OUR VALUE TO SOCIETY

ENABLING A BETTER, SAFER AND INTERCONNECTED WORLD

SGS

LETTER TO OUR STAKEHOLDERS

P. Kalantzis

PETER KALANTZIS
CHAIRMAN OF THE BOARD

Frankie Ng

FRANKIE NG
CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

We are pleased to share this year's Corporate Sustainability Report with you. This report deals exclusively with SGS' sustainability performance in 2019, yet it would be remiss of us not to acknowledge the unprecedented outbreak, which is one of the most disruptive pandemics in history. We do not yet know what the full impact of the COVID-19 virus will be, medically or economically, but it is already clear that the social and economic disruptions will be deep, broad and long-lasting.

In the face of this global challenge, we are fully complying with local requirements and doing everything we can to protect our employees and their families while delivering our services to customers.

Non-financial aspects of running a business are just as important to manage as the financial ones. With the resulting risks and opportunities this creates, businesses need to increasingly ensure that sustainability is at the heart of how they do business.

SGS is widely recognized internationally for its sustainability leadership. As Industry Leader in the Dow Jones Sustainability Indices (DJSI) World and Europe for the sixth year in a row, we reinforced our position as one of the most sustainable companies in the world. We were also included in the prestigious CDP (formerly the Carbon Disclosure Project) A List. In addition, we were a CDP Supplier Engagement Leader for our actions in mitigating climate change and addressing climate risks across our entire supply chain. For the third consecutive year, we were ranked in the FTSE4Good Index and received the Platinum medal recognition from EcoVadis, along with the RobecoSam Gold Class Award.

SUSTAINABILITY AMBITIONS 2020 NEARING COMPLETION

In 2019, we continued to perform well against our Operational Integrity targets, with a 57% reduction in our Lost Time Incident Rate and a 60% reduction in our Total Recordable Incident Rate since 2014. Our natural turnover remained on target and we continued to make gradual progress towards our goal to have 30% of leadership positions held by women. We are also progressing well towards our Science Based Targets, with a 22% decrease of total greenhouse gas (GHG) emissions since 2014.

Beyond our defined goals, as signatories of the RE100 (see page 80) we increased our renewable electricity investment, maintained our Carbon Neutral status and began working with the Task Force on Climate-Related Financial Disclosures (see page 76). Further to this, we have dedicated 4.6 million hours into training our employees, and we have continued developing initiatives to protect human rights across our value chain (see page 38).

A great deal of work has already gone into planning our new Sustainability Ambitions, which will be launched in 2020 ready for 2021. Learning from our challenges and successes, we remain focused on maximizing the value we create for society and contributing to the United Nation's Sustainable Development Goals.

VALUE TO SOCIETY

Our purpose-driven leadership model places value creation at the heart of our company. By enabling a better, safer and interconnected world, we deliver value through our whole value chain for our stakeholders and wider society.

SGS is a net positive company and, for the third year running, we have monetized our value creation. This year we have calculated a total value to society of CHF 6 650 million from our direct operations and supply chain activities. And we have continued working on our methodology to calculate the value created by our services (see case studies on page 16).

LOOKING TO THE FUTURE

We would like to thank our employees and suppliers for their continued dedication and enthusiasm. Without them, we would not have been able to achieve all that we have. While we are not certain how long the crisis will last, what we are certain of is that, when we come out on the other side, the world will be better placed to face the challenges of tomorrow.

Sustainability is part of our DNA. We believe we are well equipped to manage our business in times of crisis. Our management teams are dealing with the ever-changing landscape with a calm, steady hand, controlling what we can in the immediate future and ensuring we are well placed to take full advantage of what we are confident will be a robust recovery.

Stay safe and healthy!

FOUR QUESTIONS FOR THE SUSTAINABILITY LEADERSHIP TEAM

WHAT DOES SUSTAINABILITY MEAN TO YOU?

PAULA ORDOÑEZ: For me, sustainability means taking individual responsibility for our current and future society. This implies changing mindsets and thinking twice about whether we really need all the things we are used to living with, as well as behaving ethically and respecting principles.

Aligned to this, my approach to corporate sustainability is to rethink the way business is done. This means reconsidering the role of corporations within society and fully integrating ethics into decision-making processes and fundamental principles. Additionally, organizations must recognize that their role is no longer delivering shareholder value alone, but creating value for all stakeholders and giving back, at the very least, what their operations take from society.

WHAT IS DIFFERENT ABOUT THE SGS APPROACH TO SUSTAINABILITY?

DANIEL RÜFENACHT: At SGS, we are convinced that behaving sustainably benefits our organization, our customers and society. As part of our culture and policies, sustainability at SGS is not imposed, it is embraced by the different affiliates and functions across the Group. Senior leaders discuss sustainability in the same way as other topics on their agenda, and, at the local level, management runs our sustainability programs and initiatives because they believe they are good for their employees, business and ultimately for society.

IN YOUR OPINION, HOW IMPORTANT IS IT THAT SGS IS A SUSTAINABILITY LEADER?

PAULA ORDOÑEZ: As a demonstrated sustainability leader, we are making the commitments made by SGS, and the TIC industry, tangible. This fact increases the value of the services we provide and allows our customers to engage with a service provider that shares their principles and reputational interests. This ultimately enhances our own reputation and brand value. Internally, it creates a sense of belonging, nurtures our culture and motivates our employees to improve the way they work, fostering cross-function collaborations and making the organization more efficient and resilient to change.

For these reasons, we are always seeking to retain our leadership position, although it is not an easy task. Sustainability leadership requires us to continually challenge the Group, to embrace different and more demanding initiatives each year, and to make decisions that will drive deep business transformation.

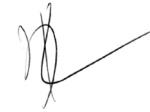**WHICH 2019 ACHIEVEMENTS ARE YOU MOST PROUD OF?**

PAULA ORDOÑEZ: There are two 2019 achievements that demonstrate the high-level SGS is reaching in terms of sustainability analysis and reporting, and I am immensely proud of them both. Firstly, it has always been important to us to quantify our value to society, and each year we take great leaps forward in this regard. Although we still have a long way to go, we have now positioned SGS as a pioneer of impact valuation methodology. We see demonstrating the value that we add to society as central to our sustainability leadership.

Secondly, this year we were also awarded PwC's Best Integrated Report in Switzerland. We adopted the Integrated Reporting Framework in 2015, and since then we have continued to further develop our reporting structure. We are very proud of this award as it is a wonderful recognition of our relentless drive to improve and set the benchmark, year-after-year.

DANIEL RÜFENACHT: I am particularly proud of being named DJSI Sustainability Leader for our industry again. But this year, we have gone beyond this and are now positioned as a top performer in the three evaluated dimensions versus our cross-industry peers, which reach beyond the TIC industry alone.

I would also like to emphasize our serious approach to climate change and the way we integrated it into our core programs. We have devotedly worked on embedding sustainability risks assessment into the organization and the adoption of the Task Force on Climate-related Financial Disclosures (TCFD) principles. In recognition of all our hard work in this area, we were awarded CDP A List status.

Finally, I would like to highlight the strong commitment of the functions and affiliates to deliver high-performing sustainability programs. Every year, these teams go much further than is required and really take ownership for integrating the programs into their operations. Without them, all these achievements would not have been possible. Thank you to you all.

DANIEL RÜFENACHT
GROUP VP CORPORATE COMMUNICATIONS AND SUSTAINABILITY

PAULA ORDOÑEZ
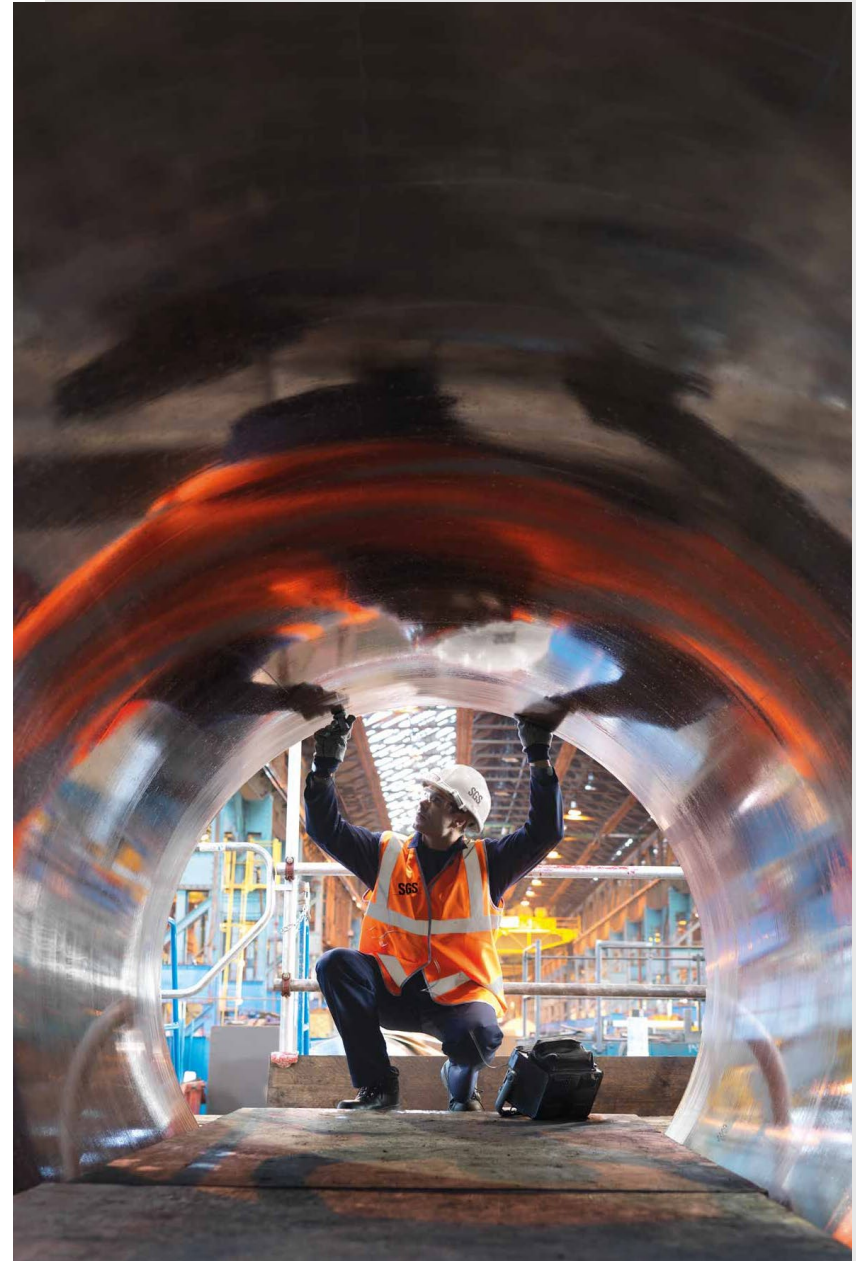**GLOBAL HEAD OF CORPORATE SUSTAINABILITY**

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OUR BUSINESS

The TIC industry is pivotal in creating value for society and as industry leaders, we play a key role. We recognize that our value to society is enabling a better, safer and interconnected world.

SUSTAINABILITY REPORT 2019

SGS AT A GLANCE

Wherever you are in the world, in whatever industry, you can rely on our international teams of experts to provide specialized solutions to make your business faster, simpler and more efficient.

OUR PURPOSE
Enabling a better, safer and interconnected world.

OUR VISION
We aim to be the most competitive and the most productive service organization in the world.

OUR VALUES
We seek to be characterized by our passion, integrity, entrepreneurialism and innovative spirit, as we strive to fulfill our vision.

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 add value to society across our supply chain and direct operations, while offering services that help our customers achieve their own sustainability objectives. Our Impact Valuation Framework (➡ see page 13) aims to quantify and give a monetary value to our positive and negative impacts on society beyond our financial return.

OUR INDUSTRIES

SGS is active in virtually all sectors of the economy. We provide a wide range of inspection, verification, testing and certification services across all stages of the value chain.

OIL AND GAS
Innovative solutions that add up along the value chain.

MINING
Delivering expert services to improve speed to market, manage risks and maximize returns.

ENERGY
Powering processes in renewables and conventional energy.

CHEMICAL
Innovation, optimization and efficiency in everything from feedstocks to finished products.

AGRICULTURE AND FOOD
Innovative safety, quality and sustainability solutions for supply chains.

INDUSTRIAL MANUFACTURING
Making manufacturing more productive and profitable.

CONSTRUCTION
Ensuring safety and performance in the environment where we work and live. Safe, efficient and trusted processes are essential when constructing buildings or infrastructure.

CONSUMER GOODS AND RETAIL
Generating trust throughout the supply chain. Our services enable manufacturers, exporters, importers and retailers to gain a competitive edge.

TRANSPORTATION
Driving a safer, cleaner and more efficient industry.

LIFE SCIENCES
Safeguarding the quality and efficacy of medicines.

PUBLIC SECTOR
Facilitating trade and sustainable development, protecting society against fraud and economic crime.

+94 000*
Employees
*Full-time equivalent

+2 600
Offices and laboratories

1
Global network

SUSTAINABILITY HIGHLIGHTS

SGS is best-in-class for sustainability performance.

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MANJIT JUS

GLOBAL HEAD OF ESG RESEARCH & DATA, S&P GLOBAL*

We congratulate SGS for being included in the both the DJSI World and DJSI Europe. The SAM Corporate Sustainability Assessment (CSA) has again raised the bar in identifying those companies best-positioned to address future sustainability challenges and opportunities. This year – which marks the 20th anniversary of the DJSI – record corporate interest in the SAM CSA reflects the enduring relevance of the DJSI for measuring and advancing ESG practices.

* S&P recently acquired RobecoSAM

ACHIEVEMENTS

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

SGS named industry leader by the Dow Jones Sustainability Index for the sixth year

SAM
Sustainability Award
Gold Class 2020

SGS received the RobecoSAM gold class award for its excellent sustainability performance

FTSE4Good

SGS included in the FTSE4GOOD index for the third year

CDP A LIST 2019 CLIMATE

SGS awarded CDP A List status

CDP SUPPLIER ENGAGEMENT LEADER 2019

SGS named as CDP Supplier Engagement Leader

For the third year running, SGS is a net positive company

PLATINUM Top 1% 2020 ecovadis CSR Rating

SGS received the new platinum rating from Ecovadis

17 197
Volunteering hours donated to community projects

CHF 1.41 mio
Invested in communities around the world

0.26
LTIR[1] (calculated over 200 000 hours) decreased by 57% since 2014

1. Lost Time Recordable Incident Rate

0.44
TRIR[2] (calculated over 200 000 hours) decreased by 60% since 2014

2. Total Recordable Incident Rate

CHF 6 650 mio
Estimated positive value to society

Carbon neutral
SGS maintained its status as a carbon neutral company

25%
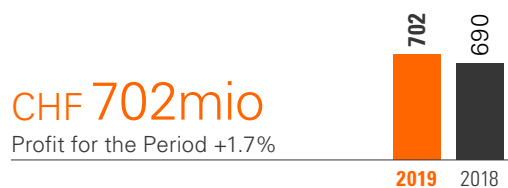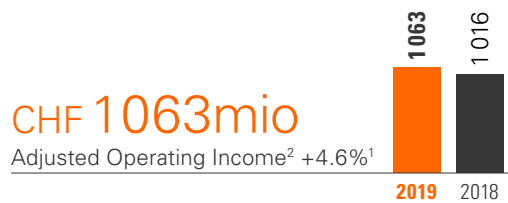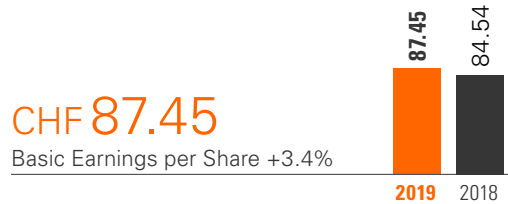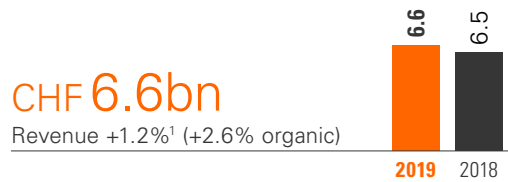Decrease in total greenhouse gas emissions against a 2014 baseline

PARTNERSHIPS

wbcsd   CLIMATE NEUTRAL NOW MEASURE REDUCE OFFSET   RE   WASH Pledge

ECONOMIC PERFORMANCE

Our economic performance directly influences our ability to maintain a long-term, profitable business and to distribute wealth.

See our   for a comprehensive account of our economic performance.

6.6 | 6.5

CHF 6.6bn
Revenue +1.2%[1] (+2.6% organic)

2019 | 2018

87.45 | 84.54

CHF 87.45
Basic Earnings per Share +3.4%

2019 | 2018

1063 | 1 016

CHF 1063mio
Adjusted Operating Income[2] +4.6%[1]

2019 | 2018

702 | 690

CHF 702mio
Profit for the Period +1.7%

2019 | 2018

1. Constant currency (CCY). 2. Before amortization of acquired intangibles and non-recurring items.

(CHF million)	2017	%	2018	%	2019	%
ECONOMIC VALUE GENERATED						
Revenue	6 349		6 706		6 600	
Financial and other income	14		18		286[3]	
TOTAL ECONOMIC VALUE GENERATED	6 363	100.00	6 724	100.00	6 886	100.00
ECONOMIC VALUE DISTRIBUTED						
EMPLOYEE WAGES AND BENEFITS						
Salaries and wages	3 193		3 442		3 357	
Total employee wages and benefits	3 193	50.18	3 442	50.89	3 357	48.75
OPERATING EXPENSES						
Subcontractors' expenses	394		387		386	
Depreciation, amortization and impairment	338		317		548	
Other operating expenses	1 499		1 597		1 460	
Total operating expenses	2 231	35.06	2 301	34.22	2 394	34.77
PAYMENTS TO SHAREHOLDERS AND LENDERS						
Financial expenses	57		58		79	
Dividends paid[4]	632		632		646	
Total payments to shareholders and lenders	689	10.83	690	10.26	725	10.53
PAYMENTS TO GOVERNMENT						
Income taxes	187		218		315	
Other taxes	30		36		34	
Total payments to government	217	3.41	254	3.78	349	5.07
PAYMENTS TO COMMUNITY						
Community contributions & charitable donations	1		1		1	
Total payments to community	1	0.02	1	0.01	1	0.01
TOTAL ECONOMIC VALUE DISTRIBUTED	6 331	99.50	6 668	99.17	6 826	99.13
ECONOMIC VALUE RETAINED	32	0.50	56	0.83	60	0.87

3. Financial and other income includes gain on sales of businesses for CHF 268 million. 4. Dividends due to non-controlling interests and to shareholders as proposed by the Board of Directors.

HOW SGS DISTRIBUTES WEALTH

EMPLOYEE SALARIES

GOVERNMENT TAXES

PROFIT, INVESTOR DIVIDENDS AND RESERVES

CHARITABLE DONATIONS

ROLE OF SUSTAINABILITY ON ECONOMIC PERFORMANCE

REDUCED OPERATING COSTS

RISK MITIGATION

IMPROVED BRAND VALUE

INCREASED CUSTOMER TRUST AND LOYALTY
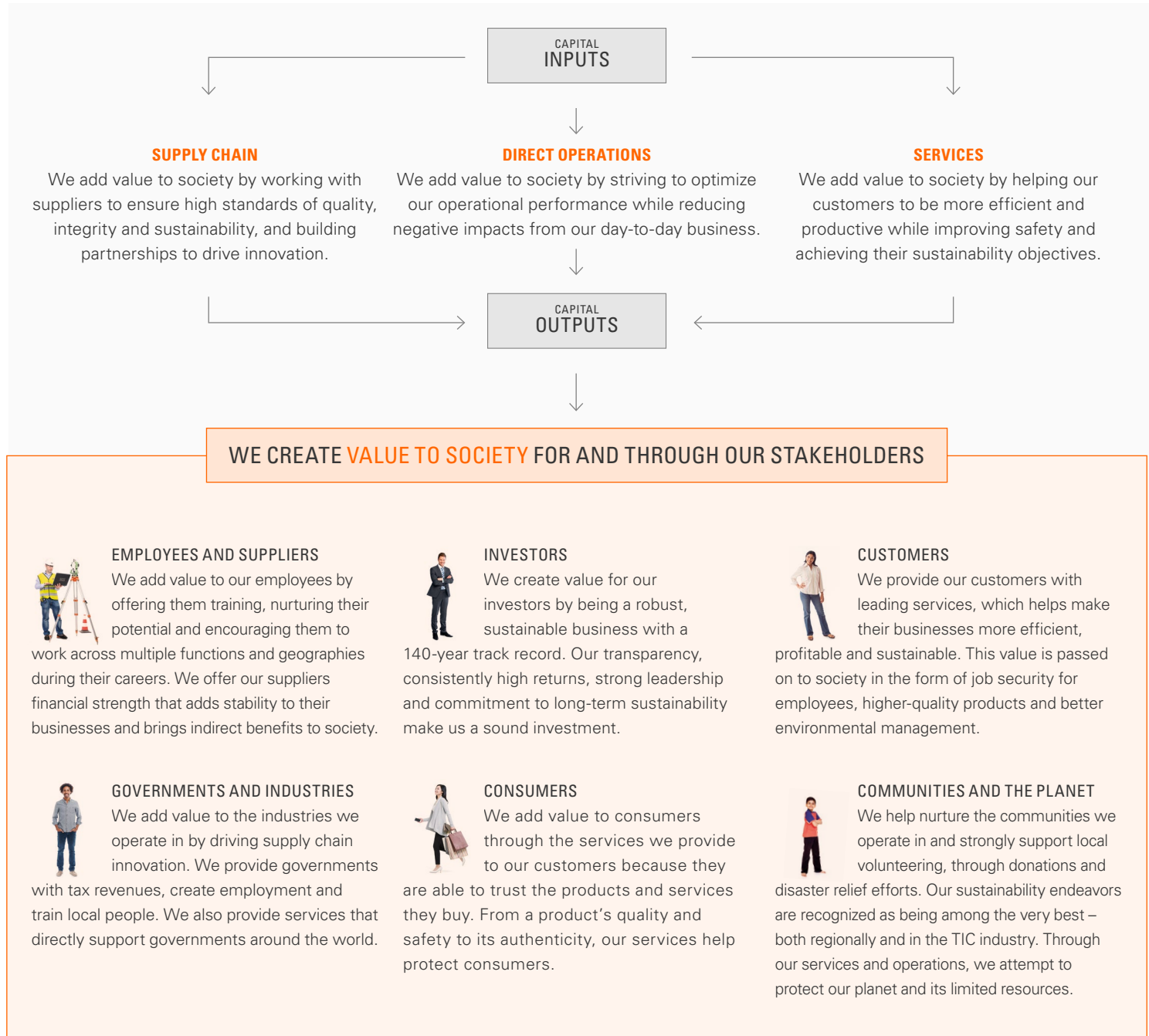
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DOMINIK DE DANIEL
CHIEF FINANCIAL OFFICER

Companies that integrate environmental and social aspects into their strategy better mitigate risk and can improve their long-term financial performance.

OUR PURPOSE-DRIVEN LEADERSHIP MODEL

Our value to society is to enable a better, safer and interconnected world. We achieve this directly through our operations and services, while at the same time we work with our suppliers to deliver value throughout our supply chain. Ultimately, all our activities create value for our stakeholders.

CAPITAL INPUTS

SUPPLY CHAIN
We add value to society by working with suppliers to ensure high standards of quality, integrity and sustainability, and building partnerships to drive innovation.

DIRECT OPERATIONS
We add value to society by striving to optimize our operational performance while reducing negative impacts from our day-to-day business.

SERVICES
We add value to society by helping our customers to be more efficient and productive while improving safety and achieving their sustainability objectives.

CAPITAL OUTPUTS

WE CREATE VALUE TO SOCIETY FOR AND THROUGH OUR STAKEHOLDERS

EMPLOYEES AND SUPPLIERS
We add value to our employees by offering them training, nurturing their potential and encouraging them to work across multiple functions and geographies during their careers. We offer our suppliers financial strength that adds stability to their businesses and brings indirect benefits to society.

INVESTORS
We create value for our investors by being a robust, sustainable business with a 140-year track record. Our transparency, consistently high returns, strong leadership and commitment to long-term sustainability make us a sound investment.

CUSTOMERS
We provide our customers with leading services, which helps make their businesses more efficient, profitable and sustainable. This value is passed on to society in the form of job security for employees, higher-quality products and better environmental management.

GOVERNMENTS AND INDUSTRIES
We add value to the industries we operate in by driving supply chain innovation. We provide governments with tax revenues, create employment and train local people. We also provide services that directly support governments around the world.

CONSUMERS
We add value to consumers through the services we provide to our customers because they are able to trust the products and services they buy. From a product's quality and safety to its authenticity, our services help protect consumers.

COMMUNITIES AND THE PLANET
We help nurture the communities we operate in and strongly support local volunteering, through donations and disaster relief efforts. Our sustainability endeavors are recognized as being among the very best – both regionally and in the TIC industry. Through our services and operations, we attempt to protect our planet and its limited resources.

How we create value to society through our leading testing, inspection and certification services

Our services add value to society by reducing risk, improving efficiency, safety, quality, productivity and sustainability, as well as advancing speed to market and creating trust.

MEGATRENDS

SGS has outlined five interconnected megatrends that are the most influential on the way we live and do business. While their pace and impact may vary, our responsibility is to anticipate and integrate them into our long-term strategic thinking.

CLIMATE CHANGE
Creates droughts and floods and potentially impacts communities, especially in developing countries.

RAPID URBANIZATION
Demands more space and resources, potentially impacting the economy, environment and quality of life.

POPULATION AND SOCIAL TRENDS
Empowering the next generation is critical to meeting the social challenges associated with population growth.

ECONOMIC GROWTH
The challenge is to balance economic growth and prosperity with finite natural resources.

TECHNOLOGICAL DISRUPTION
Advancing technologies are continuing to revolutionize our lives, while attacks on security gaps can cause considerable damage.
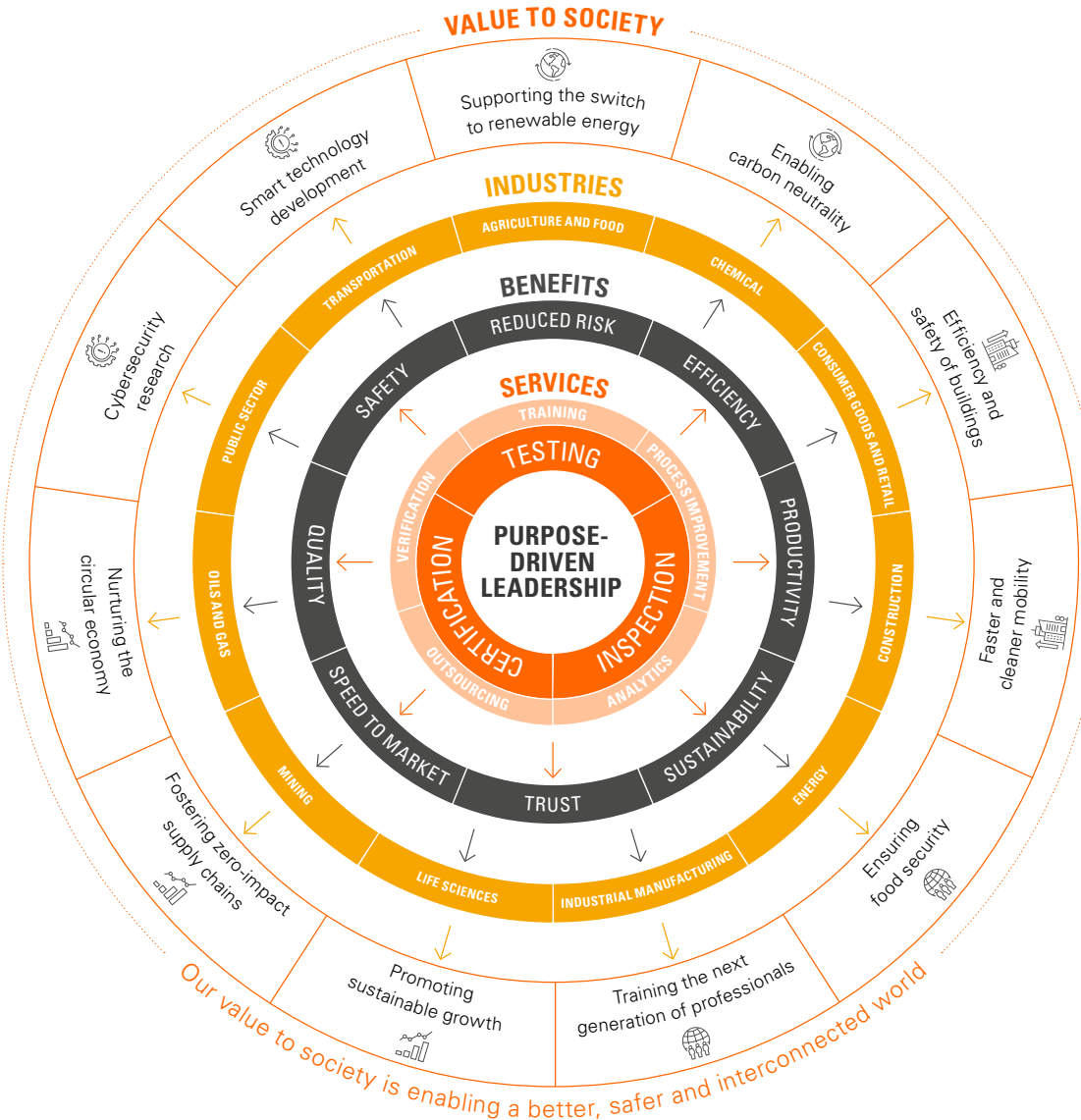
See our
for full descriptions of the megatrends
influencing SGS.

OUR BUSINESS MODEL

MEGATRENDS INFLUENCING OUR DECISION MAKING

CLIMATE CHANGE

RAPID URBANIZATION

POPULATION AND SOCIAL TRENDS

ECONOMIC GROWTH

TECHNOLOGICAL DISRUPTION

WE CREATE VALUE TO SOCIETY

OUR GLOBAL DRIVERS

SUSTAINABILITY REPORT 2019

OUR VALUE TO SOCIETY

OUR INPUTS

FINANCIAL
The pool of funds available to us

CHF 690mio	CHF 290mio	CHF 6327mio
Profit (prior year)	CAPEX	Total assets

MANUFACTURED
Infrastructure, equipment and tools

+2600	CHF 2.2bn
Offices and laboratories	Procurement spend

INTELLECTUAL
Organizational, knowledge-based intangibles

43	CHF 1468mio	
Innovation projects	Goodwill and other intangible assets	SGS Campus

HUMAN
The skills and know-how of our employees

+94000		
Employees	SGS Recruiter Academy	SGS Rules for Life

SOCIAL AND RELATIONSHIP
Our relationships with our stakeholders

	+800000	
SGS Community Program	Customers	Global Stakeholder Survey

NATURAL
The natural resources we need to operate

451GWh	1.9mio m³	483GWh
Electricity consumed	Water consumed	Fuel consumed

OUR BUSINESS MODEL

ENABLING A BETTER, SAFER AND INTERCONNECTED WORLD

Testing, inspection and certification services allow businesses around the world to make informed decisions. Our experts enable businesses to make positive impacts on society.

TESTING   INSPECTION   CERTIFICATION

9 BUSINESSES

11 INDUSTRIES

6 BUSINESS PRINCIPLES

+140 COUNTRIES

OUR OUTPUTS

FINANCIAL
Long-term shareholder value creation

CHF 6.6bn	CHF 870mio	16.1%
Revenue	Free cash flow	Adjusted operating income margin

MANUFACTURED
Efficient and sustainable services

1st	20
Laboratory moved to automated AI	Laboratories using World Class Services

INTELLECTUAL
Expertise and innovative solutions

4.6mio		
Hours of training	SGS Cyberlab	SGS IoT Center

HUMAN
Diverse leaders in a safe working environment

26.7%	0.44	13.6%
Women in leadership	Total Recordable Incident Rate	Natural turnover

SOCIAL
Meaningful stakeholder engagement and strong brand and reputation

1.41mio		91%
Community investment	Enriched Business Materiality Matrix	Satisfaction score in our Voice of the Customer surveys

NATURAL
Carbon neutrality, limited waste and wastewater

159800	54000
Metric tonnes of CO_2e	Metric tonnes of total waste generated

OUR VALUE

- CHF 306mio taxes paid to governments
- CHF 604mio in dividends proposed to our shareholders
- CHF 3 357mio paid in wages to our employees

- Enhancing infrastructure efficiency, integrity and safety
- Emphasizing sustainable capital investment
- Facilitating safer and cleaner mobility

- Enhancing career opportunities through training
- Improving knowledge through innovation
- Empowering clients through training and education

- Protecting the health of employees through Operational Integrity excellence and well-being programs
- Reducing social risks by reinforcing human rights compliance
- Ensuring food, medicine and product safety

- Creating trust in society with our services
- Bringing peace of mind to our customers
- Offering local community support
- Helping governments combat fraud and protect resources

- Having a carbon neutral strategy
- Minimizing resource depletion
- Protecting the environment

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 to make better strategic decisions, we have developed the SGS Impact Valuation Framework. This aims to quantify and monetize our positive and negative impacts on society beyond our financial return.

QUANTIFYING OUR VALUE TO SOCIETY

Value to society is central to our purpose-driven leadership approach and strategic decision-making process (➡ see page 9). We recognize that our long-term success depends on our capacity to deliver sustainable value not just to our shareholders but to all our stakeholders simultaneously. We achieve this by providing services and managing our operations and supply chain in such ways that we can contribute to the mitigation of global negative impacts. We enable our customers' businesses to be more efficient and more sustainable, while at the same time continually developing SGS as a sustainable business with a positive role in society.

