Enabling a better, safer and more interconnected world

SGS 2022 Integrated Report

Our integrated reporting approach

The Integrated Reporting framework <IR> aims to create transparency. For the first time we have integrated our financial, operational and sustainability information into a single fully integrated report – measuring, as we have for the last five years, our financial and non-financial performance across the six <IR> capitals. This report has been prepared in accordance with the comprehensive option of the GRI Standards, the Sustainability Accounting Standard for the Professional and Commercial Services Industry (SASB), and it follows the guidelines for the AA1000 AccountAbility Principles Standard. This report also complies with the reporting requirements set in articles 964a to 964c of the Swiss Code of Obligations.

www.sgs.com/en/integrated-report

Cover image: Randall Maduro, Netherlands

SGS brings together global teams of highly qualified experts providing specialized solutions across our industries. We enable a better, safer and more interconnected world, making business faster, simpler and more efficient.

Our leading testing, inspection and certification services add measurable value to business and society. They reduce risk, improve efficiency, safety, quality, productivity and sustainability, accelerate speed to market and create trust.

We are passionate about our purpose

César Denegri, Peru

"We are leading the teams that supervise shipments of hydrobiological products to verify the quality is in compliance with national and international standards. This is how I contribute to enabling a safer world."

We are SGS

Nicolas Kyndt,
Switzerland

"We support energy efficiency and optimization, integrating our solutions with an organization's operational processes, and identifying opportunities to accelerate their energy transition and society's decarbonization."

We are providing our customers with better energy solutions.

The challenge for our customers

There is a growing need to accelerate the world's energy transition and to achieve net-zero. This has become more urgent for corporations and governments, with high fuel prices, inflationary pressures, supply chain bottlenecks and geopolitical tensions. They are seeking urgent improvements in every aspect of their energy management: from producers to end users.

Better means

We enable a better world by helping businesses everywhere to work efficiently, to deliver with quality, and to trade with integrity and trust.

40%

Expected carbon reduction per building portfolio

7 500

assets inspected to be transitioned to our new digital platform

Supporting reductions in energy and emissions

Certifying to ISO 50001 standards can help organizations, large or small, to save energy and costs, while actively demonstrating a commitment to sustainability. It can also offer them a competitive advantage, encouraging the use of processes that are more energy efficient and environmentally friendly. Our audits against ISO 50001 can help an organization to stand out from the crowd, as well as supporting them to develop and further improve their performance.

Watch our case study film at
www.sgs.com/en/integrated-report

We are shaping our thriving future

With the world facing significant challenges to limit the impacts of climate change, we believe our sustainability solutions will help organizations manage their energy transition, reduce emissions and assist with practical matters like the digitalization of their real estate.

- We develop data-enabled services aiming at supporting building portfolio owners, developers and users by collecting accurate and extensive energy and carbon datasets
- We provide technical data to our customers to help identify the most relevant energy efficiency measures they can implement to make their buildings smarter and greener
- We are working with customers to reduce energy costs and greenhouse gas emissions to help them become more independent from energy market disruption

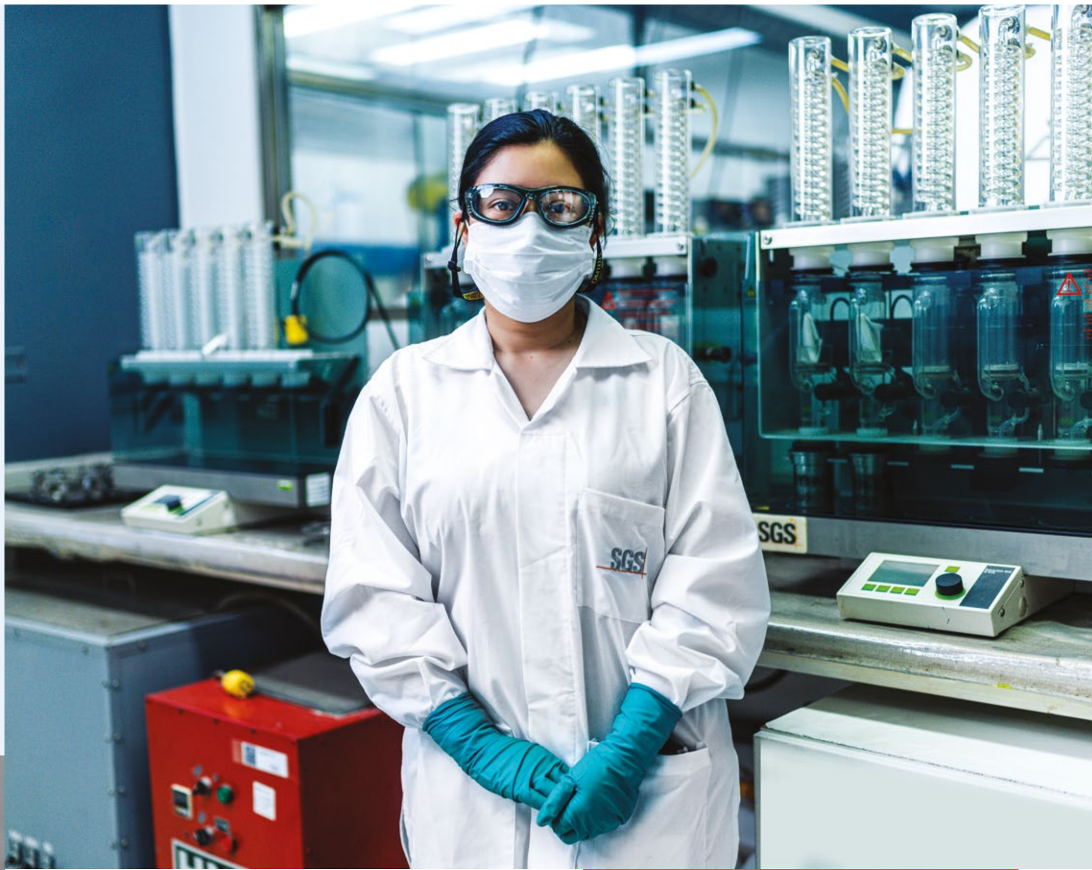
Jorge Bazo, Peru

"We help our customers ensure the safety, quality and sustainability of their food products, and in turn build consumer trust and confidence. By expanding our testing portfolio in the region, we can fulfill local market needs and serve the export market."

We are at the forefront of testing for food safety.

The challenge for our customers

Despite our strong food testing footprint across the Group, we were unable to offer a comprehensive testing solution throughout Central and South America. Sending samples for testing across borders was also slow due to customs issues and turnaround time challenges. With the food market growing across the continent, our customers needed help to meet local demand and food safety requirements for exporting.



Safer means

We enable a safer world by ensuring that the food you eat is safe and that the environment you work in is secure and clean.

9

food laboratories across Central and South America

400+

attendees to our SGS Tour Agro event in Peru and Colombia

Expanding our food laboratory network in Central and South America

Our teams across South America have worked hard to expand our capabilities in Peru, Chile, Ecuador, Colombia and Argentina, as well as establishing new laboratories in Mexico and Brazil – from microbiology, molecular biology, and allergens, to the detection of contaminants such as heavy metals, pesticides and veterinary drugs. We can also support the export of fruit, vegetables, seafood, meat and poultry, while ensuring local food safety and quality standards are met.

Watch our case study film at **www.sgs.com/en/integrated-report**

We are shaping our thriving future

Our revitalized network provides the answer to Central and South America's food safety requirements and will allow us to offer quality and safety testing services that meet stringent European, American and Asian requirements.

- We offer specialist testing services, e.g. seafood in Chile and Ecuador, and meat in Argentina
- Our laboratories in Chile, Peru and Brazil cover pesticides, molecular biology and more

This complements our existing primary food production solutions that support producers in the field, using new technology for precision farming. This farm to fork approach ensures better, safer and more sustainable food, locally and globally.

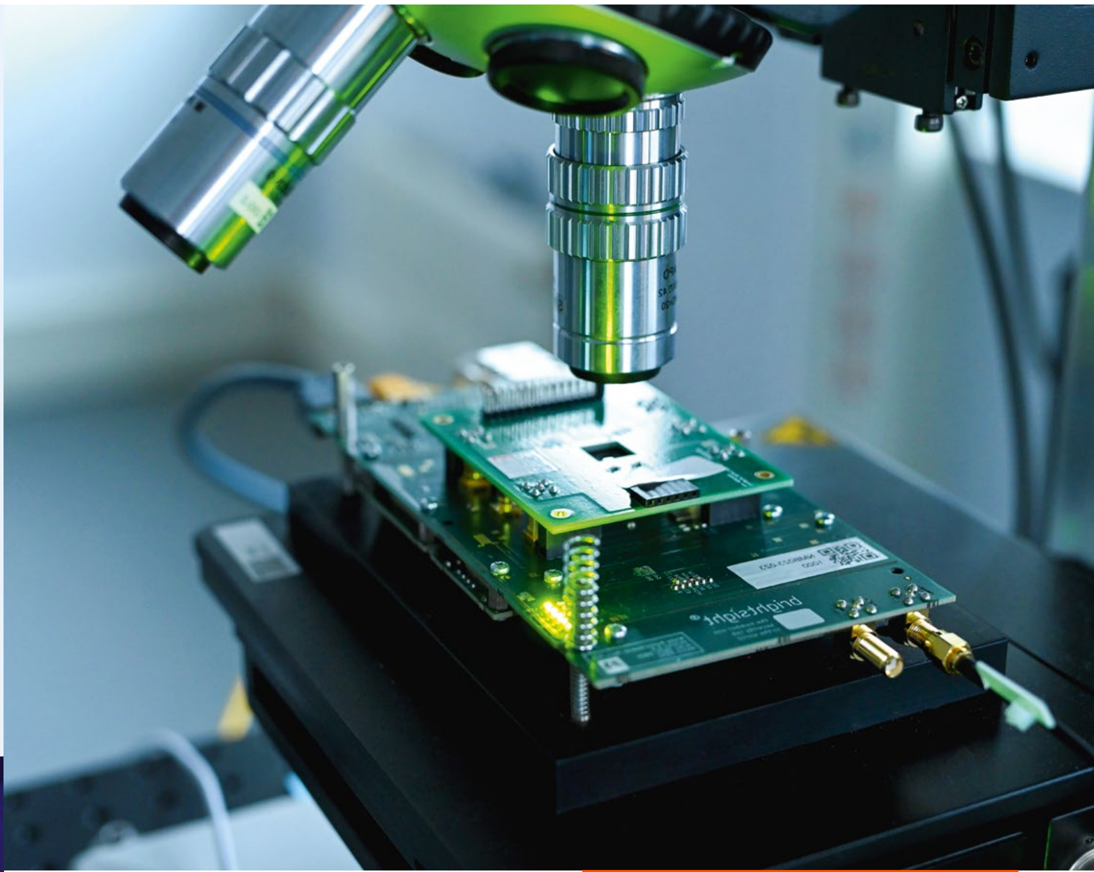
Kai-Fan Chang, Netherlands

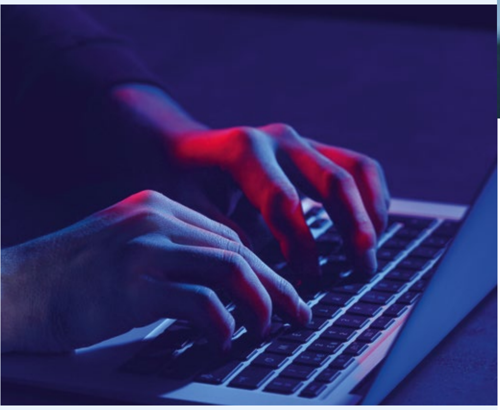
"In a connected world, there is no safety without security, as devices have open interfaces that you can connect to from anywhere in the world. We combine security testing with safety testing to provide a full-service package of security solutions."

We are helping manufacturers of IoT devices to ensure product security.

The challenge for our customers

Many Internet of Things (IoT) device manufacturers have products that are connected to a network or interact with other devices, but they may not always be aware of all the regulations, or the security they need to build into their devices. As a result, consumers may buy IoT devices that are not secure, risking their cyber safety and as a result, potentially damaging the manufacturer's brand.





More interconnected means

We enable a more interconnected world by helping new technology to reach consumers quickly and affordably, by ensuring the security of IT systems and data, and by using artificial intelligence (AI) and IoT to help develop smart cities.

35+

years of experience in security evaluations

55+

laboratory set ups

Comprehensive cybersecurity testing solutions

We provide our customers with comprehensive cybersecurity solutions, including training, risk assessments and testing for their IoT devices. We also help the industry to embed cybersecurity into the design phase, so that security is a consideration for all IoT devices from day one. Our test solutions for IoT devices cover a wide range of wireless networks, devices, and technology, including Bluetooth, Wi-Fi and near field communication (NFC). The acquisition of Brightsight last year expanded our solutions to cover cybersecurity requirements for a range of new devices.

Watch our case study film at **www.sgs.com/en/integrated-report**

We are shaping our thriving future

Through our comprehensive testing offering for existing IoT devices and the earlier consideration for cybersecurity in their designs, consumers will have more trust in the security of the IoT products they purchase.

- IoT brands and manufacturers are increasing the safety of their products and building their cybersecurity reputation, which will lead to repeat purchases and an increase in new customers
- Our cybersecurity product certification mark, introduced this year, gives consumers a clear indication that their IoT devices have been fully tested and are cyber-safe

Letter to stakeholders

Calvin Grieder
Chair of the Board of Directors

Enabling a better, safer and more interconnected world

Together we are building a thriving and sustainable business.

Dear stakeholders,

Imagine a world without access to the resources of today. How would this affect the way you live and work? Ensuring a safe flow of goods is at the core of us all at SGS, every day.

These are challenging times. Pandemics, global supply chain decoupling, inflation and social disconnection have all become part of the new normal but there is one challenge that, if left unchecked, will be catastrophic for everyone – our impact on the environment and the climate crisis.

SGS is fully engaged in finding solutions to these problems, answering the challenges of the modern world while enhancing sustainability and building prosperity. To be truly successful, the changes we need to make must impact every aspect of our daily lives, both at home and work. All across the network, we are making decisive improvements by focusing on **people, planet and performance**.

We have set very ambitious targets and to meet them we must concentrate on what is at the heart of our business – our people. Better performance is not just about technology, it is led by our expertise. Together, we are building a network of highly trained, passionate and committed employees, who operate in a work environment that emphasizes safety, efficiency and excellence. Underpinning this is a philosophy of training that prioritizes personal development to deliver expertise across the network.

At the same time, we understand we do not exist in isolation and so we are finding new ways to help the most vulnerable groups in our society. For example, SGS Academy provided pro bono training to over 400 people in Ghana, Pakistan, India, Bangladesh and Turkey in 2022. This is the kind of concrete support we provide to the communities in which we operate and which we aim to accelerate.

I am proud to say that SGS is the first company in the TIC sector to have its 1.5° C and net-zero targets approved by the Science-Based Target Initiative and we are now committed to reach net-zero greenhouse gas emissions across the value chain by 2050. To meet this goal and protect the planet every person must play their part.

I tried to work on understanding what these targets mean to me and to put our company-wide actions into this context. It is difficult to work on an abstract CO_2 emission number and set it in proportion to what we do every day. If we consider that a single round trip flight from Geneva to New York already accounts for 20% of the average CO_2 emissions[1] of a single person per year, we have a good understanding of the magnitude of steps a company of our size must do to reduce its impact.

1. Source: IATA and World Bank.

We are helping our customers save energy and reduce greenhouse gas emissions through our sustainability solutions – and we do the same across our own sites.

Another example we can all relate to is our daily meals. Think about how much we could reduce by consuming local products rather than produce produced and transported from abroad. We all can make a big difference.

We have started numerous projects with this mission in mind and are determined to take the necessary steps. To name a couple of examples, our energy efficiency in buildings program targets our most energy intensive buildings and applies energy efficiency measures to optimize their consumption. In addition, this year we have increased by 500% our solar energy onsite production. Our new vehicle emissions policy targets our second major source of emissions and sets new and ambitious goals to gradually reduce the CO_2 emissions of our fleet in the coming years.

All these actions will enhance our performance. This is not only driven by the innovative solutions we offer, but also by solid processes that enhance efficiencies and robust guidelines that ensure safety. Taking our lead from the automotive sector, we continue to build our global network of World Class Services (WCS) laboratories. This strategic program stimulates a culture of efficiency and excellence by developing people and fostering a mindset that allows change, engagement, empowerment and the diffusion of knowledge.

In today's connected world data has become an important backbone for driving efficiency. Our program to implement a new seamless IT structure has fostered our efficiency on a large scale. Data is also an important asset to our customers' business. In response, SGS is evolving into a fully data-driven company by implementing more efficient systems and platforms. Operating in this way allows us to offer a better customer experience, with material improvements in customization and the ability for customers to connect and integrate directly with our data platforms.

This focus on people, planet and performance lets us build a solid culture of sustainability. The innovative solutions we are developing will not only benefit our business but also our customers as they continue on their journey towards a sustainable world.

If we want to succeed in our ambitions, and I am convinced we will, then we must understand the decisions we make today will not only have a profound impact on our business but also on the future of the planet. In 2022, we welcomed a new board member expanding our regional representation and the necessary skills to prosper. With the creation of our sustainability committee, we are also accelerating the development of new services and solutions that allow us and our customers to reduce environment impact while maximizing opportunities.

Finally, I started by saying we are living through challenging times but, by working together and with a common purpose, we are making a difference. I would like to take this opportunity to thank the Board and every employee working for SGS for their hard work and dedication. I would also like to say a special thank you to our investors, who continue to support us as we move towards a better, safer and more interconnected world.

As the world's leading TIC company, we are ready to answer whatever challenges the future may present. This is my passion, and it is at the core of everything we do at SGS.

Calvin Grieder
Chair of the Board of Directors

CEO Q&A

Frankie Ng
CEO

Bringing our purpose to life

Our strong spirit of solidarity is helping us support our customers and communities.

Q **Markets saw some recovery in 2022 but the current trading environment remains challenging. How has SGS fared, and can you highlight a few achievements?**

I'd like to start by expressing my gratitude to over 97 000 colleagues around the globe who have contributed so much to the success of SGS in 2022. This is a journey we are on together and it is testament to your capabilities and fortitude that we have achieved so much during the last 12 months.

At the beginning of 2022 it looked like we were nearing the end of the pandemic and then, almost immediately, the war in Ukraine began. There have also been macro-economic factors that have impacted all companies, like inflation and labor issues and some more specific to the TIC industry. I would say we've responded well, with strong results in 2022 and we continue to challenge ourselves to make sure we meet and exceed the goals we have set for 2023.

In my opinion, our greatest achievement is our spirit of solidarity. This has had a positive impact throughout the network over the last year, sometimes in extreme circumstances. For example, when we asked how we could help displaced colleagues at the start of the war in Ukraine, we received an overwhelming amount of support with our people going to the border to transport our colleagues and families to safe hotels to get food and rest. This support and kindness gave our colleagues a chance to recuperate and consider the next stage of their journey.

We've seen similar things in Shanghai, China, where what was predicted to be a short Covid lockdown ended up lasting two months. During this time we had colleagues confined to their homes and stuck at laboratories, but together we found ways to keep them supplied with food and other essentials.

In challenging times, this spirit of solidarity brings us together and makes us stronger.

“I started this Q&A by expressing my gratitude to everyone in the SGS network for their hard work and resilience. In my travels to meet with affiliates, what I see again and again is our people working with passion, looking for innovative solutions that support our customers and communities, finding better ways to bring SGS’s purpose to life.”

Q Turning to SGS’s three main strategic objectives for 2023 – investment to consolidate growth, becoming the largest digital company in the TIC sector, and increasing revenue from sustainability solutions – what progress have you seen?

Looking at the five divisions, a primary strategic objective was consolidation through investment to secure our leadership position. I am proud to say that this has been achieved in Natural Resources, Connectivity & Products and Knowledge, and we will continue to reinforce these areas through the expansion of our technical consultancy network. We are also on target to complete more than CHF 1 billion of revenue (constant currency) in the Health & Nutrition sector and become the market leader in Environment for our Industries & Environment division.

In terms of operational performance, we have achieved mid- to high-single digit organic growth over the last two years and continue to acquire expertise in key sectors such as cybersecurity, cosmetics, biopharma and analytical services to expand our reach and capabilities.

Looking at becoming the most digital company in the TIC sector, we are making solid progress building our ‘platform for growth’ through our Level Up initiatives being driven by our Chief Financial Officer and Chief Information Officer. We have successfully implemented our digital labs strategy in our Natural Resources laboratories by harmonizing our Laboratory Information Management Systems (LIMS) which standardizes workflows, improves efficiencies and reduces turnaround times for our customers. As part of our digital evolution, this progress will continue to be made across the rest of the network over the next two years.

Other new ways to optimize our network include the implementation of World Class Services, with 26 laboratories now employing World Class Management, and we continue to gain efficiencies through improved back-office systems such as enterprise resource planning (ERP), customer relationship management (CRM), shared service centers and IT outsourcing.

Finally, sustainability. With a clear vision, new targets and a framework for looking at sustainability in external services, we are confident of reaching our goal of 50% of revenue from sustainability solutions. We are also finding new ways to support our customers on their sustainability journeys, regardless of their industry sector or maturity. Together, we are even introducing new solutions which reduce the impact of industries which traditionally have a bigger environmental impact.

Working in this innovative, forward-thinking way, we are discovering solutions that benefit our customers, our business and our planet.

Q SGS has announced ambitious targets with its Sustainability Ambitions 2030. Where do we stand today with these targets?

That is a long list but, based on what we’ve seen so far, I would say we are on target to meet both our 2023 and 2030 targets, whether they are for safety, carbon emissions or diversity and inclusion.

However, it’s not all about hitting targets and what is more interesting to me is the evolution I see in SGS’s culture of sustainability. Through investment in new schemes and concepts and effective communication with colleagues, we are changing this culture both at home and in the office. Improvements can be difficult to quantify, but it is vital if we are to meet our 2023-2030 Sustainability Ambitions and I am pleased to say we are making good progress.

Q The business climate is likely to remain challenging in the foreseeable future. How is SGS positioned to respond?

We are seeing multiple macro-economic challenges at the moment, such as high inflation and geopolitical disruption. These cycles seem to be becoming more frequent and stronger, however, we remain confident that we can continue to adapt and be agile in our responses.

SGS is a resilient company, with highly diversified end-markets both industrially and geographically. Our focus is on maintaining organic development in the areas where we are already strong. We are continuing to make acquisitions to exploit potential growth areas, such as expansions in our footprint, skill set and technical capacities, adding competences and accreditations. Finally, we are investing in innovative processes and solutions to optimize our systems and customer offering.

Operating in this way, we have built a resilient and sustainable structure that can weather all macro-economic challenges in the long term.

Q How else do you see SGS guaranteeing a thriving future?

I started this Q&A by expressing my gratitude to everyone in the SGS network for their hard work and resilience. In my travels to meet with affiliates, what I see again and again is our people working with passion, looking for innovative solutions that support our customers and communities, finding better ways to bring SGS’s purpose to life. This is what is important to me and again it takes me back to SGS’s strong spirit of solidarity.

Americas

20.5%

of total SGS revenue

North America

Latin America

1

Connectivity & Products

We are the experts who support brands, manufacturers, retailers and governments across the supply chain with the performance, safety, security and quality of their products and services. We help make products better and safer for an increasingly connected world.

Adjusted operating income

CHF 313 MIO

Adjusted operating income margin

23.9%

Read more on page 54

2

Health & Nutrition

We assure quality, safety, sustainability and security in the health, wellness and nutrition industries, helping our customers to meet stringent standards throughout their supply chain and, ultimately, improving the quality of life in society.

Adjusted operating income

CHF 119 MIO

Adjusted operating income margin

13.3%

Read more on page 54

3

Industries & Environment

We enable safer, greener and smarter infrastructure, transportation and industries through our innovative solutions, which is important as organizations transition towards cleaner and sustainable energy solutions to meet their environmental responsibilities.

Adjusted operating income

CHF 224 MIO

Adjusted operating income margin

10.4%

Read more on page 55

Connectivity & Products
1 311 MIO

Health & Nutrition
892 MIO

Industries & Environment
2 157 MIO

Natural Resources
1 583 MIO

Knowledge
699 MIO

Asia Pacific
35.2%
of total SGS revenue
North East Asia
South East Asia & Pacific

Europe, Africa, Middle East
44.3%
of total SGS revenue
Africa & Western Europe
North & Central Europe
Eastern Europe & Middle East

4

Natural Resources

We are a global network of trusted, independent and committed experts who deliver pivotal solutions to the agricultural, mining, oil, gas and chemical industries, supporting quality, safety, efficiency and sustainability goals across the supply chain.

Adjusted operating income
CHF 225 MIO

Adjusted operating income margin
14.2%

Read more on page 55

5

Knowledge

We have the expertise and knowledge, and the people, processes and tools to help organizations improve their results, manage risk, comply with regulatory changes, adopt best practice and meet increasingly stringent sustainability requirements.

Adjusted operating income
CHF 142 MIO

Adjusted operating income margin
20.3%

Read more on page 55

Non-financial and financial results

We made good progress in 2022 investing in our platform for growth and evolving SGS's culture of sustainability to help us meet our 2030 Ambitions.

SO Strategic Objective

Our corporate sustainability leadership

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

Member of DJSI World and Europe, and leader of the professional services industry in S&P Corporate Sustainability Assessment (CSA) and well over double the sector average

Corporate ESG Performance RATED BY ISS ESG Prime

Prime distinction rating as recognition for excellence in management of ESG aspects among over 200 companies in the same sector

SUSTAINALYTICS

Low risk rating driven by our strong management of material ESG issues

MSCI ESG RATINGS CCC B BB BBB A AA AAA

AAA rating, the highest ESG rating awarded by MSCI, for the third consecutive year

PLATINUM 2022 ecovadis Sustainability Rating

Platinum medal, the highest recognition awarded by EcoVadis, for the third consecutive year

FTSE4Good

Inclusion in the FTSE4Good index for the fifth consecutive year for our strong commitment to sustainable practices

CDP DISCLOSER 2022

Leadership position achieved through score of A- in CDP's highly technical climate change management assessment

People

Women in leadership positions

31.1%

+7%

SO Ensuring diversity

Nurture diversity and inclusion based on merit by ensuring equal opportunity to all employees and evolving our gender diversity to 30% women in leadership at CEO-3 positions and above.

SO World Class Services (WCS)

Promote a culture of operational safety, efficiency and excellence through our WCS program: 20% of our WCS labs (2020 perimeter) reaching WCS Bronze award level.

Lost Time Incident frequency Rate (LTIR)

Number of lost time incidents per 200 000 hours worked.

0.19

-25% against 2018

SO Guaranteeing a safe workplace

Reduce our Total Recordable Incident Rate (TRIR) by 20% and LTIR by 10% against a 2018 baseline.

SO Positive impact on communities

Increase by 10% our positive impact on our communities through employee volunteering, focusing on vulnerable groups including those affected by pandemics against a 2019 baseline.

Planet

Reduction in CO_2 emissions

-10.5%

against 2019 baseline

SO Reducing our CO_2 emissions

Support the transition to a low-carbon world by meeting our science-based target.

Proportion of revenues generated by sustainability solutions

47.3%

+1.2%

SO Sustainability solutions

Support our customers on their journey to sustainability by increasing the proportion of revenue generated by our sustainability solutions to above 50%.

SO Integrity principles

Reduce the impact that our supply chain has on society by committing our strategic suppliers to support our integrity principles.

SO Energy efficiency

Increase annually the number of energy efficiency measures in our 100 most energy intensive owned buildings.

1. Constant currency (CCY)*.

Performance

Revenue

CHF 6.6 BN

+6.8%[1] +5.8% organic*

Adjusted operating income*

1 023 MIO

+0.1%[1]

Adjusted operating income margin*

15.4%

(1.0)pp[1,2]

Profit for the period

CHF 630 MIO

(3.8)%

Basic earnings per share

CHF 78.86

(3.7)%

Proposed dividend

CHF 80

Free cash flow*

CHF 507 MIO

(20.2)%

Return on invested capital*

18.6%

(1.0)pp[2]

Acquisitions completed in 2022

7

1. Constant currency (CCY)*.
2. Percentage points.

* Alternative Performance Measures (APM) – refer to the '2022 Full Year APM' document.

Our TIC megatrends

The five interconnected megatrends are driving regulation and outsourcing. We have positioned SGS to meet these primary drivers of demand. By addressing some of the planet and society's largest challenges, we are generating value from structurally growing markets.

The five megatrends impacting society

Connectivity

With access to the internet rising rapidly and technologies such as 5G, the IoT and AI, we are entering a new era where networks of machines are digitally connected often without human involvement. A more connected world brings both opportunities and challenges for brands, manufacturers, retailers and governments. We can help them to deliver safe, accessible, high-quality products and services in stores and online, ensure secure connectivity and reduce risks.

USD 6 tn

is the estimated global annual cost of cybercrime in 2021[1]

Nutrition, Health & Wellness

The nutrition, health and wellness industries are converging, responding to consumer demands for healthier lifestyles and well-being. A rise in both consumer interest and purchasing power presents tremendous opportunities for companies, but consumers need to know that the food they eat and the products they use are safe. We can help companies demonstrate the safety, security, quality, sustainability, authenticity and efficacy of food, healthcare and wellness products.

USD 1.5 tn

is the estimated value of the global wellness market, with annual growth of 5-10%[2]

Sustainability & Climate

Today, many are vulnerable to climate change impacts such as droughts, floods, heat waves, extreme weather events and a rise in sea levels. The earth's finite natural resources are disappearing fast, and of all the minerals, fossil fuels, metals and biomass used each year, just 8.6%[3] are cycled back into the circular economy. Organizations face growing scrutiny in this area, but we can help them put sustainability at the center of their value proposition and business models.

3.3 bn

people's daily lives are 'highly vulnerable' to impacts of climate change[4]

Our industries

Our services cover 11 major industries. We develop and maintain world-class expertise to support the evolving needs of our customers. Thanks to our capabilities we are able to provide solutions to the challenges they face across the globe. Our chosen markets are and will be determined by our ability to be the most competitive and to consistently deliver unequalled service to our customers.

Life sciences
We safeguard the quality and efficacy of medicines.

Agriculture and food
We develop innovative safety, quality and sustainability solutions for supply chains.

Mining
Our expert services improve speed to market, manage risks and maximize returns.

Oil and gas
Our innovative, sustainable solutions add up along the value chain.

Energy
We power processes in renewables and conventional energy.

Chemical
We drive innovation, optimization, efficiency and safety, from feedstocks to finished products.

1. www.techxplore.com/news/2022-05-global-cybercrime-topped-trillion-defence.html
2. www.mckinsey.com/industries/consumer-packaged-goods/our-insights/feeling-good-the-future-of-the-1-5-trillion-wellness-market
3. www.circularity-gap.world/2022
4. www.ipcc.ch/report/ar6/wg2/about/factsheets/
5. www.worldbank.org/en/topic/urbandevelopment/overview
6. www.ey.com/en_qa/consumer-products-retail/redesign-consumer-ecosystems-to-scale-sustainability

Infrastructure

While the growing trend towards urbanization enables increased productivity, the additional need for resources and space affects the economy, environment and quality of life. Innovations in areas such as smart cities and smart mobility contribute to economic growth, but we can also help organizations adopt more sustainable approaches to infrastructure, transportation and community services, while protecting workers, reducing environmental footprints, managing risk, and enhancing efficiency and brand reputation.

>80%

of global GDP is generated in cities[5]

Consumer Empowerment

More and more, consumers are flexing their purchasing power to encourage companies to take a stand on issues like sustainability, transparency and fair employment practices. This has increased the demand for traceability and transparency across the supply chain, as people are looking to eat less meat, source more organic food, fly less and buy electric cars. We can help organizations keep up to date with complex regulatory obligations to reduce their legal, financial and reputational risks.

72%

of consumers say companies should be driving positive sustainability outcomes[6]

Construction

We ensure safety and performance during the construction of buildings or infrastructure.

Industrial manufacturing

We make manufacturing more productive and profitable.

Transportation

We drive a safer, cleaner and more efficient industry.

Public sector

We facilitate trade and sustainable development, while protecting society against fraud and economic crime.

Consumer and retail

We enable manufacturers, exporters, importers and retailers to generate trust throughout the supply chain.

Divisional addressable market

(CHF BN)

Connectivity & Products
CHF 40 BN

Health & Nutrition
CHF 65 BN

Industries & Environment
CHF 70 BN

Natural Resources
CHF 60 BN

Knowledge
CHF 20 BN

Our business model

We are the leader in the TIC industry and create value by enabling a better, safer and more interconnected world. We measure total value creation using the six capitals.

Our inputs

Financial capital
The funds available to us

Total equity
CHF 763 MIO

Profit (prior year)
CHF 655 MIO

Total assets
CHF 7 122 MIO

Manufactured capital
Infrastructure, equipment and tools

Capital expenditure
CHF 329 MIO

Intellectual capital
Organizational, knowledge-based intangibles

Goodwill and other intangible assets
CHF 2 105 MIO

R&D expenditure
CHF 83 MIO

Human capital
The skills and know-how of our employees

Employees
97 000

SGS Rules for Life
15

Social and relationship capital
Our relationships with our stakeholders

Suppliers
+50 000

1 voice
of the customer program

SGS community program

Natural capital
The natural resources we need to operate

Electricity consumed
487 GWh

Water consumed
2 MIO m^3

Fuel consumed
460 GWh

Our business model

Our purpose

We are enabling a better, safer and more interconnected world

About our business model

Our businesses all operate under our globally recognized name. We have a vast number of operating licenses, accreditations and government authorizations – a compelling offer which is difficult to replicate. Our global footprint comprises 2 650 laboratories and offices and 97 000 experts. We leverage these capabilities and our expertise to bid for large multiyear contracts and, as our network expands, our customer offer also increases, creating a virtuous circle.

We have a broad range of customers, and a strong record in retaining them. In certification areas, such as health and safety and supply-chain management, changing providers may involve retiring an existing system and incurring significant costs, so we aim to build longer-term relationships. In other areas, such as consumer product testing, the average contract length is short, typically a year. However, switching carries a risk of reputational damage and the financial benefits can be small, as manufacturers typically spend less than 1% of the value of goods in control and testing.

What we do

Testing Inspection Certification

Our global drivers

Our outputs

Our value

Financial capital
Long-term shareholder value creation

Revenue
CHF 6.6 BN

Free cash flow*
CHF 507 MIO

Adjusted operating income margin*
15.4%

CHF 3 331 million paid in wages to our employees

CHF 219 million taxes paid to governments

CHF 590 million in dividends proposed to our shareholders

Manufactured capital
Efficient and sustainable services

Offices and labs
2 650

Delivering safe medicine to patients

Ensuring a safe, quality and sustainable food supply chain

Quickly adapting to regulatory changes to provide efficient and safe products to consumers

Intellectual capital
Expertise and innovative solutions

Training ratio[1]
3%

Number of labs using World Class Services
26

Enhancing career opportunities through training

Improving knowledge through innovation

Simplifying the customer journey through innovation

Human capital
Diverse leaders in a safe working environment

Women in leadership positions
31.1%

Lost time incident rate
0.19
(occurrences per 200 000)

Employees trained to Code of Integrity
99.9%

Protecting the health of employees through operational integrity excellence and well-being programs

Reducing social risks by reinforcing human rights compliance

Providing flexible working conditions to our employees

Social and relationship capital
Meaningful stakeholder engagement and strong brand and reputation

Community investment
CHF 2 MIO

Satisfaction score in our Voice of the Customer surveys
84.5%

Percentage of suppliers locally sourced
98%

Supporting the communities in which we operate

Improving how we work with our customers and suppliers

Natural capital
Net-zero pathway, limited waste and wastewater

Metric tons of CO_2e[2]
116 505

EEB program: number of buildings under the program
701

Committed to net-zero by 2050

Helping mitigate climate change by reducing air pollution

Minimizing resource depletion and protecting the environment

1. % of total employment cost spent on training.
2. Scope 1 and 2 market-based.

* Alternative Performance Measures (APM) – refer to the '2022 Full Year APM' document.

Our value to society

Our business model continued

The activities that underpin our business model also underpin the global economy.

For example, consumers can be confident the products they buy have been **tested** and meet the required quality and safety standards and regulations. A proliferation of global brands has increased the need for brand protection, leading to greater scrutiny of supply chains and quality, health and safety and environmental systems. Importers know the content of their cargo has been **inspected** and meets quality control standards. The content has been monitored across supply chains and is the same as specified in their contract. In an increasingly digital world, ever more sophisticated products need a high degree of testing expertise. ICT devices and systems need to be **certified** against international security standards to provide the highest levels of assurance and confidence.

Testing reduces risks, shortens time to market and tests the quality, safety and performance of products against relevant health, safety and regulatory standards. **Inspection** controls quantity and quality, and helps customers meet all relevant regulatory requirements across different regions and markets. **Certification** ensures products, processes, systems or services meet national and international standards and regulations.

Our process: Testing

Customer

1 Customer need
Job scope agreed with customer encompassing compliance or meeting a quality specification and, in some cases, establishing value

2 Process planning
Define the correct methodology including safety and ESG considerations

3 Sampling
Collected by SGS (including digitally) or submitted by customers

4 Sample registration
Digital registration of samples in Laboratory Information Management Systems (LIMS) – this step can be combined with sampling

5 Sample preparation

6 Analysis

7 Data generation approval and reporting

8 Customer outcome
Assessment of sample is compliant/meets customer requirements. Post-analysis review with customer and satisfaction assessment

Our process: Inspection

Customer

1 Customer need

Job scope agreed with customer. Inspection of quantity, or compliance to measurement, or a build specification

2 Process planning

Define the correct methodology including safety and ESG considerations

3 Physical or remote inspection

Field measurements, visual inspection, timelines (taking into account the allocation of logistical charges), incident reporting and sampling and associated services if required

4 Customer outcome

Assessment of inspection findings is compliant/meets customer requirements. Post-analysis review with customer and satisfaction assessment

Our process: Certification

Customer

1 Customer need

Agree with customer on the standard to be applied

2 Process planning

Audit/assessment dates, sites and processes to be sampled and agreed with the customer

3 Stage 1: preparedness review

Evaluation of client's preparedness for a stage 2 audit

4 Stage 2: audit

Evaluation of compliance with certification standard requirements

5 Technical review & certificate decision

Independent evaluation of the efficacy of the audit process to determine if certification shall be granted

6 Customer

Certification documents provided to the customer

7 Maintaining certification

Ongoing surveillance and cyclical recertification audit program

Our leadership team

Headed by our CEO, the Operations Council governs SGS's future and comprises a total of 17 members across five key business areas, seven regions and four functions.

Frankie Ng
CEO

Regions

Fabrice Egloff
Africa & Western Europe

Wim Van Loon
North & Central Europe

Teymur Abasov
Eastern Europe & Middle East

Steven Du
North East Asia

Luis Felipe Elias
Latin America

Malcolm Reid
South East Asia & Pacific

Stephen Nolan
North America

Functions

Dominik de Daniel
Finance, M&A, IT & Procurement

Jessica Sun
Human Resources

Toby Reeks
Investor Relations, Corporate Communications and Sustainability

Olivier Merkt
Legal, Compliance & Corporate Security

Our Operations Council

Our Operations Council is made up of five executive vice presidents, seven Chief Operating Officers and two functional Senior Vice Presidents, as well as our CEO, Chief Financial Officer and General Counsel. The council meets regularly to decide on strategies and priorities, and to review the Group's performance.

Divisions

Charles Ly Wa Hoi
Connectivity & Products

Olivier Coppey
Health & Nutrition

Alim Saidov
Industries & Environment

Derick Govender
Natural Resources

Jeffrey McDonald
Knowledge

We follow six key business principles:

Integrity

Integrity is at the heart of SGS. The trust that we inspire in our customers and stakeholders is the key to our success. As leaders in our industry we hold ourselves to the highest standards of professional behavior as embedded in our Code of Integrity.

Health, Safety & Environment

Our long-term success and sustainable business depend on our ability to remain a recognized leader and a reference for all Health, Safety and Environmental (HSE) matters.

Quality & Professionalism

Making sure we act and communicate responsibly. We embody the SGS brand and its independence in our everyday behavior and attitude. We are customer-centric and committed to excellence. We are always clear, concise and accurate. We strive to continually improve quality and promote transparency. We respect client confidentiality and individual privacy.

Respect

Making sure we treat all people fairly. We respect human rights. We all take responsibility for creating a working environment that is grounded in dignity, equal opportunities and mutual respect. We promote diversity in our workforce and do not tolerate discrimination of any kind.

Sustainability

Making sure we add long-term value to society. We use the scale and expertise of SGS to enable a more sustainable future. We ensure our impact on the environment is minimized throughout the value chain. We are good corporate citizens, investing in our communities and enabling a better, safer and more interconnected world.

Leadership

Making sure we work together and think ahead. We are passionate and innovative people with a relentless desire for improvement. We work in an open culture, where smart work is recognized and rewarded. We foster teamwork and commitment.

SGS business principles are the cornerstone on which all of our activity rests. They are held to be fundamental, overarching beliefs and behaviors that guide our decisions and allow us to embody the SGS brand in everything we do.

www.sgs.com/en/our-company/about-sgs/business-principles

Our corporate strategy

We are driving our business forward with clear objectives for market leadership, digital innovation and sustainability solutions.

Our strategy

1 Invest to consolidate leadership position

2 Become the most digital company in the TIC industry

3 Increase proportion of revenue from sustainability solutions

1 Invest to consolidate leadership position

Our objectives by division

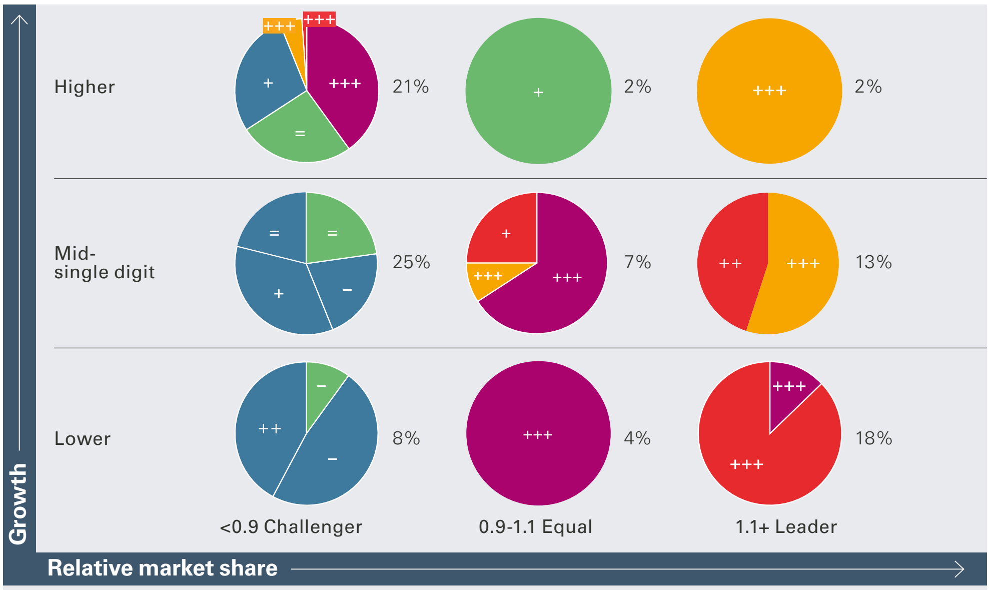
Connectivity & Products
Goal: market leader
Status: achieved

Health & Nutrition
Goal: CHF 1bn
Status: target 2023

Industries & Environment
Goal: market leader in Environment
Status: target 2025

Natural Resources
Goal: market leader
Status: achieved

Knowledge
Goal: market leader
Status: achieved



Return profile

– Value destroying
= Earning more than 1x Cost of Capital
+ Earning more than 2x Cost of Capital
++ Earning more than 3x Cost of Capital
+++ Earning more than 5x Cost of Capital

Our divisions are closely aligned to the key TIC megatrends and customer demand. The combined size of the TIC market is estimated to be worth around CHF 255 billion on a global basis, though only 45% may be accessible, i.e. outsourced to a third-party business like SGS.

We are the global leader in three of our divisions: Knowledge, Natural Resources, and Connectivity & Products. We aim to build on these leadership positions through expanding our technical consulting network, particularly in Europe and Asia, developing new digital solutions.

We are optimizing our field and lab resources to generate network synergies, building on our cybersecurity expertise, and addressing the key opportunities in the environmental, connectivity, mobility and natural resources industries. We are also accelerating investment in biopharma and analytical services to grow our Health & Nutrition division.

Our Environment, Health & Safety services will become an important building block in our Industries & Environment division through the integration of SGS Analytics.

2

Become the most digital company in the TIC industry

Our goals

Digitalizing operations
Ongoing

>20% revenue delivered by digital services
Target 2023

>50% of SGS data is FAIR by 2023
Target 2023

A data-driven company
Target 2025

Digitalizing operations ongoing

>50% applicable inspections & audits remote
2022

>50% FAIR* data-leveraging structured data
2023

A data-driven company
2025

Our vision is to become the most digital company in the TIC industry through a customer-centric approach. We have made further progress towards our aim of linking at least 20% of our revenues to digital services by 2023, with more than 50% of applicable inspections and audits being done remotely.

We are enhancing existing services to deliver them faster and better. Technologies, such as AI, are helping us create new services and we continually assess emerging technology trends to explore the potential for entirely new markets. In 2022, we implemented a Digital Builders Organization that aims to design and develop technology-based products to support our services with a short time to market and a real impact on business operations. We already have three products in testing phases with more coming in 2023. We are digitally transforming our labs to simplify the way we work and the service that we provide. As of 2022, 13% of our labs have been transformed to labs of the future, delivering efficiencies and a better customer experience.

Beyond 2025, we will become a fully data driven company, connecting real-time data with people and processes to build digital services that improve the employee and customer journey.

* Fair, accessible, inoperable, reusable.

