer and the Chief Compliance Officer.

The SGS Code of Integrity and the SGS Supplier Code of Conduct contain clear requirements and guidance on grievance mechanisms. Suspected violations are reported via an integrity helpline or directly to the corporate and local Compliance teams. We encourage employees and other stakeholders to report any concerns without fear of retribution.

Our Compliance and HR teams monitor the number of employees signing the Code of Integrity, keep track of the number of new employees completing the e-learning module on the Code and check that all employees complete the Annual Integrity Training.

SUPPLY CHAIN

For more information on how we manage critical suppliers and the mitigation actions in place, see the supply chain section of this report (page 51).

OUR VALUE TO SOCIETY

SDG 4 5 8 10 16

E-LEARNING AIMS TO RAISE EMPLOYEE AWARENESS OF HUMAN RIGHTS

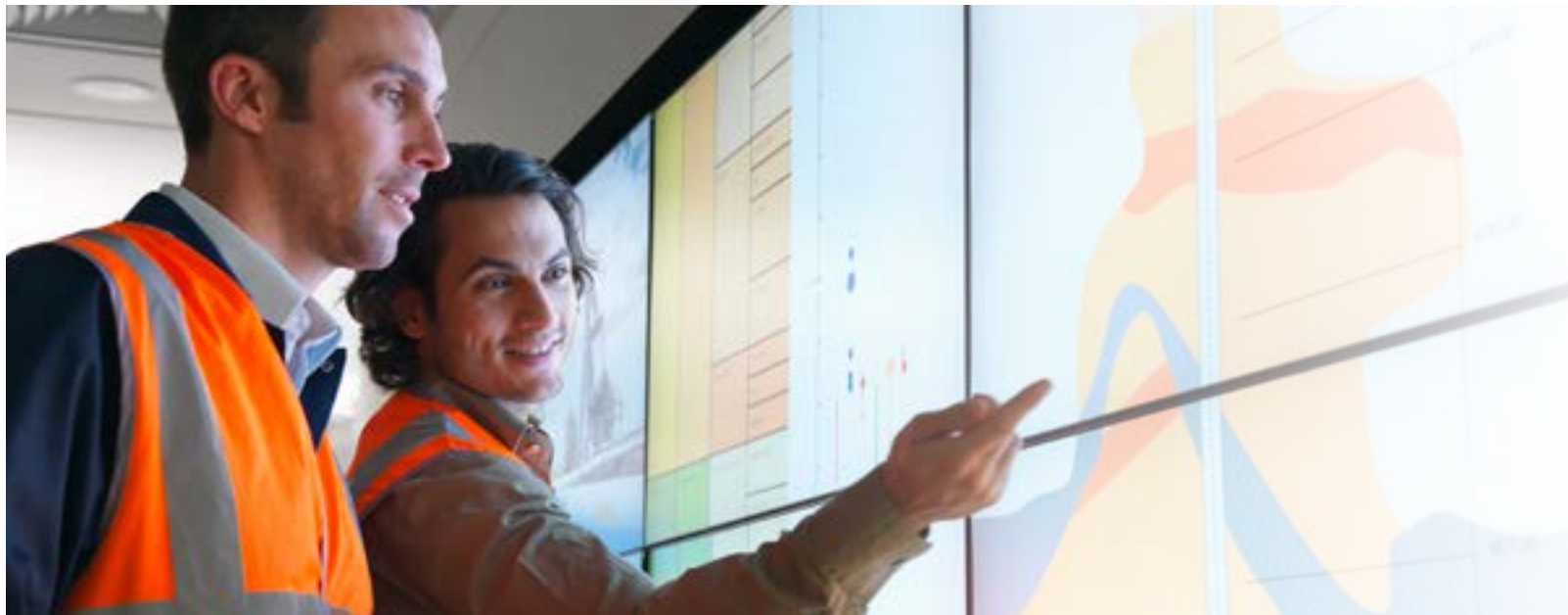
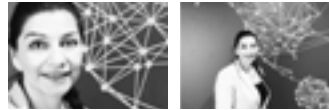
A new internal e-learning course introduces employees to the relevance of human rights at SGS and their essential role in upholding our commitment to protecting them. This course content was developed by CBE SGS Academy and the Corporate Sustainability Team to train employees on SGS' principles, commitments and policies associated with human rights.

Launched on December 10, to mark Human Rights Day, the 30-minute module was deployed across our corporate functions and covers topics such as child labor, forced labor, freedom of association and discrimination, working hours, and health and safety. The e-learning also provides an overview of how SGS manages and promotes human rights through its global policy, Human Rights Committee, and various programs, such as the SGS Code of Conduct for Suppliers and the Supplier Self-Assessment Questionnaire.

Work-related case studies and a quiz, which includes a certificate of learning when passed, complement the course. During 2019, we will be offering the e-learning in multiple languages to all employees across our network.

NATALIA FONSECA

SGS Human Rights & Sustainability Supply Chain Manager



OUTLOOK

We will continue to deploy SGS Academy's human rights training at the country level while looking for ways to provide human rights training to our suppliers. Along the same lines, the promotion of the self-assessment to increase the number of suppliers that sign the Supplier Code of Conduct will progress. This will help further position SGS as a thought leader in the integrity and sustainability space.

PUBLIC POLICY

GRI 102-12, 103-1, 103-2, 103-3, 201-4, 206-1, 415-1

We have a neutral position toward the development of public policy to ensure its impartiality. In this way we help support the proper functioning of government, adding value to society.

STRATEGY AND GOVERNANCE

We do not provide any financial or in-kind support, given directly or indirectly, to political parties, their elected representatives or persons seeking political office. We support some industry associations, but the amount is not material, representing under 0.02% of our revenues.

FINANCIAL ASSISTANCE

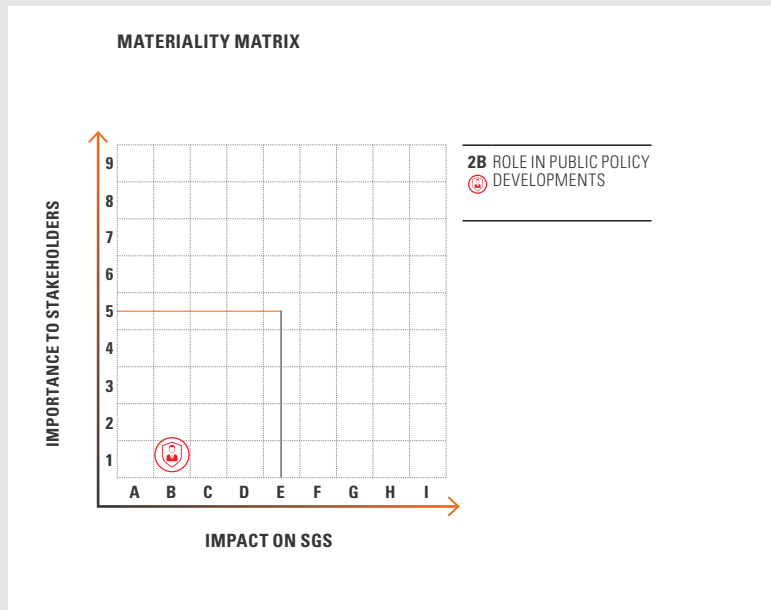
SGS does not receive any significant financial assistance from governments, but we benefit from incentives in the form of grants from certain government schemes, such as energy-saving incentives. However, these benefits are of low value.*

**This information is based on our global information gathering system. We are not aware of any significant incentives granted by governments or any financial aid granted to political parties at local level during 2018.*

***This information is based on our global information gathering system based on incidents reported via the SGS integrity helplines. We are not aware of any significant incidents of this type at a local level during 2018.*

ANTI-COMPETITIVE BEHAVIOR, ANTITRUST AND MONOPOLY PRACTICES

In 2018, we did not identify any legal actions related to anti-competitive behavior, antitrust and monopoly practices.**



IN 2018, THE TOP FIVE ANNUAL MONETARY CONTRIBUTIONS TO TRADE ASSOCIATIONS WERE:

CHF 110 916

INTERNATIONAL FEDERATION OF INSPECTION AGENCIES

CHF 96 724

ASSOCIATION OF PROFESSIONAL SOCIAL COMPLIANCE AUDITORS

CHF 80 000

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

CHF 64 511

AGENCE DES NORMES ET DE LA QUALITE

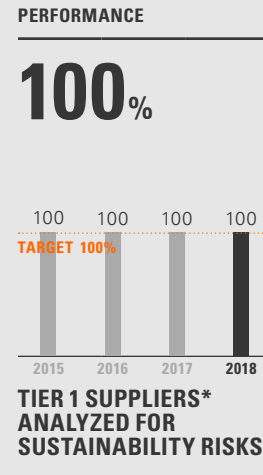
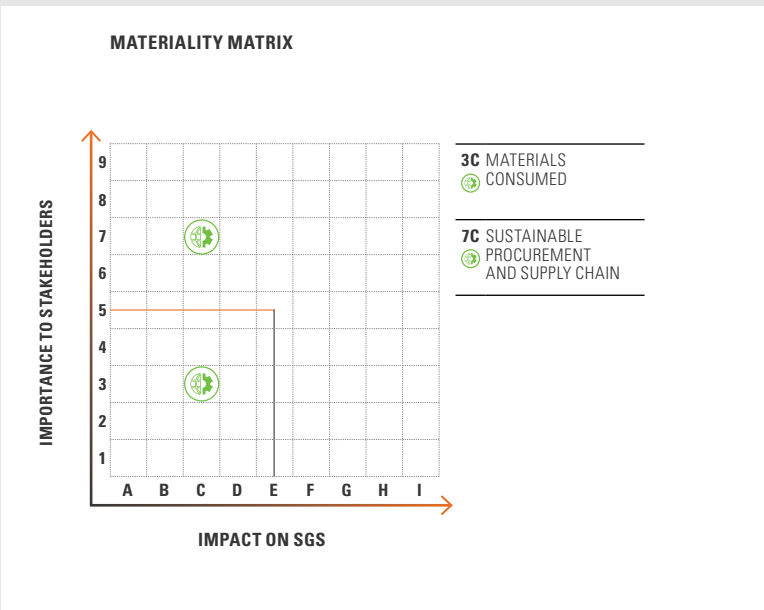
CHF 62 125

THE ENERGY INSTITUTE

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

GRI 102-9, 102-10, 103-1, 103-2, 103-3, 204-1, 308-1, 308-2, 407-1, 408-1, 409-1, 414-1, 414-2

We minimize our negative impact on society throughout the value chain and are committed to procuring products and services in a responsible way.



*Includes all active suppliers in the top 30 SGS countries, covering 83% of our spend.

STRATEGY AND GOVERNANCE

Managing our supply chain correctly is crucial to SGS. Our procurement spend directly impacts the bottom line and the quality of the materials that we purchase can impact both individual performances and our footprint as a company. It is also important for us to manage and monitor our suppliers' human rights and sustainability performance.

In 2018, we launched the 2020 Procurement and Supply Chain Management (SCM) strategy with the aim of delivering profit and loss savings, efficiency improvements and innovations that support profitable growth. We worked with stakeholders and suppliers as a partner of choice to build our strategy.

This strategy is based on four strategic pillars: Cost and Cashflow Leadership, Global Sourcing Solutions, Contribution to Inspection and Laboratories of the Future, and Sustainable Procurement. Our four strategic enablers support us in the delivery of our strategy (see chart on the right).

During 2018, SGS deployed a Procurement Policy, which is aligned with our Procurement and Supply Chain Management

strategy. The policy establishes the key principles, criteria and guidelines for all contracting activity across the Group. It is applicable to the purchase of all products and services, including capital equipment. The policy also defines general requirements for supplier selection, such as quality, value, efficiency and sustainability. As part of our continuous improvement commitment, we will update the Procurement Policy in 2019.

Sustainable Procurement contributes to SGS' Sustainability Ambitions 2020. For example, we share our sustainability principles with our suppliers through our Self-Assessment Questionnaire and Code of Conduct. Sustainability is also part of our decision-making criteria when selecting suppliers, and we implement innovative sustainable solutions that they develop.



INTRODUCTION

SUSTAINABILITY AT SGS

OUR VALUE TO SOCIETY

PROFESSIONAL EXCELLENCE

PEOPLE

ENVIRONMENT

COMMUNITY

DATABANK

OUR APPROACH TO REPORTING



GLOBAL PROCUREMENT AND SUPPLY CHAIN STRUCTURE

The Vice President of Global Procurement and Supply Chain Management (SCM) is responsible for Procurement SCM at the corporate level.

The Procurement and SCM function operates on a global, regional and local basis. This structure delivers the best solutions at both Group and affiliate level. The function covers all product categories worldwide, including field and testing equipment, IT and telecommunications, laboratory equipment and supplies, facility management, supply chain and logistics, travel and fleet, professional services and subcontracting.

The Global Procurement and SCM structure is governed by the function's leadership team and supported by the extended leadership team, which includes global and regional heads. Targets are set globally, based on our

2020 strategic plan, and monitored on a monthly basis. Rules and procedures are defined by the Global Procurement Policy.

SGS SUPPLY CHAIN

We operate in more than 125 countries, across a complex supply chain that draws on the services of global, national and regional suppliers. As a major purchaser, we ensure that goods and services are sourced sustainably and that our suppliers respect human rights. This is necessary to mitigate reputational and non-compliance risks. Because Procurement is a strategic function that is directly linked to profitability, we also use our supply chain strategy to minimize costs, support operational excellence and help ensure business sustainability. Furthermore, we indirectly contribute to our impact on society.

LOCAL AND GLOBAL SOURCING APPROACH

Large global suppliers offer a certain degree of stability in terms of their financial resilience, delivery capacity and pricing structures – important factors that ensure a secure supply of materials to run our business. By benefitting from economies of scale, global businesses can also often offer better pricing and improve margins, which is highly important to our investors. Our policy to rationalize our supply chain is in part to benefit from the standardization, stability, quality control and pricing contracts that these large firms can offer us.

However, our supply chain is quite diverse and geographically dispersed, and our procurement teams also need to find regional and local suppliers. Through structured sourcing processes, we select the best option for SGS while continuing to support local suppliers that meet our business and sustainability requirements. 83% of our annual spend goes to regional and local suppliers, which demonstrates our dedication to supporting the communities in which we operate.



CHIEF FINANCIAL OFFICER

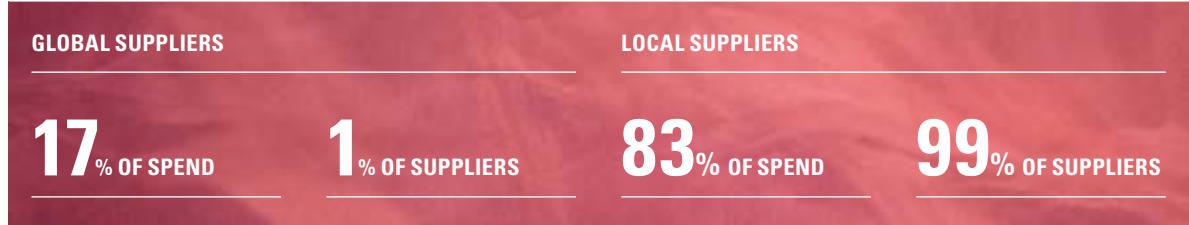
GROUP VP GLOBAL PROCUREMENT AND SCM

CATEGORY MANAGEMENT, INNOVATION AND SUSTAINABILITY

REGIONAL AND LOCAL PROCUREMENT

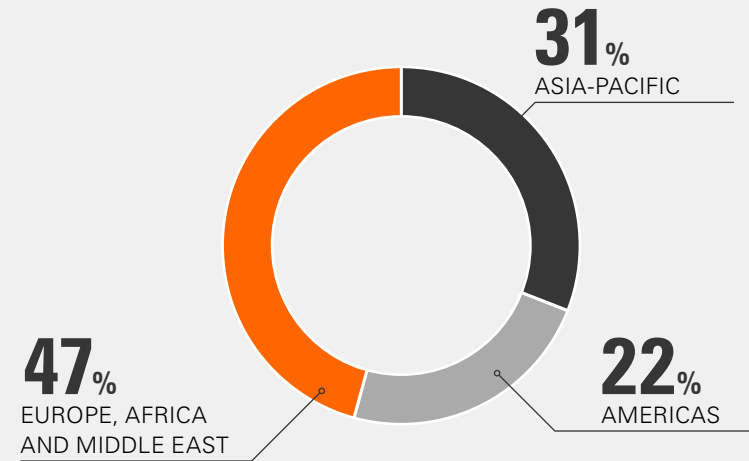
PROCUREMENT EXCELLENCE

SUPPLY CHAIN MANAGEMENT

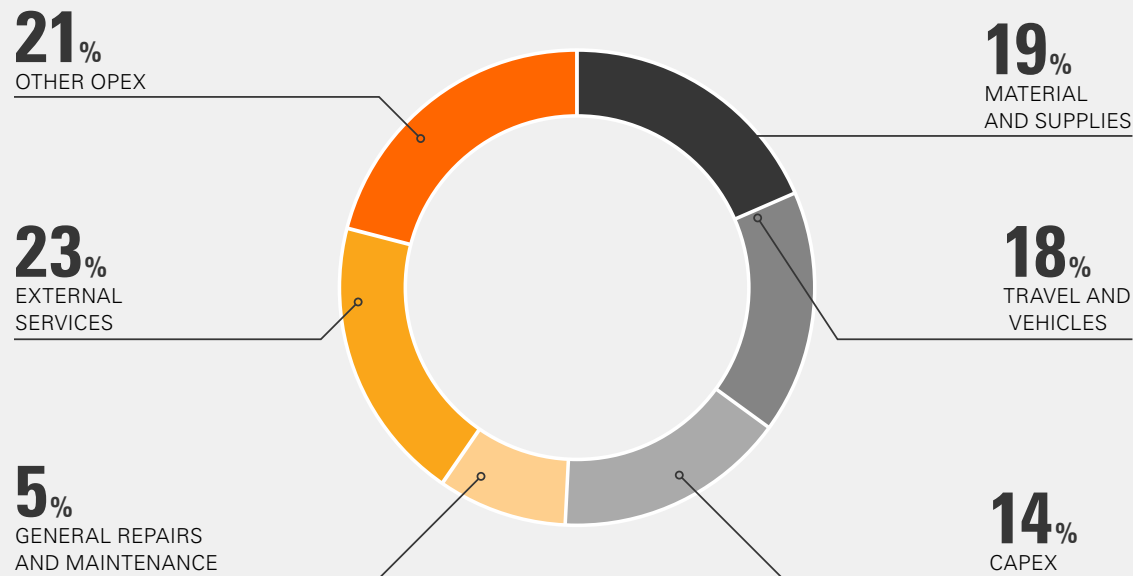




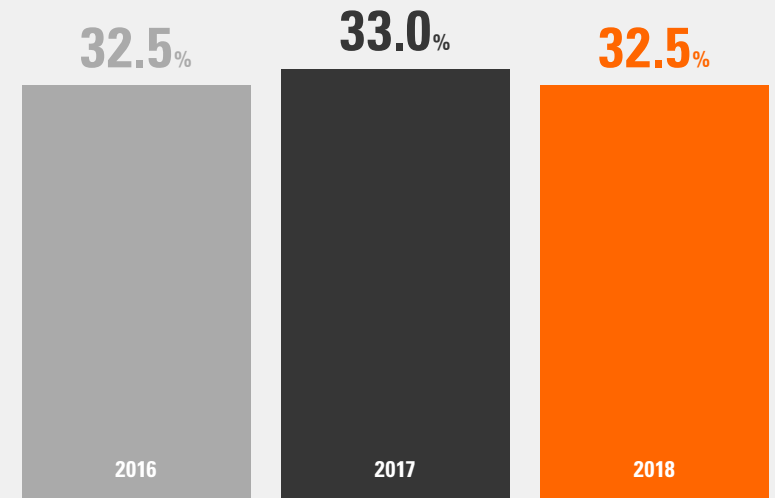
SPEND BY SGS SUPRA-REGION



SPEND BY SGS CATEGORY



SPEND VS. REVENUE



INITIATIVES AND ACHIEVEMENTS

STRATEGIC PILLARS

COST AND CASH FLOW LEADERSHIP

Procurement and Supply Chain Management is on track to reach the targeted CHF 180 million in profit and loss savings in 2020. By optimizing payment terms and conditions with key suppliers, positive contributions are also being made to SGS' Net Working Capital.

GLOBAL SOURCING SOLUTIONS

Through global category strategies across the SGS network, we drive cost reduction, standardization and efficiency improvements. Supported by the procurement excellence team in the Czech Republic, Category and Sourcing Managers worldwide have applied more structured and effective programs.

Our commitment is to deliver the best global, regional and local solutions, taking a total cost of ownership and user-centric approach. The recently concluded global fleet agreement is a good example: Besides the significant savings achieved, SGS and its partner are studying sustainable car mobility solutions and have run a pilot test in the Netherlands. This project evaluates social, environmental and business

needs while identifying market opportunities and anticipating policies (see pages 59 and 101 for details).

LAB OF THE FUTURE

Testing and inspection are our core activities, representing a large portion of costs. Driving efficiency in our (roughly) 600 laboratories worldwide is a key priority that procurement can significantly contribute to. Consequently, this pillar addresses opportunities such as automation, space management, supply chain optimization and supplier innovation.

We have also established The Advanced Technology Group, a cross-functional team of technical SGS experts aiming to devise next-generation inspection and laboratory solutions. The goal of the Group is to leverage the knowledge held both within SGS and our suppliers to develop innovative new solutions that can have a positive impact on our customers.

In 2018, the Group engaged key stakeholders from business lines and agreed on five innovation initiatives to take forward. One of them is based in a laboratory in Berlin, where the Group works on implementing artificial intelligence and machine learning to reduce the overall process time for pesticides testing.

ACHIEVEMENTS

CHF 75 million in new savings in 2018, on target to reach the CHF 180 million defined for the 2018-2020 savings program

EquipNet, SGS' web-based equipment redeployment tool, generated savings of CHF 3.1 million and contributed to increased asset redeployment across the global network

The Advanced Technology Group established and launched the first initiative on implementing artificial intelligence and machine learning to reduce the overall process time for pesticides testing.

Internal purchasing catalog usage reached 40%

Usage of the SGS e-sourcing tool has increased by 28% and is now applied in 9 countries

Rollout of SGS Supplier portal continued, totaling 30 438 annualized electronic invoices



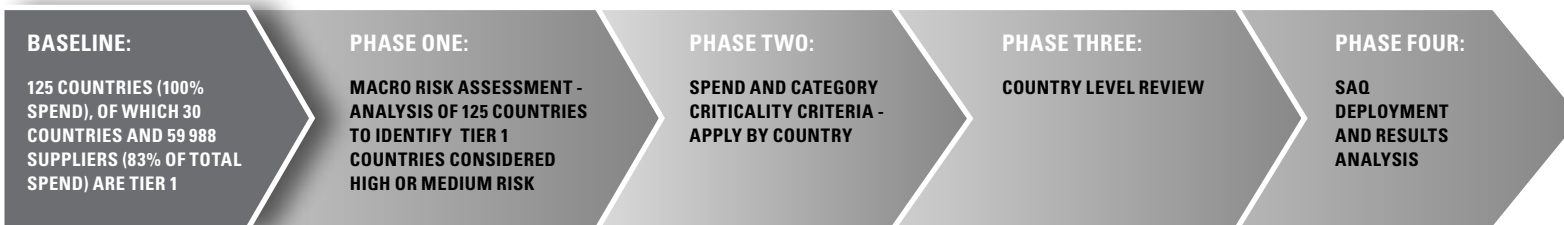
SUSTAINABLE PROCUREMENT

We add value to society through our supply chain and ensure that sustainability is a critical element of our procurement strategy. We also continue to refine our efforts to understand and minimize risk and drive our insistence on integrity, compliance and respect for human rights. Our efforts in this area can be divided into three parts:

1. Assessment of existing suppliers
2. New supplier selection sustainability criteria
3. Sustainability initiatives in the procurement process

ASSESSMENT OF EXISTING SUPPLIERS

The Supplier Code of Conduct defines non-negotiable minimum standards and specifications for our supply chain and responsible sourcing. The Code meets the requirements of the International Bill of Human Rights (the UN Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights) and the International Labour Organization’s fundamental conventions on Rights at Work. The OECD Guidelines for Multinational Enterprises are also referenced. Our Supplier Code of Conduct can be found on our website.



To determine which suppliers can potentially represent a sustainability risk and to guarantee that our suppliers comply with our Code of Conduct, we have developed a Sustainability Assessment Process (SAQ) that is applied to all of our Tier 1 suppliers. This process has four phases:

PHASE ONE: MACRO RISK ASSESSMENT

We annually run a macro risk assessment to determine the potential sustainability risks of all the countries where SGS purchases products and services. Our macro sustainability risk assessment model analyzes economic, political, social and environmental risks.* By analyzing this data, we are able to attribute a potential “grade” of risk by topic and country. This risk grading ranks the countries 1 (low risk) through to 5 (high risk). In order to reach a single sustainability risk score, we have combined the different types of risk with the following weighting distribution: ecopolitical (40%), social (35%) and environmental

(20%). We have identified High and Medium Risk countries, and along with Low Risk countries, they are targeted in an in-depth sustainability assessment process.

PHASE TWO: SPEND AND CATEGORY CRITICALITY CRITERIA

We review the outcome of the macro risk assessment (14 countries and 24 545 suppliers), apply spending thresholds and exclude some product categories to identify suppliers with the highest potential risk. After applying these filters, in 2018 we targeted an initial scope of 3 053 suppliers in 14 High and Medium Risk countries, covering 33% of SGS total annual spend. We have additionally included 16 Low Risk countries.

PHASE THREE: COUNTRY REVIEW

A supplier target list is sent and reviewed by each country. Following the country-level review in 2018, the final targeted scope was 4 803 suppliers to be assessed in all top 30 Tier 1 SGS countries.

The SAQ and Code of Conduct deployment, a key pillar in our Procurement and Supply Chain strategy, was defined as an individual performing target for all country procurement teams (12 countries in 2018; 30 countries in 2019).

PHASE FOUR: SAQ DEPLOYMENT AND RESULTS ANALYSIS

The SAQ is launched through an online questionnaire in each country’s local language. In 2018, we continued our risk assessment process based on the SAQ results and focused on those suppliers still considered as high or medium risk (because there was either a non-compliance with the SGS Code of Conduct or no corrective actions taken to avoid future breaches). After analyzing submissions from 925 suppliers, only 3.6% (31 suppliers) were found as non-compliant or in breach. Together with the local procurement teams, corrective actions were defined and implemented. These included individual engagement with suppliers to achieve compliance

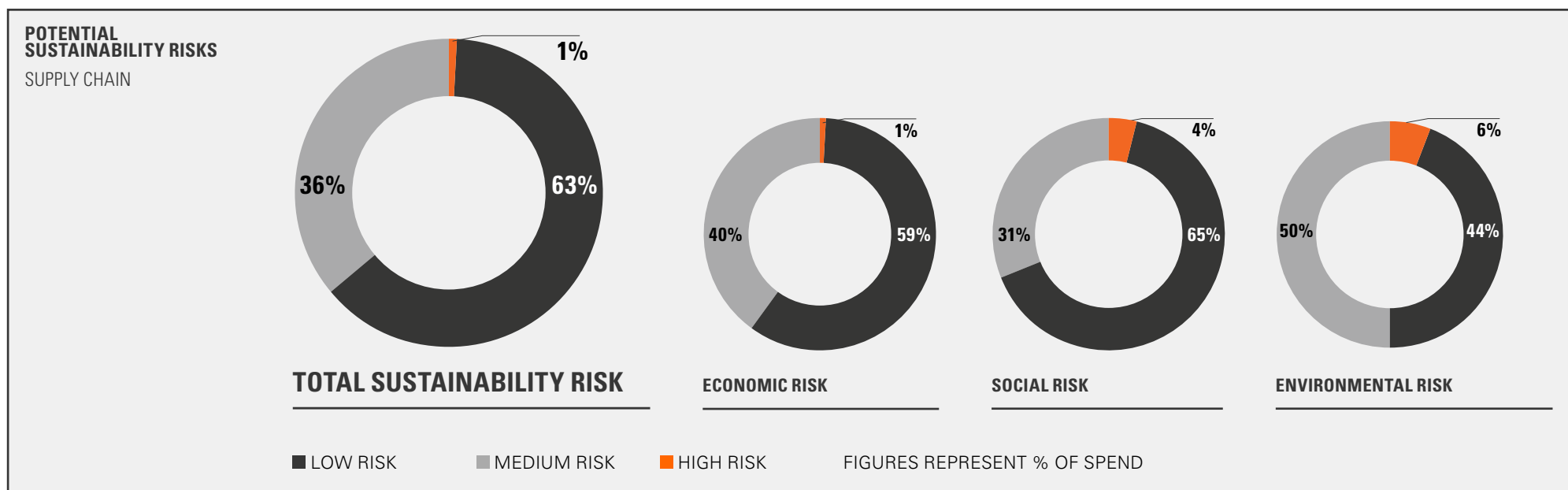
with our principles; working with business lines to develop action plans and timeframes for critical, non-compliant suppliers; and decreasing business activities with non-critical suppliers.

Our objective is to work together with suppliers to identify hazards and threats and implement a governance process that ensures risk management, partnership building and collaboration across our supply chain.