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. However, these metrics have been questioned as they only give a partial picture of wealth and performance. Nowadays, there is a global consensus that we need to build suitable indicators to address new global challenges, such as climate change, resource depletion, health and quality of life.

In SGS, we have developed a methodology to move beyond GVA measurement: our Impact Valuation Framework. This methodology allows us to measure the value of our non-financial performance and guides us in maximizing our positive impact and minimizing our negative impact. It provides us with a more holistic view of the value we add, beyond our financial return.

By measuring our value to society in a non-abstract, concrete and systematic way we are overcoming the shortcomings of traditional economics to effectively measure society prosperity and well-being alongside wealth and performance.

HOW WE MEASURE OUR VALUE TO SOCIETY

According to the Integrated Reporting Framework developed by the International Integrated Reporting Council (IIRC), organizations depend on various forms of capital for their success. Financial, manufactured, intellectual, human, social and relationship, and natural 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.

The SGS Impact Valuation Framework values the societal impacts that result from SGS-driven activities in these six capitals and measures them in a common unit: the Swiss Franc. These impacts can be either positive or negative in order to reflect an associated benefit or cost. In order to calculate our impact on each capital, we use a set of 31 measurable key performance indicators. These relate to specific corporate-level performance indicators, such as CO_2 emissions, sickness absence and research and development (➡ see page 14).

SGS' impacts are explored across the entire value chain: our direct 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.

TWO-FOLD PURPOSE OF THE SGS IMPACT VALUATION FRAMEWORK

Our Impact Valuation Framework has been developed to meet a two-fold purpose: to measure the impacts of our non-financial performance both inside SGS (Value to SGS) and outside SGS (Value to Society).

VALUE TO SGS:
It is used to make internal reports to measure in monetary terms our non-financial performance, and to demonstrate the influence of our sustainability actions. These reports, (internally called "Green Book Reports"), convey the meaning of Value to SGS to top management, promoting a culture of informed, holistic decision-making.

VALUE TO SOCIETY:
It is used to measure in monetary terms, the positive and negative impacts that our activities have on society. Although this is not currently intended to be used as a financial accounting tool, it gives us the potential to enable better strategic decision-making and to generate a virtuous cycle, so that we can add ever-greater value to society.

EXAMPLE BUSINESS ACTIVITY: TRAINING

- ✔ Increased skills and productivity
- ✔ Talent retention
- ✔ Increased employability
- ✔ Increased household income

THE SGS IMPACT VALUATION FRAMEWORK: CAPITALS & INDICATORS

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.

We measure (KPIs):
- Profitability
- Employment costs
- Taxes

MANUFACTURED CAPITAL

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

We measure (KPIs):
- Asset maintenance
- Market movements

INTELLECTUAL CAPITAL

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

We measure (KPIs):
- Training
- Knowledge development
- Employee turnover
- Research and development

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.

We measure (KPIs):
- Health and well-being management
- Diversity and equal opportunities
- Salary schemes and benefits
- Volunteering
- Employee engagement
- Overtime
- Sickness absence
- Occupational safety
- Human rights compliance

SOCIAL AND RELATIONSHIP CAPITAL

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

We measure (KPIs):
- Local community investment
- Customer relationship management (CRM) and data security
- Supplier relationship management (SRM)
- Supplier stress
- Substandard services

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.

We measure (KPIs):
- GHG emissions
- Carbon neutrality
- Water management
- Waste management
- Environmental incidents
- Air pollution
- Resource depletion
- Land use change

OUR VALUE TO SOCIETY

OUR VALUE TO SOCIETY RESULTS

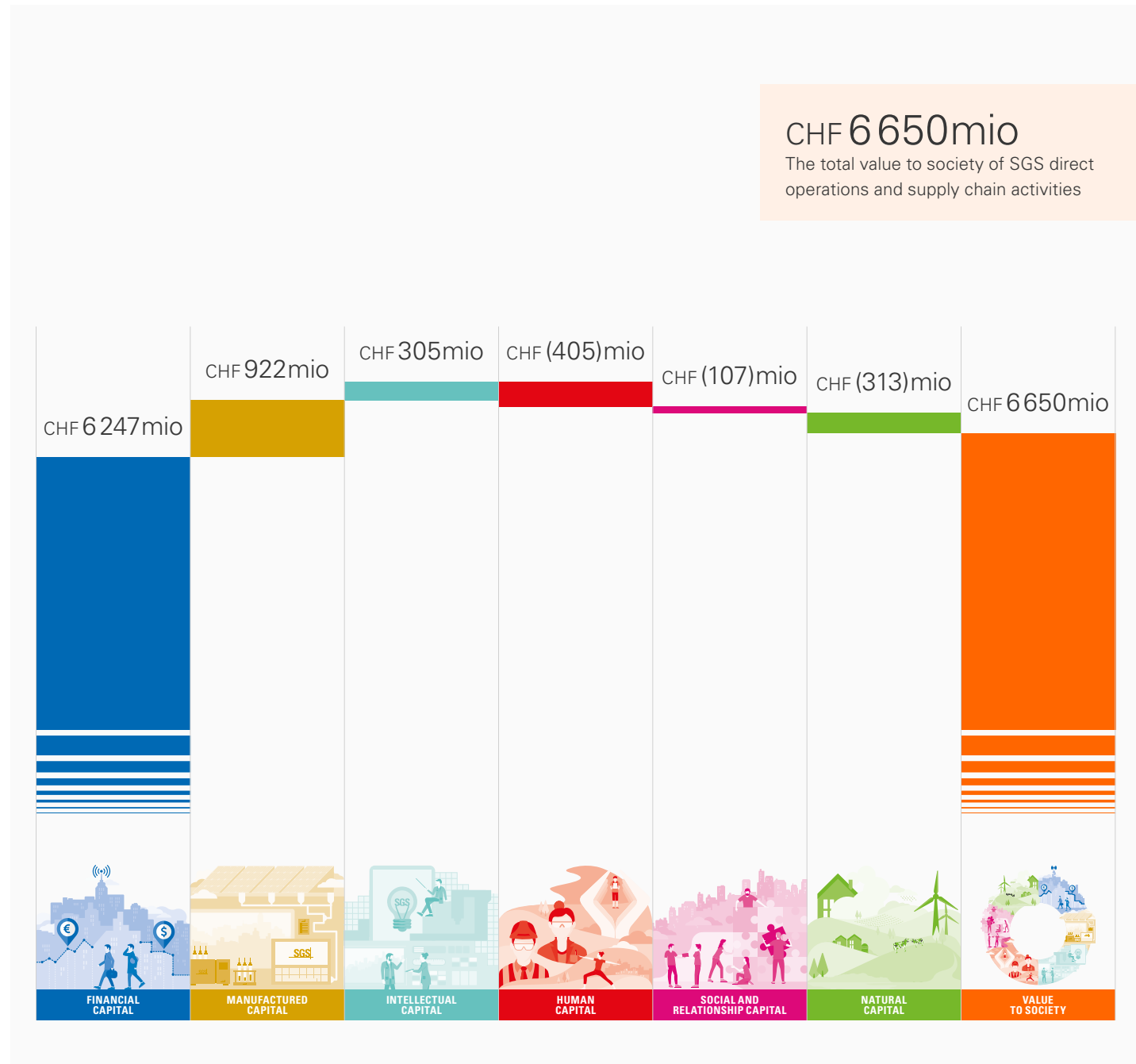## VALUE TO SOCIETY FROM OUR DIRECT OPERATIONS AND SUPPLY CHAIN

Our calculations[1] demonstrated that SGS generated +CHF 7 641 million of positive societal benefit, primarily created through profit generation, the paying of taxes and wages, and training and development programs. We also generated CHF 991 million of negative societal impacts, which were primarily driven by the SGS supply chain's environmental footprint. SGS' positive impacts were primarily driven by the Company's own operations, which accounted for 69% of the total positive impacts.

ASSESSING OUR COMPLETE VALUE CHAIN

Our same innovative methodology that we currently use to analyze the value to society of our operations and supply chain in monetary terms can also be adapted for our services. Our diverse service portfolio and geographic spread make impact valuation at a global level extremely complex. We are currently developing this analysis and once it can be included, we expect to see a significant increase in our Value to Society, as many of our services support other businesses in delivering positive outcomes for 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. Six examples of these calculations are provided as cases studies (see the following page).

1. Value to society is calculated on 2018 figures.

CHF 6 650 mio
The total value to society of SGS direct operations and supply chain activities

FINANCIAL CAPITAL	MANUFACTURED CAPITAL	INTELLECTUAL CAPITAL	HUMAN CAPITAL	SOCIAL AND RELATIONSHIP CAPITAL	NATURAL CAPITAL	VALUE TO SOCIETY
CHF 6 247 mio	CHF 922 mio	CHF 305 mio	CHF (405) mio	CHF (107) mio	CHF (313) mio	CHF 6 650 mio

IMPACT VALUATION FRAMEWORK CASE STUDIES

OUR VALUE TO SOCIETY

BLUESIGN® TEXTILES ENVIRONMENTAL RISK MANAGEMENT

Bluesign®, a member of the SGS Group, provides the textile industry with a systematic approach to measuring and improving the risks and impacts associated with the use of chemicals and resources when creating end products from raw materials. The Bluesign® methodology takes into account the entire production process and minimizes the impacts on people and the environment.

The environmental benefits of Bluesign® include reduced water consumption, minimized water pollution and less energy usage. Using our SGS Impact Valuation Framework, we have estimated that Bluesign® services provided to a selected sample of 187 textile mills contributed to a natural capital enhancement of CHF 519 million.[1,2]

OUR VALUE TO SOCIETY

ENERGY MANAGEMENT CERTIFICATION

By assessing companies against ISO 50001 Energy Management Systems Certification, SGS is helping to improve their energy efficiency. Through the implementation of an effective energy management system, organizations can conserve resources, save money and contribute to tackling climate change.

In 2018, we helped around 1 000 companies achieve ISO 50001 certification, avoiding more than 8 million tons of CO_2 emissions, which equates to an estimated value to society of CHF 608 million.[1,3]

OUR VALUE TO SOCIETY

SEED AND CROP SERVICES

Precision agriculture and fertility management solutions help the agricultural sector to effectively use sustainable practices to reduce resource usage, while increasing the production to meet changing demands due to global population growth and new food habits.

We achieve this through solutions such as agronomy services, precision farming and soil and water analysis. Thanks to these solutions, society benefits in a number of ways. With reduced fertilizer usage there is less water pollution. By helping to optimize the use of water in the agricultural sector, public water shortages and the associated vulnerabilities are diminished. Finally, by enhancing crop yields, farmers are more effective and productivity is maximized.

In South America and Africa alone, we delivered an estimated value to society of CHF 2.4[1] billion in natural capital through reduced fertilizer and water usage, and CHF 2.1[1] billion in financial capital through increased farm productivity.

1. Relates to 2018 figures. 2. This estimate does not calculate positive impacts and Human Capital value created resulting from risk avoidance e.g. employee and consumer incidents, avoided injuries, fatalities, infringements on labor rights, and occupational hazards. These impacts will be evaluated in an upcoming enhanced evaluation. 3. To calculate the value to society derived from avoided emissions we use the 'social cost of carbon', i.e. the monetary value of negative outcomes such as decreased agricultural productivity, extreme weather conditions and risks to human health associated with the release of one ton of greenhouse gas emissions.

SGS VEHICLE INSPECTION SERVICES

SGS ensures public and private vehicles are compliant with safety and emission standards issued by regulatory authorities. SGS tests more than 25 million vehicles annually, and as a result, reduces road accidents in 15 countries. This provides enormous associated positive economic impacts by saving lives, protecting well-being, reducing medical and insurance costs, and avoiding damage to property, for example.

Similarly, air pollution has been minimized by limiting the circulation of over-polluting vehicles. This in turn prevents damage to human health and ecosystems and the associated economic and social costs. The value to society derived from our Vehicle Inspection Services amounts to CHF 125 million[1] for natural capital, CHF 1 400 million[1] for Human Capital, CHF 100 million[1] for manufactured capital and CHF 590[1] million for financial capital.

SGS ACADEMY

Through the SGS Academy we deliver professional training that contributes to knowledge development. Our courses cover a wide range of topics, from health and safety to leadership and process management. Graduates gain the skills and knowledge to stay up-to-date with industry regulations and best practice, giving them the opportunity to advance their careers.

When companies enroll their employees in SGS Academy training courses they benefit from talent development and retention, enhanced service quality, competitiveness and productivity, and reduced employee risks. We have calculated this economic benefit to our customers as delivering a value to society of CHF 260[1] million in Financial Capital. At the same time, course attendees are benefiting from better career opportunities and increased employability. This increases their potential to earn higher salaries, which in 2018 brought with it a value to society of CHF 130[1] million in intellectual capital.

SOCIAL RESPONSIBILITY AUDITS

SGS Social Responsibility Audits assess the controls that companies have in place to prevent issues such as forced labor, discrimination and sexual harassment, that in turn generate significant economic and social costs. These audits are performed against third-party standards and corporate codes of conduct and include corrective action monitoring.

We assess the value to society derived in terms of improvements to societal well-being in the areas of forced labor, and discrimination and sexual harassment, applying an effectiveness coefficient to take into account that they are only partially responsible for the prevention of poor working conditions or human rights violations. Our estimated 2018 value to society as a result of the decreased prevalence of these three issues was CHF 504[1] million in avoided costs.

1. Relates to 2018 figures.

COMMITMENT TO INCREASING OUR POSITIVE IMPACT ON SOCIETY

This cutting-edge approach allows us not only to benchmark our overall holistic performance but to observe strengths and weaknesses, and to get granular in identifying areas in which we can improve our performance. As our Value to Society model matures, it enables us to create a baseline against which to compare future results and gives us a platform for observing year-on-year progression.

Aligned to our purpose-driven leadership approach, we encourage managers across SGS to prioritize double-positive actions that have the potential to add value to society and SGS. We are committed to continuing to develop our Impact Valution Framework, to support our business with evidence based analysis that enables Group double-positive decision making.

The way we measure and value the impact of our organization on society is breaking new ground. We continue to invest in and to refine our methodology with the goal of making better decisions and increasing the positive impact of our organization on society.
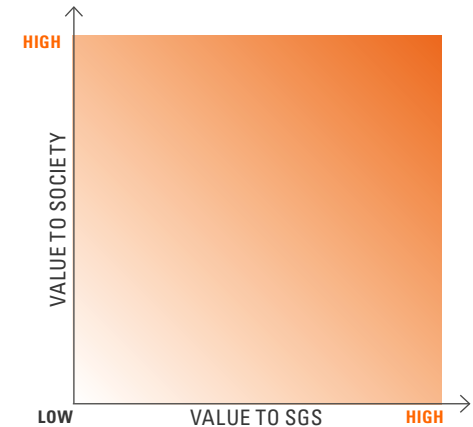
DANIEL RÜFENACHT
GROUP VP CORPORATE COMMUNICATIONS AND SUSTAINABILITY

New generations of clients, employees and investors are requesting companies to have a positive impact on society. At SGS, creating value for society is the essence of our brand and our value proposition.

SUSTAINABILITY AT SGS

Remaining a sustainable business is at the heart of our activities. Through our purpose-driven leadership and using our scale and expertise, we are committed to delivering value to society and enabling a more sustainable future. We minimize our impact on the environment throughout the value chain, while positively investing in the communities in which we operate.

OUR APPROACH TO SUSTAINABILITY

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.

For more information on our Business Principles, see page 15 of our

To ensure that we have clearly defined commitments in relation to Sustainability, we have an associated Policy Statement, as we do for all our Business Principles. The Sustainability Principle and the Corporate Sustainability Policy Statement are owned by one Operations Council Member to ensure they are effectively delivered throughout the SGS Group. Our sustainability commitments are further defined through a more detailed suite of Operational Policies, each of which adds clarity to key areas of sustainability within SGS.
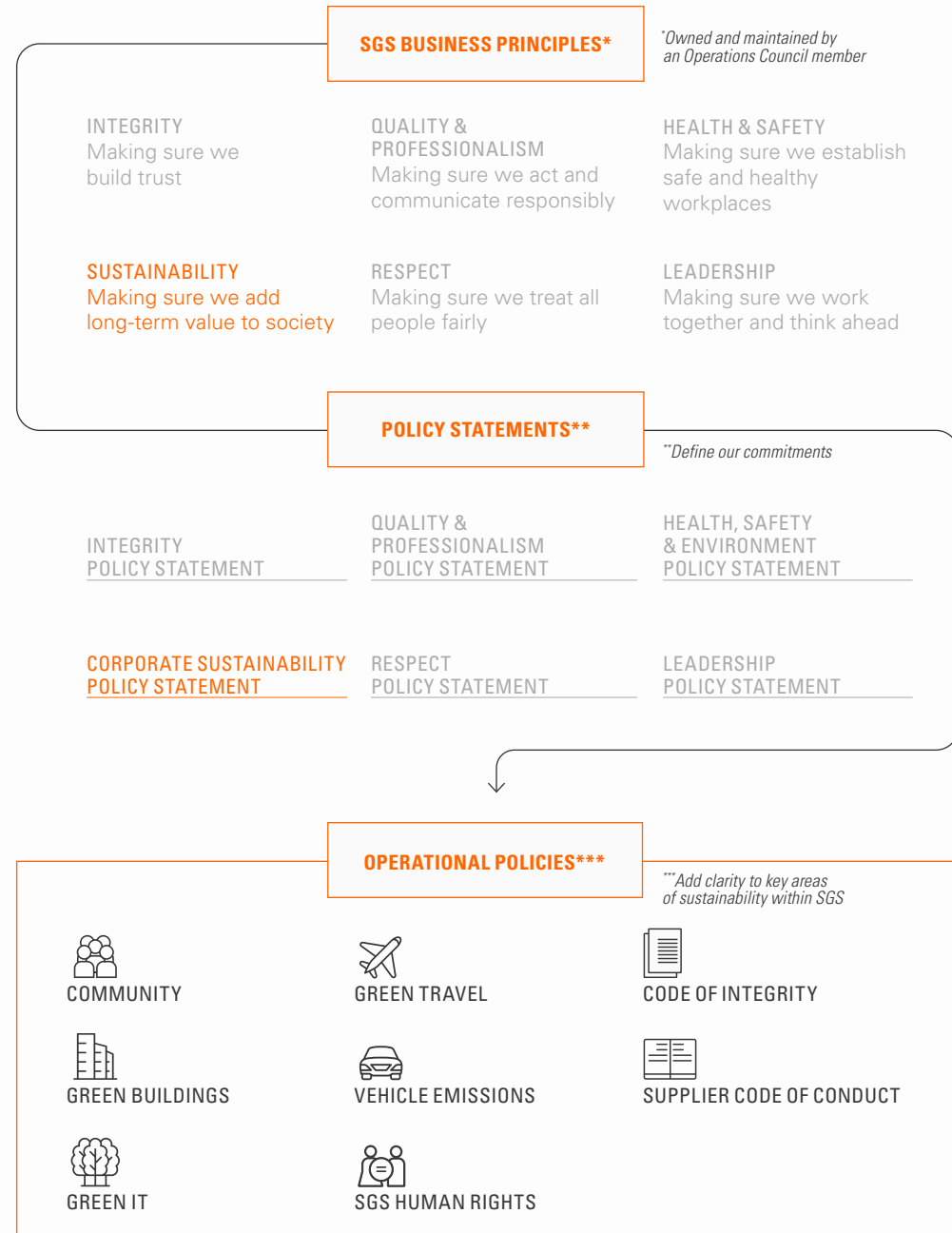
SUSTAINABILITY AS AN INTEGRAL PART OF OUR CULTURE

Sustainability is interwoven into the culture of SGS. We believe that sustainability has to be embraced by all employees to be effective and as such, we work to educate SGS employees around the world about sustainability issues and to engage them in initiatives and programs. We continually seek to raise awareness, encourage participation and build and strengthen community spirit. This reinforces and further develops our sustainability culture.

In 2019, we raised internal awareness on sustainability issues through a series of employee engagement initiatives. These included: online events covering both general and specific sustainability topics which

were open to employees around the world; a value to society video; articles, news items and informative posts via our intranet and social media channels; employee emails; the inclusion of sustainability topics in internal communications tools such as our corporate newsletter; and the implementation of the Add Value with Lëss internal initiative (➜ see page 73).

HOW SUSTAINABILITY IS EMBEDDED THROUGHOUT THE SGS GROUP

SGS BUSINESS PRINCIPLES*

*Owned and maintained by an Operations Council member

INTEGRITY
Making sure we build trust

QUALITY & PROFESSIONALISM
Making sure we act and communicate responsibly

HEALTH & SAFETY
Making sure we establish safe and healthy workplaces

SUSTAINABILITY
Making sure we add long-term value to society

RESPECT
Making sure we treat all people fairly

LEADERSHIP
Making sure we work together and think ahead

POLICY STATEMENTS**

**Define our commitments

INTEGRITY
POLICY STATEMENT

QUALITY & PROFESSIONALISM
POLICY STATEMENT

HEALTH, SAFETY & ENVIRONMENT
POLICY STATEMENT

CORPORATE SUSTAINABILITY
POLICY STATEMENT

RESPECT
POLICY STATEMENT

LEADERSHIP
POLICY STATEMENT

OPERATIONAL POLICIES***

***Add clarity to key areas of sustainability within SGS

COMMUNITY

GREEN TRAVEL

CODE OF INTEGRITY

GREEN BUILDINGS

VEHICLE EMISSIONS

SUPPLIER CODE OF CONDUCT

GREEN IT

SGS HUMAN RIGHTS

SUSTAINABILITY REPORT 2019

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SUSTAINABILITY GOVERNANCE

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 the SGS top level strategy, mission and values.

The 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 the SGS sustainability strategy, review our sustainability management performance and approach, and agree on core programs and targets.

SUSTAINABILITY GOVERNANCE RESPONSIBILITIES

BOARD OF DIRECTORS AND CEO
- Direction of the Group, including sustainability

OPERATIONS COUNCIL
- Takes top-level strategy forward

SUSTAINABILITY STEERING COMMITTEE
Led by CEO. Comprises 14 COOs, EVPs and SVPs (all businesses, regions, functions)
- Reviews sustainability management
- Agrees core programs and targets

CORPORATE SUSTAINABILITY TEAM
- Contributes to SGS sustainability strategy
- Proposes appropriate approaches and targets
- Liaises with external stakeholders
- Embeds sustainability throughout the Group
- Aligns to the SGS purpose-driven leadership model (➡ see page 9)

SUSTAINABILITY AMBASSADORS
- Oversees local-level initiatives (largest countries)

MANAGING SUSTAINABILITY ACROSS SGS GROUP

BOARD OF DIRECTORS

OPERATIONS COUNCIL ⟷ SUSTAINABILITY STEERING COMMITTEE

Consulting Steering Committee

CORPORATE SUSTAINABILITY TEAM

SUSTAINABILITY AMBASSADORS
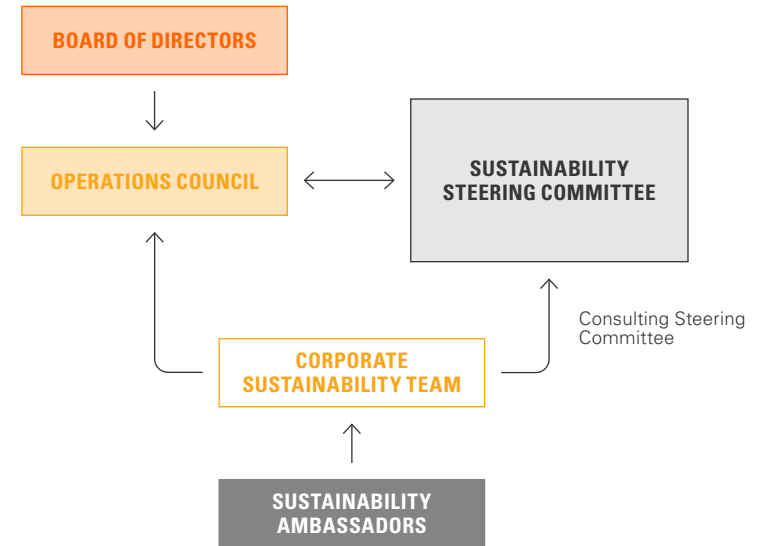
SUSTAINABILITY STEERING COMMITTEE

FRANKIE NG
CEO

OIL, GAS & CHEMICALS
ALIM SAIDOV
EVP

FINANCE
DOMINIK DE DANIEL
CFO

CONSUMER & RETAIL
CHARLES LY WA HOI
EVP

CERTIFICATION & BUSINESS ENHANCEMENT
JEFFREY MCDONALD
EVP

LEGAL & COMPLIANCE
OLIVIER MERKT
CCO

NORTH EAST ASIA
HELMUT CHIK
COO

MINERALS
DERICK GOVENDER
EVP

INVESTOR RELATIONS
TOBY REEKS
SVP

SOUTH AND CENTRAL AMERICA
LUIS FELIPE ELIAS
COO

HUMAN RESOURCES
JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO
SVP

DIGITAL & INNOVATION
FRÉDÉRIC HERREN
SVP

AFRICA AND WESTERN EUROPE
FABRICE EGLOFF
COO

SOUTH EAST ASIA AND PACIFIC
MALCOLM REID
COO

SHAPING OUR STRATEGY

Global drivers influence both our business goals and our sustainability strategy. These drivers are the megatrends, the Sustainable Development Goals, our stakeholders' interests and concerns, and the risks and opportunities for our business today and tomorrow.

Through an extensive analysis process of all these, we determine the topics that are material for SGS and their level of importance. This deep understanding shapes our strategy, our Ambitions and our Key Performance Indicators (KPIs) that are set under each pillar of our sustainability strategy (Professional Excellence, Environment, People and Community). Ultimately, our governance process ensures our strategy is effectively overseen and implemented.

STAKEHOLDER INTERESTS AND CONCERNS

At SGS, we are committed to adding value to society through and for our stakeholders. As part of our assessment process to identify material topics, we engage with our stakeholders on a regular basis to inform our strategy and find out more about their expertise, expectations, feedback and priorities. We do this through various communication channels. When identifying our material topics we also respond to the Sustainable Development Goals, and integrate the outcomes of our risk management analysis.

MATERIALITY ASSESSMENT

In 2019, we carried out an in-depth stakeholder engagement exercise to gather inputs to update our Business Materiality Matrix. The exercise involved consultations with over 800 stakeholders in 74 countries, including customers, employees, suppliers, investors, non-government organizations and sustainability professionals (➡ see page 23). Alongside the survey, we conducted a detailed benchmark review of globally relevant and sector-specific sustainability issues and trends. As a result, we obtained a list of relevant topics for our stakeholders applicable to our organization.

In parallel, the Operations Council has evaluated the effect these topics could have on SGS if not managed appropriately. This, combined with the key risks identified by the Enterprise Risk Management Framework, determines the overall potential impact of each of these topics.

The outcome of this comprehensive process was the development of our revised 2019 Business Materiality Matrix (➡ see page 29).

GOVERNANCE
(➡ see page 21)

OPERATIONS COUNCIL

SUSTAINABILITY STEERING COMMITTEE

GLOBAL DRIVERS

MEGATRENDS
(➡ see page 10)

STAKEHOLDER INTERESTS AND CONCERNS
(➡ see page 23)

SUSTAINABLE DEVELOPMENT GOALS
(➡ see page 25)

RISKS AND OPPORTUNITIES
(➡ see page 26)

SUSTAINABILITY STRATEGY
(➡ see page 30)

PROFESSIONAL EXCELLENCE

PEOPLE

ENVIRONMENT

COMMUNITY
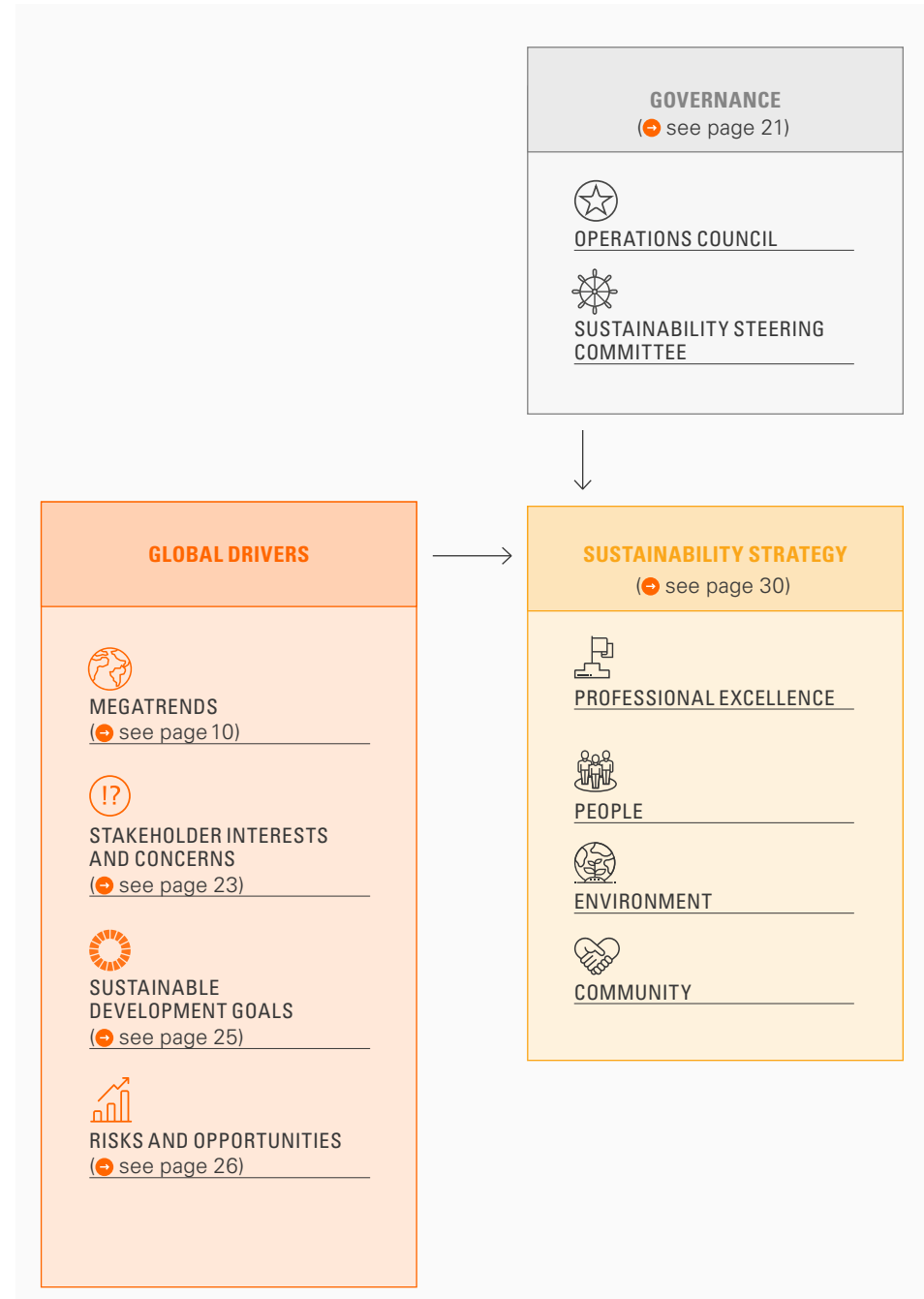
STAKEHOLDER SURVEY

Every three years we survey our stakeholders to get a comprehensive understanding of the sustainability topics that matter to them at that point in time. We evaluate the most important topics by stakeholder group and SGS region. This analysis contributes to our materiality assessment process and ultimately enables us to develop our Business Materiality Matrix (➡ see page 29).

MOST IMPORTANT TOPICS FOR EACH STAKEHOLDER GROUP SURVEYED

CUSTOMERS

Reducing SGS' carbon footprint

Adapting SGS' business to cope with the impacts of climate change

Reducing and managing waste

Minimizing water usage and pollution

Protecting biodiversity

SUPPLIERS

Respecting human rights and ethical labor practices

Health, safety and well-being management

Ethical behavior

Regulatory compliance

Preventing air pollution

NGOs

Senior management accountability

Managing company risks and ensuring continuity

Regulatory compliance

Ethical behavior

Respecting human rights and ethical labor practices

EMPLOYEES

Respecting human rights and ethical labor practices

Ethical behavior

Regulatory compliance

Managing customer relationships effectively

Talent attraction and staff retention

TRADE UNIONS

Respecting human rights and ethical labor practices

Employee engagement and consultation

Regulatory compliance

Ethical behavior

Training and development

INVESTORS

Safeguarding IT systems, data and customer privacy

Ethical behavior

Managing company risks and ensuring continuity

Regulatory compliance

Respecting human rights and ethical labor practices

This analysis contributes to our materiality assessment process and ultimately enables us to develop our Business Materiality Matrix

ONGOING STAKEHOLDER ENGAGEMENT

Maintaining continuous dialog with stakeholders is critical to our long-term success. We gain valuable insights that enable us to align our sustainability initiatives to stakeholder requirements and ensure we deliver value to society.

CUSTOMERS

WHY WE ENGAGE

Our customers are at the heart of everything we do. Understanding whether we achieve our goals to make their businesses more efficient, profitable and sustainable is important.

EXAMPLES OF HOW WE ENGAGE

One-to-one meetings

SGS-hosted conferences, seminars and webinars

Customer surveys, e.g. Voice of the Customer

White papers

Customer portal

CONSUMERS

WHY WE ENGAGE

Our services ensure consumers trust the products they buy. Understanding our end consumers tells us if our services support SGS' reputation for delivering confidence and assurance.

EXAMPLES OF HOW WE ENGAGE

Certification and product labeling

Direct marketing and communication with certain B2C products

EMPLOYEES AND SUPPLIERS

WHY WE ENGAGE

Our people are essential to our business. Discussing performance and providing training and opportunities is motivating. Our suppliers support us in the smooth delivery of our services. In turn we need to understand how we are adding value to their businesses.