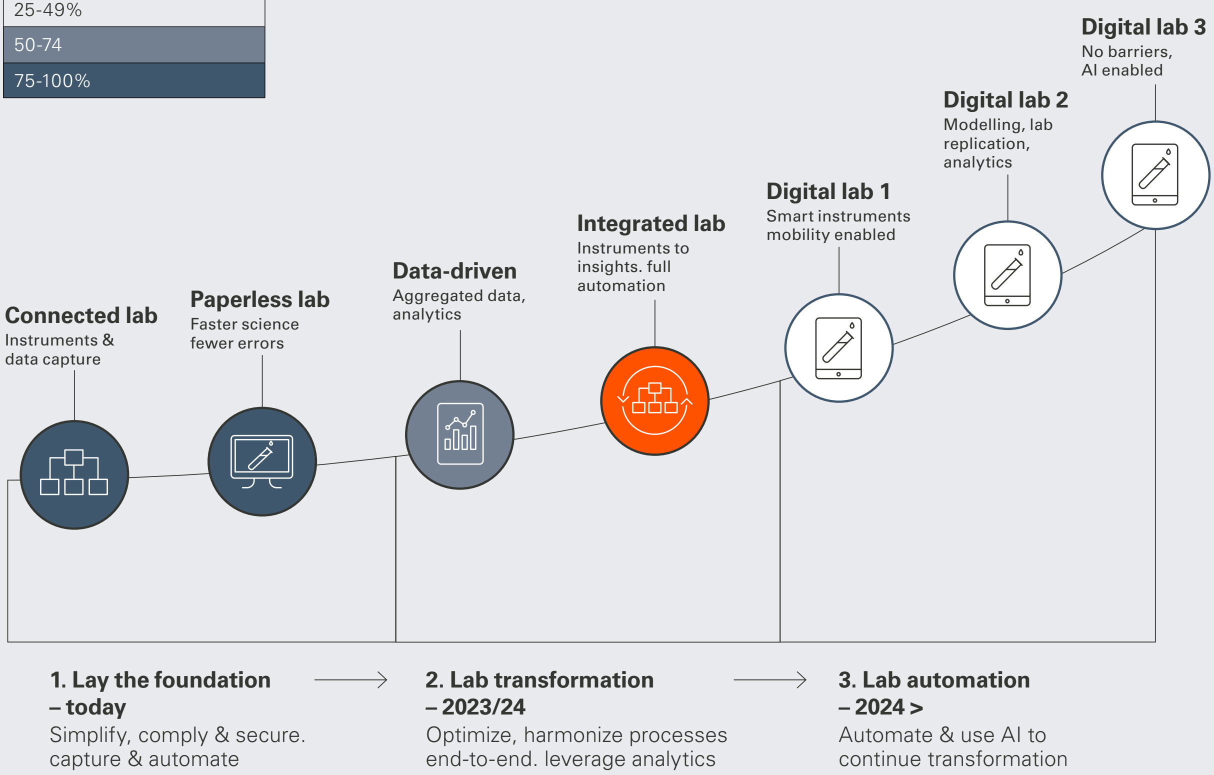
Digital lab targets

Digital lab
30% sales by end of 2023
70% sales by end of 2025

80% process standard CORE code vs 20% local customizations

Progress key
labs transformation % (2022)

0%
1-24%
25-49%
50-74
75-100%



Our corporate strategy – a sustainability solutions framework

3

Increase proportion of revenue from sustainability solutions

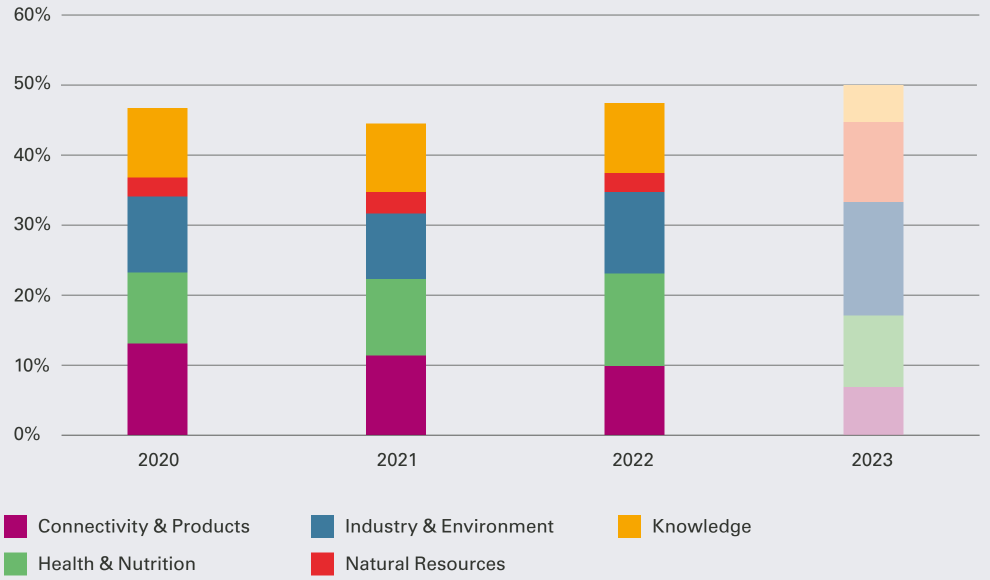
Our goals

Launch Sustainability Solutions Framework
Achieved

New sustainability solutions in all divisions
Achieved

>50% revenue under our Sustainability Solutions Framework
Target 2023

Our target: reaching 50% of sustainable revenue by 2023



On our previous annual report, we set out an innovation curve showing that a large majority of companies were followers with a less mature approach to sustainability. They take a compliance and risk approach to address regulatory environmental, social and governance risks through ISO and standards. We expect these companies to move towards a holistic approach to sustainability that encompasses their entire supply chain.

Our Sustainability Solutions Framework supports our customers as they move along this curve. No matter what their level of maturity is, we can offer multiple integrated options to improve environmental, social and governance performance and reduce risk at every point of the supply chain, from sourcing raw materials to using the final product.

We are helping companies to implement better and more efficient processes, address stakeholder concerns and reduce risks.

The table on page 27 shows the revenue breakdown by division and confirms that we now offer sustainability solutions across all our divisions. In 2022, Health and Nutrition accounted for the largest proportion, driven by our sustainable living pillar. We are on track to achieve our 2023 target of generating than 50% of revenue from our Sustainability Solutions Framework.

Our six sustainability solutions pillars

Sustainable use of natural resources

Sustainable energy

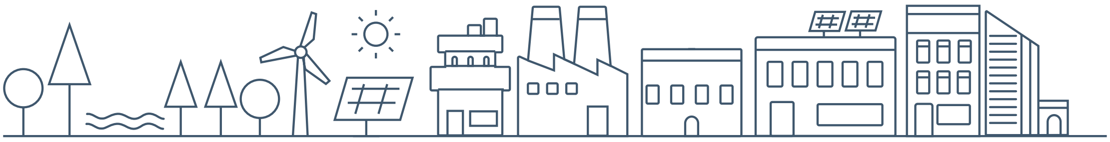
Sustainable production

Sustainable infrastructures

Sustainable living

Sustainable business practices

Overall framework for our value to society



Sustainable use of natural resources

- Agriculture & Fishing
- Forestry
- Mining
- Fossil Fuels
- Water and Soil Preservation

2 ZERO HUNGER · 6 CLEAN WATER AND SANITATION · 7 AFFORDABLE AND CLEAN ENERGY · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 14 LIFE BELOW WATER · 15 LIFE ON LAND

Sustainable energy

- Energy Efficiency
- Renewable Energy
- Climate Change Mitigation

7 AFFORDABLE AND CLEAN ENERGY · 13 CLIMATE ACTION

Sustainable production

- Circular Economy
- Responsible Supply Chain & Traceability
- Environment, Health & Safety
- Quality Management

8 DECENT WORK AND ECONOMIC GROWTH · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Sustainable infrastructures

- Buildings
- Transportation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable living

- Health & Wellbeing
- Food & Nutrition
- Product Safety

2 ZERO HUNGER · 3 GOOD HEALTH AND WELL-BEING

Sustainable business practices

- Sustainable Finance
- ESG Data advisory & Assurance Services
- Digital Services
- Risk Management
- Ethics & Social Practices
- Education
- Productivity

2 ZERO HUNGER · 7 AFFORDABLE AND CLEAN ENERGY · 14 LIFE BELOW WATER

Progress in 2022

In 2022 we achieved our goal of launching new sustainability solutions in all divisions. Having analyzed the market trends and customer demands, we identified several focus areas:

- **Connectivity & Products:** chemical risks and circular economy
- **Health & Nutrition:** responsible sourcing and traceability; soil fertility and water management
- **Industries & Environment:** climate change and greenhouse gases emissions; waste management
- **Natural Resources:** energy and water optimization
- **Knowledge:** reporting, assurance, and impact valuation

Revenues by pillar and division

	C&P	H&N	I&E	NR	Kn	
Sustainable living	9.5%	12.7%	2.8%		3.5%	28.5%
Sustainable use of natural resources		0.3%	2.6%	0.8%	0.5%	4.2%
Sustainable energy			1.2%	0.1%	0.1%	1.4%
Sustainable infrastructures	0.2%		0.1%		0.2%	0.5%
Sustainable production	0.2%		4.9%	1.8%	3.2%	10.1%
Sustainable business practices					2.6%	2.6%
	9.9%	13.0%	11.6%	2.7%	10.1%	**47.3%**

Our divisional strategy – aligned to megatrends

Our five divisions are closely aligned to the key TIC megatrends, to better service our customers and to anticipate future demand.

Connectivity & Products | Health & Nutrition | Industries & Environment | Natural Resources | Knowledge

Connectivity & Products 1

We are focusing investment in Connectivity to increase our competitive advantage.

Our growing portfolio of sustainability solutions

During 2022, we launched various SGS product marks (sustainability, certification and performance) addressing customer demand across all product categories.

Strategic objectives 2023 and beyond

- Consolidate our leading market position
- Leverage market growth supported by the proliferation of 5G technology and IoT devices
- Continue to build cybersecurity expertise as an integral part of our 'total solution'
- Focus on automotive and semiconductor industries as key opportunities
- Continue to lead the expansion of the domestic Chinese market
- New data services to generate first revenue by 2023

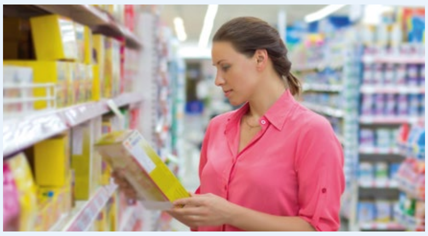
Progress during the year

- Consolidated our leading market position in Softlines and progressing ahead of target for Top 3 in Connectivity
- Significant capex has been approved for East Asia and the USA
- New cybersecurity laboratories have been opened in East Asia
- Supply chain challenges temporarily slowed progress but expect the eMobility development and semiconductor global demand to boost this end of the year
- Invested in a program called 'China Import' providing support to exporters from North America and Western Europe who want to sell goods on China's domestic markets
- First European retailers have committed to use our new digital solution Truum™

Capex intensity Higher | **Net working capital intensity** Lower | **Last 12 months return profile** +++ | **M&A appetite** High in Connectivity

Health & Nutrition 2

We are expanding our global footprint through the organic development of our network and acquisitions.



Our growing portfolio of sustainability solutions

Services in our portfolio help to address our pillars of Sustainable Living as well as Sustainable Use of Resources. New initiatives are underway to broaden our offerings around verification of product and supply chain sustainability including product marks and automated emerging risks monitoring on our AI-assisted platform.

Strategic objectives 2023 and beyond

- Achieve CHF 1 billion of divisional revenue by 2023
- Health Science to become the largest business unit of Health & Nutrition, with investment focusing on biopharma and health services
- Consolidate our leadership position in cosmetics supported by increasing regulatory requirements
- Consolidate our market leadership position in food in Asia and expand our global network and portfolio in the Americas and Europe
- Enhance AI-enabled regulatory and compliance solutions in key Health & Nutrition sectors

Progress during the year

- H&N delivered solid organic growth of 4.1% in 2022, and, complemented by the acquisition of proderm, total growth of 7.6%
- Continued investments in Biopharma including lab expansions in Belgium and Switzerland have Health Science well on track to become the largest H&N division in 2023
- Acquisition of proderm cements our leadership position
- On track with geographical and portfolio expansions including:
  - Capacity and scope expansions in Thailand, Vietnam and China
  - New lab capacity in Latin America, particularly Brazil, Mexico, Peru and a new laboratory in Puntas Arenas, Chile, supporting the local seafood market
  - Acquisition of Industry Lab in Romania expanding our footprint in Eastern Europe
  - Ramp up of our laboratory hub and spoke model in Europe to gain economies of scale and improve efficiency
- Launch of SGS Digicomply Nutriwise, an AI-powered solution to perform composition assessment of food supplements and guide companies on compliance questions when entering new markets
- Expansion of SGS Digicomply Regulatory Watch to the cosmetics business segment

Capex intensity Higher | **Net working capital intensity** Average | **Last 12 months return profile** = | **M&A appetite** High

Industries & Environment

Using our expertise to provide integrated solutions, while accelerating our transition to a high-volume hub and spoke testing model in our Environmental testing business.

3

Our growing portfolio of sustainability solutions

SGS is expanding its capacity globally in response to increased demand for emissions verification and accounting under multiple schemes.

Strategic objectives 2023 and beyond

- Reach a market leadership position in Environment Health & Safety in 2025
- Reassess portfolio focusing on TIC megatrends and complement our expertise related to energy transition through M&A in renewables and specialty fields
- Increase footprint and competences in sustainability services through organic growth and acquisitions
- Leverage the acquisition of SGS Analytics to transition to a hub and spoke laboratory model
- Leverage digital and data to enhance our existing and create new ones

Progress during the year

- I&E Health and Safety strengthened its footprint providing H&S Management Services in customer data centers with several bluechip customers (Amazon, Microsoft etc.)
- We continued to work with customers and build expertise in the development of energy transition markets despite delays due to geopolitical factors
- I&E Auditing and Compliance has achieved double-digit organic growth in 2022 focused on mandatory and voluntary carbon verifications and other industry specific schemes, and waste management related products
- Development of a common Target Operation Model (TOM) for environmental lab activities
- New I&E Zengine product has been piloted in the USA for B2C and B2B markets and we continue to work on improvements

Capex intensity Average | **Net working capital intensity** Average | **Last 12 months return profile** = | **M&A appetite** Selective

Natural Resources

We are building on our wide-ranging expertise across the mining industry and optimizing our processes to help customers use fewer resources.

4

Our growing portfolio of sustainability solutions

Our acquisition of Sulphur Experts in late 2021 has expanded our sustainability services in supporting refineries and gas plants with reduced air pollution.

Strategic objectives 2023 and beyond

- Consolidate our leading market position
- Trade activities to remain core, with a supportive outlook for mining and agriculture, and oil and gas currently under pressure
- Develop new sustainability services for mid-term transformation of portfolio
- Optimize field and lab resources to generate network synergies
- More than 50% of trade back-office activities to operate on digital platforms (i.e. blockchain) by 2023 to enhance security and efficiency

Progress during the year

- Further enhanced our biofuels testing capability. This includes providing services to the agri market as well for used cooking oil analyses
- Smart warehouse scaling underway: 18 warehouses in four countries
- Identified ESG diagnostic solution to scale across all NR customers in collaboration with the Kn and I&E divisions who will execute these services for our customers
- Economic and production-related sustainability services to the mining industry have been developed within the metallurgical consulting group and focusing on three key areas: increased optimization in operating plants, improved energy and water utilization and waste reduction
- SGS and VAKT (blockchain developer) have launched a digital products database for the oil, gas and chemicals market. This will allow all users of the VAKT block chain platform to have a single database to conduct transactions

Capex intensity Lower | **Net working capital intensity** Average | **Last 12 months return profile** +++ | **M&A appetite** Low

Knowledge

We provide business assurance and operational efficiency solutions across supply chains that deliver sustainable value for the organization, the environment, society and shareholders.

5

Our growing portfolio of sustainability solutions

Our new ESG and Sustainability Assurance solutions have enabled us to enter new markets, including the financial sector where we have seen significant growth, particularly in Sustainability Report Assurance.

Strategic objectives 2023 and beyond

- Consolidate our leading market position
- Certification remains core with new schemes driving demand
- Business enhancement to represent >50% of divisional revenue by 2023, including expanding our technical consulting network in Europe and Asia
- ESG and sustainability services to increasingly become a material part of the portfolio
- Focus on digital solutions in supplier risk management, with 20% revenue delivered by digital services and remote by 2023

Progress during the year

- With organic growth at 8.7%, we are exceeding industry performance across all business segments highlighted by Certification, Responsible Business Services from social and environmental audits, and our consulting business, Maine Pointe in the USA
- Despite a challenging environment from a post transition year, investment in the information security segment and medical device industry has allowed us to deliver above industry organic growth in Certification
- Replication of consulting activities in Europe and in Asia, combined with a very strong performance of Maine Pointe, has further increased the proportion of revenue generated outside our traditional certification activity
- The addition of new ESG and sustainability solutions has enabled us to enter new markets, including the financial services sector. We have also seen significant growth in existing solutions, particularly Sustainability Report Assurance

Capex intensity Lower | **Net working capital intensity** Lower | **Last 12 months return profile** +++ | **M&A appetite** Selective

Our investment strategy – our platform for growth

We have accelerated the investment in our platform to improve and harmonize our processes and accelerate our digital transformation.

Initiatives	Financial Shared Service Centers (FSSCs)	Billing centralization	Customer Relationship Management (CRM)
Objective	Centralization, harmonization and standardization of key financial processes (B2C, P2P, R2R) in regional FSSCs to drive productivity and lower service cost	Centralized billing via standardized/ harmonized processes and systems by country to drive productivity increase	Deployment of Salesforce as the global CRM solution
Benefits	+5% Productivity increase of 5% per annum for the scope under consideration	• Increase productivity by 20% for processes in scope • Reduce days sales outstanding (DSO)	Increased customer intimacy and stronger sales focus
Target 2023	75% Operate five regional FSSCs covering 75% of revenues via fully standardized/ harmonized processes	33% Accelerated rollout of centralized billing covering 33% of group revenue	Add remaining countries and remaining businesses to the CRM platform
Target 2025	Full global coverage	80% Centralized billing to cover 80% of group revenues	n/a
Achievements 2022	60% of group revenues are covered by FSSCs via fully standardized/ harmonized processes	13% of group revenues are covered by billing centralization	Deployment of Salesforce as the global CRM solution in 70 countries during 2022

IT transformation	Digital Labs Concept (DLC)/ global platforms	World Class Services (WCS)
IT modernization: adopting modern technologies and processes, improving time to market and quality as well as efficiency in the delivery and operations	Evolution of current Laboratory Information Management Systems (LIMS) to create digital labs, with AI, machine learning and full predictive analysis based in consolidated data with fully standardized and harmonized LIMS processes	Higher customer satisfaction/safer place to work with enhanced productivity
Standardized target operation model/access to new technologies	Productivity increase of 10%+ per lab Better quality, cost optimization, innovation of new services, enhancement of customer experience and launching new services to generate streams of revenues based on data	Increased customer satisfaction Safer place to work with enhanced productivity
+15% productivity besides initial step-up savings	30% of lab revenues are executed via DLC	20% WCS labs (2020 perimeter) to reach WCM Bronze Award level, expansion to at least 10 new sites in WCS program
5% incremental productivity increase	+70% of lab revenues are executed via DLC	90% of current WCS perimeter to achieve WCM awarded levels (bronze and above), reach at least first WCM Gold awarded site by end of 2030
Complete outsourcing of application management, application development and infrastructure to a third party New target operating model for Global IT systems established	Nearly 20% of lab revenues are executed via DLC + full migration of the certification business to the global CertIQ platform	65% of WCS labs (2020 perimeter) have been audited with best score of 42

Our investment strategy in action

We are transforming our laboratories for a digital future.

Our digital labs transformation program, launched in 2022, will see us move to fully digital laboratories with new generation LIMS by the end of 2025, supporting our drive for more sustainable practices across the business.

We have

started our journey towards maximizing automation in our laboratories.

Our digital transformation

We provide our services to customers from more than 1 000 laboratories across the world. It's a geographically spread network that presents us with several operational challenges. We recognized that without a standardized Laboratory Information Management System (LIMS), we lacked a uniform way of managing the workflows, administration, finances and operations at our laboratories. This made it harder for us to leverage the complex data we hold, and affected our ability to scale up new technologies, boost productivity and improve efficiency.

Aligning, optimizing and digitizing our laboratory processes through our new digital labs transformation program is enabling us to increase efficiency, improve quality and standardize our test methods. In turn, this will allow us to introduce new data analytics solutions, move towards integrated digital laboratories with smart instrumentation, mobility and analytics, then deliver secure, supported and cost-effective LIMS solutions (G6, STARLIMS and LabVantage) and automated labs with AI-enabled insights and modelling, and excellent scalability.

We will

meet customers' expectations by using advanced technology.

"STARLIMS is one of our new generation LIMS. It has a flexible Application Programming Interface (API), which makes it easy to integrate with other systems, ours or our customers', accelerates the job registration process, and means it can generate complex reports quickly and conveniently."

Adams Yu
CN CCL Deputy Director and Owner of CN CCL STARLIMS Project

Stronger governance and greater visibility

The implementation of new generation LIMS solutions within our digital labs program is already delivering outstanding benefits, offering best in the market lab specific capabilities, including customizable reporting. Smooth integration with other systems across our network means we can provide direct operational support to our laboratories, reducing the need for manual tasks, and minimizing human error. The new LIMS solutions also provide stronger governance and greater visibility, making it possible to standardize naming conventions, parameters and method references for key international customers' reporting, BI tools and data extractions.

We have set clear objectives for our digital lab transformation: 30% of total group laboratories sales will be generated by digital laboratories with new generation LIMS by the end of 2023, rising to more than 70% by the end of 2025. We will meet our customers' expectations by using technology that provides advanced reports, client and regulatory specification management, a customer portal, and enhanced due diligence solutions. The transformation will also help our IT organization by reducing the risk of system obsolescence.

Our investment strategy – acquisitions and partnerships

Acquisitions and partnerships help us grow geographically, fill service gaps or expand our skill set and technological capacities. In 2022, we announced or completed seven acquisitions and purchased the remaining 49% stake of SGS Digicomply.

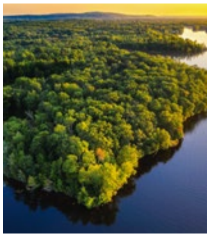
Gas Analysis Services (GAS)

GAS provides gas instrumentation measurement & calibration, on-site testing, technical services, instrumentation solutions and industrial hygiene testing to a range of sectors including pharmaceuticals, semi-conductors, food and beverages. The acquisition enhances our competence to further support our customers along their supply chains.

Location United Kingdom

Division Industries & Environment

Ecotecnos



Ecotecnos serves multiple sectors in Chile, including aquaculture, energy, mining and petrochemical, helping to ensure that any impact these industries have on the aquatic or marine ecosystem complies with national laws. The acquisition strengthens our sea monitoring and oceanography services and enables us to support the governance of marine ecosystems in the region.

Location Chile

Division Industries & Environment

AIEX

AIEX provides mainly technical and welding inspection services to the nuclear and marine industries in France. The acquisition adds complementary inspection capabilities to our existing testing expertise, supporting sustainable nuclear energy production in the country and helping to reduce dependence on fossil fuels.

Location France

Division Industries & Environment

Advanced Metrology Solutions

(Acquisition of the remaining 32% minority stake)

AMS specializes in 3D metrology precision services and high precision measurements in the aerospace industry.

Location Spain

Division Industries & Environment

Acquisition timeline 2022

January	February	May	July	August	November
Advanced Metrology Solutions	Gas Analysis Services	Ecotecnos AIEX SGS Digicomply	Silver State Analytical Laboratories, Inc. and Excelchem Laboratories, Inc. proderm GmbH	Penumbra Security, Inc.	Industry Lab

SGS Digicomply
(Acquisition of remaining stake)

SGS Digicomply was created and developed by our joint venture C-Labs, and offers a fully automated intelligence-gathering solution that scans regulatory, media, trading and environment information in real-time to support our food and cosmetics industry customers. Following the acquisition of the remaining 49% stake from the other shareholders of C-Labs, we now own 100% of SGS Digicomply.

Location Switzerland

Division Health & Nutrition

Silver State Analytical Laboratories, Inc. and Excelchem Laboratories, Inc.

Sister companies Silver State Analytical Laboratories and Excelchem Laboratories are regionally recognized environmental testing laboratories serving companies and government agencies across the western USA for their water and soil needs. The acquisitions not only expand our capabilities in the region, but they also become an important part of our Sustainability Solutions Framework.

Location United States

Division Industries & Environment

proderm GmbH

Headquartered in Hamburg, proderm is the leading provider of advanced clinical testing solutions for cosmetics, personal care and medical products in Germany. The acquisition supports the strategic alignment of our global network to the key TIC megatrends, adding innovative capabilities and strong scientific expertise to further enhance our strong reputation.

Location Germany

Division Health & Nutrition

Penumbra Security, Inc

Penumbra Security is a recognized leader providing various types of information security conformance testing to government standards and regulatory compliance. The acquisition expands our cybersecurity capabilities and footprint into the USA. It further aligns SGS with the TIC connectivity megatrend and supports our purpose of enabling a better, safer and more interconnected world.

Location United States

Division Connectivity & Products

Industry Lab

Industry Lab offers a comprehensive range of microbiological analysis services, from enumeration of indicator organisms to detection of foodborne pathogens. The acquisition is in line with our strategic focus of expanding our food services and laboratory network in Europe. It fills a gap in our service portfolio and will allow us to generate efficiencies and better serve our clients in this market.

Location Romania

Division Health & Nutrition

Drilling business in USA (Disposal)

Location United States

Division Industries & Environment

Our focus on sustainability

Our Sustainability Ambitions 2030 cover our whole value chain and set targets to 2023 and 2030. Each year, we track our progress against our targets and define specific action plans to meet our goals in the three pillars: better governance, better society and better planet.

Strong sustainability governance
From the Board of Directors to our affiliates, a strong governance structure ensures that sustainability remains at the heart of our activities. Our senior management is actively involved in overseeing the delivery which is developed by the corporate sustainability team.

The Sustainability Committee assists the Board in evaluating and approving the group policies and strategies regarding the impact of the group's activities on the environment and society. Then the SGS Operations Council takes the overall strategy forward, approving and implementing more detailed programs, policies and targets for all our operations across the group.

Our regions and affiliates are responsible for implementing various initiatives that support the group's sustainability targets. We have appointed sustainability ambassadors in most of our regions who are responsible for implementing the programs in their affiliates, cascading our corporate programs and guidelines down to every single SGS site.

Sustainability awareness and training
Every employee has the opportunity to contribute to the Sustainability Ambitions 2030 (SA2030) no matter their position or location. To make them an active part of our commitment, we have worked on several initiatives in 2022:

- We have developed and launched a new sustainability training that is mandatory for all new employees. The course explains our sustainability commitment and strategy, and provides tips about how everyone can contribute to the group's SA2030
- The current energy crisis being a major concern for all of us, we have launched an energy savings campaign, to help our employees save energy both at home and at work, teaching them responsible behaviors and minimizing our environmental impact. We also share good practices between affiliates, for example ways to improve energy efficiency and renewable energy projects at different sites across our network
- For the third consecutive year we organized the SGS People – 15 Day Challenge, with more than 60 countries participating in activities that reinforce our sense of community. We organized other activities for our colleagues' families, including a drawing contest for children that attracted almost 2 000 entries
- The challenge also included activities to promote recognition. More than 30 affiliates organized activities to choose their best employees and/or best teams
- We also organized fundraising and volunteering activities in more than 25 affiliates to support local communities
- Our human rights policy was updated in 2022 to better reflect our commitment and align with the best practices of the market

Supporting the network
The importance of purpose and sustainability in B2B environments is increasing. In particular, our customers are placing greater importance on the environmental, social and governance practices of their suppliers and business partners. Also, the demand for specific sustainability-related information is increasing. To ensure we continue making sustainability an essential part of SGS's value proposition, we have provided training and materials to our sales teams. This will help them better understand and convey our sustainability commitment to our customers.

In addition, we are encouraging closer collaboration between the sustainability professionals in our network to help us share knowledge, good practices and success stories, and ultimately to provide a better service to our customers.

2022 progress

●●● **On track**

●●○ **In progress**

●○○ **Focus for improvement**

Better governance

Enabling long-term value through secure, fair, transparent and responsible business practices.

Excellence

2023 targets	2022 performance
Promote a culture of efficiency and excellence through our WCS program, with 20% of WCS labs reaching WCM Bronze	During the 2022 our labs reached important milestones with 3 Labs already at their 4th WCS external audit (with the best score of 42 against the 50 required for the Bronze Award level) ●○○
Expand the program to at least 10 new sites (considering 2020 perimeter)	Four new sites adopted WCS in 2022 WCS implementation has progressed according to each lab WCS routemap. In total, we have expanded the program to six new sites ●●●

Brand

2023 targets	2022 performance
Achieve a customer satisfaction score of 85%	84.5% of customer satisfaction score In 2022, we expanded the program to cover 27 affiliates across six regions, representing a massive improvement in geographical coverage compared to prior years ●●○

Digitalization, information protection and privacy

2023 targets	2022 performance
Enhance the SGS Information Governance Framework, data privacy framework and standardized information security management systems	Security governance maturity has been improved by establishing the various security committees (tactical and strategic) as well as satellite committees with DPO, Architecture and Security and RISOs The security structure has been expanded by creating LISOs for security management in the countries ●●●
Harmonize processes for third-party vendors/processors for risk evaluation purposes	The process of "Third party security assessments" (TPSA) has been formalized. Projects and suppliers are subjected to a security assessment to ensure that their processes and information security measures are adequate to minimize possible risks The assessments are analyzed by the security technical office as part of the GRC tasks and validated by the RISO ●●●

Integrity

2023 targets	2022 performance
Ensure 100% of employees are trained on our Integrity Principles on an annual basis	99.9% employees trained on our Integrity Principles ●●●

Sustainable procurement and supply chain

2023 targets	2022 performance
Actively promote SGS sustainability principles and values in our supply chain: • At least 50% of our goods and services spend will be supplied by suppliers who have signed our code of conduct or commit to comparable standards to SGSs' within their own policy	55% of our goods and services spend was achieved in 2022 ●●●
• 100% of the selected SGS strategic suppliers will have completed our sustainability self-assessment questionnaire (SAQ)	SAQ updated and launched to a pilot group of suppliers covering all global strategic suppliers and local strategic suppliers on four pilot countries, achieving 65% completion rate. Planning to expand scope and to work with a partner to increase completion rate to 100% ●○○
• 75% of requests for proposals to be online and include the relevant SGS sustainability criteria, enabling comparison and selection of suppliers	We are currently improving our monitoring system to ensure that this target is met by 2023 ●○○
• Actively contribute to the reduction of our SGS CO_2 footprint by sourcing energy efficient solutions from our suppliers	Continued to source energy efficiency technology to feed our Energy Efficiency in Buildings program, as well as renewables certificates Started supplier relationship management program with strategic suppliers, to develop initiatives to reduce our CO_2 footprint ●●●
• Leverage SGS buying power to request strategic suppliers to report their own CO_2 footprint and subsequently target carbon reduction in their own operations	The SAQ now includes questions related to CO_2 that will serve as a basis for understanding better our scope 3 and defining reduction actions with our suppliers ●●○

Our focus on sustainability continued

2022 progress

- ●●● On track
- ●●○ In progress
- ●○○ Focus for improvement

Better society

Empowering equality, well-being and prosperity.

Diversity and equal opportunity

2023 targets	2022 performance
Achieve 30% women in senior leadership positions (3 levels below CEO)	31.1% women at CEO-3 level, a 7% increase compared to 2021 ●●●

Health and safety

2023 targets	2022 performance
Reduce our Total Recordable Incident Rate (TRIR) by 20% and Lost Time Incident Rate (LTIR) by 10%[1]	LTIR of 0.19 and TRIR of 0.35, a -25% and -16% variation respectively compared to 2018 ●●●
HSE certify the main operational sites (integrated ISO 45001 and ISO 14001 certification)	229 sites, covering approximately 33 000 employees, have now achieved certification in ISO 45001 (previously, OSHAS 18001) and ISO 14001 ●○○

Knowledge and engagement

2023 targets	2022 performance
Increase by 10% the completion rate of job-related training (except compliance training and against a 2020 baseline	4.2 million hours of training and 43.3 hours of training per FTE, representing a 11.9 % and 3.1% variation compared to 2020 ●●○
Improve year on year our employee engagement and manager effectiveness scores	69/100 employee engagement score (-1% variation compared to 2020) 72/100 manager effectiveness (no variation compared to 2020) ●○○

Human rights

2023 targets	2022 performance
Continue performing annual risk assessments on human right across the Group, keep developing our human rights due diligence program to avoid violations across our operations and train 100% of our employees on our human rights principles annually	Annual risk assessment completed for 2022 Due diligence program continued to develop Human rights eLearning completed by 78% employees. Plans are in place to account for employees that completed the training off line (currently excluded) and to further increase the completion ratio ●●○

Community investment

2023 targets	2022 performance
Increase by 10% our positive impact on our communities through employee volunteering, with special focus on vulnerable groups affected by pandemics[2]	CHF 2 million of community investment and 18 691 hours of volunteering, representing a 54% and 9% variation compared to 2019 ●●○

1. Except compliance-related training.
2. Against a 2019 baseline.

Better planet

Supporting the transition to a low-carbon and climate resilient world through responsible resource use and effective waste management.

Climate change mitigation

2023 targets	2022 performance
Meet our science-based target by:	10.5% reduction since 2019 in scope 1 and 2 absolute GHG emissions 8.2% increase since 2019 in scope 3 absolute GHG emissions ●●○
• Increasing annually the number of energy efficiency measures in our 100 most energy intensive owned buildings	The coverage of our energy efficiency measures in these buildings has now reached 77% of our consumption, representing a 7% increase compared to 2021. The number of energy efficiency measures has increased by 12% ●●●
• Reducing total car fleet GHG average emissions by 10%	9% reduction in car fleet GHG emissions since 2019 New vehicle emissions policy implemented across the Group ●●○
• Ensuring 10% of our cars have low-carbon technologies	11% of cars have low-carbon technologies ●●●
All residual GHG emissions will be compensated	Our residual GHG emissions have been compensated ●●●
Further adopt Task Force on Climate-related Financial Disclosures (TCFD) recommendations	In 2021, we became official supporters of the TCFD and our second TCFD Report is available in the appendix of this report, including our first impact quantification for key selected risks and opportunities ●●●

Our updated science-based targets

In 2022 we became the first TIC company to receive approval for our 1.5°C and net-zero targets from the Science Based Targets initiative (SBTi).

Science-based targets provide a clearly defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth.

Aligned with the 1.5°C objective from the Paris Agreement, we have committed to reach net-zero greenhouse gas emissions across the value chain by 2050. To achieve this objective, we have approved near- and long-term science-based emissions reduction targets with the SBTi:

Near-term targets:

- We commit to reduce absolute scope 1 and scope 2 GHG emissions 46.2% by 2030 from a 2019 base year
- We also commit to reduce absolute scope 3 GHG emissions 28% by 2030 from a 2019 base year

Long-term targets:

- We commit to reduce absolute scope 1, 2 and 3 GHG emissions 90% by 2050 from a 2019 base year

Our direct emissions reductions will be prioritized, and all residual emissions will be neutralized in line with SBTi criteria before reaching net-zero emissions by 2050.

This means another great milestone for SGS and further proof of our commitment to make a positive and long-lasting impact in society, and limit global temperature rise to 1.5°C. Our Sustainability Ambitions 2030 set the roadmap to reducing our emissions, including initiatives such as the reduction of energy consumption in our top energy intensive owned buildings, our vehicle policy and the use of renewable energy, among others.

Stakeholder engagement

Maintaining continuous dialog with our stakeholders is critical to our long-term success. These valuable insights inform our materiality assessment and 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. It is important for us to understand whether we achieve our goals to make their businesses more efficient, profitable and sustainable.

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

Key topics discussed
- Quality of services
- SGS employees' attitude, expertise and responsiveness
- Quick turnaround times
- Sustainability solutions
- Data privacy and protection
- Cybersecurity
- Ethical behavior

Consumers

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

How we engage
- Certification and product labeling
- Direct marketing and communication with certain B2C products

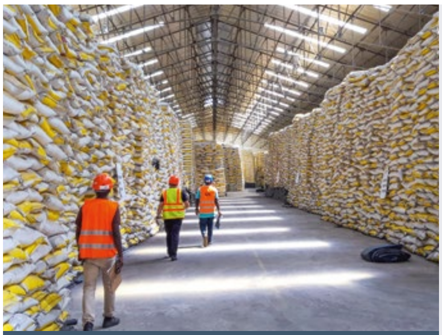
Key topics discussed
- Ethical behavior
- Adaptation and mitigation of climate change
- Respecting human rights and ethical labor practices

Employees

Why we engage
Our people are essential to our business. Discussing performance and providing training and opportunities helps to keep our people motivated and engaged.

How we engage
- Our global employee engagement program
- SGS intranet portal and internal social network
- SGS Inside newsletter
- Training programs, videos and eLearning modules
- SHINE onboarding
- Line manager direct engagement

Key topics discussed
- Career development plan
- Diversity and inclusion
- Well-being and work-life balance
- Respecting human rights and ethical labor practices
- Health and safety of employees and contractors
- Talent attraction and retention
- Sustainability awareness, good practices in labs and offices
- Recognition



Suppliers

Why we engage
Engaging with our suppliers is key to ensure a smooth supply chain, boost innovation and strengthen sustainability in our business.

How we engage
- Supplier relationship management (SRM)
- Supplier self-assessment questionnaire (SAQ)
- Supplier code of conduct

Key topics discussed
- Human rights and ethics
- Cybersecurity and data privacy
- Innovation
- Carbon footprint

Communities and 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.

How we engage
- Multiple community investment projects across the network – the impact of which we measure through our annual community survey
- White papers
- One-to-one meetings with NGOs and responses to questionnaires

Key topics discussed
- Respecting human rights and ethical labor practices
- Adaptation and mitigation of climate change
- Local community investment support

Governments and 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.

How we engage
- SGS hosted conferences, seminars and webinars
- Membership meetings and events
- White papers

Key topics discussed
- Ethical behavior
- Risk management and business continuity
- Cybersecurity
- Data privacy and protection

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.

How we engage
- Annual General Meeting
- SGS Investor Days
- Meetings with investors and analysts
- Responses to analyst questionnaires

Key topics discussed
- Climate-related risks and opportunities
- Sustainability solutions, impact valuation of our activities
- Ethical behavior
- Risk management and business continuity
- Good practices in corporate governance
- Cybersecurity
- ESG performance and reporting
- Services that support our customers' sustainability ambitions

Our material topics

The SGS Business Materiality Matrix captures the issues deemed by our stakeholders to be materially important to our organization. It is the outcome of a rigorous process, including stakeholder consultation, megatrend and risk analysis, and benchmarking against international principles, including the UN Sustainable Development Goals (SDGs).

Materiality assessment
We conduct a formal materiality assessment every two years. In 2022, we integrated the results of our risk assessment and kept in close contact with our stakeholders through our regular channels, such as meetings with investors, our investor days, voice of the customer surveys, our employee engagement survey, and meetings with local communities. This has further contributed to our deep understanding of the most material topics for the Group.

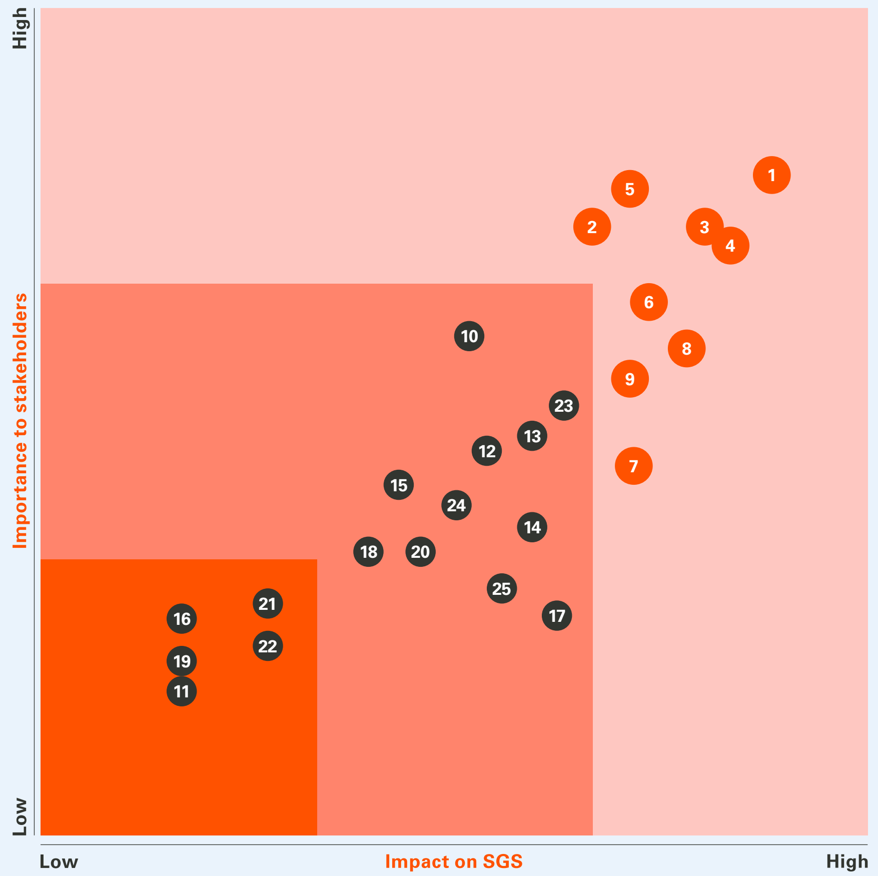
The nine topics that are most important to the organization

1. Cybersecurity
2. Data privacy and protection
3. Ethical behavior
4. Health and safety
5. Risk management
6. Talent attraction and retention
7. Customer relationship management
8. Corporate governance
9. Sustainable supply chain

These are key topics which have helped to shape our group strategy. Although relatively less material for SGS, all other topics remain an essential part of our sustainability management systems. We systematically re-evaluate them to determine whether they have become more material to the organization.

Other material topics

10. Adaption and mitigation of climate change
11. Biodiversity
12. Diversity in the executive team
13. Diversity and inclusion
14. Employee engagement
15. Executive compensation linked to sustainability
16. Freedom of association
17. Innovation in services and operations
18. Local community investment support
19. Preventing air pollution
20. Reducing and managing waste
21. Responsible use of materials
22. Tax strategy
23. Training and development
24. Water footprint
25. Well-being and work-life balance



Our risk intelligence

During 2022 we have continued to focus on and address the main prevailing risks facing the organization, to ensure we can fulfill our purpose of making the world better, safer and more interconnected.

Risk governance

Our Board of Directors reviews risks to ensure that the company has a solid strategic approach to mitigating them (see page 94). However, the ultimate responsibility for identifying risks and integrating their management into key business planning processes sits with our Operations Council.

The Group Risk Steering Committee oversees our Risk Management Framework, chaired by the CEO. The committee comprises executive members, including the Chief Financial Officer and Chief Compliance Officer, together with representatives from departments including Risk Management, Human Resources, Operational Integrity and Sustainability. As well as biannual meetings, the Committee meets as necessary, and reports directly to the Board.

Accountability for managing risk rests with our 'Risk Champions' who are charged with assessing risk in the jurisdictions for which they have responsibility. In addition, SGS integrates a broad array of risk categories (see the charts below) directly into the management process (under the oversight of 'Global Risk Category Owners'), resulting in a robust and comprehensive approach.

Risk management framework

During the year, SGS has worked to further enhance and streamline its risk management framework, to better address the main prevailing risks facing the organization. As a result, a number of risk categories have been redefined, including specific risks contained in these categories, to emphasize where the focal points, and resources to address these risks, should be placed. This was further enhanced by providing additional guidelines to local affiliates on how to properly recognize and measure their local risks, and by sharing best practice examples of mitigation actions.

The scope and global coverage of the risk management assessment now continues to cover a full and limited scope affiliates, driven by the magnitude and risk profile on a country-by-country basis.

This allowed SGS to further increase the worldwide applicability of the framework, ensuring key markets and businesses were appropriately involved. The local risk management assessment inputs provided further validation from a global management perspective, contributing to a comprehensive and insightful overview of risk perception which appears on the risk heat map, presented on page 45.

Risk oversight

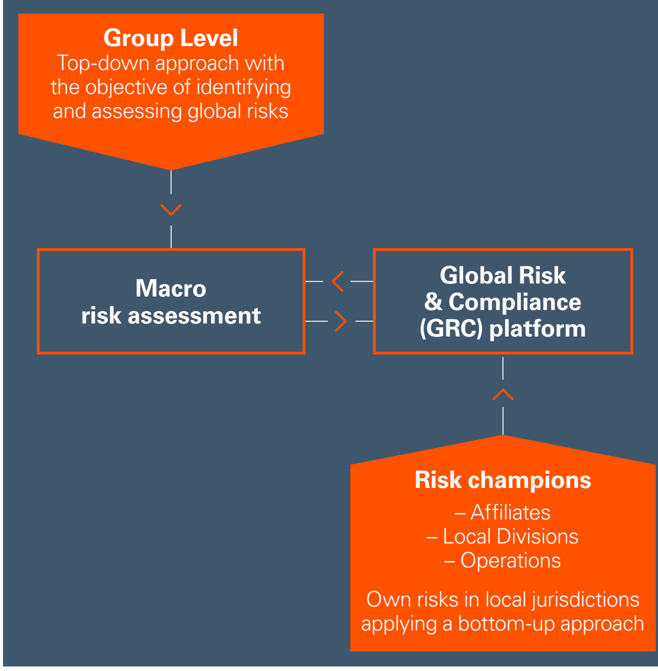
To support our risk management framework, the Group conducts risk assessment, using a bottom-up approach, with identification of potential risks, coupled with design and implementation of mitigation actions in place at a local level, where appropriate. Additionally, at group level, SGS applies a top-down approach to identify and assess global risks to the company that might potentially be overlooked in the bottom-up evaluation.

We recognize the need to identify changing risk, especially due to political instability and military conflicts, global energy crisis driving the inflationary pressures, further aggravated by trade sanctions, adversely impacting local and regional economies, especially sourcing and supply chain operations, coupled with continued climate changes, to name a few. We continue to monitor the measures we have in place to deal with all new emerging eventualities, ranging from climate change and consequential extreme weather, natural disasters and cyberattacks.

Risk management process

Enterprise Risk Management Framework

Places responsibility and accountability for managing risk close to our operations



Our risk intelligence continued

The Task Force on Climate-related Financial Disclosures

The Task Force on Climate-related Financial Disclosures (TCFD) is a guidance framework that helps companies disclose climate related-financial risks to investors, lenders and insurers.

Read more in our TCFD Report

2022 risk assessment results

In 2022, we carried out risk assessments in 56 of our main markets, applying full and limited scope approach. We assessed 147 specific risks within 44 risk categories defined globally.

The assessment has confirmed a number of prevailing and emerging risks, particularly in relation to cyber and data security, increasing dependence on technology, including outsourced IT services and disruptive technology, also the attention to information governance, fraud and illicit/unauthorized activities, continued pandemic challenges, as well as the importance of customer needs, service delivery and pricing processes, and talent management.

As part of our assessment process, we also identify emerging risks that are likely to impact our business in the next three to five years.

An example of these risks is the increase of extreme weather events which already occur due to climate change and are expected to continue increasing in frequency and severity over the coming years. The main impact of extreme weather on SGS is closure of laboratories and offices and interference with the logistics of our services, whose impact is being assessed in order to be mitigated, (i) through business continuity plans, to ensure that we are fully prepared for any extreme weather eventuality, and (ii) through a global climate scenario analysis, to help us with future planning. Other significant risks, mentioned already above, are political and military conflicts, global energy crisis, which adversely impact the supply chain and sourcing activities, result in growing operational costs of our business.

Business continuity

These times have underlined the need for businesses to build resilience and to be prepared for disruptive events. During the year, we have built on our robust business continuity resilience strategy that focuses on the critical processes of the business, and minimizes the risks associated with them from a business continuity perspective. We validate our business continuity plans by running scenario exercises, which cover proactive resilience, planning and incident response. Our business continuity officers, who operate at the three levels – local, regional and global – are central to everything we do. They are normally managers or senior managers, who have positions where they can influence what happens. To support them, we have provided training sessions and webinars, and enhanced our knowledge hub launched in 2021 for all the business continuity officers to have access to best practice documentation.