**Inferred from different sources, such as the IMF World Economic Outlook, IHS Markit, the World Economic Forum, the Global Conflict Risk Index, the Global Slavery Index, the World Resource Institute and the Notre Dame Global Adaptation Initiative.*

	2017	HIGH AND MEDIUM RISK	LOW RISK	2018	HIGH AND MEDIUM RISK	LOW RISK
NUMBER OF COUNTRIES (TIER 1)	28	12	16	30²	14 ²	16
SPEND (%)	80%	32%	48%	83%	33%	50%
TIER 1 SUPPLIERS¹	63 240	23 328	39 912	59 988³	24 545	35 443
SUPPLIERS ANALYZED BY MACRO RISK ASSESSMENT (%)	100%	100%	100%	100%	100%	100%
SUPPLIERS AFTER COUNTRY LEVEL REVIEW	2 896⁴	2 896	0	4 803	2 568	2 235
SUPPLIERS WITH ACTIONS TAKEN⁵	0			925		

1. SGS considers Tier 1 suppliers as those in the top countries. 2. SGS is gradually covering 100% of the spend; therefore, this number includes the top 30 countries (Tier 1 suppliers) and two additional countries added due to their importance to SGS. 3. Rationalization of suppliers as a result of the procurement strategy. 4. Restatement of 2017 data, due to review with local countries, and same criteria for 2018 analysis; the focus population was reduced to 2 896 suppliers. The main reasons associated with the reduction were (i) inactive suppliers, (ii) contract termination in the short-term, (iii) not applicable for different reasons (i.e single-person company). 5. Supplier with actions. Self-Assessment Questionnaire submission.



NEW SUPPLIER SELECTION SUSTAINABILITY CRITERIA

SGS is focused on developing business relationships with companies that share our beliefs. We are reviewing and updating our supplier selection process in order to have clearer and more objective supplier selection criteria. This and several related initiatives are intended to minimize risk in the space:

- Procurement Policy update to formalize new selection criteria
- Implementation of a Source-to-Contract standardized process. We are defining standard supplier selection criteria based on contract spend, geographical scope and product category, as our suppliers' complexity would not allow us to have one process that fits all approaches. There will be some critical criteria implemented, such as compliance with our Code of Conduct, which will be common to all selection processes.
- Deployment of eSourcing as our integrated global system to run all our supplier selection processes and the deployment of the Code of Conduct and Self-Assessment Questionnaire.
- All our new suppliers will be required to adhere to the SGS Supplier Code of Conduct. They will be encouraged to use our confidential integrity helplines to raise concerns about possible violations of the SGS Code of

Integrity or the SGS Supplier Code of Conduct.

Moreover, our standard supplier contract template requires all suppliers to conduct their activities in accordance with environmental, health, safety and employment policies, as well as with relevant standards and legislation. Suppliers are also expected to improve their processes and encourage their contractors and subcontractors to follow these practices.



SUSTAINABILITY INITIATIVES IN THE PROCUREMENT PROCESS

In 2018, short- to medium-term sustainability initiatives in the procurement process included the deployment of our updated car and travel policy, our mobility strategy, the use of eco-friendly office materials and the implementation of the first stage of the Source-to-Contract program, which is now available to all category managers (the second stage will be deployed among local procurement managers worldwide). Source-to-Contract covers all procurement activity steps, from identifying the source and negotiating terms with the chosen supplier to signing a contract and promoting it to all employees. It provides the workflow, tasks, responsibilities, best practices and templates for every stage of the process.

SGS WESTERN EUROPE BECOMES MORE SUSTAINABLE WITH LYRECO

Our Western Europe region (WEU) closely collaborates with global supplier Lyreco to assure countries are complying with sustainability targets. Green product assessments conducted by Lyreco and approved by SGS helped identify areas where the businesses can work more on ensuring the purchase of sustainable products. As part of that initiative, WEU started moving from branded printer-toner cartridges to new, greener versions launched by Lyreco in 2018. A minimum of 75% of the weight of these cartridges is re-used, and they do not contain toner powder

or any other materials that are hazardous to health or the environment. As part of that program, Lyreco will offer SGS (where available) an empty-cartridge collection program, and all waste will be recycled. These initiatives have also contributed to cost savings in the region. Lyreco's assessments and analyses provide recommendations such as moving from next-day delivery to a twice-a-week delivery, which will result in a 42% (4 359 tons) reduction in CO₂ emissions. The project will pilot in the UK. Further rollout of the initiative will take place following its successful implementation.

VERIFIED SUPPLIER MARK PROJECT IN CHINA

The SGS Verified Supplier (VS) Mark is an innovative product developed by the SGS China e-commerce team, in collaboration with SGS Procurement, to verify the authenticity of SGS suppliers in China. Following an in-depth assessment process, the SGS VS Mark provides a stamp of approval that can be used by suppliers to

promote their credentials in the marketplace. SGS VS Mark is available globally and provides a reliable way for buyers to access supplier credentials and choose their trading partners. Together with a QR Code, the VS Mark can be used on product packaging and electronic platforms to verify the authenticity of suppliers, manufacturers or service providers. Since 2016, 774 SGS Suppliers have completed the VS Mark Project in China.

SUSTAINABLE BUSINESS CARDS

Thanks to an agreement with the global supplier Next Communication all SGS employees can now order 100% recycled business cards, produced with vegetable inks. Sustainable business cards can be delivered to any SGS country and help reduce the use of non-recycled paper.



SMART ANALYSIS OF THE CAR FLEET

As a result of a global agreement between SGS and Arval, a leader in full-service vehicle leasing, both companies are working on managing SGS' car policy in a sustainable way. Arval's approach to sustainability is well known. The company works on reducing grey fleets, introducing sharing principles to clients' fleets, and proposing alternative energy solutions and mobility options. In 2018, the two companies conducted a pilot sustainable mobility and

responsibility targets (SMART) analysis project at SGS Nederland B.V.

Arval made an assessment of the existing car policy and how it aligned with our sustainability ambitions. It identified non-SMART-compliant contracts to prepare for the future transition to a green fleet. Experts compared the company car policy with a benchmark of nine companies (with a total fleet of 1 200 passenger cars that are active in quality control and/or certification). As a result, Arval gave concrete recommendations

to SGS Nederland B.V. on how to optimize its car fleet to reduce costs and achieve sustainability targets.

One of Arval's proposals was to allow diesel cars only when the total cost of ownership is significantly lower than that of a similar petrol car or comparable alternative fuel source. It also recommended determining CO₂ caps at function level to decrease average CO₂ emissions. In total, eight recommendations were made. We will work on implementing these changes in 2019.

EQUIPNET

The circular economy aims to eradicate waste in a way that goes above and beyond the principles of lean management. Instead, it strives to reduce waste systematically throughout the lifecycle of products and their components. SGS supports this principle. In addition to 5% of our procurement category spend going towards the maintenance and repair of our current equipment, we also run an equipment reallocation tool – EquipNet.

With over 2 600 offices and laboratories, SGS has an extensive inventory of fixed assets that need to regularly be replaced and renewed. To ensure responsible and efficient operations that minimize waste, SGS works with EquipNet, a web-based service platform that enables our procurement managers, suppliers and customers to redeploy, sell and buy second-hand equipment across both the SGS network and externally. The tool offers premium, late-model equipment that can be sourced for up to

75% discount, while saving lead times typically associated with purchasing new equipment.

Since its implementation in SGS in 2015, EquipNet has had around 1 470 users and an inventory of more than 180 pieces of equipment. During 2018, 144 pieces of equipment were re-deployed in the business and three sold externally, which saved SGS more than CHF 3.1 million.

STRATEGIC ENABLERS

TARGET OPERATING MODEL

We are running several key global Source-to-Pay transformation projects. In 2018, the global rollout of our supplier portal, which supports electronic invoicing, reached 43% of the total targeted 2020 scope for the US and Spain. Use of the SGS e-sourcing tool has increased by 28% and it is actively used in nine countries to facilitate savings and simplify the sharing of management best practices. In 2018, 23% of tendered spend was sourced online and 88 e-auctions were performed.

A pilot for the Oracle Transportation Management Solution was completed in France. This will enable SGS to minimize freight costs, support sustainability initiatives and create flexible transportation business processes within the supply chain networks. The system is now ready for rollout in other countries.

SUPPLIER RELATIONSHIP MANAGEMENT PROGRAM

The SGS Strategic Supplier Management Program aims to create an ecosystem of selected supply partners engaged in innovation and strategic growth initiatives. We have set high standards of performance and governance – for example, the introduction of the Supplier Performance Scorecard, which allows us to monitor supplier performance while considering business and sustainability criteria. The global SGS portfolio of suppliers has been segmented by using a structured assessment methodology that considers quantitative and qualitative criteria. A total of 250 suppliers have been classified as critical for SGS: They are relevant to the company because of the high volume of spend and the importance of product categories. In addition, 10 suppliers are considered to be strategic partners with whom we will develop supplier strategies and intensify our collaboration to develop joint value propositions for our customers.

Some of our strategic partners are engaged in the Inspection and Laboratory of the Future initiative and the Advanced Technology Group. We expect the contribution of this ecosystem to accelerate in the future, particularly with regard to the digital connectivity of laboratories and building supply chain management capabilities.

PASSIONATE HIGH-PERFORMING TEAMS

To improve our Procurement and Supply Chain Management processes, we aim to develop a connected, effective and passionate organization that operates to high standards. During 2018, we focused on building the ONE team mindset to foster collaboration within and across the teams of Global Procurement. We are also working towards creating a more formal collaboration structure across different areas of the function, such as the Procurement Leadership Team, Extended Procurement Leadership Team (including regional Procurement leaders), Category Management and Innovation, and Procurement Excellence. We have also implemented a drum-beat process to drive and monitor initiatives with the regions. Establishing a communication plan with different audiences and through different media has helped procurement be more present and more effective in rolling out strategies with stakeholders. Our Talent Management Program identifies top performers and sets up development and succession plans. Following this initiative, from 2019 we will start a coaching and mentoring program for key individuals and develop and deploy a more extended training program throughout the year.

EFFECTIVE BUSINESS PARTNERING

We drive procurement priorities from stakeholder needs and support business in leveraging Procurement’s capabilities and network. As part of this initiative, we have developed a training program for our business stakeholders to help them better understand how Procurement departments work so that it can help them in their relationship with customers. More than 300 employees have gone through this training.

OUR VALUE TO SOCIETY

SDG 8

SGS RUSSIA LEADS THE WAY ON SUSTAINABLE PROCUREMENT

In 2018, SGS Russia became the first affiliate to pilot the SGS Supplier Code of Conduct and implement a program to screen, analyze and audit its suppliers against defined procurement and sustainability criteria. A total of 152 suppliers actively engaged in the process by completing the SGS Supplier Self-Assessment Questionnaire. Many participants used the assessment as an opportunity to align with SGS’ expectations across ethical, social and environmental dimensions while also strengthening their knowledge and management practices. In fact, a number of suppliers expressed interest in working with SGS to find improved ways of managing sustainability issues. For example, one supplier of laboratory equipment engaged SGS’ help in achieving certification to the ISO 9001

standard to ensure that its internal management systems were in line with global best practice standards. After completing the pilot phase, SGS Russia plans to extend the Self-Assessment Questionnaire to its network of suppliers during 2019. This will ensure that an increasing number of suppliers to SGS Russia will be working to align themselves with SGS’ sustainable procurement criteria and meet the requirements of the SGS Supplier Code of Conduct. In addition, since November 2018, SGS Russia has been integrating our Business Principles into its supplier contracts, ensuring that suppliers to SGS Russia are contractually obliged to meet our standards on responsible business conduct.

ILYA TOPORSKIY

SGS Procurement Manager, SGS Russia





OUR VALUE TO SOCIETY

SDG 9 12 15 17

GREENING OUR OFFICE SUPPLIES SUPPLY CHAIN, IN PARTNERSHIP WITH LYRECO

In 2017, SGS formalized its commitment to the sustainable procurement of office supplies by integrating a sustainability clause into an extended contract with Lyreco. The worldwide distributor of office supplies complies with the SGS Code of Conduct for Suppliers and the SGS Code of Integrity and provides products that follow our specified criteria:

- Preference to be given to products coded as environmentally friendly
- Preference to be given to products with an established eco-certified label
- Preference to be given to 100% post-consumer recycled paper. Where this is not available for a given product, preference should be given to a mixture of recycled paper and paper made from fibers from responsibly managed forests (e.g. bearing an appropriate certification label such as FSC and PEFC)

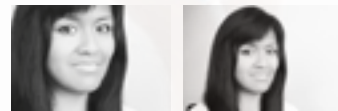
Preference should be given to recycled, reusable or refillable products

Optional remanufactured toners and cartridges (from original, one-use cartridges) may be included

Optional water-based inks for markers should be included

For the year ending 2018, Lyreco reports that 31% of SGS' spend on office products were "green products" (compared to 29% in 2017). Of these, 64% of our spend was on recycled paper, 63% on green filing products, 45% on eco-friendly cleaning products, and 34% on recycled notebooks and pads. We are working with Lyreco to further increase the proportion of green products in our total spend on office products, and to continue to promote the purchasing of green products among our local procurement managers.

MARCELA KARABA
SGS Global Category Manager - Facility management



OUTLOOK

The Procurement and Supply Chain strategy roadmap for 2019 includes delivering the targeted savings through the further deployment of the global category strategies. We will continue to roll out the target operating model, which drives efficiency through standardization and automation of the Source-to-Pay and Demand-to-Supply processes.

With the supplier relationship management program and the Advanced Technology Group, we will continue to foster targeted innovation to help maximize our services to customers while optimizing costs. The rollout of the supplier portal to the next wave of countries will further automate invoices, with the aim of reaching 400 000 electronic invoices by 2020. The e-sourcing project is expected to reach 60% of sourceable spend to be executed online by 2020.

As part of the sustainable supply chain management system, we plan to deploy phase 2 of the Self-Assessment Questionnaire (SAQ) and Code of Conduct. Ultimately, we aim to ensure that all our suppliers are 100% compliant with the Supplier Code of Conduct by 2025. The SAQ and Code of Conduct deployment will be part of the individual performance targets for all country procurement teams, applicable in 2019 (30 countries).

We want to further implement and strengthen the tools needed to standardize our supplier selection criteria globally (including Procurement Policy updates, eSourcing deployment and Source-to-Contract standardization) and more deeply assess the first wave of critical suppliers in 2019 through an external partner. Together with our local teams, we plan to continue to develop sustainability initiatives globally, and we will create a specific category in our annual Procurement Awards to recognize the best country initiative to further promote sustainability awareness throughout our supply chain.

"Sustainable procurement means something to me! By applying SGS values and sustainability principles to our supply chain, we can make a tangible contribution to making our world a better place. Imagine the impact if all procurement organizations in the supply chain made the same effort."

JUERGEN NELIS
VP Global Procurement & Supply Chain Management

CUSTOMER RELATIONSHIP MANAGEMENT

SGS is committed to the highest levels of service excellence. Our customers are key stakeholders, critical for the sustainability of our business. As a result, robust customer relationship management is of the highest importance.

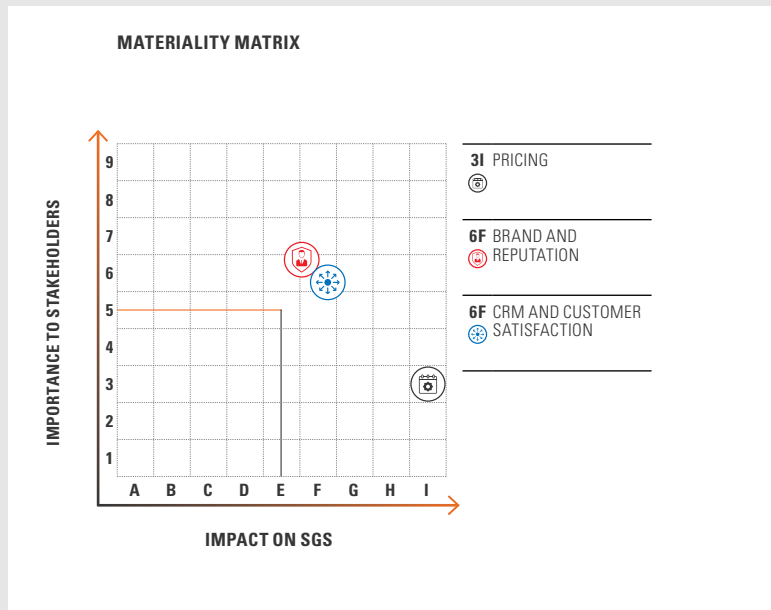
STRATEGY AND GOVERNANCE

We recognize that effectively managing our customer relationships is key to our long-term business success. It is important to us that our customers recognize the value of our services and have positive experiences that bring them back to us time and time again. To achieve this, we ensure that all our employees have the skills and knowledge required to deliver our services to exacting standards. At the same time, we are continuously enhancing the systems and processes we have in place to anticipate and respond to customer needs as they arise.

follow-up emails/phone calls and hard-copy and online feedback questionnaires. These are constantly monitored and periodically reviewed as part of our Management Review processes. We also support our daily customer interactions with seminars and workshops, along with social media communications and responses to web enquiries.

We strive to improve quality and promote transparency continually, and as such, customer relationship management is integrated into our approach through a key account management structure and dedicated sales teams.

SGS takes a decentralized approach to customer relationship management, with each business line managing relationships through customer-care departments. These act as the direct point of contact for customers and connect them with the parts of SGS that deliver services. We achieve this through a combination of face-to-face customer meetings,



PERFORMANCE

88%
OF CUSTOMERS SATISFIED WITH SGS SERVICE
CUSTOMER SATISFACTION SCORE ACROSS ALL "VOICE OF THE CUSTOMER" SURVEYS

INITIATIVES AND ACHIEVEMENTS

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS

The quality of the relationship SGS is able to maintain with its customers relies on the IT infrastructure in place to support it. To increase the level of service SGS is able to deliver, the SGS Enable IT transformation program was launched in 2017. This strategic and collaborative initiative managed by our Strategic Transformation, Group Finance and Corporate IT functions provides a strategy and roadmap for IT projects through to the end of 2020 across three key areas: Customer Engagement, Workforce and Operational Excellence. In its entirety, the SGS Enable transformation program enhances the value we offer our customers by delivering significant productivity improvements through enhanced analytics and automation.

SGS CUSTOMER PORTAL: SGS ONLINE

In 2018, we launched the pilot version of the new customer portal, which is a customer engagement initiative within the SGS Enable program. The

customer portal has been designed to be the new Customer Relationship Management (CRM) system for the Group. Customers around the world using the portal will have one single point of contact and a 360-degree view of their purchases and preferences, while internally, SGS will be able to increase customer satisfaction by offering more tailored services.

SGS STANDARDIZED INSPECTION REPORTING AND REMOTE INSPECTIONS

In 2018, SGS' Standardized Inspection Reporting system for field inspections was further rolled out to provide digital inspection execution for the Agriculture; Minerals; and Oil, Gas and Chemicals trade businesses. Through a global digital platform, consistent back-office capabilities and customer-facing reports, the inspection-to-client service has been taken forward. We have also rolled out our new remote inspection system, QiiQ, across further business lines. The system is providing an enhanced customer service, particularly benefiting customers in geographical areas that are hard to access.

CUSTOMER FEEDBACK

Understanding how our customers feel about their experience and learning about their specific interests, suggestions and expectations is important to SGS. Independent studies show that a

5% increase in customer retention rates can increase profits by at least 25%. Furthermore, it is estimated that acquiring new customers can be anywhere between five and 25 times more expensive than retaining one. With this in mind, SGS regularly communicates with its customers on a number of levels and puts effort into analyzing customer sentiment more broadly through our annual Voice of the Customer surveys.

VOICE OF THE CUSTOMER SURVEYS

One example of these surveys is our Laboratory Excellence Program survey. The 2018 survey was carried out in all our regions and had 9 500 respondents, covering 42% of the Group's revenue. The results were published in May 2018 and contributed to the satisfaction score of 88% achieved across our Voice of the Customer surveys.*

The surveys typically cover quality of service, technical capabilities, turnaround time, administration team, reporting format, satisfaction with queries dealt with, courtesy and value for money. We survey SGS brand awareness separately.

CUSTOMER ISSUES

In terms of dealing with challenging issues, our integrity hotlines allow customers to raise issues in relation to our Code of Integrity that, if they require such attention, can be directly handled by senior SGS managers, such as local Executive Vice Presidents and Managing Directors alongside the Compliance team.

ACHIEVEMENTS

SGS online, our customer store and portal, was launched in 2018 with four services available for purchase online.

69 countries (over 270 affiliates) are now using Standardized Inspection Reporting for at least one business line

SGS' new remote inspection system, QiiQ, was rolled out across further business lines

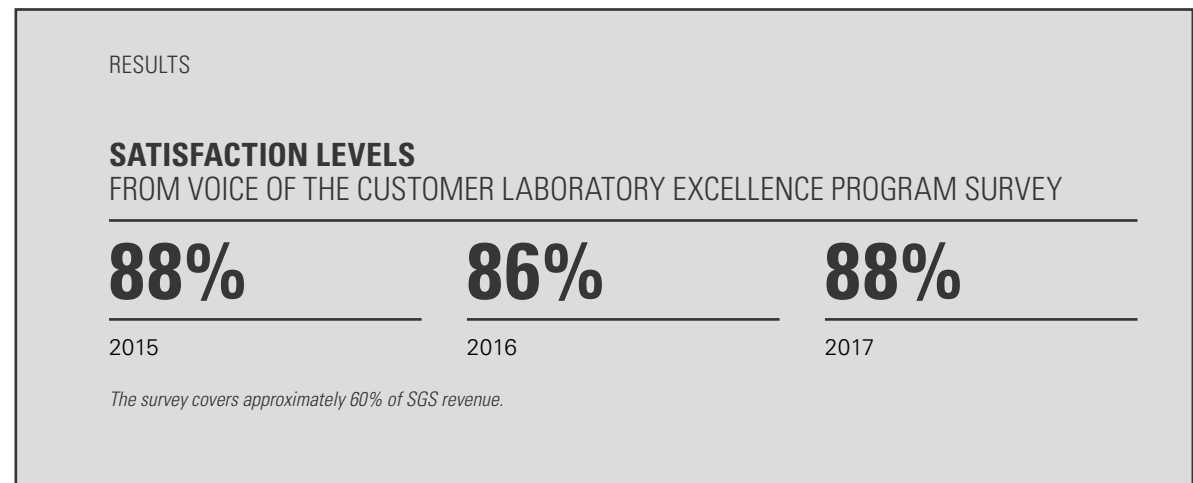
9 500 Voice of the Customer survey responses analyzed in 2018

88% satisfaction score across all Voice of the Customer surveys*

150 key accounts surveyed for customer satisfaction across two business lines

SGS received the Quality Control Award from the Global Grain Awards

* Results for 2018 survey analyzed the 2017 customer experience.



OUR VALUE TO SOCIETY

SDG 8 9

SGS SERVICES ONLINE STORE: PESTICIDE RESIDUE ANALYSIS

As part of our new Customer Portal development, we have launched the SGS online store: onlineservices.sgs.com

This platform allows remote purchasing with secure credit card payments. It is part of SGS' comprehensive expansion in online customer interaction, improving the digital customer experience.

The online store already offers pesticide residue analysis for fruits, vegetables and grains. This service is targeted at businesses that want to be certain that any residual pesticide is within acceptable levels and that their products comply with international regulations. When a customer places an order, they receive a product sampling

kit, including instructions for use. Once a product sample is received by the SGS laboratory, it is processed and analyzed. The customer receives an extensive report on their sample, usually within a week. Currently available in China and Germany, this online service will soon be expanded to cover other countries.

Complementing this service, customers can use our regulatory intelligence network, SGS Digicomply, to quickly and efficiently check regulations in destination markets.

GUILLAUME PAHUD

SGS Customer Portal Program Director



FAIR PRACTICES

We are committed to conducting our business using competitive and fair practices that allow us to be clear and transparent with stakeholders about our approach to pricing. We recognize that for our customers to be satisfied with the SGS service, they need to feel that our pricing structure is fair, that our products and services are priced properly and that SGS will not exploit any demand fluctuations.

To ensure that this is the case, we have a strong ethical approach. We do not engage in any understandings or agreements that improperly influence markets or discuss pricing, competitive bid processes, contractual terms, division of territories or customer and market allocations with competitors. We do not make disparaging or untruthful allegations regarding competitors or endeavors to obtain confidential information on them using illegal or unethical means. Finally, our services and capabilities are never advertised in any way that could appear to be deceptive or misleading.

SGS' pricing and costing models are part of our intellectual property and according to the Code of Integrity, employees can only disclose, copy or use the information for its intended purposes.

We provide our customers with highly detailed quotes and invoices so that they are very clear about every aspect of our service.

SGS GLOBAL PRICING INITIATIVE

Following an expert review and assessment of pricing practices across the SGS Group, which delivered very positive results, we initiated a three-year global pricing initiative. Focusing around the three pillars of pricing strategy, education initiatives and targeted pricing projects, SGS is working towards optimized pricing across the Group. Our pricing strategy is based on a suite of golden rules that have been designed as guidelines for all SGS pricing decisions. While, internally, this supports our profitable growth, for our stakeholders, this enables us to provide transparency across service areas through a robust pricing process with an enhanced governance model.



OUTLOOK

In the year ahead, we will follow the same path in looking for opportunities to build robust partnerships. We value long-term customer relationships and to support this, we will move our Voice of the Customer surveys into a single software solution. Using this solution, we will be able to collect and aggregate data. We are also initiating a customer journey mapping process and improving the mechanisms by which we respond to customer analyses. From a Customer Relationship Management systems perspective, we will continue the rollout of SGS Enable. The customer portal user functionality available to customers and SGS employees will be expanded, while the number of services available for direct purchase will be increased. Simultaneously, our Sales Pipeline systems will be upgraded with enhanced functionality. Phase 2 Standard Inspection Reporting developments are ongoing, while QiiQ usage will be broadened across more lines of business.

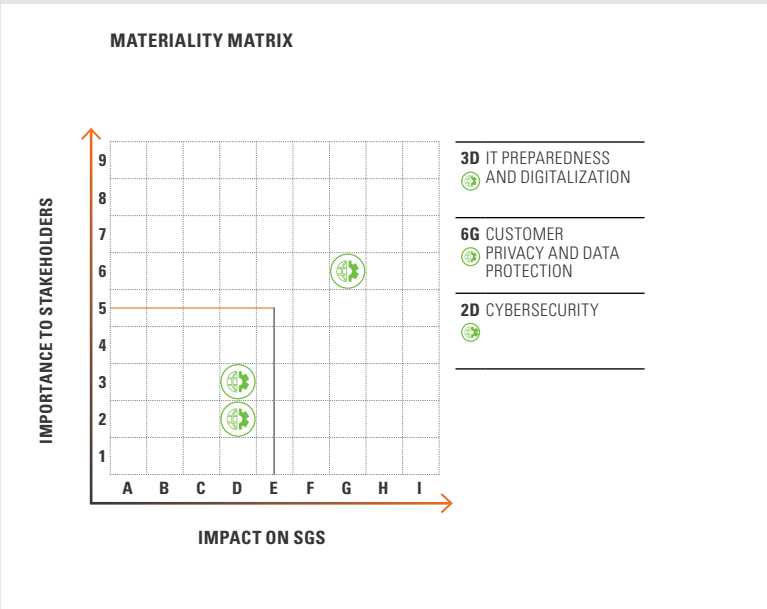
As part of the SGS Global Pricing Initiative, our focus is on effectively implementing our golden pricing rules, conducting frequent pricing reviews, and rolling out further educational tools and good practices. Meanwhile, we will ensure that all targeted pricing projects are on track to deliver outcomes by 2020.



DATA SECURITY AND PRIVACY

GRI 103-1, 103-2, 103-3, 418-1

Protecting personal data and compliance with privacy laws are essential commitments for SGS. We are also taking a lead in shaping the future of the digital world as a Charter of Trust co-signatory, with the aim of strengthening cybersecurity to protect people, companies and infrastructure.



THE SGS DATA PRIVACY POLICY GOVERNS HOW WE COLLECT, USE AND MANAGE THE PERSONAL DATA OF CUSTOMERS, EMPLOYEES AND THIRD PARTIES.

As a company that holds itself to the highest standards of professional behavior, protecting personal data and compliance with associated privacy laws are essential commitments for SGS.

On an ongoing basis, we work on managing, preventing, detecting and responding to security issues or risks identified. In 2018, we also ensured that SGS has the measures and mechanisms in place to comply with European General Data Protection Regulation (GDPR).

STRATEGY AND GOVERNANCE

Our Data Protection strategy is focused on the management, prevention, detection and response to security issues or risks identified. It encompasses enhancing IT systems, putting policies and procedures in place to streamline processes and developing capabilities so that SGS is operating in a controlled-risk environment.

DATA SECURITY

SGS has a framework and team in place to protect intellectual property, business services and customer data by governing and managing cybersecurity. It is the team's responsibility to manage SGS IT Security and Anomaly Detection Systems, deploying

new tools where needed while identifying vulnerabilities, threats and potential incidents. The team also forecasts trends in the security landscape, determining the threats the organization faces, orchestrating a security program to prevent, detect and control risks and develops effective responses. SGS implements the best security controls based on international standards and best practices.

DATA PRIVACY COMMITMENTS

Confidentiality and privacy are key principles of the SGS Code of Integrity, which all SGS employees are required to uphold.

In March 2018, the SGS Operations Council further demonstrated the scale of this commitment by adopting the SGS Global Privacy Policy. The SGS Data Privacy Policy governs how we collect, use and manage the personal data of customers, employees and third parties. We strive to be transparent and open about the data we collect, respecting individual rights and choices, and protecting the data we hold from unauthorized use or disclosure.