EXAMPLES OF HOW WE ENGAGE

Global employee engagement program, CATALYST

SGS intranet portal

SGS Inside newsletter

Add Value with Lëss – internal initiative aimed at increasing efficiency

Training programs, videos and e-learning modules

SHINE Onboarding

Employee Representation Councils (e.g. European Works Council–Euroforum)

Supplier Self-Assessment

Supplier Code of Conduct

Supplier Audits

COMMUNITIES & THE PLANET

WHY WE ENGAGE

Our communities and the planet both affect our business and could be affected by our operations. We evaluate whether our sustainability endeavors are recognized as being among the very best – both regionally and in the TIC industry.

EXAMPLES OF HOW WE ENGAGE

Annual community survey to measure the impact of community investment

White papers

One-to-one meetings with NGOs and responses to questionnaires

GOVERNMENTS & INDUSTRIES

WHY WE ENGAGE

Governments and industries are often moving in the same direction that we are. We need a clear picture of how we contribute to driving innovation, promoting sustainable development and shaping markets.

EXAMPLES OF HOW WE ENGAGE

SGS-hosted conferences, seminars and webinars

Membership meetings and events

White papers

Governments and Institutions business line

INVESTORS

WHY WE ENGAGE

Our investors are vital to our ongoing success and growth. We constantly review market analysis, and aim to be assessed as both a sound investment and a sustainable business.

EXAMPLES OF HOW WE ENGAGE

Annual General Meeting

SGS Investor Days

Meetings with investors and analysts

Responses to analyst questionnaires

"

TOBY REEKS
HEAD OF INVESTOR RELATIONS

The integration of sustainability considerations into investment processes is on the rise. We provide effective and transparent information and create value by being a robust business with a commitment to long-term sustainability.

SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) were developed by the United Nations (UN) as a comprehensive and universally recognized framework of global priorities and aspirations for 2030. Each goal has specific targets and together they aim to eliminate poverty, protect the planet and ensure prosperity for all.

Our Sustainability Ambitions 2020 are closely linked to the SDGs, and our services support them, as shown in the mapping of our direct operations, supply chain and services against the SDGs (see right). This mapping visualizes our current contributions and supports us in creating aligned strategic plans, allocating resources and developing associated local management and reporting processes.

MOST COMMONLY SUPPORTED SDGs

BY SGS SERVICES

3 GOOD HEALTH AND WELL-BEING | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

BY SGS OPERATIONS AND SUPPLY CHAIN

1 NO POVERTY | 8 DECENT WORK AND ECONOMIC GROWTH | 13 CLIMATE ACTION

OUR SERVICES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
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	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

OPERATIONS AND SUPPLY CHAIN	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
COMPLIANCE AND INTEGRITY				✓				✓		✓			✓				
HUMAN RIGHTS	✓		✓					✓		✓							
SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN	✓		✓					✓		✓	✓	✓					✓
TALENT MANAGEMENT	✓			✓				✓									
DIVERSITY AND EQUAL OPPORTUNITIES	✓			✓				✓		✓							
OPERATIONAL INTEGRITY			✓					✓							✓		
CLIMATE CHANGE						✓					✓	✓	✓		✓		✓
WATER AND WASTE MANAGEMENT						✓						✓	✓	✓	✓		✓
LOCAL COMMUNITY SUPPORT	✓		✓							✓			✓				✓

RISKS AND OPPORTUNITIES

As a global company, SGS is exposed to a number of risks and opportunities in the countries in which we operate.

STRATEGY AND GOVERNANCE

The SGS Board of Directors and Executive Management are responsible for the integration of risk management into key business planning processes.

The Group employs a comprehensive, intergrated approach to identifying and articulating the risks to the business, supported by our Enterprise Risk Management (ERM) framework. The ERM framework is overseen by the SGS Risk Management Oversight Committee (RMOC).

Our Risk Management Framework also places responsibility and accountability for managing risk close to our operations, with "Risk Champions" owning risk in their jurisdictions. In addition, it integrates a broad array of risk categories directly into the management process. This results in a robust and comprehensive approach to risk management at SGS, which balances value preservation with value creation.

RISK OVERSIGHT

To support our Risk Management Framework, the Group has a customized Governance Risk and Compliance platform named ANTARES. This tool enables affiliates, local business lines and operations to assess, taking a bottom-up approach, our potential risks and the mitigation actions we have in place should these risks materialize at a local level. For this purpose, training was delivered on-site to non-executive directors and managers in 18 countries. Additionally, at Group level, we also take a top-down approach with the objective of identifying and assessing future global risks to the company that could potentially be overlooked in the bottom-up evaluation.

The ANTARES tool also enables a detailed analysis of both gross (risk without mitigation) and residual risk (risk remaining after mitigation) and standardizes risk management evaluation and reporting procedures across the business.

ADVANTAGES OF THE SGS RISK MANAGEMENT FRAMEWORK

Detailed risk management dialog between global business and function heads and their respective country-level managers

Localization of risk management

Clear understanding of Group-level concerns at a country level

RESPONSIBILITIES

BOARD OF DIRECTORS

✔ Integration of risk management into key business planning processes

RISK MANAGEMENT OVERSIGHT COMMITTEE (RMOC)

Chaired by CEO – Includes executive representatives, including the CFO, CCO and CIO, and operational function representatives, including HR, OI and Sustainability

✔ Manages the ERM framework

✔ Facilitates the continuous improvement of capabilities around managing priority risks

✔ Guided by risk management goals, objectives and policies, protects and enhances the SGS business

✔ Meets twice annually and additionally if required, reporting to the Board of Directors

HUMAN RIGHTS COMMITTEE

CEO, Chief Compliance Officer and Group VP Corporate Communications and Sustainability

✔ Oversees the implementation of human rights commitments

✔ Supports human rights as defined in the Code and Business Principles

RISK MANAGEMENT, INTERNAL CONTROLS & PROCESS EXCELLENCE FUNCTION

✔ Aligns risk program with SGS goals, objectives and strategic direction and evaluates stakeholder expectations

✔ Implements the SGS Governance, Risk and Compliance (GRC) platform (ANTARES)

SUSTAINABILITY RISKS MANAGEMENT AT SGS

Through our Risk Management Framework and our ANTARES Governance, Risk and Compliance (GRC) Platform, we are integrating sustainability risks directly into our management process, providing a comprehensive approach to sustainability risk management at SGS. With this mechanism, the different business lines, functions and affiliates can identify and assess potential sustainability risks from both our direct operations and our supply chain and report the corresponding mitigation actions associated with them.

In parallel, we run a desk annual macro risk assessment of potential sustainability risks in the countries where we operate. This macro risk assessment provides an objective double check of the risk evaluations made by the different business lines, functions and affiliates in ANTARES, and is used to confirm that all potential risks have been properly evaluated by our local partners.

Our sustainability macro risk assessment model analyzes economic, political, social and environmental risks across 220 geographies and includes our own employees, suppliers, indigenous people, migrant labor and local communities. By introducing our revenue generated and spend per country into the risk assessment process, we assess our potential sustainability risks across all the countries where we operate. More than 50 sustainability risks are covered, including 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 Market, the World Economic Forum, the Global Conflict Risk Index, the Global Slavery Index,

the World Resources Institute and the Notre Dame Global Adaptation Initiative.

By analyzing this data, we can attribute a potential grade of risk by topic and by country. This risk grading ranks the countries from 1 (low risk) to 5 (high risk). In order to reach a single sustainability risk score for each country, we combined the different types of risk with the following weighting distribution: eco-political (40%), social (35%) and environmental (20%), and identified high-, medium- and low-risk countries for further in-depth assessment.

SGS SUSTAINABILITY RISK ASSESSMENT PROCESS
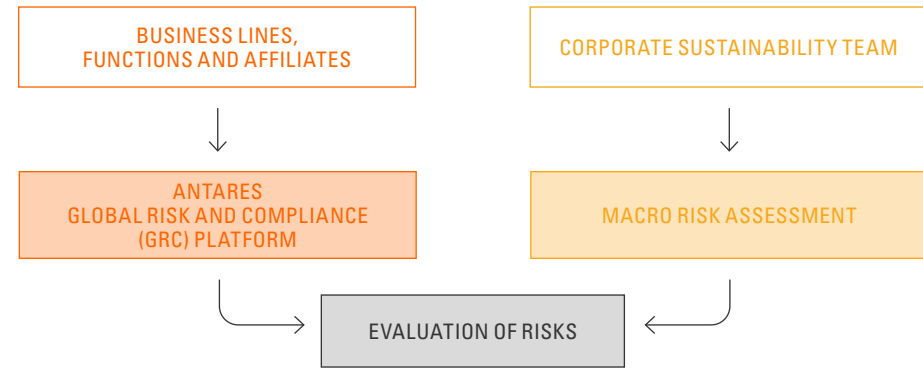
SUSTAINABILITY RISKS EVALUATED

SOCIAL RISKS

Conflict prevalence

Socio-economic vulnerability

Child labor

Modern slavery

Vulnerable migrant labor

Labor strikes

Security

POLITICAL RISKS

Government instability

Policy instability

State failure

ECONOMIC RISKS

Recession

Inflation

Currency depreciation

Capital transfer

Sovereign default

Under-development

Tax issues

Corruption

Infrastructural disruption

Energy security

Cybersecurity commitment

REGULATORY RISKS

Environmental compliance

Carbon pricing

Readiness

Contract enforcement

Regulatory burden

ENVIRONMENTAL RISKS

Physical exposure to natural hazards

Water stress

Climate change vulnerability

Environmental health

Drought

Ecosystem vitality

CLIMATE CHANGE RISKS

As a multinational company, we are exposed to various types and degrees of local, regulatory, physical and socio-economic risks associated with climate change. We have identified those that are most tangible to our operations and have put plans in place to mitigate them (➡ see page 76).

HUMAN RIGHTS RISKS

We cooperate with relevant authorities to identify, mitigate and remedy any adverse human rights impacts our operations may have caused or contributed to (➡ see page 37).

SUPPLY CHAIN RISKS

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. We continuously refine the management of efforts, including a Sustainability Assessment process that applies to tier 1 suppliers in 125 countries (➡ see page 42).

POTENTIAL SUSTAINABILITY RISKS IDENTIFIED : DIRECT OPERATIONS
Figures represent % of revenue

ENVIRONMENTAL RISK
1% 33% 66%

ECONOMIC RISK
1% 22% 77%

SOCIAL RISK
1% 31% 68%

TOTAL SUSTAINABILITY RISK
0% 34% 66%
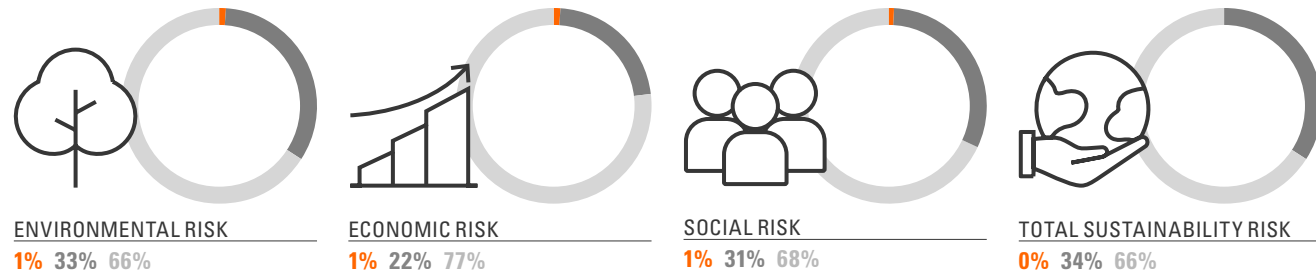
POTENTIAL SUSTAINABILITY RISKS IDENTIFIED: SUPPLY CHAIN
Figures represent % of spend

ENVIRONMENTAL RISK
2% 33% 65%

ECONOMIC RISK
1% 22% 77%

SOCIAL RISK
1% 32% 67%

TOTAL SUSTAINABILITY RISK
1% 34% 65%
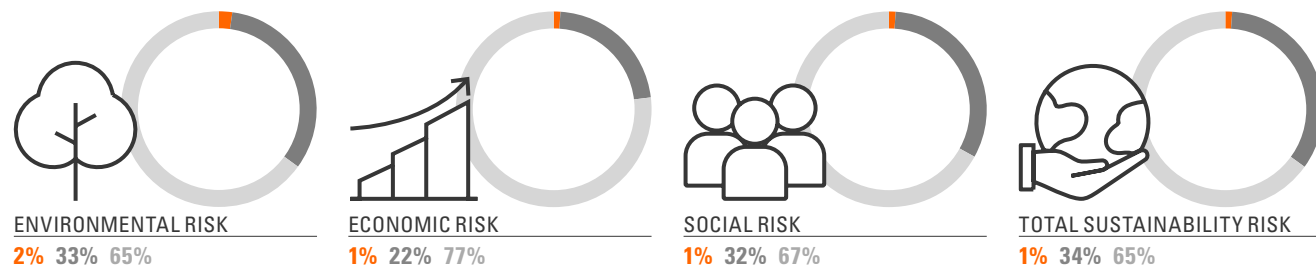
■ HIGH RISK ■ MEDIUM RISK ■ LOW RISK

BUSINESS MATERIALITY MATRIX

Based on our analyses of the megatrends affecting our business and how SGS can best contribute to the Sustainable Development Goals, along with our stakeholder surveys and risks assessment process, we ultimately determine the topics that are most material to the SGS Group. These topics are mapped onto a matrix so that we can understand their relative position and criticality to our business. The output is our Business Materiality Matrix, which shows the importance of topics to stakeholders against their impact on SGS, providing us with a powerful analytical tool.

The topics that are most important to the organization are visible in the darker section of the matrix. These are considered key topics that shape our strategy and reporting. All other topics, although less material, remain an essential part of our sustainability management systems and are systematically re-evaluated to determine if they have become more material to the organization.
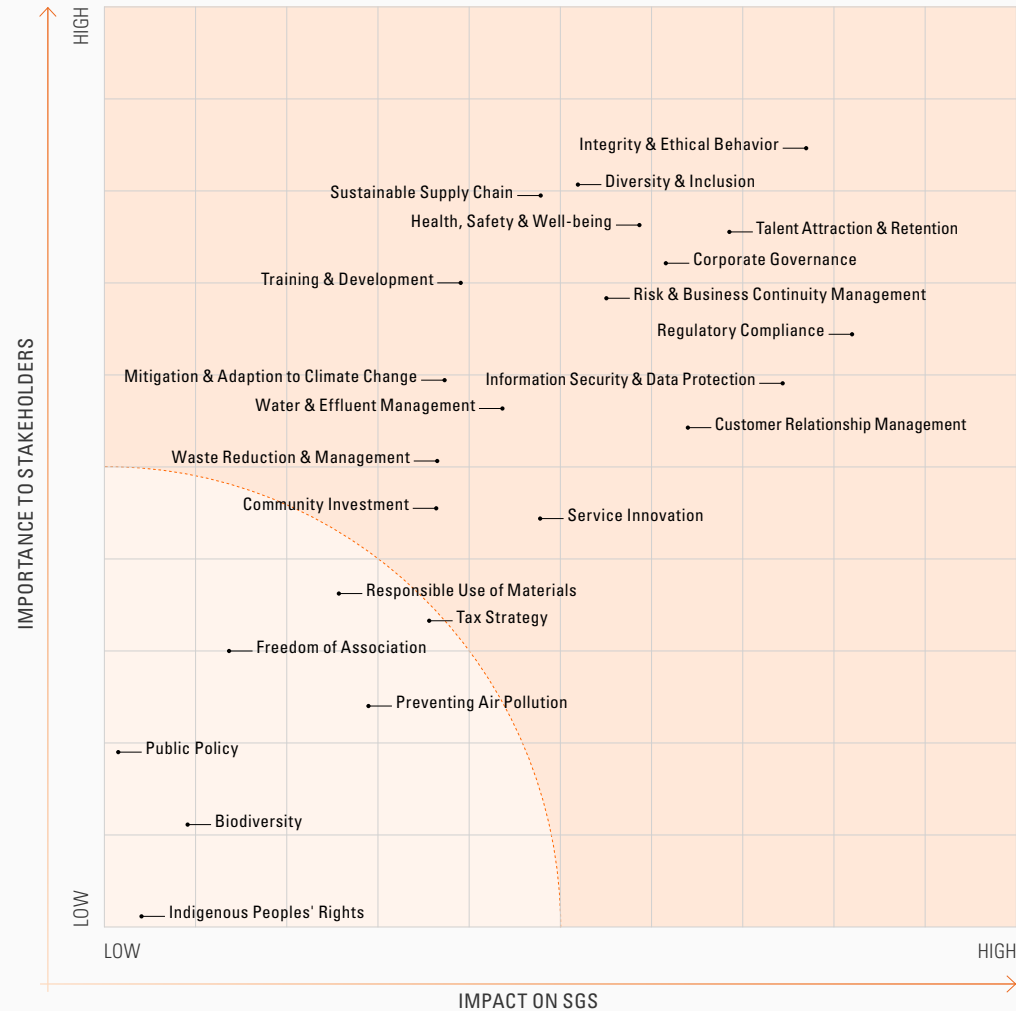
The SGS material topics glossary (→ see page 94) provides a description of each of our material topics.

OUR 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 with progress measured against Key Performance Indicators and reported through our Sustainability Management System. It is also through each of these pillars that we deliver operational Value to Society.

PILLARS

PROFESSIONAL EXCELLENCE
(➜ see page 33)

Trust lies at the heart of the value we deliver to our customers and to 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.

PEOPLE
(➜ see page 54)

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.

ENVIRONMENT
(➜ see page 69)

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.

COMMUNITY
(➜ see page 81)

We want to create a positive, measurable and lasting impact on the local communities in which 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.

MEGATRENDS

PROFESSIONAL EXCELLENCE
- CLIMATE CHANGE
- POPULATION AND SOCIAL TRENDS
- ECONOMIC GROWTH
- TECHNOLOGICAL DISRUPTION

PEOPLE
- POPULATION AND SOCIAL TRENDS
- RAPID URBANIZATION
- ECONOMIC GROWTH

ENVIRONMENT
- CLIMATE CHANGE
- ECONOMIC GROWTH

COMMUNITY
- CLIMATE CHANGE
- POPULATION AND SOCIAL TRENDS
- ECONOMIC GROWTH

SUSTAINABLE DEVELOPMENT GOALS

PROFESSIONAL EXCELLENCE: 1 NO POVERTY, 5 GENDER EQUALITY, 9 INDUSTRY INNOVATION AND INFRASTRUCTURE, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 17 PARTNERSHIPS FOR THE GOALS

PEOPLE: 1 NO POVERTY, 3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES

ENVIRONMENT: 6 CLEAN WATER AND SANITATION, 7 AFFORDABLE AND CLEAN ENERGY, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 14 LIFE BELOW WATER, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS

COMMUNITY: 1 NO POVERTY, 4 QUALITY EDUCATION, 10 REDUCED INEQUALITIES, 13 CLIMATE ACTION, 15 LIFE ON LAND, 17 PARTNERSHIPS FOR THE GOALS

PROGRAMS

PROFESSIONAL EXCELLENCE
- ✓ Value to society measurement
- ✓ Sustainability training
- ✓ Human rights protection
- ✓ Human rights awareness
- ✓ Sustainable procurement strategy
- ✓ Sustainability risk management

PEOPLE
- ✓ Sustainability training
- ✓ Employee satisfaction: Catalyst
- ✓ Women in leadership
- ✓ Add Value with Lëss initiative

ENVIRONMENT
- ✓ Carbon neutrality
- ✓ Add Value with Lëss initiative
- ✓ Energy efficiency program
- ✓ Sustainability training
- ✓ Sustainability risk management
- ✓ Sustainable mobility strategy

COMMUNITY
- ✓ Sustainability training
- ✓ Employee volunteering
- ✓ Company giving
- ✓ Social projects through SGS Academy
- ✓ Sustainability risk management

DRIVING VALUE TO SOCIETY THROUGH OUR PILLARS AND CAPITALS

As a purpose-driven organization we are continually seeking to deliver greater value to society. We achieve this in many ways, but ultimately, we drive and measure our value to society through the six universally recognized capitals: financial, manufactured, intellectual, human, social and relationship and natural (➡ see page 14). While our Sustainability Strategy focuses on our four pillars of Professional Excellence, People, Environment and Community, each of the topics within these pillars contributes directly to our impacts through one main capital, as is shown on the right and throughout this report.

HOW SGS' SUSTAINABILITY PILLARS IMPACT THE CAPITALS

OUR VALUE TO SOCIETY — HUMAN CAPITAL

PROFESSIONAL EXCELLENCE
Compliance and Integrity

Human Rights

PEOPLE
Talent Management and Equal Opportunities

Operational Integrity

OUR VALUE TO SOCIETY — SOCIAL AND RELATIONSHIP CAPITAL

PROFESSIONAL EXCELLENCE
Public Policy

Customer Relationship Management

ENVIRONMENT
External Partnerships and Initiatives

COMMUNITY
Local Community Support

OUR VALUE TO SOCIETY — NATURAL CAPITAL

ENVIRONMENT
Climate Change

Water and Waste Management

OUR VALUE TO SOCIETY — MANUFACTURED CAPITAL

PROFESSIONAL EXCELLENCE
Sustainable Procurement and Supply Chain

OUR VALUE TO SOCIETY — INTELLECTUAL CAPITAL

PROFESSIONAL EXCELLENCE
Information Security and Data Protection

Innovation

OUR VALUE TO SOCIETY — FINANCIAL CAPITAL

N.A

SUSTAINABILITY AMBITIONS 2020: 2019 PERFORMANCE

In 2019, we continued to deliver excellent results against our Sustainability Ambitions 2020. Notably, we remained well within our target for both our Lost Time Incident Rate (LTIR) at 57% and our Total Recordable Incident Rate (TRIR) at 60%, since 2014. Our natural turnover also remained on target and we continued to make gradual progress towards our goal to have 30% of leadership positions held by women. We had already achieved our annual CO_2 emissions targets, and we continued to demonstrate our commitment in this area. In the communities where we operate, we contributed a total investment of CHF 1.41 million. We also continued to grow our measurable value to society.

PEOPLE	2017	2018	2019	2020 TARGET
Maintain a natural turnover rate of no more than 15%	13	14.6	13.6	15.0
30% of leadership positions will be held by women	26.2	26.4	26.7	30.0
Reduce our LTIR by 50%[1]	0.23	0.25	0.26	0.30
Reduce our TRIR by 50%[1]	0.40	0.41	0.44	0.55
ENVIRONMENT				
Reduce our annual CO_2 emissions (per FTE) by 20%[1] (CO_2e tonnes/FTE)	1.9	1.7	1.7	2.1
Reduce our annual CO_2 emissions (by revenue) by 20%[1] (CO_2e tonnes/M CHF)	28.6	25.7	24.2	31.8
COMMUNITY				
Increase our investment in communities around the world by 30%[1], with a focus on volunteering (thousands CHF)	1 190	1 498	1 412	1 003
PROFESSIONAL EXCELLENCE				
Deliver measurable sustainable value to society (CHF mio)	5 865	6 176	6 650	N/A
Link management incentive plan to sustainability	Not achieved yet			N/A

1. Against 2014 baseline.

PROFESSIONAL EXCELLENCE

Our professionalism underpins our ability to deliver on our purpose.

It isn't just what we do, but how we do it that matters. Our approach to topics such as integrity, human rights, data privacy and innovation is as important to us as delivering the world-class services we are famous for. That is why a culture of professional excellence is imperative to us. This culture helps ensure that we add value through the things that we do – and sometimes just as importantly – the things that we don't and never would.

SUSTAINABILITY REPORT 2019

PROFESSIONAL EXCELLENCE

RELATED MATERIAL TOPICS
REGULATORY COMPLIANCE ⬈
INTEGRITY & ETHICAL BEHAVIOR ⬈
CORPORATE GOVERNANCE ⬈

OUR VALUE TO SOCIETY
HUMAN CAPITAL
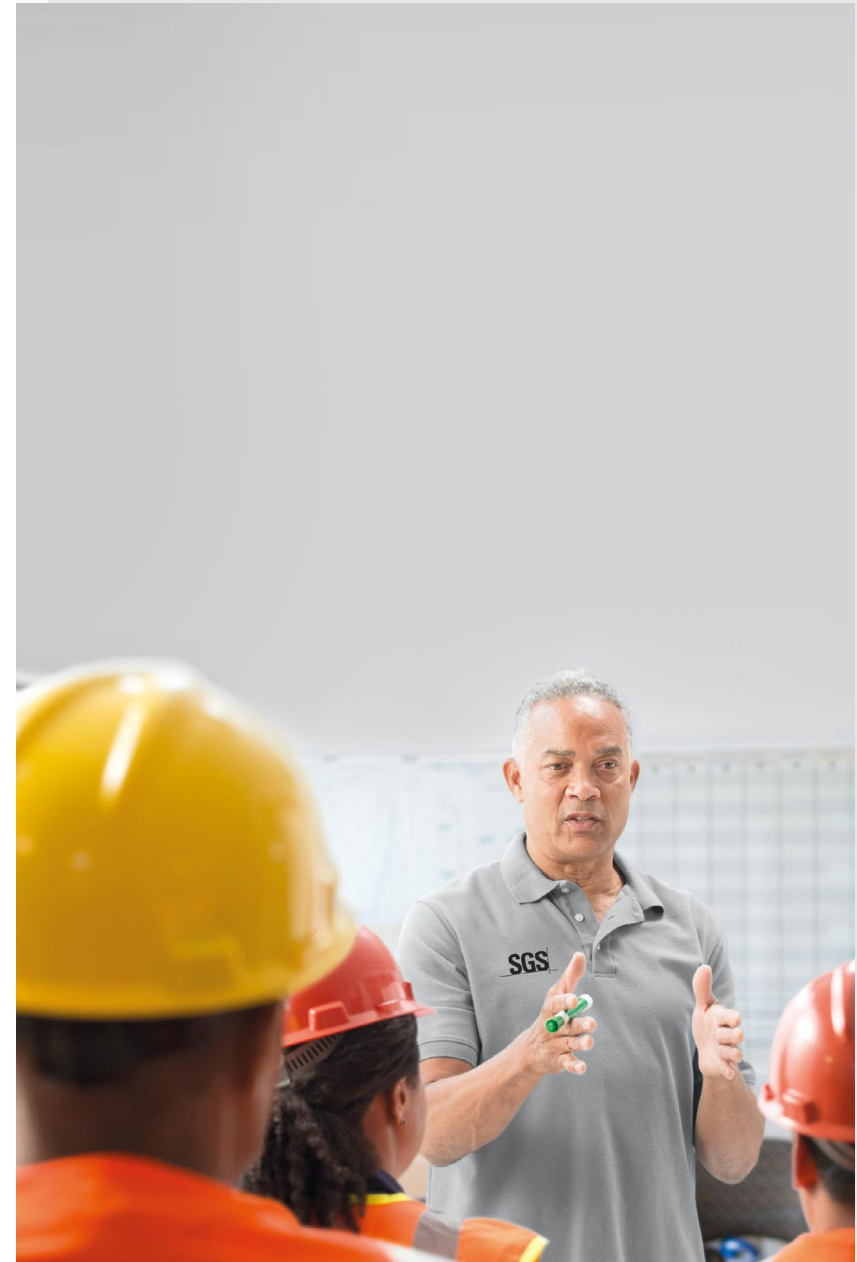
COMPLIANCE AND INTEGRITY

Our professional conduct helps us maintain our customers' and stakeholders' trust, which is essential to our success.

PERFORMANCE

100%

OF EMPLOYEES HAVE SIGNED THE CODE OF INTEGRITY

2016	2017	2018	2019
100	100	100	100
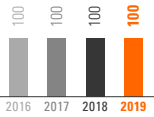
36

TOTAL NUMBER OF BREACHES[1] OF THE CODE OF INTEGRITY IDENTIFIED THROUGH CORPORATE INTEGRITY HELPLINES[2]

2016	2017	2018	2019
22	22	28	36
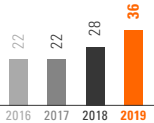
211[3]

TOTAL NUMBER OF INTEGRITY ISSUES[4] REPORTED THROUGH CORPORATE INTEGRITY HELPLINES

2016	2017	2018	2019
207	227	237	211
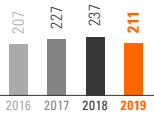
1. A breach of the Code of Integrity is a violation of the Code of Integrity.
2. "Helplines" means channels used by employees and external parties to report suspected violations of the Code of Integrity. The reports can be submitted online or by phone, email, fax or post. 3. An integrity issue is a breach of one or more of the 15 SGS Code of Integrity rules. 4. At the time of reporting, 49 pending cases were still open and under review.

STRATEGY AND GOVERNANCE

SGS services are built on trust and as such, 'Integrity' is one of our six Business Principles.

Whether we are analyzing air quality or the standard of olive oil, we give our customers confidence in their business decisions. To achieve this, we have to maintain the exceptionally high standards of integrity on which this trust is built.

Integrity guides our decisions in everything we do. Central to our well-established mechanisms to ensure our integrity expectations are embraced is our Code of Integrity. SGS employees and representatives are faced with situations where they need to make decisions every day, so it is critical that they clearly understand what is and is not acceptable to SGS. For instance, SGS does not engage in any form of bribery or corruption, we treat everyone with fairness, dignity and respect, and we adhere strictly to the legal requirements of every country in which we operate. We do not seek any business advantage that would compromise our integrity or threaten our assets, brand, people or intellectual property. These expectations and many more are detailed in our Code of Integrity.

SGS CODE OF INTEGRITY

Defines the high standards of professional integrity we expect from anyone acting on behalf of or representing the SGS Group

Clearly details what SGS expects from its representatives in relation to its Integrity Principle

Applies to all SGS employees and affiliated companies, contractors, subcontractors, joint venture partners and agents

All new employees are required to sign the Code when they join SGS

Is in place to ensure we treat everyone with fairness, dignity and respect

Is supported by a confidential helpline for raising concerns about issues related to the Code

All concerns raised are investigated through specific channels

To find out more see

COMPLIANCE AND INTEGRITY RESPONSIBILITIES

PROFESSIONAL CONDUCT COMMITTEE

Chairman of the Board of Directors; two other Board members; Chief Executive Officer; Chief Compliance Officer

☑ Ensures implementation of the Code of Integrity

☑ Advises management on all issues of business ethics

CHIEF COMPLIANCE OFFICER

☑ Implements procedures governing ethical behavior and conducts investigations of alleged staff misconduct

CORPORATE SECURITY TEAM

☑ Ensures security arrangements adequately protect people and assets and respect human rights

☑ Continuously evaluates assets and businesses

HUMAN RIGHTS COMMITTEE

Chief Executive Officer; Chief Compliance Officer; Vice President Corporate Sustainability

☑ Oversees implementation of human rights commitments

☑ Supports human rights as defined in the Code and Business Principles

"

OLIVIER MERKT
SVP CHIEF COMPLIANCE AND LEGAL OFFICER

Acting with integrity is pivotal to our ability to bring value to our stakeholders and society. Our success is built on the trust our customers and investors place in us.

INITIATIVES AND ACHIEVEMENTS

To prevent corruption and misconduct, SGS has established clearly defined systems covering training and communication, contractual obligations, effective reporting and monitoring, risk assessments and due diligence.

We also have whistle-blowing procedures and a responsive network of investigators who review all cases of suspected violations.
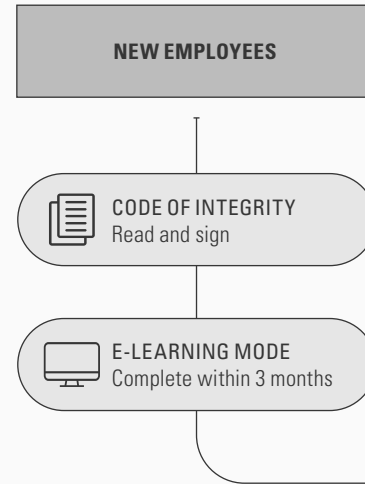
INTEGRITY TRAINING

Training is essential to maintaining a culture that has integrity at its core, which is why we have an extensive program in place. It is mandatory that all employees participate in our integrity training, which is available both face-to-face and through e-learning to support this requirement. Our annual integrity training is updated each year using case studies drawn from the issues that arise in the business. This provides a link between our violations investigations and our training and helps to prevent the same issues from arising repeatedly. As an indicator of the success of our training, performance against the SGS Code of Integrity is reported to the Professional Conduct Committee.