External risks

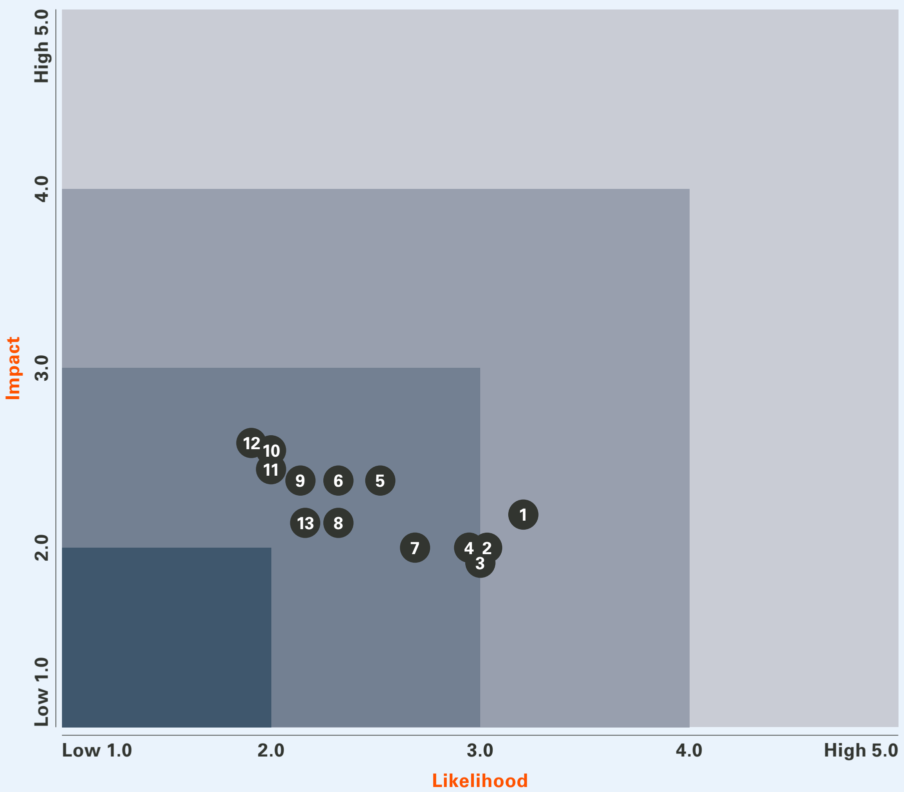
Communication & Investor Relations	Environment & climate change	Pandemic
Customer needs	Industry	Political risk, war, crime, terrorism
Cyberattack	Legal & regulatory	Technological innovation
Economy & sovereign		

Internal risks

Operational risks | **Non-operational risks**

Process	Management information	Human capital	Compliance	Technology	Treasury	Strategic
Environment (operations)	Accounting	Compliance	Contract commitment & claim	Access	Credit	Business model
Health & safety	Budget & forecast	Reward	Data privacy	Availability	Foreign exchange	Business portfolio
Pricing	External reporting	Talent acquisition	Fraud & illicit or unauthorized activities	Data integrity	Liquidity	Mergers & acquisitions
Real estate	Internal reporting	Talent management	Information governance	Infrastructure		Social responsibility
Service delivery	Tax		Unethical behavior, bribery & corruption	Reliability		
Sourcing				Technological capacity		
Supply chain						

Heat map of highest scored residual risks



1. Political risk, war & terrorism
2. Cyberattack
3. Legal & regulatory
4. Supply chain
5. Access to IT applications
6. Pricing
7. Sourcing
8. Fraud & illicit or unauthorized activities
9. Talent management
10. Technological innovation
11. Economy & sovereign
12. Pandemic
13. Data privacy

Our principal risks

The identification and management of risks is aligned to our materiality assessment to help us manage the principal risks. We have measures in place to mitigate those risks to an acceptable level.

	Risk description	Material topic	Summary of impact	Mitigation measures
External	**Political risk, war and terrorism**	• Health and safety of employees • Sustainable supply chain	• Business disruption, asset loss or harm to employees due to civil or interstate war, political violence and terrorism and external criminality • Reputational risks, risk of penalties and loss of business due to international trade sanctions and embargoes	• Crisis management in place to monitor the situation and take necessary actions with respect to the Russia/ Ukraine conflict • No major concentration of investments in single countries to ensure adequate level of diversification • Incorporate relevant mandatory requirements for all levels of management into the group security risk management policy • Introduction of an enhanced sanction policy, identification of red-flags and know your client (KYC) procedures for clients, suppliers and other business partners, review of existing activities at risk areas
	Cyberattack	• Cybersecurity	• Financial losses resulting from business disruption or interruption due to cyberattacks • Loss of certification accreditation leading to significant reduction of our certification business • Loss of cyber insurance cover as a result of cyberattacks, lack of internal knowledge and adequate technology and security controls and processes • Reputational impact	• Execution and monitoring of cybersecurity roadmap, strengthened by additional cybersecurity resources within the organization • Proactive monitoring of all security systems, Intelligence and digital forensic and incident response (DFIR), services through the Security Operations Center (SOC) • Implementation of security measures and solutions at different organizational layers • Execution and monitoring of advanced endpoint detection and response (EDR) anti-malware systems • Further enhancement of security awareness among employees, through training campaigns • Implementation of security updates and patches in systems and applications • Vulnerability management plan in place to detect and remediate potential weaknesses

	Risk description	Material topic	Summary of impact	Mitigation measures
External	**Economy & sovereign**	• Risk management and business continuity	• Loss of revenue (decrease in service demand/economy) • Risk of price pressure	• Ongoing performance monitoring of SGS operations by region and country in comparison to local economic environment • Proactive and more frequent pricing measures to address cost increases and to protect SGS growth • Take measures to adapt SGS capacity (and cost base) based on market demand • Balanced resources allocation to ensure adequate business and geographical diversification
External	**Pandemic**	• Health and safety of employees • Sustainable supply chain	• Spread of infections (including outbreak, epidemics, pandemics, etc.), disrupting business operations, interactions with suppliers and customers, resource availability	• Ongoing use of business continuity taxonomy and related implementation of action plan (2 000 actions defined on a worldwide basis within the SGS operations)
Technology	**Access to IT applications**	• Cybersecurity • Ethical behavior • Good practices and corporate governance	• Risk of unauthorized access to sensitive information and resources, existence of orphan accounts and use of exfiltrated credentials	• Reinforcement of user access procedures and control • Implementation of digital surveillance services to reinforce the process of user activity monitoring
External	**Technological innovation** **Customer needs**	• Innovation in services and operations • Customer relationship management	• Risk of investing in technological innovation with limited value and impact on customers • Risk of losing opportunities due to lack of innovation agility in serving current and new markets	• Deployment of a customer-centric and rapid validation approach • Execution of innovation initiatives, based on a thorough understanding of the customer needs, problems and context • Continuous assessment and validation of innovation initiatives and projects to ensure their organizational viability • Ongoing business digitalization through strategic partnership on technology development to identify solutions to mitigate operational risks, and to improve efficiency and competitiveness

Our principal risks
continued

	Risk description	Material topic	Summary of impact	Mitigation measures
Compliance	**Fraud & illicit or unauthorized activities**	• Ethical behavior • Good practices and corporate governance	• Business disruption, asset loss or harm to employees due to fraud, theft and abuse of integrity of services • Illegitimate and unsupported revenue recognition, mainly linked to unbilled revenue and work-in-progress, resulting in potential overstatement of revenue and understatement of cost (P&L)	• Strong code of conduct policy and philosophy with regular and recurrent training for SGS employees • Confidential and anonymous whistle-blower reporting system in place • Reinforcement of business ethics compliance function at corporate and affiliates levels • Security integrity vulnerability assessment incorporated into business processes • Ongoing rollout of the worldwide Order-to-Bill (O2B) initiative to standardize and centralize billing, coupled with application of best practices/O2B golden rules across all key business activities • Centrally driven oversight through internal controls, balance sheet/P&L reviews and internal audits at country level
	Data privacy	• Data privacy and protection	• Failure to comply with data protection laws and/or changes in privacy regulatory environment and enforcement	• Appointment of a full-time group data privacy officer (DPO) and local DPOs in major affiliates to drive and monitor compliance with policies and legislation relating to protection of personal data • Global privacy policy and set of working guidelines covering all aspects of handling of personal data, applicable to all affiliates • Induction training to all new employees ensuring a level of awareness to personal data in line with the group exposure in this field • Third-party vendor due diligence and supervision in matters concerning the security and safe handling of personal data, aimed at assessing their privacy and data security policies, processes and controls • Systematic assessment/due diligence conducted for projects involving the purchase of global IT solutions and global IT consultancy/development services

Risk description		Material topic	Summary of impact	Mitigation measures
Process	Supply chain & sourcing	• Sustainable supply chain	• Business slow-down and/or increased operational costs due to supply chain issues, inflation, increased transportation costs and energy price spike	• Inflation, increased transportation costs and energy price risks integrated into the strategic risk action plan roadmap and a dedicated procurement workforce, with numerous initiatives undertaken, especially in the areas of contract management, tendering and renegotiations, introduction of standard specifications, consolidation of services and implementation of new technologies • Regular monitoring of potential supply chain risks, especially for laboratory providers • Leveraging market intelligence to monitor market trends and continuously address inflation and energy-related risks
	Pricing	• Customer relationship management	• Risk of incorrect pricing due to inadequate pricing model • Risk of margin pressure and processing inaccurate discounts • Risk of underutilized capacity due to too high pricing versus competition	• Completion of pricing self-assessment leading to implementation of key pricing actions and corrective measures • Implementation of our Pricing Golden Rules and value-based pricing • Execution of additional pricing actions leveraging on available data (upgraded internal dashboards, external market intelligence, segmentation, in-depth analysis)
Human capital	Talent management	• Talent attraction and retention • Training and development • Employee engagement and consultation • Diversity and inclusion • Well-being and work-life balance	• Ineffective or inadequate training and development programs for employees • Lack of leadership alignment and effectiveness, lack of qualified and competent employees, lack of succession planning of key personnel • Risk of inefficient performance management	• Introduction of employee value proposition (EVP) and employer branding program which support our talent attraction and retention • Talent review and succession planning process across the organization to enhance talent management and development • Talent assessment and movement will significantly improve talent development • Structured leadership development program will enhance leaders' competencies • Development of well-being program to improve employee engagement and retention

Quantifying our value through six capitals

Like all organizations we depend on various capitals to be successful. We are one of a small number of companies that measure value creation by capital using our Impact Valuation Framework. We continued to develop this in 2022 and it now covers a wider range of services than last year.

The framework is based on six forms of capital, as defined by the International Integrated Reporting Council. We use it to help us to make better decisions, by considering non-financial as well as financial aspects of our business. We measure our progress using 32 indicators that support how we track our measurable positive impact.

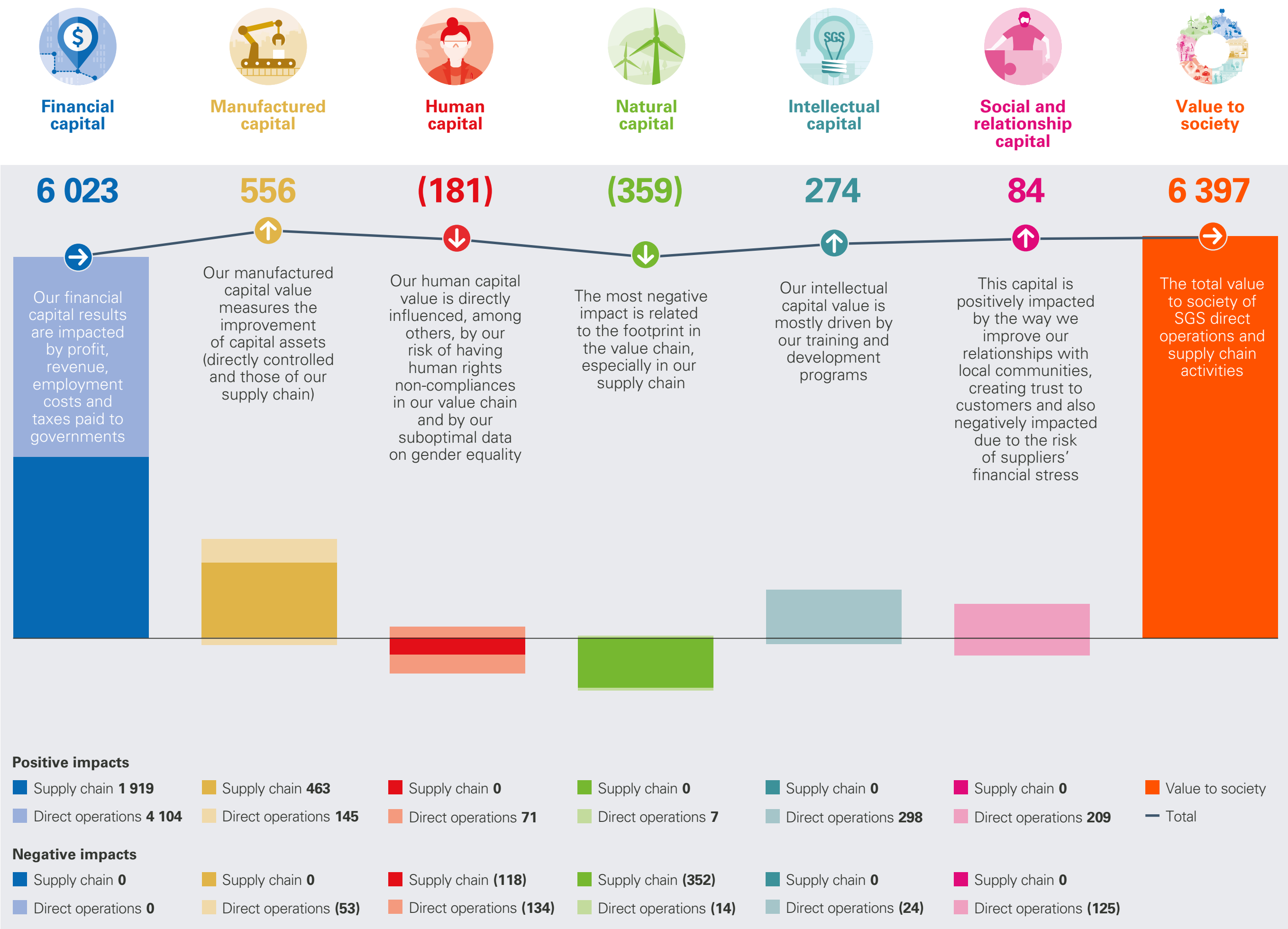
Applying our Impact Valuation Framework methodology, we have calculated that our total value to society calculated in 2022 for 2021 was +CHF 6 397 million, and that the value of our positive benefit to society was +CHF 7 220 million.

We created the majority of this value through profit generation, the paying of taxes and wages, and our investments in training programs and information security.

The framework also shows that we generated CHF 822 million of negative societal impacts, arising from the environmental footprint of our supply chain.

www.sgs.com/en/our-company/corporate-sustainability/value-to-society

2021 SGS value to society (CHF MIO)[1]



1. Value to society is calculated using 2021 figures. Within each capital we have identified positive and negative impacts. The values presented in each capital are the result of adding the positive impacts and subtracting the negative impacts.

Our value in action

Through our SGS Impact Valuation Framework we can measure the impact of what happens in our operations and across our supply chain. We are committed to measuring the impact of the sustainability solutions we offer.

To create a valuation methodology based on verifiable data and research we worked across all five of our divisions by identifying services and their impacts. Then, based on a mix of research and input data, we are able to calculate the impact and monetize it.

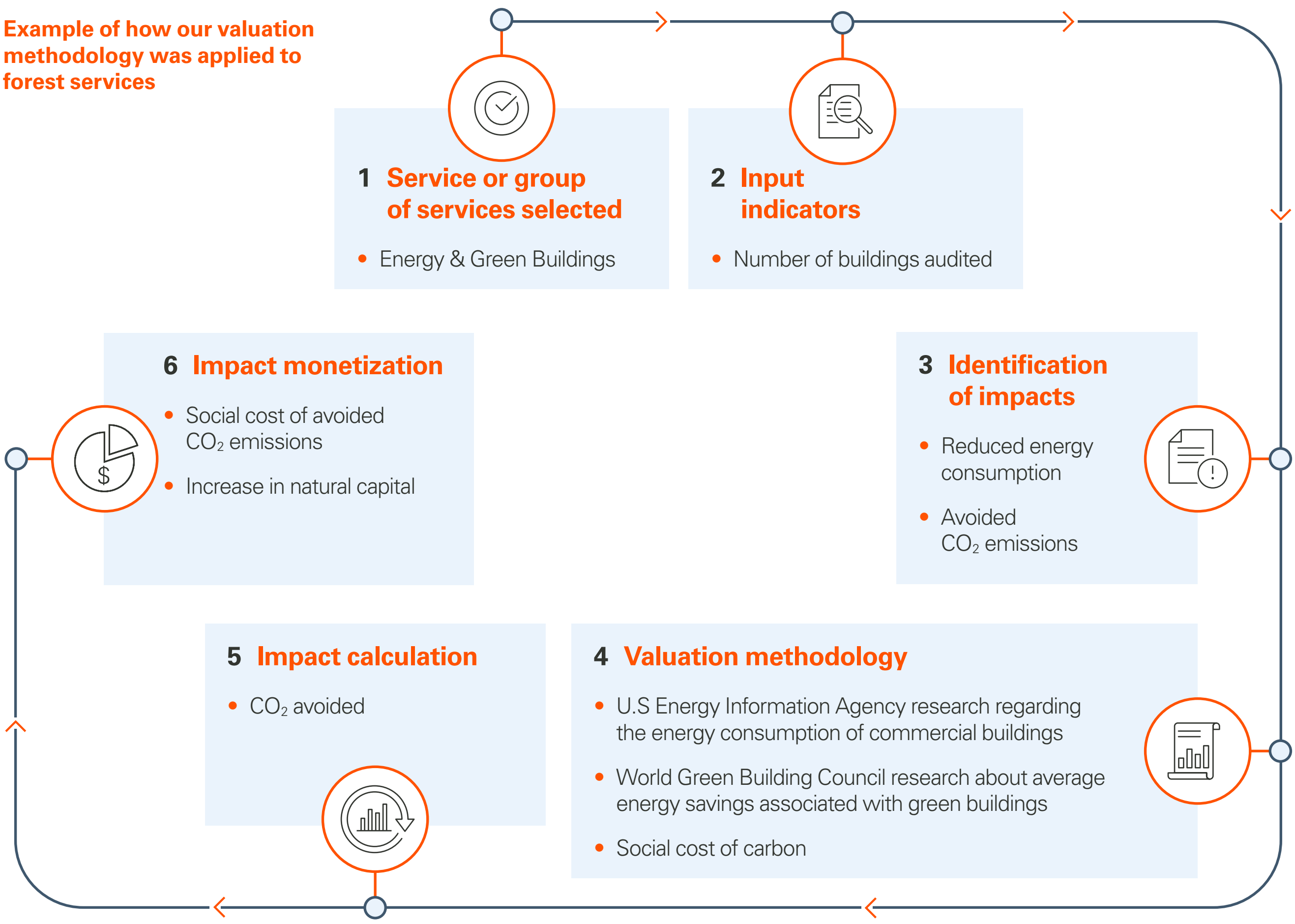
An example of the methodology applied to energy and green building services is shown below.

This exercise helps us better understand the impact of our services in terms of how much value they add to the different capitals. We have covered almost all the revenue coming from our sustainability solutions so far, and our initial impact calculation shows a significant positive impact in many different areas. Among the main impact indicators, we have looked at so far are consumption of energy and CO_2 emissions avoided; water consumption avoided; injuries avoided; and lost disability-adjusted life years avoided.

Main impact indicators[1]:

Avoided energy consumption (billion KWh)	Avoided injuries (Mio)	Avoided water consumption (billion liters)	Avoided CO_2 emissions (million metric tons)	Avoided DALYs lost (thousands)[2]
+28	+12	68	+14	+116

Example of how our valuation methodology was applied to forest services



1. Impact indicators resulting from applying the SGS Impact Valuation Framework and covering 90% of the revenue coming from our sustainability solutions.
2. Disability-adjusted life years (DALY). One DALY represents the loss of the equivalent of one year of full health.

Financial capital

Our financial capital includes the value we add to society through paying taxes to governments, dividends to investors and wages to employees. Beyond this, the profits we generate allow us to reinvest in growth, innovation and improving our services to our customers.

1 How we develop our financial capital

Mid-term targets 2020-2023

- High-single digit constant currency revenue compound annual growth rate (CAGR) driven by mid-single digit organic* growth per annum and a focus on M&A
- >10% Adjusted operating income* CAGR[(a)]
- Strong economic value-added discipline (EVA)
- Maintain or grow the dividend per share

2 Our inputs

	2022	2021	2020
Profit CHF MIO	**630**	655	505
Total equity CHF MIO	**763**	1 202	1 134
Total assets CHF MIO	**7 122**	7 007	6 908

3 Progress during the year

Financial discipline and focused capital allocation

- The structural optimization plan, at a one-off cost of CHF 35 million, will deliver over CHF 50 million recurring savings from 2023
- Continued strong investment into our network expansion with net capex as a percentage of group revenue of 4.8% and seven acquisitions. In particular, our acquisition of proderm GmbH adds competence in cosmetics and personal care testing, significantly reinforcing our leading global position
- We issued two bonds with a total value of CHF 500 million. All our long-term debt is fixed at an average interest rate of 0.8%
- CHF 250 million share buyback for cancellation as part of our flexible capital allocation strategy

A resilient financial performance

- Total revenue reached CHF 6.6 billion, up 3.7% (6.8% at constant currency*), with mid to high-single digit growth achieved across all divisions. Organic revenue* increased by 5.8%, supported by pricing initiatives and volume increase throughout the SGS network
- Adjusted operating income*, on a constant currency basis, is broadly stable at CHF 1 023 million in 2022 compared to CHF 1 022 million in prior year. Operational leverage was temporarily offset by the impact of Covid in China, supply chain disruption and acceleration of inflationary pressure
- Adjusted operating income margin* of 15.4% compares to 16.5% in prior year (16.4% at constant currency*)
- Operating income of CHF 898 million compares to CHF 977 million in prior year. It was also impacted by restructuring measures, the decision to cease two key upstream projects in Libya following absence of cash collection, and strengthening of the Swiss Franc
- Net financial expenses slightly decreased from CHF 53 million in prior year to CHF 51 million in 2022
- Effective tax rate (ETR) improved from 29% in prior year to 26% in 2022, reflecting a normalization of non-deductible expenses
- Profit attributable to equity holders of CHF 588 million compares to CHF 613 million in prior year, a reduction of (4.1)% over prior year

(a) While we expect an improved adjusted operating income* and margin* in 2023, this target is more challenging given progress in 2022 and our disciplined approach to M&A.
* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

3 Progress during the year continued

Financial discipline and focused capital allocation

- Basic earnings per share of CHF 78.86 compares to CHF 81.91 in prior year. On an adjusted* basis, earnings per share increased by 3.4% to CHF 92.46
- Free cash flow (FCF)* of CHF 507 million compares to CHF 635 million in prior year. Cash flow was impacted by higher net working capital* to support the strong revenue growth. Consequently, operating net working capital balance was close to 0% as a percentage of revenue compared to (2.4)% in prior year. In addition, Cash flow from operating activities decreased from CHF 1 169 million in prior year to CHF 1 030 million in 2022 for the same reason
- Investment activities: Net capital expenditure was CHF 321 million, compared to CHF 331 million in prior year. The group completed seven acquisitions for a total consideration of CHF 64 million
- Financing activities: In 2022, the group paid a dividend of CHF 599 million and issued two new bonds in August for an amount of CHF 500 million. A new share buyback program was completed for a total of CHF 250 million
- Return on invested capital (ROIC)* of 18.6% compares to 19.6% in prior year, mainly due to the higher net working capital requirement
- As at 31 December 2022, the group net debt* increased from CHF 1 691 million in December 2021 to CHF 2 219 million

4 Outcomes

	2022	2021	2020
Revenue CHF BN	**6.6**	6.4	5.6
Free cash flow CHF MIO	**507**	635	758
Adjusted operating income margin* %	**15.4**	16.5	16.1

5 Outlook 2023

- Mid-single digit organic growth
- Improved adjusted operating income* and margin*
- Strong cash conversion
- Maintain best-in-class organic return on invested capital*
- Accelerate investment into our strategic focus areas with M&A as a key differentiator
- At least maintain the dividend

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Financial capital by divisional performance and outlook

We strengthened our market position in Connectivity & Products, and in certain Knowledge markets through focused resource and capital allocation.

Connectivity & Products

A very strong performance given the impact from Covid in China

1

Revenue (CHF million)

CHF 1 311 MIO

Constant currency growth in 2022

4.5%

Overview

- Organic growth of 3.9%, a solid performance given the lockdowns in China and supply chain disruption
- Connectivity growth was strong, supported by our continuous investment in new technologies
- Softlines grew in high-single digits benefiting from market share gains
- Hardlines declined organically due to the impact of supply chain disruption
- Strong growth in Trade Facilitation Services driven by Antifraud services in Africa and eCustoms

Outlook

- Solid growth expected across all activities against a potentially challenging backdrop
- Connectivity to remain major growth driver benefiting from investment and cybersecurity market development
- Softlines to develop in new sourcing countries despite some short-term market headwinds
- Hardlines to improve despite being potentially most impacted by economic conditions

Health & Nutrition

Health Science to reaccelerate in 2023

2

Revenue (CHF million)

CHF 892 MIO

Constant currency growth in 2022

7.6%

Overview

- Organic growth of 4.1%
- Food organic growth well above divisional average
- Vaccine volumes largely replaced, however organic growth slightly declined in Health Science
- Cosmetics & Hygiene grew in line with the divisional organic average driven by clinical and panel activity
- Margin impacted by reduction of Covid vaccine-related work and significant investment in the network

Outlook

- Structural growth drivers to remain strong in 2023
- Americas Food network expansion to support portfolio growth
- Investment in Biopharma will support reacceleration of growth in Health Science
- The integration of our recent acquisitions combined with efficiency initiatives will support profitability

Industries & Environment

Growth led by industrial businesses

3

Revenue (CHF million)

CHF 2 157 MIO

Constant currency growth in 2022

5.4%

Overview

- Organic growth of 4.8% from both volume and price
- Double-digit growth in Technical Assessment & Advisory driven by an improving market and new contract wins
- Field Services and Inspection grew above divisional average driven by environmental field and marine services
- Higher demand in safety services drove above divisional average growth in Industrial and Public Health & Safety

Outlook

- Growth momentum in Field Services and Inspection with expansion into new services and geographies
- Strong growth expected in safety, and the new areas of energy transition and sustainability solutions
- Continue to develop new innovative solutions to enhance the service portfolio
- Bolt-on acquisitions and proactive portfolio management as a key part of our divisional growth strategy

Natural Resources

Strong momentum in minerals

4

Revenue (CHF million)

CHF 1 583 MIO

Constant currency growth in 2022

9.3%

Overview

- Organic growth at 8.7% reflects an overall strong commodity market, mainly in mining
- Strong growth in Trade and Inspection as a result of favorable market conditions in all commodities
- Double-digit growth in Laboratory Testing due to strong momentum in geochemistry and new outsourcing contracts in oil and gas
- Major project wins and service diversification drove double-digit growth in Metallurgy and Consulting

Outlook

- Continued momentum in the mining industry, while oil and gas and agriculture markets continue to be dependent on macro factors
- Laboratory Testing momentum continues to be driven by ongoing exploration demand and outsourcing opportunities
- Investing in our biofuels testing capacity to meet strong market demand
- Rolling out sustainability solutions to support energy and mining customers' ESG goals

Knowledge

Certification growth ahead of market and very strong growth in consulting

5

Revenue (CHF million)

CHF 699 MIO

Constant currency growth in 2022

8.7%

Overview

- Organic growth of 8.7% with good performance from all SBUs in all geographies
- Certification organic growth was strong, ahead of the market
- Consulting grew well above the divisional average primarily driven by SGS Maine Pointe
- Customized Audits grew below divisional average despite double-digit growth in Responsible Business Services and ESG services

Outlook

- Overall demand for Knowledge services to remain strong
- Solid growth in Certification led by medical devices and information security, while our new and innovative CertIQ online portal will also support growth
- Momentum in Consulting supported by network expansion
- Social and environmental audits as well as sustainability report assurance are expected to deliver double-digit growth

Financial capital in action

Financial capital

We are growing organically and through strategic acquisitions.

The acquisition of proderm, now SGS proderm GmbH, has brought us complementary capabilities and scientific expertise in dermatology, ophthalmology, oral care, women's health and intimate hygiene, as well as 'cosmeceutical' and medical-related products.

We have

expanded and strengthened our clinical testing capabilities.

Providing our customers with optimal support

The global cosmetics and hygiene market continues to grow rapidly, fueled by an increased consumer focus on well-being. To differentiate their products from the competition, brands and manufacturers constantly need to develop new innovative formulations that will fulfill consumer expectations. They need to stay on the leading edge of trends and developments by offering sustainable, green products and move away from fossil fuel-based ingredients to bio-based ones.

These organizations operating within the health, beauty and consumer goods industries are also held to incredibly high standards. Their products must be safe and effective, meeting both consumer expectations and regulatory requirements. The acquisition of proderm, with a team of nearly 140 study experts and more than 20 specialist doctors, allows us to better assist our global customers as a one-stop testing solutions shop. In particular, expanding and strengthening our capabilities in clinical testing for cosmetics and pharmaceuticals means we can provide our customers with optimal support during the clinical studies required if they are to make successful product launches into the market.

We will

drive revenue synergies across the organization.

Unique offering in cosmetics & hygiene

The acquisition of proderm GmbH completes our global footprint. Now we are able to provide solutions across a network of 45 laboratories and clinical testing sites across North America, Europe and Asia. It gives us a unique cosmetics and hygiene footprint, offering analytical, microbiological, stability and in-vitro testing, as well as clinical studies for safety and efficacy.

In 2023 we will look to drive revenue synergies through our sales and marketing activities, setting up joint cross-site working groups and projects, enabling us to share SGS's and proderm's capabilities and expertise in clinical trials and testing of cosmetics, dermatological products and medical devices. We have already started these collaborative efforts at some of our sites, including SGS Analytics' clinical testing and molecular biological laboratory in Germany. Further cross-site projects are planned to create efficiency gains – making more use of digitalization, and replicating SGS proderm's unique techniques in areas such as panel management and the recruitment of study subjects.

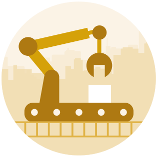
+59 000
products tested since foundation

+250 000
subjects enrolled since foundation

"We want to use the proderm team's globally recognized expertise to expand our offer to customers. The team exceeded our expectations, both culturally and strategically, adding great value to SGS and our customers."

Dr. Sheida Hönlinger
Director Health Science and Cosmetics & Hygiene Germany/Austria

Manufactured capital



Our property, plant, equipment and other manufactured goods comprise our manufactured capital, and it is the investments we make in all of these, from our laboratories to the items our people use every day, that enable us to provide even better services to our customers.

1 How we develop our manufactured capital

We invest in and maintain our testing laboratories

- Our laboratory network is at the center of our business activities, making the equipment and services we require to operate them one of our largest procurement categories. We not only have to negotiate the right commercial terms for the business need, we must also ensure they are fit for purpose, high quality and delivered on time anywhere in the world

We create great places to work that support our business growth

- We manage our large corporate real estate (CRE) portfolio proactively with the aim of 100% accuracy of our database, with no expired contracts. This enables us to operate in full compliance with group policy and deliver workspaces that are fully sustainable, energy efficient and correctly priced. With 85% of our portfolio leased, it is important that we start (re)negotiating early, usually 18-24 months ahead of a lease expiry or the initiation of a new project, to guarantee the best leverage for SGS

2 Our inputs

	2022	2021	2020
Capital expenditure CHF MIO	**329**	336	259
Operating expenditure CHF MIO	**1 493**	1 364	1 206

3 Progress during the year

We invest in and maintain our testing laboratories

- We expanded our food laboratory network in our South and Central American region, including adding capabilities at our labs in Peru, Chile and Argentina, and establishing brand new labs in Mexico and Brazil
- In February, we acquired Gas Analysis Services, an Irish gas analysis testing and instrumentation specialist group. This acquisition built further on our competence in high purity gas testing and critical skills and knowledge
- May brought two new acquisitions: AIEX, which adds complementary inspection capabilities to our existing testing expertise, supporting sustainable nuclear energy production in France; and Ecotecnos, which provides sea monitoring and oceanography services to multiple sectors in Chile including aquaculture, energy, mining and petrochemical. We also acquired the remaining 49% stake from the other shareholders of C-Labs, which means we now own 100% of SGS Digicomply, its market-leading regulatory compliance solution
- We continued to expand our water and soil testing capabilities in North America with the acquisition of Silver State Analytical Laboratories, Inc. and Excelchem Laboratories, Inc. in July. We also added advanced clinical testing solutions for cosmetics, personal care and medical products with our acquisition of proderm GmbH in Germany
- In August, we expanded our cybersecurity capabilities and footprint into the USA with the acquisition of Penumbra Security, Inc. – supporting our global strategy to become the global TIC leader in cybersecurity
- During the year, we also acquired Ecotecnos, which provides sea monitoring and oceanography services to multiple sectors in Chile, and Industry Lab in Romania, which has expanded our food services and laboratory network in Europe
- We invested further in our Advanced Metrology Solutions laboratories to help us increase our presence in the fast growing 3D metrology and dimensional measurement inspection services sector in Spain and across Europe

We create great places to work that support our business growth

- We have rolled out a standard set of guidelines, called the CRE Golden Rules, to guide our people through the negotiation process. We have also consolidated our office space by implementing new work from home policies, which have improved our people's work-life balance, as well as delivering cost reductions

4 Outcomes

- Since 2020, we have achieved a CHF 66 million cost reduction over the length of lease agreements against our target of CHF 40 million

5 Outlook 2023

- Work with innovative suppliers like Microsoft to support our digital agenda and develop new innovative and sustainable business opportunities
- Develop a plug and play model to integrate new companies efficiently and leverage acquisitions to further deliver synergies across the group
- Retain cost reductions over CRE portfolio at CHF 40 million over life cycle of leases

Manufactured capital in action

Manufactured capital

We are reducing our footprint and working more flexibly and efficiently.

Today's office buildings are more than just a workspace. They need to empower people by boosting their productivity with access to the right technology, while addressing their work-life balance, with an emphasis on health and well-being.

We are

creating modern, flexible and attractive workspaces to inspire our people.

Making more efficient use of our space

In the Philippines, our teams were based at three large buildings that, due to new working patterns that became more common during the pandemic, had become under-utilized. That's why SGS Philippines consolidated two of its shared service centers into a single more efficient space. We were able to achieve an overall reduction of 3 095 sqm of office space, halving the space we occupy, while bringing a range of benefits for both SGS and our people.

We started the consolidation project by running an analysis that not only determined the cost savings we could make, but also how it would be possible to reduce the overall size of our office space without creating a problem for colleagues. In fact, it quickly became apparent that by making more efficient use of a smaller space, we could offer significant benefits to our people, introducing new IT platforms and innovations that would make our offices an even better place to work.

We will

improve the way we work together and attract new talent.

Working better together – wherever we are

Our new ways of working at these offices in the Philippines have helped our teams improve their productivity, while colleague engagement has benefited from reliable communication platforms, and the exciting new collaboration and creative spaces we have provided. This is not just good for our existing employees, but is also important when trying to attract talented new people to the organization. Alongside our new working from home policy, most colleagues attending our offices feel they now have a better work-life balance. We have also seen cost savings and other benefits in a range of areas – including less rent payable for the two buildings, and lower energy consumption.

One very useful innovation we have introduced is the SGS Co-Work app, which employees can download to their mobile device and use to book hot desks, shared rooms and training rooms. This is a great benefit to colleagues and visitors alike, and is another example of how we are supporting our people to thrive in whatever working environment they choose.

CHF 2.25 MIO
total cost reduction in five years

3 095 sqm
reduction in office space (51%)

"Our new co-work app means we can manage our workspaces more effectively, from monitoring employee traffic in the office, to managing car parking spaces and our canteens."

Paula Fuentebella
Communications Supervisor

Intellectual capital

Our intangible and knowledge-based assets make up our intellectual capital. That is everything from our people’s knowledge of protocols, procedures, our divisions and our customers, to the innovations we develop to meet customer needs, and improve our processes and services to add value to society.

1 How we develop our intellectual capital

We build capabilities that will enable us to deliver on our strategy

- Our strategic program includes a wide range of initiatives and programs that promote a culture of efficiency and excellence not just through the development of our people, but by fostering a mindset change, driving engagement and empowerment that helps us create and spread knowledge
- We want to provide our customers with the most efficient and cost-effective solutions for testing by implementing a World Class Services (WCS) program along with a hub and spoke model where applicable
- We are implementing a zero trust security model that assumes that untrusted actors already exist inside and outside the organization’s network. Our approach relies on identity management and governance that supports the principle of least privilege, meaning that someone only has those privileges needed to complete their task
- We are pivoting towards a more digital business to capture market growth with the objective of providing our operations with technology-based products to improve business results

We innovate for our customers

- We promote innovative ideas among our employees through initiatives such as our moonshot campaigns, and provide tools and coaching that will help us develop ideas and prioritize projects with the potential to scale up to significant new revenue streams for SGS
- Within our own operations we are applying digital technologies such as machine learning and IoT in our labs to reduce manual touch points during testing. Applying remote applications and drone technologies to existing services is keeping our inspectors out of harm’s way while giving us new ways to monitor and manage objects in the physical world and providing new streams of data

We inspire and encourage our people to innovate and generate new intellectual capital

- The ability of our people to innovate is integral to our success. To support them, we promote self-directed learning, and invest in digital tools for training and development. We also tailor our talent development programs to fit local markets, business needs and employee expectations

We secure our information and know-how

- Our information security policy describes the principles we use to prevent information from being lost, from becoming public knowledge, and from being unavailable
- We maintain a state of constant vigilance – through our risk analyses, our constant analysis of tools and market solutions, and by monitoring the cyber threat landscape. That ensures we can provide preventive, detective and corrective solutions to reduce or mitigate possible future security incidents, with the aim of transforming security from a risk to an enabler for the business
- Our information governance framework (IGF) establishes fundamental principles designed to create a system of behavioral guidelines, physical and technical controls that protect information in any format, whether digital, hard copy or spoken

2 Our inputs

	2022	2021	2020
Goodwill and other intangible assets CHF MIO	**2 105**	2 160	1 984

3 Progress during the year

We build capabilities that will enable us to deliver on our strategy

- We have launched a permanent digital builders organization that will empower joint business and IT teams to design and develop technology-based products to improve business results in the short to medium term through increased revenues or efficiency
- In 2022, four additional laboratories have embarked on their WCS journey – in India, Turkey, Peru and the USA. That’s one more than our initial target for the year and brings us up to a total of 26 sites in scope for the program
- We have enhanced our detection capabilities both internally and externally by extending the capabilities and services of the security operations center. These include digital surveillance services that provide us with early warnings of exfiltrated credentials, and cybercriminal movements in corners of the dark web that could affect our assets

3 Progress during the year continued

We innovate for our customers	– We completed our first two moonshot (innovation) campaigns in collaboration with our Natural Resources and Industries & Environment divisions in 2022 – Microsoft has signed an agreement to invest in SGS digital innovations over the next three years. Taking a customer-centric approach, we will jointly explore emerging technology trends in collaboration with Microsoft, such as AI, IoT or the metaverse, to identify new business models for SGS and joint go-to-market opportunities
We inspire and encourage our people to innovate and generate new intellectual capital	– We partnered with two of the world's leading business schools to create a development program for managers to support our business growth strategy and digital awareness, and equip our managers with new skills and behaviors to help them and their teams deliver solutions around transformation and digital awareness – The program provides strategic tools, concepts and perspectives that will allow us to develop a strategic response to the new digital possibilities that will support us in becoming more proactive in the digital domain, help us turn digital threats into opportunities, create a competitive advantage and enhance our performance. It will support our ambition to build a culture of innovation and create a language of digital innovation – In parallel, we have developed a comprehensive digital and innovation database containing both learning and marketing material to help us apply digital technologies and methodologies to create new products and services. It will also improve the way we work and the services we provide by augmenting our physical operations with AI and machine learning – We also conducted digital and innovation workshops, led by innovation coaches, to encourage innovation in our teams and to boost cross-functional communication and collaboration
We secure our information and know-how	– We have created a holistic information security management system by adapting our processes and methodologies to the ISO/IEC 27001 standard – Our cybersecurity plan has helped us improve our incident detection and response capabilities – Throughout the year, our security technical office has continued to work on the framework of policies and procedures as part of the cycle of continuous improvement, with the aim of creating a robust risk and compliance management framework – The adoption of information classification has also helped us understand our data and its value better, increasing its usage within the company – Our new IGF effectively requires sensitivity and awareness of fitness for purpose. Corporate Security has conducted 13 pilot projects involving more than 1 000 employees across all levels of the company and received very positive feedback – We have appointed a full-time group data privacy officer (DPO) and local DPOs in our major affiliates to drive and monitor compliance with policies and legislation relating to the protection of personal data – We are also providing induction training to all new employees to ensure a level of awareness in managing personal data in line with the group's exposure in this vital area

4 Outcomes

	2022	2021	2020
Training ratio % of total employment cost spent on training (includes safety training hours)	**3.0**	2.6	2.5
Number of WCS laboratories	**26**	22	20

5 Outlook 2023

- Continue the WCS journey by adding four further laboratories, expanding the full number to 30 in scope of the program and leveraging more of our internal resources
- Continue the external WCS audits to measure our progress in driving growth
- Continue to develop the learning strategy to meet the upskilling needs of our workforce
- Introduce an integrated talent management model to the organization, which will include how to identify, assess, develop and retain our talented people
- Continue to engage innovators across our divisions, regions and countries through our moonshot campaigns
- Maintain the cycle of continual improvement, conducting internal audits to verify the implementation of security controls
- Continue to enhance current technologies by adopting a zero trust model in combination with a powerful training and awareness program and the advanced monitoring support of the security operations center
- The new classification system will be launched in Q1 2023. It will be accompanied by an intense training and education program to explain the concepts of information security and classification, and to empower managers and other leaders to interpret and apply the system to their own areas of responsibility
- Continue the focus on personal data protection – we will launch a new global data privacy eLearning module in 2023, while developing a new education, awareness and communication program on data privacy. This will feature specific activities targeted at work involving sensitive data and marketing data
- Improve our organizational setup for data protection with more formalized roles and responsibilities across the accountable business areas

Intellectual capital in action

Intellectual capital

We are leading the way in managing data at scale.

Combining deep product knowledge with proprietary algorithms and AI models, Truum™ autonomously scans product pages, offering retailers effortless analysis of their catalog health, saving them time, and enabling them to focus on what matters most: their customers.

We have

learned how to speak our customers' language.

Identifying the real issues retailers face with their online catalogs

The rise of eCommerce has seen consumers move from physical stores to online shopping, and this shift has come with its own set of challenges. Online shoppers no longer interact with products – they interact with product data and the sheer volume of that data is staggering. There are now millions of product data points for every single eCommerce website.

Managing data at such a scale is close to impossible and most retailers are unaware of how much bad product data is polluting their online catalogs. Not only does this impact their eCommerce performance, by lowering conversion rates, or increasing returns and their regulatory exposure, but it also significantly harms their brand image and consumer trust.

Approaching this problem, we conducted more than 150 interviews with online retailers. This helped us identify the real issues that existing systems are not solving with their online catalog. We also learned how to speak their language to ensure we built a solution that truly resonates with users and will have a positive impact on a daily basis.

We will

help retailers develop their relationship with digital customers.

Delivering data quality assurance and a thriving future

Truum is not a regular innovation, it reflects the obsession upon which it was built – we start with the customer and keep them at the center of everything we do. Our first product, Digital Shelf Monitoring, autonomously scans online catalogs and inspects the product pages seen by consumers. Our proprietary technology automatically identifies missing, incoherent or erroneous data points on every product page. In a few clicks, our customers can prioritize and share corrective actions with all their data actors to get rid of bad product data, quickly and efficiently.

Bad product data hurts online retailers' top and bottom-lines, resulting in endless catalog reworks, high product returns, unexpectedly low conversions, dissatisfied customers and regulatory exposure. Truum delivers data quality assurance for products sold online, allowing retailers to thrive and confidently progress in the eCommerce world. As more retailers take advantage of all that Truum has to offer, we believe they will regain trust in their operations and renew their relationships with their digital customers, taking their businesses from strength to strength.

+20 MIO
product pages scanned/analyzed

>55%
of product pages have issues

"Combining our core product expertise and the latest AI technologies, Truum helps us pave the way for trust in eCommerce and invent solutions that not only make our customers' lives better: it empowers their own customers."

Vincent Jeanne
Vice President of Global Innovation

Human capital

We promote a workplace that provides equal opportunities to all employees and allows them to reach their greatest potential. Working with integrity and protecting the health and safety of our employees are top priorities. We are committed to respecting human rights and also addressing human rights risks in our supply chain. Through the services we provide, we help our customers to address these same risks.