PERFORMANCE

95%
COMPLETION RATE OF DATA PROTECTION AND PRIVACY E-LEARNING

INITIATIVES AND ACHIEVEMENTS

GENERAL DATA PROTECTION REGULATION ROLES AND RESPONSIBILITIES

CHIEF INFORMATION OFFICER	Overall responsibility for security of IT systems Overall responsibility for IT security incidents
DATA PRIVACY GLOBAL PROJECT LEADER	Defines and supervises the implementation of the GDPR data privacy compliance framework throughout SGS in the EU and in all non-EU parts of the SGS Group to which the GDPR may also apply Provides operational and privacy legal support to local Data Privacy Officers, Privacy Leaders and anyone within SGS responsible for data privacy Develops, plans and implements SGS data privacy training and awareness programs
EU NETWORK OF DATA PRIVACY OFFICERS/ PRIVACY CONTACTS	Implement the GDPR data privacy compliance framework at local level Inform and advise local teams about their legal obligations and check compliance of data processing activities Ensure the maintenance of readily available information regarding the structure and functioning of all systems and processes that process personal data (e.g. inventory of systems and processes, privacy impact assessments and data breaches) Cooperate with local Data Protection Authorities in case of an enquiry Serve as a contact regarding local access requests and complaints

CYBERSECURITY

SGS utilizes several detection systems that monitor our network, system infrastructure and applications. The most critical of these detection systems are monitored on a continuous basis, while the rest keep audit information for analysis in case of enquiries or suspicion of fraudulent activity.

Response times to potential incidents are monitored according to specific timeframe requirements depending on the severity of the threat and its criticality. Any major security issues are investigated by the IT Security Department. Once the root cause has been identified, the impact of any proposed mitigation is evaluated and communicated.

To promote high levels of cybersecurity, technical standards ensuring a sound security baseline have been developed. We also run a continuous security awareness program and, as part of this, conduct IT security training several times a year for all employees. Cybersecurity is also an area that is taken seriously when integrating the IT systems of acquisitions and partners into those of the SGS Group.

EUROPEAN GENERAL DATA PROTECTION REGULATION (GDPR) COMPLIANCE

In 2018, measures and mechanisms were put in place to ensure SGS complies with the GDPR. These are detailed in the SGS GDPR Compliance Statement, which describes the steps SGS is taking to update and expand data security and protection across the Group. It also outlines the dedicated internal team in place to develop and implement the GDPR roadmap – assessing gaps and implementing enhanced and new policies and procedures.

Simultaneously, SGS also launched the GDPRONLINE service to support customers in complying with the EU regulation.

TRAINING

Global awareness training on data protection and privacy principles was rolled out as an e-learning module in 2018. It is relevant to all employees, whether they collect and process personal data or not. The aim is to reach all SGS employees. Currently it has been rolled out to more than 93 000 employees, with a completion rate of 95%.

ACHIEVEMENTS

GDPRONLINE launched as SGS' online subscription-based platform for GDPR compliance

GDPR Compliance Statement released to publicly disclose the measures SGS has in place to ensure GDPR compliance

The SGS Global Data Privacy Policy was launched

Co-signed Charter of Trust on Cybersecurity
.....
Data Protection and Privacy e-learning rolled out to all SGS employees
.....
Vulnerability Management platform assessing customers' exposure to security threats and conducting penetration testing was launched

0 SUBSTANTIATED COMPLAINTS CONCERNING BREACHES OF DATA CUSTOMER PRIVACY*

** Reported through our centralized system that currently covers Europe.*

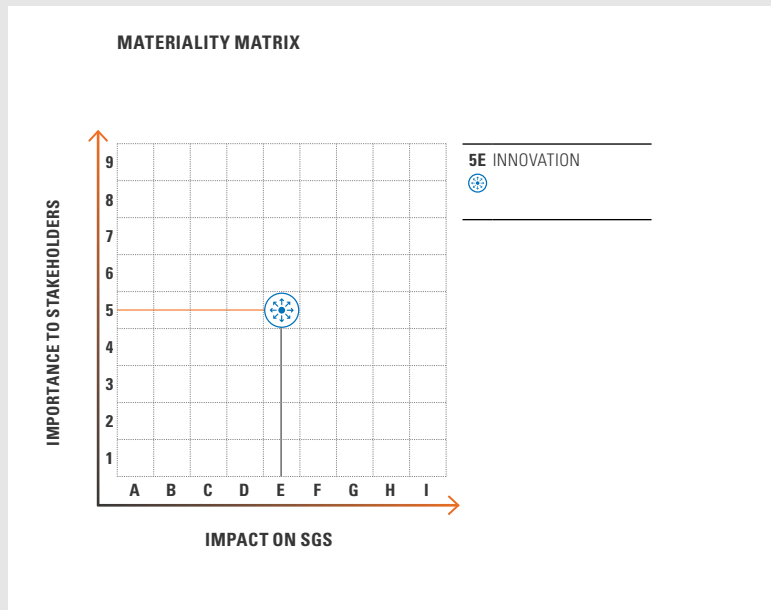
OUTLOOK

We will continue to ensure platforms and infrastructure are protected and customer data is safeguarded with the technical security controls and measures needed. In 2019, we will also create further e-learning modules on data privacy topics and run a more in-depth course specifically for those employees who collect, store and process personal data. Starting in 2019, cybersecurity and risk will be part of the SGS onboarding program, testing employee readiness for cyber threats. Finally, the GDPR project will be consolidated and extended beyond the boundaries of Europe.

INNOVATION

At SGS, we see our ability to innovate as crucial to keeping ahead of the curve and the competition.

At a time of rapid digitalization, when traditional thinking and structures are being constantly challenged, our ability to innovate keeps SGS at the forefront of the TIC industry and adds value to our customers, governments and industries.



STRATEGY AND GOVERNANCE

Innovation drives our economic growth and sustainable success. Investing in innovation is at the core of our business model. We aim to create an environment that allows ideas to flourish so that we can continue to stretch the boundaries of the TIC industry and retain our position as market leader.

Our innovation strategy is focused on the core areas of digital services, e-commerce and online presence, and culture. We are strategically enhancing SGS' business through the addition of digital services. This includes the expansion of both our business-to-business-to-consumer (B2B2C) and our business-to-consumer (B2C) presence through our new customer portal, as well as through third party websites. Additionally, we develop our internal innovation culture in such a way that employees are motivated to continually look for and propose creative solutions to the challenges faced by our customers and our business.

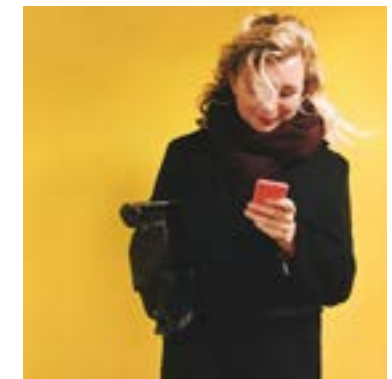
DIGITAL AND E-COMMERCE

Our digitalization strategy aims to position SGS as a global leader in developing safe, effective and profitable digital solutions for all sectors that we operate in. By continuing to provide best-in-class services that transform the TIC industry, while enhancing

everything we do with digital services, we build on our ability to add value for our customers and improve our internal efficiencies for the benefit of our employees.

Our focus to date has been on facilitating digital innovation and strengthening our digital team structure, along with delivering on a number of key project launches. Our approach to digital innovation is to invest in the right projects that deliver on our efficiency goals, provide our customers with solutions and create services that bridge digital and traditional methodologies. This means that we are prepared to reject innovations, in the early stages of development, if they do not meet certain criteria.

At the same time, we have been expanding our B2B2C presence online through the launch of our new e-commerce platform, SGS online.



OUR APPROACH TO DIGITAL INNOVATION IS TO INVEST IN PROJECTS THAT DELIVER ON OUR EFFICIENCY GOALS, PROVIDE OUR CUSTOMERS WITH SOLUTIONS AND CREATE SERVICES THAT BRIDGE DIGITAL AND TRADITIONAL METHODOLOGIES.

INNOVATION CULTURE

At SGS, we have a culture that values innovation. We have a process in place that rewards creative ideas and we encourage our more than 97 000 employees to put them forward. When we find ideas that are novel or will enhance existing practices through leveraging advanced technologies, we work with the employees who put them forward to develop their concepts into business propositions. We communicate about ideas that get progressed, and we celebrate the innovations that help make a difference to our organization.

INITIATIVES AND ACHIEVEMENTS

COMMODITY TRADING PLATFORM

In September 2018, SGS and 14 partners in the commodities sector launched komgo®, a new blockchain-based platform aimed at transforming commodity trading.

The innovative technology delivered by komgo® offers a depth of resources that reduces the time needed to process documents and data, which, in turn, speeds up the transaction process. The platform also provides digital ledgers aimed at limiting operational risks relating to fraud, counterfeiting or human error.

CUSTOMER PORTAL

Expanding our business-to-business-to-consumer presence online is an SGS 2020 objective that we aim to achieve through the launch of our new e-commerce platform. Business customers are now able to purchase SGS services directly through our customer portal, also known as SGS online. The new portal also offers direct sales of SGS services to consumers (B2C). Two services are currently available, including pesticide residue analysis of fruits and vegetables, which can give consumers reassurance about the produce they are purchasing. Expanding our commercial transactions through digital tools gives us the opportunity to find innovative ways to increase brand awareness and develop the SGS customer experience.

INNOVATION PARTNERSHIPS

SGS welcomes opportunities to partner with our customers in innovation-driving activities. We do this through procurement initiatives, such as our long-term

partnership with Agilent, a leader in life sciences, diagnostics and applied chemical markets, that provides SGS' laboratories with instruments, services, consumables, expertise and applications. Together the two companies have formed an Advanced Technology Group to collaborate on new technologies and to create labs of the future that meet the needs of both our customers and their clients.

Similarly, when Shell, a global customer of both our Oil, Gas and Chemicals and our Industrial businesses, asked us to host an Innovation Workshop for 10 of its top executives, SGS embraced the opportunity by bringing together experts from around the world for a series of presentations on innovation processes and best practices to benefit and inspire both organizations.

ACHIEVEMENTS

- Launched SGS online, our digital customer portal
- Two direct-to-customer services available via SGS online: Oil Condition Monitoring and Pesticides Residual Analysis, with new services coming in 2019
- Partnered with komgo® to simplify the commodity supply chain

OUTLOOK

Innovation and digitalization will be critical objectives for 2019. By improving certification resources, SGS will contribute to the implementation of the Cybersecurity Act in Europe in 2019 and reinforce the trust of citizens and businesses in the digital world. Opening more Digital Campuses in Asia and Europe will allow us to pursue a more connected, open and agile way to do business by focusing on e-commerce, platforms, consumer services and analytics.

SGS online will be expanded and refined through the implementation of new modules and the deployment of the platform to new business lines. We aim to be present across all geographies and have approximately 100 services available by the end of 2019, while strengthening the marketing communication around the portal so that more consumers become aware of the tool.

Strengthening the innovation culture will be another important focus in 2019. We will continue to run innovation campaigns encouraging employee idea submissions, bringing together a wealth of ideas from across the SGS Group for centralized development.



PEOPLE

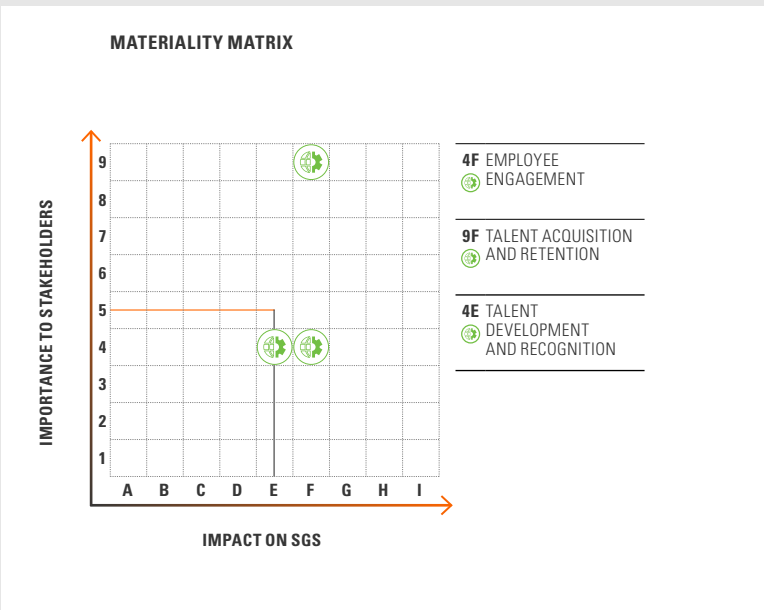
SGS is recognized as the TIC industry leader and as a highly innovative company. The expertise of our people is central to our performance as a company. We empower our employees to succeed in a safe, diverse and inclusive workplace that treats everyone fairly and with respect. As a key stakeholder group, we seek to add value to society through our employees.

TALENT MANAGEMENT	70
DIVERSITY AND EQUAL OPPORTUNITIES	81
OPERATIONAL INTEGRITY	84

TALENT MANAGEMENT

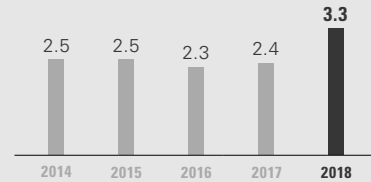
GRI 102-41, 102-37, 102-8, 102-36, 103-1, 103-2, 103-3, 202-1, 401-1, 401-2, 401-3, 402-1, 403-4, 403-6, 404-1, 404-2, 404-3, 407-1

Our efforts to attract and retain staff are fundamental to our ability to operate.



PERFORMANCE

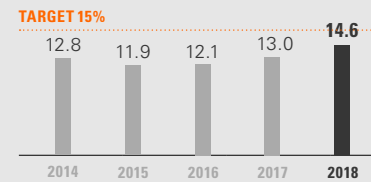
3.3%
TRAINING COST (INCLUDING HOURS) AS A PERCENTAGE OF EMPLOYMENT COST¹



TRAINING RATIO²

PERFORMANCE

14.6%
PEOPLE LEAVING BY THEIR OWN WILL³



NATURAL TURNOVER

1. On a constant currency basis. 2. Improvement in the ratio is due to a remarkable increase of e-learning during 2018 across the organization as well as a better quality of the data reporting and gathering process. 3. As of 2016, this KPI is calculated based on permanent (fixed-term and open-ended) contracts.

STRATEGY AND GOVERNANCE

We market ourselves on the fact that our customers can trust us to deliver benefits such as speed to market, reduced risk, increased efficiency, sustainability and productivity. Our people are an important part of ensuring that we can deliver on that promise.

Therefore, several Human Resources areas, such as talent acquisition and retention, diversity and equal opportunities, employee engagement and fair and equal remuneration, are considered material topics to us.

Structurally, SGS has global, regional and local HR teams. HR professionals across the network work in partnership with business managers and operations teams to support SGS' business priorities and global HR strategy.

To bind this decentralized approach to our global HR objectives, we have four principles that underpin the way we acquire, manage, develop and engage people at SGS.

THESE ARE:

- Talent acquisition
- Engagement and well-being
- Talent development
- Remuneration

+97 000*

EMPLOYEES AROUND THE WORLD

** Full-time equivalent.*

HUMAN RESOURCES STRUCTURE

BODY	RESPONSIBLE FOR
SENIOR VICE PRESIDENT HUMAN RESOURCES	Global HR strategy Setting global HR KPIs Adherence to HR principles
GLOBAL HUMAN RESOURCES TEAM	Global talent acquisition, talent development and remuneration Communicating strategies and requirements to regional teams
REGIONAL HUMAN RESOURCES TEAMS	Regional talent acquisition, talent development and remuneration strategy and activities Communicating strategies and requirements to local teams
LOCAL HUMAN RESOURCES TEAMS	Local talent acquisition, talent development and remuneration strategy and activities



STRATEGY

SGS refreshed and began to implement its HR strategy in 2018. The strategy is based on five pillars: aligning the HR structure to better meet global and regional business prerogatives; implementing a competitive and transparent talent acquisition strategy; fostering an integrated talent management mindset – based on consistent succession planning practices; strengthening our leadership and employee capabilities with tools and guidelines; and lastly, leveraging our footprint to promote career development opportunities across the Group.

This strategy aims to better prepare the company for the influx of millennials who already make up roughly 40% of new hires. Millennials seek to grow and make an impact. As a result, we anticipate that they will seek to change jobs and locations more frequently than previous generations. The job market is now considered to be a global one, with candidates frequently applying for roles outside their current country of residence. This increased mobility will have an important impact on working processes, knowledge retention and succession planning for firms. There will also be pressure for companies to accelerate employees' learning curves – particularly during onboarding – as the time they spend in roles is expected to be shorter.

Responding to these changes will be a large undertaking. New

mechanisms and tools to facilitate the transparency of SGS' internal job market will be needed, as will lean structures to make it easier for people to move from one role or location to another. We can also make use of our global scale to make the company more flexible for employees.

THIS MAY INCLUDE:

Exploring ways to allow employees to move locations (offices) while retaining their current jobs.

Creating a more open internal job market, and gradually moving towards the ideal of allowing any employee to apply for any job in any location.

Considering the impact of a policy of recommended time limits on managers staying in their present roles to unlock mobility and opportunity within the company.

To remain the industry leader, it is imperative that we continue to retain high-caliber experts across the SGS Group. Our natural turnover increased slightly in 2018 to 14.6% from 13.0% in 2017, but it remains under our target level.

Additionally, in 2018, our Sustainability Ambition 2020 on natural turnover, which had been set at 10%, was revised upwards to 15%, in order to establish a more realistic and appropriate target for our organization. This change was approved by the Sustainability Steering Committee in March 2018 and the adjustment was made after a period of intensive study across

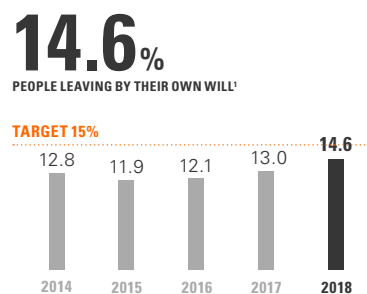
the industry and using external ratings benchmarks that indicate that a healthy natural turnover for the industry should vary between 15% and 18%.

Our training and development approach will become increasingly open and sophisticated (see the Outlook on page 92).

Structurally, the majority of SGS' talent development programs are presently created and managed at the local level, based on the needs in the region or country. However, the top line strategy remains the same across the Group, encompassing performance management, functional business partnerships, leadership and individual development plans.

By using vocational, technical and compliance training, we ensure that our employees retain the necessary certifications and qualifications and continue their professional growth.

PERFORMANCE

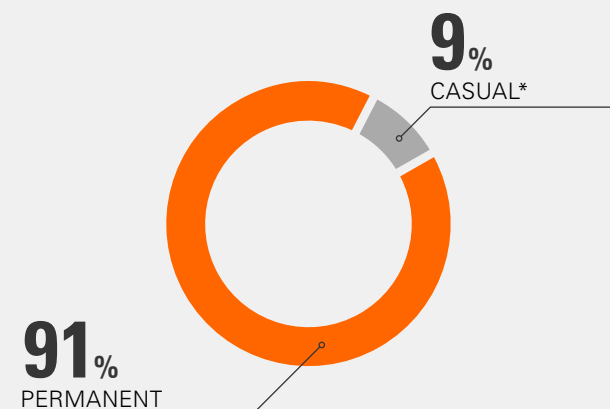


NATURAL TURNOVER

1. As of 2016, this KPI is calculated based on permanent (fix-term and open-ended) contracts.



PERMANENT AND CASUAL EMPLOYEES



* Casual employees include temporary, casual and freelance employees.



OUR VALUE TO SOCIETY

SDG 8

SGS APPRENTICESHIP SCHEME

For more than 40 years, SGS has been running apprenticeship schemes for young professionals at our headquarters in Geneva. For us, apprenticeships are a strategy for building a talent pool and fostering the next generation of skilled workers. It is also good discipline for SGS

IN 2018, THE FOLLOWING APPRENTICES WERE ON A SIX-MONTH ROTATION THROUGH OUR LEGAL, FINANCE, FACILITIES MANAGEMENT AND PROCUREMENT FUNCTIONS:

"The apprenticeship at SGS brings us knowledge, autonomy, diversity of work, good quality of training and professional experience."

PAUL, AGED 19

"It's enriching to work in such varied and interesting fields of activity."

SABRINA, AGED 23

"Thanks to SGS I have acquired useful work experience and developed skills that will help me for my career."

VERONA, AGED 20

employees to explain what they do in their jobs: Our workforce enjoys being challenged by the apprentices, who bring new perspectives and ideas about the way we approach certain tasks. Both graduates and undergraduates can benefit from opportunities to work alongside our professionals. SGS apprentices can also work independently on challenging projects across multiple business functions and industry sectors. Apprenticeships typically last three years, and the apprentices spend three days in the workplace and two days in the classroom, where they study subjects that range from commerce to IT. Each year, two applicants are selected by the apprenticeship program administrator and a member of Group HR.

ARNAUD LUISIER

SGS Senior Corporate Administrator and Apprenticeship Program Administrator



INITIATIVES AND ACHIEVEMENTS

TALENT ACQUISITION

Our talent-sourcing strategy increasingly focuses on e-recruitment, competency-based assessments and efficient onboarding of new staff, especially in relation to our values, culture and business processes.

We also use digital tools and social media platforms to foster connections and hunt for potential future talent around the world.

SGS EMPLOYER BRANDING

"Be 100% You" is SGS' global employer branding campaign. It raises awareness, communicates our employer value propositions and engages millennials, while also strengthening our 2020 business plan. The campaign is featured on our website and social media channels and has been deployed in a wide range of countries.

E-RECRUITMENT

E-recruitment continues to be a significant channel for attracting and acquiring talent across the SGS network. During 2018, SGS continued its strategic partnership with LinkedIn and had more than

465 000 followers on the platform as of December 2018 – an increase of over 100 000 people from 2017. As well as posting information about job vacancies, we use LinkedIn to share content and employee testimonials, promote upcoming events, help people learn more about our company and the SGS employer brand and proactively seek rare talent.

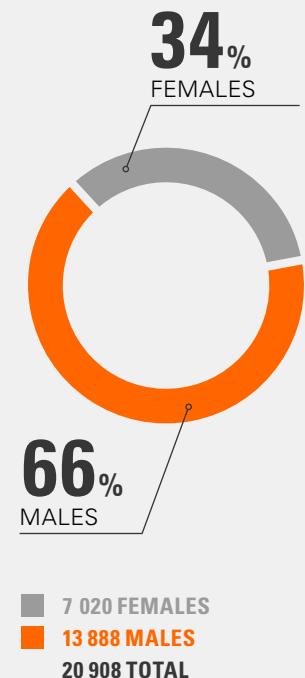
EMPLOYEE ONBOARDING

Onboarding employees efficiently is an important part of our strategy. SHINE is our global onboarding program. It makes a significant, positive impact on the first six months of an employee's life at SGS. This time period has been widely acknowledged as critical in terms of capitalizing on new recruits' knowledge and enthusiasm and reducing employee turnover. The program aims to make every new hire feel that they are supported in their role. It also strives to fully engage them in the company's principles, values and business aims.

SHINE, which comprises different phases over a six-month period, includes supportive actions such as a site orientation and safety induction on the employee's first day. This onboarding process helps new hires establish their internal network and build knowledge of SGS' operations, relevant services and corporate culture. SHINE also covers mandatory training modules (such as the Code of Integrity training) as well as any job-specific training needed.

SHINE ensures that specific objectives are established for the employee's first few months so that they begin contributing immediately to the company's success. Employees also have regular formal and informal reviews with their managers to track progress and identify any additional employee needs. While SHINE was launched several years ago, it continuously evolves to meet business needs and has become an integral part of the employee life cycle.

NEW EMPLOYEE HIRES



ENGAGEMENT AND WELL-BEING

Our employees are recognized as being one of our key stakeholder groups. Happy, healthy and engaged employees are productive employees. It is therefore very much in the long-term interests of the Group that we focus on this key area.

ENGAGEMENT

Ensuring employees are content and engaged in their roles is an essential part of talent retention and managing our natural turnover across the Group. We consider this issue at global and local levels. We monitor worldwide engagement and occupational health and safety, run a global health initiative and bring our employees together through internal social media.

Catalyst, our employee engagement survey, provides employees with the opportunity to voice their opinions and provide feedback to management. In so doing, they initiate a process that ultimately gives managers the opportunity to launch improvement actions with their teams.

We divided the entire population of SGS to survey all employees over a three-year period. The results were released at the beginning of November to managers, who then invited their teams for individual feedback sessions and to collaboratively improve performance by implementing qualitative action plans. Catalyst country ambassadors and our

Human Resources teams are trained to act as facilitators, providing support through the action planning phase and to follow up on progress.

Participation in the survey is voluntary, yet in 2018, more



than 90% of employees invited responded. All participating employees can access individual reports that provide specific actions, based on their results, to improve their work experience.

RESULTS OF THE 2018 CATALYST SURVEY

6 286 employees from 26 countries and 2 global teams participated

91% response rate

+75% of participants report high levels of understanding of SGS' strategic priorities and goals

70% of participants believe their managers are supportive, are involved in their growth and development, provide feedback and recognition, and translate SGS' objectives into more tangible terms

67% of employees agree that decisions in their units are made in a timely manner, and over three-quarters of employees have access to information to do their jobs well. These results outperform the norm

** The SGS Catalyst survey uses indicators based on Korn Ferry data collected from over 6.8 million employees in 350 organizations globally.*

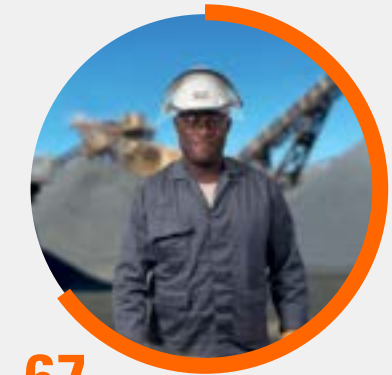
2017



68%

Engagement Index

2018



67%

Engagement Index



70%

Enablement Index



70%

Enablement Index

Due to the difference in scope between 2017 and 2018, the results for the two years are aggregated. The 2017 survey was completed in 39 countries and 3 global teams, with 34 551 respondents, while the 2018 survey was completed in 26 countries and 2 global teams, with 6 286 respondents.

The Engagement Index is calculated as the weighted percentage of respondents that either agreed or strongly agreed with 5 different statements related to them feeling engaged with SGS.

The enablement index is calculated as the weighted percentage of respondents that either agreed or strongly agreed with 4 different statements related to them feeling enabled by SGS.

OUR VALUE TO SOCIETY



SDG 3 8

STRENGTHENING TEAMWORK AND EMPLOYEE ENGAGEMENT IN SGS IRELAND

Since December 2017, employees of SGS Ireland have had access to the company's free employee assistance program, which is led by the HR team. Available through an online portal and mobile app the program provides confidential counseling services and offers information and advice on financial and legal matters. The service is accessible 24-7 through a specialist independent healthcare provider.

As part of our employee well-being strategy, we hosted a wellness week in May 2018, which included a series of Lunch and Learn events featuring guest speakers who covered workplace-related topics such as integrity, employee well-being, safety and security. We

also provided head massages and other activities designed to encourage employee participation and interaction. Additionally, in our Galway office, we created a chill-out room, equipped with board games, where employees can take a break and relax.

We have received positive feedback from participants, and our HR team will continue to work with the Operational Integrity team and managers to ensure that more employees can benefit from the support available to them to promote employee well-being both within and outside of work.

ROISIN MOLLOY

SGS Marketing Coordinator, Transportation, SGS Ireland



WELL-BEING

SGS provides well-being initiatives tailored to the needs and resources of local affiliates. These projects range from health and safety training programs to flexible working hours and partial retirement plans.

As local affiliates are allowed to lead these initiatives in a decentralized approach designed to suit local customs, fit available resources and facilities and meet country-specific regulations, our well-being programs inherently vary from place to place. In certain locations, they include providing fitness facilities or contributions to external fitness programs (e.g. reduced gym-membership fees), health and nutrition provisions and stress-management training as well as breastfeeding rooms and childcare facilities or contributions.

In some instances, the programs are outcome-based health promotions, while in others, they are campaigns to encourage positive behavior change (e.g. cycle-to-work schemes). In some locations, they take the shape of employee benefits. For instance, extended paternity leave is given



at SGS' head office in Switzerland (where there is no local law granting it).

Where possible, remote IT connections, together with teleconferencing facilities, enable employees to work from home and save them from having to travel to and from meetings.

SGS also promotes healthy, safe and ergonomic workplaces, and we monitor the lighting intensity, noise levels, indoor air quality, humidity and temperature levels in our buildings. Training, workshops and occupational health care assessments guide our employees on maintaining a healthy and safe work environment.

OUR VALUE TO SOCIETY



SDG 3 8

VIRGIN PULSE GLOBAL CHALLENGE

In 2018, SGS participated in the Virgin Pulse Global Challenge again. The initiative is dedicated to creating a culture of health and well-being in the organization and 1 302 SGS employees from 13 countries and corporate functions participated in the 100-day journey. Together, they walked 1 793 601 931 steps, the equivalent of circling the earth 28.6 times. During the Challenge, 77% of the participants exceeded 10 000 steps a day, compared to just 18% of participants reaching this goal before the initiative. Moreover, 29% of survey

respondents now meet daily nutritional guidelines (compared to 16% of participants before the Challenge) and 66% of participants are getting the recommended seven or more hours of sleep per night (compared to 55% of participants before the Challenge). In addition, 50% of respondents indicated they were able to concentrate better and were more productive, while 71% indicated that they were feeling less stressed.

BLANCA HURTADO

SGS Sustainability Communications Manager



OUR VALUE TO SOCIETY

SDG 1 8

BEST WORKPLACE AWARD - SGS PERU

In August 2018, SGS Peru received a Best Workplace award at an event organized by CompuTrabajo, a leading job portal in the country and the main recruitment source for SGS in Peru. As one of the top-50 companies receiving the award, we were selected according to scores provided by current and former employees across four criteria: career development opportunities, salary and compensation, work environment and general management. More than 10 000 small, medium-sized and large companies take part in the awards every year. SGS

Peru participated in the large company category, which comprises organizations with more than 500 workers and with scores of more than 500 points. SGS Peru obtained a score of 581, resulting in a final score of 4.1 points out of 5. With 2 700 employees in our affiliate, we are very proud of this recognition, and we continue our efforts to make SGS one of the best places in Peru to work.