99%
Of employees attended the annual integrity training

EMPLOYEE INTEGRITY TRAINING

ONBOARDING INTEGRITY TRAINING

NEW EMPLOYEES

CODE OF INTEGRITY
Read and sign

E-LEARNING MODE
Complete within 3 months

ANNUAL INTEGRITY TRAINING (AIT)

ALL EMPLOYEES

INTEGRITY TALKS
Presented by supervisors

MANDATORY

E-LEARNING
Available throughout year

OR

FACE-TO-FACE
When available
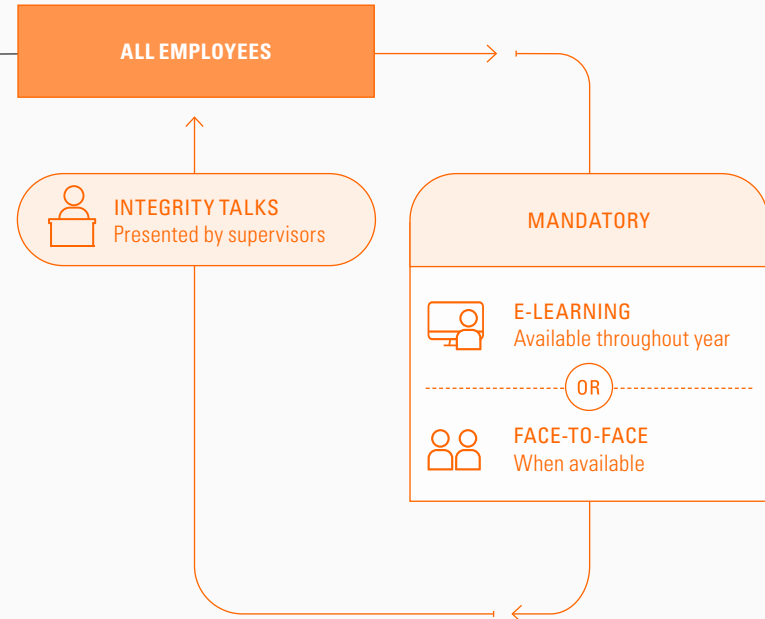
TRAINING AIMS:
- To educate all new employees in SGS' integrity expectations and standards
- To communicate to all new employees that violations can lead to disciplinary action, termination and/or criminal prosecution

TRAINING AIMS:
- To educate all employees about potential integrity issues in detail, including human rights, bribery, corruption, non-discrimination and employee relations
- For all employees to participate in the training each year

SUSTAINABILITY REPORT 2019

35

INCIDENT INVESTIGATION

Both the SGS Code of Integrity and the SGS Supplier Code of Conduct (➡ see pages 34 and 40) contain clear guidance on the grievance mechanisms and whistle-blowing procedures that we have in place. Our employees can report integrity-related incidents without fear of retribution. Any suspected violations, including cases of discrimination, can be reported using our confidential integrity helpline or by contacting local or corporate-level Compliance teams.

All reports are extensively assessed. The most serious violations are investigated centrally by Legal and Compliance together with Corporate Security and could result in disciplinary action such as employment termination or criminal prosecution. Less serious violations are investigated locally. Throughout all investigations, we respect human rights and confidentiality while applying a presumption of innocence.

INTEGRITY HELPLINE

In 2019, we launched an enhanced integrity helpline, providing all those responsible for upholding our Code of Integrity with an easier means of communicating any potential violation directly

to the Compliance team. This has greatly improved the reporting procedure for SGS affiliates and as such, we have seen an increase in violations reported. The new helpline also provides intelligent reports and analysis. Additionally, as of 2019 it is now mandatory that all local integrity breaches are reported by managing directors into the OI Crystal reporting tool. This new level of reporting provides a full picture of local integrity breaches that have not been reported through the integrity helpline.

SGS was not issued with any significant fines or penalties for non-compliance with regulations[1] concerning:

Environment

Service information

Protection of privacy and personal data

Marketing communications

1. 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 2019.
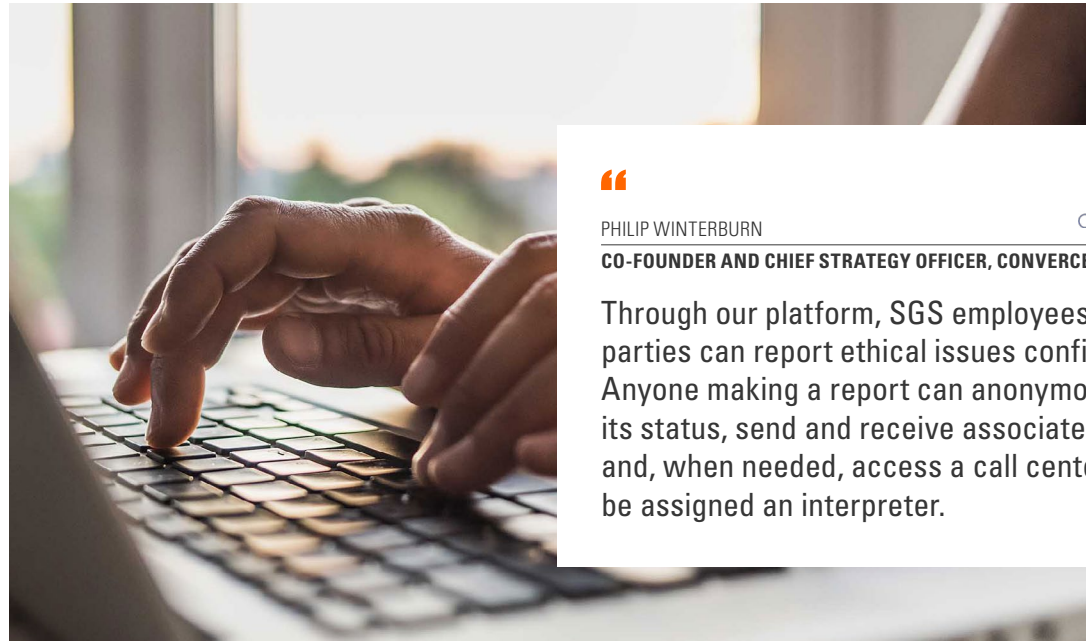
> "
>
> PHILIP WINTERBURN
> **CO-FOUNDER AND CHIEF STRATEGY OFFICER, CONVERCENT**
>
> Through our platform, SGS employees and third parties can report ethical issues confidentially. Anyone making a report can anonymously track its status, send and receive associated messages and, when needed, access a call center and even be assigned an interpreter.

convercent

ISSUES REPORTED THROUGH SGS INTEGRITY HELPLINE IN 2019

211
POTENTIAL INTEGRITY ISSUES REPORTED[1]

70
INVESTIGATIONS REQUIRED

36
CODE OF INTEGRITY BREACHES IDENTIFIED[2]

6
EMPLOYEE DISMISSALS

2
CORRUPTION CASES[3]

0
DISCRIMINATION CASES

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. These did not result in public legal cases brought against the company. In both cases, the employees involved were dismissed.

OUR VALUE TO SOCIETY

HUMAN CAPITAL

HUMAN RIGHTS

We believe businesses can only thrive in cultures where human rights are respected.

PERFORMANCE

0

CASES OF CHILD LABOR, FORCED OR COMPULSORY LABOR, OR VIOLATION OF THE RIGHT TO EXERCISE FREEDOM OF ASSOCIATION

0

REPORTED VIOLATIONS OF THE RIGHTS OF INDIGENOUS PEOPLE

STRATEGY AND GOVERNANCE

We recognize that protecting human rights is our responsibility, but at the same time, we minimize our risks by preparing to manage any adverse impacts.

We continually review our approach to human rights to reflect legal developments, emerging issues and societal expectations. When necessary, we cooperate with the relevant authorities to identify, mitigate and remedy any adverse impacts our operations may have caused or contributed to.

As part of our acquisitions screening process, we also investigate how a potential acquisition manages human rights. In all acquisitions we ask them to comply with our Code of Integrity and only continue with the acquisition if the company aligns to our values.

HUMAN RIGHTS RESPONSIBILITIES

HUMAN RIGHTS COMMITTEE

Chief Executive Officer; Chief Compliance Officer; Vice President Corporate Sustainability

- ⌄ Oversees implementation of human rights commitments
- ⌄ Supports human rights as defined in the Code and Business Principles

CHIEF EXECUTIVE OFFICER

- ⌄ Owns and oversees implementation of human rights commitments

CHIEF COMPLIANCE OFFICER

- ⌄ Manages compliance with the SGS Code of Integrity, including human rights

SENIOR MANAGERS

- ⌄ Expected to demonstrate visible and explicit support for human rights commitments

SGS HUMAN RIGHTS POLICY

INCLUDES:

A statement of commitment to respect human rights in accordance with international standards

Expectations of our employees, suppliers and partners

Actions and procedures we undertake to meet our commitment

To find out more see

Our Policy is complemented by our Code of Integrity (➜ see page 34) and Supplier Code (➜ see page 40).

SUSTAINABILITY REPORT 2019

INITIATIVES AND ACHIEVEMENTS

OUR DIRECT OPERATIONS

SGS has identified potential sustainability risks that could affect our direct operations such as: government and policy instability; vulnerable migrant labor; water stress; and natural hazards (➡ see page 27). We mitigate these operational human rights risks through our Code of Integrity. We require all employees and subcontractors to adhere to the Code, which contains human rights expectations throughout.

To support this, in 2019, we rolled out human rights e-learning training as an SGS Academy course available to all employees around the world in their local languages. The training covers topics such as: child labor; freedom from discrimination; equality and respect; human rights governance; and reporting human rights breaches (➡ see page 35).

OUR SUPPLY CHAIN

We actively manage human rights in our supply chain by assessing active and strategic suppliers using our Self-Assessment Questionnaire. Additionally, we ask all suppliers to comply with the SGS Supplier Code of Conduct, which promotes our sustainability principles and minimum requirements. Our contracts state that suppliers are expected to act in accordance with health, safety and employment policies, as well as with relevant standards and legislation, and to continuously encourage their suppliers to do the same (➡ see page 40).

OUR VALUE TO SOCIETY

RAISING HUMAN RIGHTS AWARENESS ACROSS SGS

4 8 10 ALL SGS EMPLOYEES ARE NOW REQUIRED TO COMPLETE OUR HUMAN RIGHTS E-LEARNING COURSE

NATALIA FONSECA
HUMAN RIGHTS & SUSTAINABLE SUPPLY CHAIN MANAGER

In 2019, we rolled out human rights e-learning training as an SGS Academy course available to all employees around the world in their local languages.
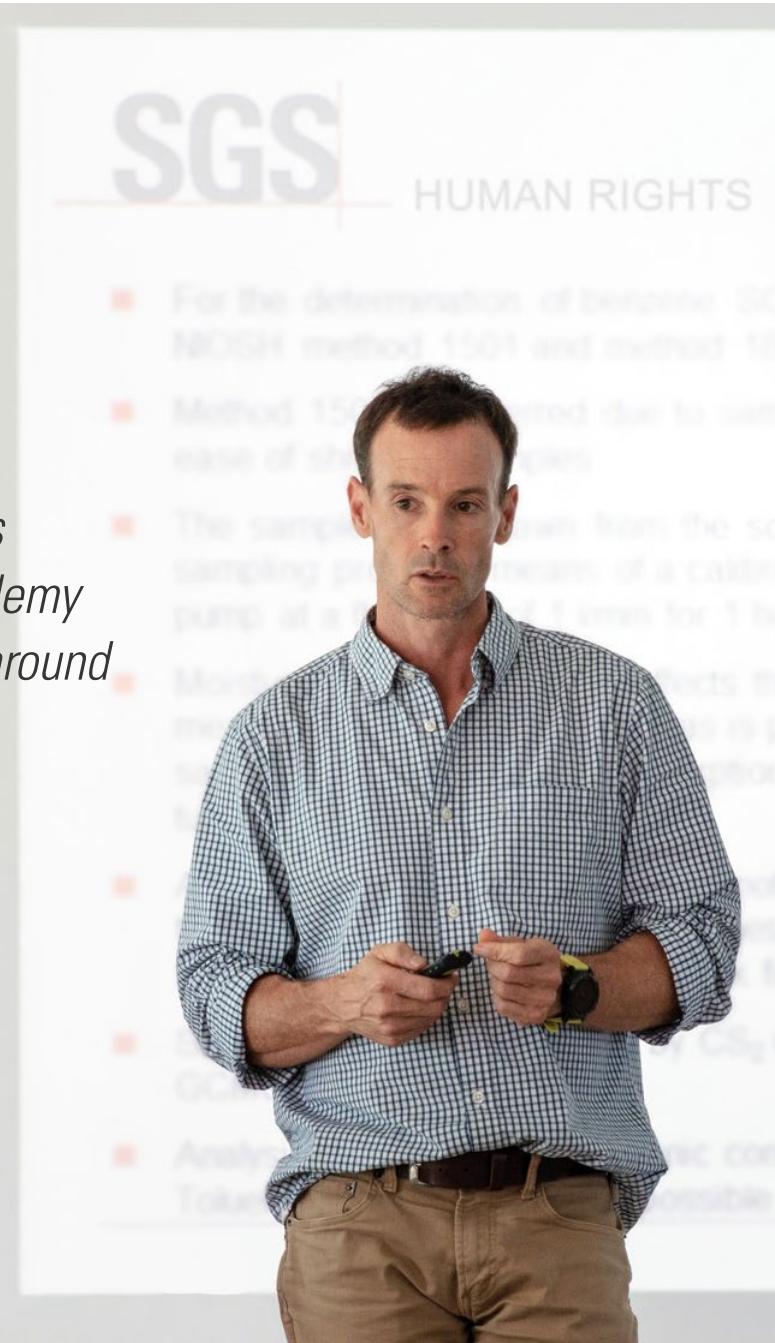
PUBLIC POLICY

We have a neutral position toward the development of public policy to ensure its impartiality.

IN 2019, THE TOP FIVE ANNUAL MONETARY CONTRIBUTIONS TO TRADE ASSOCIATIONS AND TAX EXEMPT GROUPS WERE:

CHF 80 000

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

CHF 77 527

INTERNATIONAL FEDERATION OF INSPECTION AGENCIES

CHF 55 658

SWISSHOLDINGS (EX-GROUPEMENT DES HOLDINGS INDUSTRIELLES)

CHF 50 000

ECONOMIESUISSE

CHF 50 000

IMD INTERNATIONAL INSTITUTE FOR MANAGEMENT DEVELOPMENT

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 sum is not material, representing less than 0.01% of our revenue. In 2019, we did not make any contributions or donations of either political or lobbying nature.

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.[1]

ANTI-COMPETITIVE BEHAVIOR, ANTITRUST AND MONOPOLY PRACTICES

In 2019, we did not identify any legal actions related to anti-competitive behavior, antitrust and monopoly practices[2].

1. 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 2019.

2. 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 2019.

SUSTAINABILITY REPORT 2019
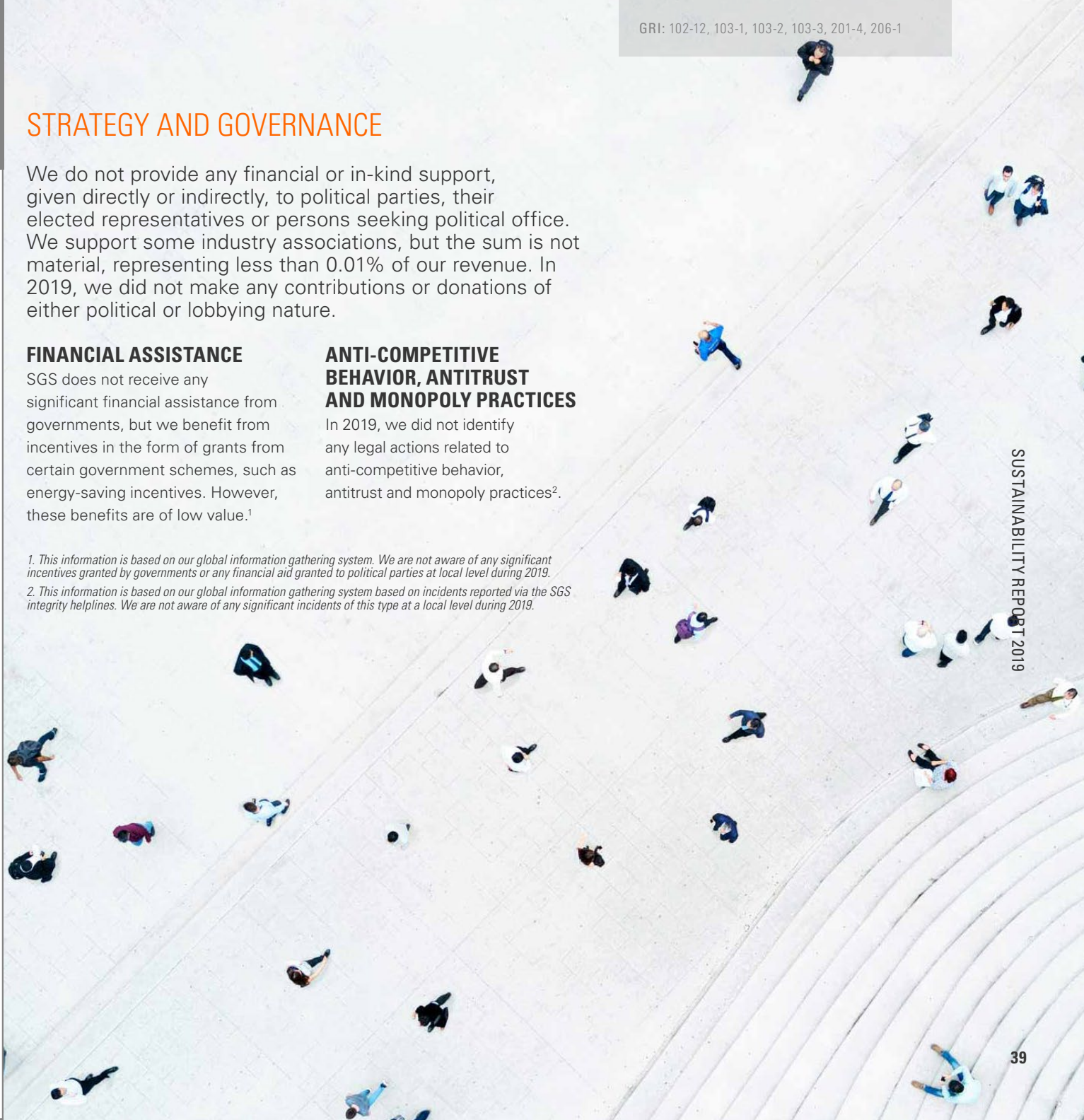
SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN

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

PERFORMANCE

100%

OF SPEND ANALYZED FOR SUSTAINABLILITY RISKS

100 (2016) 100 (2017) 100 (2018) **100 (2019)**

100%
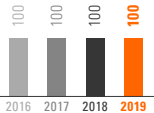
TIER 1 SUPPLIERS[1] ANALYZED FOR SUSTAINABILITY RISKS

100 (2016) 100 (2017) 100 (2018) **100 (2019)**
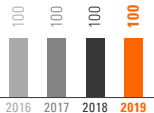
44%

ONLINE SOURCED SPEND

23 (2018) **44 (2019)**

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

STRATEGY AND GOVERNANCE

We operate in more than 125 countries, drawing on the services of global, regional and national suppliers. As a responsible major purchaser, we ensure that goods and services are sourced sustainably and that our suppliers respect human rights.

The SGS 2020 Procurement and Supply Chain Management strategy is designed to deliver savings, efficiency improvements and innovations that support sustainable growth. It reinforces our partnerships with our suppliers, mitigates reputational and non-compliance risk, and contributes to value to society. The strategy is focused on four pillars, one of which is Sustainable Procurement and Supply Chain.

As part of our sustainable procurement goals, we aim to make a significant contribution to raising social and environmental standards throughout our supply chain. To achieve this, we require all suppliers to adhere to our Supplier Code of Conduct (see right).

Our Procurement Policy details the key principles, criteria and guidelines for all contracting activity and supplier selection across the Group. It also defines supplier requirements associated with quality, value, efficiency and sustainability e.g. compliance with the SGS Supplier Code of Conduct as a critical criteria.

SGS SUPPLIER CODE OF CONDUCT

Defines our non-negotiable minimum standards and specifications for our supply chain and responsible sourcing

Applies to all new, critical and high risk suppliers, who are required to adhere to it

Invites suppliers to work with SGS to identify and develop continuous improvements

Meets the requirements of the International Bill of Human Rights and the International Labour Organization Declaration on Fundamental Principles and Rights at Work

Covers the areas aligned to SGS' sustainability pillars: Professional Excellence, People, Environment and Community

Is supported by a confidential integrity helpline for raising concerns about issues related to the Code
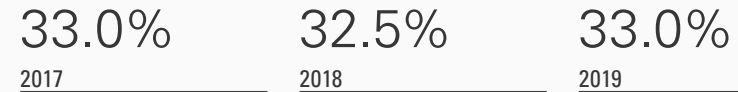
To find out more see

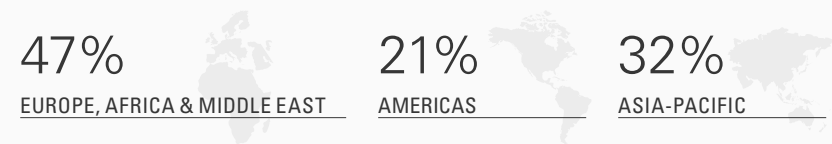## SGS STRATEGIC PROCUREMENT AND SUPPLY CHAIN MANAGEMENT PILLARS

1 COST AND CASH FLOW LEADERSHIP

2 GLOBAL SOURCING SOLUTIONS

3 SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN

4 CONTRIBUTION TO INSPECTION AND LABORATORIES OF THE FUTURE PROGRAM

SGS PROCUREMENT AND SUPPLY CHAIN AT A GLANCE

SPEND BY SGS CATEGORY

18%
MATERIAL AND SUPPLIES

13%
CAPITAL EXPENDITURE

22%
OTHER OPERATIONAL EXPENDITURE

18%
TRAVEL AND VEHICLES

23%
EXTERNAL SERVICES

6%
GENERAL REPAIRS & MAINTENANCE

SPEND VERSUS REVENUE

33.0%
2017

32.5%
2018

33.0%
2019

SPEND BY SGS SUPRA-REGION

47%
EUROPE, AFRICA & MIDDLE EAST

21%
AMERICAS

32%
ASIA-PACIFIC

LOCAL AND GLOBAL SOURCING APPROACH

Large global suppliers offer stability in terms of financial resilience, delivery capacity and pricing structures, potentially coupled with better pricing and improved margins. Through our supply chain rationalization policy, we benefit from the standardization, stability, quality control and pricing contracts they offer us.

However, our supply chain is quite diverse and geographically dispersed, and our procurement teams 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. 80% of our annual spend goes on regional and local suppliers, which demonstrates our dedication to supporting the communities in which we operate.

For more information about SGS Procurement and Supply Chain management see page 48–49 of the

LOCAL VERSUS GLOBAL

98% **2%**
LOCAL GLOBAL SUPPLIERS

80% **20%**
LOCAL GLOBAL SPEND
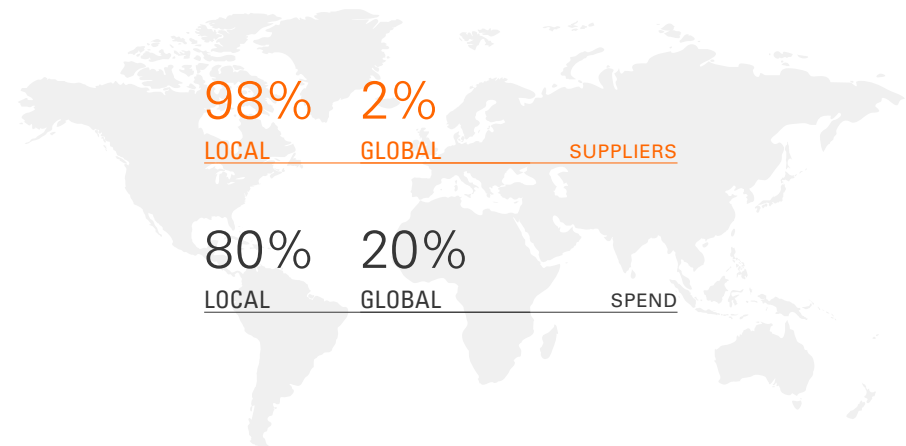
INITIATIVES AND ACHIEVEMENTS

ASSESSMENT OF EXISTING SUPPLIERS

Having a clear understanding of our supplier risk is an essential part of our sustainable supply chain management. To achieve this, we developed processes through which to assess our existing suppliers. We consider our local suppliers and strategic global suppliers separately, to give us an overall picture of the level of risk and supplier compliance throughout our supply chain.

LOCAL SUPPLIERS ASSESSMENT

To evaluate and categorize our local suppliers according to risk, we created a five-stage process, with the main aim of deploying a sustainability self-assessment to our highest risk suppliers.

The process started with a macro risk analysis, analyzing environmental, economic and social factors, through which we identified countries in which we operate that are high or medium risk. This involved scoring each country against a range of weighted sustainability risks, and combining individual sustainability risk scores into an overall country risk score. Suppliers in high- and medium-risk countries were then categorized, with those below a certain spend threshold and in less critical product groups being eliminated. In the third stage, local teams (multi-functional when needed) analyzed suppliers and shortlisted those that they consider as 'high risk' and should therefore be included in the full assessment process, based on their importance, category, status, spend and other relevant factors.

These first three stages of the process enabled us to pinpoint high-, medium- and low-risk suppliers for further assessment in the fourth stage of the process: online deployment of our self-assessment tool: SGS Self-Assessment Questionnaire (SAQ).

Throughout the entire process our goal is to increase transparency in our supply chain. By asking questions that identify specific sustainability risks, checking our suppliers understand our sustainability values and confirming their compliance with our Supplier Code of Conduct, our SAQ supports us in achieving this goal.

EXISTING SUPPLIERS ANALYSIS

	2018			2019		
	TOTAL	HIGH & MEDIUM RISK	LOW RISK	TOTAL	HIGH & MEDIUM RISK	LOW RISK
Number of countries (Tier 1)	30[2]	14[2]	16	30[2]	14[2]	16
Spend (%)	83%	33%	50%	83%	33%	50%
Tier 1 suppliers[1]	59988	24545	35443	67214	29341	37873
Suppliers analyzed by macro risk assessment (%)	100%	100%	100%	100%	100%	100%
Suppliers after country level review	4803	2568	2235	4512	2530	1982
Suppliers with actions taken[3]	925			2853	2163	690

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. Supplier with actions. Self-Assessment Questionnaire submission.

EXISTING SUPPLIERS ASSESSMENT PROCESS

1

SEGMENTATION OF COUNTRIES BY LEVEL OF RISK

14 high- and medium-risk countries (20341 suppliers) and 16 low risk countries (37873 suppliers)

2

ELIMINATION OF LESS CRITICAL SUPPLIERS

Based on spending thresholds and product groups, defined for each country risk level

3

EVALUATION AT COUNTRY LEVEL

4512 tier 1 suppliers across 30 countries were defined as the final high-risk target group

4

SAQ DEPLOYMENT AND RESULTS ANALYSIS

More than 98% (over 2700 in two years) of suppliers that completed our SAQ adhere to SGS Supplier Code of Conduct

5

GOVERNANCE AND MITIGATION PLANS

58 suppliers flagged for potential non-compliance or breaches, and need engagement for governance and mitigation

The final stage in the process relates to scenarios where the SAQ flags potential non-compliance or breaches. In these instances, we work with our suppliers and stakeholders to mitigate risks. Focusing on suppliers that either did not respond to the SAQ or received a very low score, we analyze any information we hold on their activities and implement a full governance process. As part of this, local procurement teams work through a series of specific actions to engage suppliers and align them with our principles, while drawing in the complete support of business lines and other functions. This process provides us with an understanding of the importance and interdependence of each supplier and SGS, and allows us to approach the management of sustainability risks with an appropriate governance and mitigation plan.

In 2018, we deployed our SAQ to our high-risk tier 1 suppliers in 12 countries, while in 2019 we extended the rollout to all our high-risk suppliers across our top 30 countries, based on spend. This means that more than 2 700 suppliers have been assessed via our SAQ methodology to date, covering all of our major risk.

STRATEGIC SUPPLIERS ASSESSMENT

We take a separate approach for our strategic suppliers. These are the suppliers that are most important to the SGS business. We ask them to complete a different questionnaire to the SAQ, which requests additional financial and procurement information and more indepth sustainability information. Our strategic suppliers are also asked to provide third-party validation and to detail the actions they are taking to improve their sustainability performance. Based on this assessment we prioritize groups or certain suppliers for partnership sustainability initiatives.

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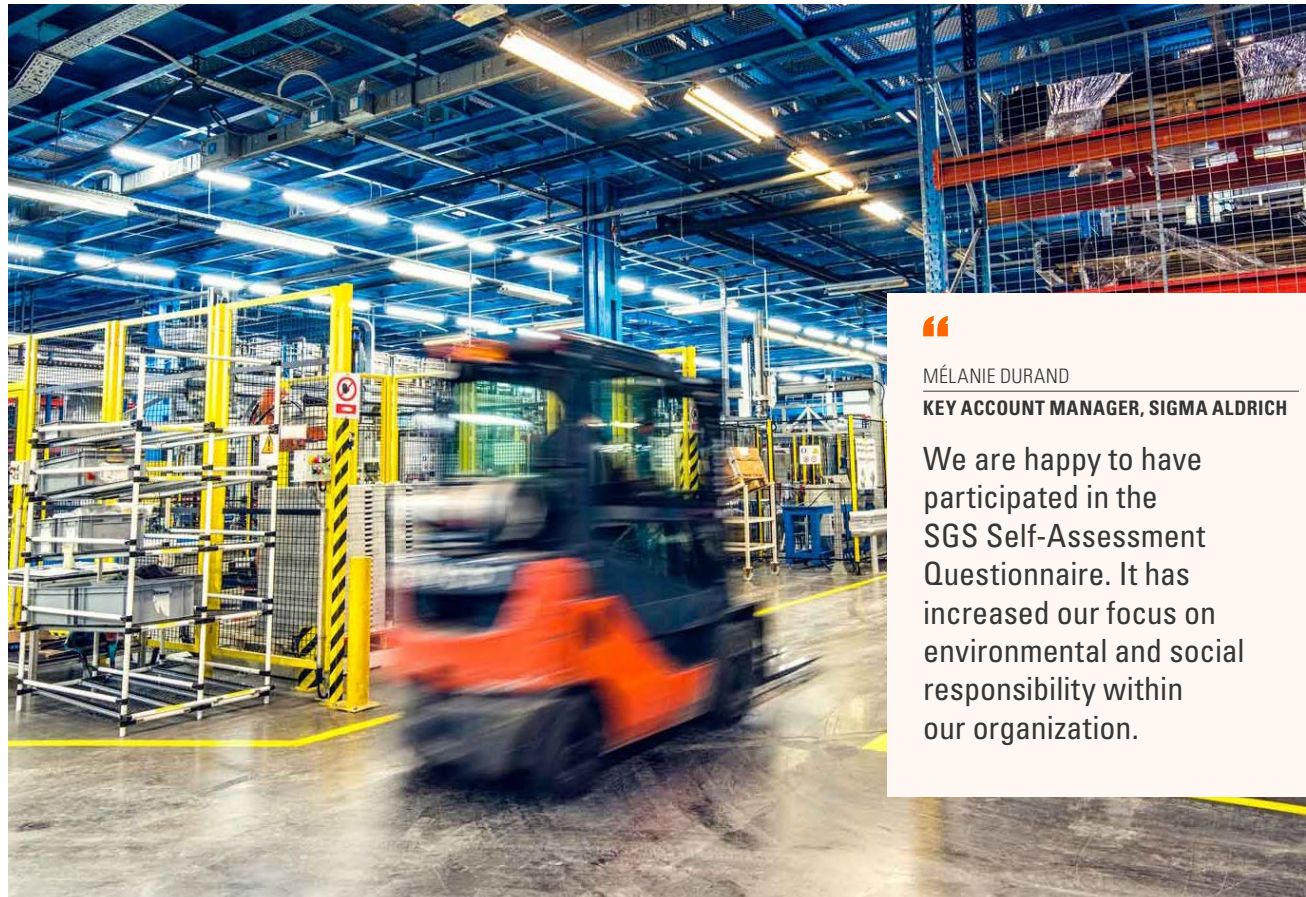
MÉLANIE DURAND
KEY ACCOUNT MANAGER, SIGMA ALDRICH

We are happy to have participated in the SGS Self-Assessment Questionnaire. It has increased our focus on environmental and social responsibility within our organization.

"

JUERGEN NELIS
VP GROUP GLOBAL PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

With our size and number of suppliers, including sustainability criteria in our procurement decisions has a multiplying effect. By applying sustainability principles to our supply chain, we can contribute to making our world a better place in a tangible way.

SGS TIER 1 SUPPLIERS
TIER 1 SUPPLIERS ARE DEFINED AS THOSE THAT SELL DIRECTLY TO SGS IN OUR TOP COUNTRIES

30
SGS top countries

67 214
Tier 1 suppliers in SGS top countries

SUSTAINABILITY REPORT 2019

NEW SUPPLIER SELECTION

SGS is focused on developing business relationships with companies that share our beliefs. As part of our supplier selection process, we expect all new suppliers to meet certain sustainability criteria. Our Procurement Policy requires these criteria to be evaluated as part of all our sourcing and contracting processes. We also detail within our standard supplier contract template that we expect our suppliers to act in accordance with environmental, health, safety and employment policies, to comply with relevant standards and legislation, to continuously improve processes and to encourage their contractors and subcontractors to follow the same practices.

Embedding sustainability into all our procurement processes requires tailored approaches and systems for each country, due to market divergence, technologies in use and business drivers. While our sourcing processes may be different, the requirement to adhere to our Procurement Policy is consistent across the SGS Group, and adherence to the Supplier Code of Conduct is mandatory for all suppliers.

LOW EMISSIONS VEHICLES

Our Vehicle Emissions Policy commits us to reducing our vehicle fleet CO_2 emissions every year until 2020. By the end of this period, average CO_2 emissions per km for our worldwide fleet shall not exceed 95 grams per km and no vehicle acquired during this year should exceed 105g CO_2/km.

All newly purchased fleet vehicles are covered by this policy, and local teams are required to adhere to the policy commitments when making purchasing decisions. With this in mind, our global procurement team has continued the deployment of our Sustainable Mobility programs to support local teams. As part of these, we performed sustainability analyzes in Spain, the USA, the UK and France, and provided recommendations on procuring more sustainable fleets based on the most suitable less carbon-intensive technologies (➡ see page 72).