1 How we develop our human capital

We work with integrity

- Being trusted is a prerequisite of everything we do as a business. Our people do not engage in any form of bribery or corruption, and we adhere to the legal requirements of every country where we operate. The SGS code of integrity applies to all employees, as well as affiliated companies, contractors, subcontractors, joint venture partners and agents
- Our code of integrity is reinforced through mandatory annual integrity training, and we require all new employees to complete the same training within three months of joining us

We respect human rights

- Our absolute commitment to human rights is grounded in our SGS code of integrity and our SGS business principles. It is also reflected in our human rights policy, supplier code of conduct and other relevant policies. We follow the principles of the United Nations Global Compact and United Nations Guiding Principles on Business and Human Rights. These incorporate by reference the rights and principles expressed in the International Bill of Human Rights and in the International Labour Organization Declaration on Fundamental Principles and Rights at Work with its eight core conventions
- As part of our continuous effort to respect human rights, we have put in place numerous policies, programs and plans to prevent and mitigate the risk of our business causing or contributing to adverse impacts to human rights

We attract, develop and retain the best talent

- Our global Employer Value Proposition (EVP) of #Bethechange and #BeSGS guides us and helps us to attract, engage and retain the best people in a very challenging labor market. The four pillars of our EVP define the essence of our employer brand and are complemented by our integrated talent management and total reward strategy

We commit to diversity and equal opportunities

- Our culture of diversity and inclusion makes us more competitive and creates value for our customers, investors and employees. Our commitment to diversity and equal opportunities is expressed in our business principles, our code of integrity, our human rights policy and our anti-discrimination and dignity at work policy
- We do not tolerate any form of discrimination and are proud to be known as a diverse employer
- We value the skills, knowledge and cultural diversity that people bring to our organization and actively seek to engage them within our teams
- We are committed to paying our employees equally for work of equal value and conduct regular analyses to ensure this remains the case

We engage with and care for our people's well-being

- We invest in benefits, programs and services to support each dimension of our employees' well-being – physical, mental, social, professional and financial. We also value feedback and encourage employees to voice their opinions via our voluntary annual employee engagement survey

We provide a safe and healthy environment

- To achieve our operational integrity (OI) mission, we develop safety initiatives around eight areas: (i) visible leadership; (ii) performance management; (iii) resources and skills; (iv) training and awareness; (v) communications; (vi) risk management; (vii) health, safety and environmental (HSE) compliance; and (viii) digitalization, recognizing the important benefits technology can bring to our work in OI
- We run a bi-annual Health & Safety (H&S) survey to check that safe operations and practices are in place in workplaces and facilities. It is an opportunity to assess how employees and contractors perceive the value of H&S initiatives and for us to identify improvements opportunities

2 Our inputs

- 97 000 (average number of employees)
- 15 SGS Rules for Life

3

Progress during the year

We work with integrity	– We built a network of regional compliance managers across our regions. We also implemented policies in relation to risk management of third parties and sanctions
We respect human rights	– In 2022, our human rights task force progressed in the development of our human rights due diligence program. We also updated our group policy on human rights in line with the United Nations Guiding Principles on Business and Human Rights, clarifying our focus areas. We provided a mandatory online training program for all our employees – We also published our first SGS human rights report this year and an update report regarding our 2022 operations can be found in the appendix, page 228. The report consolidates the principles, policies and initiatives that demonstrate our human rights commitment. Our aim is to improve transparency to our stakeholders, and to report openly on our progress
We attract, develop and retain the best talent	– We continued to roll out our talent acquisition tool Smart Recruiters during the year. The tool is now used in 55 countries and covers about 90% of open positions globally. It helps our teams streamline their recruitment processes, improves service levels and increases the speed of hiring. We have also engaged with a reputable, global pre-employment screening provider to reinforce our commitment to employing honest, trustworthy people – We conducted a full talent review and succession planning exercise that included the review of our top 100 critical jobs across the business, by geography and function. We also partnered with a well-known global consulting firm to conduct a leadership assessment, to provide feedback to our leaders, and help to determine our leadership development needs. An action plan is in place and we are tracking its progress – More than 100 leaders participated in different leadership programs, with 50% of our leaders completing programs across a range of subjects – 82 000 of our employees are registered in SGS Campus, our global e-Learning platform. Each affiliate and division use this tool to provide targeted learning and training programs to local employees and global teams – Our UK affiliate opened the resource and learning center 'becoming a manager', in SGS Campus. It aims to help their employees to seamlessly transition to managerial roles – Our global divisions use SGS Campus to upskill their global teams in a range of technical areas, such as inspection procedures and sampling. Our affiliates also provide on-the-job training and some of them kicked off mentoring and coaching programs like the UK, who opened a virtual learning center to help their employees transition to managerial roles
We commit to diversity and equal opportunities	– The diversity of our Board members continues to progress with 33% of positions being held by women and eight out of nine board members are ethnically diverse – Our workforce represents nationalities from 118 countries, territories and regions across five generations demonstrating our competitive advantage. The unique backgrounds and perspectives that each nationality and generation brings helps us thrive – To address generational issues, SGS Germany created a 'shadow board', a group of 14 non-executive employees between the age of 25-35 years that work with senior executives on strategic initiatives. The shadow board helps SGS Germany address young employees' lack of sense of belonging within the company, and the company's ability to adapt to rapidly changing market needs. It also promotes dialog between generations, supporting new perspectives and fresh ideas, as well as providing a platform for the younger generation to increase their visibility and add the benefits of their insights – We continue to impose a diversity target for gender representation of interviewed candidates for all management/leadership positions. About 36.8% of our new hires are women worldwide – More than 300 managers participated in an unconscious bias webcast training during the year. The training explains that how a person thinks can be based on life experiences which may lead to unfair beliefs and views of others – SGS Switzerland progressed on its diversity goals obtaining equal salary certification, a symbol of excellence in terms of equal pay for all its employees – SGS France held events to coincide with the 26th annual European Week for the Employment of People with Disabilities including inviting Paralympics medal winning table tennis player, Thu Kamkasophou, to share her story and advice. They also conducted a webinar for people managers on how to integrate disability into their day-to-day work, and conducted a DuoDay, where they welcomed people with a disability to pair up with SGS employees to share experiences

Human capital
continued

3 Progress during the year continued

We engage and care for our people's well-being

- We formed a cross-functional well-being working group to further develop our global employee well-being program and launched a campaign to raise awareness and increase employee participation in our well-being initiatives
- We launched the first group-wide well-being portal providing a single place to share global well-being initiatives and ideas. It promotes successes of local initiatives and offers numerous online courses designed to increase happiness, build more productive habits, and develop skills that help to increase resilience
- We continue to offer flexible working where the nature of the work allows. A hybrid workplace model not only enables us to attract and retain talent but supports employee well-being
- We encourage each affiliate to develop an employee recognition program based on their local needs and culture. This improves motivation, and helps individuals feel valued in their roles
- In South and Central America we have implemented numerous programs to recognize our employees' and teams' accomplishments. An example is Colombia's 'Extra Mile' program, which seeks to promote a culture of recognition based on our employees demonstrating SGS values in their achievements and behaviors. The program began in 2021, and this year, SGS Colombia has recognized 360 employees who went the 'Extra Mile'. They are proud and happy to be part of this initiative, receiving recognition from colleagues, and sharing prizes in their personal network
- Our annual employee engagement survey helps us understand how colleagues feel about working for SGS. In May 2022, more than 28 000 colleagues from 37 affiliates were invited to complete the catalyst survey. More than 79% provided feedback, our overall employee engagement index was rated at 69/100 and our manager effectiveness index was rated at 72/100
- These results demonstrate that our employees recognize our strengths in: role clarity (employees clearly understand what is expected from them in their role), highlighting the efforts our managers have made to clearly express team expectations, even when many work remotely; and safety and ethics (employees feeling safe at their workplace and employees being encouraged to behave ethically), both key areas for SGS
- Country action based on the survey plans have been developed and are being executed by our affiliates

We provide a safe and healthy environment

- Our global H&S survey delivered many positive outcomes, such as the confidence to stop any work if unsafe, the willingness to report all H&S issues, and the overall satisfaction with H&S training. Some clear opportunities for improvement were identified, including clarifying the purpose of our H&S actions, increasing the quality of dialog between managers and employees, and improving the H&S onboarding which have been beneficial to safety at SGS
- Globally, a number of pioneer countries, such as Spain, Bangladesh, Turkey, France, Algeria, Morocco, South Africa and Peru, have been selected to work jointly with global and regional H&S teams. Their aim is to develop and put in place solutions that involve managers, employees and specific experts, that we hope will result in improvements
- At a global level we launched three main initiatives to address some of the challenges highlighted by the global H&S survey. First, our new global H&S vision considers all of our stakeholders' expectations, and is known as 'Because We Care.' Based on care, inclusion, listening and increasing ownership, it is part of a more human centric approach to addressing H&S; the second initiative was the launch of the Safety LeaderSHIFT program, equipping our leaders with practical tools and insights to demonstrate care to their teams, while encouraging a culture of accountability on H&S; and third was Safety Month 2022, dedicated to the shared vigilance concept, promoting both self-care and care for others. Under our motto, 'See Something, Say Something', employees were introduced to the 'Intervention' process with practical workshops and live events, covering safety and neurosciences, and how we can work together safely
- We have been developing complete fire safety assessments on 20 sites in different countries to upgrade their fire protection systems in line with our insurance company's standards. These assessments are in addition to their visits to our key sites (where the insured values are above CHF 10 million), and have led to more than 200 actions to improve safety, including fire safety training and better control of inventory. We have also implemented new fire protection equipment in business critical sites, where a fire could have severe consequences for our people and our strategic assets

4 Outcomes

	2022	2021	2020
Lost time incident rate (LTIR)	**0.19**	0.22	0.23
SGS code of integrity: % employees trained to SGS Code of Integrity	**99.9**	99.9	98.8
Human rights training: % employees trained on human rights	**78**	29	28
Women in Leadership: %	**31.1**	29.0	28.0

5 Outlook 2023

- Expand our network of regional compliance managers
- Perform integrity audits throughout the SGS network
- Strengthen our human rights due diligence, with special focus on further identifying and mitigating risks
- Continue to embed and promote our employee value proposition and employer brand and develop a better, more efficient talent acquisition delivery model globally
- Continue to provide training and include digital elements within our talent acquisition and talent development strategy
- Maintain our focus on gender equality and generational diversity
- Further develop our well-being strategy in collaboration with an external expert
- Continue to provide well-being training programs to our managers and employees – by further building our well-being culture we will improve employee engagement and retain our talent
- Continue analyzing the global H&S survey results to assess the impact of the global efforts made by the countries to address their challenges, especially the pioneer ones
- Explore further opportunities to improve onboarding and the well-being of employees and evaluate our well-being baseline and set improvement targets

Human capital in action

Human capital

We are promoting a culture of caring throughout SGS.

At SGS we share responsibility for our health and safety. We are all empowered and trusted to act to improve our own and others' health and safety, while acting to preserve the environment through conscious and responsible decisions.

We have

made solid progress, but we need to go further.

Engagement, leadership and commitment

Over the last decade, we have acted and implemented systems, programs and actions across our sites and reached a level of health and safety that is close to our goal. Disappointingly though, our Health, Safety and Environment (HSE) results are now 'plateauing.' We continue to work hard to understand the reasons for this plateau.

First of all, we think it is important to set the right priorities and look beyond the immediate benefits, as this will help us mitigate any risks. In order to achieve these objectives on our health and safety journey we need engagement, leadership and commitment from everyone.

We all have a role to play in our health and safety, whether we are at management level or out in the field. That means engaging in constant dialog and learning of all HSE matters. We must adopt the correct behaviors and aim to be a role model for others.

We will

work to become a company where everyone goes home safely.

Our new HSE vision – Because We Care

We are taking further actions that will improve our HSE performance. We made a lot of progress setting up reactive and proactive systems and now we are moving towards cultural aspects. 90% of accidents are caused by unsafe behavior. Behavior is not the problem but a symptom that needs to be adjusted. To better understand the symptoms that lead to an incident we are examining the human psychological aspects to improve our prevention programs. In 2021, we conducted a global employee perception survey. This survey helped us identify employees' main concerns and delivered candid feedback on their experiences with our HSE initiatives.

We are fully convinced that if we demonstrate care to our workers, they will not only take care of themselves, but also of others. This is why we believe that promoting a culture of caring will help us make SGS a safer and healthier company.

One of the key programs to support our new HSE vision is the Safety LeaderSHIFT. It's a program designed for SGS leaders and provides an insight into what they can do to improve their people´s health and safety thinking and behaviors.

The Safety LeaderSHIFT program was first launched in Lima, Peru, in May, at an event attended by 70 operational leaders and local OI employees. Since then, further LeaderSHIFT sessions have been held as the program visited Spain, Benelux, France and Germany.

We aim to continue the deployment in these existing countries and extend the program globally, with the support of local champions, until all managers are in scope.

230+

operations managers have been trained as safety leaders in five countries

19

sessions organized in 2022

"We truly believe that if we demonstrate care to our workers, they will not only take care of themselves, but also of others."

Nassim Beneddine
Global OI Head – Learning, Resources and Cultural Change

Social and relationship capital

The way we collaborate with our customers, suppliers, communities and other stakeholders can be described as our social and relationship capital. This is not just important to our success, it ensures we add value for all of them and that, together, we add value to society.

1 How we develop our social and relationship capital

We engage with our customers

- Our brand is a vital tool, both for our business and for all of the stakeholders that interact with us. It helps consumers to recognize quality and safety; it helps employees and prospective employees to connect to our identity and values; and it helps prospects and customers to find us and do business with us
- Our divisions each have a customer care department, connecting customers to the relevant parts of SGS. Each of these departments works hard to adapt our communication channels to meet our customers' needs
- We tailor our web presence to local needs in more than 80 countries and over 20 languages. These websites fulfill many functions, including business and corporate information, knowledge sharing, online engagement (including chat services), certification and document verification

We collaborate with suppliers

- We collaborate with more than 50 000 global, regional and local suppliers worldwide, enabling us to prioritize our sustainability and innovation goals. While maintaining solid partnerships with our key strategic suppliers to generate long-term growth, we also work closely with local suppliers. This allows us to seek new opportunities for development and collaboration, which will support and benefit the communities where we operate

We use procurement to drive sustainability

- Procurement plays a key role in supporting our sustainability ambitions through effective collaboration with our suppliers, which drives growth, innovation and productivity. Our supply chain is an important part of our value chain and we are serious about our responsibility to embed sustainability in our suppliers' operations
- We include sustainability criteria in the selection of our suppliers, monitor their risk through our Self-Assessment Questionnaire (SAQ), and work closely with them on the development of global and local sustainability initiatives

We support our communities

- We are committed to investing in the communities where we operate, and we do so across three pillars: empowerment, education and environmental sustainability. Through our community investment program, we help to tackle global challenges such as poverty, equal opportunities, health, education, climate change and environmental degradation

2 Our inputs

- SGS Community Program
- More than 50 000 suppliers
- Voice of the Customer program

3 Progress during the year

We engage with our customers

- We launched a new SGS online store strategy in 2022, providing a new digital sales channel for local affiliates to administer, helping them prioritize online sales and facilitate a faster go-to-market. We have a new agile platform which was piloted in Germany, the Netherlands and New Zealand. This allows teams to add new services to the platform quickly with reduced implementation costs. Launch of the platform was achieved in just one week and it has already provided an improved customer journey
- We track customer sentiment annually through our global Voice of the Customer (VoC) program. In 2022, we expanded the program to cover 27 affiliates across six regions, gathering the voice of 19 000 customers. This represents a massive improvement in geographical coverage compared to prior years, as well as a robust improvement in customer diversity per affiliate, with surveys sent to key accounts and a proportionately relevant sample from all divisions of other customers
- The global VoC program is now the source for our customer satisfaction (CSAT) results, replacing the Laboratory Excellence program. Our CSAT results are shared with all relevant stakeholders across the organization and corrective actions are developed to increase customer satisfaction. CSAT results were 84.5% in 2022, very close to our 2023 target of 85%, although slightly lower than prior years due to the expansion of location and type of customers surveyed
- In 2022, we migrated our corporate website to a new platform, and began consolidating all local corporate websites on the new platform under a single domain. This is a secure and futureproof environment, offering smarter and faster internal operations with reduced manual work, and new, industry-leading ways to interact with our audiences and service their needs. It gives us a competitive advantage by further strengthening our leadership position as the number one online authority for the TIC industry. All remaining local corporate sites will be migrated and consolidated during 2023

3 Progress during the year continued

We collaborate with suppliers	– Business continuity remained a challenge in 2022 due to the pandemic, bottlenecks in supply chains and geopolitical conflicts. That's why we have put such an emphasis on supplier collaboration to ensure the supply chain in all the countries we operate, with constant reviews of the market conditions, global backorders with high dependency products such as lab consumables, chemical products and IT equipment. We have avoided long delays by working with our suppliers on portfolio substitution and rationalization, which has mitigated the effects of global supply chain issues – Reducing the risk of price increases has been another business continuity challenge in 2022. Many of the actions we have taken with our suppliers have been to anticipate risks, standardize payment terms and compliance, set up mitigation plans or promote more effective tendering – Managing CHF 2 billion third-party spend, we have reinforced the value of procurement by strengthening the collaboration among global, regional and local procurement teams to find synergies, optimize our savings and support our operations – Procurement is a key enabler for capturing innovation from our partner ecosystem to the SGS group, carrying out more than 200 sourcing events related to business innovation and digital transformation in 2022. New agreements and partnerships will also bring efficiency and growth in the SGS Digital Transformation Journey, improving the way we work in areas such as information security, production and delivery services – Our Supplier Relationship Management (SRM) program is a systematic approach to evaluating and engaging with our suppliers. Through the SRM program we aim to develop and leverage the way we work with suppliers based on their risk to the business and the potential of added value solutions to our stakeholders. SRM is focused on developing long-term relationships with our most strategic suppliers to create business, innovation and sustainability opportunities. The program is also there to increase collaboration among our global, regional and local teams, enabling us to manage suppliers and key categories in a more efficient manner
We use procurement to drive sustainability	– We have started rolling out our new self-assessment questionnaire (SAQ) for strategic suppliers. This includes the definition of a new process that considers supply chain risk management and mitigation plans for high-risk vendors. The first phase, in Q4 2022, covered our strategic global suppliers and strategic local suppliers from four countries. By the end of 2023, we plan to extend the use of the SAQ to all countries in scope – We deployed the new SGS Supplier Segmentation in more than 25 countries and with over 6 000 top suppliers. This segmentation will not only leverage our category management but will also allow us to put in place more efficient sustainability-driven projects by supplier segment – We continued to promote our commitment to best practices in sustainability and ESG by making adherence to our code of conduct part of our tendering and contracting processes
We support our communities	– The development of our new community strategy has been a priority in 2022, and this will be launched in the early months of 2023 – During the year, we have also worked with our regional and local sustainability network to promote community investment with a special focus on volunteering. We have now made it mandatory for all affiliates to organize volunteering activities. This commitment to volunteering, in kind and cash donations, helps us to contribute towards our global priority sustainable development goals. We are also committed to finding and supporting more online community volunteering opportunities. Our affiliates continue to participate in global initiatives that support local communities, like the SGS People 15 Day Challenge and the SGS Academy for the Community

4 Outcomes

	2022	2021	2020
Customer satisfaction score (CSAT)*	**84.5**	88.0	88.0
Investment in community CHF MIO on a constant currency basis	**1.99**	1.45	1.25
Percentage of suppliers locally sourced %	**98**	98	97

* This is a satisfaction score on a 0-100% scale. The data sources used are the global VoC program in 2022 and the Laboratory Excellence Program for previous years. Following a change in the methodology, data of the actual year is now reported.

5 Outlook 2023

- Continue and strengthen the VoC program to reach 85% CSAT, while increasing the sample size to gather statistically relevant results by affiliate and by division
- Full rollout of SGS online stores for those countries which want to start the online selling journey
- Continue to focus on brand awareness – helping consumers to recognize the SGS brand as an authority on quality and safety, in turn benefiting our market leadership
- Start our procurement transformation project ('Horizon') to support our business in a more impactful way, by further developing our agility, collaborative mindset and impact on SGS financial performance
- Extend supplier SAQ to all affiliates in scope
- Launch and deploy our new community strategy
- Continue promoting volunteering activities throughout the network

Social and relationship capital in action

Social and relationship capital

We are committed to supporting people in our communities.

Through our SGS Academy for the Community program, we bring training to disadvantaged people who do not have access to the opportunities some of us take for granted.

We have

helped people to be more employable and productive.

Providing a helping hand across the world

In many of our communities, we see a vicious cycle whereby people cannot afford an education, so they remain unqualified and therefore cannot find well-paid employment. Through the SGS Academy for the Community, we continue to provide high-quality technical training free of charge, to people earning less than the average living wage in the communities in which we operate.

During the year, SGS Academy for the Community provided support and training for people in Pakistan, Ghana, India, Bangladesh, Turkey and the UK.

For example, in Pakistan we trained people with disabilities who had completed their graduation but had not been able to become economically independent. By training these people in ISO management systems, we gave them an opportunity to enter the workplace. We also provided support to professionals with low skills, upskilling them and making them more employable and productive.

In Turkey we trained 225 female unemployed environmental engineers and students on integrated management systems, which will enhance their employability.

And in Ghana we trained women from four shea butter cooperatives in low-income neighborhoods. They learned about good manufacturing practices and hazard control. This enabled them to increase the quality of the shea butter they make, a product that is used in beauty products in western countries, and most importantly it has helped them guarantee their jobs in the longer term.

We will

continue to support economic development worldwide.

Generating opportunities for individuals to thrive

The ongoing aim of the program is to support economic development by enhancing individuals' employability and improving their qualifications, so they can seek better paid positions. In deciding what courses to offer, we consider the local employment market in each country.

The program shares our philosophy of continual improvement by reaching out and educating individuals and communities, which in turn supports an improvement in the quality of life for many others. It generates opportunities for individuals to grow personally, enhances their skills and enables them to be more independently productive and even to support others.

"We are passionate, considerate and fully understand that there are people in the world who need a helping hand to get them on the road to personal and professional enrichment and success."

Laurent Corbaz
Global Head of Strategic Planning & Business Support, Knowledge

+600
people trained by the SGS Academy for the Community

9
countries SGS supported

Natural capital

Our climate change strategy sets a clear path to reduce energy consumption at source, use renewable energy whenever possible, and offset residual emissions. We add value to society through the services we provide to our customers and by helping them transition to a low-carbon economy, minimizing their impact on the environment.

1 How we manage our natural capital

Our Climate Change Strategy

– Our climate change strategy focuses on three main pillars:
  1. **Reducing energy consumption at source:** our main sources of CO_2 emissions come from buildings and vehicles – we have specific programs such as the Energy Efficiency in Buildings (EEB) program to address these sources of emissions
  2. **Using renewable energy whenever possible**
  3. **Offsetting all residual emissions**

– Our employees are an essential part of the journey we are on, and the environmental awareness initiatives we develop are an important part of this. We encourage employee participation to strengthen their and our commitment and we are keen to take their initiatives and suggestions into account

We promote the circular economy

– While we produce relatively little waste, we do need to carefully consider the way we handle chemicals, test samples, paper, plastic and organic waste at our offices and laboratories in order to preserve natural resources

2 Our inputs

	2022	2021	2020
Electricity consumed GWh	**487**	480	441
Fuel consumed GWh	**460**	448	422

3 Progress during the year

Leading decarbonization path following SBTi

In 2022 we became the first TIC company to receive approval for our 1.5°C and net-zero targets from the Science Based Target initiative (SBTi).

Aligned with the 1.5°C objective from the Paris Agreement, we have committed to reach net-zero greenhouse gas (GHG) emissions across the value chain by 2050. To achieve this objective, we have approved near and long-term science-based emissions reduction targets with the SBTi:

Near-term targets:

– We commit to reduce absolute scope 1 and scope 2 GHG emissions 46.2% by 2030 from a 2019 base year

– We also commit to reduce absolute scope 3 GHG emissions 28% by 2030 from a 2019 base year

Long-term target:

– We commit to reduce absolute scope 1, 2 and 3 GHG emissions 90% by 2050 from a 2019 base year

Our direct emissions reductions will be prioritized, and all residual emissions will be neutralized in line with SBTi criteria before reaching net-zero emissions by 2050.

In addition, we have been carbon neutral since 2014, meaning that so far, while reducing our absolute emissions year-on-year, we have compensated our residual emissions using avoidance off-sets. In our sustainability journey, while prioritizing the reduction of absolute emissions, we aim to gradually transition from using avoidance off-sets to exclusively removal off-sets.

Evaluating and managing the risks associated with climate change remains a priority for us, and we are supporters of the Task Force on Climate-related Financial Disclosures (TCFD). We are well ahead of the mandatory implementation of the TCFD recommendations, recently approved in Switzerland, and we have adopted their recommendations around governance, strategy, risk management, and metrics and targets. In 2022, we have worked to quantify the financial impact of some of our key risks and opportunities. The result of this analysis is available in our TCFD appendix to this report.

3

Progress during the year continued

We reduce energy consumption

- Our Energy Efficiency in Buildings (EBB) program is our flagship program to target our major source of energy consumption. In 2022, we enhanced our IT tool to help us manage and visualize data, as well as analyze and compare buildings from an energy-intensity prospective.
- By focusing our energy reduction efforts on our highest consumption buildings, we have demonstrated that we can make a significant impact on our energy levels. The 701 buildings we currently have in our EEB program account for 80% of our electricity and non-transport fuel consumption. We have now approved a global capex fund to support EEB measures and incentivize local investments. In specific, we've improved our electricity intensity per revenue by 5% compared to last year. We've intensified our investment in on-site photovoltaic systems, which led us to multiply by six the amount of renewable electricity directly generated in SGS buildings compared to the previous year
- For new buildings, the SGS green building guidelines are applied, enabling us to rate facilities based on KPIs spanning energy, water and pollution; to transport, building materials and employee well-being
- In 2022, we approved our vehicle emissions policy. Our goal now is to continue innovating with our 10 000 strong car fleet, so that by 2025 it emits 40% less carbon, and that by 2023 10% of our cars make use of low-carbon technologies (increasing to 50% by 2030). These technologies include, for example, full electric, plug-in hybrid, hybrid and ethanol
- After buildings and vehicles, energy use across our IT infrastructure and data centers is an important priority for us. Our new sustainable IT activation plan promotes optimization in cloud migration, hardware and e-waste management, and we now manage more than 80% of our workloads via the cloud. We have downsized the data center at our Swiss headquarters, while migrating our enterprise resource planning platform to a cloud data center in Europe
- We are also replacing devices with new ones that are more aligned with our sustainability standards. This has meant updating our purchase catalog to include a range of new devices or models from manufacturers like HP and Lenovo that adhere to stronger sustainable standards
- Our power reduction policy is helping us to move devices into a special mode that saves energy. This policy is being implemented globally, and is based on the principle that a device should start to consume less energy after four minutes of inactivity, and provide maximum energy saving after just 15 minutes, compared to a three-hour period under our previous policy
- We are investing in both renewable energy certificates and onsite self-generation facilities (solar panels). So far, 97% of the electricity consumed by SGS comes from renewable sources, and we are working towards closing that gap as far as possible

We reduce waste and conserve water

- We have continued to develop our waste reduction initiatives, especially for plastic waste. We are working towards embedding the circular economy into our operations – keeping resources in use for as long as possible, extracting the maximum value from them, then recovering and regenerating products and materials at the end of their service life
- We engage in various initiatives that help us monitor the amount of water we use and minimize consumption across all our operations. As a company, we are not a highly intense consumer of water, so this is not such a material topic for us. However, we remain committed to ensuring we have efficient water management strategies in place. Within our EEB program, which is primarily focused on our energy reduction efforts, we also assess water consumption and installations, so that we can make recommendations for site-specific water efficiency improvements

4

Outcomes

	2022	2021	2020
CO_2e thousand metric tons*	**116 505**	115 303	110 137
EEB program energy conservation measures identified (cumulative)	**786**	708	471

* Market-based figures. Excludes district heating and refrigerant gases emissions due to unavailability of data. 2021 and 2020 data are recalculated and no longer include business travel category of scope 3 in line with our new SBTi targets.

5

Outlook 2023

- Develop a policy to include circular economy principles into our waste and water management
- Track compliance of our new vehicle emissions policy
- Continue deploying our Energy Efficiency in Buildings program
- Reinforce our IT Activation Plan with communications across the network
- Re-evaluate the scope and criteria of our Green Building Guidelines as continuous improvement process
- Refine our green IT initiatives and promote them via regional and local IT
- Continue replacing local network equipment in all countries, consolidating in the cloud
- Increase our environmental awareness initiatives to guide our employees on how to contribute to decrease our impact as a company
- Continue adopting the TCFD recommendations

Natural capital in action

Natural capital

We are developing innovative solutions for a circular economy.

We have supported our customer in their transition toward a circular economy for the mining sector to reuse damaged leaching layflat hose – transporting the layflat hose to our workshop to repair and make them reusable in a sustainable way.

We have

reduced industrial waste and delivered cost savings.

Enabling our customers to reuse vital equipment

Our customer BHP Escondida is the world's largest producer of copper concentrates and cathodes. They use layflat hoses as an essential input for the assembly of leaching ponds in their metal extraction process.

When leaching layflat hoses are damaged, they are normally disposed of as standard waste in garbage dumps and replaced, as they cannot be recovered in any form. This poses a challenge to BHP Escondida in their supply chain – specifically, with the availability of these replacement layflat hoses.

As part of the solution we provided to our customer, our team now inspects the hoses for damage, and where needed we take them to our workshop to be cleaned, disassembled, reconditioned and tested, before returning them to the site for reuse. This not only lowers our customer's impact on the environment, it reduces the new materials they need as well as their costs, as well as increasing their operational efficiency.

We support

our customers to make mining more sustainable for future generations.

Protecting the environment

This solution is in line with our commitment to promote sustainable mining and to support our customers in meeting their commitments to the environment.

Now, BHP Escondida receives a product that was previously a waste at their operation, yet it offers the same performance and quality standard as the original hose. This reduces their industrial waste by 50% and achieves savings of more than 20% compared to sourcing brand new hoses.

For the wider mining sector we have demonstrated that certain materials that are currently disposed of could potentially be recovered. It shows that we can all move towards a more sustainable mining industry, while ensuring efficiency of operations. We will seek opportunities to replicate this project in other industries, wherever we can put our principles into action to achieve a positive outcome. Working closely with our customers, we believe we can leave a prosperous legacy for future generations.

50%
material recovered and reused

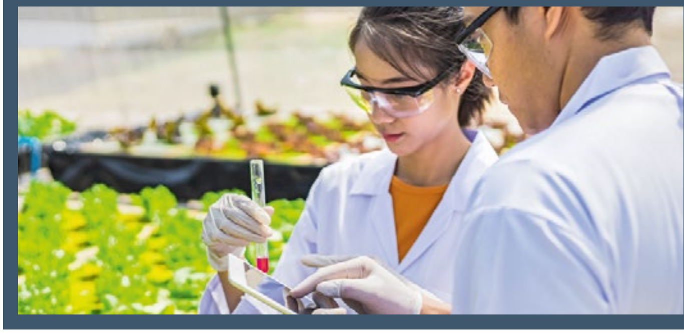
+20%
costs saved

Our contribution to the SDGs

Through our client services and our own operations, we make a measurable contribution to the Sustainable Development Goals (SDGs). We are committed to increasing this contribution year-on-year. To help track and report our wider contribution to society and the planet, SA30 is mapped to the 11 SDGs, out of 17, that are most relevant to our business activities.

Zero hunger

We offer a range of sustainability solutions that support food production systems around the world.



Examples of our contribution

Feed, farm and agriculture

We have developed a comprehensive range of support services that address food and feed safety, animal welfare and sustainability – from farm to food processing. We work with farmers as they strive to develop more sustainable methods for production, increasing yields, promoting greater efficiencies and improving access to new markets.

Read more online

Gafta sustainability pledge

Over 100 of our labs, fumigation and inspection operations are now included in the Grain and Feed Trade Association (Gafta) sustainability pledge directory. This demonstrates our company-wide commitment to following – and promoting – sustainable industry practices.

Read more online

Good health and well-being

We offer sustainability solutions that help our customers achieve positive health and well-being outcomes for their organization and for wider society.

Examples of our contribution

Biopharmaceutical testing

We offer innovative biopharmaceutical testing, biosafety, bioanalytics and product quality control solutions for every life cycle stage – from early phase cell bank safety assessment and product characterization to later phase method development, bioanalysis and final phase product release.

Read more online

Air quality monitoring

Air pollution from transportation, power generation, industry and domestic sources can cause a variety of health problems, including cancer and respiratory and cardiac diseases. Chemicals and particles released by these activities change the composition of the ambient air, which can also affect animal and plant life. Our sampling and monitoring services ensure the environment and human health is protected.

WELL performance testing

In 2022, we partnered with IWBI (International WELL Building Institute) joining the WELL Enterprise Provider (EP) network. WELL certification is an eco-friendly initiative that focuses on human health and welfare enterprises by reinforcing design layout and architectural infrastructure tailored around current green building standards inside the workplace. We are supporting the WELL community with our laboratory network across the world ensuring standard compliance of indoor environmental parameters.

Quality education

We enable access to education through our training programs.

Examples of our contribution

SGS Academy

Our SGS training programs cover a wide range of topics related to areas such as quality, sustainability, performance and health and safety. We offer bespoke training from industry experts, and our courses are designed for different levels of ability to address the needs of any industry.

Moreover, 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 pro bono initiative is to support local economic development by enhancing access to and quality of employment.

Read more online

Gender equality

Our commitment to inclusion and diversity includes working towards gender equality throughout our business.

Examples of our contribution

Women in leadership

We are progressing against our 2023 goal of 30% women in senior leadership positions by taking proactive steps, from recruitment (our recruitment academy helps avoid conscious or unconscious biases), to policies (for example on anti-discrimination and dignity at work) and reward (taking action on our gender pay gap).

Equal salary certification

SGS has obtained EQUAL-SALARY certification in Switzerland, a symbol of excellence in terms of equal pay. After successfully passing the statistical analysis of its salaries, we underwent an internal audit entrusted to PwC proving that we applied equal pay for women and men.

Clean water and sanitation

We ensure that our own operations – and the services we offer customers – support responsible water stewardship.

Examples of our contribution

Water services

Onsite sampling and analysis services for water quality assurance help ensure that waste water discharge is not contributing to environmental contamination. We are also a signatory to the WASH Pledge on safe water, sanitation and hygiene within our own business.

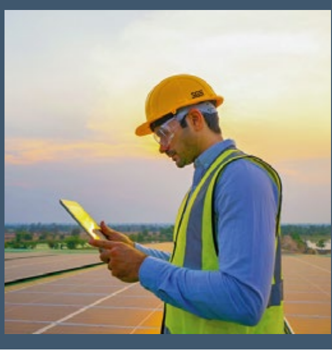
Read more online

World Class Service (WCS) laboratories

Each year, more of our laboratories adopt WCS methodology to build a culture of operational excellence and resource efficiency – optimizing use of raw materials such as water.

Affordable and clean energy

We help customers save energy and reduce carbon through our sustainability solutions – and we do the same across our own sites.



Examples of our contribution

Energy efficiency services

We offer audit and assessment against national and international schemes for calculating, monitoring and mitigating the impacts of energy use, as well as advice and guidance on how to make everyday business more sustainable.

Read more online

EEB program and onsite reduction projects

Our EEB program evaluates and reduces the energy consumption in new and existing buildings across the group. The action plans developed for each affiliate provide specific guidance on steps that can be taken to become more energy efficient. Each plan identifies the affiliate's key facilities, the KPIs that need to be monitored and the opportunities to improve energy efficiency performance.

Our contribution to the SDGs continued

Decent work and economic growth

Through our sustainability solutions, and our own workplaces, we foster technological innovation and sustainable economic growth.

Examples of our contribution

Human rights policy and report

Human rights policy recently updated to better reflect our commitment. Our human rights report (available in the appendix) consolidates the principles, policies and initiatives that demonstrate our commitment to human rights.

Process safety and risk management services

Our services cover the entire life cycle of risks, from advising clients on local safety regulations and applying methods of hazard identification and risk estimation during the design phase, through to the development of and training on risk management systems and emergency plans.

New ESG services

Our ESG health check services efficiently measure the environmental, social and governance performance of an organization, supply chain and investment portfolio. To complement it, our ESG gap analysis evaluates actions needed to improve performance across ESG criteria and disclosure, providing an action plan for how to address the identified gaps to improve disclosures. With these new ESG services and many more, we're supporting companies in the implementation of sustainable business practices throughout their ESG journey.

Read more online

Industry, innovation and infrastructure

Our sustainability solutions contribute to future-ready infrastructure, sustainable industrialization and a more inclusive, interconnected world.

Examples of our contribution

Collaboration with Microsoft to develop new digital TIC services

The collaboration integrates Microsoft's cross-industry expertise, advanced data solutions and productivity platforms, and our global network and leading industry competence to develop innovative solutions for the TIC industry's customers.

Read more online

IoT testing

We provide our customers with comprehensive cybersecurity solutions such as training, risk assessments and testing for their IoT devices. With the acquisition of Brightsight in 2021, we are integrating our solutions and use our knowledge to create new services for the industries that we consider have to have the most relevance to security in a connected environment: automotive, medical, consumer IoT and industrial application.

Watch our video on cybersecurity solutions and IoT

Responsible consumption and production

Our sustainability solutions, and our own supply chains, promote production and consumption systems that conserve resources for the future.

Examples of our contribution

Sustainable packaging

SGS offers a one-stop solution to help manufacturers produce and supply sustainable packaging to clients operating in markets around the world. Services include sustainable fiber services for paper and cardboard packaging, determination of mixed tropical hardwoods, biodegradability and compostability testing and sustainable packaging design and prototyping.

Watch the video

bluesign® certification

Our environment, health and production safety approval system helps the textile industry optimize processes to reduce raw material inputs and costs, while enhancing future competitiveness.

Read more online

Climate action

Our climate change strategy sets a clear path to reduce our climate impact. We are also helping our customers embrace the net-zero economy.

Examples of our contribution

Portfolio scan

We support our customers in reducing their carbon emissions across their real estate portfolio. Our scan provides a ‘road to zero carbon operations’ with refurbishment actions and related investment requirements.

Watch the video

TCFD consulting services

We provide assistance to our customers to implement the TCFD recommendations and better understand the financial impact of climate change in their business.

Life on land

We offer a range of sustainability solutions that support responsible stewardship of nature and ecosystems.

Examples of our contribution

Forestry services

We enable organizations to demonstrate that their timber procurement is verified sustainable and traceable, including FSC™, PEFC™, CFCC and EU timber regulation solutions for both forest management and chain of custody.

Read more online

Environmental-DNA (E-DNA) solutions

From our Global Biosciences Center, we are trialling E-DNA solutions for biodiversity assessments in the mining, construction and waste sectors. Solutions using E-DNA will support rapid and remote biodiversity surveying for clients.

Read more online

Now part of the TNFD

We are now part of the Taskforce on Nature-related Financial Disclosures (TNFD). As a member of this forum, we are helping global financial flows to achieve nature-positive outcomes in a world of evolving nature-related risk.

Read more online

We are ensuring good corporate governance.

2

This Corporate Governance report informs shareholders, prospective investors and society on SGS's policies in matters of corporate governance, such as: the structure of the Group, shareholders' rights, the composition, roles and duties of the Board of Directors and its committees and Management, and internal controls and audits. This report has been prepared in compliance with the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance of 18 June 2021 and with the Swiss Code of Best Practice for Corporate Governance. The SGS Corporate Governance framework aims to achieve an efficient allocation of resources and clear mechanisms for setting strategies and targets, in order to maximize and protect shareholder value. SGS strives to attain this goal by defining clear and efficient decision-making processes, fostering a climate of performance and accountability among managers and employees alike and aligning employees' remuneration with the long-term interests of shareholders.

1. Group structure and shareholders

1.1. Group structure

1.1.1. Operational Group structure

SGS SA, registered in Geneva (CH), also referred to as the 'Company', controls directly or indirectly all entities worldwide belonging to the SGS Group, which provides independent inspection, verification, testing, certification and quality assurance services.

The shares of SGS SA are listed on the SIX Swiss Exchange and are traded on SIX Europe (Swiss Security Number: 249745; ISIN: CH0002497458).

On 31 December 2022, market capitalization was approximately CHF 16 114 million (2021: CHF 22 837 million).

The operations of the Group are divided into seven regions, each led by a Chief Operating Officer responsible for the SGS businesses in that region and for the local implementation of group policies and strategies.

At 31 December 2022, geographic operations were organized as follows:

- North America
- Latin America
- Africa & Western Europe
- North & Central Europe
- Eastern Europe & Middle East
- North East Asia
- South East Asia & Pacific

The Group is structured into five divisions with each responsible for the global development of group activities within its own sphere of specialization and the execution of strategies with the support of the Chief Operating Officers. At 31 December 2022, the business divisions were organized as follows:

- Connectivity & Products (C&P)
- Health & Nutrition (H&N)
- Industries & Environment (I&E)
- Natural Resources (NR)
- Knowledge (Kn)

Each division was led by an Executive Vice President. Chief Operating Officers and Executive Vice Presidents are members of the Operations Council, the Group's most senior management body.

1.1.2. Listed companies in the Group

None of the companies under the direct or indirect control of SGS SA have listed shares on any stock exchange.

1.1.3. Non-listed companies in the Group

The material legal entities consolidated within the Group are listed on pages 187 to 189 of the annual report, with details of the share capital, the percentage of shares controlled directly or indirectly by SGS SA and the registered office or principal place of business. The list of legal entities is limited to entities whose contribution to the Group revenues in 2022 represent at least 1% of the consolidated revenues and includes the main operating entity in the jurisdictions where the Group is active, even when annual revenues do not reach 1% of consolidated revenues.

This definition of materiality excludes dormant companies, pure sub-holding companies or entities used solely for the detention of assets. Details of acquisitions and disposals made by the SGS Group during 2022 are provided in note 3 of the consolidated financial statements included on page 137 of this annual report.

1.2. Significant shareholders

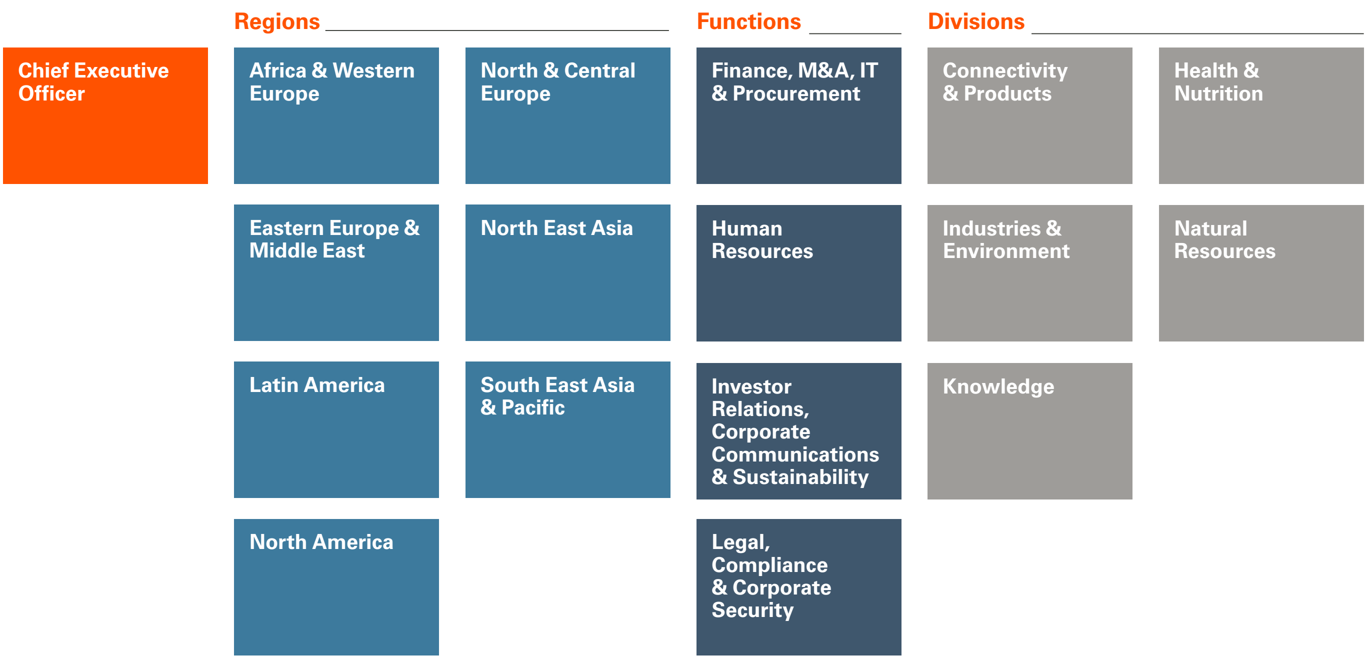
To the knowledge of the Company the shareholders owning more than 5% of its share capital as at 31 December 2022, or as the date of their last notification as per Article 20 of the Swiss Stock Exchange Act (SESTA) were Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) with 19.11% (December 2021: 19.11%) of the share capital and voting rights of the Company, and BlackRock Inc. with 5.18%, (December 2021, less than 5%). As at 31 December 2022, the SGS Group held 1.68% of the share capital of the Company (December 2021: 0.04%). During 2022, the Company has published regularly on the electronic platform of the Disclosure Office of the SIX Swiss Exchange Ltd all disclosure notifications received from shareholders of transactions subject to the disclosure obligations of Article 20 SESTA.

During 2022, the Company has published a total of 2 reports regarding the composition of its significant shareholders to the Disclosure Office of the SIX Swiss Exchange Ltd at www.sgs.com/en/investor-relations

1.3. Cross-shareholdings

Neither SGS SA nor its direct and indirect subsidiaries have any cross-shareholding in any other entity, whether publicly traded or privately held.

Group structure



2. Capital structure

2.1. Issued share capital

The share capital of SGS SA is CHF 7 495 032 as of 31 December 2022 and comprises 7 495 032 fully paid-in, registered shares of a par value of CHF 1. On 31 December 2022, SGS SA held 125 978 treasury shares through an affiliate company (2021: 3 360).

On 21 June 2022, the Group announced a share buyback program for the purposes of capital reduction, which ended on 21 December 2022. Under the program, SGS SA repurchased 113,499 shares on a second trading line on SIX Swiss Exchange (equivalent to 1.51% of the current share capital of SGS SA), for a total amount of CHF 250 million, at an average purchase price of CHF 2,202.66 per share.

2.2. Authorized and conditional share capital

The Board of Directors has the authority to increase the share capital of the Company by a maximum of 500 000 registered shares with a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. If increased by the maximum amount of the authorized share capital, the existing share capital of 7 495 032 shares would grow by approximately 6.7% to 7 995 032 shares. The Board is authorized to issue the new shares at the market conditions prevailing at the time of issue.

In the event that the new shares are issued for the purpose of an acquisition, the Board is authorized to waive the shareholders' preferential right of subscription or to allocate such subscription rights to third parties. The authority delegated by the shareholders SGS to increase the share capital is valid until 23 March 2023.

The shareholders have conditionally approved an increase of share capital by an amount of CHF 1 100 000 divided into 1 100 000 registered shares with a par value of CHF 1 each. This conditional share capital increase is intended to obtain the shares necessary to meet the Company's obligations with respect to employee equity-based remuneration plans and option or conversion rights of convertible bonds or similar equity-linked instruments that the Board is authorized to issue. If increased by the maximum amount of the conditional share capital, the existing share capital of 7 495 032 shares would increase by approximately 14.7% to 8 595 032 shares. The conditional capital is not limited in time.

The right to subscribe to such conditional capital is reserved to beneficiaries of employee share option plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorized to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions.

The term of exercise of the options or conversion rights may not exceed ten years from the date of issuance of the equity-linked instruments.

2.3. Changes in capital

The share capital of the Company was reduced in 2021 to cancel shares purchased by application of share buyback programs initiated by the Company. In 2021, the shareholders approved a reduction of the share capital, by cancellation of 70 700 shares. No other changes in the share capital of the Company were made in the course of the last three years.

2.4. Shares and participation certificates

All shares, other than treasury shares held by SGS SA, have equal rights to the dividends declared by the Company and have equal voting rights. The Company has not issued any participation certificates (bons de participation/Partizipationsscheine).

2.5. Dividend-right certificates

The Company has not issued any dividend-right certificates.

2.6. Limitations on transferability and admissibility of nominee registrations

SGS SA does not limit the transferability of its shares. The registration of shares held by nominees is not permitted by the Company's articles of association, except by special resolution of the Board of Directors. By decision of the Board, the Company's shares can be registered in the name of a nominee acting in a fiduciary capacity for an undisclosed principal, provided however that shares registered in the names of nominees or fiduciaries may not exercise voting rights above a limit of 5% of the aggregate share capital of the Company. This rule was made public on 23 March 2005. The Company has a single class of shares and no preferential rights have been granted to any shareholder.

2.7. Convertible bonds and warrants/options

No convertible bonds have been issued by the Company or by any entity under its direct or indirect control. In 2022, no options or similar instruments have been issued by the Company or by any of the Group's subsidiaries.

3. Board of Directors

The Board of Directors is the highest governing body within the Group. It is the ultimate decision-making authority except for those decisions reserved by law to the Annual General Meeting.

3.1. Members of the Board of Directors

This section presents the Members of the Board of Directors of the Company with their functions in the Group, their professional backgrounds and all their material positions held outside the Group in governing and supervisory boards, management positions and consultancy functions, official tenures and political commitments, both in Switzerland and abroad.

The Board has set out criteria for the selection of new directors and has conducted a search which has resulted in changes to the composition of the Board of Directors in 2020, 2021 and 2022. The aim of this exercise is to ensure that the Board is continuously in a position to provide leadership, strategic oversight and guidance and contribute to setting ambitious targets for the Group and meeting long-term value creation objectives.