JOSÉ LEÓN

SGS HR Business Partner, SGS Peru



REMUNERATION

Reward plays a key role in attracting, motivating and retaining talent at SGS.

All SGS employees receive a fixed remuneration. This consists of an annual base salary and benefits. SGS is compliant with minimum wage and mandatory social contributions requirements in all jurisdictions where we operate.

Annual base salaries are set according to the content and responsibility level of the position held, relevant competencies, experience, performance, local labor market practices, and local labor laws, regulations and collective agreements where applicable.

Benefits, such as pension and health care plans, are also offered in accordance with local market practices.

In order to encourage profit sharing and to reward performance, selected SGS employees are eligible for variable compensation elements, both short term and long term.

The table to the right

summarizes the different reward elements offered to our employees.

We regularly benchmark our compensation practices in all the markets we operate in, in order to remain competitive and in line with the most advanced compensation trends. To facilitate our benchmarking activities, we classify SGS positions into “generic jobs” and “job grades” (the SGS Job Architecture), capturing the basic nature of the job performed, the typical skills and competencies needed, and the relative weight of the position within the organization.

As is enshrined in our Business Principles, SGS does not tolerate discrimination of any kind. This, by extension, means that we offer equal remuneration opportunities to all our employees and do not discriminate based on gender or any other characteristic.

Although the TIC industry was traditionally a male-dominated one, times are changing, with more women now entering the industry’s workforce and a pipeline of high-potential female managers emerging.

VARIABLE REMUNERATION: SHORT-TERM ANNUAL INCENTIVES

Employees who are eligible for the short-term incentive plan receive an annual cash incentive, based on financial performance measured at collective and individual levels. The short-term incentive plan was reviewed in 2018. While the annual incentive is still based on the achievements against collective and individual financial targets, individual qualitative goals and behaviors are now part of a broader talent development focus and are incentivized through career development paths and mid- to long-term evolution of the compensation packages.

VARIABLE REMUNERATION: LONG-TERM INCENTIVE PLANS

Employees eligible for the long-term incentive plans may receive Performance Share Units (PSUs) or Restricted Share Units (RSUs).

In 2018, 291 employees at executive and senior management level, including the CEO and the OC members, were granted PSUs. One PSU gives the participant the conditional right to receive, free of charge, a fraction (from zero to 1.5, depending on the achievements against performance conditions) of one underlying SGS share, at the end of the vesting period (three years), subject to continuity of employment during the vesting

period. The performance conditions for the 2018-2020 PSUs plan are i) relative Total Shareholder Return (TSR), and ii) Adjusted Operating Income Margin (AOIM).

In 2018, 296 employees at different levels in the organization, who demonstrated an outstanding performance contribution, were granted RSUs. One RSU gives the participant the conditional right to receive, free of charge, one underlying SGS share, at the end of the vesting period (three years), subject to continuity of employment during the vesting period.

For more information on our remuneration policy, see our 2018 Annual Report.

REMUNERATION ELEMENT	REMUNERATION VEHICLE	DRIVERS	PERFORMANCE MEASURES	PURPOSE	PLAN PERIOD
FIXED REMUNERATION					
ANNUAL BASE SALARY	Cash	Position and experience Market practice (benchmarking)	n/a	Attract and retain key talent	Continuous
BENEFITS	Contributions to pension plans and insurances, other contributions, allowances, benefits in kind	Market practice	n/a	Protect employees against risks, attraction and retention	Continuous
VARIABLE REMUNERATION					
SHORT-TERM INCENTIVE	Cash	Annual financial performance	Top line, bottom line and efficient use of capital KPIs at collective and own P&L responsibility level	Pay for performance	1-year performance period
LONG-TERM INCENTIVE	Performance Share Units (PSUs)	Long-term financial performance Continuity of employment	Relative TSR, ¹ Adjusted operating income margin	Reward for long term performance, retain key talent, align compensation with the interests of the shareholders	3-year performance and vesting period
	Restricted Share Units (RSUs)		n/a		3-year vesting period

1. TSR: Total Shareholder Return



TALENT DEVELOPMENT

Developing our people’s expertise is a core part of our HR approach. It supports individual and team development and performance and helps SGS maintain the quality standards that we market ourselves on.

Globally, SGS’ training ratio (training cost – including hours – as a percentage of employment cost) increased in 2018 from 2.4 in 2017 to 3.3. Improvement in the ratio is due to a remarkable increase of e-learning during 2018 across the organization as well as an improvement in the quality of the data reporting and gathering process.

PERFORMANCE MANAGEMENT

Managing and reviewing employee performance is critical to achieving SGS’ business goals. Managing performance is recognized within the company to be a joint responsibility between an employee and their manager (see table for details).

This being the case, our performance management process, which is detailed in our Performance Management policy, provides the opportunity for employees and managers to work together in a structured way. It encourages managers and employees to openly share meaningful feedback and develop ongoing coaching relationships. This creates opportunities to

review performance, recognize achievements and identify learning and development needs.

The process is divided into three phases: Goal Setting, Continuous Feedback and Development, and Year-End Conversations and Review.

In 2018, to drive a culture of ongoing performance feedback in SGS, we deployed certified SGS coaches to deliver 90-minute training sessions to 200 employees and managers on giving and receiving feedback.

4.4MIO

HOURS OF TRAINING COMPLETED BY SGS EMPLOYEES AROUND THE WORLD IN 2018

90%

EMPLOYEES RECEIVED PERFORMANCE APPRAISALS

TRAINING AND DEVELOPMENT PROGRAMS

TOTAL TRAINING HOURS:

1. Leadership Development Skills Programs	247 516
2. Technical and Sales	1 309 579
3. Trainee training	61 987
4. Operational Integrity	2 142 405
5. Integrity training	132 690
6. Other training	538 356

PERFORMANCE APPRAISAL RESPONSIBILITIES

IN ADDITION TO THE ROLE PLAYED BY REGIONAL AND CORPORATE HUMAN RESOURCES TEAMS, THE RESPONSIBILITIES OF EMPLOYEES AND MANAGERS INCLUDE THE FOLLOWING:

EMPLOYEES’ RESPONSIBILITIES ARE TO:

- Consult with their manager, seek advice and provide feedback
- Proactively draft the performance goals and seek validation from their manager
- Self-evaluate achievements against approved goals
- Seek opportunities and take responsibility for ensuring learning and development needs are met
- Complete a Performance Evaluation plan annually, and participate in an annual Performance Evaluation discussion with their manager

MANAGERS’ RESPONSIBILITIES ARE TO:

- Initiate and ensure the Performance Management process is completed annually for each employee. SGS requires 100% completion rate for all employees within their scope
- Provide the employee with a clear understanding of work expectations and deliverables aligned with their job assignments, including setting performance goals with reasonable timeframes for achievement
- Discuss work performance on an ongoing basis, by recognizing achievements and identifying and clarifying underperformance issues
- Provide honest, transparent and timely feedback on performance and/or areas requiring improvement
- Facilitate and support agreed learning and development initiatives to enhance performance and/or career management

INDIVIDUAL DEVELOPMENT PLANNING

Individual development planning is a process by which employees and managers jointly agree on and monitor development goals. The goals are aligned with business objectives, consider career aspirations, mention the requirements to succeed in the

role and include technical and leadership training skills. The development approach is based on the 70:20:10 model, which refers to learning on the job, social learning and formal education. One example of individual development planning in action in 2018 is the launch of

a global development program focusing on finance business partnering skills. This program targeted 60 senior finance leaders across Europe and Americas.

MANAGING PERFORMANCE ENABLES EMPLOYEES AND THEIR MANAGERS TO:

Provide regular two-way feedback

Review performance against previously set goals

Identify development and training needs

Acknowledge excellence in performance

Identify and manage potential barriers to satisfy performance

Ensure transparency and fairness in dealing with unsatisfactory performance

EMPLOYEE REPRESENTATION AND CONSULTATION

We respect our employees right to have collective representation.

Collective bargaining agreements exist in certain countries where we operate. We also strictly adhere to tariff structures and arrangements negotiated with trade unions.

We respect the right for employees to enter into collective bargaining agreements where this is accepted in local law, and where there are collective representation and bargaining systems in place.

We also inform and consult employees on relevant business

activities: For example, we respect statutory minimum notice periods and give reasonable notice of any significant operational changes in line with local practices and labor markets.

Our affiliates' communication and consultation processes are tailored to local needs. Within the European Union for example, the SGS European Works Council (otherwise known as the Euroforum) ensures constructive dialog with elected employee representatives on relevant transnational issues.

Chaired by the Chief Operating Officer, Northern and Central Europe, Euroforum held its 2018 meeting in Vilnius, Lithuania. It was attended by the CEO and the Group Vice President, Corporate Sustainability. The latter presented 2018's sustainability topics – the SGS Vehicle Emissions Policy and Human Rights – for discussion.

40%

OF SGS EMPLOYEES WERE COVERED BY COLLECTIVE BARGAINING AGREEMENTS



OUTLOOK

Over the next 12 months, we will focus predominantly on the development and implementation of the new global HR strategy. A key pillar of this strategy is the design and implementation of a virtual campus; an open-access learning portal available to all employees. The use of modern learning methods, such as e-learning, virtual classrooms and channels, will speed employees' learning curves and build knowledge and capabilities cross businesses. At the same time, the campus will function as a repository of internal knowledge, limiting the risk of knowledge loss when people leave the company.

More immediately, we are reshaping our SHINE onboarding program to better adapt to the evolution of our organization and its workforce. This will help speed up onboarding in those areas. We will also follow up on the results of our 2018 Catalyst employee survey as a major priority to continually improve our employee engagement.

On the recruitment side, we are working on simplifying the way we recruit digitally to reduce the administrative aspect of talent acquisition and providing our recruitment teams across the globe with the time to hunt for talent.

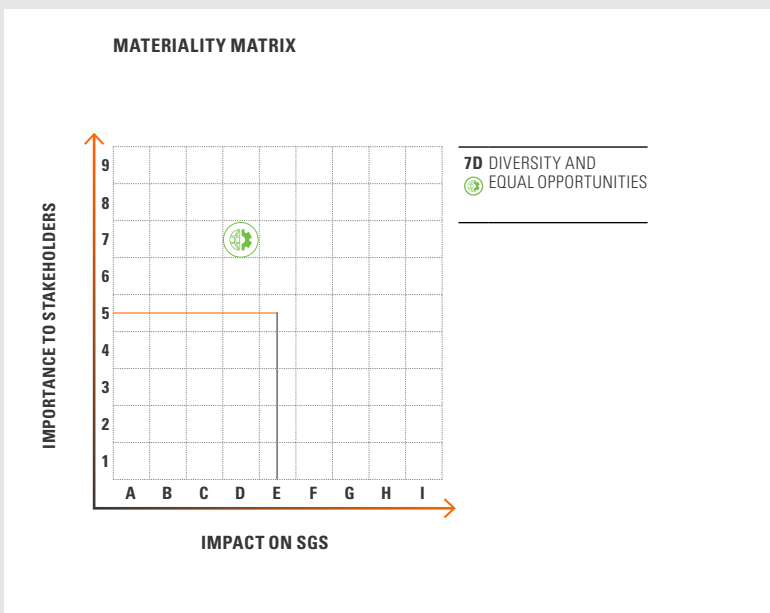
We are launching SGS' recruiter academy, in partnership with an external provider, providing 110 SGS recruiters with 70 hours of online e-learning on recruitment best practices. This will allow us to create a recruiter community that shares common knowledge to work together and share local best practices.

Finally, the expansion of our digital presence and reinforcement of our employer brand will increase our visibility and attractiveness and address SGS' Talent Acquisition needs for the years to come.

DIVERSITY AND EQUAL OPPORTUNITIES

GRI 103-1, 103-2, 103-3, 202-2, 405-1

SGS is a diverse and inclusive Group. We strive to treat everyone fairly and without discrimination, creating value for our employees by supporting them in reaching their potential.



PERFORMANCE

26.4%

TARGET 30%



WOMEN IN LEADERSHIP POSITIONS (CEO -3)

STRATEGY AND GOVERNANCE

As a global business with approximately 97 000 employees (FTEs) worldwide, we are a business with a diverse workforce that spans nationalities, cultures and religions, generations and genders. We recognize the contribution that diversity brings to our business success.

Our approach is grounded in our Business Principles in which “Respect” is defined as “making sure we treat all people fairly” (see page 18 of the SGS Annual Report 2018).

We strive to employ local people whenever possible. SGS benefits from the skills, knowledge and cultural diversity that these team members bring to the organization. We actively manage discrimination risks and closely monitor our performance on gender equality. Our Code of Integrity and Code of Conduct help us to further address any discrimination issues.

SGS does not tolerate any form of negative discrimination. In terms of increasing diversity, we prefer to use a policy of recruiting the best candidate for the job rather than practicing any form of positive discrimination unless local laws specifically require us to do so. We believe that using a meritocratic approach is fairer for key stakeholders, particularly shareholders and other employees.

All SGS policies and codes are

informed by the International Bill of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Children’s Rights and Business Principles, the United Nations Women’s Empowerment Principles and the United Nations Global Compact.

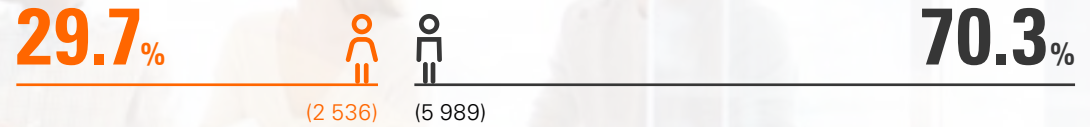
In 2018, SGS’ global workforce was 67% male and 33% female, showing a stable year-on-year equal opportunity ratio of 0.89. The number of women in leadership roles, which is categorized as all positions up to three levels below the CEO (CEO -3), was 316, representing 26.4% of all CEO -3 management positions occupied.

DIVERSITY BALANCE

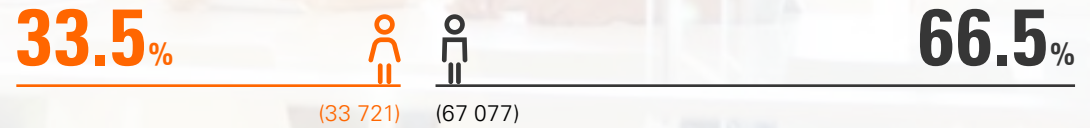
CEO -3



MANAGERS



EMPLOYEES



SGS MANAGEMENT BOARD AND OPERATIONS COUNCIL

GENDER



NATIONALITIES



AGE GROUPS



VALUE TO SOCIETY



SDG 5 8 10

ENSURING EMPLOYMENT EQUITY IN SGS CANADA

Canada's Employment Equity Act aims to correct the conditions of disadvantage in employment experienced by women, Aboriginal Peoples, persons with disabilities and members of visible minorities. To ensure compliance with the Act, SGS Canada operates an Employment Equity program that supports the SGS Business Principle of Respect, which encompasses the fair and equal treatment of all people. Many of our Employment Equity initiatives span the four designated groups.

WOMEN

The nature of our business lines, particularly the oil and gas and minerals sectors, means that SGS Canada has a high number of typically male-dominated jobs. Our Talent Acquisition

team endeavors to find female candidates who are qualified to fill these skilled crafts and trades category roles, and we actively support adult learning groups and women's groups.

PERSONS WITH DISABILITIES

Our talent acquisition process meets the specific requirements of the Accessibility for Ontarians with Disabilities Act by ensuring that SGS accommodates candidates with disabilities. All employees receive information about our Employment Equity policy with their initial hiring documentation, and they are invited to disclose a disability as part of their onboarding experience using our LMS.

ABORIGINAL PEOPLES

SGS Canada is a member of the Progressive Aboriginal Relations program and our work with Aboriginal and other Indigenous Peoples has increased significantly

since 2016. Some of our activities include participating in conferences about Aboriginal hiring initiatives, increasing the amount of procurement spend with Indigenous and local suppliers, and the launch of an Indigenous Mentorship Program in 2018. This program was designed to deliver sustainable and transferable bird and wildlife skills to members of the Indigenous community. Within two weeks of announcing the program, over 100 applications were received. Nine students were selected for the free training course. Upon completion of the program, several students were selected for employment with SGS Canada to work in open pit mining sites in the Athabaskan oil sands. The program combines technical-scientific knowledge and Indigenous traditional knowledge, offering candidates unique learned knowledge and techniques for application in the field.

VISIBLE MINORITIES

The Canadian Government defines visible minorities as "persons, other than Aboriginal Peoples, who are non-Caucasian in race or non-white in color." SGS Canada focuses on visible minorities with several initiatives, including an internship program for international professional new immigrants and a week-long Career Connections co-op program that places candidates in workplace environments related to their careers and interests.

SADIA QURESHI

SGS Communications Program Manager Human Resources, SGS Canada



OUTLOOK

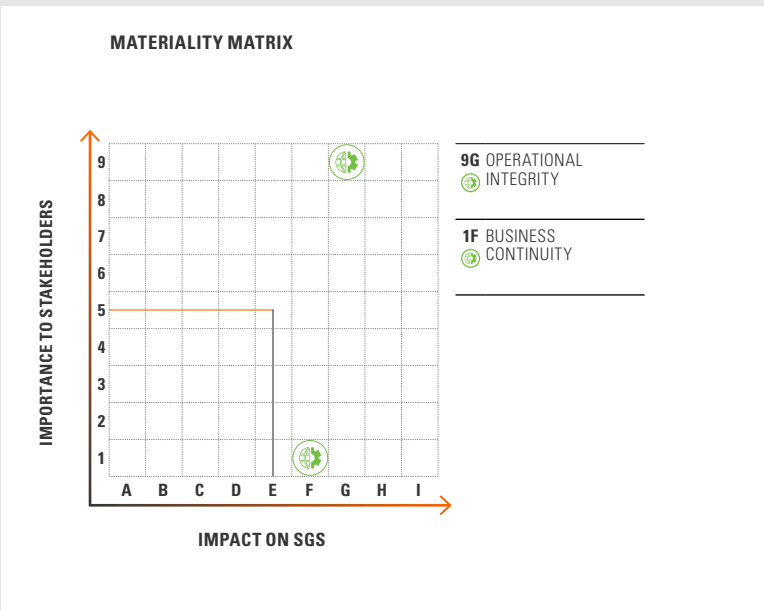
Nurturing diversity and equal opportunities will remain a core principle going forward. We will continue to support a meritocratic approach to recruitment, while closely monitoring diversity in the company. We will also continue to strive to reach our 2020 diversity goal of having 30% of leadership positions (CEO-3) held by women and to support greater gender balance across the company.



OPERATIONAL INTEGRITY

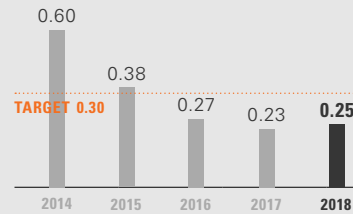
GRI 103-1, 103-2, 103-3, 403-1, 403-2, 403-3, 403-5, 403-7, 403-8, 403-9, 403-10

Prioritizing employee health and safety, along with environmental protection, reduces the risk of reputation damage while caring for the welfare of our employees and suppliers. As detailed in our Business Principles, protecting employees and the environment from harm are fundamental behaviors at SGS, and contribute to our ability to add value to the communities where we operate.



PERFORMANCE

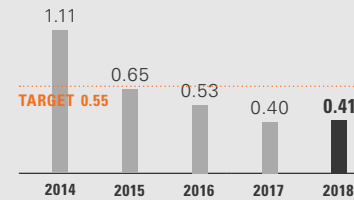
0.25



LOST TIME INCIDENT RATE (LTIR) (200 000 HOURS)

PERFORMANCE

0.41



TOTAL RECORDABLE INCIDENT RATE (TRIR) (200 000 HOURS)

While we are able to look back at yet another year of injury rates well below target, it is with deep regret that we report the loss of three lives in our operations in 2018. Any fatality is unacceptable and we will continue to work toward achieving our goal of zero harm.

STRATEGY AND GOVERNANCE

We believe that operating safely is synonymous with business success. We encourage a company culture that emphasizes a “no-harm” approach and prioritizes employee health and safety, alongside environmental protection – that is how we add value to the communities in which we operate. Operational Integrity (OI) is the term we use to describe our health, safety and environmental management approach, which is implemented and governed by the OI function.

Our goal is to be best in class in OI, with the goal of zero incidents. This means that every employee must strive to have zero health, safety or environmental issues. We have an established set of OI objectives that collectively form our Global Mission, which we achieve by promoting a global safety culture that prioritizes employee health and safety. This ambition is championed by our leadership team and enshrined in the SGS Code of Integrity, the SGS Business Principles and the SGS Health, Safety and Environment Policy Statement.

Our OI strategy and performance are reviewed quarterly by the Vice President of Operational Integrity, Business Continuity Process and Integrity, together with the Extended OI Steering Committee and the CEO, invited as a permanent guest. Operational Integrity objectives are becoming part of everyday processes and are to be included by all managers. Each year, global strategic input is gathered, and annual OI objectives are set, which clarify the OI vision for the following 12 months and ensure the visibility of results. The global OI function reports directly to the CEO and deploys its strategy and objectives through a Top-Page

process. This structure allows SGS to focus on proactive activities, including OIMS Deployment, implementation of global OI related tools, risk assessments, leadership visits and best practices. On a day-to-day basis, indicator targets, the OI Culture Index and our Behavior-Based Safety (BBS) peer-to-peer observation program are all helping to integrate safety, health and well-being across the organization. Pro-active operational Integrity objectives, which are incentivized down to one level below Managing Directors, are becoming part of everyday processes and are often being extended to include two levels below Managing Directors.

THE OPERATIONAL INTEGRITY GLOBAL MISSION

- | | |
|--|--|
| Protect SGS employees and stakeholders, our physical assets, the environment and the communities in which we work and live | leadership and stakeholder involvement |
| Accelerate our cultural change and journey towards Health, Safety and Environmental (HSE) excellence | Improve SGS’ performance by providing HSE expertise and guidance through the deployment of OI strategies, programs and tools |
| Leverage HSE ownership, | Support full compliance with legal, regulatory, customer and Group HSE requirements |





SGS OPERATIONAL INTEGRITY RESPONSIBILITIES

CHIEF EXECUTIVE OFFICER (CEO) RESPONSIBLE FOR:

Operational Integrity (OI)

EXECUTIVE OI STEERING COMMITTEE RESPONSIBLE FOR:

Quarterly reviews of OI strategy and performance (meetings)

COMPRISES:

Chaired by CEO and SVP OI

Six COOs

Two Executive Vice Presidents

Vice President of Human Resources

EXTENDED OI STEERING COMMITTEE RESPONSIBLE FOR:

Supporting Executives and OI Steering Committee

Ensuring collaboration on OI across the SGS network

COMPRISES:

Global OI Managers

Regional OI Managers

Business OI Representatives

GROUP VICE PRESIDENT OPERATIONAL INTEGRITY RESPONSIBLE FOR:

OI strategy

Setting OI objectives

Overseeing core OI programs

GLOBAL OI MANAGERS RESPONSIBLE FOR:

Industrial Hygiene, Health and Chemicals programs

Safety programs

HSE Management Systems

HSE Auditing Processes and Programs

HSE Learning, Resources and Behavior-Based Safety

Communications

OI Mergers & Acquisitions

Environmental Management



INITIATIVES AND ACHIEVEMENTS

OUR SEVEN OPERATIONAL INTEGRITY PILLARS

A Group-wide Operational Integrity Management System (OIMS) – which is aligned with internationally recognized standards on health, safety and the environment – underpins our OI goal. We also deploy risk assessments as well as core programs and evaluations linked to industrial hygiene, hazard identification. Our risk assessment process continues to be improved through the adoption of lessons from our standard operating procedures. In 2018, these covered the top-risk operations identified for each of our main business lines.

Our strategies aim to continuously improve our results against our Sustainability Ambitions 2020, whose target is to halve our Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR), against a 2014 baseline. In 2018, our results remained stable, at 58% and 63% below the baseline, respectively.

REPORTING AGAINST OI PILLARS

OUR SEVEN OI PILLARS

To achieve our goal of zero incidents, we have a clear OI strategy that is based on seven pillars.

LEADERSHIP

COMMUNICATION

TRAINING AND AWARENESS

RESOURCES AND SKILLS

KEY PERFORMANCE INDICATORS

AUDITS AND COMPLIANCE

HEALTH, SAFETY AND ENVIRONMENTAL SELF-ASSESSMENTS

PILLAR 1 – LEADERSHIP

All SGS leaders and managers receive specific training to review OI performance at both the business-line and site levels. As a measure of the importance we attach to this, all leaders conduct a minimum of six leadership visits per year. The CEO chairs SGS’ Executive Operational Steering Committee, which reviews our Operational Integrity (OI) strategy and performance on a quarterly basis. OI management across the whole network is guided by the Extended OI Steering Committee, which is made up from OI, business and regional managers. The OI Lead Adviser app continues to guide leaders through the site visits, demonstrates their commitment to OI and improves their reviewing performance. The app is synced to SGS’ Crystal management tool and generates quarterly reports that support affiliates and businesses in facilitating their OI measures.

The OI Culture Index – which uses 14 key indicators to measure the development of SGS’ safety culture – also helps country managers make integrity-related improvements. The calculations combine OI indicators in a dashboard where each is weighted to create

an index that gives country managers a clear overview of the integrity status and provides them with flexibility when making changes. The results of the OI Culture Index are published twice a year for managers to review. To further strengthen our OI culture, all managing directors and OI managers are required to deliver a number of safety and health objectives as part of their bonus scorecards. This means that our Sustainability Ambition 2020 to link management incentive plans to sustainability has been implemented.

27

LEADERSHIP VISITS CONDUCTED PER 100 EMPLOYEES

6

AVERAGE NUMBER OF LEADERSHIP VISITS TO SITES CONDUCTED PER LEADER

14

KEY INDICATORS MAKE UP THE OI CULTURE INDEX AND MEASURE THE DEVELOPMENT OF SGS’ SAFETY CULTURE



PILLAR 2 – COMMUNICATION

A constant and coherent dialog is central to creating and maintaining awareness of the vital nature of safety. Communication is recognized as being a pivotal aspect of an organization’s effective health and safety management approach, and we raise employee awareness of OI issues in a variety of ways.

IN THE LINE OF FIRE – DON’T BE THE TARGET

The theme for the September 2018 Safety Month

For example, our Rules for Life, which are non-negotiable, life-saving principles that apply to all employees, contractors and others working on behalf of SGS. Available in 14 languages, the Rules are incorporated into all our OI-related campaigns, and employees receive training through e-learning and face-to-face sessions.

An important element of reinforcing the existing Operational Integrity Management Systems (OIMS) and raising the standard of safety at SGS is the deployment of Behavior-Based Safety (BBS) processes across the network. The initiative uses positive reinforcement to change risky behaviors and

improve safety performance across SGS. In 2018, we laid the foundation to implement a global BBS program in 2019 by training 100 master trainers who will deploy the program in the affiliates through a train-the-trainer model.

Our annual Safety Month, held in September with the theme “The Line of Fire – Don’t Be a Target,” complements these initiatives and our quarterly campaigns. To ensure that our OI programs are continuously adapted and improved, the outcomes of both the Rules for Life and Safety Month are systematically tracked.

67%

EMPLOYEES PARTICIPATED IN THE 2018 SAFETY MONTH

TYPES OF OI TRAINING USED AT SGS

- Face-to-face training courses
- Supervisor-led Tool-box talks
- Safe Talks (regular safety meetings on key topics)
- E-learning modules (several are available in multiple languages)

PILLAR 3 – TRAINING AND AWARENESS

SGS provides training on OI procedures for all employee levels, across all functional operations and corporate sites. We have a comprehensive training component on OI. Chief Operating Officers and Executive Vice Presidents attend dedicated OI training days and are briefed for leadership visits, while all business and site managers (i.e. employees in roles that are two levels below the MD) participate in a 12-module OI Awareness e-learning course. To ensure that we cover the broader employee base, regular training sessions on Operational Integrity Management Systems are provided. These are held in addition to our Rules for Life training and are delivered as face-to-face courses and via e-learning. For 2018, the average OI training hours per employee was 21.6, exceeding our target of 15 hours per employee.

Another area in which we provide regular training is road safety. This is a critical risk in many of the countries where SGS operates and is affected by local driving cultures. We prioritize high-risk countries for In-Vehicle Monitoring Systems installations by measuring kilometers driven by company vehicles. We also manage road transportation

risks by In-Vehicle Monitoring Systems with particular focus on countries with the highest kilometres driven and number of incidents. In addition, in Q1 2018, we made ergonomics in the field and offices the topic of the global employee quarterly campaign.

128 000

EMPLOYEES HAVE COMPLETED THE RULES FOR LIFE E-LEARNING MODULE SINCE ITS LAUNCH IN 2015

2.1 MIO

HOURS INVESTED IN OI TRAINING FOR SGS EMPLOYEES

21.6

OPERATIONAL INTEGRITY TRAINING HOURS (PER EMPLOYEE)

20%

REDUCTION IN MOTOR VEHICLE INCIDENTS IN 2018 VERSUS 2017



PILLAR 4 – RESOURCES AND SKILLS

We continue to strengthen our OI resources and skills company-wide. It is crucial to have enough OI professionals with the appropriate skill sets across the whole of the SGS Group to achieve our objectives. In 2018, we increased the number of OI professionals and began the process of reviewing the

skillset of those currently employed to develop a competency framework. We continue to use Incident Investigation Compliance Scores to analyze all incidents reported across the Group. These scores help us identify countries where OI resources need to be improved by trained Root Cause Analysis Experts who conduct both incident and health and safety negotiations.