OUR VALUE TO SOCIETY

CHALLENGING SUPPLIERS TO JOIN US ON SUSTAINABILITY

12 13 15 SGS AUSTRALIA WORKS WITH SUPPLIERS TO DRIVE SUSTAINABLE SUPPLY CHAINS

DANIEL HEGGIE
GENERAL MANAGER – FINANCE,
SGS AUSTRALIA

OUR VALUE TO SOCIETY

INCREASINGLY SUSTAINABLE VEHICLE FLEET IN NORTH AMERICA

12 13 WORKING TO LOWER VEHICLE EMISSIONS IN SGS NORTH AMERICA

FARHAN RANDHAWA
DIRECTOR OF PROCUREMENT,
SGS NORTH AMERICA

OUR VALUE TO SOCIETY

COLLABORATION DRIVES SUPPLIER TRANSPARENCY

12 13 SGS SINGAPORE ADVOCATES TOP SUPPLIERS' UNDERSTANDING AND ALIGNMENT WITH OUR SUSTAINABILITY COMMITMENTS

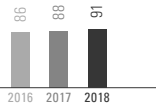ALVIN TAN
PROCUREMENT MANAGER,
SGS SINGAPORE

OUR VALUE TO SOCIETY
SOCIAL AND RELATIONSHIP CAPITAL

CUSTOMER RELATIONSHIP MANAGEMENT

Robust relationship management enables us to deliver against our service excellence commitment to our customers.

PERFORMANCE

91%

OF CUSTOMERS SATISFIED WITH SGS SERVICE*

86 88 91
2016 2017 2018

STRATEGY AND GOVERNANCE

Our long-term business success depends on our ability to effectively manage our customer relationships.

To achieve this, we ensure that all our employees have the skills and knowledge required to deliver our services to the high standards we expect. At the same time, we anticipate and respond to customer needs as they arise.

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.

Our approach is decentralized: each business line has its own customer-care departments. These act as the direct point of contact for customers and connect them with the relevant parts of SGS. We monitor and periodically review customer contact as part of our Management Review processes.

Our IT Transformation Program for 2017 to 2020, which is known as SGS Enable, provides the strategy and roadmap for major IT projects which aim to increase service levels across the SGS Group. Managed by Strategic Transformation, Group Finance and Corporate IT, projects are broken down into three key areas: Customer Engagement, Operational Excellence, and Workforce. The first two directly impact our Customer Relationship Management (CRM) and include projects such as SGS Online, our customer portal, the upgrade of our CRM system, Standard Inspection Reporting, which is streamlining our global inspection-to-client service, and QIIQ Remote Inspection System, which provides enhanced customer service in geographical areas that are hard to access.

INITIATIVES AND ACHIEVEMENTS

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS
In 2018, we launched the first version of our customer portal in our Online Services pilot. This portal enables customers to engage directly with SGS, while at the same time providing employees with a new CRM system which supports better customer interactions.

In 2019, we enhanced these pilots, based on the feedback we received from our customers and our aim is to continually improve our customer interactions. Our ultimate goal is to offer all our prospects and customers a seamless and personalized experience, with a single point of access to SGS.

SGS OMNICHANNEL CUSTOMER INTERACTIONS

Face-to-face customer meetings

Emails and phone calls (follow-up)

Feedback questionnaires

Seminars and workshops

Social media communications

Web inquiry responses

Online chat

* Of those 9600+ respondents who participated in our Voice of the Customer surveys.

SATISFACTION SURVEYS

Understanding how our customers feel about their experiences and learning about their specific interests, suggestions and expectations is important to SGS. We regularly communicate with our customers and we analyze customer sentiment through our Voice of the Customer surveys.

In 2019, we introduced a new global IT platform through which to run and manage all online Voice of the Customer surveys. This new platform provides advanced analytics that can be aggregated on a global scale, giving us a broader understanding of customer experience across the business. Through the platform, we also have the ability to drill down into specific issues, enabling us to develop corrective actions.

The new platform has also given us the opportunity to create global alignment across our customer surveys, all of which now feature three key customer satisfaction questions that are an SGS requirement.

The largest of our annual Voice of the Customer surveys is our Laboratory Excellence Program. Each year, SGS laboratory customers are asked to complete a survey about their experience and service from our laboratories. The results enable SGS to provide a continuously improving laboratory service.

INTEGRITY HELPLINE

Our integrity helpline provides a further opportunity for customers to raise issues, specifically in relation to our Code of Integrity (➡ see page 34). If required, these are directly handled by senior SGS managers, such as local Executive Vice Presidents and Managing Directors alongside the Compliance team.

"

RICHARD ALLAN

DIRECTOR, GLOBAL QUALITY ASSURANCE, KIMBERLY-CLARK CORPORATION

Kimberly-Clark and SGS have worked together for over a decade and have developed a robust and enduring, mutually beneficial partnership. SGS consistently seeks to understand our changing business priorities and how best to support us. Every contact we have with SGS is positive and the service level provided consistently goes beyond our expectations.

GLOBAL CUSTOMER SATISFACTION PROGRAM

Voice of the Customer surveys

New global customer satisfaction platform

Three key satisfaction questions asked in all customer surveys

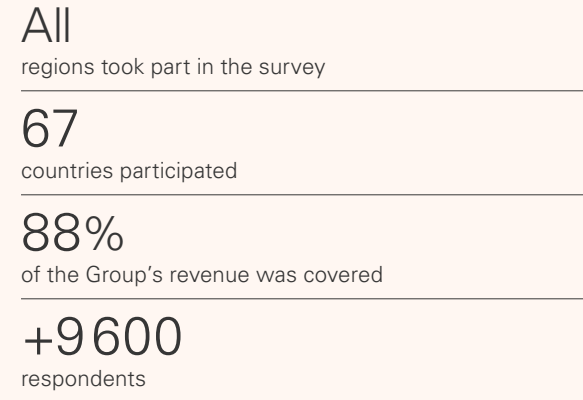Customer satisfaction scores and net promoter scores are communicated annually

LOCAL CUSTOMER SATISFACTION PROGRAM

Targeted initiatives to survey customers on relevant topics

Internal communications campaign to promote the use of the new global platform at the local level

Country-by-country approach to corrective actions

VOICE OF THE CUSTOMER SURVEY 2019*

All
regions took part in the survey

67
countries participated

88%
of the Group's revenue was covered

+9 600
respondents

SATISFACTION LEVELS FROM VOICE OF THE CUSTOMER SURVEYS

88%
in 2016

88%
in 2017

91%
in 2018

Results for 2019 survey analyzed the 2018 customer experience.

FAIR PRACTICES

We are committed to conducting our business using competitive and fair practices. 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 endeavor to obtain confidential information about them using illegal or unethical means. Finally, our services and capabilities are never advertized in any way that could appear to be deceptive or misleading.

PRICING

Our fair practices 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.

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.
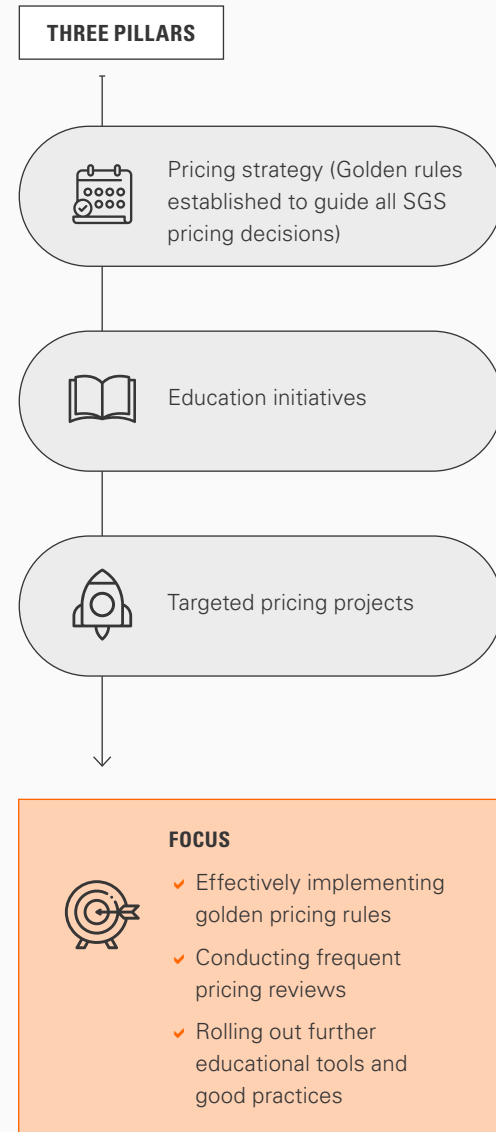
SGS GLOBAL PRICING INITIATIVE

Following an expert review and assessment of pricing practices across the SGS Group, which delivered very positive results, we launched the SGS Global Pricing Initiative.

While internally this supports our profitable growth, it provides our stakeholders with transparency across service areas through a robust pricing process and enhanced governance model.

Our fair practices allow us to be clear and transparent with stakeholders about our approach to pricing.

SGS GLOBAL PRICING INITIATIVE (2018–2020)

AIM: Optimized pricing across the Group

THREE PILLARS

Pricing strategy (Golden rules established to guide all SGS pricing decisions)

Education initiatives

Targeted pricing projects

FOCUS

- ✓ Effectively implementing golden pricing rules
- ✓ Conducting frequent pricing reviews
- ✓ Rolling out further educational tools and good practices

INFORMATION SECURITY AND DATA PROTECTION

Protecting personal data, compliance with privacy laws and strengthening cybersecurity are essential commitments for SGS.
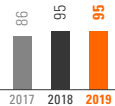
PERFORMANCE

0

NUMBER OF COMPLAINTS RECEIVED FROM OUTSIDE PARTIES AND SUBSTANTIATED BY THE ORGANIZATION[1]

0

SUBSTANTIATED COMPLAINTS CONCERNING BREACHES OF DATA CUSTOMER POLICY[1]

95%

COMPLETION RATE OF DATA PROTECTION AND PRIVACY E-LEARNING

88 | 95 | 95
2017 | 2018 | **2019**

STRATEGY AND GOVERNANCE

INFORMATION SECURITY

At SGS, we place significant emphasis on the prevention, detection, management and response to security risks. We recognize that any breach would affect our ability to operate as normal and the integrity of our customers' information.

SGS has a framework and team in place to protect intellectual property, business services, personal information and customer data. At SGS, we define the information we are responsible for keeping secure as all data, specifications, results, facts, correspondence, methods and knowledge pertaining to SGS, our employees, contractors, customers, suppliers, methods and tangible and intangible assets.

In terms of digital information, by carefully managing our IT Security and Anomaly Detection Systems, while deploying tools to identify vulnerabilities and forecasting trends in the cybersecurity landscape, we work to prevent and defend SGS against threats. As a business, we implement the best security controls, based on international standards and best practices.

SGS' IT management team works closely with our Business Continuity team to ensure effective crisis management planning systems are in place to deal with any eventuality (➡ see page 68).

INFORMATION SECURITY STRATEGIC AIM

Our information security strategic aim is to ensure that we are always prepared to keep our information and its creation, storage, transmission and disposal systems secure.

INFORMATION AND IT SYSTEMS RISK EVENTS

Technical failures	Malicious attacks	Natural disasters
Human errors	Terrorist attacks	Weather-related events

INFORMATION SECURITY PREVENTION AND PREPARATION MEASURES

Enhance IT systems	Contingency plans
Penetration testing	Put policies and procedures in place to streamline processes
Vulnerability Assessment Initiative	
Develop risk control capabilities	

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

DATA PROTECTION

SGS clearly defines what is expected across the Group to ensure that personal information is effectively managed and database access is strictly controlled.

As with all companies, there are risks associated with holding personal information, in terms of data leakage, data misuse and unauthorized access to the information. Our reputation depends first on our ability to prevent issues from arising, and second, on our processes for managing issues should they occur.

We strive to be transparent and open about the data we collect, respecting individual rights and choices, and to protect the data we hold from unauthorized use or disclosure. To manage this, we have the SGS Data Privacy Policy.

DATA PROTECTION STRATEGIC AIM

Our Data Protection strategic aim is to ensure that personal data is effectively managed.

SGS DATA PRIVACY POLICY

Governs how we collect, use and manage the personal data of customers, employees and third parties

Confidentiality and privacy are key principles of the SGS Code of Integrity

DATA PROTECTION POTENTIAL RISKS

Data leakage

Misuse of personal data

Unauthorized access to data held by SGS

Impact on individual livelihoods

DATA PROTECTION MEASURES

SGS Privacy Policy, communication and implementation

SGS Data Privacy Notices

Employee training

SGS Online Privacy Request Form

Data processing agreements with suppliers

Supplier security standards and assessment

Privacy by design and data protection impact assessment procedures

Data Breach Management Procedure

SUSTAINABILITY REPORT 2019

INITIATIVES AND ACHIEVEMENTS

TRAINING

We run a continuous security awareness training program and, as part of this, conduct information security training several times a year for all employees. In 2019, cybersecurity and risk were also added to the SGS Onboarding program. We recognize that senior managers are subject to specific security threats and as such we have a further training course specifically for this group, while we also provide courses dedicated to the needs of specific SGS businesses.

Global awareness training on Data Protection and Privacy principles was rolled out as an e-learning module in 2018 to SGS employees around the world. It is relevant to all employees, whether they collect and process personal data or not. Currently it has been rolled out to more than 93 000 employees, with a completion rate of 95%. As with the Information Security modules, we have now introduced a specific version of the course focused on the needs of senior managers.

REPORTING INCIDENTS

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.

Once the root cause has been identified, the impact of any proposed mitigation is evaluated and communicated.

As detailed on our IT Security Policy, incidents can be reported through our IT incident reporting mechanism. Any major security issues are investigated by the IT Security Department. Any non-IT related incidents can be reported and investigated through either the Corporate Security Incident Reporting procedure or the Integrity Reporting procedure.

Once the root cause has been identified, the impact of any proposed mitigation is evaluated and communicated. Any policy violations may result in disciplinary action.

In 2019, we made reporting email security issues even easier by introducing a link button on employee email systems. Employees can use this button to make a report directly to local SGS Security Operations Centers.

SGS' team of Data Privacy officers assess the personal risks associated with any identified incidents and determine whether the individual data owners and local data protection authorities should be notified. We follow our SGS Data Breach Management Procedure in all matters where authorities are engaged.

BEYOND OPERATIONS

Cybersecurity is an area that is taken particularly seriously when integrating the IT systems of acquisitions and partners into those of the SGS Group.

EU GENERAL DATA PROTECTION REGULATION (GDPR)

SGS recognizes the criticality of complying with all legal requirements pertaining to data. Central to this is the EU GDPR which came into force in 2018. The EU GDPR was developed to make a significant change to to the way organizations operating in Europe manage data privacy, while harmonizing data privacy laws across Europe and protecting data related to EU citizens.

ACTIONS TO ENSURE EU GDPR COMPLIANCE

Established compliance framework, centered around putting the right tools and documentation in place e.g. privacy notices and clauses in contracts

Launched a global SGS Privacy Policy

Published SGS GDPR Compliance Statement

17 EU Data Privacy Officers

Developed and implemented the GDPR roadmap

Developed a Group-wide register of all personal data held, starting from a business process perspective

Annual update of data register

Established data breach management procedures

Assess suppliers security standards and compliance to data privacy laws

Conducts data processing impact assessments

GLOBAL EFFECTS OF EU GDPR COMPLIANCE

Global Privacy Policy established

Rollout to 14 affiliates based on EU approach

INNOVATION

At a time of rapid digitalization when traditional thinking is being challenged, our ability to innovate keeps SGS ahead of the curve while adding value to our customers, governments and industries.

STRATEGY AND GOVERNANCE

Innovation drives our economic growth and sustainable success.

We aim to create an internal 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 digital services, e-commerce and online presence, and a culture of innovation. We are committed to the development of innovative services that benefit our customers and better processes that enable SGS to deliver our services more efficiently.

CORE STRATEGIC INNOVATION AREAS AT SGS

DIGITAL SERVICES   ONLINE PRESENCE   CULTURE

STRATEGIC INNOVATION OUTCOMES

- ⌄ Innovative customer services
- ⌄ Enhanced operational processes

DIGITAL SERVICES

Our digitalization strategy aims to position SGS as a global leader in developing safe, effective and profitable digital solutions for all the sectors in which we operate. 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 launching digital and cybersecurity services. We invest in the right projects that deliver on our internal efficiency goals, provide our customers with solutions and create services that bridge digital and traditional methodologies. This means that we are prepared to take risks and welcome innovations, even if they have to be abandoned later in the process based on not meeting certain criteria.

ONLINE PRESENCE

Expanding our business-to-business-to-consumer (B2B2C) presence online is an SGS 2020 objective that we aim to achieve through our e-commerce platform. Both our B2C and B2B2C presence online are being strategically expanded through our platform, SGS online. Consumers have access to services provided by our: Environment, Health & Safety; Agriculture, Food & Life Sciences; Oil, Gas & Chemicals; and Certification & Business Enhancement business units, as well as Cybersecurity Services. These are the most relevant areas through which to offer direct-to-consumers services, and we are constantly investigating services that can be moved to this delivery platform.

Our emphasis is now on improving how SGS online communicates with and sells to customers. The online-offline customer journey is one area in which we are seeing notable advances, in particular with regard to how SGS online links to our offline services and improves understanding of SGS products.

INNOVATION CULTURE

At SGS, we have a culture that values innovation. This is integral to our status as a TIC industry leader and we have a process in place that rewards creative ideas and encourages all of our employees to put them forward. When we find ideas that are novel or will enhance existing service delivery, we work with the employees that have proposed them to develop business propositions. By providing guidance and funding, we are better positioned to benefit from successful advances across our organization. We communicate about ideas that get progressed and we celebrate the innovations that help make a difference to our organization.

INITIATIVES AND ACHIEVEMENTS

BLOCKCHAIN

In 2019, we continued our involvement in the komgo® blockchain-based platform, which was launched in the third quarter of 2018 with 14 partners in the commodities sector. The platform is aimed at transforming commodity trading, and we are focusing on the practical development of the system and building key relationships.

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

CUSTOMER PORTAL

Since 2018, business customers have been able to purchase SGS services directly through our customer portal, also known as SGS online. The goal is to expand our commercial transactions through digital tools and identify innovative ways to increase brand awareness and develop the SGS customer experience. In 2019, we focused on evolving the parameters of SGS online, optimizing its effectiveness and efficiency in key business areas.

INNOVATION PARTNERSHIPS

SGS welcomes opportunities to partner with our customers in innovation-driving activities. We do this through a number of initiatives. An example is 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 we have formed an Advanced Technology Group to collaborate on new technologies and to create laboratories of the future that meet the needs of both our customers and their clients.

During the year, we opened a Cyber Campus in Austria in partnership with the Graz University of Technology. We are creating a unique cybersecurity center at the University, combining corporate and public sector resources and

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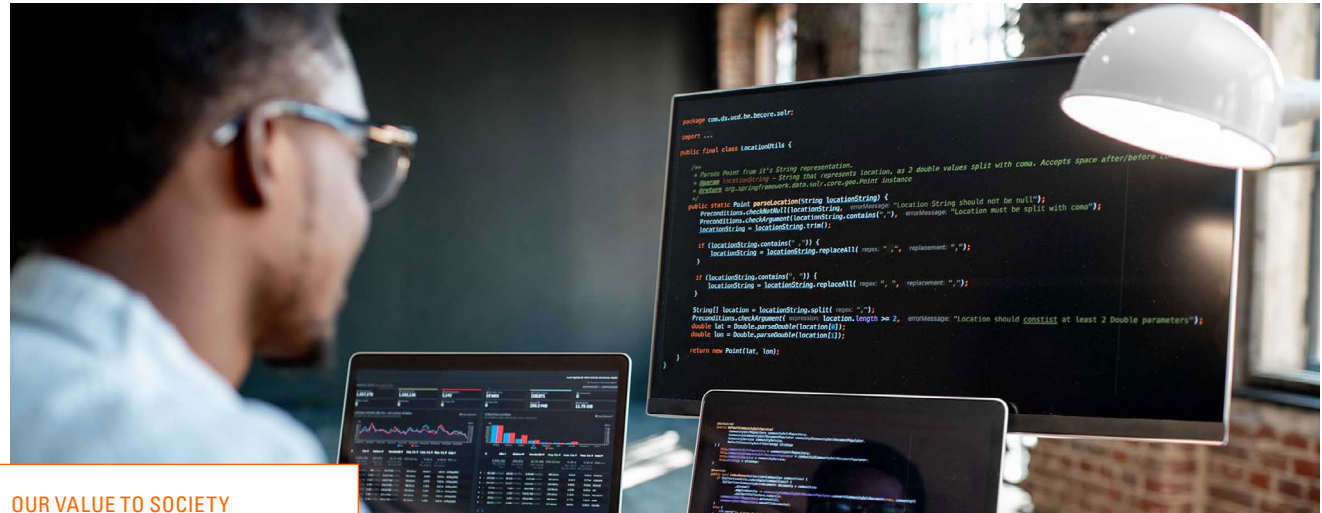
OUR VALUE TO SOCIETY

THE FUTURE OF INSPECTION

9 SGS LAUNCHES IOT COMPETENCE CENTER TO DEVELOP NEXT GENERATION INSPECTION TECHNOLOGY

ALEKSANDAR MITREVSKI
COMPETENCE CENTER PROGRAM DIRECTOR

expertise in a venture that brings together testing facilities and a research foundation.

In addition, we launched an IoT Center of Competence in Madrid in 2019. The launch, in partnership with Microsoft and Swisscom, is part of our goal to further the agenda of digitalization at SGS. The Center is aimed at supporting our businesses and affiliates in the development of all IoT systems and services, while at the same time providing the expertise needed by our customers.

INNOVATION PROCESSES

One of the most important sources of innovation at SGS is our employees, and we are continuing to develop the internal processes we have in place to nurture and apply their creativity. Primarily we achieve this through a series of Idea Challenges that are designed to crowdsource ideas from across the SGS Group. We have also developed Innovation Ecosystems where representatives from all parts of the SGS Group – business

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lines, geographical regions and functions – come together to contribute to idea development and critical review.

In 2019, as a result of our Innovation Ecosystems, we created a rich pipeline of innovation projects at various stages of analysis and development, with 43 innovation projects launched across the SGS Group. One example of an employee-led innovation was the idea to use a technology developed in our Agriculture, Food & Life Sciences business to check wells for contamination in the Oil, Gas and Chemicals sector.

"

FRED HERREN
SVP DIGITAL & INNOVATION

As the world becomes increasingly digitalized, SGS needs to identify opportunities as well as to understand implicit threats. New technologies do bring opportunities to improve the way we do our job, as well as to enter new domains of activities.

SGS SUSTAINABILITY SERVICES

As a business, SGS creates value to society through our services, operations and supply chain. As part of this, we help other organizations to become increasingly sustainable.

Across all industries that we work with and in all parts of the world, we bring together innovative ways of improving corporate sustainability performance. We help businesses to ensure that their operations, partners and supply chains are complying with regulations and standards while meeting stakeholder expectations. We also help our customers to implement efficient and manageable processes and systems that conserve natural resources, reduce pollution and protect biodiversity.

◉ For more information please visit sgs.com

ENVIRONMENTAL SUSTAINABILITY

We support our customers in improving their environmental performance and achieving their sustainability objectives. We share our expertise through SGS Academy training courses and provide consultation for our customers on reducing their climate change emissions, reducing energy consumption, ensuring any impacts on biodiversity are minimized and managing water resource use and wastewater.

ECONOMIC SUSTAINABILITY

The long-term viability of a business is determined by its economic sustainability. We help our customers to establish, organize and develop rigorous processes to efficiently manage their business operations. We examine supply chains and look at aspects as diverse as business continuity management and anti-corruption measures. We also help bring training, auditing, verification and management systems together into one coordinated process that can be effectively managed.

SOCIAL SUSTAINABILITY

Adverse publicity can cause reputational damage, affecting sales and profitability. We help our customers to manage risk and demonstrate corporate responsibility through an array of audit and verification services. We also offer tailored advice and code of conduct solutions, coordinate supply chain management and guide our customers in bringing together training, auditing and verification systems.

FACILITIES AND PRODUCTION

Every building or facility comes with potential environmental risks, obligations and liabilities. We help our customers to optimize their buildings' efficiency through the full lifecycle of their operations. Our services assess onsite product packaging processes and waste and recycling solutions, and we support our customers in demonstrating site-based environmental commitment.

SUSTAINABILITY REPORTING

Our customers come to us for support in enhancing their corporate responsibility management and improving their sustainability reporting. Through our training courses and report assurance, we guide our customers' sustainability journeys. By working towards best practice our customers can be more transparent and accountable for their actions and impacts.

INTEGRATED MANAGEMENT SYSTEMS CERTIFICATIONS

To operate as a sustainable business there are a number of different areas that need to be considered, each requiring management systems. By consolidating these processes in an integrated management system, we help our customers address multiple objectives simultaneously, while increasing their organizational efficiency and decreasing the disruption of external audits.

SUSTAINABILITY REPORT 2019

PEOPLE

Creating an environment that supports our employees' performance ultimately improves ours as a company.

We don't just seek to add value to society through our employees – we hope to add value to them as well, through training, career development and job stability. We empower our employees to succeed in a safe, diverse and inclusive workplace that treats everyone fairly and with respect. We recognize that our employees are people – with families, friends and communities. By helping them, we help society. And that is what purpose-driven leadership is all about.

PEOPLE

RELATED MATERIAL TOPICS
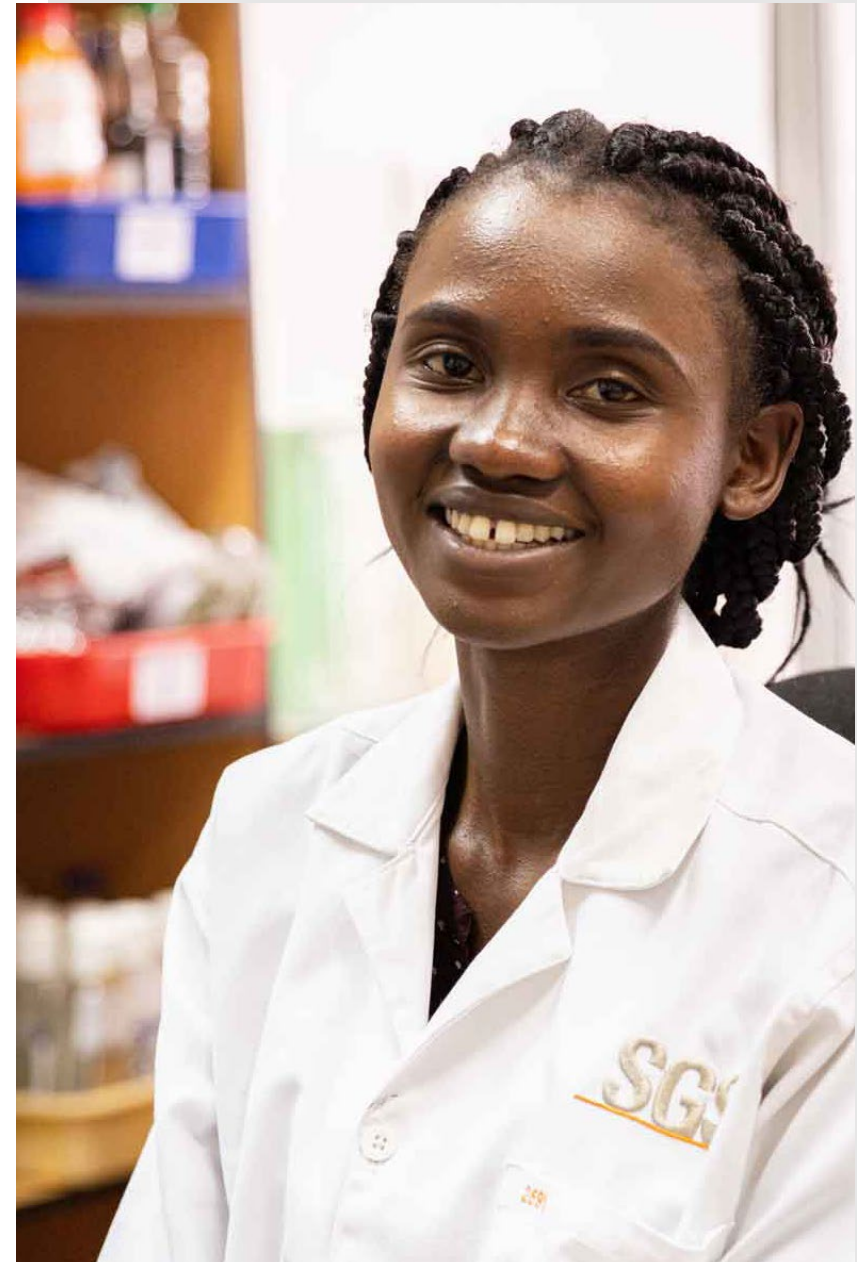
TALENT ATTRACTION & RETENTION ⬈
TRAINING & DEVELOPMENT ⬈
DIVERSITY & INCLUSION ⬈
HEALTH, SAFETY & WELL-BEING ⬈
FREEDOM OF ASSOCIATION ⬈
CORPORATE GOVERNANCE ⬈
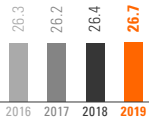
OUR VALUE TO SOCIETY
HUMAN CAPITAL

TALENT MANAGEMENT AND EQUAL OPPORTUNITIES

Our efforts to attract and retain staff, provide equal opportunities and increase diversity in our workforce are fundamental to our ability to operate.
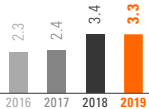
PERFORMANCE
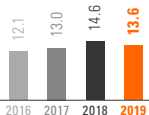
26.7%
WOMEN IN LEADERSHIP POSITIONS (CEO -3)

2016	2017	2018	2019
26.3	26.2	26.4	26.7

3.3%
TRAINING COST (INCLUDING HOURS)
AS A PERCENTAGE OF EMPLOYMENT COST[1]

2016	2017	2018	2019
2.3	2.4	3.4	3.3

13.6%
PEOPLE LEAVING OF THEIR OWN WILL[2]

2016	2017	2018	2019
12.1	13.0	14.6	13.6

1. On a constant currency basis. 2. As of 2016, this KPI is calculated based on permanent (fixed-term and open-ended) contracts.

STRATEGY AND GOVERNANCE

TALENT MANAGEMENT
SGS customers can trust us to deliver benefits such as speed to market, reduced risk, increased efficiency, sustainability and productivity. This is a promise we make to them, and our people are an important part of ensuring that we deliver on it.

The way we acquire, manage, develop and engage people at SGS is divided into four foundational areas: talent acquisition, engagement and well-being, talent development and remuneration.

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

The majority of SGS' talent management programs are created and delivered at the local level, based on the needs in the region or country. However, the topline strategy remains the same across the Group, encompassing performance management, leadership development, succession management and employee capability building.

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

HUMAN RESOURCES RESPONSIBILITIES

GLOBAL HR TEAM
- Global strategy
- Setting global KPIs
- Adherence to principles
- Global talent acquisition, development and remuneration
- Communicating strategies and requirements to regional teams

REGIONAL HR TEAMS
- Regional talent acquisition, development, remuneration and activities
- Communicating strategies and requirements to local teams

LOCAL HR TEAMS
- Local talent acquisition, development, remuneration and activities

+94 000*
Employees around the world
*(Full-time equivalent)

SGS refreshed and began to implement its five strategic HR pillars in 2018, and this rollout continued in 2019. The topline aim of the strategy is to better prepare the company for new generations of employees who seek to rapidly grow and make an impact. We anticipate that there will be an increased employee desire to change jobs and locations more frequently in the coming decade. This increased mobility will have an important impact on working processes, knowledge retention and succession planning for SGS.

To remain the industry leader, it is imperative that we continue to retain high-caliber experts across the SGS Group. Our natural turnover decreased slightly in 2019 to 13.6% from 14.6% in 2018, and it remains under our target level.

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

RESPONDING TO A CHANGING WORKFORCE

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.

SGS EMPLOYEES
9% CASUAL 91% PERMANENT
Casual employees include temporary, casual and freelance employees.

SGS HR FIVE STRATEGIC PILLARS

1 HUMAN RESOURCES ALIGNMENT GLOBALLY AND REGIONALLY

2 COMPETITIVE AND TRANSPARENT TALENT ACQUISITION

3 INTEGRATED TALENT MANAGEMENT APPROACH

4 STRENGTHENING EMPLOYEE CAPABILITIES

5 PROMOTING GROUP-WIDE CAREER DEVELOPMENT OPPORTUNITIES

DIVERSITY AND EQUAL OPPORTUNITIES

As a global organization with over 94 000 employees worldwide, we have a diverse workforce that spans nationalities, cultures, religions, generations, sexual orientation and genders. We recognize the contribution that diversity brings to our business success.

As is enshrined in our Business Principles, SGS does not tolerate discrimination of any kind and our principle of "Respect" is defined as "making sure we treat all people fairly". This, by extension, means that we offer equal remuneration and development opportunities to all our employees.

SGS values the skills, knowledge and cultural diversity that local people bring to our organizations and as such, we actively seek to engage them within our teams. At the same time, we actively manage discrimination risks and closely monitor our performance on gender equality.

We prefer to use a policy of recruiting the best candidate for the job, removing bias from our decision-making, 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. This is important because as many of SGS' future job roles do not exist today, we have to stay focused on hiring flexible high-potential candidates.

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.

For more information on our "Respect" Business Principle see sgs.com and

Our Code of Integrity (➜ see page 34) and Supplier Code of Conduct (➜ see page 40) help us to address any discrimination issues.

INITIATIVES AND ACHIEVEMENTS

TALENT ACQUISITION

Our talent attraction and acquisition strategy focuses on actively hunting for the right talent to meet our current needs and engaging with talent communities for the future. We achieve this through efficient management of the recruitment process using our new, best-in-class e-recruitment tool. We complement this with competency-based assessments and efficient onboarding of new staff, especially in relation to our values, culture and business processes.

Our talent acquisition is managed locally. At the global level, SGS provides support to local offices so that they can optimize their resource management. The SGS Recruiter Academy, launched in 2019, is part of this assistance framework. The aim of the Academy is to share best practice and raise awareness of expertise held within the business. Initially over 100 recruiters took part in more than 1 400 training hours. We also successfully piloted specific recruitment training for managers.