The competencies sought by the Group for its Board of Directors include experience of senior executive leadership in international businesses, strategic planning, finance, technology and innovation. When selecting candidates to the Board of Directors, the Company has due regards to the experience, professional qualifications, areas of expertise, age, gender and national background as well as leadership style, so that at all times, the Board and its committees have the required skills.

At the Annual Shareholders Meeting of March 2022 Ms Phyllis Cheung was appointed to the Board of Directors along with the re-election of all incumbent members of the Board of Directors. Biographical information on former members of the Board of Directors is available in the corporate governance reports of prior years.

The members of the Board of Directors at 31 December 2022 were as follows:

Board members key industry experience based on the Global Industry Classification Standard (GICS):

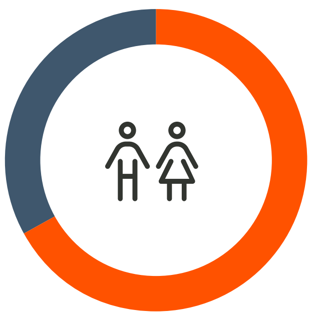
	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Communication Services
Calvin Grieder	✓		✓			✓	✓
Sami Atiya	✓			✓		✓	
Paul Desmarais					✓		
Ian Gallienne		✓			✓		
Tobias Hartmann		✓				✓	
Shelby R. du Pasquier					✓		
Kory Sorenson					✓		
Janet Vergis				✓			
Phyllis Ka Yan Cheung		✓					✓

Board composition at the end of 2022

Geographical spread

Americas 22%
Europe, Africa and Middle East 67%
Asia Pacific 11%

Gender



Male 67%
Female 33%

Length of tenure

3 years and less 54%
Between 3 and 6 years 36%
Between 7 and 9 years 10%

Calvin Grieder

Nationality: Swiss
Year of birth: 1955
Tenure: 3 years

Function in SGS

- Chair: Board of Directors
- Chair: Nomination Committee
- Sustainability Committee

Key experience

- Automation and control technology (USA)
- Telecom and digital services
- System engineering and services
- Food processing
- Risk management

Professional history

2001 to 2016: Bühler (CH); CEO
1999 to 2000: Swisscom (CH & DE)
1994 to 1998: SIG (CH)
1991 to 1994: Mikron (CH)
1984 to 1990: Bürkert (DE & USA)
1980 to 1983: Georg Fischer (CH & USA)

Education

- Master of Science in Process Engineering, ETH Zurich
- Advanced Management Program (AMP), Harvard University

Other activities and functions

Givaudan SA*, Vernier (CH), Chairman of the Board

Bühler Group AG, Uzwil (CH), Chairman of the Board

AWK Group AG, Zurich (CH), Chairman of the Board

Carivel7 AG, Zurich (CH), Owner

Avenir Suisse, Zurich-Oerlikon (CH), Member of the Board of Trustees

Advisory Board ETH – Department of Mechanical & Process Engineering

* Listed company.

Sami Atiya

Nationality: German
Year of birth: 1964
Tenure: 2 years

Function in SGS

- Board of Directors
- Nomination Committee
- Chair: Remuneration Committee

Key experience

- Robotics
- Automation
- Medical technology
- Software and logistics
- Transportation
- Risk management

Professional history

2016 to present: ABB Ltd (CH, SE)
1997 to 2014: Siemens Group
1995 to 1997: Harald Balzer & Partner
1994 to 1995: Robert Bosch – Blaupunkt
1988 to 1993: Fraunhofer Institute Karlsruhe Institute of Technology

Education

- Master of Business Administration (MBA), Massachusetts Institute of Technology (MIT), USA
- Master's degree in Electrical Engineering and Automation, Karlsruhe Institute of Technology, Germany
- PhD in Electrical Engineering (Robotics, Artificial Intelligence and Sensors), University of Wuppertal/Karlsruhe Institute for Technology, Germany

Phyllis Ka Yan Cheung

Nationality: Chinese
Year of birth: 1970
Tenure: 1 year

Function in SGS

- Board of Directors
- Sustainability Committee

Key experience

- Retail and consumption
- Digitalization and data driven organization
- Growth in Asian markets
- Enterprise level risk management
- Change management and company culture
- Risk management

Professional history

2015 to present: McDonald's China; CEO
2012 to 2014: McDonald's Singapore and Malaysia
2000 to 2011: McDonald's China
1998 to 2000: Leo Burnett, Hong Kong
1997 to 1998: Momentum Strategy Consultant, India
1992 to 1997: Saatchi & Saatchi, J Walter Thompsons, Hong Kong

Education

- Bachelor of Arts, The University of Hong Kong, China
- Executive MBA, The Chinese University of Hong Kong, China

Other activities and functions

Fellow, Aspen China Fellowship

Member, Aspen Global Leadership Network

Paul Desmarais, Jr.

Nationality: Canadian
Year of birth: 1954
Tenure: 9 years

Function in SGS
- Board of Directors

Key experience
- Insurance and risk management
- Strategy
- Private equity
- Innovation

Professional history
1982 to 2020: Pargesa Holding SA; Chairman
1984 to 2020: Power Financial
1981 to 2000: Power Corporation of Canada

Education
- Bachelor of Commerce degree from McGill University, Montreal
- MBA from the Institut Européen d'Administration des Affaires (INSEAD), France
- Honorary doctorates from various Canadian universities

Other activities and functions
Groupe Bruxelles Lambert*, Brussels (BE), Chairman of the Board of Directors

Great-West Lifeco Inc.*, Winnipeg (CA), Member of the Board (including those of its major subsidiaries)

IGM Financial Inc.*, Winnipeg (CA), Member of the Board (including those of its major subsidiaries)

Member of the Advisory Council the European Institute of Business Administration (INSEAD)

Trustee of the Brookings Institution and a Co-Chair of the Brookings International Advisory Council (USA)

Past Chairman and a Member of the Business Council of Canada (CA)

Ian Gallienne

Nationality: French, Belgian
Year of birth: 1971
Tenure: 9 years

Function in SGS
- Board of Directors
- Remuneration Committee
- Nomination Committee

Key experience
- Strategy
- M&A
- Finance
- Consumer/retail management
- Risk management

Professional history
2012 to present: Group Bruxelles Lambert; CEO
2005 to 2012: Ergon Capital Partners
1998 to 2005: Rhône Capital LLC

Education
- MBA from INSEAD, France

Other activities and functions
adidas* (DE), Vice Chairman of the Supervisory Board, Member of the General Committee

Imerys*, Paris (FR), Member of the Board, Chairman of the Strategic Committee, Member of the Compensation Committee, Member of the Appointments Committee

Pernod Ricard SA*, Paris (FR), Member of the Board, Member of the Strategic Committee and Member of the Remuneration Committee

Carpar SA (BE), Member of the Board

Compagnie Nationale à Portefeuille SA (BE), Member of the Board

Financière De La Sambre SA (BE), Member of the Board

Société Civile du Château Cheval Blanc (FR), Member of the Board

Marnix French ParentCo (Webhelp group), Paris (FR), Chairman of the Board

Tobias Hartmann

Nationality: German, American
Year of birth: 1972
Tenure: 2 years

Function in SGS
- Board of Directors
- Audit Committee

Key experience
- Retail
- Technology
- Logistics and operations
- eCommerce and marketplaces
- IT
- Cybersecurity
- Risk management

Professional history
2018 to present: Scout24 SE; CEO
2017 to 2018: Hellofresh SE
2011 to 2015: eBay Enterprise (part of eBay Inc.)

Education
- MBA, Clark University, USA
- Bachelor of Arts (BA) degree, Clark University, USA

* Listed company.

Shelby R. du Pasquier
Nationality: Swiss
Year of birth: 1960
Tenure: 17 years

Function in SGS
- Board of Directors

Key experience
- Corporate law
- Banking, stock exchange and financial regulation
- Private equity
- M&A
- Risk management

Professional history
1994 to present: Lenz and Staehelin; Partner

Education
- Geneva University Business School and School of Law
- Columbia University School of Law (LLM)

Other activities and functions
Swiss National Bank*, Member of the Board since 2012, Chair of the Risk Committee

Pictet and Cie Group SCA, Chairman of the Supervisory Board since 2013

Kory Sorenson
Nationality: British
Year of birth: 1968
Tenure: 3 years

Function in SGS
- Board of Directors
- Remuneration Committee
- Chair: Audit Committee
- Chair: Sustainability Committee

Key experience
- Capital and risk management
- Audit and control
- Capital markets
- M&A
- Remuneration (executive and wider workforce)
- Governance
- Sustainability

Professional history
2005 to 2010: Barclays Capital; Managing Director
2001 to 2005: Credit Suisse
1998 to 2001: Lehman Brothers
1997 to 1998: Morgan Stanley
1995 to 1997: Commerz Financial Products
1992 to 1995: Total SA

Education
- Post-graduate (DESS) degree in corporate finance, l'Institut d'études politiques de Paris, France
- Master's in applied economics, University of Paris-Dauphine, France
- Bachelor's in econometrics and political science, American University, USA
- Governance programs from Harvard Executive Education, INSEAD and the Stanford Graduate School of Business
- Professional certificate IBM Cybersecurity Fundamentals

Other activities and functions
Phoenix Group Holdings PLC*, London (UK), Member of the Board and Chair of the Remuneration Committee, Member of the Risk and Sustainability Committees

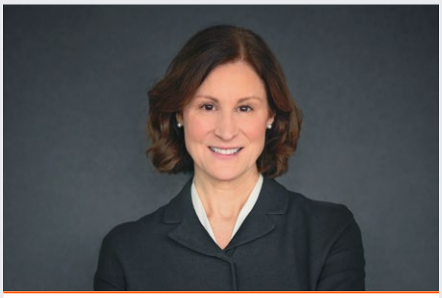
Pernod Ricard SA*, Paris (FR), Member of the Board and Chair of the Remuneration Committee, Member of the Audit Committee

Bank Gutmann, Vienna (AU), privately owned, Member of the Supervisory Board

Comgest, Paris (FR), Member of the Board of Partners

AA Limited, Jersey (UK), Member of the Board and Chair of Audit and Risk Committee

Premium Credit Limited, Member of the Board and Chair of Audit and Risk Committee



Janet Vergis
Nationality: American
Year of birth: 1964
Tenure: 1 year

Function in SGS
- Board of Directors
- Audit Committee

Key experience
- Healthcare (pharmaceuticals, biotechnology and device)
- US leadership across large, complex, and heavily regulated businesses
- R&D background
- Board governance and CPG knowledge
- Risk management

Professional history
2013 to 2019: various private equity firms
2010 to 2012: OraPharma, Inc.; CEO
1988 to 2009: Johnson & Johnson

Education
- Bachelor of Science in Biology, Pennsylvania State University, USA
- Master of Science in Physiology, Pennsylvania State University, USA

Other activities and functions
Teva Pharmaceutical Industries*, Member of the Board, Chair of Compliance Committee and Member of the Human Resources/ Compensation Committee

Dentsply Sirona*, Member of the Board, Chair of the Science & Technology Committee

Church and Dwight Company*, Member of the Board, Chair of Governance

Committee, and Member of the Compensation and Human Capital Committee

The Pennsylvania State University, Biotechnology Advisory Board Chair

The Pennsylvania State University, Corporate Engagement Advisory Board Vice-Chair

* Listed company.

Phyllis Ka Yan Cheung
Board Director

Q What made you decide to become an SGS board member?

I feel truly aligned with SGS's purpose to enable a better, safer and more interconnected world, and I share the same values with the teams I have met across SGS. I believe my expertise in the consumer industry and Asian markets means that I can offer a constructive and different perspective to the Board.

Q How will your past experiences help to drive SGS to a thriving future?

As a practicing CEO, I keep up to date with consumer trends, food supply chain networks, sustainability practices, and I manage enterprise level risks that involve digitalization and cybersecurity. I believe my hands-on experience and customers' viewpoint can add value to the SGS growth strategy.

Q We understand that you have visited laboratories to learn more about SGS, how effectively did your visits prepare you for your role and responsibilities?

Calvin and Frankie designed a very effective induction program for me. I met with the global business unit leaders and visited the local Life Science and I&E laboratories in Switzerland, as well as the cosmetic and softline labs in Shanghai.

These trips helped me to understand how the global growth strategy is being translated into each local market's strategic focus, and how our local management teams execute with entrepreneurship, disciplined scientific process and technical rigor. The chance to speak with employees has given me a better understanding of the talent and culture in the organization.

All of this has helped me to understand the opportunities and challenges that lie ahead for SGS, making me, as a board member, more insightful in the prioritization of issues and resources.

Q What are your first impressions of SGS culture?

I can see that SGS is purposeful, we set high standards of integrity and professionalism, and are open-minded and action-oriented to achieve results.

The Directors bring a wide range of experience and skills to the Board. They participate fully in decisions on key issues facing the Group. Their combined expertise in the areas of finance, commercial law, digital, cybersecurity, innovation, strategy and sustainability, and their respective positions of leadership in various industrial sectors are important contributing factors to the successful governance of an organization of the size of the SGS Group.

The Board undertakes a periodic review of the Directors' interests in which all potential or perceived conflicts of interests and issues relevant to their independence are considered. In line with this review, the Board has set a target stating that at least 60% of its members and members of its committees will be independent and to plan the succession of members accordingly.

The Board of Directors considers the following criteria to assess the independence of its members:

1. The director must not have been employed by the Company in an executive capacity within the last five years
2. No family member of the director is employed or was employed during the past three years by the Group in any management capacity
3. Neither the director or a family member has received any payments from the Group other than board remuneration approved by the Annual General Meeting
4. The director is not acting (and must not be affiliated with a Company that is acting in material manner) as an advisor or consultant to the Company or a member of the Company's Senior Management
5. The director must not be affiliated with a significant customer or supplier of the Company
6. The director must have no personal services contract(s) with the Company or a member of the Company's Senior Management
7. The director must not be affiliated with a not-for-profit entity that receives significant contributions from the Company
8. The director must not have been a partner or employee of the Company's external auditor during the past three years
9. The director must not have any other conflict of interest that the Board determines to mean they cannot be considered independent
10. Any director who has served for more than 12 consecutive terms is no longer considered as independent

The Board has concluded that its members are independent on the basis of these criteria, with the exception of Shelby du Pasquier (whose tenure exceeds 12 yearly terms), Ian Gallienne and Paul Desmarais (both being representatives of a significant shareholder owning more than 10% of the shares of the Company).

None of the members of the Board of Directors exercise nor have they exercised an executive role or operational management tasks for the Company or any entity of the Group. None of them have any significant business connection with the Company or the Group.

The remuneration of the members of the Board of Directors is detailed in the Remuneration report. The Chair of the Board, jointly with members of the Board of Directors, assesses periodically the performance of the Board as a whole, of its committees and of each of its individual members.

On the basis of this periodic assessment, changes to the composition of the board membership are regularly proposed to the Company's Annual General Meeting.

This periodic performance evaluation is designed to ensure that the Board is always in a position to provide an effective oversight and leadership role to the Group.

3.2. Other activities and vested interests

Other activities and vested interests of the members of the Board of Directors are indicated in Section 3.1.

3.3. Limits on external mandates

The Company's articles of association limit the number of mandates permissible to board members.

These rules limit the number of mandates that board members can accept to no more than 10 board memberships in entities outside the Group, of which a maximum of five memberships may be in boards of companies whose shares are traded on a stock exchange. Mandates assumed at the request of a controlling entity do not count towards the maxima defined in the articles of association.

In addition, the articles of association limit to 10, the permissible participations in boards of association and other nonprofit organizations. All board members have confirmed that they comply with these rules.

3.4. Elections and terms of office

The articles of association of SGS SA provide that each member of the Board of Directors, and among them the Chair of the Board of Directors and the members of the Remuneration Committee, is elected annually by the shareholders for a period ending at the next Annual General Meeting. Each member of the Board is individually elected. There is no limit to the number of terms a Director may serve. The initial date of appointment of each board member is indicated in Section 3.1.

3.5. Internal organizational structure

The duties of the Board of Directors and its committees are defined in the Company's articles of association and in its internal regulations, which are reviewed periodically. They set out all matters for which a decision by the Board of Directors is required.

In addition to the decisions required by Swiss company law, the Board of Directors approves the Group's strategies and key business policies, investments, acquisitions, disposals and commitments in excess of delegated limits.

3.5.1. Allocation of tasks within the Board of Directors

The Chair of the Board is elected by the Annual General Meeting. He or she plans and chairs the board meetings, defines the agenda of the meetings and conducts the deliberations of the Board of Directors. All members of the Board of Directors participate in deliberations of the Board and participate equally in its decisions.

Within the limits permitted by law or by the articles of association, the Board of Directors can decide to delegate certain of its tasks to standing or ad-hoc committees. With the exception of the members of the Remuneration Committee, who are elected by the shareholders, the members of other committees are appointed by the Board.

3.5.2. Members' list, tasks and area of responsibility for each committee of the Board of Directors

The following chart describes the committees and their membership as at 31 December 2022:

	Remuneration	Audit	Sustainability	Nomination
Calvin Grieder			Member	Chair
Sami Atiya	Chair			Member
Ian Gallienne	Member			Member
Tobias Hartmann		Member		
Shelby R. du Pasquier				
Kory Sorenson	Member	Chair	Chair	
Janet Vergis		Member		
Phyllis Ka Yan Cheung		Member	Member	

Chair Member

Calvin Grieder, Chair of the Board of Directors, attends the meetings of the Remuneration, Sustainability and Audit Committees, with a consultative vote. He chairs the Nomination Committee. Each committee acts within terms of reference established by the Board of Directors and set out in the internal regulations of the Company. The minutes of their meetings are available to all Directors.

Remuneration Committee

Members of the Remuneration Committee are elected individually during the Annual General Meeting, with the Chair of the Committee designated among them by the Board of Directors. The Remuneration Committee is focused on matters of executive remuneration. The Remuneration Committee acts in part in an advisory capacity to the Board, and in part as a decision-making body on matters that the Board has delegated to the committee. The Committee advises the Board of Directors on matters regarding the remuneration of the members of the Board of Directors and management, and on general policies relating to remuneration applicable to the Group. The Committee defines the conditions of share-based remuneration plans or other plans for the allocation of shares, issued from time to time by the Company. The Committee reviews and approves the contractual terms of the employment of the CEO and the other members of the Management. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council. The Committee drafts the SGS Remuneration report.

Audit Committee

The Audit Committee supports the Board of Directors in discharging its duties in relation to financial reporting and internal controls. Such duties include consideration of the appropriateness of accounting policies, the adequacy of internal controls, risk management and regulatory compliance. It exercises oversight over the major risks identified by the Board of Directors. This includes specifically the risks of cybersecurity. It receives regular reports on cybersecurity incidents and measures taken by management to address this risk. The Audit Committee is assisted in this task by the Board digital advisory committee which provides advice on matters of digital technology. The Audit Committee is also responsible for the supervision of the internal and external auditors of the Group, each of which provides regular reports to the committee on findings arising from their work. The Committee reports regularly to the Board of Directors on its findings.

Sustainability Committee

A dedicated Sustainability Committee was established in 2022 in response to the growing importance of sustainability to the Company and its stakeholders. The Committee plays an important role in supporting the Company to develop its sustainability plans and act accordingly. The Committee oversees sustainability-related issues that may affect the Group and its customers, including reputational and non-financial risks. It is also responsible for reviewing and approving the non-financial information included in the Integrated Annual Report.

Nomination Committee

The Nomination Committee assists the Board in the succession planning, selection and nomination of candidates to positions to the Board of Directors and to the senior management (Operations Council) of the Group.

The Board of Directors and its committees hold physical meetings as well as meetings by videoconference. The table below does not make any distinction between physical and remote meetings of the Board and its committees.

Meetings of	Frequency	Average duration
Board of Directors	6 times	5 hours
Remuneration Committee	3 times	2.5 hours
Audit Committee	5 times	3 hours
Sustainability Committee	3 times	2.5 hours
Nomination Committee	2 times	2.5 hours

Attendance at board and committee meetings

The Board of Directors expects its members to attend and participate actively in its meetings and meetings of its committees and has set a minimum target of attendance at 75% of meetings. The chart below summarizes the attendance by each board member in 2022 at the meetings of the Board and the respective standing committees.

Member	Board meetings	Remuneration	Audit	Sustainability	Nomination
Calvin Grieder	6/6	3/3	5/5	3/3	2/2
Sami Atiya[2]	6/6	2/2			2/2
Paul Desmarais, Jr.	6/6				
Ian Gallienne	6/6	3/3			2/2
Tobias Hartmann	6/6		5/5		
Shelby R. du Pasquier[3]	6/6	1/1			
Kory Sorenson	6/6	3/3	5/5	3/3	
Janet Vergis	6/6		5/5		
Phyllis Ka Yan Cheung[1]	4/4			3/3	

1. Elected to the Board in March 2022.
2. Elected Chair of Remuneration Committee in March 2022.
3. Stepped down from Remuneration Committee in March 2022.

3.5.3. Working methods of the Board and its committees

The Board of Directors and each committee convene regularly scheduled meetings with additional meetings held as and when required, in person or by phone conference. The Board and the committees may pass resolutions by written consent. Each board member has the right to request that a meeting be held or that an item for discussion and decision be included in the agenda of a meeting.

Board and committee members receive supporting documentation in advance of the meetings and are entitled to request further information from the Management in order to assist them to prepare for the meetings. The Board and each of the committees can request the attendance of members of the management of the Group. The Board and each of the committees are authorized to hire external professional advisors to assist them in matters within their sphere of responsibility.

To be adopted, resolutions need a majority vote of the members of the Board or committee, with the Chair having a casting vote.

The Board and its committees convene as often as required. In principle the Board meets at least four times a year, i.e. once every quarter. The Audit Committee meets at least three times a year, i.e. once before the publication of the annual and half-year results, and once outside these periods, to review and approve the scope of internal and external audit. The Sustainability Committee and the Remuneration Committee meet at least once a year.

3.6. Definition of areas of responsibility

The Board of Directors is responsible for the ultimate direction of the Group. The Board discharges all duties and responsibilities that are attributed to it by law. In particular, the Board:

- Leads and oversees the conduct, management and supervision of the Group
- Determines the organization of the Group
- Assesses risks facing the business and reviews risk management and mitigation policies
- Appoints and removes the Group's CEO and other members of management
- Defines the Group's accounting and control principles
- Decides on major acquisitions, investments and disposals
- Discusses and approves the Group's strategy, financial statements and annual budgets
- Prepares the General Meetings of Shareholders and implements shareholders' resolutions
- Notifies the judicial authorities in the event of insolvency of the Company, as required by Swiss law

In accordance with the Company's internal regulations, operational management of the Group, a function which the Board of Directors has delegated, is the responsibility of the Operations Council. The Operations Council has the authority and responsibility to decide on all issues that are not attributed to the Board of Directors. In the event of uncertainty on a particular issue regarding the separation of responsibility between the Board of Directors and the management, the final decision is taken by the Chair of the Board.

The Chair of the Board is regularly informed of the activities of the Operations Council by the CEO, the Chief Financial Officer and the General Counsel.

The Operations Council is chaired by the CEO and consists of those individuals entrusted with the operational management of the Group's activities, as follows:

- The Chief Operating Officers (COOs) are responsible for operations in the Group's seven regions (see Section 1.1.)
- The Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's five business divisions (see Section 1.1.)
- The Senior Vice Presidents (SVPs) represent the principal group support functions (Finance, Human Resources, Corporate Communication, Sustainability & Investor Relations and Legal and Compliance)

The composition, role and organization of the Operations Council are detailed in section 4.

3.7. Information and control instruments vis-à-vis the management

A. Responsibility of the Board

The Board of Directors has ultimate responsibility for the system of internal controls established and maintained by the Group and for periodically reviewing its effectiveness. Internal controls are intended to provide reasonable assurance against financial misstatement and/or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information and compliance with relevant legislation, regulation and industry practice.

B. Governance framework

The Group has an established governance framework, which is designed to oversee its operations and assist the Company in achieving its objectives. The main principles of this framework include the definition of the role of the Board and its committees, an organizational structure with documented delegated authority from the Board to management, and procedures for the approval of major investments, acquisitions and other capital allocations.

The CEO and the Chief Financial Officer attend the meetings of the Board of Directors and the Audit Committee. The group controller and the head of the internal audit function attend the meetings of the Audit Committee.

The SVP of Human Resources attends the meetings of the Remuneration Committee, and Nomination Committee, and the General Counsel and Chief Compliance Officer attends all meetings of the Board of Directors and its committees.

The other members of the Operations Council and other members of management only participate in the Board and committee meetings by invitation. The Board and each of its committees meet from time to time in private sessions, outside of the presence of management.

C. Information to the Board

The Board of Directors is constantly informed about the operational and financial results of the Group by way of detailed monthly management reports, which describe the performance of the Group and its divisions.

During each board meeting, the CEO and the Chief Financial Officer present a report to the Board of Directors on the operations and financial results, with an analysis of deviations from prior year and from current financial targets.

During board meetings, the Board is updated on important issues facing the Group. The CEO, the Chief Financial Officer and the General Counsel and Chief Compliance Officer (hereafter 'senior management') attend all of the Board of Directors meetings, while other Operations Council members attend from time to time to discuss matters under their direct responsibility. The Board of Directors meets regularly with the members of the Operations Council.

During board meetings or committee meetings, board members can request any information concerning the Group. The Board reviews and monitors regularly and formally previous acquisitions and large investments as well as the implementation of related Group strategies.

The Group has a dedicated Internal audit function, reporting to the Chair of the Board and the Audit Committee, which assesses the effectiveness and appropriateness of the Group's risk management, internal controls and governance processes as well as the reliability of internal financial and operational information, and ensures that the standards and policies of the Group are respected. Internal audit reviews and identifies areas of potential risk associated with the key business activities performed by a particular office, highlights opportunities for improvement and proposes constructive control solutions to reduce any exposures.

All key observations are communicated to the Operations Council and the Chair of the Board through formal and informal reports.

The Audit Committee is regularly informed about audits performed and important findings, as well as the progress in implementing the agreed actions by management.

D. General Counsel and Chief Compliance Officer

Furthermore, the Group has a compliance function, headed by the General Counsel and Chief Compliance Officer, who reports to the Audit Committee and the Board of Directors and has direct access to the Chair of the Board.

The compliance function supports the implementation of a compliance program based on the SGS code of integrity, available in 30 languages. The goal of the program is to ensure that the highest standards of integrity are applied to all of the Group's activities worldwide in accordance with international best practices. The General Counsel and Chief Compliance Officer reports violations of compliance rules every semester to the Sustainability Committee.

The Committee monitors disciplinary actions taken and the implementation of corrective actions.

E. Other

In addition, the main divisions have specialized technical governance units, which ensure compliance with internally set quality standards and industry best practices. Formal procedures are in place for both internal and external auditors to report their findings and recommendations independently to the Board's Audit Committee.

F. Risk assessment

The Board conducts on a yearly basis an assessment of the risks facing the Group. This process is conducted with the active participation and input of the management. Once identified, risks are assessed according to their likelihood, severity and mitigation.

The Board deliberates on the adequacy of measures in place to mitigate and manage risks and assigns responsibility to designated managers for implementation of such measures. As part of this process, the ownership of and accountability for identified risks are approved by the Board.

The implementation of such actions is audited by internal audit. These findings are communicated to the Board of Directors so that progress and identified risks can be monitored objectively and independently from management.

The risks identified and monitored by the Board fall broadly into three categories: first, environment risk, which includes circumstances outside the Group's direct sphere of influence, such as competition and economic or political landscape; second, process risks that include risks linked to the operations of the business, the management of the Group and the integrity of its reputation in the marketplace; and third, risks associated with information and decision-making.

For each of the risk categories and within these categories, for each significant risk identified, the Board deliberates on proposed mitigation, risk avoidance or risk transfer measures and approves action plans designed to control such risks.

The Board receives regular updates on the implementation of risks mitigation measures and their effectiveness is tested by Internal Audit which reports to the Board, respectively the Audit Committee.

4. Operations Council

The Operations Council (as defined in Section 1.1.) meets on a regular basis, in principle at least five times a year. Between meetings, it holds regular phone conferences and may make decisions on such calls or by electronic voting. During part of 2022, travel restrictions and limitations have limited the ability of the Operations Council to meet physically. Meetings were held in part with the assistance of video conference.

4.1. Members of the Operations Council

Members of the Operations Council bring to the Group years of experience and expertise in their respective fields. They come from a wide range of backgrounds that reflects the multiple aspects of the Group. The Group strives to promote talent internally and encourages women to assume senior leadership positions. The members of the Operations Council at 31 December 2022 were as follows:

Frankie Ng

Nationality: Swiss, Chinese
Year of Birth: 1966

Function in SGS

- Chief Executive Officer
  Joined SGS in 1994

Education

- BA in Economics and Electronics Engineering

Previous responsibilities

2011-2015: EVP, Industrial Services

2005-2011: EVP, Consumer Testing Services

2002-2004: Managing Director, US Testing

Other activities

Board Member and member of the Remuneration Committee at Logitech

Dominik de Daniel

Nationality: Swiss, German
Year of Birth: 1975

Function in SGS

- Chief Financial Officer
  Joined SGS in 2019

Education

- Degree in Banking
- CEFA Investment Analyst

Previous responsibilities

2015-2018: CFO and Chief Operating Officer, IWG plc. UK, the global leader for flexible workspace

2006-2015: CFO Adecco Group, Switzerland

Olivier Merkt

Nationality: Swiss
Year of Birth: 1962

Function in SGS

- Chief Compliance Officer
  Joined SGS in 2001

Education

- Doctorate in Law, admitted to the bar in Switzerland

Previous responsibilities

2006-2008: VP, Corporate Development

2001-2006: Senior Counsel

Teymur Abasov

Nationality: Azerbaijani
Year of Birth: 1972

Function in SGS

- COO, Eastern Europe & Middle East
  Joined SGS in 1994

Education

- Degree in Electrical Engineering

Previous responsibilities

2006-2007: Managing Director, Kazakhstan and Caspian Sub-Region

2004-2006: Managing Director, Azerbaijan and Georgia

2003-2004: Managing Director, Georgia

Olivier Coppey

Nationality: Swiss
Year of Birth: 1972

Function in SGS

- EVP, Health & Nutrition
  Joined SGS in 1994

Education

- MSc Economics

Previous responsibilities

2015-2020: EVP, Agriculture Food and Life

2013-2015: EVP, Agriculture

2009-2013: Vice President Seed and Crop, Agricultural Services

Steven Du

Nationality: Chinese
Year of Birth: 1972

Function in SGS

- COO North East Asia
  Joined SGS in 1999

Education

- MSc Logistics & Supply Chain Management

Previous responsibilities

2019-Jul 2021: Managing Director Mainland China and Hong Kong SAR

2016-2019: Managing Director Mainland China

2014-2016: Managing Director Vietnam

Fabrice Egloff

Nationality: French
Year of Birth: 1969

Function in SGS

- COO, Africa & Western Europe
  Joined SGS in 1995

Education

- Master of Business Administration in International Business Affairs

Previous responsibilities

2017-2019: COO Africa

2009-2017: Managing Director, France

2004-2008: Managing Director, Hong Kong

Luis Felipe Elias

Nationality: Peruvian
Year of Birth: 1959

Function in SGS

- COO, Latin America
  Joined SGS in 2004

Education

- Industrial Engineering Degree and MBA

Previous responsibilities

2012-2018: Managing Director, Ecuador and Peru

2004-2012: Deputy Managing Director, Peru

Derick Govender

Nationality: South African
Year of Birth: 1970

Function in SGS

- EVP, Natural Resources
  Joined SGS in 2002

Education

- Diploma in Analytical Chemistry
- Postgraduate in Business Management

Previous responsibilities

2015-2020: EVP Minerals Services

2014-2015: Minerals Manager, Chile

2010-2014: VP Minerals, Africa

Jessica Sun
Nationality: American

Function in SGS
- SVP, Human Resources
  Joined SGS in January 2022

Education
- Bachelor's degree in Law from the China University of Politics & Law Science
- EMBA from the Chinese Europe International Business School (CEIBS)

Previous responsibilities

2016-2021: Haier, USA, CHRO Global Appliances

2013-2016: Mallinckrodt Pharmaceuticals, VP of Human Resources, International Mallinckrodt

2012-2013: Eaton Corporation, USA, HR Director, Global CET Business

Charles Ly Wa Hoi
Nationality: French
Year of Birth: 1966

Function in SGS
- EVP, Connectivity & Products
  Initially joined SGS in 1992, rejoined in 2008

Education
- Degree in Electronics Engineering from ENSEIRB-MATMECA

Previous responsibilities

2018-2020: EVP Consumer and Retail Services

2016-2018: Vice President of Retail Solutions and European Business Development, Consumer and Retail

2013-2016: Global Head of Materials and Manufacturing, Industrial Services

2009-2013: Vice President of Strategic Global Accounts, Consumer Testing Services

Jeffrey McDonald
Nationality: Australian, American
Year of Birth: 1964

Function in SGS
- EVP, Knowledge
  Joined SGS in 1995

Education
- Postgraduate Diploma in Education

Previous responsibilities

2015-2020: EVP Certification and Business Enhancement

2007-2015: COO, North America

2004-2007: EVP, Systems and Services Certification

2003: Global Project Manager, Systems and Services Certification

Stephen Nolan
Nationality: American, Irish
Year of Birth: 1960

Function in SGS
- COO North America, since January 2021
  Joined SGS in 2019

Education
- B.Comm in Finance

Previous responsibilities

2013-2018: Hudson Global, USA Chief Executive Officer/Chief Financial Officer

2004-2012: Managing Director of Adecco North America

Toby Reeks
Nationality: British
Year of Birth: 1976

Function in SGS
- SVP, Corporate Communications, Sustainability & Investor Relations
  Joined SGS in 2018

Education
- BA in Economics

Previous responsibilities

2013-2018: Executive Director, Morgan Stanley

2011-2013: Director, Merrill Lynch

2005-2011: Vice President, Merrill Lynch

Malcolm Reid
Nationality: British
Year of Birth: 1963

Function in SGS
- COO, South East Asia & Pacific
  Joined SGS in 1987

Education
- BSc Chemistry

Previous responsibilities

2012-2015: EVP, Consumer Testing Services

2007-2011: EVP, Systems and Services Certification

2005-2007: Managing Director, Australia

Alim Saidov
Nationality: Azerbaijani/Canadian
Year of Birth: 1964

Function in SGS
- EVP, Industries & Environment
  Joined SGS in 1993

Education
- PhD in Science

Previous responsibilities

2013-2020: EVP, Oil, Gas and Chemicals

2007-2013: EVP, Oil, Gas and Chemicals Services and Environmental Services

2005-2007: COO, Eastern Europe and Middle East

2004: COO, North America and Managing Director, Canada

Wim Van Loon
Nationality: Belgian
Year of Birth: 1966

Function in SGS
- COO Northern & Central Europe
  Joined SGS in 1989

Education
- Engineering degree in Industrial Electro Mechanic and Master's degree in Business Management

Previous responsibilities

2018-2020: EVP, Industrial Services

2015-2018: Managing Director, Benelux

2011-2015: Executive Director, Industrial Services, Benelux

2003-2015: Business Manager for Industrial, Minerals and Consumer Testing Services, Benelux

4.2. Other activities and vested interests
The following list presents all material activities in governing and supervisory boards, management positions and consultancy functions, official tenures and political positions held by each member of the Operations Council outside the Group, both in Switzerland and abroad.

Derick Govender

Member of IPMI (International Precious Metal Institute)

4.3. Changes in the Operations Council
During 2022 Siddi Wouters, SVP Digital & Innovation left the Operations Council and the Group. Biographical information on former members of the Operations Council may be found in prior years' Corporate Governance reports.

4.4. Limits on external mandates
The articles of association of the Company limit the number of mandates permissible to members of the Operations Council, to no more than four board memberships in entities outside the Group, of which a maximum of one membership may be in the board of companies whose shares are traded on a stock exchange. Mandates assumed at the request of a controlling entity do not count towards the maxima defined in the articles of association.

In addition, the articles of association set limits to participations in boards of association and other not-for-profit organizations to no more than 10 such memberships.

4.5. Management contracts

The Company is not party to any management contract delegating management tasks to companies or individuals outside the Group.

5. Compensation, shareholdings and loans

5.1. Content and method of determining the compensation and the shareholding programs

The Group's overriding compensation policies are defined by the Board of Directors. The objectives of these policies are twofold: 1) to attract and retain the best talent available in the industry, and 2) to motivate employees and managers to create and protect value for shareholders by generating long-term sustainable financial achievements.

In line with these principles, board members are entitled to a fixed fee, which takes into account their level of responsibility. Members of the Operations Council receive a fixed remuneration and are entitled to a performance-related annual bonus and a Long-Term Incentive plan.

The Annual General Meeting approves the compensation payable to the Board and the Operations Council. The rules on the vote on pay applicable in the Group are explained below.

The ultimate responsibility for defining remuneration policies and deciding on all matters relating to remuneration rests with the Board of Directors, subject to decisions that require binding resolutions of the Annual General Meeting. The Board of Directors is assisted in its work by a Remuneration Committee, which is elected by the Annual General Meeting.

5.2. Rules on approbation by the annual shareholders' meeting of executive pay

5.2.1. Rules on performance-related pay and allocation of equity-linked instruments

The Company's articles of association define the principles of the variable remuneration and the allocation of shares or equity-linked instruments to the members of the Operations Council. Please refer to the Remuneration report pages 105 to 107 for a description of the Company's rules in the matter.

In the event of changes in composition of the Operations Council occurring after the approval by the Annual General Meeting of the fixed remuneration of the executive team, the Board is authorized to increase up to a maximum of 25% the amount authorized by the shareholders for that purpose.

5.2.2. Rules on loans, credit facilities and post-employment benefits

Loans granted to members of the governing bodies of the Company may not exceed one year of remuneration and must be granted at market conditions. As at 31 December 2022 (same as at 31 December 2021), no loan or advance is granted by the Group to members of the Operations Council.

5.2.3. Rules on vote on pay

The Annual General Meeting approves the following matters related to the compensation of the Board and Operations Council:

- It approves the fixed fees payable to the Board of Directors until the next Annual General Meeting
- It approves in advance a prospective maximum fixed remuneration to the Operations Council during the next financial year
- It approves the total aggregate amount payable to the Operations Council for the performance-related annual bonus related to the prior year
- It approves the maximum amount payable under Long-Term Incentive plans to be introduced by the Company
- Resolutions of such matters are binding to the Board of Directors. In addition, the Annual General Meeting is invited to cast a non-binding vote on the Remuneration report that describes the Company's remunerations policies. This allows shareholders to express a view on the overall policies of the Group in relation to remuneration

6. Shareholders' participation rights

All registered shareholders receive a copy of the half-year and full-year results upon the publication of such results by the Company. They can request a copy of the Company's annual report and are personally invited to attend the Annual General Meeting.

6.1. Voting rights and representation restrictions

All registered shareholders can attend the General Meetings of Shareholders and exercise their right to vote. A shareholder may also elect to grant power of attorney to an independent proxy appointed by the Company or to any other registered shareholder.

There are no voting restrictions, subject to the exclusion of nominee shareholders representing undisclosed principals, as detailed in Section 2.6.

6.1.2. Rules on instructions to the independent proxy and electronic participation in the annual shareholders' meeting

Shareholders have the opportunity to give general or specific voting instructions to the independent proxy, who is elected by the General Meeting of Shareholders.

Shareholders can give specific or generic voting instructions to the independent proxy on all matters on the agenda of the General Meeting of Shareholders. These instructions can be issued in written form, or by electronic transmission.

The voting of resolutions by electronic votes is authorized by the articles of association, within the modalities defined by the Board of Directors.

6.2. Statutory quorums

The General Meeting of Shareholders can validly deliberate regardless of the number of shares represented at the meeting. Resolutions are adopted by the absolute majority of votes cast unless Swiss company law mandates a special majority.

6.3. Convocation of General Meetings of Shareholders

The rules regarding the convocation of General Meetings of Shareholders are in accordance with Swiss company law.

6.4. Inclusion of items on the agenda

The agenda of the Annual General Meeting is issued by the Board of Directors. Shareholders representing shares with a minimum par value of CHF 50 000 may request the inclusion of an item on the agenda of the Annual General Meeting, provided that such a request reaches the Company at least 40 days prior to the meeting.

6.5. Registration in the share register

The Company does not impose any deadline for registering shares prior to an Annual General Meeting. However, a technical notice of two business days is required.

7. Change of control and defense measures

No restriction on changes of control is included in the Company's articles of association.

7.1. Duty to make an offer

In the absence of any specific rules in the Company's articles of association, any investor or group of investors acquiring more than 33.3% of the shares and voting rights of the Company has the duty to make a public offer in compliance with the applicable Swiss takeover rules.

7.2. Clauses on change of control

There are no general plans or standard agreements offering specific protection to board members, senior management or employees of the Group in the event of a change of control, subject to the standard rules regarding termination of employment.

8. Auditors

8.1. Duration of the mandate and term of office of the lead auditor

PwC was elected as auditor of the Company and the SGS Group. The auditors of the Company are subject to re-election at the Annual General Meeting every year. PwC with Guillaume Nayet as the lead auditor have audited the 2022 Group financial statements.

The Company requires the lead auditor to be changed at the latest after completion of five annual audit cycles, whereas Swiss company law imposes a maximum period of seven years.

The Audit Committee reviews annually the desirability to renew the annual mandate of its external auditors before proposing to the Board and the Annual General Meeting the re-election of the auditors.

8.2. Audit fees

Total audit fees paid to the auditors for the audit of the Company and the Group financial statements in 2022 amounted to CHF 6.1 million (2021: CHF 6.2 million).

8.3. Additional fees

An aggregate amount of CHF 1 million was paid to PWC (2021: CHF 1 million) for other professional services, unrelated to the statutory audit activity, mainly composed of tax compliance services, non-statutory and other assurance services.

8.4. Information instruments pertaining to the external audit

The Audit Committee is responsible for evaluating the external auditor on behalf of the Board of Directors and conducts assessments of the audit services provided to the Group during its regular meetings.

It meets with the auditor at least three times per year, including private sessions without the presence of management.

In 2022, the Audit Committee met 5 times with the external auditors.

The Committee considers and approves the proposed audit plan, conducts assessment of the performance of the auditor and approves audit fees on the basis of the amount of work required in order to perform the audit.

The Audit Committee reviews with the Group auditors the significant financial statement risk areas arising from the audit, including the key audit matters referred to in the statutory auditor's report.

When evaluating the performance of the auditors, the Audit Committee assesses the effectiveness of the audit based on Swiss Law, their understanding of the business of the Group and how matters of significant importance for the Group internal control and financial reporting are identified, reported and resolved. The Audit Committee reviews also how the Group auditors interact with the component audit firms in charge of auditing the main subsidiaries of the Group, and the relevance and timeliness of issuance of statutory audits and management letters.

The Audit Committee places a great emphasis on the independence of the external auditors, and on the absence of conflict of interests, both at the Group level and at the level of individual subsidiaries.

It reviews carefully the type of other services which are provided by the auditors, in addition to the audit, to ensure that such ancillary services could not endanger the independence of the audits. The audit Committee has issued a policy on non-audit services which define restrictively the type of admissible services excluding from the admissible scope most tax advisory services and services related to prospective acquisitions and disposal.

The policy also sets an approval process requiring prior approval of the Audit Committee for any assignment for non-audit services above defined thresholds.

The audit fees are approved on the basis of a negotiated budget agreed with the Group auditors taking into account the complexity of the audit, the structure of the Group and its internal control systems and the responsibility of the auditors. The duties of the Committee include consideration of the audit plan, regular assessment of the performance of the auditor and approval of audit fees on the basis of the amount of work required in order to perform the audit.

The Audit Committee reviews with the Group auditors the significant financial statement risk areas arising from the audit, including the key audit matters referred to in the statutory auditor's report.

The auditor regularly presents its findings, both during the deliberations of the Audit Committee and in written reports, to the attention of the Board of Directors that summarize key findings.

9. Information policy

The policy of the Group is to provide individual and institutional investors, directly or through financial analysts, business journalists, investment consultants (financial community) and employees with financial and business information in a consistent, broad, timely and transparent manner.

The Group website has a section fully dedicated to investor relations, where all financial information and presentations are available. This includes an updated version of the articles of association, current information on share buyback programs and minutes of shareholders' meetings. SGS meets regularly with institutional investors, holds results presentations, roadshows and presentations at broker-sponsored country or industry conferences, and attends one-on-one meetings.

The Group publishes consolidated half-year unaudited and yearly audited results in print and online formats. The annual report is published in English and is available upon order from the Group's website. The current list of publication dates is available on the Group's website. The Group acknowledges the directives on the independence of financial research issued by the Swiss Bankers Association. In addition, the Group complies with rules regarding information and reporting of the Federal Act on stock exchange and securities trading, and the ordinance on stock exchanges and securities trading. The address of SGS's main registered office and contact details by phone and email can be found on page 236 of the annual report.

10. Quiet periods

Members of the Operations Council and other employees having access to material non-public information are banned from trading in SGS shares during quiet periods, preceding publication of yearly and half yearly results.

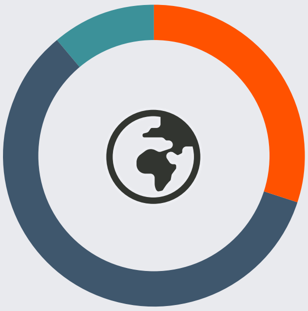
These periods are set between December 31 until and including the date of publication of the full year results and between June 30 until and including the date of the publication of the half year results.

In addition to these fixed quiet periods, the Company institutes additional trading bans from time to time, prior to the release of material non-public information, such as major acquisitions or disposals, or trading updates.

Investor relations at SGS

We ensure clear, transparent and consistent information to support the financial community to make informed decisions.

Investor engagements by region



- Americas 30%
- Europe, Africa and Middle East 59%
- Rest of the World 11%

Institutional investors by geography

- United Kingdom 32%
- Switzerland 24%
- United States 21%
- Other 23%

IR results in annual investors survey

Top 3
for best IR program for the Business & Employment Services sector in both votes[1]

Top 2
for best analyst/ investor event (in both the buyside and combined vote)

1. There are two separate votes – one from investors and one combined with analysts.

Fostering transparency and trust

Our approach

Our team leads the communication with current and prospective investors, analysts and rating agencies. Our aim is to provide clear and transparent information to the financial community supporting investors to make informed decisions.

We engage with analysts, existing and new investors at our investor days, roadshows, conferences globally and on an ad-hoc basis. Over the course of 2022, we attended over 20 investor conferences and had a total of over 470 touchpoints (a +10% year on year).

Investor days

Our Investor Days gives analysts and investors the opportunity to visit our facilities in the field, SGS and TIC industry themes and concerns, and facilitate access to the local management team and members of our Operations Council in an open and transparent way.

Following a pause during the pandemic, when we held the virtual external presentation of our 2020-23 plan, we hosted our annual investor days in Istanbul. During this two-day event, we updated the audience on progress made towards our 2023 plan and addressed the key themes of deglobalization, sustainability solutions and digitalization.

We organized tours of Gunesli and Dilovasi laboratories enabling participants to visit our facilities, spend time with our local operational management teams and get a deeper, more tangible understanding of our business.

The event was well-attended, with over 30 analysts and investors staying for the entire duration of the trip and over 25% of our shareholder base was represented.

Our investors

Our shareholder base largely consists of long-term investors. Over 15% of our institutional investors are based in the United Kingdom and in Switzerland while approximately over 10% are based in the United States. Please see the chart below full the full breakdown of our investor base.

How to connect with us

More information is available on our Investor Relations webpage on sgs.com.