Our newly launched OI mobile app – Hazard Risk – which will supplement the web-based version in Crystal, is facilitating employees’ compliance with OI requirements. To consistently and globally manage OI due diligence in regard to mergers and acquisitions, an OI element has been added to our mergers and acquisitions platform and was made available Group-wide.

PILLAR 5 – KEY PERFORMANCE INDICATORS

Constant monitoring leads to continuous improvement. That’s why OI employees around the world are required to input local indicator data on a monthly basis.

To capture all incidents and risks, we use Crystal, our data-driven, multilingual interface that delivers regulatory and client-mandated reports and identifies trends. Crystal collects not only information from the OI Lead Adviser app (see page 87 for details) but

also OI data related to hazard and non-hazard investigations from SGS employees, sub-contractors and clients across all locations and business lines. The system brings together all information in a consistent manner and provides regions, countries and affiliates with appropriate key performance indicator data and analyses on a quarterly basis. As a result of these reports, each hazard or potential hazard is thoroughly examined by relevant parties and all investigation information is put into Crystal to deliver end-to-end evaluations and subsequent progress. To better

monitor the integrity efforts and challenges across the Group, Crystal now also has a dedicated integrity section that was deployed at the end of 2018. The new segment will improve the reporting process for training hours, including integrity talks and integrity violations.

In addition, Chemwatch, the SGS Safety Data Sheet Management System, prepares up-to-date reports on chemical hazards in laboratories and provides information on how the hazards should be managed.

58%

DROP IN LOST TIME INCIDENT RATE (LTIR) SINCE 2014

63%

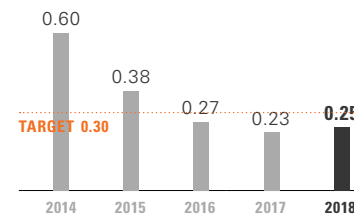
DROP IN TOTAL RECORDABLE INCIDENT RATE (TRIR) SINCE 2014

47 401

NEW SAFETY DATA SHEETS ADDED

PERFORMANCE

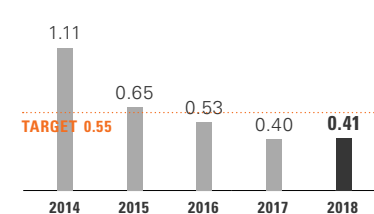
0.25



LOST TIME INCIDENT RATE (LTIR) (200 000 HOURS)

PERFORMANCE

0.41



TOTAL RECORDABLE INCIDENT RATE (TRIR) (200 000 HOURS)

While we are able to look back at yet another year of injury rates well below target, it is with deep regret that we report the loss of three lives in our operations in 2018. Any fatality is unacceptable and we will continue to work toward achieving our goal of zero harm.

PILLAR 6 – AUDITS AND COMPLIANCE

All SGS laboratories, offices and facilities are audited for health and safety risks as well as environmental and chemical impacts.

Regular audits of SGS sites provide an overview of potential risks and control, and all incidents

and hazards are captured through Crystal. There are currently 32 auditors providing these internal audits across the SGS network. In 2019, to improve the audits and compliance process as well as increasing the number of internal audits conducted, SGS aims to increase the effectiveness and efficiency of the overall audit program, as part of the

implementation of a new multi-levelled audit approach. The ongoing deployment of Behavior-Based Safety processes across the network will complement these audits.

60

AUDITS CARRIED OUT

PILLAR 7 – HEALTH, SAFETY AND ENVIRONMENTAL SELF-ASSESSMENTS

Our Health, Safety and Environment self-assessments provide an overview of potential risks for each site and the controls in place for managing them. SGS sites use Stellar – our online self-assessment tool that includes 400 questions, broken down into 16 sections – which

enables us to classify sites as low, medium or high risk. In 2018, we updated Stellar to feature a more consistent set of questions that are better aligned with our latest OI processes, procedures and management requirements. Included in this update are 22 integrity-related questions that make up the newly added 16th section.

As a signatory to the Water, Sanitation and Hygiene (WASH) Pledge, we have also been

gathering information on access to safe water, sanitation and hygiene for SGS employees in company-owned or controlled premises. See Water and Waste Management section for the 2018 WASH pledge reporting.



INDUSTRIAL HYGIENE AND OCCUPATIONAL HEALTH

Our standardized approach to managing Industrial Hygiene (IH) and Occupational Health (OH) is aimed at protecting the health and well-being of our people. We do this through disease and fatality prevention, promoting health and safety, and improving the quality of life. Our IH/OH strategies focus on implementing a comprehensive scope of work to ensure our “no harm” goals are upheld.

We continue to use the ProcessMap software solution, which facilitates compliance, improves IH and OH data management and provides a detailed overview of IH and OH performance across the Group. After completing user acceptance testing, we launched a pilot in 11 languages in 12 pilot countries in 2018. The platform, which is compliant with data privacy laws and is available in 11 languages, will be deployed Group-wide in 2019.

Together with Procurement, IH and OH continue to standardize the Personal Protective Equipment that is used across all locations. This cross-functional initiative – built around a five-stage plan – is now

in its fourth stage, which focuses on communication and getting requests for proposals in place. SGS also continues to manage safety data sheets and chemical risk assessments with the Chemwatch management system.

BUSINESS CONTINUITY

Having a business continuity plan in place helps us understand critical business processes and allows us to efficiently and effectively respond to any disruption while minimizing the impact on our operations. SGS’ Business Continuity Management Process is managed with Group support at a country level. As of 2018, Business Continuity is overseen by SGS Operational Integrity and has been integrated into operational integrity management processes.

While it is inherently impossible to plan for black swan events and every other feasible sort of business disruption, SGS considers four core topics for its business continuity plan: people, buildings, IT and suppliers. These topics are studied locally, which includes the creation of local crisis management teams and the development of training exercises to simulate major incidents. The benefit of creating these core topics is the speed of response it enables in the initial

stages of a crisis. For example, to a large degree, it would not matter why we were unable to access a building, the first steps we take would very likely be the same in most instances (e.g. alerting local crisis management teams, contacting employees, etc.) Consequently, it makes sense to plan and prepare those initial steps (e.g. to have employees contact details available and a remote, off-site mechanism in place to contact them). Such an approach also brings calmness and clarity to these crucial early moments and ensures we are well positioned once a more detailed picture of the situation has emerged.

In 2018, we appointed 291 Business Continuity Process (BCP) Managers/Officers and trained them in 38 dedicated workshops, with the aim of strengthening procedural awareness across the SGS Group. This allowed us to welcome 50 new BCP Managers/Officers at country level and 180 at the site level.

291

BUSINESS CONTINUITY PROCESS MANAGERS/OFFICERS HAVE BEEN TRAINED

OUTLOOK

With customers getting more sensitive about integrity, we need to continue to strengthen our OI culture by improving our platforms and tools and leading new initiatives that are centered around communication and knowledge exchange.

In 2019, SGS aims to strengthen the integrity culture across the Group by improving platforms and tools, learning from past accidents, sharing best practices (in Crystal) and optimizing communication. The OI Culture Index will be updated to refine the data and its presentation.

By incorporating the SGS Rules for Life and OI into training materials, we continue to enhance our prevention, motivation and consequence management, while actively managing any related violations. A network-wide newsletter, focused on learning from past incidents, will complement a refresher video about the Rules for Life, while safety talks continue to reinforce the messages from the quarterly campaigns.

SGS will also launch more mobile apps that simplify the administrative tasks and make it easier to concentrate on and comply with OI requirements. To manage high-risk operations for business lines, we are aiming to integrate and improve engineering controls that prevent employees from coming in contact with dangerous situations, and focusing on collaborating and promoting stronger management efforts across the business lines. Additionally, the OI management team will work on a new strategy to streamline and advance our business continuity processes.



ENVIRONMENT



To protect our planet for future generations, we follow a carbon neutrality strategy, use resources efficiently and reduce waste.

By minimizing our environmental impact and encouraging our employees, customers and suppliers to do the same, we deliver sustainable value for society.

CLIMATE CHANGE

94

WATER AND WASTE MANAGEMENT

108

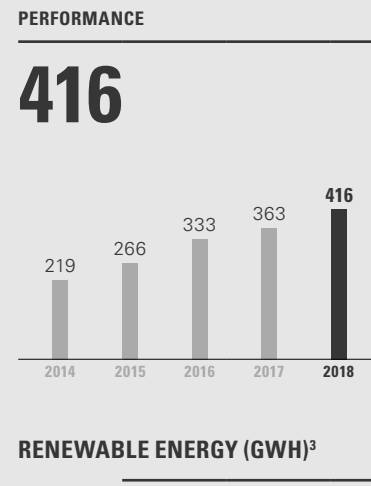
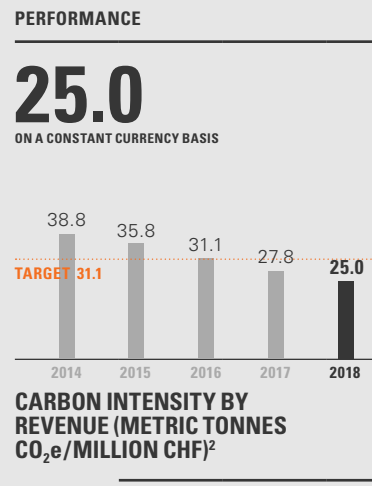
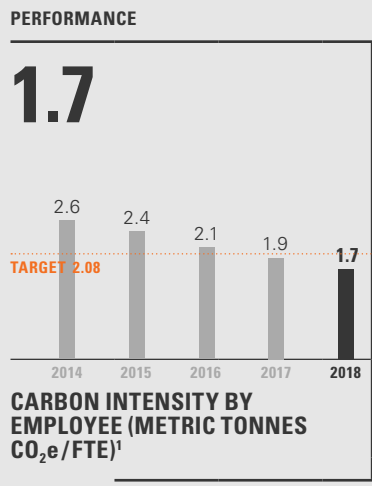
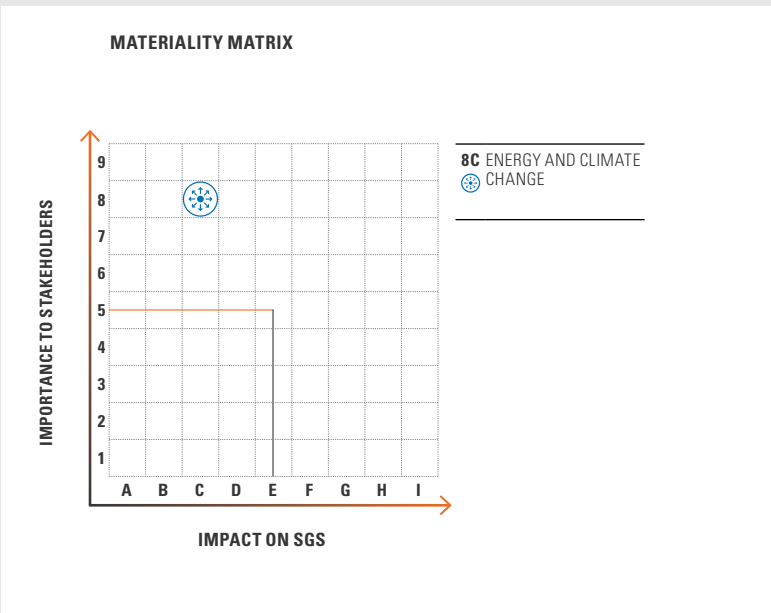
EXTERNAL PARTNERSHIPS AND INITIATIVES

111

CLIMATE CHANGE

GRI 103-1, 103-2, 103-3, 102-15, 201-2, 302-4, 305-3

SGS is a carbon neutral company that minimizes energy consumption and offsets any remaining carbon. By taking this approach, we are providing value to society for communities around the world that are potentially under threat as a result of global climate change.



1. Based against 2014 baseline. 2. Market-based figures. Excludes district heating and refrigerant gases emissions due to unavailability of data. Scope 3 emissions only include Category 3: business travel. 3. Includes only energy allowance certificates purchased centrally.



Climate change has been identified as a risk area for SGS in our Business Materiality Overview (see page 22). Mismanaged energy consumption and greenhouse gas emissions could lead to increased costs, regulatory fines and business disruption.

Our Business Principles further highlight our focus on managing our climate change impacts through energy reduction, carbon offsetting and promoting renewable energy. Our progress towards our Sustainability Ambitions 2020 to reduce our CO₂ emissions demonstrates our commitment to doing so.

STRATEGY AND GOVERNANCE

Climate change has widespread economic, political and social consequences. As a global company, we are concerned with both the potential impact on the communities we operate in and the effect on our clients' businesses. We feel it is important for us to show leadership in global efforts to mitigate the adverse effects of climate change, both by reducing our carbon emissions and helping other businesses to do the same.

SGS employs a three-pronged approach to help tackle climate change and remain a carbon neutral company. We reduce our energy consumption at source –

through processes such as Energy Efficiency in Buildings and mobility programs (see pages 96 and 100). We either generate renewable energy on site or purchase renewable energy whenever possible (see page 98). Finally, any energy that we still consume after these reductions is mitigated through our offsetting strategy (see page 102).

By 2020 we are aiming to reduce our annual CO₂ emissions per full-time equivalent employee by 20% and our annual CO₂ emissions by revenue by 20%.*

**Against 2014 baseline.*

With more than 2 600 offices and laboratories, targeting energy consumption is the most direct and effective way we can contribute to reducing CO₂ emissions and tackling climate change.

Responsible energy management allows us to control SGS' environmental impacts and reduce our operational costs. We manage our energy consumption through various global initiatives, such as the Energy Efficiency in Buildings (EEB) program (see page 96); our Spot the Orange Dot campaign that encourages employees to act in an environmentally friendly way (see page 97); group-wide policies, such as the Green IT Policy and the Vehicle Emissions Policy (see pages 100-101); and external partnerships and initiatives (see page 111).

MAIN SOURCES OF SGS' EMISSIONS

- Transport fuels (74% of total emissions)
- Non-transport fuels (16% of total emissions)
- Electricity (10% of total emissions)

CORPORATE SUSTAINABILITY TEAM RESPONSIBLE FOR:

- Setting strategy for EEB
- Leading the Spot the Orange Dot behavior-change campaign
- Ensuring all affiliates deliver on their energy targets and responsibilities
- Establishing and communicating the SGS Vehicle Emissions Policy

OUR VALUE TO SOCIETY



SDG 13

MAJOR RE-LIGHTING PROGRAM DRIVES ENERGY EFFICIENCY IN NORTH AMERICA

With two-thirds of SGS' total energy consumed in our offices and laboratories worldwide, our Energy Efficiency in Buildings (EEB) program engages affiliates in efforts to drive energy efficiency and achieve a 20% reduction in our global CO₂ emissions by 2020.

In 2017 and 2018, SGS carried out several walk-through energy assessments in some of the most significant buildings in the North American Region in order to identify potential savings in these facilities.

Following these energy assessments, SGS North America has prioritized the upgrading of existing fluorescent lighting systems to LED lighting, identifying significant energy efficiency measures and cost savings from this approach. In 2018, we were successful in implementing relighting in the following locations in the USA and Canada: Denver, Aurora and Burnaby. By switching to LED lighting in these facilities, we expect to achieve energy efficiency savings

in lighting of around 60%, which is particularly critical in buildings with a high energy consumption intensity. Given the capital expenditure involved in re-lighting our buildings, we expect to receive a return on our investment through energy reductions within a three- to five-year period.

Besides these system changes, we recognize that the individual actions of the over 10 000 SGS North America employees play a significant part in achieving our reduction targets. This is why we strengthen a low-carbon culture by rolling out our established Spot the Orange Dot internal awareness-raising campaign and keep employees motivated through reinforcing the impact of their actions using print, electronic and social media.

STEPHANIE HAWKINS

SGS North America Sustainability Project Manager



INITIATIVES AND ACHIEVEMENTS

ELECTRICITY AND NON-TRANSPORT FUELS MANAGEMENT APPROACH

ENERGY EFFICIENCY IN BUILDINGS PROGRAM

The energy used in our more than 2 600 offices and laboratories worldwide accounts for 61% of our global energy consumption. Effective methods of improving efficiency in this area are therefore critical for our energy reduction strategy. We achieve this through our Energy Efficiency in Buildings (EEB) program, which evaluates and reduces the energy consumption in new and existing buildings across the Group.

THE EEB PROGRAM REDUCES ENERGY CONSUMPTION BY:

- Reviewing and developing energy-efficiency action plans for existing SGS premises
- Applying environmental assessments to the design, construction and refurbishment of SGS buildings

After being redefined in 2018, EEB now covers 500 buildings across the SGS network. Our Green Building Guidelines provide a rating tool that provides non-prescriptive guidance for the assessment of new buildings or existing buildings

that are undergoing refurbishment. It has been informed by existing sustainability-focused building assessment tools and puts forward measures to improve environmental performance along with their cost implications and associated responsibilities. Key performance indicators include those associated with energy, waste and water and define the minimum requirements in areas such as lighting-system energy performance and water consumption. Our Green Building

HIGHLIGHTS EEB PROGRAM 2018

- Focus group of 500 buildings
- Across the top 50 countries
- Including buildings of 1 000 m² or more

Guidelines are structured in nine environmental categories, each with a maximum potential score. Several technical credits can be achieved within any given

category. Some are specified as minimum credits required for all new SGS buildings. This provides an assurance that a certain lower limit of sustainability is maintained across all buildings assessed.

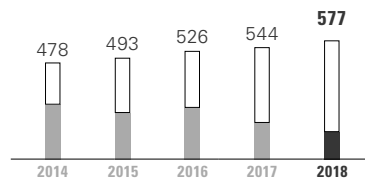
Project credits are translated into points as part of the overall process. There is a scale to assess the level of sustainability from 0 to 100 points (from 0 to 85 for offices), placing assessed buildings in four categories based on points scored e.g. Leading Building (80 to 100 points), Moderate Building (50 to 80 points), Basic Building (25 to 50 points) or Regular Building (up to 25 points).

We track our progress against our energy efficiency in buildings targets. To increase the efficiency of the EEB program, assessment results are being extrapolated to cover other buildings in affiliate countries.

PERFORMANCE

577

RENEWABLE ENERGY



ELECTRICITY AND NON-TRANSPORT FUELS (GWH)

ACHIEVEMENTS

+100 new buildings in EEB program, which now covers 500 buildings

26 representatives appointed and trained to help implement the SGS Green Building Guidelines across affiliates

3 countries received customized energy-efficiency action plans

5 facilities in Taiwan, the USA and Canada optimized lighting systems

15% energy efficiency savings by SGS India's Chennai facility through improved refrigeration system

SGS' Sydney building received the highest rating from the National Australian Built Environment Rating System after completing the EEB program

ISO 50001 implemented in the largest facilities of SGS Chile and SGS Philippines

+2 600

SGS OFFICES AND LABORATORIES WORLDWIDE

523

BUILDINGS ASSESSED

SPOT THE ORANGE DOT

Spot the Orange Dot is an internal communication campaign. By using strategically positioned orange marketing materials, the campaign reminds and encourages people to act in an environmentally friendly way and take personal responsibility to improve energy efficiency, waste management and water usage in their workspaces. The Spot the Orange Dot initiative is linked directly to our Sustainability Ambitions 2020.

40 500

EMPLOYEES INVOLVED IN THE SGS SPOT THE ORANGE DOT CAMPAIGN SINCE ITS LAUNCH IN 2013

23

COUNTRIES HAVE ROLLED OUT THE SPOT THE ORANGE DOT CAMPAIGN TO DATE



THE CAMPAIGN MASCOT IS LËSS THE POLAR BEAR, WHO REMINDS EMPLOYEES TO "DO MORE WITH LËSS."

GREEN IT POLICY

The amount of energy consumed by global IT needs will triple in the next decade, putting a strain on energy supplies and affecting efforts to control climate change. That's why we have made our Green IT Policy central to our energy reduction program.

Our Green IT Policy ensures we procure equipment responsibly, use IT to enable our operations to be greener, optimize data-center energy efficiency and implement responsible disposal practices.

Rationalizing the number of data centers has made a significant impact on our energy consumption and CO₂ reductions. In 2017, we began an ambitious program to move 80% of our 180 data centers to the cloud by the end of 2019. By the end of 2018, 680 servers were in the cloud. We have also created a Cloud Center of Excellence to drive the ambitious SGS cloud

adoption program and leveraged our Shared Services Center to rationalize and secure our IT operations in the cloud.

We are reducing energy consumption by moving to the cloud and implementing energy-efficient options for data centers that will remain. As an example, instead of air conditioning entire rooms that operate temperature-sensitive equipment, we are using dedicated cold aisles. In Geneva, we are using the excess heat from cold aisles to warm our offices. In cases where our data centers are rented, we are exploring a number of energy-efficient options.

RENEWABLE ENERGY

SGS is a signatory of the RE100 initiative, pledging to use 100% energy from renewable sources by 2020. To achieve this goal, we use on-site energy generation and purchase electricity from renewable sources, both at the global and local

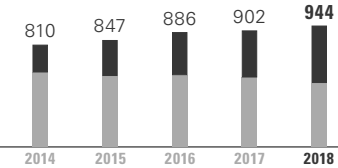
level. We are also committed to supporting the growth of renewable energy projects in the communities where we operate. In 2018, we invested in 407.3 GWh of renewable energy mechanisms to reduce our CO₂ emissions.

Several countries are exploring the establishment of Power Purchase Agreements, where the affiliate enters into a long-term contract to develop a renewable energy plant outside of SGS premises. This will help us achieve our renewables target while ensuring a constant and competitive electricity price in the long term. Our facility in Accra, Ghana, is the first facility with on-site renewable energy production in the AFR region. The photovoltaic system is expected to generate up to 20% of the facility's consumption.

PERFORMANCE

944

RENEWABLE ENERGY



TOTAL ENERGY (GWH)



OUR VALUE TO SOCIETY

SDG 7 12 13

SGS GHANA INVESTING IN SOLAR POWER

In 2018, SGS Ghana implemented its first renewable energy project. As part of its sustainability strategy, SGS decided to deploy a solar farm at the inspection and testing facilities in Ghana's main harbor, Tema. The photovoltaic system, which was put in place in the summer, provides up to 20% of the facilities' energy demand.

The installation of a solar farm was driven by SGS' commitment to energy efficiency and sustainable energy sources, and it enables the company to take a step toward decreasing greenhouse gas emissions

while reducing electricity costs. Additional drivers for the implementation of this renewable energy project included the country's current electrical market situation and its geographical location, which is particularly suited to solar energy production. The relatively high electrical consumption in these facilities – one of the most intensive in the country – and the site's physical characteristics further contributed to the decision to install solar panels.

SOLOMON ADJEI-BOATENG

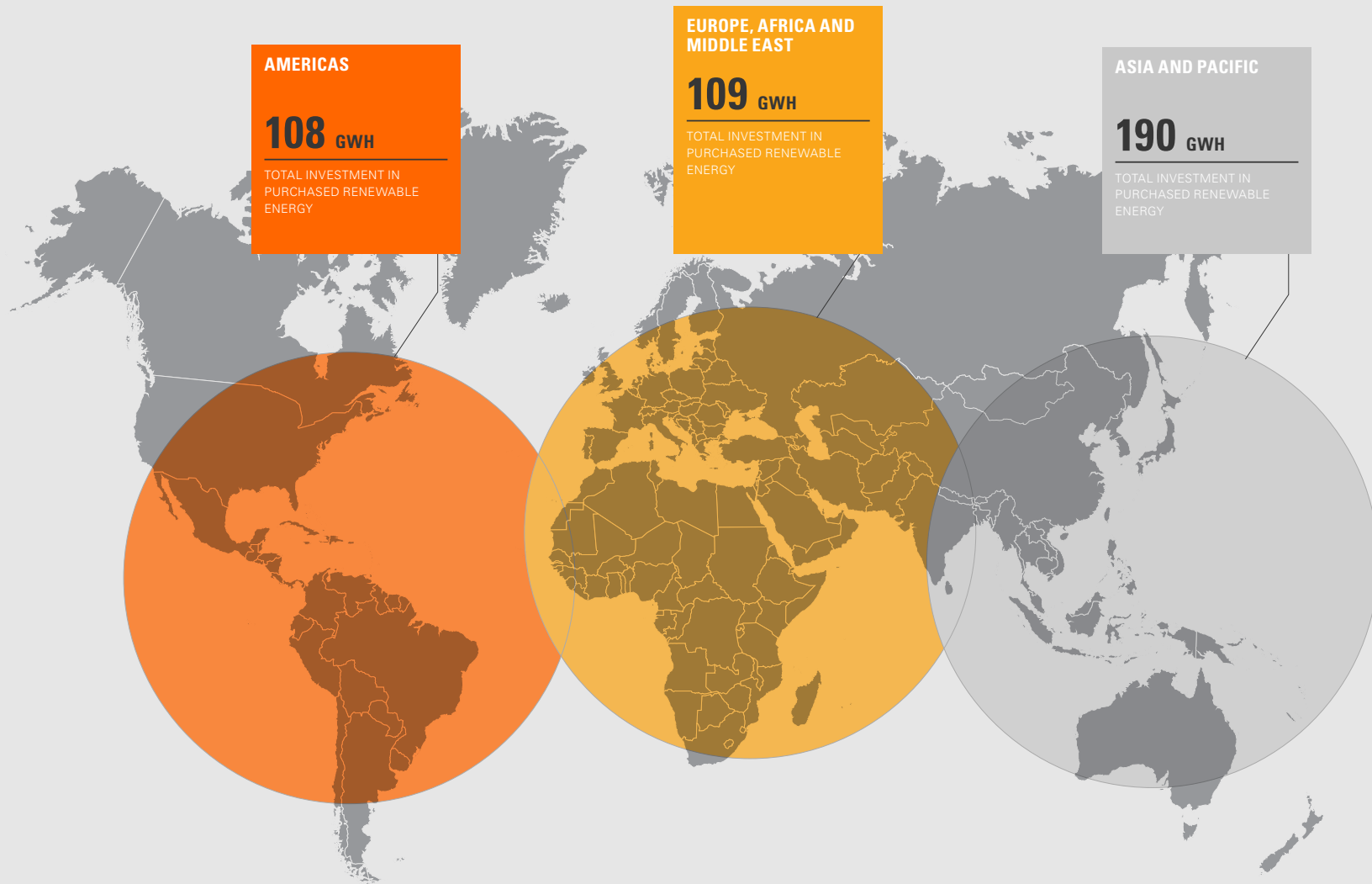
SGS Procurement Manager-Anglophone (West Africa)



FIRST PHOTOVOLTAIC SYSTEM INSTALLED IN THE AFRICA REGION

93%

TOTAL ELECTRICITY CONSUMPTION FROM RENEWABLES



INVESTMENT IN RENEWABLE ENERGY INITIATIVES
TO REDUCE OUR 2018 CO₂ EMISSIONS

Includes only energy allowance certificates purchased centrally

TRANSPORT FUELS MANAGEMENT APPROACH

Cleaner vehicles will reduce our fuel consumption and cut an estimated 10 000 tonnes of CO₂ from our operations. We have a global fleet of around 11 000 cars and operate green car initiatives covering the purchase of more fuel-efficient vehicles, vehicle maintenance and guidance on eco-driving behavior.

Our Vehicle Emissions Policy, introduced in 2016, promotes the use of low-emission fleet cars that achieve maximum fuel efficiency. As part of the policy, we are committed to reducing our vehicle fleet CO₂ emissions every year until 2020. By the end of this period, average CO₂ emissions per km for our worldwide fleet shall not exceed 95 grams per km.

Currently, 7 600 cars (or 69% of our fleet) meet our Vehicle Emissions Policy, including cars acquired before the policy implementation. Of the new vehicles purchased, 95% were obtained in compliance with the policy. The non-compliances are being under study for market availabilities and new opportunities to achieve compliance.

Furthermore, we placed more than 285 000 conference and video calls in 2018. This led to us saving over 14 000 flights and 7 400 tCO₂. We are also working to introduce greener business travel practices in our supply chain.

While continuing to deliver against the Vehicle Emissions Policy, we are also collaborating with Group Procurement to develop a wider SGS Sustainable Mobility Strategy. This will include the reduction of vehicle emissions, driving efficiency training, rationalization of the vehicle fleet, inclusion of more sustainable vehicles in the

catalog and study of alternative transportation methods.

14 000

FLIGHTS SAVED WITH THE HELP OF VIDEO CONFERENCING TECHNOLOGY

11 084

CARS IN SGS GLOBAL FLEET

69%

CARS IN SGS GLOBAL FLEET MEET THE SGS VEHICLE EMISSIONS POLICY

95%

OF NEW CARS MEET THE SGS VEHICLE EMISSIONS POLICY

SGS VEHICLE EMISSIONS POLICY

SEEKS THE USE OF LOW-EMISSION FLEET CARS

COMMITTS SGS TO REDUCING VEHICLE FLEET CO₂ EMISSIONS EACH YEAR THROUGH TO 2020

AIMS FOR GLOBAL FLEET TO EMIT LESS THAN 95 GRAMS OF CO₂ PER KM BY 2020



REDUCING CO₂ EMISSIONS THROUGH SMART CAR LEASING

As part of a global sustainable mobility strategy, SGS is working collaboratively to reduce the environmental, social and economic impacts associated with our vehicle fleet.

Since 2016, SGS has operated a Group-wide vehicle emissions policy covering all utility and benefit cars provided to employees. The policy aims to reduce our vehicle fuel emissions and sets diminishing annual CO₂ emission limits for all newly purchased or leased cars, which means that vehicles are required to emit fewer average grams of CO₂ per km annually than in the preceding year. Our goal is for average CO₂ emissions per km to not exceed 95 g CO₂/km by 2020, with emissions capped at 105 g CO₂/km. These limits apply to our 10 000-strong global vehicle fleet, with the exception of Africa, Australia, Chile, New Zealand, Canada, Mexico and the USA, where the average CO₂ emission per km will not exceed 171 g CO₂/km and emissions are capped at 198 g CO₂/km.