During the year, we also redesigned the SGS onboarding program, SHINE, improving its usability and scope and revamping its systems to ensure the availability of up-to-date information for participants.

Another core activity for the global HR team is succession planning. We have a full program in place to help us identify and fill strategically essential roles. An important aspect of the scheme is to ensure that we evolve our HR strategy and framework to meet the demands and optimize the skills of an increasingly globalized workforce and a new generation of employees who are reshaping the parameters of the employment environment.

"

JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO
SVP, HUMAN RESOURCES

Our people are our most important asset. We encourage them to increase their knowledge and experience, and with this to grow as professionals. We also support them in growing as people by encouraging them to engage with their communities and by promoting well-being, personal development and diversity. We want them all to actively contribute to the value that SGS adds to society.

TALENT AQUISITION PROGRAMS

SGS EMPLOYER BRANDING

BE 100% YOU, our employer branding campaign, promotes SGS to potential employees

COMMUNICATION OBJECTIVES:

Raise awareness and communicate our employer value propositions

Engage millennials

Strengthen our 2020 business plan

DEPLOYED THROUGH:

Website

Social media channels

RECRUITER ACADEMY

Provides HR professionals at SGS with training on best practice

EXAMPLE TOPICS:

Talent sourcing techniques

Employer branding

Recruitment practices

Negotiation techniques

E-RECRUITMENT

Used to proactively attract and acquire talent across the SGS network

SOURCING TALENT THROUGH:

SmartRecruiters, our new e-recruitment system, optimizes processes and facilitates talent sourcing

Strategic partnership with LinkedIn 465 000+ followers

WE SEEK TALENT BY POSTING:

Job vacancies

Employee testimonials

Event promotions

Information about the company

EMPLOYEE ONBOARDING

SHINE, our global onboarding program makes a significant impact on new employees

BENEFITS TO SGS AND EMPLOYEES:

Provides support to employees in their first three months at SGS

Capitalizes on new employees' knowledge and enthusiasm

Reduces employee turnover

Helps new hires establish their internal network

Builds knowledge of SGS' operations, services, principles, values and aims

Tracks progress through regular formal and informal reviews with managers and identifies additional employee needs

BE OPEN.
BE 100% YOU.

NEW EMPLOYEE HIRES

7 672
Females (34%)

15 152
Males (66%)

22 824
Total

BE PIONEERING.
BE 100% YOU.

ENGAGEMENT AND WELL-BEING

Our employees are one of our key stakeholder groups, and we recognize that for their well-being they need to feel happy at work and have opportunities to stay healthy and active. At the same time, we see that engaging them in the SGS business is essential to their motivation. By doing so, we gain a greater commitment to the business and ensure our employees have the ability to perform productively and efficiently.

ENGAGEMENT

Ensuring employees are engaged is essential to talent retention and managing our natural turnover across the Group. We manage this at both global and local levels by monitoring engagement and correlating it to retention and other HR metrics.

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

In 2019, we invested in a new, more targeted approach to Catalyst, with the aim of empowering local managers to take action to improve engagement and deliver tangible results. As part of the revamp of our advanced reporting tool, we simplified the questionnaire, made the system more dynamic and added training functionality.

There is also a greater emphasis on sentiment analysis and linkage management.

Participating in the survey is voluntary and all SGS employees are given the opportunity to answer the survey once in a three-year cycle, where employees in different countries are surveyed each year. The results are released to managers, who invite their teams for individual feedback sessions where they make qualitative action plans to improve performance. Each affiliate is required to put one action plan into place as a minimum. There is also a requirement to communicate best practices globally so that learnings can be shared among the affiliates.

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

OUR VALUE TO SOCIETY

ENRICHING THE EMPLOYEE EXPERIENCE

8 **10** SGS PERU PUTS ENGAGEMENT AND ENTREPRENEURSHIP AT THE HEART OF ITS EMPLOYEE PROGRAM

DIANA JURO
HUMAN RESOURCES MANAGER, SGS PERU

SGS CATALYST SURVEY 2019

EMPLOYEE PARTICIPATION

19 273
Number of employees invited

82%
Response rate

ENGAGEMENT INDEX

2017	2018	2019
73/100	**68/100**	**71/100**

WELL-BEING

LOCAL APPROACH

SGS provides well-being initiatives that are globally consistent but tailored to the needs and resources of local affiliates. These projects range from health and safety training programs to flexible working hours and semi-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.

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.

LOCAL WELL-BEING INITIATIVES INCLUDE:

Fitness facilities

Contributions to external fitness programs (e.g. reduced gym membership fees)

Health and nutrition provisions

Stress-management training

Breastfeeding rooms

Childcare contributions and facilities

Cycle-to-work schemes

Paid maternity and paternity leave in excess of legally required minimum

Home-working (IT/telecoms support)

GLOBAL CORPORATE CHALLENGE

As a global initiative to complement SGS' local well-being programs, SGS participates annually in the Virgin Pulse Global Challenge. This is a team-based event which aims to help employees to build new healthy habits, promoting healthier lifestyles and boosting performance. In 2019, 1 200 SGS employees from 14 countries and corporate functions participated in the 100-day program, during which their steps were monitored on a daily basis. By the end of the program, together the SGS teams had walked in excess of 1.8 billion steps, with more than 83% of employees walking more than 10 000 steps per day.

OUR VALUE TO SOCIETY

STRIDING TOWARDS 10 000 STEPS FOR BETTER HEALTH

1 3 10 SGS EMPLOYEES A ROUND THE WORLD TOOK PART IN THE 100-DAY VIRGIN PULSE GLOBAL CHALLENGE

BLANCA HURTADO
SUSTAINABILITY COMMUNICATIONS MANAGER, CORPORATE SUSTAINABILITY

OUR VALUE TO SOCIETY

A FIRST FOR EMPLOYEE WELL-BEING

3 SGS GHANA EMPLOYEES UNITE FOR A MAIDEN HEALTH WALK

DAVID WILSON
HUMAN RESOURCES MANAGER, SGS GHANA

REMUNERATION

Reward plays a key role in attracting, motivating and retaining talent at SGS. Our compensation practices are benchmarked against the markets in which we operate, using a standard methodology, while we depend on local management to define and maintain competitive compensation practices that appeal to both existing and future talent.

We continue to adapt our approach as the employment environment evolves. In 2019, we focused on embracing changes relating to the increasing use of short-term contracts and self-employed staff on a project-by-project basis. We put basic policies in place to reflect these changes and the growing globalization of the labor market.

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.

In order to encourage profit sharing and to reward performance, selected SGS employees are eligible for variable remuneration elements in addition to their fixed remuneration.

The table to the right summarizes how salaries and benefits are determined and the different reward elements offered to our employees.

We regularly benchmark our compensation practices in all our markets, in order to remain competitive and in line with the most advanced compensation trends. To facilitate our benchmarking activities, we classify SGS positions based on the nature of the jobs and their relative level and weight. Then, using our competitiveness against market practices assessment, together with internal equity

and affordability considerations, we make informed decisions on target salary ranges. By using a common methodology and language, we ensure alignment throughout SGS and facilitate internal mobility.

VARIABLE REMUNERATION

SHORT-TERM ANNUAL INCENTIVES

Certain employees are given a short-term incentive plan and as such, receive an annual cash incentive, based on company and individual financial targets and on individual qualitative goals.

LONG-TERM INCENTIVE PLANS

Other employees are given a long-term incentive plan and as such receive Restricted Share Units (RSUs).

In 2019, 286 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

SGS FIXED AND VARIABLE REMUNERATION

REMUNERATION ELEMENT	REMUNERATION VEHICLE	PURPOSE
(Fixed remuneration)		
ANNUAL BASE SALARY	Cash	Attract and retain key talent
BENEFITS	Contributions to pension plans and insurances, other contributions, allowances and benefits in kind	Protect employees against risks, attraction and retention
(Variable remuneration)		
SHORT-TERM INCENTIVE	Cash	Pay for performance
LONG-TERM INCENTIVE	Restricted Share Units (RSUs)	Reward for long-term performance, retain key talent, align compensation with the interests of the shareholders

CEO AND MEAN EMPLOYEE COMPENSATION RATIO*

2017	2018	2019
24.7	25.6	29.2

*To make the ratio comparable, we have implemented cost of living adjustments using the Purchasing Power Parity conversion rates and it is calculated based only on base salary and bonuses (excluding pension funds and extra hours).

TALENT DEVELOPMENT

Developing our people's expertise supports individual and team development while helping SGS to maintain quality standards. SGS has a global talent development strategy, which is part of our HR strategy, but day-to-day implementation is carried out at a local level, giving our businesses the flexibility to adapt to local market learning conditions. To reinforce the capabilities of our global HR team in overseeing this process, we participated in a workshop focused on managing international teams and the balance between national and organizational cultures.

In 2019 we started building our new learning management platform, SGS Campus. The aim is to create an open learning center for all employees that offers easy access to a wide variety of knowledge and online training content from across our businesses and functions. Employees can access content, share knowledge and set up training programs from anywhere and using any device. We encourage our employees to lead their own development, and the creation of SGS Campus is an important step in advancing this learning philosophy.

Globally, SGS' training ratio (training cost – including hours – as a percentage of employment cost) remained almost stable at 3.3%. The launch of SGS Campus and a separate management program should help the ratio to grow further in the future.

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, alongside corporate and regional human resources teams.

Employees are expected to be proactive about setting their own performance goals, evaluating their achievements and identifying learning opportunities, while managers are expected to be clear about expectations and deliverables, evaluate and critically discuss performance, and to support career management and encourage continuous learning.

This developmental approach is based on the 70:20:10 model, which refers to 70% learning in the flow of work, 20% social learning and 10% formal education. This critical management

process also ensures transparency and fairness in dealing with unsatisfactory performance and identifies and manages development barriers.

Our performance management process is detailed in our Performance Management policy. 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.

In 2019, we invested in reinforcing our performance management culture, with a particular emphasis on evolving how we approach feedback, moving away from one-time feedback to a more continuous appraisal methodology.

SGS PERFORMANCE MANAGEMENT PROCESS

4.6 mio
Hours of training completed by SGS employees around the world in 2019

88%
Employees received performance appraisals

TRAINING AND DEVELOPMENT PROGRAMS	HOURS
Operational Integrity	2 497 245
Technical and Sales	692 862
Trainee training	521 104
Leadership Development Skills Programs	180 463
Integrity training	118 899
Other training	620 872

OUR VALUE TO SOCIETY

GUIDING LEADERS IN NURTURING AND INSPIRING PERFORMANCE

1 **8** SGS NORTH AMERICA ORANGE ZONE LEADERSHIP DEVELOPMENT PROGRAM BENEFITS OUR BUSINESS AND WORK CULTURE

AMY ECKLEY
HEAD OF LEARNING & DEVELOPMENT, SGS NORTH AMERICA

DIVERSITY AND EQUAL OPPORTUNITIES

SGS is strongly committed to ensuring diversity and equal opportunities, and our culture is deeply rooted in fair treatment for all.

We endeavor to put the mechanisms in place to achieve our goals in this area and to raise awareness across the organization. For example, the online e-learning that we provide for our recruiters. In 2019, over 100 recruiters completed the training, which places a strong emphasis on diversity and equal opportunities.

We also work hard to assess and analyze our efforts in this area, using information from all relevant projects. Furthermore, we have diversity-and-equal-opportunities focused initiatives in countries around the world. In 2019, programs in Australia, Canada, China and India performed particularly well.

In 2019, SGS' global workforce was 64.9% male and 35.1% female, showing an increasing 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 345, representing 26.7% of all CEO -3 management positions occupied.
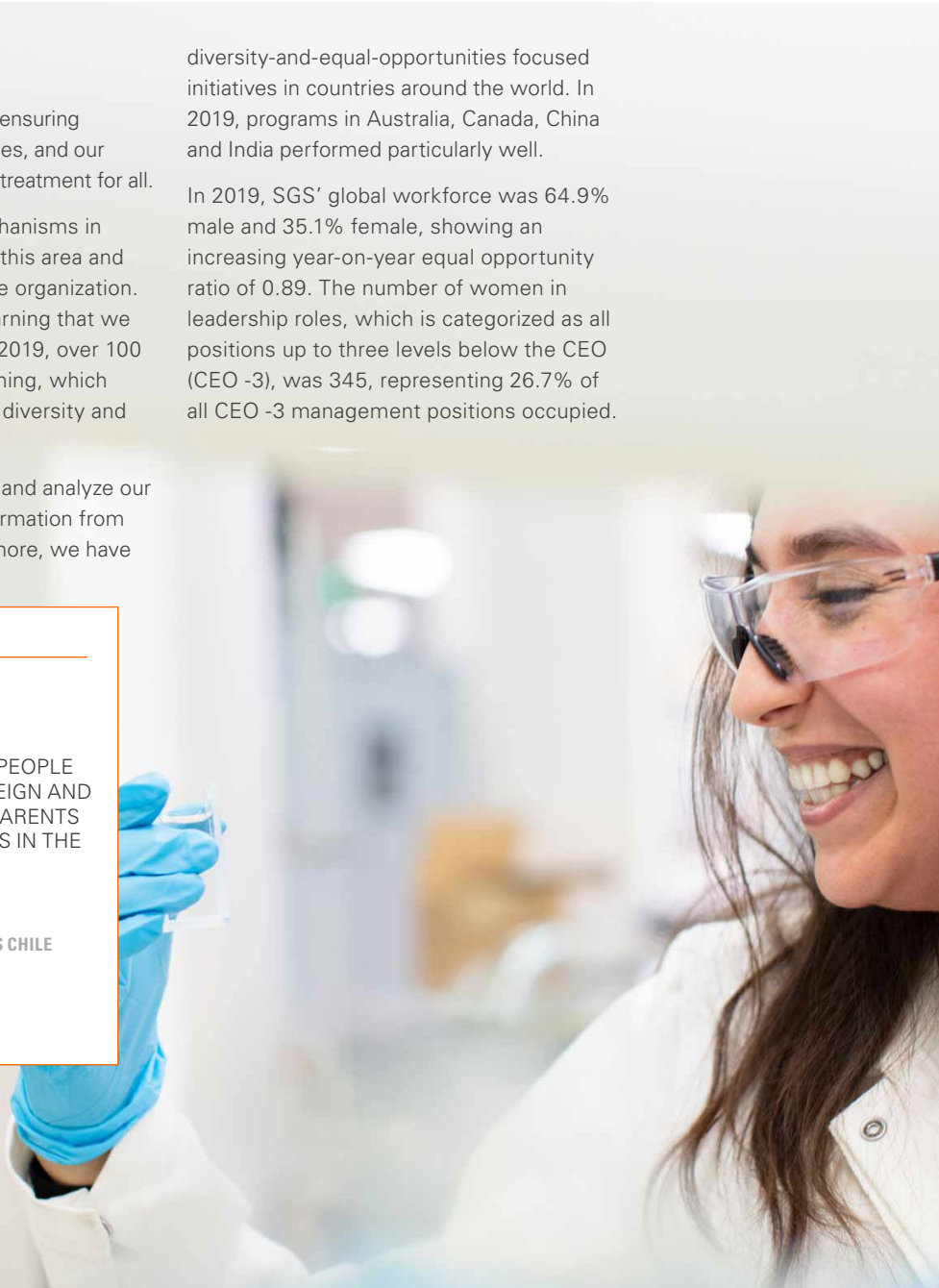

OUR VALUE TO SOCIETY

PROMOTING DIVERSITY AND INCLUSIVITY

5 8 10 ENCOURAGING PEOPLE WITH DISABILITIES, FOREIGN AND YOUTH WORKERS AND PARENTS TO BUILD THEIR CAREERS IN THE SGS CHILE TEAM

ANDREA DÍAZ
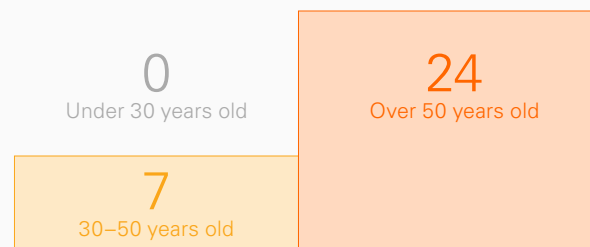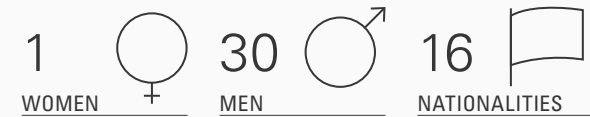**HR MANAGER, SGS CHILE**

DIVERSITY BALANCE

CEO -3
26.7% 73.3%

MANAGERS
32.6% 67.4%

EMPLOYEES
35.1% 64.9%

■ WOMEN
■ MEN

SGS MANAGEMENT BOARD AND OPERATIONS COUNCIL

1 WOMEN ♀

30 MEN ♂

16 NATIONALITIES

0 Under 30 years old

24 Over 50 years old

7 30–50 years old

"

NADIN HACERESTUNC
MANAGING DIRECTOR, SGS TURKEY

It is widely believed that sustainable human development will only be fully realized if women are contributing on an equal basis to men. At SGS, it's clear that this is recognized, as increasing the number of women in managerial positions and encouraging equality is one of our primary goals.

"

ELVIRA BIERI
MANAGING DIRECTOR, SGS SWITZERLAND

Gender equality is needed, not because women are better than men or vice versa, but because both are equal parts of society. The world we live in is influenced by its leaders, therefore it is fair that both genders actively and comparatively participate in its development. I am happy to have received that chance at SGS.

"

YVONNE DICKSON
MANAGING DIRECTOR, SGS AUSTRALIA

When we are recruiting top talent, seeing a woman in the Managing Director role is very positive for female candidates. It demonstrates SGS' values and genuine commitment to diversity, and shows that women can have successful careers here.

"

PATRICIA ELDER NZONDJOU NZEALE
MANAGING DIRECTOR, SGS CAMEROON

For me, diversity doesn't work without psychological safety – women need to feel safe putting their ideas forward. Therefore, gender diversity in SGS is celebrated because it supports different perspectives and enhanced collaboration. At SGS, everyone's opinions are respected.

EMPLOYEE REPRESENTATION AND CONSULTATION

We respect our employees right to have collective representation and to enter into collective bargaining agreements where this is accepted by local law.

We strictly adhere to tariff structures and arrangements negotiated with trade unions, while 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.

40%
Of SGS employees are covered by collective bargaining agreements

OPERATIONAL INTEGRITY

We prioritize the health and safety of our employees and endeavor to protect the environment where we work. Operating without interruption is also an important aspect of our service delivery.
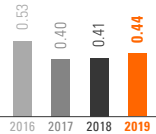
PERFORMANCE

0.26
LOST TIME INCIDENT RATE (LTIR)
(200 000 HOURS)

0.27 | 0.23 | 0.25 | 0.26
2016 | 2017 | 2018 | 2019
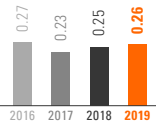
0.44
TOTAL RECORDABLE INCIDENT RATE (TRIR)
(200 000 HOURS)

0.53 | 0.40 | 0.41 | 0.44
2016 | 2017 | 2018 | 2019

While we are able to look back at yet another year of injury rates well within our target, it is with deep regret that we report the loss of two lives in our operations in 2019. 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 essential to protecting our employees and with that driving business success. We encourage a "no-harm" culture that prioritizes employee health and safety, alongside environmental protection.

Operational Integrity (OI) is our health, safety and environmental management approach and the name of the associated function.

Our goal is zero incidents – this means zero health, safety or environmental issues. To achieve this, we have a Global Mission comprising five overarching aims. We work to achieve these aims through Leadership, Education and Discipline (LED) initiatives developed under seven strategic pillars. Each strategic pillar focuses on a topic where there is the highest OI risk for SGS and has long-term objectives set against it.

Within each strategic pillar, proactive Operational Integrity objectives are part of our everyday processes, and we are working towards integrating them into managers' annual objectives. Manager OI objectives are reported on through our Crystal reporting system and monitored as part of our OI Cultural Index. Annually, we also determine specific objectives, such as the digital tools to be developed to support the OI initiatives.

The delivery of our OI strategy is supported by our group-wide Operational Integrity Management System (OIMS) – which is aligned with internationally recognized standards on health, safety and the environment. At our largest sites around the world we align to ISO 14001 and ISO 45001 (OSHAS 18001). As such, in 2019, 148 sites, covering more than 16 000 employees, achieved or maintained one or both of these certifications.

THE OPERATIONAL INTEGRITY GLOBAL MISSION

Protect SGS employees and stakeholders, our physical assets, the environment and the communities in which we work and live

Accelerate our cultural change and journey towards Health, Safety and Environmental (HSE) excellence

Leverage HSE ownership, leadership and stakeholder involvement

Improve SGS' performance by providing HSE expertise and guidance through the deployment of OI strategies, programs and tools

Support full compliance with legal, regulatory, customer and Group HSE requirements

"

ALAIN DENIELLE
VP OPERATIONAL INTEGRITY, BUSINESS CONTINUITY AND INTEGRITY PROGRAMS

Prioritizing employee health and safety as a value, along with environmental protection, reduces the risk of reputation damage while caring for the welfare and integrity of our employees, and protecting our assets.

7

OPERATIONAL INTEGRITY PILLARS

COMMUNICATION

We aim to reach all SGS employees and to convince them of the importance of OI while making them aware of everything that is in place to support them in contributing towards our OI goals.

OI communication initiatives include our Rules for Life, which are 15 life-saving principles that apply to all employees, contractors and others working on behalf of SGS and our Annual Safety Month campaign, which focuses on a critical topic each year. In September 2019, the topic was 'Safe-Start'.

RESOURCES AND SKILLS

It is essential that all OI professionals at SGS have a high level of skill that aligns directly to expectations placed on them. We regularly review the OI expertise we have across the Group and provide training to support our team in performing optimally.

Using our Incident Investigation Compliance Scores, we help countries to identify where OI resources need to be improved. We also provide all OI employees with a suite of online tools to help them to stay up-to-date with SGS Group OI requirements.

AUDITS AND COMPLIANCE

SGS is required to comply with all local country laws and regulations, while globally we have clearly defined OI requirements, detailed in our OI Management System. To ensure countries are complying with our management system we have a cascading audit system in place.

Centrally we audit regions and countries, while local OI managers audit our laboratories, offices and facilities. We generate performance reports using information from these site audits along with incidents and hazards information captured in Crystal.

LEADERSHIP

SGS leaders have an integral role to play in achieving our OI goals. By demonstrating their commitment to OI, they are promoting a culture in which all employees understand how important OI is to SGS.

All SGS leaders are required to demonstrate their leadership commitment by conducting frequent visits where they engage in safety-related conversations with their staff and assess local OI conditions. The OI Lead Adviser app guides them through each visit and their performance scores contribute to the OI Cultural Index.

TRAINING AND AWARENESS

We recognize that each job role at SGS requires specific OI knowledge to support the safety and well-being of employees. We aim to raise their awareness about what knowledge is important and to provide the technical training required.

For example, all employees across operations and corporate sites are provided with training on site standard operating procedures and are given regular training sessions on Group OI Management Systems and Rules for Life.

KEY PERFORMANCE INDICATORS

By having key performance indicators in place, we are able to analyze our OI performance across the Group and evaluate if action needs to be taken.

All OI employees around the world are expected to provide monthly local incident and risk indicator data, which is captured in our OI Crystal system. This data is assimilated into regulatory and client-mandated reports, quarterly key performance indicator analyses and trends identification.

HEALTH, SAFETY & ENVIRONMENTAL (HSE) RISK ASSESSMENTS

Risk assessments are a critical part of our OI activities as they provide us with the insight we need to take corrective actions where needed.

All site managers are expected to perform risk assessments and to develop associated action plans. We also assess the risks of each job position. All employees have the right to stop work at any time, if they consider there to be a health, safety or environmental risk. Any such instances are reported through the SGS OI Crystal system. Our Health, Safety and Environmental Policy Statement protects workers from reprisal.

OPERATIONAL INTEGRITY RESPONSIBILITIES

CHIEF EXECUTIVE OFFICER (CEO)
- Operational Integrity (OI)

EXECUTIVE OI STEERING COMMITTEE
Chaired by CEO and VP OI; COOs; Four Executive Vice Presidents; SVP of Human Resources
- Quarterly reviews of OI strategy and performance (meetings)

EXTENDED OI STEERING COMMITTEE
Global OI Managers; Regional OI Managers; Business OI Representatives
- Supporting Executive OI Steering Committee
- Ensuring collaboration on OI across the SGS network

GROUP VICE PRESIDENT OPERATIONAL INTEGRITY
- OI strategy
- Setting OI objectives
- Overseeing core OI programs

GLOBAL OI MANAGERS:
- Industrial Hygiene, Health and Chemicals programs
- Safety Operations
- HSE Management Systems
- HSE Auditing Processes and Programs
- HSE Learning, Resources and Behavior-Based Safety
- Communications
- OI Mergers and Acquisitions
- Environmental Management
- Performance Management
- IT and Digitalization

OUR VALUE TO SOCIETY

LONG-TERM EMPLOYEE HEALTH PROTECTION

3 SGS LAUNCHES GLOBAL OCCUPATIONAL MEDICAL SURVEILLANCE PROGRAM TO MONITOR THE HEALTH OF EMPLOYEES EXPOSED TO POTENTIAL HAZARDS

HOLLY FLETCHER
OPERATIONAL INTEGRITY MANAGER – INDUSTRIAL HYGIENE, GLOBAL OPERATIONAL INTEGRITY

INITIATIVES AND ACHIEVEMENTS

The global OI function focuses on proactive Leadership, Education and Discipline (LED) activities, each delivering achievements against one of the seven OI pillars. We aim to continuously improve our results against our Sustainability Ambitions 2020. Our target is to halve our Lost Time Incident Rate (LTIR) and Total Recordable Incident Rate (TRIR), against a 2014 baseline and in 2019, our LTIR and TRIR have decreased by 57% and 60%, respectively.

OI CULTURAL INDEX

In 2019, one of our focus areas has been the enhancement of the OI Cultural Index (OI CI), which was launched in 2018 and has now become an important Performance Management tool. Consisting of 14 indicators split into the three areas of Leadership, Education and Discipline, the OI CI provides clear country-by-country OI analysis and supports decision-making. In 2019, the OICI improved 32% versus 2018.

MULTI-TIERED AUDITING

We have also reviewed and developed our auditing strategy and program to improve the process and increase the number of internal audits conducted. Previously, the central OI team audited each SGS country once every three years. However, we are now launching a multi-leveled audit approach, beginning with annual site audits by the in-country team. The audits are entered into the OI management system, which is then reviewed by the central OI team to assess both country and regional performance.

OI TRAINING

We continued to develop and improve our OI training. We provide face-to-face courses, supervisor-led Tool-box talks, Safe Talks (regular safety meetings on key topics) and e-learning modules (some in multiple languages) for all employees, a 12-module OI Awareness e-learning course for all business and site managers (i.e. employees in roles that are two levels

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below the MD) and dedicated OI training days for Chief Operating Officers and Executive Vice Presidents. Where needed, we also run courses on specific issues. For example, in countries with a high level of road safety risk, we install In-Vehicle Monitoring Systems and provide employees with associated training.

2.5 mio
Hours invested in OI training for SGS employees

26.4 hours
Operational Integrity training (per employee) against a target of 15 hours

57%
Drop in Lost Time Incident Rate (LTIR) since 2014

60%
Drop in Total Recordable Incident Rate (TRIR) since 2014

BEHAVIOR-BASED SAFETY

Our Behavior-Based Safety (BBS) peer-to-peer observation program uses positive reinforcement to change risky behaviors and improve safety performance. In 2019, the program was launched in many more affiliates and it is now complementing audits in improving performance.

INDUSTRIAL HYGIENE

Our risk assessment process is holistic and includes health risks along with safety and environmental risks. The aim is to protect the health and well-being of employees through disease and fatality prevention. For example, we use Chemwatch to facilitate the evaluation of chemical risks and to identify controls. It is a global tool which manages safety data sheets and chemical inventories across 57 languages. In 2019, we also piloted HealthTrack in nine countries. This new platform assesses employee health risk exposure (see left).

BUSINESS CONTINUITY

SGS is a large global company with more than 2 600 offices and laboratories spread widely across the world. As a result, there is always the risk that the business will be affected by something that is outside of our control. Natural disasters, pandemics, terrorism, political unrest, serious fires, cyber attacks and extreme weather issues are just some of the risks that we have to consider as part of our business continuity strategy.

SGS' long-term success depends on our ability to continue delivering our products and services to pre-defined acceptable levels following disruptive events. However, the ultimate goal is to ensure that sufficient resilience is built into our organization to prevent any disruptions to the services we deliver to our customers.

The ultimate goal is to ensure that sufficient resilience is built into our organization to prevent any disruptions to the services we deliver to our customers.

BUSINESS CONTINUITY DEVELOPMENT

In recent years, the Business Continuity function at SGS has been enhanced in terms of its overall management, strategic approach, team and training. Business Continuity now sits within the broader Operational Integrity function, where it benefits from synergies in risk assessments, strong group level support and integration into management processes.

BUSINESS CONTINUITY MANAGEMENT IN 2019

This year, we launched a new Global Business Continuity Strategy, focusing on what is critical in terms of sites, processes and service delivery. This aspires to enable us to respond to any disruption efficiently and effectively, with minimal impact on our operations. Building on the team enhancement of 2018, we also added eight new Regional Business Continuity Officers, along with a Global Business Continuity Manager. A significant focus for the team has been on further embedding Business Continuity into the SGS culture.

We have been embedding Business Continuity across the SGS Group together with other functions such as Risk (➜ see page 26), IT (➜ see page 48) and Customer Relationship Management (➜ see page 62).

BUSINESS CONTINUITY RESPONSIBILITIES

VICE PRESIDENT OPERATIONAL INTEGRITY
- Oversight of Business Continuity at SGS

GLOBAL BUSINESS CONTINUITY MANAGER
- Global Business Continuity Strategy development and dissemination
- Management programs across core group functions e.g. IT programs

GLOBAL BUSINESS CONTINUITY STEERING COMMITTEE
- Governs global Business Continuity Programs
- Ensures a consistent approach across all SGS operations

REGIONAL BUSINESS CONTINUITY OFFICERS
- Implementation and measurement of Business Continuity strategy
- Governance of Business Continuity Programs covering all lines of business and functions
- Putting metrics and analysis in place to support group strategy

COUNTRY AND SITE BUSINESS CONTINUITY OFFICERS
- Perform Business Impact Analysis (BIA) and Risk Assessments
- Develop Business Continuity Strategies and Plans based on the analysis
- Exercise and test the plans and initiate process of continuous improvement following the Business Continuity Lifecycle

2019 VERSUS 2018

300%
More training and workshops for regional and local Business Continuity teams

299%
More Business Continuity plans developed

64%
More sites active in terms of Business Continuity

SGS BUSINESS CONTINUITY KEY ASPECTS

BUILDINGS

SUPPLIERS

PEOPLE

PROCESSES & ACTIVITIES

INFORMATION/TECHNOLOGY

BENEFITS

Framework of resilience – using SGS network to maximum effect

Speed of response in initial stages of a crisis

Calmness and clarity

Preparedness as situation unfolds

ENVIRONMENT

It is in all of our interests to protect the planet.

SGS is a recognized sustainability leader, in no small part for our focus on minimizing our environmental footprint. To protect our planet for future generations, we follow a carbon neutrality strategy, use resources efficiently and reduce waste. This helps us deliver sustainable value to society.

ENVIRONMENT

RELATED MATERIAL TOPIC

MITIGATION & ADAPTION TO CLIMATE CHANGE ⊘
RISK & BUSINESS CONTINUITY MANAGEMENT ⊘

*OUR VALUE TO SOCIETY*
NATURAL CAPITAL

CLIMATE CHANGE

Recognizing the threat posed by global climate change and our role as a sustainability leader, we are setting the benchmark. With this in mind, SGS is a carbon neutral company: we minimize our carbon emissions and off-set any that remain.
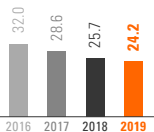
PERFORMANCE

1.7

**CARBON INTENSITY BY EMPLOYEE
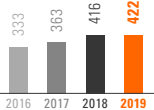(METRIC TONNES CO_2E / FTE)[2]**

2016	2017	2018	2019
2.1	1.9	1.7	1.7
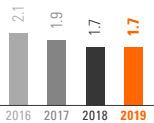
24.2

On a constant currency basis

**CARBON INTENSITY BY REVENUE
(METRIC TONNES CO_2E / MILLION CHF)[2]**

2016	2017	2018	2019
32.0	28.6	25.7	24.2

422

RENEWABLE ENERGY (GWH)[3]

2016	2017	2018	2019
333	363	416	422

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.

STRATEGY AND GOVERNANCE

Climate change has widespread economic, political and social consequences.

As a global company, we feel it is important for us to show leadership in worldwide efforts to mitigate the adverse effects of climate change, both by reducing our carbon emissions and by helping other businesses to do the same.

We have the ambition to reduce our annual CO_2 emissions by 20% by 2020[1]. We also assess and manage the SGS risks and opportunities associated with climate change.

CORPORATE SUSTAINABILITY TEAM RESPONSIBILITIES

- ✔ Setting strategy for EEB
- ✔ Ensuring all affiliates deliver on energy targets and responsibilities
- ✔ Establishing and communicating the SGS Vehicle Emissions Policy
- ✔ Faciliate access to sustainability best practices for the affiliates
- ✔ Promoting energy efficiency projects and sustainability initiatives

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MAXFIELD WEISS

DIRECTOR, CORPORATE ENGAGEMENT OF CDP EUROPE

We included SGS in our 'A list' again in 2019, which is testament to SGS' ongoing strong climate change and risk management programs. Companies achieving this status exhibit best practice in advancing environmental stewardship and managing climate change risks and opportunities.