FY22 investor engagement feedback

What was your overall impression of the meeting?	4.7
Do you feel you understand our strategy?	4.5
How confident are you that SGS's strategy will accelerate organic growth?	3.8
How clear are our capital allocation priorities?	4.1
Do you view sustainability as integral to our strategy and culture?	4.1

Average rating 1 – negative to 5 – very positive

We are driving fair and equitable remuneration policies and practices aligned with our sustainability ambitions.

3

The SGS Remuneration report provides an overview of the SGS remuneration model, its principles and programs and the related governance framework. The report also includes details on the remuneration of the Board of Directors and of the Operations Council related to the 2022 business year. The SGS Remuneration report has been prepared in compliance with the ordinance against excessive compensation (OaEC) at listed joint-stock companies, in effect as of 1 January 2014, the Swiss Code of Best Practice for Corporate Governance of economiesuisse, revised on 29 February 2016, and the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance, revised on 18 June 2021, and according to the articles of association of SGS SA, as approved by the shareholders at the Annual General Meeting in 2015.

1. Introduction by the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the SGS Remuneration report for the year ended in December 2022.

I would like to start by thanking Shelby du Pasquier for his valuable contribution during his tenure as Chair of the Remuneration Committee and express my sincere gratitude for his support and advice since I took over the role. I would also like to thank my colleagues for their engagement throughout the year; there were many challenges to overcome and accompanying opportunities to be seized.

Our aim going forward is to further strengthen our attractiveness and retention power towards our existing and future talents, driving fair and equitable remuneration policies and practices aligned with our sustainability ambitions, our diversity, inclusion and well-being initiatives, and our purpose of enabling a better, safer and more interconnected world.

During 2022 the Committee reviewed the remuneration of the Board of Director members, with two main drivers: from one side, align their remuneration level to the prevalent market practices of the Swiss listed companies of similar size, and from the other side deliver part of the remuneration in restricted shares, in support of the newly introduced shareholding requirement. Details on the Board of Directors' new remuneration levels and vehicle, and shareholding requirement, are disclosed in section 3.1. and 4. of this report.

In 2022 the transition of the long-term incentive for Operations Council members and selected senior managers, from one grant every three years to a system with annual grants, was completed and, after the 2021 transition plan, the first annual plan was granted. Details on the 2022 grant are disclosed in section 5.3. of this report.

The Committee reviewed and approved the contractual terms and conditions, including remuneration, of one new member of the Operations Council, appointed during 2022; the changes in the composition of the Operations Council are disclosed in section 4. of the Governance Report.

Since 2015, the Board of Directors has implemented the consultative vote on the remuneration report and the binding vote on compensation amounts at the Annual General Meeting. The Committee received significant support in its activities and direction through positive votes at the Annual General Meeting 2022, and will continue with the same 'say-on-pay' vote structure at the forthcoming Annual General Meeting 2023:

- Consultative vote on the remuneration report
- Binding vote on the prospective maximum remuneration amount of the Board of Directors until the next Annual General Meeting
- Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members for the business year 2022
- Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members for 2024
- Binding vote on the prospective maximum value of the grants awarded under the long-term incentive plan to the Operations Council members in 2023

On the following pages, you will find detailed information about our remuneration model, its principles and programs, and the remuneration awarded to the Board of Directors and the Operations Council related to the business year 2022. I hope that you find this report informative. The Committee has sought to promote a remuneration environment that is fully aligned with the purpose and the strategy of the group, its short-term and long-term performance, the interests of our shareholders, and relevant market practices and trends.

I look forward to your support on the 2022 annual remuneration report at the Annual General Meeting.

Sami Atiya
Chair of the Remuneration Committee

The table below summarizes the votes of the Annual General Meeting on the remuneration matters in the last five years.

(% of votes for)	2018	2019	2020	2021	2022
Consultative vote on the remuneration report	89.79	94.50	93.05	92.70	**83.94**
Binding vote on the prospective maximum remuneration amount of the Board of Directors	98.72	98.09	98.13	95.51	**97.81**
Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members	75.61	80.28	95.58	94.37	**96.11**
Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members	95.97	97.17	97.39	96.95	**97.02**
Binding vote on the value of the grants awarded under the long-term incentive plan to the Operations Council members[1]	96.63	–	–	96.40	**96.88**

1. Until 2020, the SGS Long-Term Incentive plan provided a grant every three years.

2. Remuneration policy and principles

2.1. Remuneration general principles

The general principles of remuneration of the members of the Board of Directors and the members of the Operations Council are defined in the articles of association (Art. 28, Art. 29, Art. 30, Art. 31 and Art. 32; link to the SGS articles of association: https://www.sgs.com/en/-/media/sgscorp/documents/corporate/sgs-legal-status-en-fr.cdn.en.pdf).

The remuneration of the members of the Board of Directors is defined with two main objectives: (i) to compensate their activities and responsibilities as the highest governing body of the group and their participation in the committees established within the Board of Directors, and (ii) to guarantee their independence in exercising their supervisory duties towards the executive management.

The remuneration of the members of the Operations Council is defined with two main objectives: (i) to attract and retain the best talents available in the industry, and (ii) to motivate them to create and protect long-term sustainable value for our shareholders and society.

The members of the Board of Directors receive a fixed remuneration only.

The members of the Operations Council receive a fixed remuneration and a variable remuneration linked to short-term and long-term results.

Remuneration component	Board of Directors (non-executive)	Operations Council (executive)
Fixed remuneration	✔	✔
Short-term variable remuneration	✖	✔
Long-term variable remuneration	✖	✔

2.2. Remuneration policy for the executive management

The company's remuneration policy applicable to the executive management (Operations Council members) is defined by the Board of Directors in support of the company's purpose of adding value to society by enabling a better, safer and more interconnected world, its business strategy of profitable growth, and in line with its business principles: integrity, health, safety & environment, quality & professionalism, respect, sustainability, leadership & innovation.

The remuneration system for the Operations Council members operates according to four main principles:

- Market competitiveness
  - Remuneration levels are in line with competitive market practices
- Internal equity
  - Remuneration programs link remuneration to the level of responsibility and the skillset required to perform the job
- Pay for performance
  - A substantial portion of remuneration is directly linked to business and individual performance
- Long-term value creation and alignment to shareholders' interests
  - Part of remuneration is delivered in equity subject to a multi-year vesting period

In line with its anti-discrimination and dignity at work policy, SGS is committed to promoting equal opportunity for all employees and an environment in which all members of the workplace treat all individuals both in the workplace and in other work-related settings at all times with dignity, consideration and respect.

All employment related decisions, including compensation, benefits and promotions, will be solely made on the basis of an individual's qualifications, performance and behavior or other legitimate business considerations. SGS does not tolerate any discriminatory practices, in particular based on age, civil partnership, disability, ethnicity, family status, gender, gender identity, ideological views, marital status, nationality, political affiliation, pregnancy, religion, sexual orientation, social origin or any other status that is protected as a matter of local law.

Method of determination of remuneration levels – benchmarking

SGS is a global company, operating in a broad range of sectors; the determination of the remuneration levels of the Operations Council members must consider both global and local practices. We periodically compare our compensation practices with those of other similar global organizations:

- Competitors in the testing, inspection and certification industry: ALS, Applus+, Bureau Veritas, Eurofins, Intertek, Mistras, Team (the peer group of companies considered for the performance conditions of the long-term incentive plan, see section 3.2.4.)
- The SMI and SMIM-listed companies not belonging to the capital markets, insurance and pharmaceuticals sectors of comparable size.

The elements of executive remuneration benchmarked include annual base salary, other fixed remuneration elements, short-term and long-term incentives, and benefits. To ensure proper benchmarking, we use a proprietary job evaluation methodology. Since half of our Operations Council members are based outside Switzerland, we use information published by reputable data providers, including Mercer and Willis Towers Watson, related to both the Swiss market and the other markets where the Operations Council members are based.

As a reference point, SGS targets the median compensation level of the peer group.

The company has not used external paid advisors to perform salary benchmarks since 2015, relying instead on available market data. No third-party services provider was engaged to perform such benchmark in 2022.

2.3. Remuneration governance

The Annual General Meeting approves every year the maximum aggregate amount of remuneration of the Board of Directors. Within that limit, the Board of Directors is responsible for determining the remuneration of the Chair and the directors. It also decides on the remuneration and terms of employment of the CEO. In addition, the Board of Directors defines general executive remuneration policies, including the implementation and terms and conditions of long-term incentive plans, as well as the financial targets relevant to any incentive plan.

2.3.1. Remuneration Committee

The Board of Directors is assisted in its work by a Remuneration Committee ("the Committee"), which consists of non-executive Directors. The Committee acts in part in an advisory capacity to the Board of Directors, and in part as a decision-making body on matters that the Board of Directors has delegated to the Committee. The Committee reviews regularly, at least once a year, the compensation of each member of the Operations Council (including the CEO) and decides on all matters relating to the remuneration of these executives.

The following chart summarizes the authorization levels for the main decisions relating to the compensation of the Board of Directors and the Operations Council members. When reviewing and deciding on executive remuneration policies, the Committee and the Board of Directors have access to group human resources staff and may use third-party consultants that specialize in compensation matters. In 2022, neither the committee nor the Board of Directors had recourse to such external advisors.

Subject matter	CEO	Remuneration Committee	Board of Directors	Annual General Meeting
Aggregate remuneration amount of the Board of Directors			Recommendation	Binding Vote
Individual remuneration of the members of the Board of Directors including the Chair of the Board		Recommendation	Approval	
Aggregate fixed remuneration amount of the Operations Council			Recommendation	Binding Vote
Aggregate short-term variable remuneration amount of the Operations Council			Recommendation	Binding Vote
Setting of annual financial targets for short-term variable remuneration of Operations Council members	Recommendation		Approval	
Establishment of long-term incentive plans		Recommendation	Approval	
Aggregate value of the grants awarded under the long-term incentive plan to Operations Council members			Recommendation	Binding Vote
Individual remuneration of the CEO		Recommendation	Approval	
Individual remuneration of the Operations Council members	Recommendation	Approval		
Remuneration report		Recommendation	Approval	Consultative Vote

Recommendation   Approval   Binding Vote   Consultative Vote

The following directors served on the committee during their mandate from Annual General Meeting 2022 to 2023:

- Sami Atiya (Chair)
- Ian Gallienne
- Kory Sorenson

In 2022, the Committee met three times, attended by all members, and handled several matters pertaining to remuneration outside scheduled meetings. The Chair of the Remuneration Committee reports to the Board of Directors after each meeting on the activities of the Committee. The minutes of the committee meetings are available to the members of the Board of Directors. Generally, the Chair of the Board attends the meetings of the Committee, except when matters pertaining to his own compensation are being discussed.

Selected members of the Operations Council, the CEO, the senior vice president of human resources and the global head of total reward may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation or performance are being discussed.

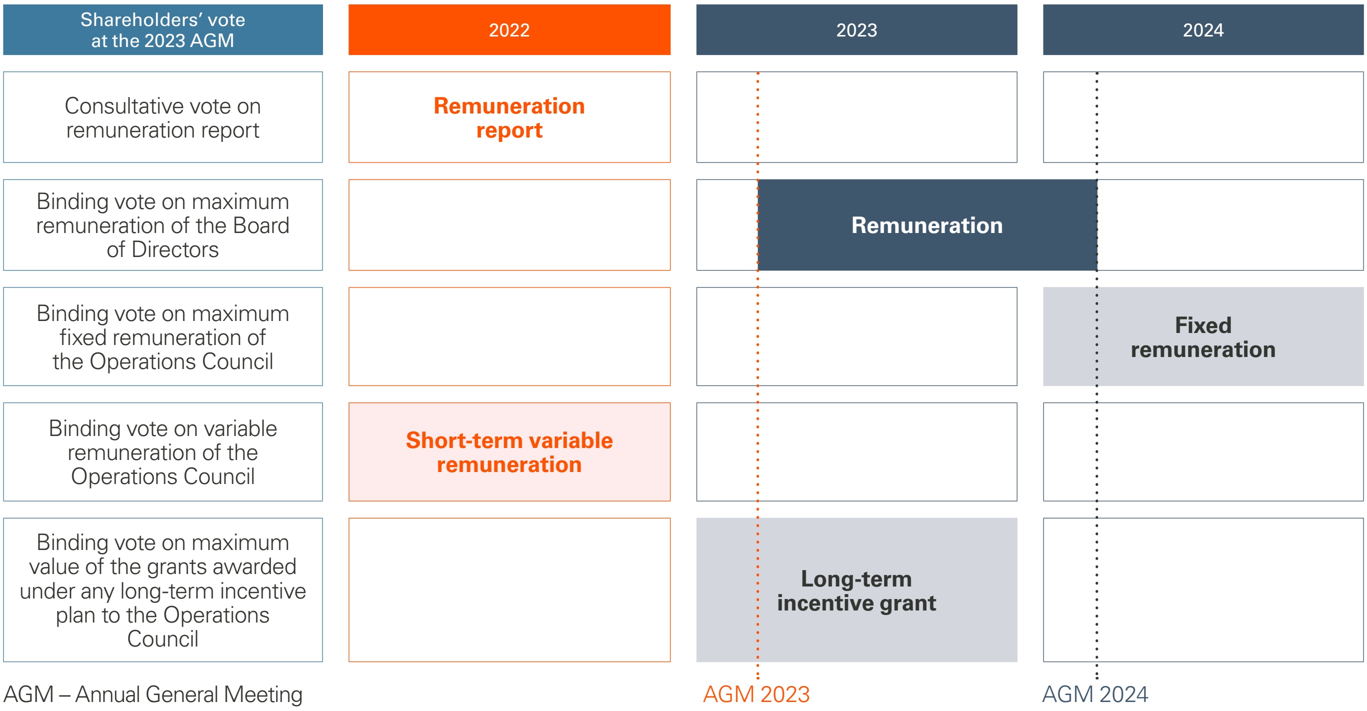
2.3.2. Shareholders' engagement

As has been the case since the 2015 Annual General Meeting, the company will continue to submit the remuneration report to a consultative shareholders' vote at the Annual General Meeting, so that shareholders have an opportunity to express their opinion about our remuneration model.

In addition, as required by the ordinance against excessive compensation (OaEC) for Swiss corporations, the aggregate amounts of remuneration to be paid to members of the Board of Directors and the Operations Council are subject to the approval of the shareholders in form of a binding vote on remuneration. The procedure on the vote is defined in the articles of association and foresees separate votes on (i) the maximum remuneration of the Board of Directors for the period until the next Annual General Meeting, (ii) the maximum fixed remuneration of the Operations Council for the next calendar year, (iii) the variable remuneration awarded to the Operations Council in respect of the previous calendar year, and (iv) the maximum amount to be granted to the Operations Council under any long-term incentive plan during the current calendar year.

A summary of the shareholders' votes on remuneration is described in the chart below:

Shareholders' votes on remuneration summary



AGM – Annual General Meeting

The binding votes on the aggregate compensation amounts combined with a consultative vote on the remuneration report reflect our true commitment to provide our shareholders with a far-reaching 'say-on-pay'.

3. Remuneration model

3.1. Structure of remuneration of the Board of Directors

Members of the Board of Directors receive a fixed remuneration only. They are entitled to a fixed annual board membership fee (annual board retainer) and additional annual fees for participation in board committees (committee fees). The annual board retainer of the Chair of the Board includes his or her attendance to any committee of the Board, whether as a voting member or in an advisory capacity. By agreement with the relevant tax authorities, part of the remuneration of the Chair of the Board may be settled as representation fees. Directors do not receive additional compensation for attending meetings and do not receive any variable remuneration.

The table below summarizes the remuneration elements of the members of the Board of Directors.

	Annual Board retainer	Committee fees (per Committee)	Representation fees (subject to agreement with relevant tax authorities)
Chair	✓	✗	✓
Board members	✓	✓	✗

The remuneration to the members of the Board of Directors is subject to employer social charges according to Swiss legislation.

The amounts of the remuneration elements for the Chair and the other board members are defined by the Board of Directors every year. The maximum total amount is subject to the binding vote of the Annual General Meeting.

In determining the amounts of the compensation elements, the Board of Directors considers the prevailing practices of the Swiss publicly traded companies belonging to the SMI or SMIM indexes, with market capitalization of similar size, and not belonging to the capital markets, insurance and pharmaceuticals sectors.

For the mandate Annual General Meeting 2022 to 2023, the Board of Directors reviewed the remuneration of its members, and defined the following changes:

- An increase of the board retainer for the Chair and the board members, to align with prevalent practices of Swiss publicly traded companies of similar size (see section 4. of this report for the new amounts)
- A new remuneration settlement scheme, with a portion of remuneration to be settled in restricted shares
- The introduction of shareholding requirements

The aggregate amount of the new board remuneration was submitted to the Annual General Meeting for approval.

Each board member will receive 25% of the annual board retainer in the form of shares restricted for a period of three years ending on the third anniversary of their award. The restricted shares will be awarded after the Annual General Meeting during which the board member is elected to their position. The number of restricted shares awarded will be determined by dividing the cash value of 25% of the annual board retainer by the average closing share price during the 20-day period following the payment of the dividends after the Annual General Meeting. Fractions will be rounded down to the nearest whole number; the balance, if any, will be settled in cash, payable with the next installment of the fees. Such restricted shares may not be sold, donated, pledged or otherwise disposed of to third parties during the three year restriction period. In case of change of control or liquidation, or in case a member of the board ceases to exercise their mandate following death or permanent disability, the restriction period of the shares lapses. The shares remain restricted in all other instances.

The portion of remuneration settled in cash is paid in two installments, in June and December of the calendar year.

Members of the Board of Directors do not hold service contracts and are not entitled to any termination or severance payments.

They do not participate in the company's benefit schemes and the company does not make any contributions to any pension scheme on their behalf.

Board members are required to accumulate during their tenure a number of shares equivalent in value to two years of remuneration.

3.2. Structure of remuneration of the Operations Council

The members of the Operations Council receive a fixed remuneration and a variable remuneration linked to short-term and long-term results.

The fixed remuneration includes an annual base salary and benefits, in the form of employer's contributions into pension funds, health insurances, life and disability insurances, other contributions and allowances according to local practices in their country of employment, and in the form of benefits in kind.

The variable remuneration consists of a short-term incentive, settled 50% in cash and 50% in equity, and a long-term incentive, settled in equity.

The table below summarizes the various components of the remuneration of the Operations Council members.

Remuneration element	Remuneration vehicle	Drivers	Performance measures	Purpose	Plan period
Fixed remuneration					
Annual base salary	Cash	Position and experience, market practice (benchmarking)	n/a	Attract and retain key executives	Continuous
Benefits	Contributions to pension plans and insurances, other contributions, allowances, benefits in kind	Market practice	n/a	Protect executives against risks, attract and retain	Continuous
Variable remuneration					
Short-term incentive	50% cash 50% restricted shares	Annual financial performance, individual performance against leadership competency model and ESG[1] metrics	Group revenue, group NPAT[2], group ROIC[3], group free cash flow, regional and division profit, regional and division NWC[4], leadership multiplier	Pay for performance	1-year performance period 3-year deferral period
Long-term incentive	Performance share units (PSUs)	Long-term financial and non-financial performance	Relative TSR[5], ESG[1] metrics	Reward for long-term performance, align compensation with the interests of the shareholders	3-year performance period

1. ESG: environmental, social and governance. 2. NPAT: net profit after tax. 3. ROIC: return on invested capital. 4. NWC: net working capital. 5. TSR: total shareholder return.

The remuneration of the members of the Operations Council is subject to employer social charges, according to the legislation in force in their country of employment.

3.2.1. Fixed remuneration: annual base salary

The base salaries of the CEO and each Operations Council member are reviewed annually based on market data for similar positions in those companies and geographies against which the group benchmarks itself. In addition to individual performance and contribution and business performance and results, the deciding body considers the scope and complexity of the areas of responsibility of the position, skillsets, experience required to perform the job, and relevant market practice in the industry.

3.2.2. Fixed remuneration: benefits

Benefits include the employer's contributions to pension plans, the employer's contributions to insurances for health, life, disability and other risks, other cash contributions and allowances, and benefits in kind. They are awarded in accordance with prevailing practices in the country of employment of the members of the Operations Council.

Swiss-based Operations Council members participate, on the same basis as other Swiss employees of the group, in the company's pension scheme. Each participant can choose between three levels of employee contributions ("standard", "plus 2" and "maxi"), defined based on the participant's age; the company contributes an amount equal to one and a half times the participant's contribution at the "standard" level. Flexibility is granted to employees who wish to fund a potential retirement before the normal age, and to those who wish to continue working after the age of 65.

3.2.3. Short-term variable remuneration

The CEO and the other members of the Operations Council are eligible for a performance-related annual incentive (the "short-term incentive"). The short-term incentive is designed to reward the CEO and the other members of the Operations Council for the annual financial performance of the group and its businesses, and for the demonstration of leadership behaviors in line with the SGS competency model and the group's sustainability ambitions.

The short-term incentive plan is reviewed annually to ensure its alignment with the group's business strategy and value to society ambitions. For the performance year 2022, only a minor change in the KPIs compared to 2021 was implemented: for the executive vice presidents, heads of divisions, 10% of the incentive opportunity is now linked to the division net working capital, replacing the division operating free cash flow, to ensure better consistency between divisions and regions in managing the net working capital.

The table below summarizes the short-term incentive components for the CEO and the other members of the Operations Council.

Short-term incentive component	CEO	Other Operations Council members
Annual financial performance	✓	✓
Leadership behaviors	✓	✓

The target incentive is expressed as a percentage of the annual base salary and varies depending on the role. For the CEO, the target incentive amounts to 100% of annual base salary, while the target incentive for the other members of the Operations Council varies between 65% and 90% of annual base salary.

The table below summarizes the annual incentive opportunity for the CEO and the other members of the Operations Council.

	CEO	Other Operations Council members
Incentive frequency	**Annual**	**Annual**
Minimum incentive opportunity as % of base salary	0%	0%
as % of target incentive opportunity	0%	0%
Target incentive opportunity as % of base salary	100%	65-90%
Maximum incentive opportunity as % of target incentive opportunity	250%	250%
as % of base salary	250%	162.5-225%

Annual financial performance

Each year, an annual business plan is derived from the long-term strategic plan and sets the business objectives to be achieved during the year.

The key performance indicators used in the short-term incentive to measure the annual financial performance of the group and its businesses include measurements of growth (top-line contribution), profitability (bottom-line contribution), cash generation and efficient use of capital, and thus reflect the financial performance of the company in a balanced manner. Those financial metrics are cascaded consistently throughout the organization to ensure collective alignment. The CEO and the heads of corporate functions (SVPs) are measured on the financial performance of the group, while the other members of the Operations Council are measured on the financial performance of the group and on the financial performance of their own division (EVPs) or region (COOs).

At the beginning of each year, based on a recommendation by the CEO, the Board of Directors sets the target values of the key performance indicators used in the short-term incentive, in line with the annual business objectives.

The table below summarizes the key performance indicators applicable to the CEO and the other members of the Operations Council.

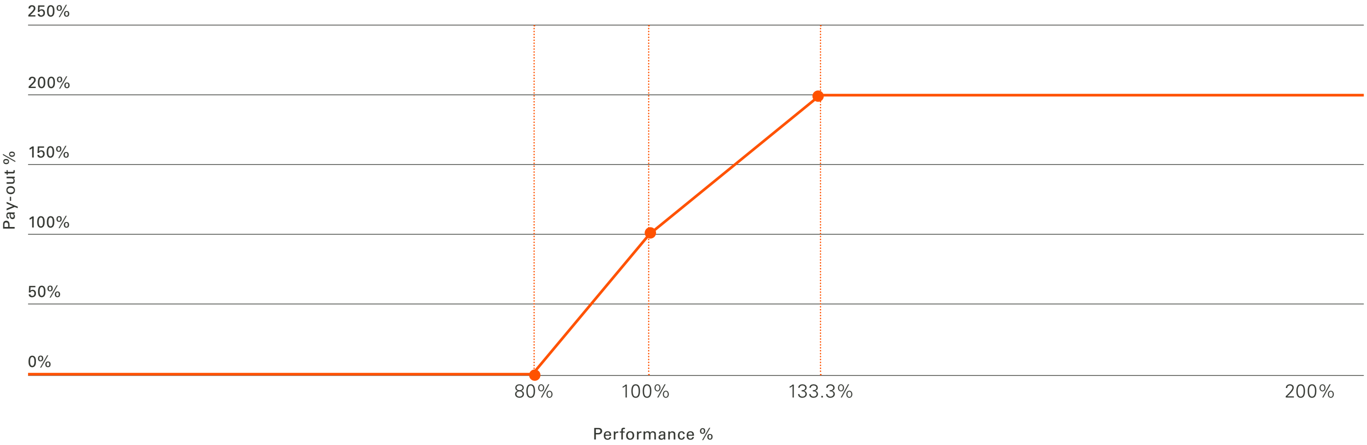
		CEO	Heads of Corporate Functions (SVPs)	Heads of Divisions (EVPs)	Heads of Regions (COOs)
Group results	Profitability (bottom-line)	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%
	Growth (top-line)	Group revenue 25%	Group revenue 25%	Group revenue 25%	Group revenue 25%
	Efficient use of capital	Group ROIC (Organic) 25%	Group ROIC (Organic) 25%		
	Cash generation	Group free cash flow (organic) 25%	Group free cash flow (organic) 25%		
Division results	Profitability (bottom-line)			Division profit 40%	
	Cash generation			Division NWC 10%	
Regions results	Profitability (bottom-line)				Regional profit 40%
	Cash generation				Regional NWC 10%

For each key performance indicator, a pay-out curve is defined according to the following principles:

- A threshold (minimum level of performance to trigger a pay-out, and below which the pay-out is zero), a target (expected level of performance that triggers a pay-out equivalent to the target incentive), and a maximum (level of performance that triggers the highest pay-out, and above which the pay-out is capped) are defined
- The lowest pay-out (triggered by the threshold performance) and the highest pay-out (triggered by the maximum performance) are defined
- The pay-out for performances between threshold and target and between target and maximum are calculated by linear interpolation

The chart below shows the pay-out curves for the group net operating profit after taxes (NPAT), group revenue, group return on invested capital (ROIC), group free cash flow (FCF), divisional profit, regional profit.

Bottom-line, top-line, ROIC and FCF performance (pay-out curve)

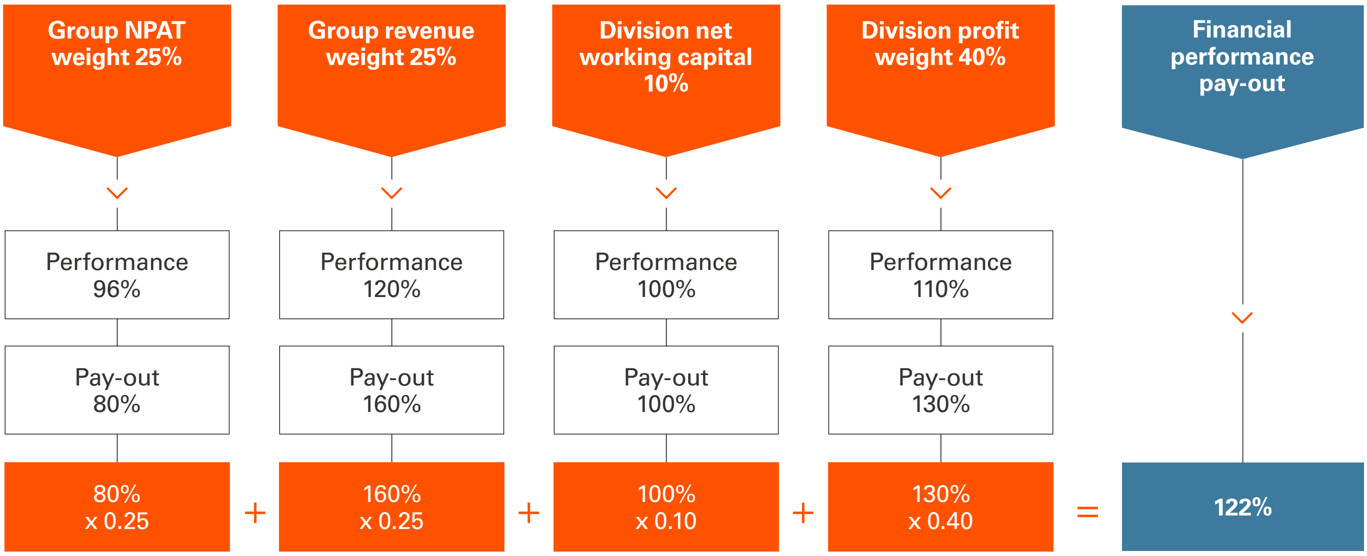


The pay-out curve for regional and divisional net working capital (NWC) is defined by the CEO at the beginning of the performance year together with the objectives for each performance metric.

At the end of the performance period, the results for each key performance indicator are assessed against the pre-defined target and the pay-out curve to determine a pay-out factor. The weighted average of the pay-out factors of each key performance indicator corresponds to the overall financial performance pay-out factor.

An example of the calculation of the financial performance pay-out factor for an executive vice president is described in the chart below.

Financial performance pay-out factors for an executive vice president



Leadership multiplier

The members of the Operations Council are also rewarded for the demonstration of leadership behaviors in line with the SGS competency model and with the SGS sustainability ambitions. These criteria encompass a broader range of values than the three metrics used for the determination of vesting of the long-term incentives (LTI). Their final incentive amount is calculated by multiplying the financial performance pay-out factor by a leadership multiplier.

The leadership multiplier is determined for each executive based on an assessment of their behaviors against: i) the leadership competency model of SGS in the areas of innovation, people management and change management, and ii) environmental, social and governance (ESG) metrics aligned with the group's sustainability ambitions. The assessment of the CEO is conducted at year end by the Board of Directors, while the assessment of the other members of the Operations Council is conducted by the CEO and approved by the Remuneration Committee. The assessment leads to a leadership multiplier that can range between 70% and 125%.

An example of the calculation of the final incentive amount for an OC member is described in the chart below.

Final incentive amount for an OC member

Target incentive		Financial performance payout factor		Leadership multiplier		Final incentive amount
CHF 100 000	×	122%	×	125%	=	CHF 152 500

Settlement of the short-term incentive

Once the final incentive amount is determined, it is settled 50% in cash and 50% in restricted shares, to strengthen the link between the compensation of executives and the interests of the shareholders.

The cash component is paid and the restricted shares are allocated after the shareholders' approval at the Annual General Meeting of the following year.

The number of restricted shares to be allocated is determined by dividing 50% of the final incentive amount by the average closing share price during the 20-day period following the payment of the dividends after the Annual General Meeting, and the result is rounded up to the nearest integer. They are restricted for a period of three years during which they may not be sold, transferred, or pledged. In case of change of control or liquidation or termination of employment following retirement, death or disability, the restriction period of the shares lapses. The shares remain restricted in all other instances.

The group does not issue new shares to be allocated to employees for equity-based compensation plans, but uses treasury shares instead, acquired through share buyback programs. Detailed information on the overhang and burn rate are disclosed in note 29.

Termination of employment

In case of termination of employment for any reason except for cause, if the last day of employment is on or after December 31 of the respective business year, the executive is eligible to the full annual incentive payment. The annual incentive is paid fully in cash after the approval at the Annual General Meeting.

In case of termination for cause before the date of payment, irrespective of whether the last day of employment is before or after December 31 of the respective business year, the executive has no entitlement to receive any annual incentive payment.

In case of resignation, and if the last day of employment is before December 31 of the respective business year, the participant has no entitlement to receive any annual incentive payment.

If employment ceases due to death or disability before December 31 of the respective business year, the annual incentive payment is calculated pro-rata (calendar days) based on the Board of Directors' best estimate of the performance on the last day of employment. The annual incentive is paid fully in cash shortly after the last day of employment, as soon as administratively possible.

In case of retirement or termination not for cause before December 31 of the respective business year, the annual incentive payment is calculated pro-rata (calendar days) based on actual performance at the end of the performance year, and it is paid fully in cash after the approval at the Annual General Meeting.

The table below summarizes the rules in case of termination of employment.

	Last day of employment before December 31				Last day of employment between December 31 and AGM			
Termination reason	Incentive opportunity (target incentive)	Incentive pay-out	Payment date	Payment vehicle	Incentive opportunity (target incentive)	Incentive pay-out	Payment date	Payment vehicle
Termination for cause	Zero	Zero	–	–	Zero	Zero	–	–
Resignation	Zero	Zero	–	–	Full	Based on actual performance	After AGM approval	100% cash
Death or disability	Pro-rated on calendar days	Based on estimated performance	Shortly after the termination date	100% cash	Full	Based on actual performance	Shortly after the termination date	100% cash
Retirement, termination not for cause	Pro-rated on calendar days	Based on actual performance	After the AGM approval	100% cash	Full	Based on actual performance	After AGM approval	100% cash

AGM – Annual General Meeting

Clawback provisions

A clawback policy applies to any variable remuneration awarded to the members of the Operations Council. Under this policy, the company may reclaim the value of any variable incentives paid, in cash or shares, in the following cases: i) any fraud, negligence or intentional misconduct was a significant contributing factor to the company having to restate all or a portion of its financial statements; ii) a serious violation of the SGS internal regulations and/or code of integrity; iii) any violation of law within the scope of employment at the company.

3.2.4. Long-term variable remuneration

The CEO and the other members of the Operations Council are eligible to a performance-related long-term incentive (the "long-term incentive"). The long-term incentive is designed to motivate the leadership team to achieve the long-term objectives of the group and to align their remuneration with the interests of the shareholders.

The long-term incentive consists of a grant of performance share units (PSUs). As of 2021, PSUs grants are done every year, in line with prevalent market practices.

The value of the grants, defined as the number of PSUs granted multiplied by the average share price of the 20 trading days preceding the grant date, is expressed as a percentage of the annual base salary and varies depending on the job.

The value of the grant is 167% of the annual base salary for the CEO, and between 100% and 133% of the annual base salary for the other members of the Operations Council.

The table below summarizes the value of the incentive opportunity for the CEO and other OC members.

		CEO	Other Operations Council members
Incentive frequency		Annual	Annual
Minimum incentive opportunity value	as % of base salary	0%	0%
	as % of target incentive opportunity	0%	0%
Target incentive opportunity value	as % of base salary	167%	100-133%
Maximum incentive opportunity value	as % of target incentive opportunity	150%	150%
	as % of base salary	250%	150-200%

The PSUs granted under the long-term incentive vest after a performance period of three years, conditionally upon the achievement of pre-defined performance objectives and subject to continuity of employment of the beneficiaries during the vesting period.

The long-term incentive plan is reviewed annually to ensure its alignment with the group's business strategy and value to society ambitions. No change in the structure of the long-term incentive plan was implemented in 2022; the only difference compared to the 2021 transition plan was in the size of the grants. Details on the value of the 2022 grants in comparison with the 2021 grants are disclosed in section 5.3. of this report.

Performance conditions

The performance conditions of the long-term incentive consist of the following key performance indicators:

- Relative total shareholder return (rTSR[1]) (relative SGS performance compared with the peer group), accounting for 80% of the incentive opportunity
- Environmental, social and governance (ESG) metrics, accounting for 20% of the incentive opportunity

The TSR of the group will be compared to the TSR of a group of seven peer companies, selected by the Board of Directors as the main listed competitors on the testing, inspection and certification industry. The intention of indexing performance against a peer group of companies is to reward the relative performance of the company, where market factors that are outside the control of the executives are neutralized.

The list of the peer group companies is illustrated in the table below.

ALS	Applus+	Bureau Veritas	Eurofins
Intertek	Mistras	Team	

The vesting level for the TSR is defined as follows: 150% vesting if SGS is ranked first among the eight companies (including SGS) composing the peer group, 125% vesting if SGS is ranked second, 100% vesting if SGS is ranked third, 50% vesting if SGS is ranked fourth, and zero vesting if SGS is ranked fifth or worse.

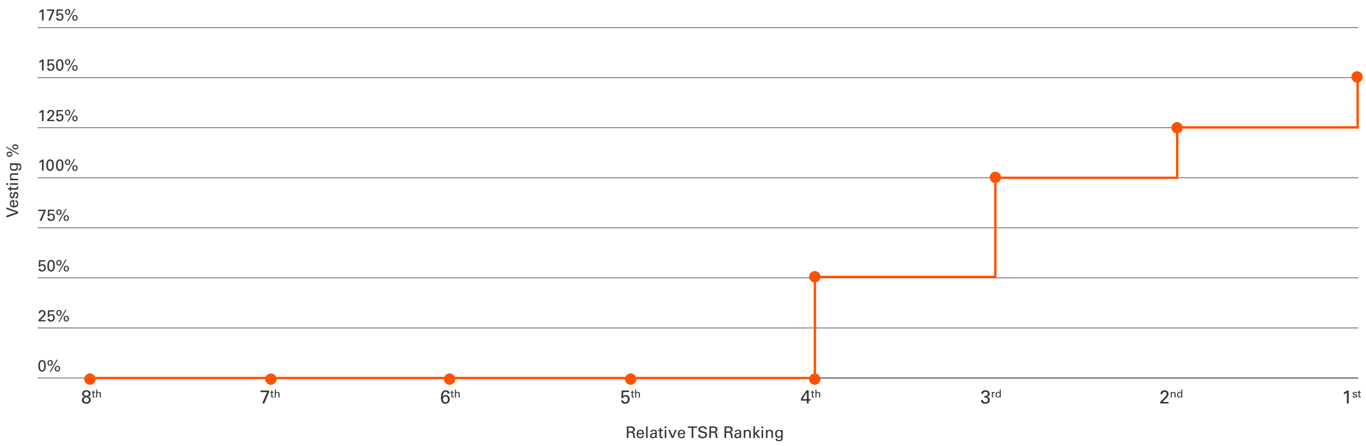
The ESG metrics have been selected by the Board of Directors in line with the company's sustainability ambitions, in the areas of diversity and inclusion (women in leadership positions), health and safety (lost time incident rate) and environment protection (greenhouse gas (GHG) emissions).

The vesting level for the ESG metrics is defined based on the company's achievements against pre-defined performance levels and can range between zero (in case the performance of two of the metrics is below target) and 150% (in case the performance of all three metrics is at maximum or above).

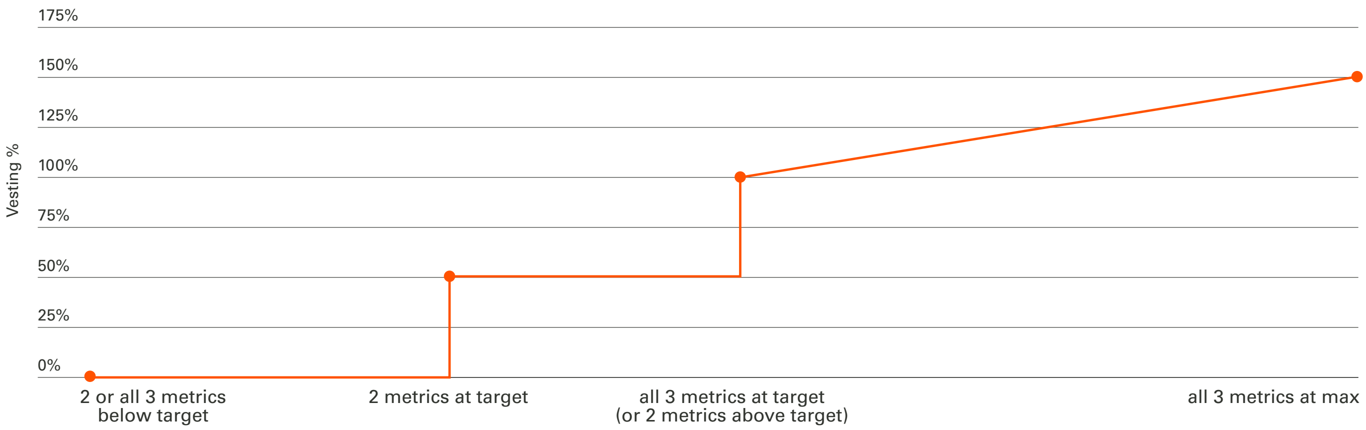
1. Total shareholder return: (Ending stock price – Beginning stock price) + Sum of all dividends received during the measurement period.

The graphics below summarize the key performance indicators of the long-term incentive and their vesting levels:

Relative TSR vesting formula



ESG metrics vesting formula



The overall vesting level of the PSUs granted will be calculated as a weighted average of each of the respective vesting levels for relative TSR (80%) and ESG metrics (20%), and ranges between 0% and 150%.

Settlement of the long-term incentive

At the end of the vesting period, the PSUs vest, subject to the performance conditions and the continuity of employment condition, and shares are allocated to the participants based on the overall vesting level.

The number of shares to be allocated at vesting is calculated by multiplying the number of PSUs granted by the overall vesting level, the result being rounded up to the nearest integer.

Number of PSUs granted × Overall vesting level (0-150%) = Number of shares allocated at vesting

The Group does not issue new shares to be allocated to employees for equity-based compensation plans, but uses treasury shares instead, acquired through share buyback programs. Detailed information on the overhang and burn rate are disclosed in note 29.

Termination of employment

In case of termination of employment, all unvested PSUs are as a rule immediately forfeited without value and without any compensation, except in the following cases:

- In case of termination of employment as a result of disability or retirement, unvested PSUs vest on a pro-rata basis, based on the number of full months of the vesting period that have expired until the termination date. The shares are allocated after the regular vesting date and the vesting level is determined based on the performance during the entire regular performance period. There is no early allocation of the shares
- Upon termination of employment as a result of death, unvested PSUs will vest immediately on a pro-rata basis, based on the number of full months of the vesting period that have expired until the termination date. The vesting level is based on an estimation of performance by the Board of Directors
- In the event of a corporate transaction or liquidation, unvested PSUs vest immediately. The vesting level is based on an estimation of performance by the Board of Directors

The table below summarizes the vesting rules in case of termination of employment:

Termination reason	Vesting rule	Vesting time and shares allocation	Vesting level
Retirement or disability	Vesting on a pro-rata basis	At regular vesting date	Based on actual performance
Death	Vesting on a pro-rata basis	Immediate	Based on an estimation of performance by the Board of Directors
Corporate transaction or liquidation	Full vesting	Immediate	Based on an estimation of performance by the Board of Directors
Other reasons	Forfeiture	–	–

Malus and clawback provisions

A malus and clawback policy applies to any long-term incentive grant awarded to the members of the Operations Council. Under this policy, the company may forfeit any unvested equity compensation and/or reclaim the value of any vested equity compensation granted under a long-term incentive plan, in the following cases: i) any fraud, negligence or intentional misconduct was a significant contributing factor to the company having to restate all or a portion of its financial statements; ii) a serious violation of the SGS internal regulations and/or code of integrity; iii) any violation of law within the scope of employment at the company.

3.2.5. Remuneration mix

The part of remuneration at risk (short-term incentive and long-term incentive) for the CEO represents, at target, 73% of their total remuneration. The part of remuneration settled in equity instruments (restricted shares and PSUs) represents, at target, 59% of their total remuneration.

For the other members of the Operations Council, the part or remuneration at risk represents, on average, 64% of their total remuneration. The part of remuneration settled in equity instruments represents, on average, 50% of their total remuneration.

The long-term incentive is considered at its annualized value.

The part of the fixed remuneration linked to benefits is not considered in this analysis.

The charts below show the remuneration mix for the CEO and the other members of the Operations Council in three cases: at minimum (both short-term and long-term incentives at zero pay-out), at target (both short-term and long-term incentives at 100% pay-out) and at maximum (both short-term and long-term incentives at maximum pay-out).

3.2.6. Shareholding ownership guidelines

A shareholding ownership guideline (SOG) in force since 2015, requires the members of the Operations Council to own at least a certain multiple of their annual base salary in SGS shares, as follows:

- CEO: three times the annual base salary
- Other members of the Operations Council: two times the annual base salary

In the event of a substantial drop in the share price, the Board of Directors has the discretion to modify the SOG.

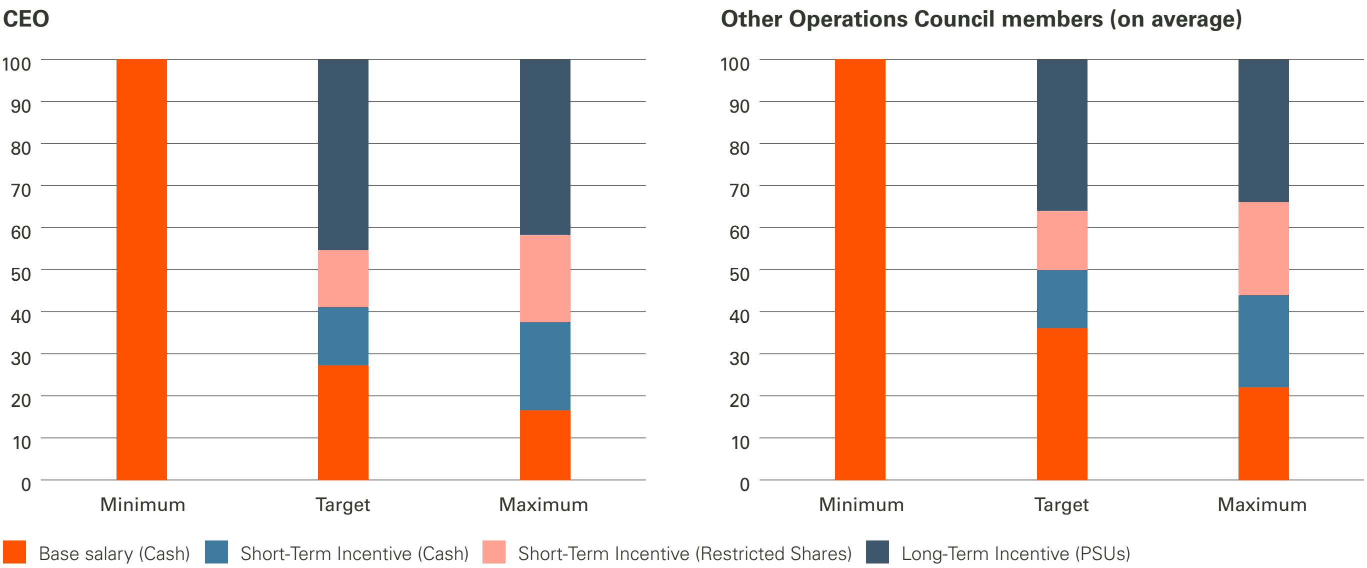
The determination of equity amounts against the SOG is defined to include vested shares allocated under the short-term and long-term incentive plans and other shares that are owned by the Operations Council member directly or indirectly (by "closely related persons").

The Remuneration Committee reviews compliance with the SOG on an annual basis. Until the minimum requirement is met, 25% of the shares allocated under the short-term incentive plan and all shares allocated upon vesting of the PSUs under the long-term incentive plan will be blocked.

3.2.7. Employment contracts

Employment contracts of the Operations Council members have no fixed term and can be terminated at any time by either party, provided a notice period of six months is respected. For the CEO, the notice period is 12 months. The executive contracts do not provide for any severance payments (beyond the minimum legally required in the country of employment) and are subject to applicable legislation in the country of employment.