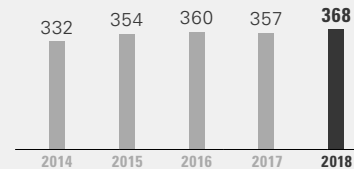
To help us achieve our goals, we have established strategic partnerships with worldwide fleet providers, such as Arval, which bring a strong understanding of local market trends and regulations, along with knowledge of new and emerging vehicle technologies including hybrid, plug-in hybrid, electric and hydrogen cars. Our partners also provide specialist

diagnostic tools, benchmarking services and total cost of ownership modeling to consider the full range of costs associated with running company vehicles.

THANKS TO OUR PARTNERSHIPS WITH WORLDWIDE FLEET PROVIDERS, SGS BENEFITS FROM HAVING A CHOICE OF FLEET VEHICLES THAT IS APPROPRIATE TO THE LOCAL MARKET AND TO INDIVIDUAL VEHICLE USERS WHILE ALSO BEING ALIGNED WITH OUR SPECIFIED BUSINESS AND SUSTAINABILITY CRITERIA.

PERFORMANCE

368



VEHICLES FUELS (GWH)



CARBON REPORTING AND CARBON OFFSETTING APPROACH

We measure and report our CO₂ – including our direct and indirect carbon emissions – across our value chain. By monitoring our performance, we can take specific actions to reduce our emissions and environmental impact. In 2018, we published the breakdown of the Scope 3 emissions for the first

time. We also expanded the range of Scope 3 emissions that we report to include our value chain emissions as defined by the GHG protocol (see table below).

Carbon neutrality is an important part of SGS' environmental efforts and bridges the gap between the current reality and a more sustainable future. While we focus on reducing our CO₂ emissions, any residual emissions** that we control after these reductions are then compensated for through our carbon-offsetting strategy.

SCOPE 3 EMISSIONS

EMISSIONS SOURCE	GHG EMISSIONS (tCO ₂ e)
PURCHASED GOODS AND SERVICES	433 699
FUEL- AND ENERGY-RELATED ACTIVITIES (NOT INCLUDED IN SCOPE 1 AND SCOPE 2)	196 186
CAPITAL GOODS	147 498
EMPLOYEE COMMUTING	96 492
BUSINESS TRAVEL	33 222
WASTE GENERATED IN OPERATIONS	2 816
TOTAL	909 913

OUR VALUE TO SOCIETY

SDG 3 9 11 13 17

SGS SUPPORTS GREENER AND SAFER TRANSPORT IN MEXICO

As part of our carbon neutrality strategy and to offset emissions we have not been able to reduce at source, SGS supports reputable carbon-offsetting projects that benefit local communities. We invest in projects funded through the Clean Development Mechanism, which generate independently verified Certified Emissions Reductions (CERs). Each CER is equivalent to one metric tonne of CO₂ avoided.

In 2018, SGS purchased CERs

equivalent to avoiding 27 318 metric tonnes of CO₂ through the Bus Rapid Transit (BRT) Estado de Mexico (EDOMEX) project. The BRT EDOMEX provides an efficient, safe and comfortable transit system for the State of Mexico's 22 million inhabitants through five newly built BRT lines, providing 101 km of dedicated bus lanes. More than 900 000 passengers per day are transported by a fleet of 600 new buses on routes previously dominated by private cars. The BRT is centrally managed, allowing for buses to be dispatched on demand – a system that reduces empty seats. The average expected emission reductions from the

project are 145 863 metric tonnes of CO₂ per annum.

As well as the lower carbon emissions from this transport system, the project offers additional health, social and economic benefits to the community, including lower noise pollution, fewer accidents and shorter commutes.

VÍCTOR PARRILLA

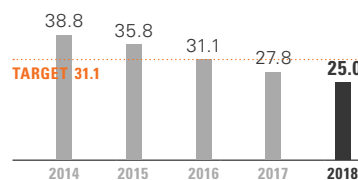
SGS Global Sustainability Manager



PERFORMANCE

25.0

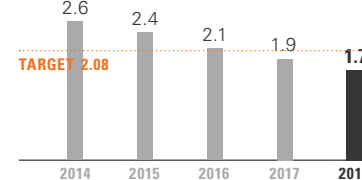
ON A CONSTANT CURRENCY BASIS



CARBON INTENSITY BY REVENUE (METRIC TONNES CO₂e/MILLION CHF)**

PERFORMANCE

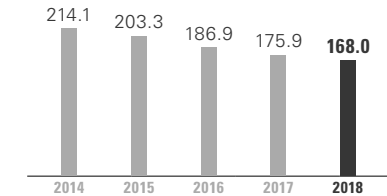
1.7



CARBON INTENSITY BY EMPLOYEE (METRIC TONNES CO₂e/FTE)*

PERFORMANCE

168



TOTAL GHG EMISSIONS (THOUSAND METRIC TONNES CO₂e)**

* Based against 2014 baseline. ** Market-based emissions. Excludes district heating and refrigerant gases emissions due to unavailability of data. Scope 3 emissions only include Category 3: business travel.

Pursuing carbon neutrality allows us to assign a clear cost to the carbon that we generate. This ensures that each SGS affiliate takes responsibility for their CO₂ emissions and the cost of offsetting them. We look for credible and verified carbon-offsetting projects that directly benefit communities where we have an impact. This also supports our community investment strategy, allowing us to bring positive benefits to local communities around the world. At the same time, we are able to support sustainable economic growth, supply clean energy at a local level and protect the environment by reducing reliance on fossil fuels.

5

IN 2018, SGS INVESTED IN **FIVE VOLUNTARY CARBON-OFFSETTING PROJECTS** – IN CHINA, INDIA, MEXICO, THE USA AND ZIMBABWE – AND PURCHASED 167 976 CREDITS TO COMPENSATE THE EMISSIONS WE CONTROL.*

**Scope 1 and 2 emissions and Scope 3 business travel emissions*

CHINA

100 506 credits

Zhumadian Zhongyuan Gas-Steam Combined Cycle Power Project in eastern China is adopting natural gas technology, which is reducing emissions related to coal-based power.

MEXICO

27 318 credits

Bus Rapid Transit in central Mexico is modernizing the mass transit system for approximately 22 million people (see case study on page 110).

INDIA

32 152 credits

The commissioning and operation of a natural-gas power plant in South India is reducing emissions related to coal-based power.

USA

4 000 credits

Through voluntary abatement projects, 99% of the N₂O released into the atmosphere during the production of fertilizer is being destroyed.

ZIMBABWE

4 000 credits

Kariba REDD+ is an initiative that protects land from deforestation and degradation (see case study on page 56 of the 2018 Annual Report).



RISKS AND OPPORTUNITIES ASSOCIATED WITH CLIMATE CHANGE

Evaluating and managing the risks associated with climate change is a priority for SGS. While our business operations may not be as energy intensive and resource depleting as some other industry sectors, we are a multinational company that is exposed to various types and degrees of local, regulatory, physical and socio-economic risks associated with climate change.

RISK AND OPPORTUNITY ASSESSMENT

It is hard to predict how climate change will affect various industries and geographies – especially since a disruption in one place could have unforeseeable consequences elsewhere in the world's highly interconnected supply chains. However, the following risks and opportunities are those most tangible to our operations. These are assessed on a regular basis, as we monitor our sustainability projects and report to the CDP, the organization that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Furthermore, we have developed a new risk management tool (see page 19) that includes all the risks related to climate change and embeds them in the entire organization.

RISKS

TRANSITIONAL RISKS

Transitioning to a low-carbon and climate-resilient future requires extensive policy, legal, technology and market changes. As the transition is made, there are inherently financial and reputational risks that may affect us. The impacts of these vary, depending on the nature, speed and focus of the associated changes.

PHYSICAL RISKS

Physical climate risks refer to the risks arising from the tangible effects of climate change on our operations, workforce, markets, infrastructure, raw materials and assets. Physical climate risks may have direct or indirect operational, strategic, financial and social implications.

The most significant physical risk to our operations from climate change is the higher incidence of extreme weather, including storms and precipitation.

SGS' MAIN CLIMATE CHANGE RISKS

RISK DRIVER	RISK TYPE	ASSOCIATED IMPACT	MITIGATION
Increasing taxes on fuel, energy and carbon	TRANSITIONAL - REGULATORY POLICY AND LEGAL	Overhead spend (e.g. fuel and electricity costs, carbon tax) increases as a result of global vehicle and non-transport fuel pricing	Create policies, programs and campaigns to reduce energy usage and carbon emissions, encourage renewable energy generation and purchase, and change employee behaviors
Legislation mandating the greater use of renewable energy	TRANSITIONAL - REGULATORY POLICY AND LEGAL	Legal issues based on non-compliance or loss of revenues due to increased fuel sourcing costs	Purchase of annual renewable energy certificates equivalent to the majority of SGS' electricity consumption, along with country-specific strategies
Fossil fuel reserves becoming stranded assets due to economy decarbonization	TRANSITIONAL - TECHNOLOGY, REPUTATION AND MARKET	Oil and Gas business line revenue affected	Portfolio of services diversification: to provide tailored solutions to the oil and gas sector, buffering any potential industry deceleration
Extreme weather events	PHYSICAL - ACUTE	Business discontinuity and revenue loss Increase in insurance premiums in high-risk areas	Business continuity plans across the Group
Change in weather patterns and biodiversity alterations	PHYSICAL - CHRONIC	Increase in overheads from the need for additional cooling and heating due to the increase in mean temperatures Revenue loss from markets linked to crops due to a reduction in demand for services and higher commodity prices	Provide services linked to mitigating climate change and improving farming efficiency

OPPORTUNITIES

Efforts to mitigate and adapt to climate change also produce opportunities. Examples include resource efficiency and cost savings, the adoption of low-emission energy sources, the development of new products and services, access to new markets, and building resilience along the supply chain. For SGS, climate change represents a business opportunity, given that many of our services can help businesses with their own sustainability efforts: Carbon footprinting, supporting green building design and using products that minimize energy consumption are just some examples.

SGS' MAIN CLIMATE CHANGE OPPORTUNITIES

OPPORTUNITY DRIVER	OPPORTUNITY TYPE	ASSOCIATED BENEFIT	BUSINESS OPPORTUNITIES
Development and expansion of SGS' low-emission goods and services	EMERGING REGULATION	Increase revenue through demand for lower-emissions products and services	Provide more services related to Greenhouse Gas Emissions accounting and verification (ISO 14064) Benefit from more demand for SGS services related to Product Carbon Footprint (ISO/TS 14067) Increase in SGS' reporting obligations Provide more services related to energy audits in enterprises and Energy Management Systems certification (ISO 50001)
Ability to diversify business activities	MARKET	Achieve a more competitive position to reflect shifting consumer preferences, which results in increased revenues	Continue to broaden the portfolio of services across relevant business lines

OUTLOOK

SGS will remain committed to carbon neutrality. We will continue to encourage our affiliates to reduce their carbon footprint and work with suppliers to ensure all procurement activities are conducted sustainably. Our carbon offsetting program will help us neutralize any remaining emissions.

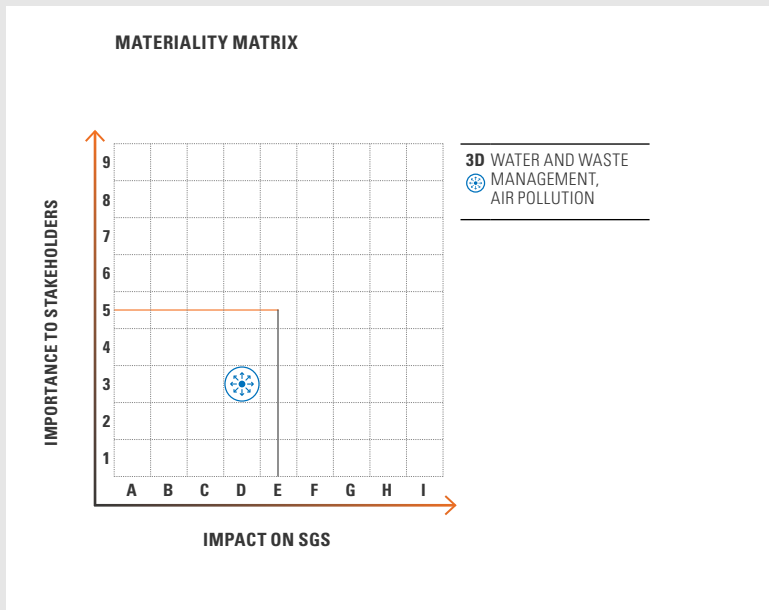
SGS' Energy Efficiency in Buildings program will progress and focus on assessing facilities, extrapolating results and creating action plans for existing buildings in the United States and the North East Asia region. In 2019, we will also roll out the Spot the Orange Dot campaign in two more countries. This is in addition to other activities run globally to augment the energy-efficient culture of the Group.

Corporate Sustainability will work with Procurement on green power purchases to increase the number of electricity agreements from renewable energy at the local level. Implementing ISO 50001 in affiliates, continuing to send technical notes to our internal facility management network and working on providing affiliates with tools to evaluate their energy efficiency will be further objectives for 2019.

WATER AND WASTE MANAGEMENT

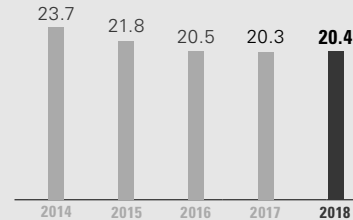
GRI 102-13

Protecting our water resources and managing our waste are important to the long-term health and well-being of our employees and the communities where SGS operates.



PERFORMANCE

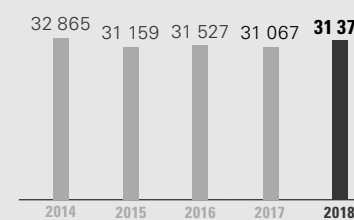
20.4



WATER PURCHASED PER EMPLOYEE (m³/FTE)

PERFORMANCE

31 378



NON-HAZARDOUS WASTE GENERATED (METRIC TONNES)

Water and waste management are not considered to be highly material issues for SGS (see Materiality Matrix on page 22). However, these issues are increasingly important in a broader sustainability context, as the potential impact of climate change and other factors on water supplies and waste streams become more apparent.

STRATEGY AND GOVERNANCE

Through our services, we handle quantities of hazardous and non-hazardous waste, which need to be disposed of responsibly, without risk to our workers and society. While our global water consumption is relatively low, managing water resources is a critical issue in some areas where SGS operates. We are also committed to managing finite resources more effectively and developing ways to reuse, recycle and prevent waste.

Water and waste management is maintained at local level and will be guided by SGS' World Class Services management approach once it's implemented. This process is modeled after World Class Manufacturing, which is a collection of concepts that set standards for production and manufacturing, commonly seen in the automobile, electronic and steel industries. World Class Services is

a structured approach that involves all employees and brings long-lasting improvement to tackling waste and inefficiency throughout the network. For water and waste management, this means ensuring the most robust and efficient systems are in place to manage needs locally.

With integration of World Class Services beginning across the network in 2019, we anticipate further improvements in our already robust water and waste management approach.



AS A SIGNATORY OF THE WBCSD PLEDGE FOR ACCESS TO SAFE WATER, SANITATION AND HYGIENE (WASH), WE ARE COMMITTED TO ENSURING ALL EMPLOYEES ENJOY ACCESS TO CLEAN WATER.

INITIATIVES AND ACHIEVEMENTS

WATER MANAGEMENT PROGRAMS

SGS has comparatively low water consumption, with usage concentrated in our laboratories, with additional usage for drinking, food preparation and sanitation. Our global water usage data is tracked through SGS Solaris, our sustainability reporting system. The SGS Energy Efficiency in Buildings program manages water efficiency – by assessing water consumption and installations and recommending site-specific improvements.

SGS will continue with the same water management and monitoring procedures going forward. Further water efficiency projects will also be implemented in our affiliates, particularly in the regions and countries where there are water shortages and where providing access and conservation are paramount.



WASH PLEDGE REPORTING

AS PART OF OUR PARTICIPATION IN THE WASH PLEDGE, OUR 2 600 BUSINESS LINE LOCATIONS ACROSS ALL SGS REGIONS WERE PART OF A SURVEY THAT SHOWED THAT:

92% OF SGS EMPLOYEES

HAD SUFFICIENT, SAFE AND PHYSICALLY ACCESSIBLE DRINKING WATER

HAD ACCESS TO SANITARY INSTALLATIONS AND CLEAN WASHROOMS

HAD ACCESS TO SUFFICIENT SANITARY FACILITIES WITH PROPER DRAINAGE SYSTEMS

HAD ACCESS TO WATER FOR WASHING AND PERSONAL HYGIENE



OUR VALUE TO SOCIETY

SDG 3 8 10 11 12 15

SUPPORTING AND ENABLING RESPONSIBLE E-WASTE MANAGEMENT

SGS Renovo™ assists governments in establishing self-funded waste management systems for imported electronic products. As well as inspecting second-hand products to ensure that they are not waste and can be reused or refurbished, SGS helps governments, such as those in Ghana and Ivory Coast, to collect the eco levy on all imported electronic products to ensure that there is a revenue stream to finance the local recycling infrastructure. These schemes create employment opportunities and eliminate the human and environmental risks posed by discarded equipment and give access to higher quality and less costly products. Furthermore, although 66% of the world's population is covered by e-waste legislation (a 22% increase in three years), many of the countries with

legislation have not enforced the law or taken appropriate measures to monitor its progress. SGS Renovo™ is an efficient enforcing tool and offers consultancy services tailored to those countries without e-waste legislation that are in need of expertise. SGS Renovo™ directly contributes to the achievement of six of the 17 Sustainable Development Goals, addressing not only environmental protection and health but also economic growth by driving employment opportunities and entrepreneurship.

ALEXANDRE LUSENTI
SGS Product Manager for Renovo™



WASTE MANAGEMENT PROGRAMS

We produce relatively small amounts of hazardous and non-hazardous waste, in comparison with other industries. This includes chemicals, test samples, paper, plastic and organic waste from our offices and laboratories. The waste is produced in varying proportions, determined by the industry or industries each site is serving.

Our Do More with Less campaign encourages efficiency in our offices and laboratories by minimizing printing and optimizing consumables. We promote recycling of office waste through effective separation, and we draw on external resources to help us reuse and recycle materials.

REDUCING WASTE AND REUSING RESOURCES UNDERLIE OUR APPROACH TO WASTE MANAGEMENT.

REUSING RESOURCES

We encourage the exchange of surplus laboratory equipment across our network through the EquipNet platform (see page 59). We also give hygienic waste samples from our laboratories for charitable purposes. For example, waste cloth from our textile testing laboratories is donated to the Goonj project in India to be made into sanitary products.

OUTLOOK

In 2019, we will continue to implement our World Class Services approach at all levels of the organization, including in relation to water and waste management. We will continue to closely monitor our performance in this area while recognizing that it will remain a non-critical material area for us.

EXTERNAL PARTNERSHIPS AND INITIATIVES

We establish external partnerships and sign up for initiatives that help us demonstrate our commitment to strengthening our sustainability performance.

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

As a founding member of the World Business Council for Sustainable Development (WBCSD), we actively support and participate in furthering the Council's aims to generate business-led solutions to sustainability challenges. This includes the promotion of energy efficiency in buildings and ensuring access to water through the Access to Safe Water, Sanitation and Hygiene (WASH) Pledge. We are also a signatory to the WBCSD Manifesto for Energy Efficiency in Buildings.

RE100

Led by The Climate Group and in partnership with the Carbon Disclosure Project, RE100 is collaborating with the International Renewable Energy Agency and

other bodies to get 100 of the world's largest companies to commit to using only renewable power by 2020. SGS was one of the first companies to sign up for the initiative.

**RE100 INITIATIVE:
SGS IS COMMITTED
TO USING 100%
RENEWABLE ENERGY
BY 2020**

The RE100 campaign highlights the business and reputational benefits available to companies that make the commitment. The initiative also supports companies to switch to renewables by offering guidance on selecting and implementing the best approach to renewable power, providing information on the financial implications and risks, and showing the rewards of the different options.

CLIMATE NEUTRAL NOW

Climate Neutral Now was launched in 2015 by United Nations Climate Change and focuses on supporting society to take immediate climate actions. The initiative encourages companies, organizations, governments and citizens to help limit global temperature rise to less than two degrees Celsius, reduce their climate footprint and work towards climate neutrality by measuring, reducing and compensating their greenhouse gas emissions.

SCIENCE-BASED TARGETS INITIATIVE

Science-based targets provide companies with a clearly defined pathway to future-proof growth by specifying how much and how quickly they need to reduce their greenhouse gas emissions. These targets are considered science-based if they are in line with the level of decarbonization required to keep the global temperature increase below two degrees Celsius compared to pre-industrial temperatures.

SGS COMMITS TO REDUCING GREENHOUSE GAS EMISSIONS THROUGH THE SCIENCE-BASED TARGETS INITIATIVE UNDER WHICH WE HAVE COMMITTED TO THE FOLLOWING TARGETS, IN ADDITION TO OUR 2020 TARGET

	2025	2030
Scope 1, Scope 2 and Scope 3 (business travel)*	REDUCE CO ₂ EMISSIONS ² PER UNIT OF REVENUE BY 45%**	REDUCE CO ₂ EMISSIONS ² PER UNIT OF REVENUE BY 55%
Remaining Scope 3*		REDUCE CO ₂ EMISSIONS ² PER UNIT OF REVENUE BY 50%

* Scopes are defined according to the GHG Protocol ** Against a 2014 baseline





COMMUNITY

We want to create a positive, measurable and lasting impact on the local communities where we operate. We welcome local talent and engender a company culture that focuses on value to society by giving back through projects that are aligned with the Sustainable Development Goals and focused on education, empowerment and environmental sustainability.

LOCAL COMMUNITY SUPPORT

113

LOCAL COMMUNITY SUPPORT

GRI 103-1, 103-2, 103-3, 413-2

For us, acting responsibly and giving back is synonymous with good business practice and creating value for society by protecting and supporting our communities.

STRATEGY AND GOVERNANCE

We are committed to investing in the communities we operate in. This is a deeply held cultural conviction in the company, and it appears in our Business Principles as part of our fundamental beliefs and behaviors. Moreover, by nature, our business does not have any significant negative impacts on local communities.

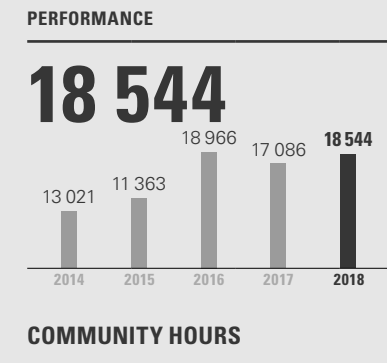
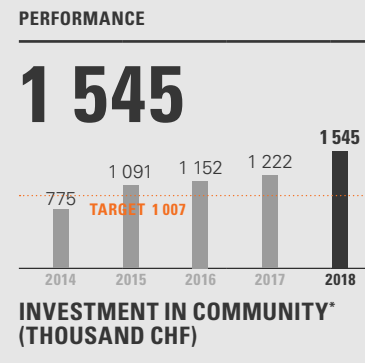
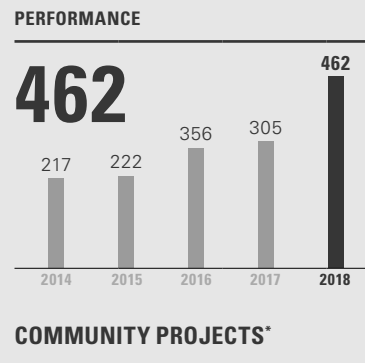
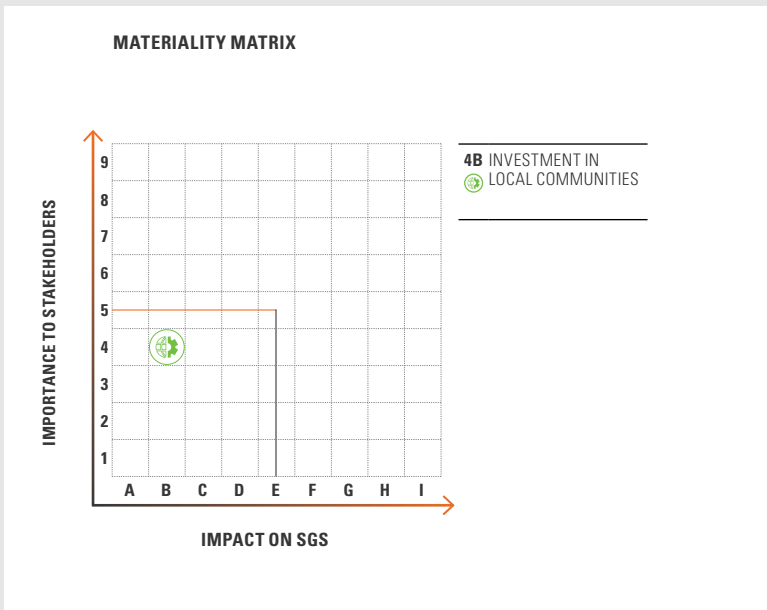
The communities that we invest in benefit from better infrastructure

and social services. As a result, stakeholders' perception of SGS' operations improve. In addition, we believe that our efforts also have a positive impact on the job satisfaction and performance of our workforce and on employee retention. Consequently, community involvement is an essential component of our business strategy and part of the value we add to society.

We create a positive, measurable and lasting impact on communities where we operate by welcoming local people into our workforce and creating a company culture where employee volunteering is encouraged.

We are committed to aligning our community actions with global priorities linked to poverty, health, education, climate change and environmental degradation. These are captured under three community pillars: empowerment, education and environmental sustainability. Through our support of the Sustainable Development Goals, SGS can play its part in helping to address the world's biggest sustainable development challenges.

Our community programs are selected and implemented in line with the SGS Group Community



*Improvement in "Investment in Community" and the number of "Community Projects" is due to new affiliates joining community programs in 2018 as well as the improved quality of the data-reporting and data-gathering process.

Policy and Guidelines and are managed at a global and local level.

The Chief Executive Officer of SGS is responsible for the implementation of this SGS Community Policy and is assisted by the Sustainability Steering Committee, which oversees the implementation of social and environmental programs within SGS. It is the responsibility of every Managing Director to ensure that our community policy is implemented and that appropriate resources are allocated to proactively manage our community investment in all SGS affiliates, which collaborate with local organizations and lead most of the initiatives.

To strengthen our impact, SGS' local community coordinators also provide a platform for information sharing and advice on common themes linked to community volunteering, fundraising and disaster response.

IMPACT MEASUREMENT

To evaluate the effectiveness of our programs, we use our annual Group Community Survey, which serves as our impact measurement tool and is deployed across the network within our sustainability reporting process. It aligns with the London Benchmarking Group criteria, and it includes key performance indicators measuring the type of philanthropic activities, hours of volunteering, type of beneficiaries and number of people impacted by the projects.

INITIATIVES AND ACHIEVEMENTS

WE HAVE DELIVERED 462 COMMUNITY PROJECTS, OF WHICH 32 WERE DELIVERED TOGETHER WITH CUSTOMERS AND 17 WITH SUPPLIERS.

The programs that our employees volunteer for are linked to our **three pillars**:

EMPOWERMENT

Our empowerment programs (including economic development, health, gender equality and alleviation from poverty and hunger) support physical, emotional, intellectual and economic empowerment by providing access to health care, counseling, microcredit and enterprise schemes.

242
EMPOWERMENT PROJECTS IN 2018

52%
EMPOWERMENT COMMUNITY INVESTMENT*

EDUCATION

Our education projects improve access to all levels of schooling and promote informal learning in the form of employment training schemes and skills workshops.

143
EDUCATION PROJECTS IN 2018

32%
EDUCATION COMMUNITY INVESTMENT*

ENVIRONMENTAL SUSTAINABILITY

Our environmental initiatives focus on the protection of endangered species and restoring natural habitats.

77
ENVIRONMENTAL SUSTAINABILITY PROJECTS IN 2018

16%
ENVIRONMENTAL SUSTAINABILITY COMMUNITY INVESTMENT*

* Including cash, time and management contributions.





SGS COMMUNITY INITIATIVES

CASH CONTRIBUTIONS BY GIVER (CHF):

COMPANY GIVING

1 081 273

VALUE OF EMPLOYEE GIVING*

28 350

**Not included in the calculation of SGS community investment.*

CHARITABLE GIFTS

We make contributions to the community and respond to appeals for help from charities and employees.

For example, SGS Tanzania donated an ISO 9001 certification audit to the non-profit Ifakara Health Institute, a leading research organization in Africa, as a pro-bono initiative.

COMMUNITY INVESTMENTS

We proactively support community projects that address a social issue relevant to SGS and to the communities in which we operate.

For example, in India, we are providing nurse training with a specific focus on geriatric care.

COMMERCIAL INITIATIVES IN THE COMMUNITY

We support certain business-related activities that deliver community benefits at the same time as driving the success of both the SGS business and brand.

For example, SGS Australia donated \$5 to the Red Cross for every customer who participated in the Voice of Customer survey.

SGS COMMUNITY CONTRIBUTIONS

BREAKDOWN OF COMMUNITY INVESTMENT BY FORM OF CONTRIBUTION (CHF):

CASH

1 081 273 (70%)

VOLUNTEERING

360 360 (23%)

MANAGEMENT:

102 952 (7%)

We are currently working on the calculation of the investment of our in-kind contributions.

CASH CONTRIBUTIONS

We pay monetary amounts to support communities, organizations and projects. We usually contribute through direct donations to charitable organizations, social sponsorship of cultural events or institutions, or by covering employee expenses for those involved.

For example, SGS France donated CHF 57 000 to the national charity "Le Cancer du Sein, Parlons-en!" to finance breast cancer research.