SGS EMPLOYS A THREE-PRONGED APPROACH TO DEVELOP ITS CARBON NEUTRALITY STRATEGY

REDUCING ENERGY CONSUMPTION

We reduce energy consumption at source through processes such as our Energy Efficiency in Buildings program and sustainable transport

USING RENEWABLE ENERGY

We generate renewable energy on site or purchase renewable energy whenever possible

OFF-SETTING RESIDUAL EMISSIONS

Any residual carbon emissions that still occur are compensated for through our off-setting strategy

SUSTAINABILITY REPORT 2019

INITIATIVES AND ACHIEVEMENTS

REDUCING ENERGY CONSUMPTION

The energy used in our 2 600 offices and laboratories worldwide accounts for 62% of our global energy consumption. Improving efficiency in this area is therefore critical for our energy reduction strategy. We achieve this through our Energy Efficiency in Buildings (EEB) program specifically, but we all seek to reduce our energy consumption through our Add Value with Lëss internal initiative, our Green IT Policy and our approach to sustainable transport.

+670
Buildings in EEB program covering over 80% of consumption

77%
of energy consumption from SGS buildings is covered by the EEB program

+400
Energy conservation measures identified

16
Countries have rolled out our Add Value with Lëss initiative

24 400
Employees involved in our Add Value with Lëss initiative

94%
Total electricity consumption from renewables

ENERGY EFFICIENCY IN BUILDINGS PROGRAM

Our EEB program evaluates and reduces the energy consumption in new and existing buildings across the Group. It achieves this through energy-efficiency action plans for our affiliates. These action plans provide specific guidance on steps that can be taken to become more energy efficient. Each plan identifies the affiliate's key facilities, the key performance indicators that need to be monitored and the different opportunities to improve energy efficiency performance.

At the same time, the SGS Green Building Guidelines provide a rating tool that supports the delivery of the EEB program by assessing new buildings through key performance indicators that cover a holistic range of topics such as energy, water, pollution, transport, building materials and employee well-being. They define the minimum requirements in areas such as lighting system energy performance and water consumption. The guidelines provide the minimum criteria required for a base level of sustainability performance in all new SGS buildings.

THE EEB PROGRAM

Defines common standard for all SGS buildings

Provides energy efficiency action plans

Puts forward environmental performance improvement measures

Includes minimum requirements related to a wide range of topics, such as energy, water and well-being

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OUR VALUE TO SOCIETY

SHARING KNOWLEDGE ON ENVIRONMENTAL TOPICS

3 13 15 SGS LATIN AMERICA CREATES A REGIONAL COMMITTEE ON ENERGY EFFICIENCY

MÓNICA LARREA
OI REGIONAL MANAGER, SGS LATIN AMERICA REGION

OUR VALUE TO SOCIETY

EMPLOYEES DRIVE ENERGY AND BUSINESS EFFICIENCIES

3 11 13 SGS TURKEY LAUNCHES THE EEB PROGRAM ALONGSIDE EMPLOYEE EMPOWERMENT INITIATIVE

SEDA BAYER
SUSTAINABILITY DEPLOYMENT MANAGER, SGS TURKEY

SUSTAINABILITY REPORT 2019

71

SUSTAINABLE TRANSPORT

Our Vehicle Emissions Policy, introduced in 2016, promotes the use of low-emission fleet cars. The policy commits us to reducing our vehicle fleet CO_2 emissions every year until 2020. By the end of this period, average CO_2 emissions per km for our worldwide fleet shall not exceed 95 grams per km and no vehicle covered by the policy should exceed 105g CO_2/km.

Through our strategic partnerships with worldwide fleet providers, such as Arval, we gain insight into local market conditions and regulations, along with knowledge of new and emerging vehicle technologies including hybrid, plug-in hybrid, electric and hydrogen cars. We also look to our partners for specialist diagnostic tools, benchmarking services and total cost of ownership modeling.

While continuing to deliver against the Vehicle Emissions Policy, we are also collaborating with our procurement team to develop a wider SGS Sustainable Mobility Strategy.

As part of this, we are analyzing more sustainable vehicle options, still meeting our business needs, in the regions where we have the largest fleets: Europe and North America.

MAIN SOURCES OF SGS EMISSIONS[1]

1. Market based emissions

73%
Transport fuels

17%
Non-transport fuels

10%
Electricity

The SGS Sustainable Mobility Strategy will also include driving efficiency training, rationalization of the fleet, inclusion of more sustainable vehicles in the catalogue and an alternative transportation study.

In terms of long distance travel, we placed more than 350000 conference and video calls in 2019. As a result, we took 17000 fewer flights and saved 9000 tCO_2.

OUR VALUE TO SOCIETY

INVESTING IN WORLD CLASS E-MOBILITY SOLUTIONS

9 **13** THREE SGS E-MOBILITY TEST CENTERS ACROSS EUROPE TEST LITHIUM ION BATTERIES AND OTHER ESSENTIAL COMPONENTS OF ELECTRIC VEHICLES

LAURA GARCÍA BAGLIETTO
DIVISION MANAGER, E-MOBILITY

ADD VALUE WITH LËSS

In 2019, we launched our Add Value with Lëss internal initiative to evolve our previous Spot the Orange Dot campaign. Lëss the bear is still central to the communications, but the aim of the new initiative is to both raise awareness and lead to increased efficiency in different areas, including environmental sustainability. It intends to make every SGS employee feel empowered to drive operational efficiency, improve quality, and to reduce our environmental footprint, while at the same time, contributing to a more agile and innovative SGS.

GREEN IT POLICY

The amount of energy consumed by global IT needs will triple in the next decade, affecting efforts to control climate change.

Our Green IT Policy ensures that we procure and dispose of equipment responsibly and use IT to make our operations greener. It also optimizes data-center energy efficiency.

Rationalizing our data centers has had a significant impact on our energy consumption. We have committed by 2020 to migrate 80% of the servers we had in 2018. We have already migrated 70% and are on track to reach our target by the end of 2020. We are also improving the remaining data centers. For example, instead of air conditioning entire rooms, we are using dedicated cold aisles where needed. In our headquarters in Geneva, we are using the excess heat from our cold aisles to warm our offices.

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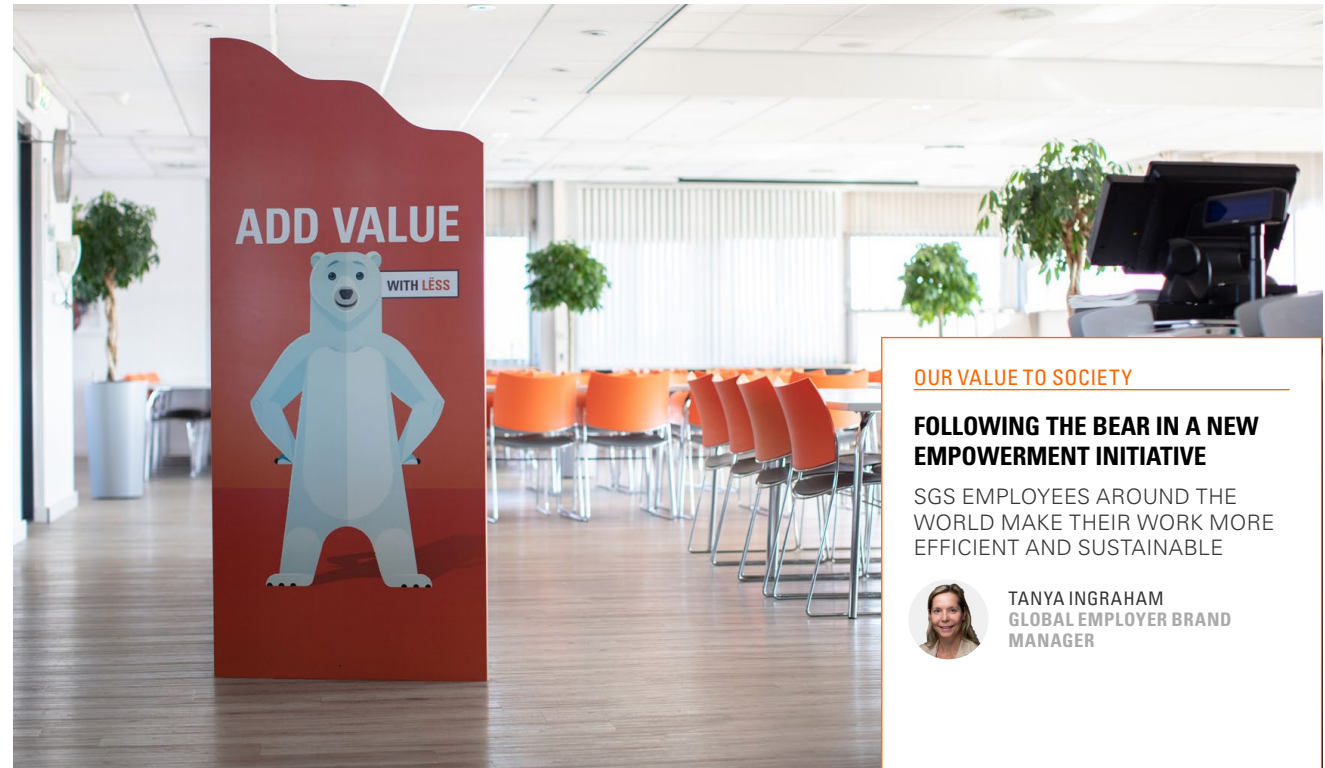
CHRISTOPH HEIDLER
CHIEF INFORMATION OFFICER

As a key contributor to SGS operational efficiency, IT supports long-term sustainability through our Green IT strategic initiative targeting energy efficiency, CO_2 emissions reductions, and hardware and e-waste management.

OUR VALUE TO SOCIETY

FOLLOWING THE BEAR IN A NEW EMPOWERMENT INITIATIVE

SGS EMPLOYEES AROUND THE WORLD MAKE THEIR WORK MORE EFFICIENT AND SUSTAINABLE

TANYA INGRAHAM
GLOBAL EMPLOYER BRAND MANAGER

USING 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.

In 2019, we invested in 407.3 GWh of renewable energy mechanisms to reduce our CO_2 emissions in the communities where we operate. In several locations where such mechanisms do not exist or are not viable, we are exploring Power Purchase Agreements as an alternative.

17 000
Less flights as a result of video conferencing technology

10 754
Cars in SGS global fleet

75%
Fleet cars meet our Vehicle Emissions Policy

85%
Of new cars meet our Vehicle Emissions Policy

351 GWh
Vehicle fuels
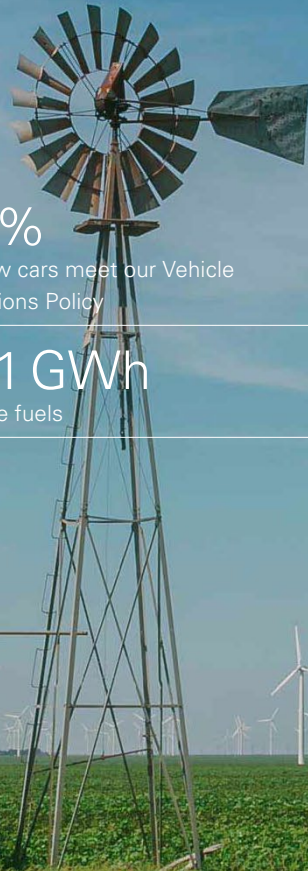
INVESTMENT IN RENEWABLE ENERGY INITIATIVES TO REDUCE OUR 2019 CO_2 EMISSIONS[1]

1. Includes only energy allowance certificates purchased centrally

AMERICAS
108 GWh
Purchased renewable energy

EUROPE, AFRICA & MIDDLE EAST
109 GWh
Purchased renewable energy

ASIA AND PACIFIC
195 GWh
Purchased renewable energy

OFF-SETTING RESIDUAL EMISSIONS

Carbon off-setting 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 CO_2 emissions, any residual emissions[1] are compensated for through our carbon off-setting strategy.

The strategy allows us to assign a clear cost to the carbon that we generate (our internal cost of carbon). Each SGS affiliate takes responsibility for their CO_2 emissions and the cost of off-setting them. We look for credible and verified carbon off-setting projects that directly benefit communities where we have an impact.

CARBON REPORTING

We measure and report our CO_2 – including our direct and indirect carbon emissions – across our value chain.

24.2

Carbon intensity by revenue
(Metric tonnes CO_2e / million CHF)[1]

1.7

Carbon intensity by employee
(Metric tonnes CO_2e / FTE)[2]

160

Total GHG emissions (Thousand metric tonnes CO_2e)[1]

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

SCOPE 3 EMISSIONS SOURCE	GHG emissions (tCO₂e)
Purchased goods and services	441 064
Fuel- and energy-related activities (not included in Scope 1 and Scope 2)	206 484
Capital goods	137 633
Employee commuting	99 082
Business travel	29 647
Waste generated in operations	3 929
TOTAL	917 839

SUPPORTING HYDRO POWER OVER FOSSIL FUELS IN CHINA

1 **8** SGS PURCHASES CERTIFIED EMISSION REDUCTIONS THAT WILL PROVIDE LOCAL PEOPLE WITH CLEANER AIR AND GREATER ACCESS TO ELECTRICITY

VICTOR PARRILLA
GLOBAL SUSTAINABILITY MANAGER, CORPORATE SUSTAINABILITY

HELPING TO PRESERVE THE AMAZON

1 **8** SUPPORTING A PROJECT THAT PROVIDES LOCAL POPULATIONS WITH NEW ECONOMIC OPPORTUNITIES

MARIA MONASOR
DATA REPORTING MANAGER, CORPORATE SUSTAINABILITY

SGS CARBON OFF-SETTING CREDITS 2019

CHINA
99 848
Nansha Hydro Power Project in Yunnan Province is reducing CO_2 emissions by replacing fossil-fuel generated power in the South China grid with renewable hydro power.

INDIA
50 000
Hydroelectric Project in Kinnaur District in Himachal Pradesh is alleviating acute electricity shortages in north India and preventing new fossil fuels or other sources from being used.

UGANDA
5 000
Ugastove project is producing and distributing cooking stoves across Uganda that produce fewer greenhouse gases and require less firewood than the traditional stoves they replace.

BRAZIL
5 000
Floresta de Portel project in Brazil is reducing CO_2 emissions by preventing unscheduled deforestation and allowing the forest in northwest Brazil to regenerate.

VOLUNTARY CARBON OFF-SETTING PROJECTS

159 848

Credits purchased in China, India, Uganda and Brazil[3]

3. This is equivalent to our Scope 1 and 2 emissions and Scope 3 business travel emissions.

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. These risks have the potential to impact our organization, and together with the opportunities that climate change may also present, they will shape the SGS of tomorrow.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, which aims to increase response measures to climate-related financial risks. Mitigating and managing the risks and opportunities associated with climate change is fundamental for SGS as it enables us to maximize our value to society. As such, in 2019, we began to adopt the TCFD's recommendations by introducing the four-pillar framework proposed: Governance, Strategy, Risk and Opportunity Management, and Metrics and Targets.

RISK AND OPPORTUNITY ASSESSMENT

It is hard to predict how climate change will affect our customers' industries and all the geographies we work in – especially since a disruption in one place could have unforeseeable consequences elsewhere in the world's highly interconnected supply chains. To analyze our Group-level climate-related risks considering countries, business lines and functions, we use our Risk Management Framework and our sustainability risk assessment (⌒ see page 26).

Climate-related opportunities for SGS relate mainly to the development of services that support our customers in tackling climate-related risks. As these opportunities are identified, they are analyzed by our relevant business lines, which in turn develop appropriate strategies.

For both our climate-related risks and opportunities we consider short-term strategies that will be immediately actioned and completed in the next two years, medium-

term strategies that will take between two and five years to implement, and long-term strategies that will be in effect for over five years before they are completed.

The following risks and opportunities are those we have identified that are most tangible to our organization:

TRANSITIONAL RISKS

Transitioning to a low-carbon and climate-resilient future requires extensive policy, legal, technology and market changes. The impacts of these vary, depending on the nature, speed and focus of the associated changes. Transitional risks could potentially have the most impact on the SGS business.

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. While we consider these risks, we do not anticipate that the physical risks to SGS are as great as the transitional risks.

OPPORTUNITIES

Drawing on our capabilities and expertise, we develop new products and services that expand our market coverage while building resilience in our customers and their supply chains. We help our customers to respond effectively to their transitional and physical risks.

At the same time, by becoming increasingly efficient as a business, particularly in regards to energy, water and waste, we are setting our internal processes and procedures on a path of continuous improvement. Ultimately this provides SGS with cost savings at the same time delivering value to society.

SGS MAIN CLIMATE CHANGE RISKS AND OPPORTUNITIES

TRANSITIONAL RISKS AND OPPORTUNITIES

TYPE: REGULATORY, POLICY AND LEGAL

RISK

Increasing taxes on fuel, energy and carbon

TIMESCALE: CURRENT

IMPACT

Overhead spend (e.g. fuel and electricity costs, carbon tax) increases as a result of global vehicle and non-transport fuel pricing

MITIGATION

Create policies, programs and campaigns to reduce energy usage and carbon emissions, encourage renewable energy generation and purchase, and change employee behaviors

OPPORTUNITY

Development of lower emissions products and services according to emerging regulation

TIMESCALE: CURRENT

IMPACT

Increase revenue through demand for lower-emissions products and services

MITIGATION

Provide more services related to Greenhouse Gas Emissions accounting and verification (ISO 14064), Product Carbon Footprint (ISO/TS 14067) and Energy Efficiency services (Energy Audits and Energy Energy Management Systems certifications ISO 50001)

TYPE: TECHNOLOGY, REPUTATION AND MARKET

RISK

Legislation mandating the greater use of renewable energy

TIMESCALE: MEDIUM-TERM

IMPACT

Legal issues based on non-compliance or loss of revenues due to increased fuel sourcing costs

MITIGATION

Purchase of annual renewable energy certificates equivalent to the majority of SGS' electricity consumption, along with country-specific strategies

RISK

Less use of fossil fuels due to economy decarbonization

TIMESCALE: LONG-TERM

IMPACT

Oil and Gas business line revenue affected

MITIGATION

Portfolio of services diversification: to provide tailored solutions to the oil and gas sector, buffering any potential industry deceleration

OPPORTUNITY

Development of lower emissions products and services according to shift in consumer preferences

TIMESCALE: SHORT-TERM

IMPACT

Increase revenue through demand for lower-emissions products and services

MITIGATION

Set up competence centers to create expertise and replicate solutions

PHYSICAL RISKS AND OPPORTUNITIES

TYPE: ACUTE

RISK

Increased severity of extreme weather events affecting our facilities

TIMESCALE: CURRENT

IMPACT

Business discontinuity and revenue loss, while increasing in insurance premiums in high-risk areas

MITIGATION

Development of Business Continuity guidelines across the Group

RISK

Increased severity of extreme weather events affecting our employees

TIMESCALE: CURRENT

IMPACT

Workforce health, safety and absenteeism etc. affected

MITIGATION

Development of Business Continuity guidelines across the Group

TYPE: CHRONIC - None identified as critical

IMPACT LEVEL

☐ MEDIUM-HIGH

☐ MEDIUM

☐ LOW

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) CONTENT INDEX

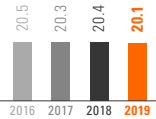| THEME	DISCLOSURE	LOCATION
GOVERNANCE	Describe the Board's oversight of climate-related risks and opportunities	Page 21 of 2019 Sustainability Report (Sustainability governance) Pages 26–28 of 2019 Sustainability Report (Risks and opportunities)
	Describe management's role in assessing and managing climate-related risks and opportunities	Page 21 of 2019 Sustainability Report (Sustainability governance) Pages 26–28 of 2019 Sustainability Report (Risks and opportunities)
STRATEGY	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Pages 76–78 of 2019 Sustainability Report (Risks and opportunities associated with climate change)
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Pages 26–28 of 2019 Sustainability Report (Risks and opportunities) Pages 76–78 of 2019 Sustainability Report (Risks and opportunities associated with climate change)
	Describe the resilience of the organization's strategy, taking into consideration different future climate scenarios, including a 2°C or lower scenario	Pages 76–78 of 2019 Sustainability Report (Risks and opportunities associated with climate change)
RISKS	Describe the organization's processes for identifying and assessing climate-related risks	Pages 26–28 of 2019 Sustainability Report (Risks and opportunities) Pages 76–78 of 2019 Sustainability Report (Risks and opportunities associated with climate change)
	Describe the organization's processes for managing climate-related risks	Pages 26–28 of 2019 Sustainability Report (Risks and opportunities) Pages 76–78 of 2019 Sustainability Report (Risks and opportunities associated with climate change)
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	Pages 26–28 of 2019 Sustainability Report (Risks and opportunities) Pages 70–78 of 2019 Sustainability Report (Risks and opportunities associated with climate change)
METRICS	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 70–78 of 2019 Sustainability Report (Climate change)
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions, and the related risks	Page 75 of 2019 Sustainability Report (Carbon reporting) Pages 90–91 of 2019 Sustainability Report (Databank – climate change)
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Pages 70–78 of 2019 Sustainability Report (Climate change)

OUR VALUE TO SOCIETY
NATURAL CAPITAL

WATER AND WASTE MANAGEMENT

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.
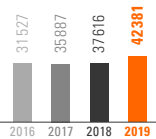
PERFORMANCE

20.1
WATER PURCHASED PER EMPLOYEE (M³/FTE)

2016	2017	2018	2019
20.5	20.3	20.4	20.1

42 381
NON HAZARDOUS WASTE GENERATED (METRIC TONNES)

2016	2017	2018	2019
31 527	35 887	37 616	42 381

STRATEGY AND GOVERNANCE

We are committed to managing finite resources more effectively and developing ways to reuse, recycle and prevent waste.

INITIATIVES AND ACHIEVEMENTS

WATER MANAGEMENT PROGRAMS

While our global water consumption is relatively low compared to other industries, managing water resources is a critical issue in some areas where SGS operates. Our water usage is concentrated in our laboratories, with additional usage for drinking, food preparation and sanitation. Across all our operations we monitor the volume of water we consume. Where possible, we seek to improve our water efficiency. For example, the SGS Energy Efficiency in Buildings program manages water efficiency – by assessing water consumption and installations and recommending site-specific improvements. 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.

As a signatory of the World Business Council for Sustainable Development (WBCSD) pledge for access to safe water, sanitation and hygiene (WASH), we are committed to ensuring all employees enjoy access to clean water.

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:

93%
OF SGS EMPLOYEES

✓ Had sufficient, safe and physically accessible drinking water

✓ Had access to sufficient sanitary facilities with proper drainage systems

✓ Had access to sanitary installations and clean washrooms

✓ Had access to water for washing and personal hygiene

WASTE MANAGEMENT PROGRAMS

We have traditionally produced relatively small amounts of hazardous and non-hazardous waste compared to 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 served by each site. Specially crucial is the high-density voluminous test samples coming from our mineral and construction industries. Business growth in these industries have driven the inclusion of waste management as a material topic for the company and we are currently working on improving reporting tools to tailor actions.

Our Add Value with Lëss initiative encourages efficiency in our offices and laboratories. This includes environmentally-related actions such as 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

We encourage the exchange of surplus laboratory equipment across our network through the EquipNet platform. 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.

OUR VALUE TO SOCIETY

CRUISE SHIP SUSTAINABILITY

3 14 15 SGS MARINE SERVICES EMPLOYS MONITORING SYSTEMS TO OPTIMIZE AIR QUALITY AND WASTE

DR. VLADIMIRO BONAMIN
DIRECTOR OF EHS MARINE SERVICES

OUR VALUE TO SOCIETY

OPTIMIZING WASTE MANAGEMENT

9 13 15 SGS UK INTRODUCES CENTRALIZED SEGREGATE, RECYCLE AND REUSE SOLUTION

DAVE STONLEY
AWE REGIONAL PROCUREMENT MANAGER, SGS UK

EXTERNAL PARTNERSHIPS AND INITIATIVES

We establish external partnerships and participate in initiatives to promote sustainability within our sector and beyond, to exchange good practices and to improve our sustainability performance.

SGS SCIENCE-BASED TARGETS

45%[1]

Reduction in CO_2 emissions for scopes 1, 2 and 3 (business travel)[2]

By 2025

55%[1]

Reduction in CO_2 emissions for scopes 1, 2 and 3 (business travel)[2]

By 2030

50%[1]

Reduction in CO_2 emissions for scope 3[2]

By 2030

1. Against a 2014 baseline. 2. Scopes are defined according to the GHG Protocol

WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

As a founding member, we actively support the WBCSD's aims to generate business-led solutions to sustainability challenges. This includes the promotion of energy efficiency in buildings (we are a signatory of the WBCSD Manifesto) and ensuring access to safe water, sanitation and hygiene through the WASH Pledge.

RE100

Led by The Climate Group in partnership with CDP, RE100 is aiming 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.

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 reduce and compensate for their greenhouse gas emissions.

SCIENCE-BASED TARGETS INITIATIVE

The initiative provides 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 a series of specific targets (left), in addition to our 2020 targets.

SUSTAINABILITY REPORT 2019

COMMUNITY

We want to create a positive, measurable and lasting impact on the local communities where we operate.

We recognize that we are part of the communities we operate in. As a result, it is just as important to think locally as it is to think globally. We welcome local talent, support local suppliers and add value to society by supporting communities through projects that are aligned with the United Nations Sustainable Development Goals (SDGs).
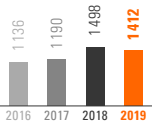
83 — Local community support

LOCAL COMMUNITY SUPPORT

For us, acting responsibly and giving back is synonymous with good business practice.
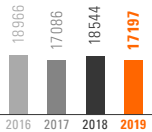
PERFORMANCE

1 412
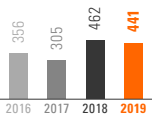**INVESTMENT IN COMMUNITY (THOUSAND CHF)**

2016	2017	2018	2019
1 136	1 190	1 498	1 412

17 197
COMMUNITY HOURS

2016	2017	2018	2019
18 966	17 086	18 544	17 197

441
COMMUNITY PROJECTS

2016	2017	2018	2019
356	305	462	441

STRATEGY AND GOVERNANCE

Community involvement is an essential component of our business strategy and the value we add to society.

We are committed to investing in the communities where we operate in a way that has a positive, measurable and lasting effect. We do not have any significant negative impacts on our communities.

Our community strategy is managed under three pillars: Empowerment, Education and Environmental Sustainability. It is aligned to the Sustainable Development Goals (SDGs) and our actions seek to address global priorities linked to poverty, health, education, climate change and environmental degradation.

SGS' THREE COMMUNITY PILLARS

EMPOWERMENT

EDUCATION

ENVIRONMENTAL SUSTAINABILITY

Our community programs are selected and implemented in line with the SGS Group Community Policy and Guidelines and are managed at a global and local level.

Our CEO is responsible for the implementation of our Community Policy. He is assisted by the Sustainability Steering Committee, which oversees the implementation of social and environmental programs within SGS. Managing Directors are responsible for implementing the Community Policy and ensuring that appropriate resources are allocated to manage community investment in all SGS affiliates, which collaborate with local organizations and lead most of the initiatives.

IMPACT MEASUREMENT
To evaluate the effectiveness of our programs, we conduct an annual community survey, which aligns with the London Benchmarking Group criteria. The survey is deployed across the network as part of our sustainability reporting process.

INITIATIVES AND ACHIEVEMENTS

2019 has been another successful year for our Community programs. We have worked with partners around the world and delivered projects with meaningful outcomes.

19
Community projects co-delivered with customers

19
Community projects co-delivered with suppliers

INITIATIVES SGS DELIVERS TO SUPPORT LOCAL COMMUNITIES AND THE PLANET

SGS supports the communities where we operate through a variety of short- and long-term initiatives, both proactively identified and in response to specific requests (➡ see page 85 for examples).

CHARITABLE GIFTS

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

COMMUNITY INVESTMENTS

We proactively support community projects that address social or environmental issues relevant to SGS and to the communities in which we operate.

PHILANTHROPIC SPONSORSHIP

We support business-related activities that deliver community benefits and support the success of the SGS business and brand.

CONTRIBUTIONS SGS MAKES TO COMMUNITY PROJECTS

SGS contributes to local community projects by donating cash, time and expertise both in terms of our management and asset-based resources (➡ see page 85 for examples).

IN-KIND CONTRIBUTIONS (10%)

CHF 143 490

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

TIME CONTRIBUTIONS (24%)

CHF 334 527

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

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

CASH CONTRIBUTIONS (60%)

CHF 841 776

Company

CHF 37 579*

Employees

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.

Not included in the calculation of SGS community investment.

MANAGEMENT CONTRIBUTIONS (6%)

CHF 92 053

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.

BENEFITS OF OUR COMMUNITY PROJECTS

Our community programs, campaigns and initiatives not only make a difference in local communities but also bring benefits for our employees, such as engagement, networking opportunities and increased collaboration. They highlight the importance of investing in local communities for our company and our values. In 2019, we noted the following:

93
Projects improved access to education and/or people skills

201
Projects improved health and well-being

40
Projects increased recycling levels

177
Projects enhanced employee engagement

54
Projects improved social integration

34
Projects improved teamwork

25
Projects protected land or species

285
Projects raised SGS' profile locally

SGS ACADEMY FOR THE COMMUNITY

The SGS Academy for the Community provides high-quality technical training to people earning less than the average living wage in the communities where we operate. The aim of this initiative is to support economic development by enhancing individuals' employability and improving their qualifications so that they can seek better-paid positions. The training is provided free-of-charge to students who would not otherwise be able to afford it. Courses offered are developed in consideration of the specific employment market for each of the countries.

In 2019, SGS Academy for the Community started supporting projects in India, Chile, Taiwan and South Africa. Each of these projects is managed by the local SGS Academy and will continue into 2020. For further information see sgs.com where you can watch our video.

"

THEORIAH RENDANI MOEMA

SGS ACADEMY FOR THE COMMUNITY, FOOD SAFETY COURSE, SOUTH AFRICA

Here in South Africa, food safety has been identified as a skills gap, so studying it with the SGS Academy has given me a valuable career opportunity that has the potential to shape my life. Personally, I've always wanted to work with food and my dream was to own a café. Opening a café is not financially possible, but thanks to the qualifications I gained, I can now pursue a career in an area that I am passionate about.

COMMUNITY

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.

251
Empowerment projects in 2019

54%
Of total community investment[1]

1. Including cash, time and management contributions

ENVIRONMENTAL SUSTAINABILITY

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

80
Environmental sustainability projects in 2019

15%
Of total community investment[1]

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.

110
Education projects in 2019

31%
Of total community investment[1]

OUR VALUE TO SOCIETY

GETTING GRADUATES INTO WORK

4 8 SGS ANGOLA HOLDS UNDERGRADUATE WORKSHOPS ON SUCCESSFUL JOB INTERVIEW TECHNIQUES

CLAUDINA PEDRO
HR MANAGER, SGS ANGOLA

OUR VALUE TO SOCIETY

REBUILDING LIVES AND GIVING HOPE FOR THE FUTURE

10 SGS EMPLOYEES IN HOUSTON VOLUNTEER TO HELP REBUILD THE HOME OF A LOCAL RETIRED RESIDENT AFTER HURRICANE HARVEY

STEPHANIE HAWKINS
PROJECT MANAGER INNOVATION & SUSTAINABILITY, SGS NORTH AMERICA

OUR VALUE TO SOCIETY

ENGAGING WITH LOCAL COMMUNITIES

3 4 10 12 SGS AUSTRALIA SUPPORTS LOCAL ABORIGINAL AND TORRES STRAIT ISLANDER COMMUNITIES

NIRDOSH SINGH
NATIONAL BID MANAGER, CORPORATE SERVICES, SGS AUSTRALIA

OUR VALUE TO SOCIETY

TACKLING AIR POLLUTION THROUGH HORTICULTURE

15 SGS PERU ORGANIZES A NATIONAL PLANTING ACTIVITY AND RAISES ENVIRONMENTAL AWARENESS AMONG EMPLOYEES

MARÍA ELENA CIEZA CALDERÓN
ENVIRONMENTAL AND SUSTAINABILITY SUPERVISOR, SGS PERU

OUR VALUE TO SOCIETY

TOGETHER FOR THE CLIMATE

13 PROMOTING CLIMATE AWARENESS AMONG CUSTOMERS AND EMPLOYEES THROUGH SGS FRANCE AUTOMOTIVE BRANDS

SOPHIE BUET
MARKETING & COMMUNICATION MANAGER, SÉCURITEST & AUTO SÉCURITÉ, SGS FRANCE

OUR VALUE TO SOCIETY

PHILIPPINES TREEATHLON

13 15 SGS PHILIPPINES INITIATIVE PLANTS 1 700 TREES IN RESERVATION ENDANGERED BY ILLEGAL DEFORESTATION

REGINA V. ENTROLIZO
NATIONAL MANAGEMENT SYSTEMS OFFICER, SGS PHILIPPINES

OUR VALUE TO SOCIETY

THE POWER OF EDUCATION

1 4 10 SGS INDIA SUPORTS CHARITY TO TO IMPROVE MUNICIPALITY SCHOOLS IN INDIA

ANIL ZACHARIAH
REGIONAL BRANCH MANAGER & CSR COMMITTEE MEMBER, SGS INDIA

OUR VALUE TO SOCIETY

ROAD SAFETY TALKS FOR CHILDREN

4 SGS SPAIN SUPPORTS A SAFER SOCIETY THROUGH ROAD SAFETY PROGRAMMES FOR SCHOOL CHILDREN

MIGUEL CAMBRA
DEPUTY DELEGATE SGS/GRUPO ITV ARAGON, SGS SPAIN

OUR VALUE TO SOCIETY

UPHOLDING HIGH FOOD SAFETY STANDARDS IN TAIWAN

4 8 10 SGS OFFERS VOCATIONAL FOOD SAFETY TRAINING TO PEOPLE WITH DISABILITIES AND THOSE IN SOCIALLY MARGINALIZED GROUPS
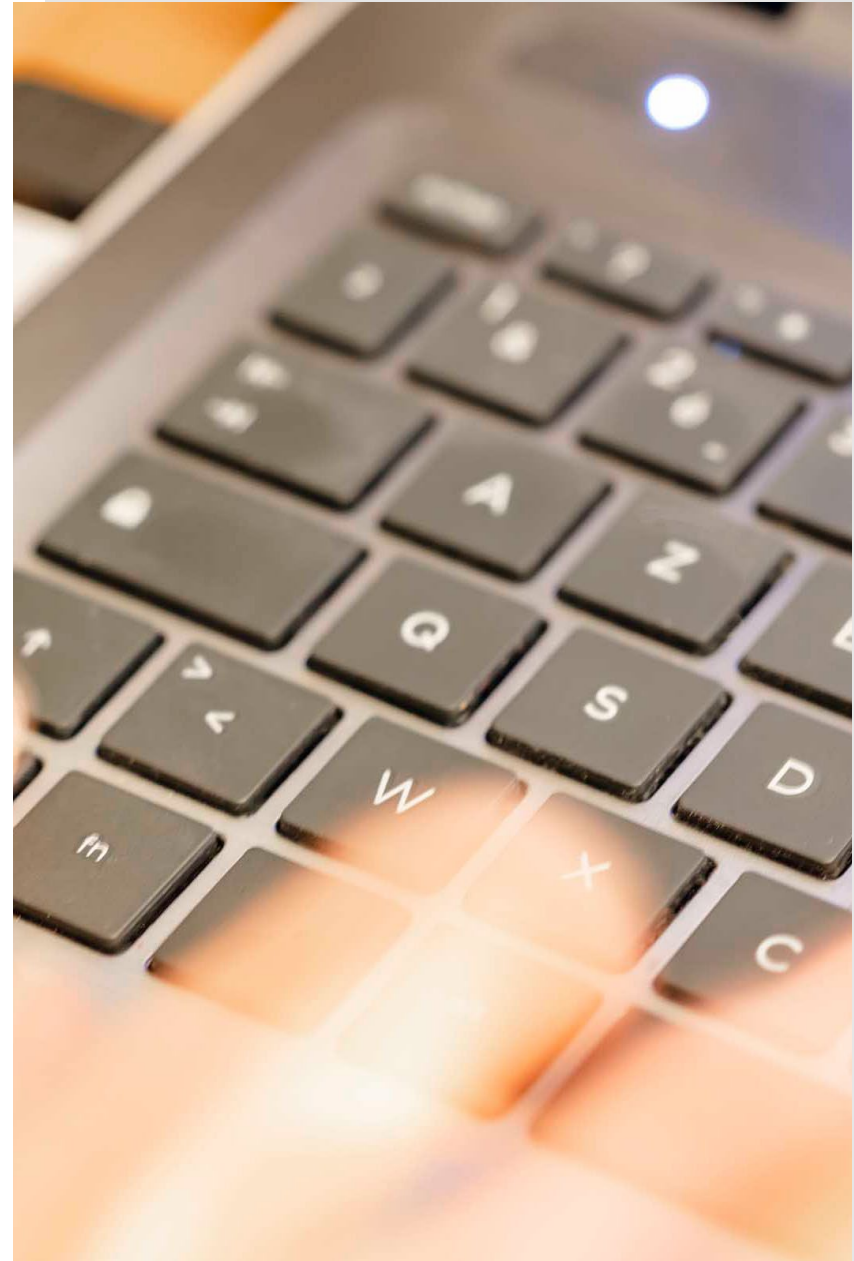
CINDY BAI
SUPERVISOR, SGS TAIWAN

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.