Remuneration mix for the CEO and other Operations Council members in three cases (%)

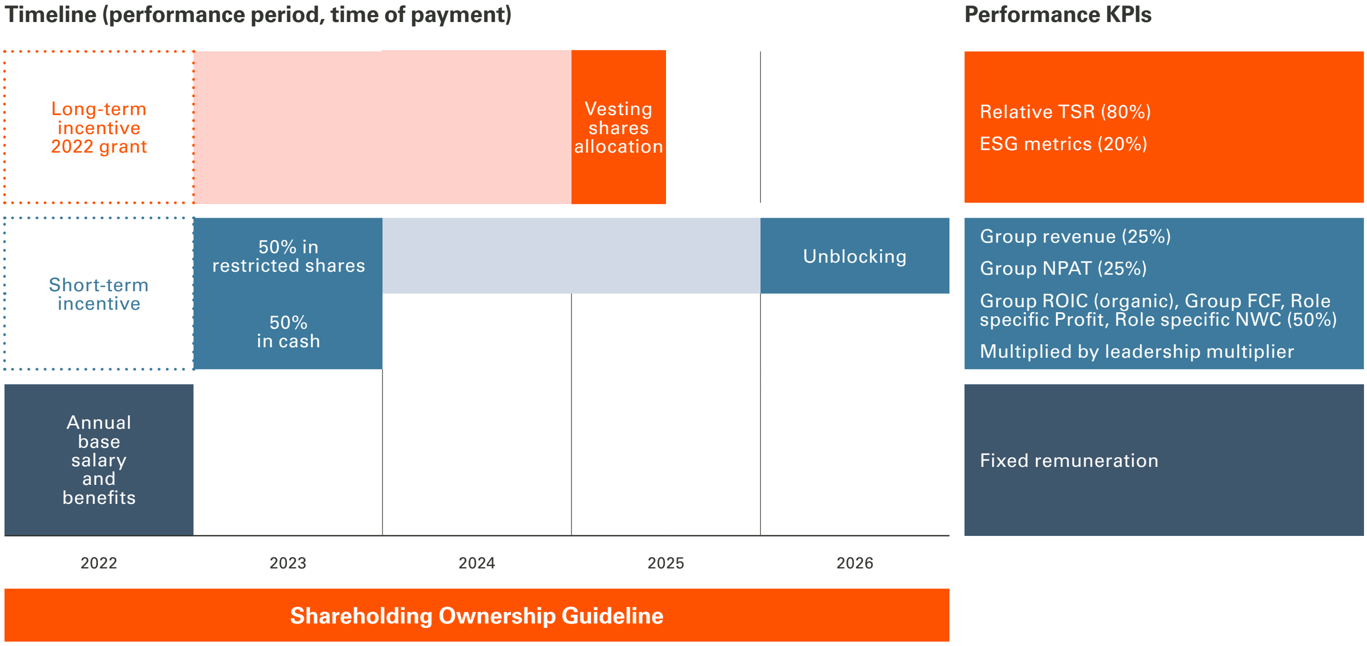


3.2.8. Timeline of remuneration

The following chart outlines the timeline of payment of each remuneration element that was earned in 2022:

- The annual base salary is paid during 2022
- The cash portion of the short-term incentive is paid in March 2023, shortly after the Annual General Meeting
- The share portion of the short-term incentive is allocated in April 2023 and will be unblocked in April 2026
- The PSUs granted under the long-term incentive in 2022 will be earned over the performance period from 2022 to 2024 and will vest, subject to performance conditions and continuity of employment, in February 2025

Timeline of remuneration



4. Remuneration awarded to the Board of Directors (audited)

As explained in section 3.1. of this report, The Board of Directors reviewed the remuneration of its members, to align with prevalent market practices of Swiss publicly traded companies.

For the mandate from Annual General Meeting 2022 to 2023, the annual board retainer is CHF 665 000 for the Chair of the Board and CHF 200 000 for the other Board of Directors members; this represents an increase of 33% compared to the prior mandate (board retainer was CHF 500 000 for the Chair and CHF 150 000 for the other members). The Chair of the Audit Committee is entitled to an additional fee of CHF 70 000; directors serving as Audit Committee members are entitled to an additional fee of CHF 50 000 (unchanged from the prior mandate). The Chair of the Remuneration Committee is entitled to an additional fee of CHF 40 000; directors serving as Remuneration Committee members are entitled to an additional fee of CHF 30 000 (unchanged from the prior mandate). The Chair of the Sustainability Committee is entitled to an additional fee of CHF 30 000; directors serving as Sustainability Committee members and directors serving on the Nomination Committee are entitled to an additional fee of CHF 30 000 (during the prior mandate, directors serving on the Governance & Compliance Committee were entitled to an additional fee of CHF 30 000).

(CHF thousand, gross)	Board Retainer	Audit Committee fee	Remuneration Committee fee	Nomination Committee fee	Sustainability Committee fee
Chairmanship	665	70	40	–	30
Membership	200	50	30	30	30

The total remuneration of the Board of Directors for the mandate from Annual General Meeting 2022 to 2023 is equal to CHF 2 655 000, within the amount approved by the Annual General Meeting 2022 (CHF 2 700 000).

Each board member receives 25% of the annual board retainer in the form of shares restricted for a period of three years ending on the third anniversary of their award; the remaining portion is settled in cash. The cash part is paid partly in the current fiscal year and partly in the next fiscal year, on a pro-rata temporis basis. The restricted shares are awarded in the current fiscal year, after the Annual General Meeting during which the board member is elected to their position.

The total remuneration of the Board of Directors for the mandate from Annual General Meeting 2021 to 2022 was equal to CHF 1 880 000, within the amount approved by the Annual General Meeting 2021 (CHF 2 300 000).

Each board member could choose to receive up to 50% of his/her remuneration settled in shares or restricted shares. Two board members decided to receive a portion (25% and 50%) of their remuneration in restricted shares; the remaining portion was settled in cash. The cash part was paid partly in 2021 fiscal year and partly in 2022 fiscal year, on a pro-rata temporis basis. The shares or restricted shares were granted in 2022 fiscal year, after the publication of the 2021 Group results.

The table below details the remuneration elements and the settlement vehicle of the directors for the mandate Annual General Meeting 2022 to 2023.

(CHF thousand, gross)	Chairmanship	Board membership	Audit Committee membership	Remuneration Committee membership	Nomination Committee membership	Sustainability Committee membership	Total remuneration	To be settled in cash	To be settled in restricted shares[1]
C. Grieder	665	–	–	–	–	–	665	500	165
S. Atiya	–	200	–	40	30	–	270	220	50
Ph. Cheung	–	200	–	–	–	30	230	180	50
P. Desmarais, Jr.	–	200	–	–	–	–	200	150	50
I. Gallienne	–	200	–	30	30	–	260	210	50
T. Hartmann	–	200	50	–	–	–	250	200	50
S. R. du Pasquier	–	200	–	–	–	–	200	150	50
K. Sorenson	–	200	70	30	–	30	330	280	50
J. S. Vergis	–	200	50	–	–		250	200	50
Total	**665**	**1 600**	**170**	**100**	**60**	**60**	**2 655**	**2 090**	**565**

1. Restricted shares were granted during fiscal year 2022.

The table below details the remuneration elements and the settlement vehicle of the directors for the mandate Annual General Meeting 2021 to 2022.

(CHF thousand, gross)	Chairmanship	Board membership	Audit Committee membership	Remuneration Committee membership	Governance & Compliance Committee membership	Total remuneration	Proportion to be settled in cash	Settled in restricted shares[1]
C. Grieder	500	–	–	–	–	500	100%	–
S. Atiya	–	150	–	–	30	180	100%	–
P. Desmarais, Jr.	–	150	–	–	–	150	100%	–
I. Gallienne	–	150	–	30	30	210	100%	–
T. Hartmann	–	150	50	–	–	200	100%	–
S. R. du Pasquier	–	150	–	40	–	190	75%	25%
K. Sorenson	–	150	70	30	–	250	50%	50%
J. S. Vergis	–	150	50	–	–	200	100%	–
Total	**500**	**1 050**	**170**	**100**	**60**	**1 880**		

1. Restricted shares were granted during fiscal year 2022.

The remuneration of the Board of Directors is subject to employer social charges according to Swiss legislation.

The following table details the remuneration elements granted to each of the directors for their tenure in fiscal year 2022. It includes both pro-rata temporis elements of remuneration for the mandate Annual General Meeting 2021 to 2022 and pro-rata temporis elements or remuneration for the mandate Annual General Meeting 2022 to 2023.

(CHF thousand, gross)	Board retainer	Representation fees	Committee fees	Total remuneration	Cash	Restricted shares value	Restricted shares NB	Employer social charges
C. Grieder	656	–	–	656	493	163	65	10
S. Atiya	197	–	60	257	209	48	19	22
Ph. Cheung[1]	163	–	23	186	138	48	19	16
P. Desmarais, Jr.	197	–	–	197	149	48	19	14
I. Gallienne	197	–	59	256	208	48	19	22
T. Hartmann	197	–	49	246	198	48	19	–
S. R. du Pasquier	212	–	–	212	115	97	38	18
K. Sorenson	288	–	98	386	213	173	68	32
J. S. Vergis	197	–	49	246	198	48	19	21
Total	**2 304**	**–**	**338**	**2 642**	**1 921**	**721**	**285**	**155**

1. As of the Annual General Meeting 2022.

The following table details the remuneration elements granted to each of the directors for their tenure in fiscal year 2021. It includes both pro-rata temporis elements of remuneration for the mandate Annual General Meeting 2020 to 2021 and pro-rata temporis elements or remuneration for the mandate Annual General Meeting 2021 to 2022.

(CHF thousand, gross)	Board retainer	Representation fees	Committee fees	Total remuneration	Cash	Restricted shares value	Restricted shares NB	Employer social charges
C. Grieder	501	–	–	501	501	–	–	–
S. Atiya	150	–	30	180	180	–	–	16
P. Desmarais, Jr.	150	–	–	150	150	–	–	11
A. F. von Finck[1]	35	–	7	42	42	–	–	4
I. Gallienne	150	–	61	211	211	–	–	19
C. Grupp[1]	35	–	–	35	35	–	–	2
T. Hartmann	150	–	50	200	200	–	–	–
G. Lamarche[1]	35	–	16	51	51	–	–	5
S. R. du Pasquier	150	–	40	190	142	48	18	17
K. Sorenson	110	–	68	178	178	–	–	16
J. S. Vergis[2]	116	–	39	155	155	–	–	14
Total	**1 582**	**–**	**311**	**1 893**	**1 845**	**48**	**18**	**104**

1. Until the Annual General Meeting 2021.
2. As of the Annual General Meeting 2021.

The overall remuneration paid to the Board of Directors in 2022 is higher than the overall remuneration paid in 2021; this reflects the adjustment of the board fees to market conditions (as explained in section 3.1. of this report), the split of the Governance & Sustainability Committee into two separate committees (the Nomination Committee and the Sustainability Committee), and the increase in the number of board members (9 members in the mandate Annual General Meeting 2022 to 2023, 8 members in the prior mandate).

5. Remuneration awarded to the Operations Council members (audited)

This section sets out the remuneration that was paid to the Operations Council as a whole, to the three Operations Council members who make up senior management and to the CEO in 2022. All amounts disclosed in this section include the short-term incentive cash amount and restricted shares that will be granted in April 2023 with respect to performance in 2022 (disclosure according to the accrual principle).

5.1. Fixed remuneration

The table below summarizes the fixed remuneration paid to the Operations Council, senior management and the CEO in 2022.

(CHF thousand, gross)	Base salary	Other cash allowances	Contributions to pension plans	Other contributions and benefits in kind	Total fixed remuneration
Operations Council (including senior management)					
Cash (including allowances)	7 499	867	–	–	8 366
Contributions and benefits in kind	–	–	748	343	1 091
Equity	–	–	–	–	–
Total	**7 499**	**867**	**748**	**343**	**9 457**
Senior management (including CEO)					
Cash (including allowances)	2 325	142	–	–	2 467
Contributions and benefits in kind	–	–	271	21	292
Equity	–	–	–	–	–
Total	**2 325**	**142**	**271**	**21**	**2 759**
Chief Executive Officer					
Cash (including allowances)	1 200	64	–	–	1 264
Contributions and benefits in kind	–	–	112	8	120
Equity	–	–	–	–	–
Total	**1 200**	**64**	**112**	**8**	**1 384**

The aggregate total fixed remuneration of the members of the Operations Council did not exceed the maximum amount approved by the Annual General Meeting in 2021 (CHF 14 000 000). For 2023, the 2022 Annual General Meeting already approved a maximum aggregate total fixed remuneration for the members of the Operations Council (CHF 12 500 000).

The table below summarizes the fixed remuneration paid to the Operations Council, senior management and the CEO in 2021.

(CHF thousand, gross)	Base salary	Other cash allowances	Contributions to pension plans	Other contributions and benefits in kind	Total fixed remuneration
Operations Council (including senior management)					
Cash (including allowances)	7 599	1 019	–	–	8 618
Contributions and benefits in kind	–	–	804	340	1 144
Equity	–	–	–	–	–
Total	**7 599**	**1 019**	**804**	**340**	**9 762**
Senior management (including CEO)					
Cash (including allowances)	2 278	145	–	–	2 423
Contributions and benefits in kind	–	–	259	22	281
Equity	–	–	–	–	–
Total	**2 278**	**145**	**259**	**22**	**2 704**
Chief Executive Officer					
Cash (including allowances)	1 200	64	–	–	1 264
Contributions and benefits in kind	–	–	112	9	121
Equity	–	–	–	–	–
Total	**1 200**	**64**	**112**	**9**	**1 385**

The decrease in fixed remuneration compared with 2021 reflects the change in the composition of the Operations Council.

5.2. Short-term variable remuneration

The short-term variable remuneration of the members of the Operations Council is determined by the achievement of financial targets and by their leadership behaviors.

In 2022, the achievement of financial targets at group level, in the businesses and in the regions ranges from 74.8% to 123.6% (2021: 88.0% to 133.3%).

The chart below summarizes the 2022 performance achievements against targets for the financial objectives (revenue, profitability, cash generation and capital efficiency) used in the short-term incentive. No adjustment to the targets was made to account for the Covid-19 related lockdown in China and for the geopolitical crisis in Eastern Europe.

2022 performance achievements against targets

Performance KPI	Pay-out %		
Group revenue	100.8%		
Group NPAT	66.6%		
Group ROIC	63.4%		
Group free cash flow	0.0%		
	Avg	Min	Max
Regional and business profit	57.6%	0.0%	115.7%
Regional and business cash generation	90.8%	48.5%	170.9%

Achievement · Average achievement · Performance range

The overall short-term incentive pay-out amounts to 63.5% of the target incentive opportunity for the CEO (2021: 121.9%) and ranges from 49.4% to 113.1% of the target incentive opportunity for the other members of the Operations Council (2021: 79.1% to 157.1%). For the purpose of the short-term incentive, targets and performance achievement are measured at constant currency exchange rates. The table below details the 2022 short-term incentive for the CEO.

CEO 2022 STI pay-out

	Group financial KPIs				Pay-out
KPI description	Revenue (CHF million)	NPAT (CHF million)	ROIC (organic) (%)	FCF (CHF million)	
Target	6 623	630	20.5	677	
Actual	6 642	588	19.0	507	
Actual vs Target %	100.3%	93.3%	92.7%	74.8%	
Pay-out %	100.8%	66.6%	63.4%	0.0%	
Weight	25%	25%	25%	25%	
Financial KPIs pay-out %					57.7%
Leadership multiplier					110%
Total pay-out %					63.5%
Pay-out (CHF thousand, gross)					762

In settlement of the equity portion of the short-term incentive 2022, SGS restricted shares will be allocated to the members of the Operations Council in Q2 2023, after the approval of the total short-term incentive amount by the Annual General Meeting (in Q2 2022, 1 378 restricted shares were granted in settlement of the equity portion of the short-term incentive 2021). The number of restricted shares to be allocated is calculated by dividing the equity portion of the short-term incentive by the average closing price of the share during a 20-trading day period following the payment of the dividends after the Annual General Meeting, rounded up to the nearest integer, and are restricted for a period of three years.

The table below summarizes the short-term variable remuneration awarded to the Operations Council, senior management and the CEO for the 2022 performance year, and its comparison with the incentive opportunity.

(CHF thousand, gross)	Minimum	Target	Maximum	Actual short-term variable remuneration
Operations Council (including senior management)				
Cash (including allowances)	–	3 106	7 765	2 216
Contributions and benefits in kind	–	–	–	–
Equity	–	3 106	7 765	2 216
Total	–	**6 212**	**15 530**	**4 432**
Senior management (including CEO)				
Cash (including allowances)	–	1 080	2 700	662
Contributions and benefits in kind	–	–	–	–
Equity	–	1 080	2 700	662
Total	–	**2 160**	**5 400**	**1 324**
Chief Executive Officer				
Cash (including allowances)	–	600	1 500	381
Contributions and benefits in kind	–	–	–	–
Equity	–	600	1 500	381
Total	–	**1 200**	**3 000**	**762**

The total short-term remuneration amount will be submitted for approval to the Annual General Meeting of 2023, and the settlement for both the cash and the equity part will be implemented shortly after.

The table below summarizes the short-term variable remuneration awarded to the Operations Council, senior management and the CEO for the 2021 performance year, and its comparison with the incentive opportunity.

(CHF thousand, gross)	Minimum	Target	Maximum	Actual short-term variable remuneration
Operations Council (including senior management)				
Cash (including allowances)	–	3 195	7 988	3 783
Contributions and benefits in kind	–	–	–	–
Equity	–	2 893	7 233	3 448
Total	**–**	**6 088**	**15 220**	**7 231**
Senior management (including CEO)				
Cash (including allowances)	–	1 059	2 648	1 296
Contributions and benefits in kind	–	–	–	–
Equity	–	1 059	2 648	1 296
Total	**–**	**2 118**	**5 295**	**2 592**
Chief Executive Officer				
Cash (including allowances)	–	600	1 500	732
Contributions and benefits in kind	–	–	–	–
Equity	–	600	1 500	732
Total	**–**	**1 200**	**3 000**	**1 464**

The total 2021 short-term remuneration amount was approved by the Annual General Meeting of 2022, and the settlement for both the cash and the equity part were implemented shortly after.

The decrease in short-term variable remuneration compared to 2021 reflects the lower achievements against the financial targets.

5.3. Long-term variable remuneration

In 2022, the group implemented a long-term incentive plan for the performance period 2022-2024. Under the long-term incentive plan 2022-2024, a total of 3 296 performance share units (PSUs) were granted to the members of the Operations Council; this includes 1 301 PSUs granted to senior management, of which 769 granted to the CEO.

The PSUs awarded under the long-term incentive 2022-2024 vest after the three-year performance period 2022-2024, in early 2025, subject to the performance conditions (relative total shareholder return and environmental, social and governance metrics; see section 3.2.4. of this report for detailed explanations on the performance conditions) and to continuity of employment of the beneficiaries during the vesting period.

The number of PSUs granted is calculated by dividing the value of the grant, as disclosed in section 3.2.4. of this report, by the average closing price of the share during a 20-trading day period preceding the grant date, rounded up to the nearest integer.

A cash long-term incentive plan was implemented in 2022 for one Operations Council member who was newly appointed, as part of his total compensation. This incentive mirrors the long-term incentive PSUs plan 2021-2023, with the exact same vesting and performance conditions, from the date of the appointment to 31 December 2023.

In 2021, the group implemented a long-term incentive plan for the performance period 2021-2023. Under the long-term incentive plan 2021-2023, a total of 6 003 performance share units (PSUs) were granted to the members of the Operations Council; this includes 2 462 PSUs granted to senior management, of which 1 481 granted to the CEO. The 2021-2023 long-term incentive plan was a transition plan, from the past practice (until the 2018-2020 plan), with one grant every three years, to the new practice, with one grant every year.

A cash long-term incentive plan was implemented in 2021 for one Operations Council member who was newly appointed, as part of his total compensation. This incentive mirrors the long-term incentive PSUs plan 2021-2023, with the exact same vesting and performance conditions, from the date of the appointment to 31 December 2023.

The table below summarizes the value of the long-term variable remuneration awarded to the Operations Council, senior management and the CEO in 2022.

	Number of PSUs granted	Total value of the grant[1] (CHF thousand, gross)
Operations Council (including senior management)		
Cash (including allowances)	–	618
Contributions and benefits in kind	–	–
Equity	3 296	8 577
Total	**3 296**	**9 195**
Senior management (including CEO)		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	1 301	3 386
Total	**1 301**	**3 386**
Chief Executive Officer		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	769	2 001
Total	**769**	**2 001**

1. The value of the grant for the equity part is defined as the number of PSUs granted multiplied by the average closing price of the share during a 20-trading day period preceding the grant date.

The table below summarizes the value of the long-term variable remuneration awarded to the Operations Council, senior management and the CEO in 2021.

	Number of PSUs granted	Total value of the grant[1,2] (CHF thousand, gross)
Operations Council (including senior management)		
Cash (including allowances)	–	382
Contributions and benefits in kind	–	–
Equity	6 003	16 216
Total	**6 003**	**16 598**
Senior management (including CEO)		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	2 462	6 651
Total	**2 462**	**6 651**
Chief Executive Officer		
Cash (including allowances)	–	–
Contributions and benefits in kind	–	–
Equity	1 481	4 001
Total	**1 481**	**4 001**

1. The value of the grant for the equity part is defined as the number of PSUs granted multiplied by the average closing price of the share during a 20-trading day period preceding the grant date.
2. The 2021-2023 LTI plan is a transition plan between the past practice (one grant every three years) and the new practice (annual grant); the value of the grant is two thirds of the past plans, while as of 2022 the value of the grant is one third of the past plans.

5.4. Total remuneration

The tables below present all components of the remuneration earned in 2022 and 2021 by the Operations Council, senior management and the CEO. The employer social charges are reported separately in the last column of the table.

Total remuneration 2022

(CHF thousand, gross)	Total fixed remuneration	Total short-term variable remuneration	Total 2022 remuneration before LTI	Total long-term variable remuneration	Total 2022 remuneration	Employer social charges
Operations Council (including senior management)[1]						
Cash (including allowances)	8 366	2 216	10 582	618	11 200	–
Contributions and benefits in kind	1 091	–	1 091	–	1 091	1 390
Equity	–	2 216	2 216	8 577	10 793	–
Total	**9 457**	**4 432**	**13 889**	**9 195**	**23 084**	**1 390**
Senior management (including CEO)[2]						
Cash (including allowances)	2 467	662	3 129	–	3 129	–
Contributions and benefits in kind	292	–	292	–	292	418
Equity	–	662	662	3 386	4 048	–
Total	**2 759**	**1 324**	**4 083**	**3 386**	**7 469**	**418**
Chief Executive Officer						
Cash (including allowances)	1 264	381	1 645	–	1 645	–
Contributions and benefits in kind	120	–	120	–	120	220
Equity	–	381	381	2 001	2 382	–
Total	**1 384**	**762**	**2 146**	**2 001**	**4 147**	**220**

1. 18 FTE (Full-Time Equivalent).
2. 3 FTE.

Total remuneration 2021

(CHF thousand, gross)	Total fixed remuneration	Total short-term variable remuneration	Total 2021 remuneration before LTI	Total long-term variable remuneration[1]	Total 2021 remuneration	Employer social charges
Operations Council (including senior management)[2]						
Cash (including allowances)	8 618	3 783	12 401	382	12 783	–
Contributions and benefits in kind	1 144	–	1 144	–	1 144	2 637
Equity	–	3 448	3 448	16 216	19 664	–
Total	**9 762**	**7 231**	**16 993**	**16 598**	**33 591**	**2 637**
Senior management (including CEO)[3]						
Cash (including allowances)	2 423	1 296	3 719	–	3 719	–
Contributions and benefits in kind	281	–	281	–	281	878
Equity	–	1 296	1 296	6 651	7 947	–
Total	**2 704**	**2 592**	**5 296**	**6 651**	**11 947**	**878**
Chief Executive Officer						
Cash (including allowances)	1 264	732	1 996	–	1 996	–
Contributions and benefits in kind	121	–	121	–	121	518
Equity	–	732	732	4 001	4 733	–
Total	**1 385**	**1 464**	**2 849**	**4 001**	**6 850**	**518**

1. The 2021-2023 LTI plan is a transition plan between the past practice (one grant every three years) and the new practice (annual grant); the value of the grant was two thirds of the past plans, while as of 2022 the value of the grant will be one third of the past plans.
2. 19 FTE (Full-Time Equivalent).
3. 3 FTE.

5.5. Remuneration mix

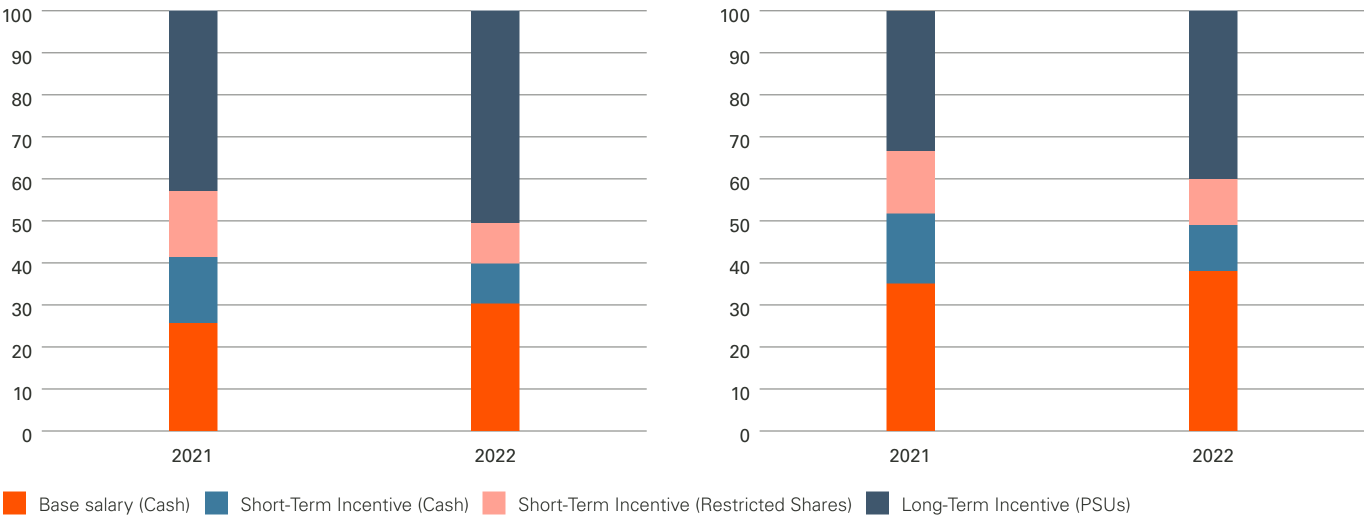
In 2022, the part of remuneration at risk (short-term incentive and long-term incentive) for the CEO represents 70% of the total remuneration (2021: 74%); the part of remuneration settled in equity instruments (restricted shares and PSUs) represents 60% of the total remuneration (2021: 59%). For the other members of the Operations Council, the part of remuneration at risk represents, on average, 62% of the total remuneration (2021: 65%); the part of remuneration settled in equity instruments represents, on average, 51% of the total remuneration (2021: 48%). The long-term incentive of 2021 is considered at the individual's annualized value.

The part of the fixed remuneration linked to benefits is not considered in this analysis.

The charts below show the remuneration mix for the CEO and for the other members of the Operations Council in 2022 and 2021.

Remuneration mix of the CEO and other Operations Council members (%)

CEO **Other Operations Council members (on average)**



5.6. Other compensation elements

5.6.1. Severance payments

No severance payments were made in 2022 to members of the Operations Council (unchanged from prior year).

5.6.2. Other compensation to members or former members of the governing bodies

In 2022 no other payment was made to any member or former member of the governing bodies (unchanged from prior year).

5.6.3. Loans to members or former members of the governing bodies

As at 31 December 2022, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies or related parties (unchanged from prior year).

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

We have audited the remuneration report of SGS SA for the year ended 31 December 2022. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in sections 4 and 5 (pages 115 to 122) of the report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of SGS SA for the year ended 31 December 2022 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers SA

Guillaume Nayet	Louise Rolland
Audit expert Auditor in charge	

Geneva, 22 February 2023

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1. SGS Group

1.1. Consolidated Income Statement

For the years ended 31 December

(CHF million)	Notes	2022	2021
Revenue	4	**6 642**	**6 405**
Salaries and wages		(3 331)	(3 180)
Subcontractors' expenses		(399)	(385)
Depreciation, amortization and impairment	12 to 15	(521)	(499)
Other operating expenses	7	(1 493)	(1 364)
Operating income (EBIT)[1]	4	**898**	**977**
Financial income	8	20	16
Financial expenses	9	(71)	(69)
Share of profit of associates and joint ventures		2	–
Profit before taxes		**849**	**924**
Taxes	10	(219)	(269)
Profit for the period		**630**	**655**
Profit attributable to:			
Equity holders of SGS SA		588	613
Non-controlling interests		42	42
Basic earnings per share (in CHF)	11	**78.86**	**81.91**
Diluted earnings per share (in CHF)	11	**78.67**	**81.79**

1. Refer to note 4 for analysis of non–recurring items.

1.2. Consolidated Statement of Comprehensive Income

For the years ended 31 December

(CHF million)	Notes	2022	2021
Actuarial (losses)/gains on defined benefit plans	25	(20)	57
Income tax on actuarial (losses)/gains	10	5	(6)
Items that will not be subsequently reclassified to income statement		**(15)**	**51**
Exchange differences		(148)	(32)
Items that may be subsequently reclassified to income statement		**(148)**	**(32)**
Other comprehensive (loss)/income for the period		**(163)**	**19**
Profit for the period		630	655
Total comprehensive income for the period		**467**	**674**
Attributable to:			
Equity holders of SGS SA		430	629
Non-controlling interests		37	45

1.3. Consolidated Statement of Financial Position

At 31 December

(CHF million)	Notes	**2022**	2021
Assets			
Non-current assets			
Property, plant and equipment	12	907	925
Right-of-use assets	13	577	605
Goodwill	14	1 755	1 778
Other intangible assets	15	350	382
Investments in joint ventures, associates and other companies		20	26
Deferred tax assets	10	153	164
Other non-current assets	16	125	173
Total non-current assets		**3 887**	**4 053**
Current assets			
Inventories		59	59
Unbilled revenues and work in progress	5	210	175
Trade receivables	17	988	928
Other receivables and prepayments	18	223	204
Current tax assets		132	108
Cash and cash equivalents	19	1 623	1 480
Total current assets		**3 235**	**2 954**
Total assets		**7 122**	**7 007**
Equity and liabilities			
Capital and reserves			
Share capital	23	7	7
Reserves		954	1 118
Treasury shares		(279)	(8)
Equity attributable to equity holders of SGS SA		**682**	**1 117**
Non-controlling interests		81	85
Total equity		**763**	**1 202**
Non-current liabilities			
Loans and other financial liabilities	24	2 833	2 889
Lease liabilities	13	442	481
Deferred tax liabilities	10	79	92
Defined benefit obligations	25	47	84
Provisions	26	96	90
Total non-current liabilities		**3 497**	**3 636**
Current liabilities			
Trade and other payables	27	671	687
Contract liabilities	5	228	221
Current tax liabilities		165	169
Loans and other financial liabilities	24	1 009	282
Lease liabilities	13	162	155
Provisions	26	58	60
Other creditors and accruals		569	595
Total current liabilities		**2 862**	**2 169**
Total liabilities		**6 359**	**5 805**
Total equity and liabilities		**7 122**	**7 007**

1.4. Consolidated Statement of Cash Flows

For the years ended 31 December

(CHF million)	Notes	2022	2021
Profit for the period		630	655
Non-cash and non-operating items	20.1	812	828
(Increase) in working capital	20.2	(162)	(44)
Taxes paid		(250)	(270)
Cash flow from operating activities		**1 030**	**1 169**
Purchase of property, plant and equipment and other intangible assets		(329)	(336)
Disposal of property, plant and equipment and other intangible assets		8	5
Acquisition of businesses	21	(67)	(214)
Proceeds from disposal of businesses		2	–
Cash paid on other non-current assets		(3)	(2)
Proceeds received from investments in joint ventures, associates and other companies		1	1
Interest received		19	17
Proceeds from marketable securities		–	9
Cash flow used by investing activities		**(369)**	**(520)**
Dividends paid to equity holders of SGS SA		(599)	(599)
Dividends paid to non-controlling interests		(43)	(41)
Transaction with non-controlling interests	20.3	(9)	(12)
Cash paid on treasury shares		(268)	–
Proceeds from corporate bonds	20.3	500	824
Payment of corporate bonds	20.3	(251)	(276)
Interest paid		(64)	(66)
Payment of lease liabilities	20.3	(183)	(179)
Proceeds from borrowings	20.3	469	–
Payment of borrowings	20.3	–	(555)
Cash flow used by financing activities		**(448)**	**(904)**
Currency translation		(70)	(31)
Increase/(decrease) in cash and cash equivalents		**143**	**(286)**
Cash and cash equivalents at beginning of year		**1 480**	**1 766**
Increase/(decrease) in cash and cash equivalents		143	(286)
Cash and cash equivalents at end of year	19	**1 623**	**1 480**

1.5. Consolidated Statement of Changes in Equity

For the years ended 31 December

(CHF million)	Share capital	Treasury shares	Capital reserve	Cumulative translation adjustments	Cumulative (losses)/gains on defined benefit plans net of tax	Retained earnings and Group reserves	Attributable to: Equity holders of SGS SA	Non-controlling interests	Total equity
Balance at 1 January 2021	**8**	**(230)**	**160**	**(1 307)**	**(241)**	**2 670**	**1 060**	**74**	**1 134**
Profit for the period	–	–	–	–	–	613	613	42	655
Other comprehensive income for the period	–	–	–	(35)	51	–	16	3	19
Total comprehensive income for the period	–	–	–	*(35)*	*51*	*613*	*629*	*45*	*674*
Dividends paid	–	–	–	–	–	(599)	(599)	(41)	(640)
Share-based payments	–	–	12	–	–	–	12	–	12
Movement in non-controlling interests	–	–	–	–	–	14	14	7	21
Movement on treasury shares	(1)	222	(42)	–	–	(178)	1	–	1
Balance at 31 December 2021	**7**	**(8)**	**130**	**(1 342)**	**(190)**	**2 520**	**1 117**	**85**	**1 202**
Balance at 1 January 2022	**7**	**(8)**	**130**	**(1 342)**	**(190)**	**2 520**	**1 117**	**85**	**1 202**
Profit for the period	–	–	–	–	–	588	588	42	630
Other comprehensive income for the period	–	–	–	(143)	(15)	–	(158)	(5)	(163)
Total comprehensive income for the period	–	–	–	*(143)*	*(15)*	*588*	*430*	*37*	*467*
Dividends paid	–	–	–	–	–	(599)	(599)	(43)	(642)
Share-based payments	–	–	18	–	–	–	18	–	18
Movement in non-controlling interests	–	–	–	–	–	(8)	(8)	2	(6)
Movement on treasury shares	–	(271)	(4)	–	–	(1)	(276)	–	(276)
Balance at 31 December 2022	**7**	**(279)**	**144**	**(1 485)**	**(205)**	**2 500**	**682**	**81**	**763**

1.6. Notes to Consolidated Financial Statements

1. Activities of the Group

SGS SA and its subsidiaries (the 'Group') operate around the world under the name SGS. The head office of the Group is located in Geneva, Switzerland.

SGS is the global leader in inspection, verification, testing and certification services supporting international trade in agriculture, minerals, petroleum and consumer products. It also provides these services to governments, international institutions and customers engaged in the industrial, environmental and life science sectors.

2. Significant accounting policies and exchange rates

Basis of preparation of the financial statements

The consolidated financial statements of the Group are stated in millions of Swiss Francs (CHF million). They are prepared from the financial statements of the individual companies within the Group with all significant companies having a year end of 31 December 2022. The consolidated financial statements comply with the accounting and reporting requirements of the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Swiss law.

The accounting conventions and accounting policies are the same as those applied in the 2021 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2022.

The financial statements are prepared on an accruals basis and under the historical cost convention, modified as required for the revaluation of certain financial instruments.

COVID-19 pandemic and geopolitical instability

COVID-19 and recent geopolitical events have impacted the economy and financial markets. Many industries are facing challenges, including supply-chain disruption, inflation, deteriorating credit and liquidity concerns. Most notably, the Group's operational performance was temporarily affected by Covid-related restrictions in China, while its exposure to Russia and Ukraine is limited.

Consequently, these 2022 consolidated financial statements were prepared with particular attention to the below specific areas:

- Impairment of non-current assets: the Group has recognized a CHF 18 million impairment loss (2021: nil)
- Goodwill impairment test: the Group ran the annual impairment test with no impairment required (2021: nil)
- Appropriateness of expected credit loss allowance for trade receivables, unbilled revenue and work in progress: applying the simplified approach for IFRS 9 expected credit loss model, the Group reviewed its impairment matrix to ensure it continues to reflect current and future credit risks and assessed it as adequate
- Accounting for government grants: at 31 December 2022, the Group recognized CHF 12 million as deduction of salaries and wage expenses (2021: CHF 16 million)

Adoption of new and revised International Financial Reporting Standards and Interpretations

Several new amendments and interpretations were adopted effective 1 January 2022 but have no material impact on the Group's consolidated financial statements. There are no IFRS standards or interpretations which are not yet effective and which would be expected to have a material impact on the Group.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Group. Control is achieved when the Group:

- Has power over the investee
- Is exposed, or has the right, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its return

The Company reassesses whether or not the Group controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The principal operating companies of the Group are listed on pages 187 to 189.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Initially they are measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequently to the acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Associates

Associates are entities over which the Group has significant influence but no control or joint control over the financial and operating policies. The consolidated financial statements include the Group's share of the earnings of associates on an equity accounting basis from the date that significant influence commences until the date that significant influence ceases.

Joint ventures

A joint venture is a contractual arrangement over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement. The consolidated financial statements include the Group's share of the earnings and net assets on an equity accounting basis of joint ventures that it does not control, effective from the date that joint control commences until the date that joint control ceases.

Joint operations

A joint operation is an arrangement whereby the parties that have joint control have separable specific rights to the assets and the liabilities within the arrangement. When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognizes in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities

Investments in companies not accounted for as subsidiaries, associates or jointly controlled entities (normally below 20% shareholding levels) are stated at fair value through profit and loss. Dividends received from these investments are included in financial income.

Transactions eliminated on consolidation

All intra-Group balances and transactions, and any unrealized gains and losses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains and losses arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Consolidation of foreign companies

All assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date. Income and expenses are translated at the exchange rate at the average exchange rate for the year, or at the rate on the date of the transaction for significant items. Translation differences resulting from the application of this method are recognized in other comprehensive income and reclassified to profit or loss on disposal. Average exchange rates are used to translate the cash flows of foreign subsidiaries in preparing the consolidated statement of cash flows.

Revenue recognition

IFRS 15 Revenue from Contracts with Customers establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes revenue based on two main models: services transferred at a point in time and services transferred over time.

- The majority of SGS' revenue is transferred at a point in time and recognized upon completion of performance obligations and measured according to the transaction price agreed in the contract. Once services are rendered, e.g. a report issued, the customer is invoiced and payment is due
- Services transferred over time mainly concern long-term contracts, where revenue is recognized based on the measure of progress. When the Group has a right to consideration from a customer at the amount corresponding directly to the customer's value of the performance completed to date, the Group recognizes revenue in the amount to which it has a right to invoice. In all other situations, the measure of progress is either based on observable output methods (usually the number of tests or inspection performed) or based on input methods such as the time incurred to date relative to the total expected hours to the satisfaction of the performance obligation. These invoices are usually issued per contractually agreed installments and prices. Payments are due upon invoicing

Segment information

The Group reports its operations by business segment, according to the nature of the services provided.

The Group operates in five business segments:

- Connectivity & Products (C&P): end-markets covered include Electrical and Electronic goods, Softlines, Hardlines and Trade Facilitation
- Health & Nutrition (H&N): end-markets covered include Food, Crop Science, Health Science and Cosmetics & Hygiene
- Industries & Environment (I&E): end-markets covered include Field Services and Inspection, Technical Assessment and Advisory, Industrial and Public Health & Safety, Environmental Testing and Public Mandates
- Natural Resources (NR): end-markets covered include Trade and Inspection of minerals, oil and gas and agricultural commodities, Laboratory Testing, Metallurgy and Consulting and Market Intelligence
- Knowledge (Kn): end-markets covered include Management System Certification, Customized Audits, Consulting and Academy

The chief operating decision maker evaluates segment performance and allocates resources based on several factors, of which revenue, adjusted operating income and capital expenditures are the main criteria.

For the Group, the chief operating decision maker is the senior management, which is composed of the Chief Executive Officer, the Chief Financial Officer and the General Counsel.

All segment revenues reported are from external customers. Segment revenue and operating income are attributed to countries based on the location in which the services are rendered.

Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Property, plant and equipment

Land is stated at historical cost and is not depreciated. Buildings and equipment are stated at historical cost less accumulated depreciation. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property and equipment. All other expenditures are expensed as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Buildings 12–40 years
- Machinery and equipment 5–10 years
- Other tangible assets 5–10 years

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses. They are adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and lease payments made at or before the commencement date, less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The Group elected to use the practical expedient to account for each lease component and any non-lease components as a single lease component. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In the case that the implicit rate cannot be readily determined, the Group uses an incremental borrowing rate considering the country and the lease duration. The rate is estimated by the combination of the reference rate, the financing spread and any asset specific adjustment when required.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interests and reduced for the lease payments made. Subsequently, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group applies the short-term lease and low-value recognition exemptions. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Goodwill

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value. The difference between the purchase price and the fair value is classified as goodwill and recorded in the statement of financial position as an intangible asset.

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected amounts recognized at that date.

Goodwill arising on the acquisition of a foreign entity is recorded in the relevant foreign currency and is translated using the end of period exchange rate.

On disposal of part or all of a business that was previously acquired and which gave rise to the recording of acquisition goodwill, the relevant amount of goodwill is included in the determination of the gain or loss on disposal.

Goodwill acquired as part of business combinations is tested for possible impairment annually and whenever events or changes in circumstances indicate their value may not be fully recoverable.

For the purpose of impairment testing, the Group has adopted a uniform method for assessing goodwill recognized under the acquisition method of accounting. These assets are allocated to a cash generating unit or a group of cash generating units (CGU) which are expected to benefit from the business combination. The recoverable amount of a CGU or the group of CGUs is determined through a value-in-use calculation.

If the value-in-use of the CGU or the group of CGUs is less than the carrying amount of its net operating assets, then a fair value less costs to sell valuation is also performed with the recoverable amount of the CGU or the group of CGUs being the higher of its value-in-use and the fair value less costs to sell.

The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates, operating margins and expected changes to selling prices or direct costs during the period. Pre-tax discount rates used are based on the Group's weighted average cost of capital, adjusted for specific risks associated with the CGUs or the group of CGUs' cash flow projections. The growth rates are based on industry growth forecasts.

Expected changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For all CGUs or groups of CGUs, a value-in-use calculation is performed using cash flow projections covering the next five years and including a terminal growth assumption. These cash flow projections take into account the most recent financial results and outlook approved by management.

If the recoverable amount of the CGU or of the group of CGUs is less than the carrying amount of the unit's net operating assets, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Even if the initial accounting for an intangible asset acquired in the reporting period is only provisional, this asset is tested for impairment in the year of acquisition.

Other intangible assets

Intangible assets, including software, licenses, trademarks and customer relationships are capitalized and amortized on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. The following useful lives are used in the calculation of amortization:

- Trademarks 5–20 years
- Customer relationships 2–20 years
- Computer software 3–5 years

Other intangible assets acquired as part of an acquisition of a business are capitalized separately from goodwill if their fair value can be measured reliably. Internally generated intangible assets are recognized if the asset created can be identified, it is probable that future economic benefits will be generated from it, the related development costs can be measured reliably and sufficient financial resources are available to complete the development. These assets are amortized on a straight-line basis over their useful lives, which usually do not exceed five years. All other development costs are expensed as incurred.

Impairment of assets excluding goodwill

At each balance sheet date, or whenever there is an indication that an asset may be impaired, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether they have suffered an impairment loss. If indications of impairment are present, the assets are tested for impairment. If impaired, the carrying value of the asset is reduced to its recoverable value. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

The recoverable amount of an asset is the greater of the fair value less cost of sale and its value-in-use. In assessing its value-in-use, the pre-tax estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time-value of money and the risks specific to the asset.

Reversal of impairment losses

Where an impairment loss on assets other than goodwill subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but not in excess of the carrying amount that would have been recorded had no impairment loss been recognized. A reversal of an impairment loss is recognized as income immediately.

Government grants

IAS 20 sets out the principle for the recognition, measurement, presentation and disclosure of government grants. Government grants that are not related to assets are credited to the income statement as a deduction of the related expenses. Government grants are recognized when there is a reasonable assurance that the grant will be received and all attached conditions will be met.

Trade receivables

Trade receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. An expected credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the country risk, the credit risk profile, as well as available forward looking and historical data. The Group considers a trade receivable to be credit impaired when one or more detrimental events have occurred such as:

- Significant financial difficulty of the customer; or
- It is becoming probable that the customer will enter bankruptcy or other financial reorganization

Unbilled revenues and work in progress

Unbilled revenues are recognized for services completed but not yet invoiced and are valued at net selling price.

Work in progress is recognized for the partially finished performance obligations under a contract. The measure of progress is either based on observable output methods or based on input methods. A margin is recognized based on actual costs incurred, provided that the project is expected to be profitable once completed. Similarly to receivables, an allowance for unbilled revenues and work in progress is made in compliance with the simplified approach using a provision matrix (expected credit loss model).

Cash and cash equivalents

Cash and cash equivalents include cash and deposits held with banks with an original maturity of three months or less, and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current loans.

Derivative financial instruments and hedging

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a mark-to-market basis.

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value at each balance sheet date. The gains and losses resulting from the fair value remeasurement are recognized in the income statement. The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

Corporate bonds

The corporate bonds issued by the Group are measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

The Group uses financial instruments to economically hedge interest rate risks relating to its corporate bonds. The changes in fair value of finance instruments are recognized in the income statement.

Liabilities related to put options granted to holders of non-controlling interests

Written put options in favor of holders of non-controlling interests give rise to the recognition of a financial liability at the present value of the expected cash outflow. The present value is determined by management's best estimate of the cash outflow required to settle the obligation on exercise of the option, discounted by the Group's cost of debt. The financial liability is initially recorded with the corresponding entry within equity and in the absence of specific guidance in IFRS, subsequent changes in the valuation of the liability shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

- Level 1 fair value measurements are those derived from the quoted price in active markets
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques as it cannot be derived from publicly available information. The assumptions and inputs used in the model take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions often do not exist. External valuers are involved for valuation for significant assets and liabilities

Employee benefits

Pension plans

The Group maintains several defined benefit and defined contribution pension plans in accordance with local conditions and practices in the countries in which it operates. Defined benefit pension plans are based on an employee's years of service and remuneration earned during a pre-determined period. Contributions to these plans are normally paid into funds, which are managed independently of the Group, except in rare cases where there is no legal obligation to fund.

In such cases, the liability is recorded in the Group's consolidated statement of financial position.

The Group's obligations towards defined benefit pension plans and the annual cost recognized in the income statement are determined by independent actuaries using the projected unit credit method. Remeasurement gains and losses are immediately recognized in the consolidated statement of financial position with the corresponding movement being recorded in the consolidated statement of comprehensive income.

Past service costs are immediately recognized as an expense. Net interest expense is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan. Payments to defined contribution plans are recognized as an expense in the income statement as incurred.

Post-employment plans other than pensions

The Group operates some non-pension post-employment defined benefit schemes, mainly healthcare plans. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension plans.