TIME CONTRIBUTIONS

We donate SGS employees' paid working-time to community organizations or activities, usually through employee volunteering.

For example, employees in SGS Madagascar volunteered to plant acacia saplings to reforest Zodafarb Ampangabe.

(Our employees also often contribute time outside of working hours to these activities. These hours are not attributed to SGS.)

IN-KIND CONTRIBUTIONS

We commit our own corporate resources to community activities, including IT, laboratory equipment and our services (pro-bono).

For example, SGS South Africa donated a complete laboratory to East Bank High School, a secondary school in the East Bank area of Alexandra township. As an example of a pro-bono contribution, SGS Taiwan regularly offers free food testing services for social welfare associations.

MANAGEMENT CONTRIBUTIONS

In the process of managing our community activities, we also incur indirect costs, such as expenses arising from communication and travel, and the wages of the employees who organize the community activities.

For example, SGS Spain dedicates management time to collect plastic caps and used mobile phones from employees to raise funds for charitable purposes.

BENEFITS OF OUR COMMUNITY PROJECTS

Through our community programs, campaigns and initiatives, we not only make a difference in local communities, but we also strengthen the SGS brand and improve employee collaboration. We measure the number of our community projects that support various causes, and in 2018 some of the causes were as follows:

296

PROJECTS RAISED SGS PROFILE LOCALLY

134

PROJECTS IMPROVED ACCESS TO EDUCATION AND/OR PEOPLE SKILLS

231

PROJECTS ENHANCED EMPLOYEE ENGAGEMENT

110

PROJECTS IMPROVED SOCIAL INTEGRATION

214

PROJECTS IMPROVED HEALTH AND WELL-BEING

63

PROJECTS INCREASED RECYCLING LEVELS

193

PROJECTS IMPROVED TEAMWORK

56

PROJECTS PROTECTED LAND OR SPECIES



EMPOWERMENT



OUR VALUE TO SOCIETY

SDG 1 8

SGS BANGLADESH SUPPORTS RURAL ECONOMIC RESTORATION PROJECTS THROUGH MICROFINANCE

Microfinance involves providing businesses with low-level loans that can be paid back over a period of time. This financing

method is particularly popular in Bangladesh, where it supports rural communities and small businesses.

SGS Bangladesh's first microfinance project was launched in 2010 when we began working with the Dhaka Ahsania Mission, an organization focused on the Restoration of livelihood through Job Creation, Gaining of Assets by the Rural Poor (ROJGAR). We donated CHF 5 131 to support 93 small businesses in Sreepur, in the Gazipur district. Their income-

generating activities range from cow rearing and poultry farming to tailoring and transportation.

Following the success of this project, SGS Bangladesh supported another ROJGAR microfinance project in December 2013. This time, we donated CHF 11 668 to support 172 small businesses in Madhobdi, in the Narshingdi district, a busy commercial textile and industrial area in the Dhaka region. Income-generating activities here focus on livestock farming, transportation,

rice and paddy cultivation, and textile manufacturing.

We plan on continuing to support ROJGAR and investing in projects linked to mitigating the effects of climate change.

ABDUL QUADER

SGS Manager, Human Resources, SGS Bangladesh



OUR VALUE TO SOCIETY

SDG 3 10 17

PROMOTING INCLUSION, EQUALITY AND EMPOWERMENT THROUGH MUSIC AND SPORT

During 2018, SGS Spain participated in two volunteering programs aimed at promoting the integration of people into society and the labor market. Our HR team in Madrid volunteered in a music therapy day organized by Fundación Adecco. The workshop

used the power of music to facilitate positive changes in behavior and emotional well-being in young people with developmental disabilities.

Meanwhile, our Barcelona office organized a local padel tournament to promote health and teamwork as well as inclusivity. Padel is typically played in doubles on a walled court, using bats rather than stringed rackets. During the tournament, men and women in wheelchairs (professional padel players) competed with SGS employees and family members. The day also provided an opportunity to raise

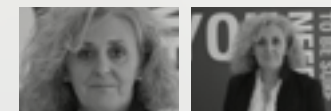
awareness of padel and other sports adapted for people with physical disabilities.

The two events were part of Fundación Adecco's important work to develop skills and abilities that enable people with disabilities to increase their autonomy and employability. During its 20 years of operation, the non-profit organization has worked with 2 059 companies to generate 6 895 job positions for people at risk of social exclusion. In total, 22 503 vulnerable people have received guidance to search for a job, and 4 609 people have been trained through 2 802

training activities. SGS employees who volunteered in these activities learned how music and sports can become powerful equalizers that effectively break down barriers and promote empowerment, integration and fun for people of all abilities.

SYLVIA PAREDES

SGS HR Director, SGS Spain



OUR VALUE TO SOCIETY

SDG 1 4

SGS MEXICO EMPLOYEES HELPED MEXICO CITY REBUILD AFTER SEPTEMBER 19, 2017 EARTHQUAKE

Moments after many people in Mexico City participated in an earthquake drill exactly 32 years after an earthquake killed thousands of people in the city, another earthquake struck the center of Mexico. The epicenter was located 12 km southeast of Axochiapan, Morelos, on the borders of the States of Morelos and Puebla, about 120 km from Mexico City. The magnitude 7.1 earthquake that occurred during the lunch hour of September 19, 2017, claimed the lives of more than 300 people and knocked down dozens of buildings in different colonies in Mexico City.

As a consequence of this terrible disaster, SGS Mexico decided to dedicate the Sustainability Day in 2018 to helping the relief efforts.

Fifty SGS employees volunteered to paint reconstructed houses and facilities at a local school for low-income children, under the direction of the El Peñón Foundation. The efforts of the Peñón Foundation and SGS benefited some 600 people who were left homeless after the earthquake. The efforts of SGS were recognized with the Top Reward 2018 prize, awarded by the TOP Companies organization, for innovative practices and the actions of employees that have a positive impact on society. Top Companies commented that SGS was an example to be followed by other companies.

HERMANN SAENGER

SGS Managing Director, SGS Mexico



EDUCATION

OUR VALUE TO SOCIETY

SDG 4

SGS CHILE DONATES IT EQUIPMENT TO LOCAL EDUCATION INSTITUTE

The Alberto Hurtado Commercial Institute is located in the Commune of Pedro Aguirre Cerda in Chile's Santiago Province. Created in 1968, the

high school provides quality education that helps socially vulnerable young people develop social entrepreneurship and citizenship skills. In April 2018, the Sustainability and IT teams in SGS Chile donated computer equipment – including servers, routers and hard drives– to the Institute's third- and fourth-

graders. The initiative was led by Guillermo San Martín, Coordinator of Infrastructure and Telecomunicaciones de IT, who noted: "The current challenges in communications and infrastructure require professionals to be up to date on the latest technologies. We all want to play a key part in supporting the next generations."

Accepting the donation, Gustavo Rivera, Professor of the Telecommunications Technical Area of the School, commented: "It is important that the students can work with real equipment. The donations will be very useful in helping the kids learn about server administration and network configuration."

JUAN CARLOS LENGUA

SGS IT Manager, SGS Chile



OUR VALUE TO SOCIETY

SDG 4 9

RISING STAR IN ALEXANDRA – SGS SOUTH AFRICA EMPOWERS EAST BANK HIGH SCHOOL

SGS South Africa partnered with East Bank High School (EBHS) in 2017, a secondary school in Alexandra, to turn one of their classrooms into a modern physical-science laboratory. Construction of the lab was completed in May 2018, and it came with brand-new textbooks, chemicals and lab equipment.

We organized, together with our colleagues in Randfontein, to host the science teachers from EBHS in a workshop in February 2018 to prepare them for taking ownership of the lab and using it effectively. This workshop contributed to a total of 93 hours of volunteering for EBHS in 2018.

As the year came to an end, we brought in Afrika Tikkun to coordinate a "Saturday School" study program to train the teachers in conducting extra-curricular lessons for Matric (Grade-12)

learners, as preparation for the learners' final exams.

This program was a success: East Bank High School had improved its Matric pass rates, soaring from 74.17% (2017) to 89.7% (2018). The improvement showed in mathematics (55.1% to 67.7%), physical science (64.28% to 78.1%), and accounting (25% to 69.1%). This has put East Bank High School up with the top-ranking schools of the Alexandra area – a great achievement for the learners and teachers.

For us, the partnership was not just about a laboratory for a school in need – it was also about empowering the learners, fostering an interest in mathematics and science, and inspiring the teachers, who are the practitioners of education, to execute their role with pride. This project speaks to Goal 4 of the Sustainable Development Goals: ensuring quality education. It cannot be said what lays in store for East Bank High School, but its star is steadily rising, and the learners are set to make their community proud.

TLHOLOHELO MAKATU

SGS Sustainability Officer, SGS South Africa



OUR VALUE TO SOCIETY



SDG 3 4 5 8

SGS ACADEMY INDIA PROVIDES ESSENTIAL NURSE TRAINING TO UNDERPRIVILEGED WOMEN

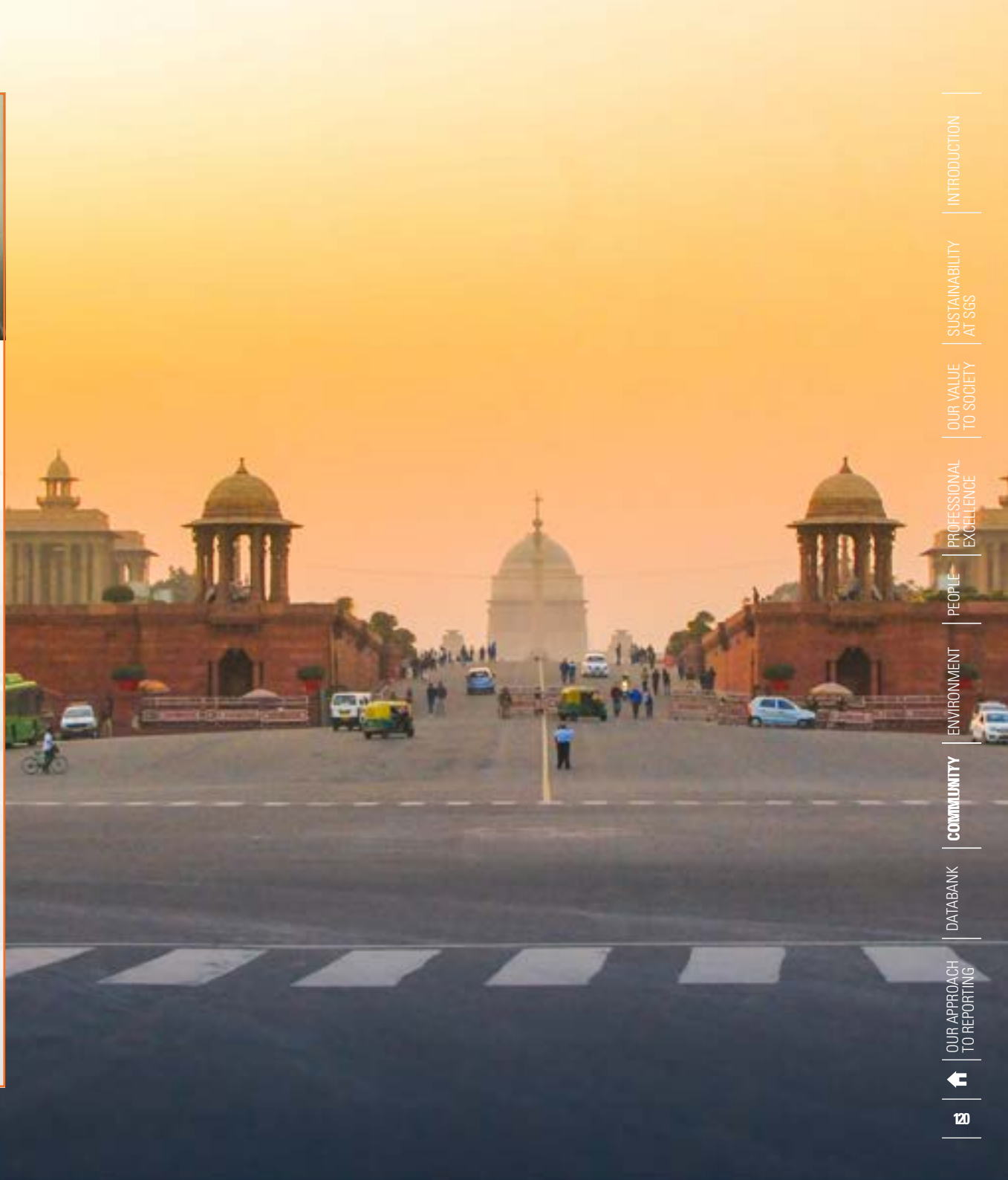
SGS India contributes to reaching Sustainable Development Goal 3 (Ensure healthy lives and promote well-being for all at all ages) by addressing the critical need for trained nurses and supporting women with no access to formal education. Through a partnership with the Heart of India Foundation, an SGS-supported project aims to train 100 underprivileged female candidates to improve the employment prospects of women by enabling them to develop their skills and obtain a qualification. The women will attend a six-month Diploma Course in Geriatric Nursing and will receive funding from SGS for their education, nutrition and uniforms. The focus on geriatric nurse training is particularly relevant, as India moves closer to becoming the most populous

country in the next decade. With this in mind, the nurses will be qualified in a field in which there are many opportunities for employment, with potential long-term job security.

The training is being delivered through SGS Academy in Chennai, which is one of 45 global centers of excellence that provide professionally focused business training adapted to the local needs of customers and communities. The training is being conducted as classroom training, and a certificate will be issued by the World Young Women’s Christian Association (WYWC), a movement working for the empowerment, leadership and rights of women and girls around the world.

NILESH JADHAV

SGS Certification and Business Enhancement Director, SGS India



ENVIRONMENTAL SUSTAINABILITY



OUR VALUE TO SOCIETY

SDG 11 15

SGS PHILIPPINES HELPS TO CLEAN UP MANILA BAY

SGS Philippines adopted the Makati Diversion Channel as part of the government-led Adopt an Estero Waterbody Program. The initiative aims to institutionalize good sanitation and solid waste management practices through education and actual participation in the management of an estero or waterway. The program also helps ensure unimpeded flow of water during the rainy season, reduce pollution loading to the rivers and to Manila Bay and institutionalize public-private-community partnership in environmental management.

A MEMORANDUM OF ASSOCIATION HAS BEEN DRAWN UP BETWEEN SGS AND THE DEPARTMENT OF ENVIRONMENT AND NATURAL RESOURCES (DENR), WHICH WILL BE IN PLACE FOR TWO YEARS. THE COMMITMENT INVOLVES:

Assisting in information and education campaigns and community mobilization activities to foster harmonious relations and solicit community participation, cooperation and support

Mobilizing SGS employees to implement the Makati Diversion Channel Downstream Environmental Improvement Program

Coordinating with the concerned Local Government Unit, related government agencies, advocacy partners and the affected community to streamline efforts

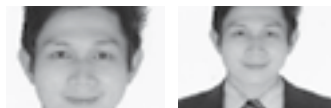
During 2018, we organized two clean-up projects and participated in two workshops. The first creek clean-up took place on March 17, to mark World Water Day, while the second event took place on September 22 to coincide with the International Coastal Clean-up Day. In 2019, we plan to conduct and provide tools for at least two further creek clean-up operations

and participate in workshops, forums and seminars.

The Manila Bay clean-up, rehabilitation and preservation involves 178 surrounding cities and towns. They clean up 47 estero or waterways and 4 rivers connected to the bay and crack down on establishments, fish pens, dumpsites, and ships that contribute to the bay's pollution. The DENR estimates that the whole rehabilitation of Manila Bay may take 20 years, and the water quality may take seven years to reach 100 mpn, which is classified as safe for recreational activities.

ALFONSO CRUZ

QHSEE Coordinator of SGS Philippines, EHS Division



OUR VALUE TO SOCIETY

SDG 8 14

BOOSTING ECOLOGICAL AND ECONOMIC DEVELOPMENT IN MALAYSIA

SGS Malaysia has contributed to efforts aimed at protecting local marine ecosystems and promoting economic development in the region. One such project supports the coral reefs of Sabah, located off the northwestern coast of Malaysian Borneo, which include some of the largest and most varied communities of marine life on earth.

In March 2018, we donated funds and volunteer hours to the non-profit organization Society of Petroleum Engineers (Sabah Section) to support the installation of 1 029 artificial reefs at sites along the local coastal zone. These sites are home to 120 fishing villages whose livelihoods depend on

the reefs being protected from erosion and overexploitation. As part of government efforts to manage fisheries resources, concrete reefs are being installed to prevent trawlers from fishing in waters traditionally occupied by local coastal fishermen. The reefs also help boost marine habitat, restore fisheries resources in the area and support the area's thriving tourist trade by offering excellent fishing and scuba diving facilities, thus further contributing to local economic development.

ROSLI BUJANG

SGS Continuous Improvement Manager, SGS Malaysia



OUR VALUE TO SOCIETY

SDG 13 15

EMPLOYEES IN SGS MADAGASCAR PARTICIPATE IN REFORESTATION PROJECT

Since 2004, SGS Madagascar has participated in the reforestation of Zodafarb, Ampangabe, near Madagascar’s capital of Antananarivo. In recent years, we have stepped up our efforts by funding saplings, taking care of the logistics (transport, equipment, food for volunteers) and organizing volunteering for employees and family members.

In 2018, 116 SGS Madagascar employees each spent five hours planting the acacia saplings, which help enrich the soil with organic matter, nitrogen and potassium while promoting the infiltration of water into the soil and stabilizing the soil against erosion.

A special committee internally monitors the plants a few months after planting to ensure that they have taken root and to prune the more established trees from previous plantings. So far, we have planted four hectares of trees, and we will continue our efforts to combat the deforestation rate through tree planting and putting in place fire prevention measures that will ensure better preservation of the rich and unique biodiversity of our rainforests in Madagascar.

LISINIAINA RAZAFINDRAKOTO

SGS Communication and Business Development Manager, SGS Madagascar



OUTLOOK

Community involvement is an essential component of our business strategy, as it helps us increase the social and human capital we add to society. Advancing the Sustainable Development Goals by facilitating and investing in projects that support empowerment, education and environmental sustainability will remain a focus in 2019. To encourage local volunteering across the Group, we will continue to promote community-related activities, events and initiatives through our social network.



- INTRODUCTION
- SUSTAINABILITY AT SGS
- OUR VALUE TO SOCIETY
- PROFESSIONAL EXCELLENCE
- PEOPLE
- ENVIRONMENT
- COMMUNITY**
- DATABANK
- OUR APPROACH TO REPORTING

DATABANK

Measuring our performance and assessing whether we deliver against our targets is essential. Through this process of monitoring and analyzing, we can determine our annual achievements and the value we bring to our stakeholders.

CODE OF INTEGRITY – SURVEILLANCE	125
CODE OF INTEGRITY - COMMUNICATION AND TRAINING	125
ETHICAL CONDUCT AND RISK MANAGEMENT	125
HUMAN RIGHTS	126
PROCUREMENT	126
CUSTOMER SATISFACTION	126
DATA SECURITY AND PRIVACY	126
HUMAN RESOURCES	127
OPERATIONAL INTEGRITY	127
CARBON EMISSIONS	128
ENERGY CONSUMPTION	128
CONVERSION AND EMISSION FACTORS	129
RESOURCES AND COMPLIANCE	129
COMMUNITY	129

CODE OF INTEGRITY – SURVEILLANCE	2014	2015	2016	2017	2018	2020 TARGET
Code of Integrity reports to helplines Total number of integrity issues reported through integrity helplines ¹	241	245	207	227	237	–
Code of Integrity investigations Total number of valid reports investigated concluding in no breaches ²	109	169	155	178	179	–
Code of Integrity non-compliances Total number of breaches of the Code of Integrity identified through integrity helplines ¹	42	31	22	14	28	–
Actions taken following a violation of the Code of Integrity Number of confirmed incidents of corruption with actions taken	4	4	2	11	13	–

1. “Helplines” means channels used by employees and external parties to report suspected violations of the Code of integrity and submitted online, by phone call, sent via fax, email or post.
2. We are working on extending the scope of our reporting in order to include breaches occurring locally and pending cases which are still under review at the time of the reporting. We expect to report on these figures in the coming years.

CODE OF INTEGRITY - COMMUNICATION AND TRAINING	2014	2015	2016	2017	2018	2020 TARGET
Total number of employees signing the Code of Integrity ³	86 040	88 879	92 458	99 091	100 798	–
Percentage of employees signing the Code of Integrity	100	100	100	100	100	100
Approximate hours of training on the Code of Integrity	80 625	79 969	84 965	88 884	91 461	–
Total number of employees trained on the Code of Integrity	80 625	79 969	84 965	88 884	91 461	–
Percentage of employees trained on the Code of Integrity	93.7	90.0	91.9	89.7	90.7	–
Total number of governance body members signing the Code of Integrity	24	24	24	22	23	–
Percentage of governance body members signing the Code of Integrity	100	100	100	100	100	–
Total number of governance body members trained on the Code of Integrity	24	24	24	22	23	–
Percentage of governance body members trained on the Code of Integrity	100	100	100	100	100	–

3. This figure is higher than the average headcount due to turnover

ETHICAL CONDUCT AND RISK MANAGEMENT	2014	2015	2016	2017	2018	2020 TARGET
Analysis of risks related to corruption Percentage of operations analyzed for risks related to corruption	100	100	100	100	100	–
Analysis of risks related to corruption Total number of operations analyzed for risks related to corruption	All operating companies included in the 2014 Annual Report (p.152-155)	All operating companies included in the 2015 Annual Report (p.200-207)	All operating companies included in the 2016 Annual Report (p.218-221)	All operating companies included in the 2017 Annual Report (p.86-87)	All operating companies included in the 2018 Integrated Annual Report pages 186-189	–
Number of confirmed incidents of corruption identified through corporate helplines ⁴	4	4	2	1	2	–
Number of confirmed incidents identified through corporate helplines where employees were dismissed ⁴	12	9	7	8	7	–
Public legal cases regarding corruption brought against the organization/employees	0	0	0	0	0	–

4. “Helplines” means channels used by employees and external parties to report suspected violations of the Code of integrity and submitted online, by phone call, sent via fax, email or post.

INTRODUCTION

SUSTAINABILITY AT SGS

OUR VALUE TO SOCIETY

PROFESSIONAL EXCELLENCE

PEOPLE

ENVIRONMENT

COMMUNITY

DATABANK

OUR APPROACH TO REPORTING



HUMAN RIGHTS	2014	2015	2016	2017	2018	2020 TARGET
Risks within operations Operations identified as having a significant risk of incidences of child labor, forced or compulsory labor, or where the right to exercise freedom of association may be violated	0	0	0	0	0	–
Discrimination Total number of proven incidents of discrimination and actions taken	0	1	0	1	0	–
Indigenous people's rights Total number of violations of the rights of indigenous people, and actions taken	0	0	0	0	0	–
Human rights grievances Number of grievances identified through hotline related to human rights	0	0	0	0	0	–
Human rights training hours (# of hours)	–	–	–	–	286 ¹	–
Employees trained on human rights (% of employees)	–	–	–	–	0.3% ¹	–

1. Training was launched in December 2018 as a first phase, which only covered the Operations Council and the majority of central function departments. Figures provided only take into account training completed as of January 30, 2019.

PROCUREMENT	2014	2015	2016	2017	2018	2020 TARGET
Procurement: new savings (CHF million) ¹	–	–	57	61	75	180
Reduction in the number of suppliers (%)	–	1	22	19	5	–
Spend analysed on sustainability risks (%)	–	100	100	100	100	100
Tier 1 supplier analysed on sustainability risks (%)	–	100	100	100	100	–
Online negotiated spend (%)	–	–	–	18	23	60
Assets sold or redeployed (EquipNet Program)	–	32	64	123	144	340

1. This is a culminative target for 2018, 2019 and 2020.

CUSTOMER SATISFACTION	2014	2015	2016	2017	2018	2020 TARGET
Customers satisfied with the SGS Service Customer satisfaction score across all "Voice of the Customer" surveys (%)	–	88	86	88	–	–

DATA SECURITY AND PRIVACY	2014	2015	2016	2017	2018	2020 TARGET
Completion rate of data protection an privacy e-learning (%)	–	88	86	88	95	–

HUMAN RESOURCES	2014	2015	2016	2017	2018	2020 TARGET
Natural turnover ¹ (% of employees)	12.8	11.9	12.10	13.0	14.6	< 15.0
Total turnover (% of employees)	–	–	21.5	23.5	23.3	–
<i>Total turnover female (% of employees)</i>	–	–	18.9	21.6	20.9	–
<i>Total turnover male (% of employees)</i>	–	–	22.8	24.5	24.6	–
Number of permanent employees (# employees)	–	–	83 580	88 674	91 651	–
Number of casual employees (# employees)	–	–	8 878	10 417	9 169	–
Total new employee hires	–	–	–	13 426	20 908	–
<i>New female employee hires (# employees)</i>	–	–	–	4 341	7 020	–
<i>New male employee hires (# employees)</i>	–	–	–	9 085	13 888	–
Equal Opportunity Ratio ²	0.84	0.87	0.88	0.88	0.84	1.00
Women in Leadership positions (% of female managers down to CEO-3)	–	25.6	26.3	26.2	26.4	30
Gender ratio (% of female employees)	32.5	32.5	32.8	33.0	33.5	–
Sickness absence rate ³ (% of days of sickness absence per total days worked)	1.48	1.43	1.48	1.49	1.54	<1.5
Training ratio ⁴ (% of total employment cost spent on training)	2.49	2.48	2.32	2.41	3.34	1.00
Training hours ⁵ (# of hours per FTE)	31.8	31.4	28.4	28.7	45.9	–
Performance reviews (% of employees)	66	67	61	63	90	100
Engagement Index (%)	64	68	68 ⁶	68	67	65
Collective bargaining (% of employees)	34	40	37	40	40	–
Enablement Index	–	–	–	70	70	–

1. Employees who leave SGS each year of their own will. As of 2016, NTO is calculated based on permanent (fix-term and open-ended) contracts. 2. EOR = (female managers/female employees) divided by (male managers/male employees). 3. Days of sickness absence per total days worked. 4. Training and hours spent cost per total employment cost (on a constant currency basis). 5. Methodology has been updated in 2018 to cover percentage of all eligible employees. 6. As measured against 2015 Catalyst survey.

OPERATIONAL INTEGRITY	2014	2015	2016	2017	2018	2020 TARGET
Total recordable incident rate ⁷ (occurrences per 200 000)	1.11	0.65	0.53	0.40	0.41	< 0.55
Number of recordable incidents ⁸ (# of incidents)	972	590	502	394	417	–
Lost time incident frequency rate ⁹ (occurrences per 200 000)	0.60	0.38	0.27	0.23	0.25	< 0.30
Number of near misses ⁹ (# of near misses)	2 028	1 933	2 016	1 998	1 523	–
Safety training hours (# of hours)	1 053 704	1 071 352	1 632 056	1 831 206	2 142 405	–
Operational integrity Training hours (per FTE)	12.62	12.47	18.21	19.57	21.6	–
Participants in Safety Month Initiative	59 005	54 963	55 342	67 153	67 600	–

7. Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked. 8. Number of lost time, restricted duty, medical treatment incidents and fatalities. 9. 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.

CARBON EMISSIONS	2014	2015	2016	2017	2018	2020 TARGET
Total CO ₂ e emissions ¹ (thousand CO ₂ e tonnes)	214	203	187	176	168	–
Scope 1 Fuels emissions ² (vehicle and non-transport) (thousand CO ₂ e tonnes)	108	111	113	114	118	–
Scope 2 Electricity emissions ¹ (market based) (thousand CO ₂ e tonnes)	77	64	46	32	17	–
Scope 2 electricity emissions (location based) (thousand CO ₂ e tonnes)	184	191	207	212	215	–
Scope 3 Business travel emissions (thousand CO ₂ e tonnes)	29	28	28	30	33	–
CO ₂ certificates purchased (thousand CO ₂ e tonnes)	214	203	189	176	168	–
Total CO ₂ e emissions per FTE ¹ (CO ₂ e tonnes / FTE)	2.57	2.36	2.08	1.88	1.74	2.06
Total CO ₂ e emissions per revenue ³ (CO ₂ e tonnes / CHF million)	38.85	35.82	31.12	27.79	25.05	31.10

1. District heating is not included in this figure but we are working on a proper way to estimate it. 2. Vehicle and Non-transport fuels. 3. On a constant currency basis. Emissions related to district heating are currently not included in this figure. We are working on a proper way to estimate it.

ENERGY CONSUMPTION	2014	2015	2016	2017	2018	2020 TARGET
Standard electricity ⁴ (GWh)	132	107	76	59	30	–
Renewable electricity ⁵ (GWh)	219	266	333	363	416	–
Vehicle fuels energy (GWh)	332	354	360	357	368	–
Non-transport fuels energy (GWh)	127	120	118	122	131	–
Total energy consumption per employee (MWh/FTE)	9.7	9.8	9.9	9.6	9.8	–
Total energy consumption per revenue ⁶ (MWh/CHF million)	147.0	149.3	147.6	142.5	140.9	–
Electricity consumption per fte (MWh/FTE)	4.2	4.3	4.6	4.5	4.6	–
Electricity consumption per revenue ⁴ (MWh/CHF million)	63.8	65.8	68.0	66.7	66.6	–
Electricity and non-transport fuels (GWh)	477	492	526	544	–	–
Total energy (GWh)	810	847	886	902	944	1 040 ⁷

4. District heating is not included in this figure but we are working on a proper way to estimate it. 5. Vehicle and Non-transport fuels. 6. On a constant currency basis. Emissions related to district heating are currently not included in this figure. We are working on a proper way to estimate it. 7. Target based on an annual decrease of Energy per Revenue since 2016 of 1% for Building Energy and 1.5% for Vehicle Energy.