FINANCE	2014	2017	2018	2019	2020 TARGET
FTE Employees (# people)	84 246	95 745	97 464	92 661	–
Number of offices and laboratories	–	+2 400	+2 600	+2 600	–
Estimated positive value to society (CHF million)	–	5 865	6 176	6 650	–
Revenue (CHF million on constant currency basis)	5 360	6 144	6 512	6 600	–
Financial income (CHF million)	–	14	18	286	–
Salaries and wages (CHF million)	–	3 196	3 442	3 357	–
Subcontractors' expenses (CHF million)	–	394	387	386	–
Depreciation, amortization and impairment (CHF million)	–	338	317	548	–
Other operating expenses (CHF million)	–	1 499	1 597	1 460	–
Financial expenses (CHF million)	–	57	58	79	–
Dividends paid (CHF million)	–	632	632	646	–
Income taxes (CHF million)	–	187	218	315	–
Other taxes (CHF million)	–	30	36	34	–
Total economic value generated (CHF million)	–	6 363	6 724	6 886	–
Total economic value distributed (CHF million)	–	6 331	6 668	6 826	–
Economic value retained (CHF million)	–	32	56	60	–

COMPLIANCE AND INTEGRITY	2014	2017	2018	2019	2020 TARGET
Code of Integrity reports to helplines: Total number of integrity issues reported through integrity helplines[1]	241	227	237	211	–
Code of Integrity investigations: Total number of valid reports investigated[2]	151	48	67	70	–
Code of Integrity non-compliances: Total number of breaches of the Code of Integrity identified through integrity helplines[1]	42	14	28	36	–
Actions taken following a violation of the Code of Integrity	4	11	13	18	–
Total number of employees signing the Code of Integrity	86 040	99 091	100 798	96 301	–
Percentage of employees signing the Code of Integrity	100	100	100	100	100
Hours of training on the Code of Integrity		88 884	91 461	89 993	–
Total number of employees trained on the Code of Integrity	80 625	88 884	91 461	89 993	–
Percentage of employees trained on the Code of Integrity	93.7	89.7	90.7	98.8[3]	–
Total number of governance body members signing the Code of Integrity	24	22	23	21	–
Percentage of governance body members signing the Code of Integrity	100	100	100	100	–
Total number of governance body members trained on the Code of Integrity	24	22	23	21	–
Percentage of governance body members trained on the Code of Integrity	100	100	100	100	–
Analysis of risks related to corruption: Percentage of operations analyzed for risks related to corruption	100	100	100	100	–
Analysis of risks related to corruption: Total number of operations analyzed for risks related to corruption (See references as noted in the year columns)	4	5	6	7	–
Number and nature of confirmed incidents of corruption identified through corporate helplines[1]	4	1	2	2	–
Number of confirmed incidents identified through corporate helplines where employees were dismissed	12	8	7	6	–
Public legal cases regarding corruption brought against the organization/employees	0	0	0	0	–

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. 3. Since 2019, this figure represents the percentage of employees trained on the Code of Integrity, from eligible employees. 4. All operating companies included in the 2014 Annual Report (p.152-155). 5. All operating companies included in the 2017 Annual Report (p.249-252). 6. All operating companies included in the 2018 Annual Report (p.186-189). 7. All operating companies included in the 2019 Annual Report (p.197-200).

HUMAN RIGHTS	2014	2017	2018	2019	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	–
Discrimination: Total number of proven incidents of discrimination, and actions taken	0	1	0	0	–
Indigenous people's rights: Total number of violations of the rights of indigenous people, and actions taken	0	0	0	0	–
Human rights grievances: Number of grievances identified through helplines[1]	0	0	0	0	–
SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN					
Spend analyzed for sustainability risks (as a %)	–	100	100	100	100
Tier 1 Suppliers analyzed for sustainability risks (as a % of total Tier 1 suppliers)	–	100	100	100	–
Number of local suppliers (as a % of total suppliers)	–	99	99	98	–
Number of global suppliers (as a % of total suppliers)	–	1	1	2	–
Spend of local suppliers (as a % of total spend)	–	87	83	80	–
Spend of global suppliers (as a % of total spend)	–	13	17	20	–
Spend by SGS supra-region – Asia and Pacific (as a % of total spend)	–	31	31	32	–
Spend by SGS supra-region – Europe, Africa and Middle East (as a % of total spend)	–	47	47	47	–
Spend by SGS supra-region – Americas (as a % of total spend)	–	22	22	21	–
Spend by SGS Category – CAPEX (as a % of total spend)	–	14	14	13	–
Spend by SGS Category – External services (as a % of total spend)	–	24	23	23	–
Spend by SGS Category – Material and supplies (as a % of total spend)	–	18	19	18	–
Spend by SGS Category – General repares and maintenance (as a % of total spend)	–	5	5	6	–
Spend by SGS Category – Travel and vehicles (as a % of total spend)	–	18	18	18	–
Spend by SGS Category – Other OPEX (as a % of total spend)	–	21	21	22	–
Spend vs. Revenue (as a % of one versus the other)	–	33.0	32.5	33.0	–
SGS countries who have Tier 1 suppliers	–	28	30	30	–
Companies defined as Supplier Tier 1	–	63 240	59 988	67 214	–
Suppliers after country level review	–	2 896	4 803	3 587	–
Suppliers with actions taken	–	0	925	1 928	–

PUBLIC POLICY	2014	2017	2018	2019	2020 TARGET
Contributions to lobbying, interest representation or similar (CHF)	–	0	0	0	–
Contributions to local, regional or national political campaigns / organizations / candidates (CHF)	–	0	0	0	–
Contributions to trade associations or tax-exempt groups (e.g. think tanks) (CHF)	–	735 832	860 617	646 252	–
Other contributions (e.g. spending related to ballot measures or referendums) (CHF)	–	0	0	0	–
Total contributions and other spending (CHF)	–	735 832	860 617	646 252	–
Contribution to industry associations (% of revenue)	–	Under 0.01	Under 0.02	Under 0.01	–
CUSTOMER RELATIONSHIP MANAGEMENT					
Customers satisfied with SGS service (as a % of total number of customers that responded to our Voice of the Customer surveys)	–	88	88	91	–
Group's revenue covered by Voice of the Customer surveys (as a % of total revenue)	–	–	42	89	–
Countries participating in Voice of the Customer survey	–	–	69	67	–
Responses in Voice of the Customer surveys	–	8 941	9 500	9 628	–
INFORMATION SECURITY AND DATA PRIVACY					
Number of complaints received from outside parties and substantiated by the organization	–	–	0	0	–
Substantiated complaints concerning breaches of data customer policy	–	–	0	0	–
Number of complaints from regulatory bodies	–	–	0	0	–
Completion rate of data protection and privacy e-learning (as a % of people invited to the e-learning)	–	88	95	95	–

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.

SUSTAINABILITY REPORT 2019

TALENT MANAGEMENT AND EQUAL OPPORTUNITIES	2014	2017	2018	2019	2020 TARGET
Natural turnover[1] (% of employees)	12.8	13.0	14.6	13.6	< 15.0
Total turnover (% of employees)	–	23.5	23.3	22.6	–
Total turnover female (% of employees)	–	21.6	20.9	20.3	–
Total turnover male (% of employees)	–	24.5	24.6	23.9	–
Casual workers (% of total employees)	–	9	9	9	–
Permanent workers (% of total employees)	–	91	91	91	–
Equal Opportunity Ratio[2]	0.84	0.88	0.84	0.89	1.00
New employee hires	–	17 700	23 720	22 824	–
New employee hires (female) (as a % of each category)	–	30	34	34	–
New employee hires (male) (as a % of each category)	–	70	66	66	–
CEO-3 employees	–	1 208	1 293	1 291	–
CEO-3 by gender (female) – 'Women in Leadership' (% of total CEO-3 managers by gender)	–	26.2	26.4	26.7	30
CEO-3 by gender (male) (% of total CEO-3 managers by gender)	–	73.8	73.6	73.3	–
Manager employees	7 040	8 046	8 525	8 076	–
Manager by gender (female) (% of total managers by gender)	28.9	30.4	29.7	32.6	–
Manager by gender (male) (% of total managers by gender)	71.1	69.6	70.3	67.4	–
Number of employees	86 040	99 091	100 820	96 301	–
Employees by gender (female) (% of total employees by gender)	32.5	33.0	33.5	35.1	–
Employees by gender (male) (% of total employees by gender)	67.5	67.0	66.5	64.9	–
SGS management Board and Operations Council by gender (female)	–	2	2	1	–
SGS management Board and Operations Council by gender (male)	–	30	30	30	–
SGS management Board and Operations Council nationalities	–	16	15	16	–
SGS management Board and Operations council by age (Under 30 years old)	–	0	0	0	–

TALENT MANAGEMENT AND EQUAL OPPORTUNITIES	2014	2017	2018	2019	2020 TARGET
SGS management board and operations council by age (30 to 50 years old)	–	10	6	7	–
SGS management board and operations council by age (Over 50 years old)	–	22	26	24	–
Sickness absence rate[3] (% of days of sickness absence per total days worked)	1.48	1.49	1.54	1.55	<1.50
Total absence rate (% of days of sickness absence plus days los per incidents with lost time per total days worked)	1.54	1.51	1.56	1.57	<1.70
Training ratio[4] (% of total employment cost spent on training)	2.51	2.43	3.38	3.25	1.0
Training hours per FTE[4] (hours/FTE)	31.8	28.7	45.9	49.0	–
Total training hours[4] (millions of hours)	2,7	2,7	4,4	4,6	–
Performance reviews[5] (% of employees receiving regular performance review)	78	61	90	88	100
Collective bargaining[6] (% of employees)	34	40	40	40	–
Employees invited to participate in SGS Catalyst	–	41 128	6 926	19 273	–
Response rate in SGS Catalyst (% of surveyed employees)	–	84	91	82	–
Engagement Index (as score out of 100[7])	–	73	68	71	–
Actively engaged employees (% of surveyed employees)	–	75	68	66	–

1. Employees that 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). If EOR is 1, then female employees have as much opportunities as male employees to reach a managing position. 3. Days of sickness absence per total days worked. 4. Training and Hours spent cost per Total employment cost, including safety training hours (on a constant currency basis). 5. Employees receiving regular performance reviews. Methodology been updated in 2018 to cover percentage of all eligible employees. 6. Employees covered by collective consultation / representation processes. 7. In 2016 and 2017, Engagement Index was calculated as a % of employees answering favorably to the relevant questions. In 2019 we changed our approach and starting measuring this as a score.

OPERATIONAL INTEGRITY	2014	2017	2018	2019	2020 TARGET
Total Recordable Incident Rate (TRIR)[1] (occurrences per 200 000 hours)	1.11	0.40	0.41	0.44	< 0.55
TRIR reduced (as a % against a 2014 baseline)	–	64	63	60	50
Number of recordable incidents[2]	972	394	417	432	–
Lost Time Incident frequency Rate (LTIR)[2] (occurrences per 200 000)	0.60	0.23	0.25	0.26	< 0.30
LTIR reduced (as a % against a 2014 baseline)	–	62	58	57	50
Number of near misses[3] (# of near misses)	2 028	1 998	1 523	1 801	–
Safety training hours (# of hours)	1 053 704	1 831 206	2 142 405	2 497 245	–
Operational Integrity training per employee (# of hours per employee)	12.6	19.6	22,2	26.4	–
Increase in number of training and workshops for regional and local Business Continuity teams (as a % within last year)	–	–	–	300	–
Increase in Business Continuity plans developed (as a % within last year)	–	–	–	299	–
Increase in Business Continuity active sites (as a % within last year)	–	–	–	64	–

1. Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked. 2. Number of lost time incidents per 200 000 hours worked.
3. 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.

CLIMATE CHANGE	2014	2017	2018	2019	2020 TARGET
Total CO_2e emissions[1,2] (CO_2e tonnes)	214 092	175 887	167 976	159 848	–
Scope 1 Fuels emissions[2] (vehicle and non-transport) (CO_2e tonnes)	108 231	113 516	117 455	113 443	–
Scope 2 Electricity emissions[1] (CO_2e tonnes)	77 082	32 413	17 299	16 758	–
Scope 3 Business travel emissions (CO_2e tonnes)	28 779	29 957	33 222	29 647	–
Decrease in total greenhouse gas emissions (as a % against a 2014 baseline)	–	18	22	25	–
Total CO_2e emissions by source	–	–	–	–	–
Transport fuels (as a % of total emissions)	52	67	74	73	–
Non-transport fuels (as a % of total emissions)	12	14	16	17	–
Electricity (As a % of total emissions)	36	18	10	10	–
Voluntary carbon-offsetting projects (credits purchased)	214 092	175 887	167 976	159 848	–
Total CO_2e emissions per FTE[1,2] (CO_2e tonnes / FTE)	2.6	1.9	1.7	1.7	2.1
CO_2e emissions per revenue on constant currency basis[1,2,3] (CO_2e tonnes / CHF million)	39.8	28.6	25.7	24.2	31.8
Reduction in annual CO_2 emissions per employee (as a % per full-time equivalent employee against a 2014 baseline)	–	27	32	34	–
Reduction in annual CO_2 emissions by revenue (by revenue against a 2014 baseline)	–	28	35	39	–
Total energy consumption[6] (MWh) (broken down below by source)	810 347	901 676	944 480	934 291	1 001 756
Standard electricity[4] (MWh)	131 999	59 464	30 165	29 215	–
Renewable electricity[5] (MWh)	219 374	362 530	416 122	421 593	–
Vehicle fuels energy (MWh)	332 430	357 289	367 636	350 774	–
Non-transport fuels energy (MWh)	126 544	122 392	130 556	132 709	–

1. District Heating emissions are not included in this figure. 2. Refrigerant gas emissions are not included in this figure. 3. On a constant currency basis. 4. Electricity bought from a non renewable tariff linked to Energy Attribute Certificates. 5. Electricity bought from local renewable sources of production and through energy attribute certificates. Emissions related to Distric heating are currently not included in this figure. 6. Target based on an annual decrease of Energy per Revenue since 2016 of 1% for Building Energy and 1.5% for Vehicle Energy.

CLIMATE CHANGE	2014	2017	2018	2019	2020 TARGET
Total electricity consumption from renewables (% of total consumption)	62	86	93	94	–
Total energy consumption per employee (MWh/FTE)	9.7	9.6	9.8	9.9	–
Total energy consumption per revenue[1] (MWh/CHF million)	150.7	146.4	144.8	141.6	–
Electricity consumption per FTE (MWh/FTE)	4.2	4.5	4.6	4.8	–
Electricity consumption per revenue[1] (KWh/CHF million)	65.3	68.5	68.4	68.3	–
Buildings covered by EEB program	–	442	628	676	–
Energy consumption from buildings covered by EEB program (% of total energy consumed)	–	42	62	77	–
Energy conservation measures identified (# of measures identified each year)	–	155	140	151	–
Buildings assessed on-site through EEB program since beginning	–	20	33	44	–
Employees involved in the Add Value With Lёss initiative	–	–	–	24 449	–
Countries that have rolled out the Add Value With Lёss initiative to date	–	–	–	16	–
Less flights as a result of video conferencing technology (# of flights)	–	10 000	14 000	17 000	–
Cars in SGS global fleet (# of cars)	10 088	10 727	11 084	10 754	–
Vehicles who meet our Vehicle Emissions Policy (as a %)	–	63	69	75	–
New cars who meet our Vehicle Emissions Policy (as a %)	–	84	95	85	–
Total scope 3 emissions (CO_2e tonnes)	766 938	865 291	917 736	917 839	–
Purchased goods and services (CO_2e tonnes)	359 860	420 607	433 699	441 064	–
Fuel and energy related activities (not included in Scope 1 and Scope 2) (CO_2e tonnes)	166 896	172 943	196 186	206 484	–
Capital goods (CO_2e tonnes)	121 536	143 039	147 498	137 633	–
Employee commuting (CO_2e tonnes)	87 367	95 523	103 804	99 082	–
Business travel (tCO_2e)	28 779	29 957	33 222	29 647	–
Waste generated in operations (CO_2e tonnes)	2 500	3 223	3 327	3 929	–

1. On a constant currency basis

| WATER AND WASTE MANAGEMENT	2014	2017	2018	2019	2020 TARGET
Water purchased (million m^3)	1.98	1.89	1.97	1.90	2.31[2]
Water use/FTE (annual water purchased per employee – m^3/FTE)	23.7	20.3	20.4	20.1	–
SGS employees who had sufficient, safe and physically accessible drinking water (as a % of total employees)	–	98	92	93	–
SGS employees who had access to sufficient sanitary facilities with proper drainage systems (as a % of total employees)	–	98	92	93	–
SGS employees who had access to water for washing and personal hygiene (as a % of total employees)	–	98	92	93	–
SGS employees who had access to sanitary installations and clean washrooms (as a % of total employees)	–	97	92	93	–
Total waste generated (metric tonnes)	43 467	45 698	48 536	54 032	59 570[2]
Hazardous waste generated (metric tonnes)	10 603	9812	10 919	11 651	
Non-hazardous waste generated (metric tonnes)	32,865	35 887	37 616	42 381	
Total number of environmental incidents including spills	51	79	64	74	–
COMMUNITY					
Investment in community[1] (CHF thousands on constant currency basis)	780	1 190	1 498	1 412	1 003
Total community projects	217	305	462	441	–
Community hours (number of hours dedicated to community)	13 020	17 086	18 544	17 197	–
Empowerment projects in the Community	–	113	242	251	–
Education projects in the Community	–	87	143	110	–
Environmental projects in the Community	–	86	77	80	–
Total community investment in Empowerment projects (as a % of total community investment)	–	40	52	54	–
Total community investment in Education projects (as a % of total community investment)	–	30	32	31	–
Total community investment in Environmental projects (as a % of total community investment)	–	30	16	15	–

1. Since 2018, Investment in community includes philantropic sponsorships, and since 2019 it also includes the value of in-kind donations. 2. Absolute target is derived from the Intensity target of volume of water per revenue at constant currency. 3. Absolute target is derived from the Intensity target of volume of waste per revenue at constant currency.

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.

SUSTAINABILITY REPORT 2019
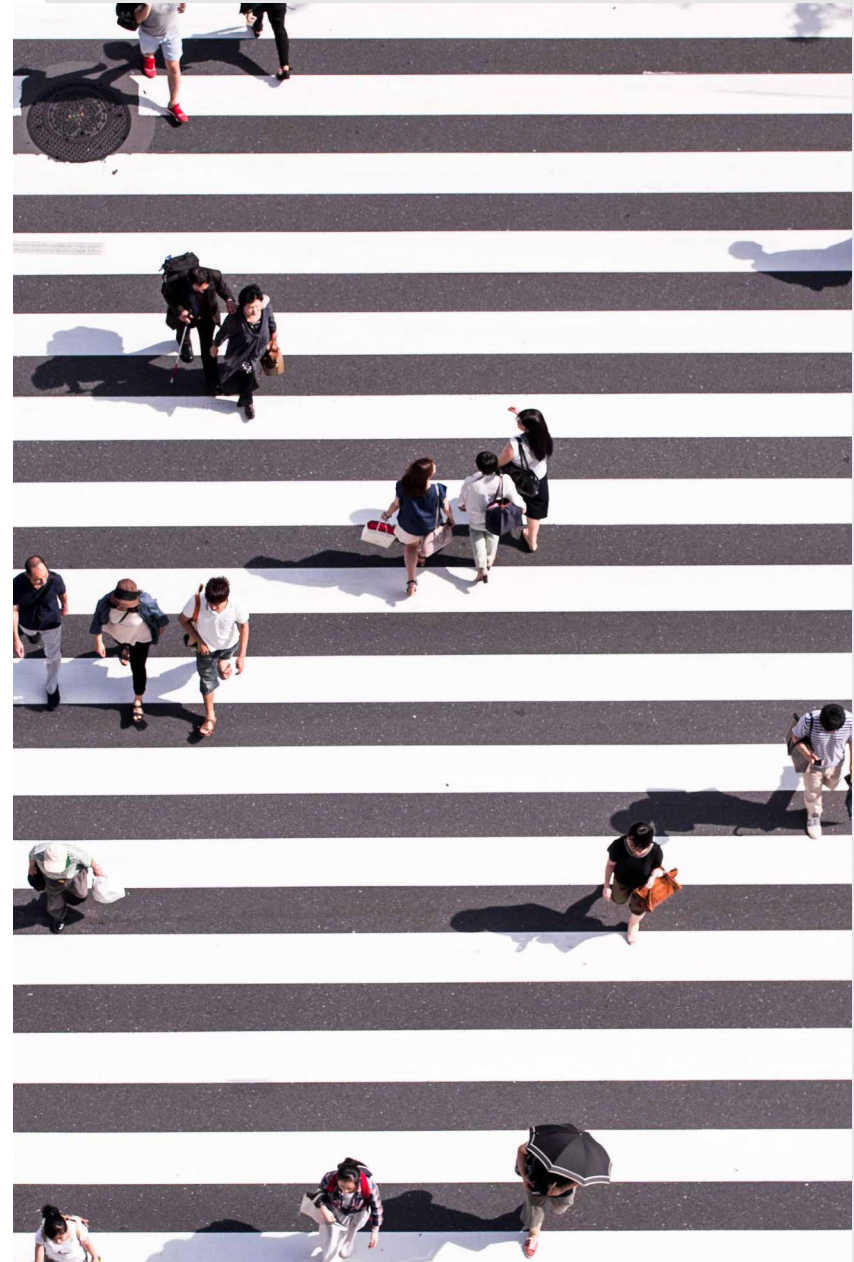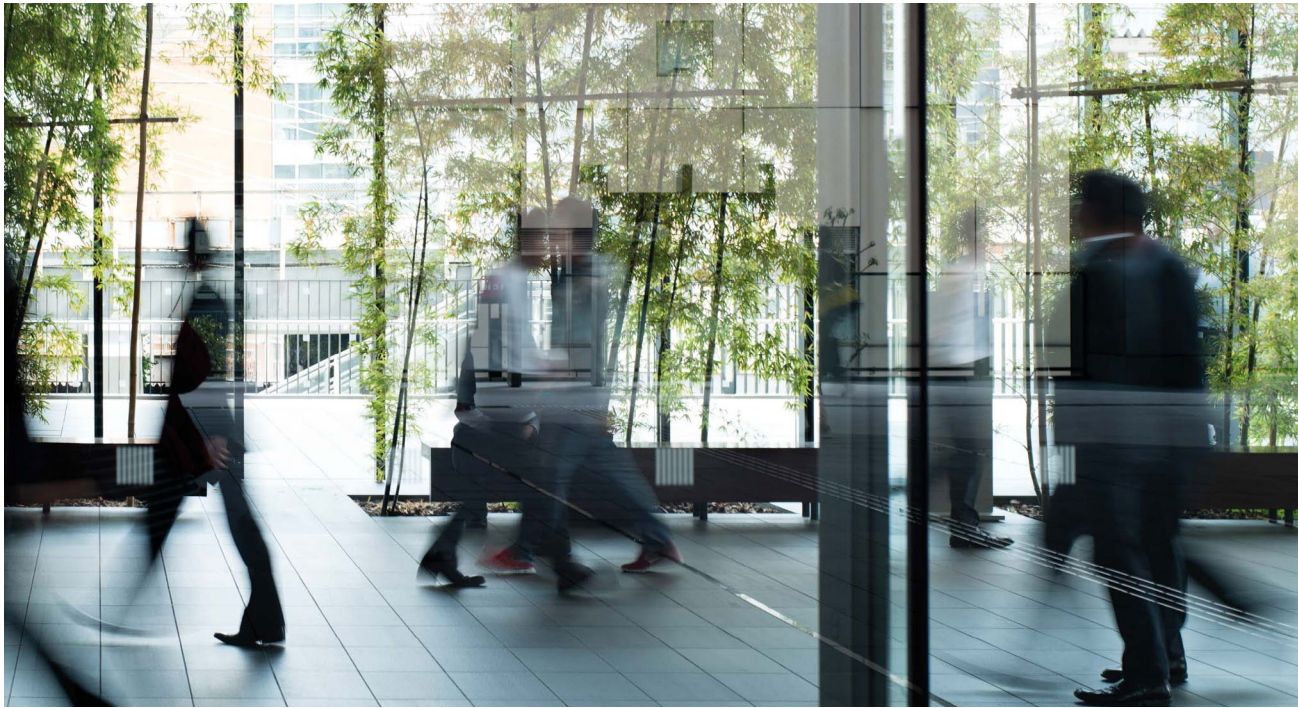
REPORTING APPROACH

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 2019 calendar year. A full list of SGS' affiliates can be found on pages 197-200 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 2019.

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 (see page 22 to 29).

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 a precautionary approach to sustainability and do not use 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 Integrated 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. This year we have moved forward again with our alignment to the Integrated Reporting Framework by using the six capitals as the structure of 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. See

For carbon emissions-related indicators, we follow the Greenhouse Gas Protocol (GHG Protocol) Corporate Accounting and Reporting Standard (financial control approach) and account for all Kyoto gases (CO_2, CH_4, N_2O, HFCs, PFCs, SF_6 and NF_3). Any bespoke indicators not prepared in accordance with the GRI Standards have their methodology described in the SGS Basis of Reporting document, available on request from SGS at corporate.sustainability@sgs.com.

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 (see pages 95 to 96) describes the work undertaken and their conclusion for the reporting period to 31 December 2019.

SGS MATERIAL TOPICS GLOSSARY

The SGS Business Materiality Matrix shows the topics that are most material to the SGS Group (➡ see page 29). Below provides a description of each topic:

PUBLIC POLICY
Supporting evidence-based policymaking by sharing expertise and avoiding lobbying that is not in the public interest.

FREEDOM OF ASSOCIATION
Respecting employees' freedom to associate and to bargain collectively in regards to workplace conditions.

TAX STRATEGY
Creating wealth for society through timely tax payments and by not taking measures to avoid taxes owed.

SERVICE INNOVATION
Continuously innovating to increase efficiency and service value.

SUSTAINABLE SUPPLY CHAIN
Sourcing products and services responsibly and stimulating environmental and social standards in the supply chain.

CUSTOMER RELATIONSHIP MANAGEMENT
Implementing effective client interaction processes, such as communications, service quality and response to needs.

CORPORATE GOVERNANCE
The rules, practices and processes used to control and direct the organization, such as board accountability and executive compensation.

INTEGRITY & ETHICAL BEHAVIOR
Investigating where human rights issues could arise within the company or its supply chain, respecting fair competition and not tolerating bribery or corruption in business dealings.

REGULATORY COMPLIANCE
Meeting the requirements of all applicable laws and regulations.

INDIGENOUS PEOPLES' RIGHTS
Ensuring that our operations do not interfere with the rights of indigenous people to maintain their culture.

INFORMATION SECURITY & DATA PROTECTION
Respecting customer privacy and using their data appropriately and safely, protecting against data loss or theft and IT systems failure.

TRAINING & DEVELOPMENT
Providing opportunities for employees to upgrade their skills, and conducting regular performance development reviews.

DIVERSITY & INCLUSION
Valuing diversity in the workforce and supporting equal opportunities, including tackling discrimination and unconscious bias.

HEALTH, SAFETY & WELL-BEING
Preventing harm and promoting physical and mental health for employees and contractors.

TALENT ATTRACTION & RETENTION
Ensuring the company is a desirable place to work, and keeping staff turnover within acceptable levels.

RISK & BUSINESS CONTINUITY MANAGEMENT
Identification and management of risks that could impact SGS and increasing resilience in the face of disruptions.

PROTECTING BIODIVERSITY
Protecting vulnerable species and the variety of life in natural ecosystems.

PREVENTING AIR POLLUTION
Managing emissions of NOx, SOx, PM10, and other air pollutants that can have human health and environmental impacts.

RESPONSIBLE USE OF MATERIALS
Reducing the direct and embodied impacts of materials usage, including reducing the amount of materials we use.

WASTE REDUCTION & MANAGEMENT
Following the reduce-reuse-recycle waste management hierarchy and moving towards a circular economy.

MITIGATION & ADAPTION TO CLIMATE CHANGE
Predicting, adapting to, and mitigating the physical and transitional impacts of climate change through actions such as switching to renewable energy.

WATER & EFFLUENT MANAGEMENT
Managing water as a shared resource, including minimizing pollution and reducing the withdrawal of freshwater by increasing water efficiency.

COMMUNITY INVESTMENT
Investing philanthropically in local community development, such as financial donations, offering free services and employee volunteering.

SUSTAINABILITY PILLARS

■ PROFESSIONAL EXCELLENCE
■ PEOPLE
■ ENVIRONMENT
■ COMMUNITY

SUSTAINABILITY REPORT 2019

EXTERNAL ASSURANCE STATEMENT

Independent limited assurance statement by Deloitte SA to SGS SA in accordance with ISAE 3000 (Revised) over the sustainability information presented in SGS' 2019 Sustainability Report and SGS' declarations regarding the application of the Global Reporting Initiative ("GRI") Standards at a comprehensive level in the preparation of the 2019 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 2019 ("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 a 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 and included in the SGS Basis of Reporting document, version 1 ("SGS's Reporting Criteria") dated 20th March 2020, available on request from SGS.

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 potential material quantitative and qualitative sustainability key performance indicators and disclosures from the 2018 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:

- ✔ Interviewed management and checked documentation 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 Human Rights to assess the accuracy of data classification, in line with the group reporting criteria; and

- ✔ checked the quantitative and qualitative disclosures in the Report related to the selected sustainability key performance indicators against our understanding of the sustainability governance and management structures and performance over the year.

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 page 18 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)
- ✔ 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 (absolute number)

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 2019 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

EMPHASIS OF MATTER

We reviewed SGS' basis for excluding direct emissions from refrigerants consumption from their Scope 1 GHG Inventory. Per discussions with management we noted their judgement that insufficient data was available to make a reasonable estimation for the refrigerants emissions, particularly given the high annual variability of refrigerant consumption.

We have also reviewed SGS' basis for excluding emissions from district heating consumption from their Scope 2 GHG Inventory. Per discussions with management, we noted that data quality and completeness was not sufficient to approximate a reasonable estimation for district heating consumption.

A disclosure has been provided on pages 70, 75 and 90 of the SGS 2019 Sustainability Report as a caveat to the Scope 1 and Scope 2 inventory exclusions noted above. This emphasis of matter did not modify our assurance opinion, as stated above.

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.

Deloitte.

Geneva, 20 March 2020

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WHEN YOU NEED TO BE SURE

SGS