CONVERSION AND EMISSION FACTORS

IEA emission factors 2018

IPCC Fifth Assessment Report

GHG Protocol – GHG Emissions from Transport or Mobile Sources version v2.6

EPA – Emissions Factors for Greenhouse Gas Inventories

IPCC Guidelines 2006

CDP 2009 Questionnaire

DEFRA Greenhouse gas reporting: conversion factors 2018

RESOURCES AND COMPLIANCE	2014	2015	2016	2017	2018	TARGET 2020
Water purchased (million m3)	1.98	1.88	1.84	1.89	1.97	2.39 ¹
Annual water purchased per employee (m3/FTE)	23.7	21.7	20.5	20.3	20.4	–
Hazardous waste generated (metric tonnes)	10 603	12 026	11 363	10 674	12 104	–
Non-hazardous waste generated (metric tonnes)	32 865	31 159	31 527	31 067	31 378	–
Total amount of waste generated (metric tonnes)	43 467	43 184	42 890	41 741	43 482	51 752 ²
Total number of environmental incidents including significant spills	51	61	72	79	64	–
COMMUNITY	2014	2015	2016	2017	2018	2020 TARGET
Community hours (# of hours)	13 021	11 363	18 966	17 086	18 544	–
Investment in community ³ (CHF thousands on constant currency basis)	775	1 091	1 152	1 222	1 545	1007
Total community projects (# of projects)	217	222	356	305	462	–
Investment in sponsorship (CHF thousands on constant currency basis)	967	1 342	1 212	1 221	712	–

1. Absolute target is derived from the Intensity target of volume of water per revenue at constant currency. 2. Absolute target is derived from the Intensity target of volume of waste per revenue at constant currency. 3. Includes the cost of volunteering hours.



OUR APPROACH TO REPORTING

Stakeholders' and society's interest in sustainability continues to accelerate, with existing and prospective employees, customers, investors, suppliers and business partners interested in learning about how SGS is delivering value to society. We aim to provide all our stakeholders with accurate, timely, transparent and balanced information on all our sustainability actions.

REPORTING APPROACH

131

EXTERNAL ASSURANCE STATEMENT

132

GRI CONTENT INDEX

134



REPORTING APPROACH

SGS is committed to providing stakeholders with accurate and timely updates on our sustainability activities and performance, and we strive to produce a report that is fair, transparent, balanced and meets the needs of our stakeholders.

SCOPE AND BOUNDARIES

The scope of this Sustainability Report covers all regions and business lines of the SGS Group for the 2018 calendar year. A full list of SGS' affiliates can be found on pages 186-189 of our Integrated Annual Report. Unless stated otherwise, our reported data scope covers the Group business and targets for the period 1 January to 31 December 2018.

We have identified and prioritized our most material impacts to the business and to stakeholders across our value chain, and this Sustainability Report includes performance data for our direct operations and information on how we are managing the most material issues. For more information on how we define our material issues, please see pages 21-22 of this report.

Our past and present performance is disclosed in this report over a five-year period. Sometimes, historical data may differ from previous reports due to the availability of more accurate data or improved data gathering and/or reporting. In

such cases, variations in data of less than 5% are generally considered immaterial. Significant changes on prior year data are disclosed where they first appear in the report

We apply the precautionary approach to sustainability, not using the lack of full scientific certainty of environmental threats as an excuse to their prevention.

EXTERNAL STANDARDS

For the past ten years, SGS has published a Sustainability Report, and since 2015, we have integrated sustainability content into our Annual Report as we move towards a fully integrated reporting structure in line with the Integrated Reporting Framework. SGS supports the principle of integrated reporting, and we are committed to continuing to work towards that goal. Indeed, we took another step towards integrated reporting this year with the further development of our integrated leadership model, which is detailed in our Integrated Annual Report.

This report has been prepared in accordance with the GRI Standards: Comprehensive option and using the guidelines for the AA1000 Accountability Principles Standard.

SUSTAINABILITY PERFORMANCE INDICATORS

Reporting on our sustainability performance indicators in a consistent and accurate manner is

essential for transparent reporting. We follow the GRI Standards as a basis of preparation for the majority of our sustainability performance indicators. For carbon emissions-related indicators, we follow the Greenhouse Gas Protocol (GHG Protocol) Corporate Standard (financial control approach) and account for all Kyoto gases (CO₂, CH₄, N₂O, HFCs, PFCs, SF₆, NF₃). Where GRI Standards do not provide a methodology for a sustainability performance indicator, or their methodology is not appropriate, we have explained next to the indicator the methodology that we applied.

Information can be found on page 27 of this Sustainability Report in relation to our data gathering process.

ASSURANCE

External assurance of sustainability performance is an important part of our approach, and our sustainability reporting has been independently assured since 2011.

In 2018, we appointed Deloitte SA to provide independent assurance of our sustainability performance. Deloitte's Assurance Statement (pages 132-133 of this Sustainability Report) describes the work undertaken and their conclusion for the reporting period to 31 December 2018.



EXTERNAL ASSURANCE STATEMENT

REPORT ON THE EXTERNAL ASSURANCE OF SGS CORPORATE SUSTAINABILITY REPORT 2018

Independent limited assurance statement by Deloitte SA to SGS SA in accordance with ISAE 3000 (Revised) over the sustainability information presented in SGS' 2018 Sustainability Report and SGS' declarations regarding the application of the Global Reporting Initiative ("GRI") Standards at a comprehensive level in the preparation of the 2018 Sustainability Report.

WHAT WE LOOKED AT: SCOPE OF OUR WORK

SGS SA ("SGS") has engaged us to perform limited assurance over the sustainability disclosures and declaration of the application of the Global Reporting Initiative (GRI) Standards at a comprehensive level ("the Subject Matter") presented in the SGS Sustainability Report for the year ended 31 December 2018 ("the Report").

WHAT STANDARDS WE USED: BASIS OF OUR WORK AND LEVEL OF ASSURANCE

We used the International Standard for Assurance Engagement (ISAE) 3000 (Revised), issued by the International Auditing and Assurance Standards Board to carry out our limited assurance engagement on the Subject Matter. To achieve limited assurance, ISAE 3000 requires that we review the processes and systems used to compile the areas on which we provide limited assurance. This standard requires that we comply with the independence and ethical requirements and to plan and perform our assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

INHERENT LIMITATIONS

The process an organisation adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting.

Therefore, data of this nature can be subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organisations and from year to year within an organisation as methodologies develop. To support clarity in this process, SGS prepares sustainability information in accordance with the principles of the Global Reporting Initiative (GRI) Standards. Any bespoke indicators not prepared in accordance with the GRI Standards have their methodology described through caveats throughout the Report. The Report further describes SGS's approach to reporting sustainability information, including the scope and standards selected ("the Reporting Criteria"). We have carried out our assurance against this criteria and it should be read together with this report.

WHAT WE DID: KEY ASSURANCE PROCEDURES

TO FORM OUR CONCLUSIONS, WE UNDERTOOK THE FOLLOWING PROCEDURES:

Interviewed management at SGS and those with operational responsibility for sustainability performance to critically evaluate the reporting process, criteria and key controls;

Interviewed management at SGS to understand the design of controls and functionality of the group sustainability information management and reporting databases used to manage sustainability data at a corporate level ('Solaris' and 'Crystal'), and performed selected systems integrity tests to assess the accuracy of information generated by the systems;

Determined material quantitative and qualitative sustainability key performance indicators and disclosures from the 2017 Report, by considering criteria such as the outputs of the company's materiality process; peer reporting; susceptibility of misstatement due to error or fraud; whether a misstatement or control deficiency was noted in the prior-year; indicators or disclosures related to estimates and estimation methods; changes in calculation methods from prior-year;

For the determined sustainability key performance indicators (selected as per the methodology noted above and presented in Table 1 below) and a sample of related disclosures we undertook the following procedures:

- Undertook management interviews and documentation checks to understand and

test the reporting boundary and group consolidation and validation checks for complete, accurate and appropriate presentation of the information;

- reviewed the design and implementation of SGS's half year and full year data validation controls, and tested the operating effectiveness of key data validation review and sign-off controls;
- conducted trends analysis on full year data to identify and query anomalies in reported data;
- conducted sample-based substantive testing of Operational Integrity and Ethics and Compliance indicators, to assess the accuracy of data classification, in line with the group reporting criteria; and
- completed a check of related information included in the Report to identify any inconsistencies with our understanding of the business' circumstances.

Selected a sample of material qualitative disclosures throughout the Report, and tested SGS' assertions against underlying evidence. As noted above, this also included testing material qualitative disclosures which related

to the performance of the selected sustainability key performance indicators denoted in Table 1;

Checked that the Report included a GRI content index and, for each of the general disclosures and topic-specific disclosures, verify that the appropriate disclosures have been made and that they have been reported in accordance with the GRI Standards guidance, to comply the target level 'comprehensive' compliance;

Checked that the GRI disclosures and related explanations provided by management are in line with our understanding of the basis of reporting and performance of the business during the year; and

Our work did not include reviewing the Value to Society model presented on pages 29-38 of the Report. Our review of Value to Society information presented in the Report was limited to testing a sample of significant qualitative assertions through obtaining supporting evidence to assess the existence of any claims, but did not review or assess the adequacy of SGS's basis for reporting the value to society information; nor assessed the accuracy of the underlying information or assumptions of sources used.

TABLE 1: SELECTED SUSTAINABILITY KEY PERFORMANCE INDICATORS

Total number of integrity issues reported through corporate helplines (absolute number)
Natural turnover (%)
Women in leadership positions (CEO-3) (%)
Total number of fatalities (absolute number)
Total greenhouse gas emissions (Scope 1, 2, and 3) (thousand tonnes CO2e)
Total energy consumption by source (GWH)

WHAT WE FOUND: OUR ASSURANCE CONCLUSION

Based on our procedures described in this report, nothing has come to our attention that causes us to believe that the Subject Matter in the Report for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

OUR INDEPENDENCE AND COMPETENCE IN PROVIDING ASSURANCE TO SGS

We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants in their role as independent auditors, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the report. We have confirmed to SGS that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity. We have applied the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our team consisted of a combination of Auditors with professional assurance qualifications and professionals with a combination of sustainability reporting and subject matter experts including many years' experience in providing sustainability report assurance.

ROLES AND RESPONSIBILITIES

The Directors are responsible for the preparation of the information and statements contained within the Report. They are responsible for determining the goals and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Our responsibility is to independently express conclusions on the subject matters as defined within the scope of work above to SGS in accordance with our letter of engagement. Our work has been undertaken so that we might state to SGS those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than SGS for our work, for this report, or for the conclusions we have formed.



Geneva, 21 March 2019

JOËLLE HERBETTE
Partner

MATTHEW SHEERIN
Partner



GRI CONTENT INDEX

This Content Index specifies which GRI Standards have been used, which disclosures have been made and where these disclosures can be found in the report or other location.

In exceptional cases, it is not possible to disclose certain required information, in which case the reason for omission is explained below.

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly

presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.



GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 101: FOUNDATION 2016 GENERAL DISCLOSURES			
GRI 102: General Disclosures 2016	ORGANIZATIONAL PROFILE		
	102-1 Name of the organization	Page 140 of 2018 Sustainability Report	
	102-2 Activities, brands, products, and services	Pages 12-15, 17, 19 of 2018 Integrated Annual Report	
	102-3 Location of headquarters	Page 140 of 2018 Sustainability Report	
	102-4 Location of operations	Pages 186-189 of 2018 Integrated Annual Report	
	102-5 Ownership and legal form	Page 121 of 2018 Integrated Annual Report	
	102-6 Markets served	Pages 12-15, 17, 19 of 2018 Integrated Annual Report	
	102-7 Scale of the organization	Pages 12-15, 17, 19, 129 of 2018 Integrated Annual Report	
	102-8 Information on employees and other workers	Pages 17, 131 of 2018 Integrated Annual Report Pages 70, 72 of 2018 Sustainability Report	
	102-9 Supply chain	Pages 51, 54 of 2018 Sustainability Report	
	102-10 Significant changes to the organization and its supply chain	Pages 51, 54 of 2018 Sustainability Report	
	102-11 Precautionary Principle or approach	Page 131 of 2018 Sustainability Report	
	102-12 External initiatives	Page 50 of 2018 Sustainability Report	
	102-13 Membership of associations	Pages 108, 111 of 2018 Sustainability Report	
	STRATEGY		
	102-14 Statement from senior decision-maker	Page 5 of 2018 Sustainability Report	
	102-15 Key impacts, risks, and opportunities	Pages 20, 94, 104 of 2018 Sustainability Report	
	ETHICS AND INTEGRITY		
	102-16 Values, principles, standards, and norms of behavior	Page 18 of 2018 Integrated Annual Report Pages 11-12 of 2018 Sustainability Report	
	102-17 Mechanisms for advice and concerns about ethics	Pages 40, 43 of 2018 Sustainability Report	
	GOVERNANCE		
	102-18 Governance structure	Pages 79-88 of 2018 Integrated Annual Report	
	102-19 Delegating authority	Page 10 of 2018 Sustainability Report	
102-20 Executive-level responsibility for economic, environmental, and social topics	Page 10 of 2018 Sustainability Report		
102-21 Consulting stakeholders on economic, environmental, and social topics	Page 23 of 2018 Sustainability Report		
102-22 Composition of the highest governance body and its committees	Pages 79-82 of 2018 Integrated Annual Report		
102-23 Chair of the highest governance body	Page 79 of 2018 Integrated Annual Report		

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION	
GRI 102: General Disclosures 2016	102-24 Nominating and selecting the highest governance body	Page 82 of 2018 Integrated Annual Report		
	102-25 Conflicts of interest	Page 81 of 2018 Integrated Annual Report		
	102-26 Role of highest governance body in setting purpose, values, and strategy	Page 10 of 2018 Sustainability Report		
	102-27 Collective knowledge of highest governance body	Pages 79-81 of 2018 Integrated Annual Report		
	102-28 Evaluating the highest governance body's performance	Pages 84 of 2018 Integrated Annual Report		
	102-29 Identifying and managing economic, environmental, and social impacts	Pages 19, 21 of 2018 Sustainability Report		
	102-30 Effectiveness of risk management processes	Page 18 of 2018 Sustainability Report		
	102-31 Review of economic, environmental, and social topics	Pages 18, 21 of 2018 Sustainability Report		
	102-32 Highest governance body's role in sustainability reporting	Page 10 of 2018 Sustainability Report		
	102-33 Communicating critical concerns	Page 10 of 2018 Sustainability Report		
	102-34 Nature and total number of critical concerns	Page 10 of 2018 Sustainability Report		
	102-35 Remuneration policies	Pages 94-114 of 2018 Integrated Annual Report		
	102-36 Process for determining remuneration	Pages 70, 77 of 2018 Sustainability Report		
	102-37 Stakeholders' involvement in remuneration	Pages 70, 77 of 2018 Sustainability Report		
	102-38 Annual total compensation ratio	Page 117 of 2018 Integrated Annual Report		
	102-39 Percentage increase in annual total compensation ratio	Page 117 of 2018 Integrated Annual Report		
	STAKEHOLDER ENGAGEMENT			
	102-40 List of stakeholder groups	Page 23 of 2018 Sustainability Report		
	102-41 Collective bargaining agreements	Pages 70, 79 of 2018 Sustainability Report		
	102-42 Identifying and selecting stakeholders	Page 23 of 2018 Sustainability Report		
	102-43 Approach to stakeholder engagement	Page 23 of 2018 Sustainability Report		
	102-44 Key topics and concerns raised	Page 23 of 2018 Sustainability Report		
	REPORTING PRACTICE			
	102-45 Entities included in the consolidated financial statements	Pages 186-189 of 2018 Integrated Annual Report		
	102-46 Defining report content and topic Boundaries	Pages 21, 131 of 2018 Sustainability Report		
	102-47 List of material topics	Page 22 of 2018 Sustainability Report		
	102-48 Restatements of information	Pages 131 of 2018 Sustainability Report		
	102-49 Changes in reporting	Pages 131 of 2018 Sustainability Report		
	102-50 Reporting period	Pages 131 of 2018 Sustainability Report		
	102-51 Date of most recent report	Pages 131 of 2018 Sustainability Report		
	102-52 Reporting cycle	Pages 131 of 2018 Sustainability Report		
	102-53 Contact point for questions regarding the report	Page 140 of 2018 Sustainability Report		
	102-54 Claims of reporting in accordance with the GRI Standards	Page 131 of 2018 Sustainability Report		
	102-55 GRI content index	Page 134 of 2018 Sustainability Report		
	102-56 External assurance	Page 132, 133 of 2018 Sustainability Report		
	MATERIAL TOPICS			
	200 SERIES (ECONOMIC TOPICS)			
	ECONOMIC PERFORMANCE			
	GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 8 of 2018 Sustainability Report	
103-2 The management approach and its components		Page 8-15 of 2018 Integrated Annual Report		
103-3 Evaluation of the management approach		Page 8-15 of 2018 Integrated Annual Report		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Page 8 of 2018 Sustainability Report		
	201-2 Financial implications and other risks and opportunities due to climate change	Page 94, 104 of 2018 Sustainability Report		
	201-3 Defined benefit plan obligations and other retirement plans	Pages 149-155 of 2018 Integrated Annual Report		
	201-4 Financial assistance received from government	Page 50 of 2018 Sustainability Report		
MARKET PRESENCE				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Pages 17, 19 of 2018 Integrated Annual Report		
	103-2 The management approach and its components	Pages 17, 19 of 2018 Integrated Annual Report		
	103-3 Evaluation of the management approach	Pages 17, 19 of 2018 Integrated Annual Report		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Pages 70, 77 of 2018 Sustainability Report	Only for quantitative information: information unavailable. The deployment of our Global HR data management tool is under review. We are currently considering other options to report on this as of 2020	

INTRODUCTION

SUSTAINABILITY
AT SGS

OUR VALUE
TO SOCIETY

PROFESSIONAL
EXCELLENCE

PEOPLE

ENVIRONMENT

COMMUNITY

DATABANK

OUR APPROACH
TO REPORTING



GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	Pages 81, 82 of 2018 Sustainability Report	
INDIRECT ECONOMIC IMPACTS			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 36 of 2018 Sustainability Report Page 36 of 2018 Sustainability Report Page 36 of 2018 Sustainability Report	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	-	Not applicable. We don't take part in significant infrastructure investments or services support.
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	Page 36 of 2018 Sustainability Report	
PROCUREMENT PRACTICES			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 52 of 2018 Sustainability Report Page 52 of 2018 Sustainability Report Page 52 of 2018 Sustainability Report	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Pages 51, 55 of 2018 Sustainability Report	
ANTI-CORRUPTION			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report Pages 41, 125 of 2018 Sustainability Report	
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption 205-2 Communication and training about anti-corruption policies and procedures 205-3 Confirmed incidents of corruption and actions taken	Pages 40, 43, 45, 48 of 2018 Sustainability Report Pages 40, 42 of 2018 Sustainability Report Pages 40, 43 of 2018 Sustainability Report	Only for 205-3c: Information unavailable. We are working on reporting this in future reports.
ANTI-COMPETITIVE BEHAVIOR			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 50 of 2018 Sustainability Report Page 50 of 2018 Sustainability Report Page 50 of 2018 Sustainability Report	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Page 50 of 2018 Sustainability Report	
300 SERIES (ENVIRONMENTAL TOPICS)			
ENERGY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 95 of 2018 Sustainability Report Page 95 of 2018 Sustainability Report Pages 95, 128 of 2018 Sustainability Report	
GRI 302: Energy 2016	302-1 Energy consumption within the organization 302-2 Energy consumption outside of the organization 302-3 Energy intensity 302-4 Reduction of energy consumption 302-5 Reductions in energy requirements of products and services	Page 128 of 2018 Sustainability Report Pages 128, 131 of 2018 Sustainability Report Page 128 of 2018 Sustainability Report Pages 94, 96 of 2018 Sustainability Report -	Not applicable. We do not manufacture or sell products and our services do not consume energy.
EMISSIONS			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 95 of 2018 Sustainability Report Page 95 of 2018 Sustainability Report Pages 95, 128 of 2018 Sustainability Report	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 305-3 Other indirect (Scope 3) GHG emissions 305-4 GHG emissions intensity 305-5 Reduction of GHG emissions	Pages 128, 131 of 2018 Sustainability Report Pages 128, 131 of 2018 Sustainability Report Pages 94, 102, 131 of 2018 Sustainability Report Pages 128, 131 of 2018 Sustainability Report Pages 131 of the 2018 Sustainability Report	
GRI 305: Emissions 2016	305-5 Reduction of GHG emissions	Pages 131 of the 2018 Sustainability Report	
ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components	Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report	

INTRODUCTION

SUSTAINABILITY
AT SGS

OUR VALUE
TO SOCIETY

PROFESSIONAL
EXCELLENCE

PEOPLE

ENVIRONMENT

COMMUNITY

DATABANK

OUR APPROACH
TO REPORTING



GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 103: Management Approach 2016	103-3 Evaluation of the management approach	Page 41 of 2018 Sustainability Report	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Page 40, 43 of 2018 Sustainability Report	
SUPPLIER ENVIRONMENTAL ASSESSMENT			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 52 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 52 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Page 52 of 2018 Sustainability Report	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Pages 51, 57, 58 of 2018 Sustainability Report	
	308-2 Negative environmental impacts in the supply chain and actions taken	Pages 51, 57, 58, 60 of 2018 Sustainability Report	
400 SERIES (SOCIAL TOPICS)			
EMPLOYMENT			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 71 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 71 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Page 71 of 2018 Sustainability Report	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Pages 70, 73, 127 of 2018 Sustainability Report	Only for region and age group breakdown: information unavailable. The development of our global HR data management tool is under review. We are currently considering other options to report on this as of 2020.
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Pages 70, 75 of 2018 Sustainability Report	
	401-3 Parental leave	Pages 70, 75 of 2018 Sustainability Report	Only for quantitative data: information unavailable. The deployment of our Global HR data management tool is under review. We are currently considering other options to report on this as of 2020.
LABOR/MANAGEMENT RELATIONS			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 71 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 71 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Page 71 of 2018 Sustainability Report	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Page 70, 79 of 2018 Sustainability Report	
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 85 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 85 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Pages 85, 126 of 2018 Sustainability Report	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Pages 84, 85, 87 of 2018 Sustainability Report	
	403-2 Hazard identification, risk assessment, and incident investigation	Pages 84, 85, 88 of 2018 Sustainability Report	Only for 403-02b,c,d: Information unavailable. We are working on reporting this in future reports.
	403-3 Occupational health services	Pages 84, 85 of 2018 Sustainability Report	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Pages 70, 79 of 2018 Sustainability Report	
	403-5 Worker training on occupational health and safety	Pages 84, 88 of 2018 Sustainability Report	
	403-6 Promotion of worker health	Pages 70, 75 of 2018 Sustainability Report	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 84, 90 of 2018 Sustainability Report	
	403-8 Workers covered by an occupational health and safety management system	Pages 84, 89, 90 of 2018 Sustainability Report	
	403-9 Work-related injuries	Pages 84, 89 of 2018 Sustainability Report	Only for 403-09a(ii,iv,v),b,c,d: Information unavailable. We are working on reporting this in future reports.
	403-10 Work-related ill health		Information unavailable. We are working on reporting this in future reports.
TRAINING AND EDUCATION			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 71 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 71 of 2018 Sustainability Report	
GRI 404: Training and Education 2016	103-3 Evaluation of the management approach	Page 71 of 2018 Sustainability Report	
	404-1 Average hours of training per year per employee	Pages 70, 78 of 2018 Sustainability Report	Only for gender and employee category breakdowns: Information unavailable. The deployment of our Global HR data management tool is under review. We are currently considering other options to report on this as of 2020.
GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Pages 70, 78 of 2018 Sustainability Report*	
	404-3 Percentage of employees receiving regular performance and career development reviews	Pages 70, 78 of 2018 Sustainability Report	
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 82 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 82 of 2018 Sustainability Report	

*SGS provides training for retirement at Corporate level, for employees working in HQ



GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 103: Management Approach 2016	103-3 Evaluation of the management approach	Pages 82, 125-127 of 2018 Sustainability Report	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Pages 81, 82 of 2018 Sustainability Report	Only for employee age and minority breakdowns: information unavailable. The deployment of our Global HR data management tool is under review. We are currently considering other options to report on this as of 2020
	405-2 Ratio of basic salary and remuneration of women to men	-	Information unavailable. The deployment of our Global HR data management tool is under review. We are currently considering other options to report on this as of 2020
NON-DISCRIMINATION			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 41 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 41 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Pages 41, 125-127 of 2018 Sustainability Report	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Pages 40, 43 of 2018 Sustainability Report	Only for 406-1b: Information unavailable. We are working on reporting this in future reports.
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 71 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 71 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Page 71 of 2018 Sustainability Report	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Pages 45, 48, 51, 70, 79 of 2018 Sustainability Report	Only for 407-1a: Information unavailable. We are working on reporting this in future reports.
CHILD LABOR			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 46 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 46 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Pages 46, 125-127 of 2018 Sustainability Report	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Pages 45, 48, 51 of 2018 Sustainability Report	Only for 408-1a,b: Information unavailable. We are working on reporting this in future reports.
FORCED OR COMPULSORY LABOR			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 46 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 46 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Pages 46, 125-127 of 2018 Sustainability Report	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Pages 45, 48, 51 of 2018 Sustainability Report	Only for 409-1a: Information unavailable. We are working on reporting this in future reports.
SECURITY PRACTICES			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 41 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 41 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Page 41 of 2018 Sustainability Report	
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	-	Not applicable, due to the nature of SGS' operations.
HUMAN RIGHTS ASSESSMENT			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Page 46 of 2018 Sustainability Report	
	103-2 The management approach and its components	Page 46 of 2018 Sustainability Report	
	103-3 Evaluation of the management approach	Pages 46, 125-127 of 2018 Sustainability Report	
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	Pages 45, 48 of 2018 Sustainability Report	Information unavailable. We are working on reporting this in future reports.
	412-2 Employee training on human rights policies or procedures	Page 126 of 2018 Sustainability Report	

INTRODUCTION

SUSTAINABILITY
AT SGS

OUR VALUE
TO SOCIETY

PROFESSIONAL
EXCELLENCE

PEOPLE

ENVIRONMENT

COMMUNITY

DATABANK

OUR APPROACH
TO REPORTING



GRI STANDARD	DISCLOSURE	PAGE NUMBER(S) AND/OR URL(S)	OMISSION
GRI 412: Human Rights Assessment 2016	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Pages 40, 41 of 2018 Sustainability Report	Only for 412-3b: information unavailable. We are working on reporting this in future reports.
LOCAL COMMUNITIES			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 113 of 2018 Sustainability Report Page 113 of 2018 Sustainability Report Pages 113, 129 of 2018 Sustainability Report	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	-	Not applicable. We do not have operations with a significant negative impact on local communities.
GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	Page 113 of 2018 Sustainability Report	
SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 52 of 2018 Sustainability Report Page 52 of 2018 Sustainability Report Page 52 of 2018 Sustainability Report	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria 414-2 Negative social impacts in the supply chain and actions taken	Pages 51, 57, 58 of 2018 Sustainability Report Pages 51, 57, 58 of 2018 Sustainability Report	
PUBLIC POLICY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 50 of 2018 Sustainability Report Page 50 of 2018 Sustainability Report Page 50 of 2018 Sustainability Report	
GRI 415: Public Policy 2016	415-1 Political contributions	Page 50 of 2018 Sustainability Report	
CUSTOMER HEALTH AND SAFETY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	- -	Not applicable. We do not produce or sell products. Our services do not have significant health and safety impacts. Not applicable. We do not produce or sell products. Our services do not have significant health and safety impacts.
MARKETING AND LABELING			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling 417-2 Incidents of non-compliance concerning product and service information and labeling 417-3 Incidents of non-compliance concerning marketing communications	- Pages 40, 43 of 2018 Sustainability Report Page 43 of the 2018 Sustainability Report	Not applicable. We do not produce or sell products. We do not label our services or disclose information in the manner that this standard is designed for.
CUSTOMER PRIVACY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 65 of 2018 Sustainability Report Page 65 of 2018 Sustainability Report Pages 65, 126 of 2018 Sustainability Report	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Page 65, 66 of 2018 Sustainability Report	
SOCIOECONOMIC COMPLIANCE			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary 103-2 The management approach and its components 103-3 Evaluation of the management approach	Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report Page 41 of 2018 Sustainability Report	
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Pages 40, 43 of 2018 Sustainability Report	



STAKEHOLDER INFORMATION



FIND THE REPORT ONLINE AT

WWW.SGS.COM/CS-REPORT-2018

SGS SA CORPORATE OFFICE

1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 91 11
f +41 (0)22 739 98 86
www.sgs.com

INVESTOR RELATIONS SGS SA

TOBY REEKS

Senior Vice President
Investor Relations

1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 99 87
m +41 (0)79 641 83 02

sgs.investor.relations@sgs.com
www.sgs.com

CORPORATE SUSTAINABILITY AND COMMUNICATIONS

DANIEL RÜFENACHT

Group Vice President, Corporate
Communications and Sustainability

1 place des Alpes
P.O. Box 2152
CH – 1211 Geneva 1
t +41 (0)22 739 94 01
f +41 (0)22 739 98 48

corporate.sustainability@sgs.com
www.sgs.com

PROJECT TEAM

PAULA ORDOÑEZ

Global Head of Corporate
Sustainability

VICTOR PARRILLA

Global Sustainability Manager

BLANCA HURTADO

Sustainability Communications
Manager

MARÍA MONASOR DENIA

Sustainability Reporting Manager

COPYWRITING, DESIGN, PHOTOGRAPHY, REALIZATION AND PRODUCTION

Group Charlescannon Sàrl Geneva,
Switzerland

WWW.SGS.COM

WHEN YOU NEED TO BE SURE