Equity compensation plans

The Group provides additional benefits to certain senior executives and employees through equity compensation plans. An expense is recognized in the income statement for shares and equity-linked instruments granted to senior executives and employees under these plans.

Trade payables

Trade payables are recognized at amortized cost that approximates the fair value.

Provisions

The Group records provisions when: it has an obligation, legal or constructive, to satisfy a claim; it is probable that an outflow of Group resources will be required to satisfy the obligation; and a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a complex process of assessment of a number of variables, and relies on management's informed judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments.

Changes in provisions are reflected in the income statement in the period in which the change occurs.

Contract liabilities

Contract liabilities arise upon advance payments from clients and issuance of upfront invoices.

Restructuring costs

The Group recognizes costs of restructuring against operating income in the period in which management has committed to a formal plan, the costs of which can be reliably estimated, and has raised a valid expectation in those affected that the plan will be implemented and the related costs incurred. Where appropriate, restructuring costs include impairment charges arising from the implementation of the formal plan.

Capital management

Capital comprises equity attributable to equity holders, loans and other financial liabilities, lease liabilities and cash and cash equivalents.

The Board of Directors' policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence, and to sustain the future development of the business. The Board also recommends the level of dividends to be distributed to ordinary shareholders on an annual basis. The Group maintains sufficient liquidity at the Group and subsidiary level to meet its working capital requirements, fund capital purchases and small and medium-sized acquisitions.

Treasury shares are intended to be used to cover the Group's employee equity participation plan, convertible bonds and/or cancellation of shares. Decisions to buy or sell are made on an individual transaction basis by management.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to any externally imposed capital requirements.

Taxes

Income taxes include all taxes based upon the taxable profits of the Group, including withholding taxes payable on the transfer of income from Group companies and tax adjustments from prior years. Taxes on income are recognized in the income statement except to the extent that they relate to items directly charged or credited to equity or other comprehensive income, in which case the related income tax effect is recognized in equity or other comprehensive income. Provisions of income and withholding taxes that could arise on the remittance of subsidiary retained earnings are only made where there is a current intention to remit such earnings. Other taxes not based on income, such as property taxes and capital taxes, are included within operating expenses.

Deferred taxes are provided using the full liability method. They are calculated on all temporary differences that arise between the tax base of an asset or liability and the carrying values in the consolidated financial statements except for non-tax-deductible goodwill and for those differences related to investments in subsidiaries where their reversal will not take place in the foreseeable future. Deferred income tax assets relating to the carry-forward of unused tax losses and tax credits are recognized to the extent that it is probable that future taxable profits will be available against which they can be used.

Current income tax assets and liabilities are off-set where there is a legally enforceable right to off-set. Deferred tax assets and liabilities are determined based on enacted or substantively enacted tax rates in the respective jurisdictions in which the Group operates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Earnings per share

Basic earnings per share are calculated by dividing the Group's profit by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit is also adjusted to reflect the after-tax impact of conversion.

Dividends

Dividends are reported as a movement in equity in the period in which they are approved by the shareholders.

Treasury shares

Treasury shares are reported as a deduction to equity. The original cost of treasury shares and the proceeds of any subsequent sale are recorded as movements in equity.

Significant accounting estimates and judgments

Use of estimates

The key assumptions concerning the future, and other key sources of estimation at the balance sheet date that may have a risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Business combinations

In a business combination, the determination of the fair value of the identifiable assets acquired, particularly intangibles, requires estimations which are based on all available information and in some cases on assumptions with respect to the timing and amount of future revenues and expenses associated with an asset. The purchase price is allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The excess is reported as goodwill. As a result, the purchase price allocation impacts reported assets and liabilities, future net earnings due to the impact on future depreciation and amortization expense and impairment charges. The purchase price allocation is subject to a maximum period of 12 months adjustment.

Valuation of trade receivables, unbilled revenue and work in progress

The balances are presented net of expected credit loss allowance. These allowances for potential uncollected amounts are estimated in compliance with the simplified approach using a provision matrix (expected credit loss model), which has been developed to reflect the country risk, the credit risk profile, as well as available historical data. In addition, an allowance is estimated based on individual client analysis when the collection is no longer probable.

Impairment of goodwill

The Group determines whether goodwill is impaired at a minimum on an annual basis. This requires identification of CGUs and an estimation of the value-in-use of the CGUs to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of expected future cash flows from the CGU or group of CGUs that holds the goodwill at a determined discount rate in order to calculate the present value of those cash flows.

Estimations of employee post-employment benefits obligations

The Group maintains several defined benefit pension plans in accordance with local conditions and practices in the countries in which it operates. The related obligations recognized in the statement of financial position represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain.

In assessing how an uncertain tax treatment may affect the determination of the taxable profit (tax loss), the Group assumes that a taxation authority will examine amounts and have full knowledge of all related information.

If the Group concludes it is not probable that a taxation authority will accept a particular tax treatment, the Group reflects the effect of each uncertainty in determining the taxable profit (tax loss) by using one of the following methods:

- The single most likely amount
- The sum of probability-weighted amount in a range of possible outcomes

The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, including estimated interest and penalties where appropriate. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Legal and warranty claims on services rendered

The Group is subject to litigation and other claims. Management bases its judgment on the circumstances relating to each specific event, internal and external legal advice, knowledge of the industries and markets, prevailing commercial terms and legal precedent, and evaluation of applicable insurance cover where appropriate. The process of estimation is complex, dealing with uncertainty, requiring the use of informed estimates, actuarial assessment, evaluation of the insurance cover where appropriate and the judgment of management. The timing of cash outflows from pending litigation and claims is uncertain since it depends, in the majority of cases, on the outcome of administrative and legal proceedings. The Group's legal and warranty claims are reviewed, at a minimum, on a quarterly basis by a cross-functional representation of management. Any changes in these estimates are reflected in the income statement in the period in which the estimates change.

Judgments

In the process of applying the entity's accounting policies described above, management has made the following judgment that has a significant effect on the amounts recognized in the financial statements.

Lease termination of contracts with renewal and exit options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, for some of its leases to lease the assets for additional terms. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Exchange rates

The most significant currencies for the Group were translated at the following exchange rates into Swiss Francs:

			Statement of financial position period-end rates		Income statement period average rates	
			2022	2021	**2022**	2021
Australia	AUD	100	**62.70**	66.59	**66.33**	68.67
Canada	CAD	100	**68.20**	71.65	**73.40**	72.93
Chile	CLP	100	**0.11**	0.11	**0.11**	0.12
China	CNY	100	**13.29**	14.40	**14.20**	14.17
Eurozone	EUR	100	**98.47**	103.78	**100.52**	108.16
Korea	KRW	100	**0.07**	0.08	**0.07**	0.08
United Kingdom	GBP	100	**111.47**	123.57	**118.01**	125.72
Russia	RUB	100	**1.31**	1.24	**1.43**	1.24
Taiwan	TWD	100	**3.01**	3.32	**3.21**	3.27
USA	USD	100	**92.43**	91.72	**95.44**	91.42

3. Business combinations

The following business combinations occurred during 2022 and 2021:

Business combinations 2022

In 2022, the Group completed 7 business combinations for a total purchase price of CHF 75 million (note 21).

- 100% of Gas Analysis Services (GAS), a company specialized in instrumentation and gas analysis testing in Ireland (effective 28 February 2022)
- 100% of Ecotecnos, a company providing sea monitoring and oceanography services in Chile (effective 6 May 2022)
- 100% of AIEX, a company providing technical and welding inspection services in the nuclear and marine industries in France (effective 9 May 2022)
- 100% of Silver State Analytical Laboratories and Excelchem Laboratories, companies providing quality analytical and microbiological testing and support services for clients in the environmental, water, utility, engineering, construction, food processing, chemical, mining, healthcare, resort and hospitality industries (effective 1 July 2022)
- 100% of proderm GmbH, a company conducting clinical studies from initial consultation to final reports in Germany (effective 7 July 2022)
- 100% of Penumbra Security, a recognized leader providing various types of information security conformance testing to government standards and regulatory compliance for multinational companies in the USA (effective 31 August 2022)
- 100% of Industry Lab, a company offering a comprehensive range of microbiological analysis services, from enumeration of indicator organisms to detection of foodborne pathogens, located in Romania (effective 3 November 2022)

These companies were acquired for an amount of CHF 75 million and the total goodwill generated on these transactions amounted to CHF 52 million.

All the above transactions contributed a total of CHF 20 million in revenue and CHF 3 million in operating income in 2022. Had all acquisitions been effective 1 January 2022, the revenue for the period from these acquisitions would have been CHF 32 million and the operating income would have been CHF 5 million.

On 7 July 2022, the Group has acquired proderm GmbH, a clinical research organization, specialized in advanced solutions for cosmetics and personal care as well as medical clinical studies. This acquisition further supports the Group strategic expansion in cosmetics and hygiene. proderm GmbH has contributed CHF 6 million to Group's revenue and CHF 1 million to operating income in 2022. Had the company been acquired on 1 January 2022 the revenue for the year would have been CHF 12 million and the operating income would have been CHF 2 million.

None of the goodwill arising on these acquisitions is expected to be tax deductible.

Divestment 2022

In 2022, the Group disposed of its US Drilling operations in the USA for a total consideration of CHF 2 million.

Business combinations 2021

In 2021, the Group completed 9 business combinations for a total purchase price of CHF 237 million (note 21).

- 100% of Analytical & Development Services (ADS), a company providing food testing in the UK (effective 7 January 2021)
- 55.92% majority stake into BZH GmbH Deutsches Beratungszentrum für Hygiene, a German based subsidiary of SYNLAB Analytics & Services (A&S) food testing laboratory (effective 29 January 2021)
- 100% of Autoscope/CTOK, a provider of vehicle testing services in France (effective 2 February 2021)
- 100% of International Service Laboratory (ISL), a company providing regulated analytical laboratory and stability testing services for a broad variety of pharmaceutical products (effective 1 April 2021)
- 100% of Brightsight, a company operating in cybersecurity in the Netherlands (effective 4 May 2021)
- 100% of Metair Lab, a company providing air sampling and asbestos testing services in France (effective 1 June 2021)
- 100% of Groupe IDEA TESTS (IDEA), a provider of clinical, microbiological and in-vitro testing services in France (effective 1 December 2021)
- 66.67% of Sulphur Experts Inc. a company supporting customers in the amine treating and sulfur recovery industries in Canada (effective 1 December 2021)
- 100% of Quay Pharmaceuticals Ltd (Quay Pharma), a leading innovative Formulation Research and Development Organization with a comprehensive and flexible range of services, in the UK (effective 6 December 2021)

These companies were acquired for an amount of CHF 237 million and the total goodwill generated on these transactions amounted to CHF 163 million.

All the above transactions contributed a total of CHF 46 million in revenue and CHF 5 million in operating income in 2021. Had all acquisitions been effective 1 January 2021, the revenue for the period from these acquisitions would have been CHF 93 million and the operating income would have been CHF 12 million.

On 4 May 2021 SGS has acquired Brightsight. This acquisition will significantly strengthen Group's presence in the cybersecurity sector. Brightsight has contributed CHF 13 million to Group's revenue and CHF 1 million operating income in 2021. Had the company been acquired on 1 January 2021 the revenue for the year would have been CHF 20 million and the operating income would have been CHF 2 million.

On 6 December 2021 SGS has acquired Quay Pharmaceuticals Limited. This acquisition supports Group's strategy of increasing the scope of services to support our customers across the Health Science supply chain. Quay Pharmaceuticals Limited has contributed CHF 1 million to Group's revenue and nil to operating income in 2021. Had the company been acquired on 1 January 2021 the revenue for the year would have been CHF 20 million and the operating income would have been CHF 4 million.

None of the goodwill arising on these acquisitions is expected to be tax deductible.

Divestment 2021

There were no significant disposals in 2021.

4. Information by business and geographical segment

The information presented is disclosed by business line and focuses on revenue, operating income, capital expenditures and employee numbers because these are the performance measures used by the Chief Operating Decision Maker to assess segment performance.

Analysis of operating income

(CHF million)	2022	2021
Adjusted operating income*	**1 023**	**1 055**
Amortization and impairment of acquired intangibles	(37)	(39)
Restructuring costs	(46)	(15)
Transaction and integration costs	(13)	(24)
Other non-recurring items	(29)	–
Operating income	**898**	**977**

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Analysis of revenue and operating income

2022

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Transaction and integration costs	Other non-recurring items	Operating income by business
Connectivity & Products	1 311	313	(5)	(12)	(1)	–	295
Health & Nutrition	892	119	(9)	(6)	(4)	–	100
Industries & Environment	2 157	224	(19)	(15)	(6)	(29)	155
Natural Resources	1 583	225	(1)	(10)	(1)	–	213
Knowledge	699	142	(3)	(3)	(1)	–	135
Total	**6 642**	**1 023**	**(37)**	**(46)**	**(13)**	**(29)**	**898**

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

2021

(CHF million)	Revenue	Adjusted operating income*	Amortization of acquisition intangibles	Restructuring costs	Transaction and integration costs	Operating income by business
Connectivity & Products	1 288	316	(5)	(2)	(1)	308
Health & Nutrition	861	149	(7)	(2)	(9)	131
Industries & Environment	2 120	240	(21)	(5)	(11)	203
Natural Resources	1 473	210	–	(6)	(1)	203
Knowledge	663	140	(6)	–	(2)	132
Total	**6 405**	**1 055**	**(39)**	**(15)**	**(24)**	**977**

* Alternative Performance Measures (APM), refer to the '2022 Full Year APM' document.

Restructuring costs

The Group incurred a pre-tax restructuring charge of CHF 46 million (2021: CHF 15 million). Total restructuring costs comprised personnel reorganization of CHF 26 million (2021: CHF 13 million) as well as fixed asset impairment of CHF 2 million (2021: CHF nil million) and other charges of CHF 18 million (2021: CHF 2 million).

Other non-recurring items

The Group reported as non-recurring items a charge of CHF 29 million in 2022, related to the decision to cease two key upstream projects in Libya. This decision is driven by absence of cash collection for services rendered in 2022, resulting in an impairment of fixed assets of CHF 16 million in addition to incurred personnel costs of CHF 3 million and other charges of CHF 10 million.

Revenue from external customers by geographical area

(CHF million)	2022	%	2021	%
Europe/Africa/Middle East	2 944	44.3	2 954	46.1
Americas	1 364	20.5	1 212	18.9
Asia Pacific	2 334	35.2	2 239	35.0
Total	**6 642**	**100.0**	**6 405**	**100.0**

Revenue in Switzerland from external customers for 2022 amounted to CHF 164 million (2021: CHF 160 million). No country represented more than 20% of revenues from external customers in 2022 nor 2021.

Major customer information

In 2022 and 2021, no external customer represented 5% or more of the Group's total revenue.

Specific non-current assets by geographical area

Specific non-current assets directly attributable to geographical segment mainly include property, land and equipment, right-of-use assets, goodwill and other intangible assets:

(CHF million)	2022	%	2021	%
Europe/Africa/Middle East	2 224	60.6	2 317	61.3
Americas	824	22.4	819	21.7
Asia Pacific	623	17.0	643	17.0
Total specific non-current assets	**3 671**	**100.0**	**3 779**	**100.0**

Specific non-current assets in Switzerland for 2022 amounted to CHF 169 million (2021: CHF 162 million). No country represented more than 20% of non-current assets in 2022 nor 2021.

Reconciliation with total non-current assets

(CHF million)	2022	2021
Specific non-current assets as above	3 671	3 779
Deferred tax assets	153	164
Retirement benefit assets	59	104
Non-current loans to third parties	4	6
Total	**3 887**	**4 053**

Capital additions[1] by business segment

(CHF million)	2022	%	2021	%
C&P	107	32.5	96	28.6
H&N	52	15.8	62	18.4
I&E	88	26.8	97	28.9
NR	75	22.8	75	22.3
Kn	7	2.1	6	1.8
Total	**329**	**100.0**	**336**	**100.0**

1. Capital additions represent the total cost incurred to acquire land, buildings and equipment as well as other intangible assets.

Average number of employees by geographical area

(Average number of employees)	2022	2021
Europe/Africa/Middle East	39 906	39 239
Americas	19 370	18 092
Asia Pacific	37 483	35 966
Total	**96 759**	**93 297**
Number of employees at year end	98 152	96 216

5. Revenues from contracts with customers

Group's revenue from contracts with customers by timing of recognition

	2022		2021	
(CHF million)	Services transferred at a point in time	Services transferred over time	Services transferred at a point in time	Services transferred over time
Connectivity & Products	86%	14%	81%	19%
Health & Nutrition	84%	16%	84%	16%
Industries & Environment	71%	29%	70%	30%
Natural Resources	84%	16%	85%	15%
Knowledge	90%	10%	93%	7%
Total	**81%**	**19%**	**80%**	**20%**

Assets and liabilities related to contracts with customers

(CHF million)	2022	2021
Unbilled revenue and work in progress	**210**	175
Trade receivables	**988**	928
Contract liabilities	**228**	221

Revenue evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2022, SGS has recognized revenue of CHF 159 million related to contract liabilities at 31 December 2021. In 2021, the revenue recognized from contract liabilities at 31 December 2020 amounted to CHF 125 million. Revenue recognized from performance obligations satisfied in previous periods were immaterial in 2022 and 2021.

The remaining performance obligations (unsatisfied or partially satisfied) expected to be recognized for long-term contracts amount to CHF 918 million at 31 December 2022, out of which CHF 488 million are expected to be recognized in revenue within one year, CHF 241 million between one year and two years and CHF 189 million after the next two years.

SGS is applying the practical expedient IFRS 15.121 and does not disclose unsatisfied or partially unsatisfied performance obligations from contracts with an original duration of one year or less or where SGS may recognize revenue from the satisfaction of the performance obligation in accordance with IFRS 15.B16. This paragraph permits as a practical expedient to exclude contracts where SGS has a right to payment for performance completed to date.

Assets recognized from costs to fulfill a contract in 2022 and 2021 were not significant, while amortization and impairment losses were nil.

6. Government grants

Government grants for the period amount to CHF 12 million (2021: CHF 16 million), presented as a deduction of salaries and wages expenses. The outstanding balance recognized in the statement of financial position amounted to CHF 5 million (2021: CHF 4 million).

7. Other operating expenses

(CHF million)	2022	2021
Consumables, repairs and maintenance	546	534
Travel costs	314	269
Rental expense, insurance, utilities and sundry supplies	168	146
External consultancy fees	115	119
IT expenses	116	103
Communication costs	53	64
Allowance for expected credit losses	22	(3)
Gain on disposal of property, plant and equipment	(4)	–
Miscellaneous operating expenses	163	132
Total	**1 493**	**1 364**

8. Financial income

(CHF million)	2022	2021
Interest income	11	12
Foreign exchange gains/(losses)	5	4
Other financial income	3	–
Net financial income on defined benefit plans	1	–
Total	**20**	**16**

9. Financial expenses

(CHF million)	2022	2021
Interest expense	43	46
Loss on derivatives at fair value	19	8
Other financial expenses	9	15
Total	**71**	**69**

10. Taxes

Major components of tax expense

(CHF million)	2022	2021
Current taxes	227	258
Deferred tax (credit) relating to the origination and reversal of temporary differences	(8)	11
Total	**219**	**269**

The Group has operations in various countries that have different tax laws and rates. Consequently, the effective tax rate on consolidated income varies from year to year. A reconciliation between the reported income tax expense and the amount that would arise using the weighted average statutory tax rate of the Group is as follows:

Reconciliation of tax expense

(CHF million)	2022	2021
Profit before taxes	849	924
Tax at statutory rates applicable to the profits earned in the country concerned	**162**	**178**
Tax effect of non-deductible or non-taxable items	10	17
Tax effect on losses not currently treated as being recoverable in future years	17	9
Tax effect on losses previously considered irrecoverable, now expected to be recoverable	(3)	(4)
Non-creditable foreign withholding taxes	37	42
Minimum taxes	5	6
Prior period adjustments	(10)	12
Rate changes	–	7
Other	1	2
Tax charge	**219**	**269**

Deferred tax after netting

(CHF million)	2022	2021
Deferred tax assets	153	164
Deferred tax liabilities	(79)	(92)
Total	**74**	**72**

Components of deferred income tax balances

	2022		2021	
(CHF million)	Assets	Liabilities	Assets	Liabilities
Right of use assets	–	122	–	126
Fixed assets	44	11	44	9
Trade receivable, unbilled revenues and work in progress	25	8	25	6
Defined benefit obligation	7	14	13	22
Provisions and other	56	11	59	12
Lease liabilities	126	–	132	–
Intangible assets	3	75	2	79
Tax losses carried forward	54	–	51	–
Deferred income taxes	**315**	**241**	**326**	**254**

Net change in deferred tax assets/(liabilities)

(CHF million)	Total
Net deferred income tax asset (liability) at 1 January 2021	**108**
Acquisition of subsidiaries	(22)
(Charged)/credited to the income statement	(11)
(Charged)/credited to other comprehensive income	(6)
Exchange differences and other	3
Net deferred income tax asset (liability) at 31 December 2021	**72**
Acquisition of subsidiaries	(4)
(Charged)/credited to the income statement	8
(Charged)/credited to other comprehensive income	5
Exchange differences and other	(7)
Net deferred income tax asset (liability) at 31 December 2022	**74**

The Group has unrecognized tax losses carried forward amounting to CHF 194 million (2021: CHF 161 million).

Unrecognized tax losses carryforwards at 31 December 2022

(CHF million)	
Expiring in the next 3 years	9
Expiring in 4-10 years	43
Available without limitation	142
Total unrecognized tax losses	**194**

At 31 December 2022, the unrecognized deferred tax assets amount to CHF 57 million (2021: CHF 48 million).

At 31 December 2022, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 415 million (2021: CHF 2 805 million) of undistributed earnings that may be subject to tax if remitted to the parent company. As set out in note 22, the nature of the Group's business requires keeping a significant part of the cash reserves in the operating units. The Group takes the view that a deferred tax liability is required when it is probable that unremitted earnings will be distributed in the foreseeable future.

11. Earnings per share and dividend per share

Basic earnings per share are calculated as follows:

	2022	2021
Profit attributable to equity holders of SGS SA (CHF million)	588	613
Weighted average number of shares ('000)	7 452	7 488
Basic earnings per share (CHF)	**78.86**	**81.91**

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares only includes the dilutive effect of the Group's equity compensation plans detailed in note 29. For the year ended 31 December 2022, the Group calculated 17 540 dilutive potential shares (2021: 11 661):

	2022	2021
Profit attributable to equity holders of SGS SA (CHF million)	588	613
Diluted weighted average number of shares ('000)	7 470	7 500
Diluted earnings per share (CHF)	**78.67**	**81.79**

The Board of Directors will recommend to the Annual General Meeting (to be held on 28 March 2023) the approval of a dividend of CHF 80 per share (2021: CHF 80).

12. Property, plant and equipment

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2022				
Cost				
At 1 January	463	2 327	719	3 509
Additions	11	154	126	291
Acquisition of subsidiaries	4	2	4	10
Disposals	(4)	(98)	(35)	(137)
Exchange differences and other	(14)	(45)	(112)	(171)
At 31 December	460	2 340	702	3 502
Accumulated depreciation and impairment				
At 1 January	267	1 826	491	2 584
Depreciation	17	184	52	253
Impairment	–	17	1	18
Acquisition of subsidiaries	–	1	2	3
Disposals	(3)	(97)	(33)	(133)
Exchange differences and other	(12)	(94)	(24)	(130)
At 31 December	269	1 837	489	2 595
Net book value at 31 December 2022	**191**	**503**	**213**	**907**

(CHF million)	Land & buildings	Machinery & equipment	Other tangible assets	Total
2021				
Cost				
At 1 January	464	2 142	715	3 321
Additions	17	151	130	298
Acquisition of subsidiaries	6	15	8	29
Disposals	(20)	(72)	(56)	(148)
Exchange differences and other	(4)	91	(78)	9
At 31 December	463	2 327	719	3 509
Accumulated depreciation and impairment				
At 1 January	271	1 692	486	2 449
Depreciation	16	179	54	249
Impairment	1	–	–	1
Acquisition of subsidiaries	1	7	5	13
Disposals	(19)	(71)	(53)	(143)
Exchange differences and other	(3)	19	(1)	15
At 31 December	267	1 826	491	2 584
Net book value at 31 December 2021	**196**	**501**	**228**	**925**

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware, as well as construction-in-progress assets amounting to CHF 52 million (2021: CHF 63 million).

At 31 December 2022, the Group had commitments of CHF 6 million (2021: CHF 8 million) for the acquisition of land, buildings and equipment.

13. Right-of-use assets and lease liabilities

(CHF million)	Right-of-use assets: Land & buildings	Right-of-use assets: Machinery & equipment	Right-of-use assets: Other tangible assets	Total	Lease liabilities
At 1 January	**528**	**71**	**6**	**605**	**636**
Additions	136	44	3	183	174
Acquisition	3	–	–	3	3
Depreciation expense	(139)	(42)	(3)	(184)	–
Interest expense	–	–	–	–	21
Payment of lease liabilities and interests	–	–	–	–	(199)
Exchange difference and other	(26)	(4)	–	(30)	(31)
At 31 December 2022	**502**	**69**	**6**	**577**	**604**

Analyzed as:	2022
Current liabilities	162
Non-current liabilities	442
Total	**604**

(CHF million)	Right-of-use assets: Land & buildings	Right-of-use assets: Machinery & equipment	Right-of-use assets: Other tangible assets	Total	Lease liabilities
At 1 January	**516**	**68**	**6**	**590**	**621**
Additions	141	50	4	195	190
Acquisition	8	1	–	9	9
Depreciation expense	(135)	(44)	(4)	(183)	–
Interest expense	–	–	–	–	22
Payment of lease liabilities and interests	–	–	–	–	(198)
Exchange difference and other	(2)	(4)	–	(6)	(8)
At 31 December 2021	**528**	**71**	**6**	**605**	**636**

Analyzed as:	2021
Current liabilities	155
Non-current liabilities	481
Total	**636**

Included in machinery & equipment are mainly vehicles for CHF 68 million (2021: CHF 67 million).

The following table summarizes the main foreign currencies of the lease liabilities.

(CHF million)	**2022**	2021
Euro (EUR)	241	257
US Dollar (USD)	93	99
Renminbi Yuan (CNY)	63	77
Taiwan Dollar (TWD)	24	30
Canadian Dollar (CAD)	18	21
Australian Dollar (AUD)	17	20
Indian Rupee (INR)	13	11
Korean Won (KRW)	12	11
British Pound Sterling (GBP)	8	7
Hong Kong Dollar (HKD)	7	3
Chilean Peso (CLP)	7	4
Singapore Dollar (SGD)	6	8
Russian Ruble (RUB)	6	7
New Zealand Dollar (NZD)	5	6
Other	84	75
Total	**604**	**636**

The Group leases mainly offices, laboratory spaces and vehicles. During the year ended 31 December 2022, an additional CHF 9 million (2021: CHF 6 million) was recognized as an expense in the income statement.

(CHF million)	**2022**	2021
IFRS 16 Other quantitative information		
Expense relating to short-term leases	4	3
Expense relating to leases of low value assets	5	3
Total expense recognized in income statement	**9**	**6**

14. Goodwill

(CHF million)	**2022**	2021
Cost		
At 1 January	**1 778**	**1 651**
Additions	52	163
Consideration/fair value adjustments on prior years' acquisitions	1	3
Exchange differences	(76)	(39)
At end of the period	**1 755**	**1 778**

The Cash Generating Units (CGU) and groups of CGUs allocation has been done in accordance with IAS 36, which defines a CGU as the lowest level of a group of assets generating cash inflows that are largely independent from other assets and groups of assets.

In the case of the following two divisions, the CGU covers the entire worldwide operations since customer activities executed by the local entities, the clients and customers that they serve and the drivers of cash inflows are largely interdependent on a worldwide basis across each business line:

- Connectivity & Products (C&P)
- Natural Resources (NR)

The Health & Nutrition (H&N) division is split into two worldwide CGUs to reflect the global nature of customer activities and drivers of cash inflows in each sub-division: Nutrition, Health Science and Cosmetics & Hygiene

The Industry & Environment (I&E) division includes Vehicle Compliance and Upstream activities. To best reflect the interdependency of the cash inflows, Vehicle Compliance has been split into two distinct CGUs regrouping regulated services activities in Spain and in France since customers in this sector are country specific. Upstream services is assessed as one separate CGU regrouping the worldwide Upstream activities for which cash inflows are independent from the rest of the I&E activities

For the remaining I&E activities (excluding Vehicle Compliance and Upstream services), business is driven primarily by regional or local customer activities, therefore cash inflows are largely independent from each other. Consequently, a CGU organization by region has been maintained, split regionally into four CGUs in line with the Group's regional reporting structure.

The Knowledge (Kn) division is split into two CGUs, one regrouping the Technical Consultancy business in the USA for which cash inflows remain largely independent from the rest of the division's activities and the other regrouping the remaining worldwide Knowledge activities for which there are synergies across the Group's network, generating interdependent cash inflows

Allocation of goodwill to CGUs or group of CGUs

Goodwill allocated to the main CGUs or groups of CGUs, as of 31 December is broken down as follows:

(CHF million)	2022	2021
Connectivity & Products	166	173
Health & Nutrition[1]	471	462
Industries & Environment[2]	904	924
Natural Resources	115	119
Knowledge	99	100
Total	**1 755**	**1 778**

1. Within H&N, goodwill allocated to Nutrition CGU was CHF 184 million (2021: CHF 192 million) and goodwill allocated to Health Science and Cosmetics & Hygiene CGU was CHF 287 million (2021: CHF 270 million).
2. Within I&E, goodwill allocated to I&E Europe/Africa/Middle East CGU was CHF 462 million (2021: CHF 476 million).

Goodwill impairment reviews have been conducted for all goodwill balances allocated to the CGUs as described above.

The recoverable amount of each of the CGUs, determined based upon a value-in-use calculation, is higher than its carrying amount thus resulting in no goodwill impairment in 2022. Cash flow projections were used in this calculation, discounted at a pre-tax rate depending on the business activities and geographic profile of each of the respective CGUs.

Pre-tax discount rate used in 2022 for the main CGUs or group of CGUs impairment testing

	2022	2021
Connectivity & Products	**8.4%**	10.5%
Health & Nutrition[1]	**7.9%-8.0%**	7.6%-8.5%
Industries & Environment[2]	**7.6%-9.9%**	6.2%-14.5%
Natural Resources	**8.4%**	10.2%
Knowledge	**6.7%-8.2%**	8.7%-10.8%

1. Nutrition pre-tax discount rate was 8.0% (2021: 8.5%), while Health Science and Cosmetics & Hygiene pre-tax discount rate was 7.9% (2021: 7.6%).
2. Within I&E, I&E Europe/Africa/Middle East pre-tax discount rate was 7.8% (2021: 7.8%).

The cash flow projections for the first five years were based upon financial plans, approved by the Group, for each CGU or group of CGUs. The overall assumptions used in the cash flow projections are consistent with the expected average growth rates of the segments served by the Group. For the subsequent years, the Group assumes a long-term growth rate in the range of 1%-2% (1% for CGUs where goodwill allocated is significant), in line with market long-term inflation rates projections (2021: range of 0%-2%, 1% for CGUs where goodwill allocated is significant), and stable operating margins depending on each CGU or group of CGUs.

Sensitivity to changes in assumption

Sensitivity analyses were conducted using the following key assumptions:

- Reducing the expected annual revenue growth rates for the first five years by 2 pp[1]
- Reducing the operating margin by 0.25 pp[1]
- Increasing the discount rate assumption by 1 pp[1]

For all impairment tests, changing the key assumptions retained in the scenario using the sensitivity analyses described above would not result in any additional impairment, with the exception of our CGU Vehicle Compliance Spain, for which goodwill amounts to CHF 115 million. For this CGU:

- Recoverable amount currently exceeds carrying amount by CHF 9 million
- Expected annual growth rate has been assumed at 3% for the projected period. A reduction by more than 40% (1.3 pp[1]) would cause the recoverable amount to equal the carrying amount
- Pre-tax discount rate has been assumed at 9%. An increase by 0.5 pp[1] would cause the recoverable amount to equal the carrying amount

Technical consultancy USA goodwill impairment test assumptions

In 2021, Technical consultancy USA delivered lower results than expected, due to a slower recovery from unfavorable economic environment created by Covid-19.

In 2022, the CGU's results bounced back as expected, delivering revenue growth above 50% (above prior year assumptions), as well as delivering margin in line with prior year assumptions. The recoverable amount currently exceeds the carrying amount by CHF 117 million. The following key assumptions have been used in the impairment test for this CGU:

- Pre-tax discount rate of 6.7% (2021: 10.8%, assuming a risk size premium of 3.49%)
- After a strong recovery in 2022, assumptions consider an average revenue growth of 12.6% for 2023-2027 (2021: revenue growth rate above 50% for 2022, average revenue growth rate of 14% for 2023-2026)
- Average EBITDA margin to gradually reach its historical trend prior to the Covid-19 pandemic, but capped in the low 20s by 2026
- Long-term growth rate of 1% after 2027 (2021: long-term growth rate of 2%)

No reasonably possible change in any of the above key assumptions above would cause the recoverable amount to fall below the carrying amount for this CGU, for which the Group's share of goodwill is CHF 82 million.

1. Percentage points.

15. Other intangible assets

(CHF million)	Trademarks and Other	Customer relationships	Computer software and Other assets: Internally generated	Computer software and Other assets: Purchased	Total
2022					
Cost					
At 1 January	92	454	202	200	948
Additions	–	–	17	21	38
Acquisition of subsidiaries	–	17	–	1	18
Disposals	–	(2)	–	(6)	(8)
Exchange differences and other	(3)	(23)	1	(11)	(36)
At 31 December	89	446	220	205	960
Accumulated amortization and impairment					
At 1 January	66	176	159	165	566
Amortization	5	32	18	11	66
Acquisition of subsidiaries	–	–	–	1	1
Disposals	–	(2)	–	(6)	(8)
Exchange differences and other	(3)	(7)	(1)	(4)	(15)
At 31 December	68	199	176	167	610
Net book value at 31 December 2022	**21**	**247**	**44**	**38**	**350**

(CHF million)	Trademarks and Other	Customer relationships	Computer software and Other assets: Internally generated	Computer software and Other assets: Purchased	Total
2021					
Cost					
At 1 January	91	388	182	262	923
Additions	–	–	21	17	38
Acquisition of subsidiaries	9	63	–	2	74
Disposals	–	–	(5)	(85)	(90)
Exchange differences and other	(8)	3	4	4	3
At 31 December	92	454	202	200	948
Accumulated amortization and impairment					
At 1 January	65	144	147	234	590
Amortization	5	34	14	12	65
Impairment	–	–	1	–	1
Disposals	–	–	(5)	(85)	(90)
Exchange differences and other	(4)	(2)	2	4	–
At 31 December	66	176	159	165	566
Net book value at 31 December 2021	**26**	**278**	**43**	**35**	**382**

16. Other non-current assets

(CHF million)	2022	2021
Non-current loans or amounts receivable from third parties	4	6
Retirement benefit asset	59	104
Other non-current assets	62	63
Total	**125**	**173**

Other non-current assets are measured at fair value through profit and loss except non-current loans or amounts receivable from third parties that are measured at amortized cost.

Depending on the nature of the balances, currency and date of maturity, interest rates on long-term balances or loans to third parties range between 0.0% and 8.0%.

In 2022, other non-current assets included deposits for guarantees and restricted cash of CHF 38 million (2021: CHF 37 million).

Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2022 and 2021, the fair value of the Group's other non-current assets approximates their carrying value.

17. Trade receivables

(CHF million)	2022	2021
Trade receivables	1 149	1 090
Allowance for expected credit losses	(161)	(162)
Total	**988**	**928**

The movement of allowance for expected credit losses is analyzed as follows:

(CHF million)	2022	2021
At 1 January	(162)	(176)
Acquisition of subsidiaries	(1)	–
Decrease/(Increase) in allowance recognized in the income statement	(16)	2
Utilizations	10	9
Exchange differences	8	3
Total at 31 December	**(161)**	**(162)**

18. Other receivables and prepayments

(CHF million)	2022	2021
Accrued income, prepayments	86	78
Derivative assets	12	11
Other receivables	125	115
Total	**223**	**204**

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties. Other receivables consist mainly of sales taxes and other taxes recoverable as well as advances to suppliers.

19. Cash and cash equivalents

(CHF million)	2022	2021
Cash and short-term deposits	1 623	1 479
Short-term loans	–	1
Total	**1 623**	**1 480**

20. Cash flow statement

20.1. Non-cash and non-operating items

(CHF million)	Notes	2022	2021
Depreciation of property, plant and equipment	12	253	249
Impairment of property, plant and equipment and other intangible assets	12 and 15	18	2
Depreciation/impairment right-of-use asset	13	184	183
Amortization of intangible assets	15	66	65
ECL[1] on trade receivables, unbilled revenues and work in progress		22	(3)
Net financial expenses	8 and 9	51	53
(Decrease) in provisions and employee benefits		(13)	(2)
Share-based payment expenses		18	12
Gain on disposals of property, land and equipment		(4)	–
Share of results from associates and other entities		(2)	–
Taxes	10	219	269
Non-cash and non-operating items		**812**	**828**

1. Expected Credit Losses.

20.2. (Increase)/decrease in working capital

(CHF million)	2022	2021
(Increase) in unbilled revenues and inventories	(53)	(14)
(Increase) in trade receivables	(125)	(74)
(Increase) in other receivables and prepayments	(25)	(27)
Increase in trade and other payables	7	37
Increase in other creditors and accruals	25	61
Increase/(decrease) in other provisions	9	(27)
(Increase)/decrease in working capital	**(162)**	**(44)**

20.3. Changes in liabilities arising from financing activities

		Cash impact	Non cash impact				
(CHF million)	1 January	Financing cash flows	Equity movement	Acquisition and disposals	New leases	Other movements[1]	31 December
2022							
Corporate bonds	3 100	249	–	–	–	(39)	3 310
Bank loans	5	469	–	3	–	(8)	469
Put option on acquisition	33	(4)	1	–	–	(1)	29
Lease liabilities	636	(183)	–	3	174	(26)	604
Other financial liabilities	26	(5)	–	5	–	–	26
Total	**3 800**	**526**	**1**	**11**	**174**	**(74)**	**4 438**

1. Other movements include interest accruals and payments, amortization under effective rate method, currency effects and other contingent consideration movements.

		Cash impact	Non cash impact				
(CHF million)	1 January	Financing cash flows	Equity movement	Acquisition and disposals	New leases	Other movements[1]	31 December
2021							
Corporate bonds	2 600	548	–	–	–	(48)	3 100
Bank loans	556	(555)	–	4	–	–	5
Put option on acquisition	62	–	(27)	–	–	(2)	33
Lease liabilities	621	(179)	–	9	190	(5)	636
Other financial liabilities	23	(12)	13	–	–	2	26
Total	**3 862**	**(198)**	**(14)**	**13**	**190**	**(53)**	**3 800**

1. Other movements include interest accruals and payments, amortization under effective rate method, currency effects and other contingent consideration movements.

21. Acquisitions

Assets and liabilities arising from acquisitions

(CHF million)	Fair value on proderm GmbH	Fair value on other acquisitions	**Total fair value on acquisitions December 2022**	Total fair value on acquisitions December 2021
Property, plant and equipment	2	5	7	16
Right-of-use assets	2	1	3	9
Intangible assets	13	4	17	74
Other long-term assets	–	–	–	2
Trade receivable	2	3	5	12
Other current assets	1	1	2	8
Cash and cash equivalents	3	3	6	20
Current liabilities	(4)	(5)	(9)	(35)
Non-current liabilities	(6)	(2)	(8)	(27)
Non-controlling interests	–	–	–	(5)
Net assets acquired	**13**	**10**	**23**	**74**
Goodwill	31	21	52	163
Total purchase price	**44**	**31**	**75**	**237**
Acquired cash and cash equivalents	(3)	(3)	(6)	(20)
Consideration payable	–	(5)	(5)	(3)
Payment on prior year acquisitions	–	3	3	–
Net cash outflow on acquisitions	**41**	**26**	**67**	**214**

In compliance with IFRS 3, fair value on acquisition remains provisional for a 12-month period following the date of acquisition, during which the Group can finalize the purchase price allocation.

The goodwill arising on these acquisitions relates mainly to the value of expected synergies and the value of the qualified workforce that do not meet the criteria for recognition as separable intangible assets. Consideration payable relates mainly to environmental and commercial warranty clauses and the fair value of contingent future earn-out payments.

The Group incurred transaction-related costs of CHF 5 million (2021: CHF 8 million) related to external legal fees, due diligence expenses and the costs of maintaining an internal acquisition department. These expenses are reported within other operating expenses in the consolidated income statement.

22. Financial risk management

Risk management policies and objectives

The Group's activities expose it primarily to market, credit and liquidity risk. Market risk includes foreign exchange, interest rate and equity price risks.

The risk management policies and objectives are governed by the Group's policies approved by the Board of Directors.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls and to monitor the risk and limits continually by means of reliable and up-to-date administrative and information systems.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies. The Audit Committee is assisted in its oversight role by Internal Audit.

Risk management activities

The Group uses foreign exchange contracts to manage the Group's exposure to fluctuations in foreign currency exchange rates. These activities are carried out in accordance with the Group's risk management policies and objectives in areas such as counterparty exposure and economic hedging practices. Counterparties to these agreements are major international financial institutions with high credit ratings and positions are monitored using market value and sensitivity analyses. The associated credit risk is therefore limited. These agreements generally include the exchange of one currency for a second currency at a future date.

The following table summarizes foreign exchange contracts outstanding at year end. The notional amount of derivatives summarized below represents the gross amount of the contracts and includes transactions, which have not yet matured. Therefore the figures do not reflect the Group's net exposure at year end. The market value approximates the costs to settle the outstanding contracts. These market values should not be viewed in isolation but in relation to the market values of the underlying hedged transactions and the overall reduction in the Group's exposure to adverse fluctuations in foreign exchange rates.

Currently, the Group has certain exposure to interest and credit risks and no exposure to equity price risk.

	Notional amount		Market value	
(CHF million)	**2022**	2021	**2022**	2021
Foreign exchange forward contracts				
Currency:				
Australian Dollar (AUD)	(15)	(8)	–	–
Brazilian Real (BRL)	(5)	(25)	(1)	1
Canadian Dollar (CAD)	(5)	11	–	–
Chilean Peso (CLP)	(34)	(26)	(3)	1
Chinese Renminbi (CNY)	(22)	(7)	–	–
Colombian Peso (COP)	(4)	(3)	–	–
Euro (EUR)	441	186	–	–
British Pound Sterling (GBP)	(119)	(141)	2	(2)
Hong Kong Dollar (HKD)	18	(20)	–	–
Indian Rupee (INR)	1	2	–	–
Japanese Yen (JPY)	(3)	(1)	–	–
Kenyan Shilling (KES)	–	(4)	–	–
Korean Won (KRW)	3	2	–	–
New Zealand Dollar (NZD)	(6)	(11)	–	–
Philippines Peso (PHP)	(13)	(15)	(1)	–
Polish Zloty (PLN)	1	(4)	–	–
Russian Ruble (RUB)	–	2	–	–
Turkish New Lira (TRY)	1	3	–	(1)
US Dollar (USD)	(268)	(237)	7	2
South African Rand (ZAR)	(10)	(17)	–	1
Other	(38)	(24)	(1)	–
Total	**(77)**	**(337)**	**3**	**2**

Credit risk management

Credit risk arises from the possibility that customers may not be able to settle their obligations as agreed. It arises principally from the Group's commercial activities. Trade receivable, unbilled revenues and work in progress are subject to a policy of active risk management which focuses on the assessment of country risk, credit limits and approval procedures. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivable, unbilled revenue and work in progress.

As at 31 December 2022, the Group has unbilled revenue and work in progress of CHF 210 million (2021: CHF 175 million) which is net of an allowance for expected credit losses of CHF 20 million (2021: CHF 15 million).

Receivables are recognized and carried at original invoice amount less an allowance for any non-collectible amounts. A credit loss allowance is made in compliance with the simplified approach using a provision matrix (expected credit loss model). This provision matrix has been developed to reflect the country risk, the credit risk profile and available historical data. Similarly to receivables an allowance for unbilled revenues and work in progress is made using a provision matrix.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on aging of trade receivables as of invoice date at 31 December 2022:

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 – 90 days	0%-5%	910	2
91 – 120 days	10%-25%	47	10
121 – 180 days	20%-50%	47	19
181 – 240 days	35%-75%	25	15
241 – 300 days	50%-75%	14	10
301 – 360 days	75%-100%	10	9
> 360 days	100%	96	96
Total		**1 149**	**161**

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix based on ageing of trade receivables as of invoice date at 31 December 2021:

(CHF million)	Expected credit loss range	Gross carrying amount	Expected credit loss
0 – 90 days	0%-5%	863	4
91 – 120 days	10%-25%	43	8
121 – 180 days	20%-50%	36	14
181 – 240 days	35%-75%	20	12
241 – 300 days	50%-75%	11	8
301 – 360 days	75%-100%	7	6
> 360 days	100%	110	110
Total		**1 090**	**162**

As part of financial management activities, the Group enters into various types of transaction with international banks, usually with a credit rating of at least A. Exposure to these risks is closely monitored and kept within predetermined parameters. The Group does not expect any non-performance by these counterparties. The maximum credit risk to which the Group is theoretically exposed at 31 December 2022 is the carrying amount of financial assets including derivatives.

In addition, the Group has issued CHF 181 million (2021: CHF 178 million) financial guarantees to certain financial institutions that have provided credit facilities and foreign exchange lines to its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

Analysis of financial assets by class and category at 31 December 2022:

			Fair value					
	Amortized cost		**At fair value through Equity**		**At fair value through P&L**		**Total**	
(CHF million)	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash-equivalents	1 623	1 623	–	–	–	–	1 623	1 623
Trade receivables	988	988	–	–	–	–	988	988
Other receivables[1]	132	132	–	–	–	–	132	132
Unbilled revenues and work in progress	210	210	–	–	–	–	210	210
Loans to third parties – non-current	4	4	–	–	–	–	4	4
Derivatives	–	–	–	–	12	12	12	12
Total financial assets	**2 957**	**2 957**	**–**	**–**	**12**	**12**	**2 969**	**2 969**

1. Excluding VAT and other tax related items.

Analysis of financial assets by class and category at 31 December 2021:

			Fair value					
	Amortized cost		At fair value through Equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash-equivalents	1 480	1 480	–	–	–	–	1 480	1 480
Trade receivables	928	928	–	–	–	–	928	928
Other receivables[1]	132	132	–	–	–	–	132	132
Unbilled revenues and work in progress	175	175	–	–	–	–	175	175
Loans to third parties – non-current	6	6	–	–	–	–	6	6
Derivatives	–	–	–	–	11	11	11	11
Total financial assets	**2 721**	**2 721**	**–**	**–**	**11**	**11**	**2 732**	**2 732**

1. Excluding VAT and other tax related items.

In the fair value hierarchy, Level 1 measurements are those derived from the quoted price in active markets. Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Derivative assets (2022: CHF 12 million; 2021: CHF 11 million) qualify as Level 2 fair value measurement category in accordance with the fair value hierarchy. Derivative assets consist of foreign currency forward contracts that are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

Liquidity risk management

The objective of the Group's liquidity and funding management is to ensure that all its foreseeable financial commitments can be met when due. Liquidity and funding are primarily managed by Group Treasury in accordance with practices and limits set in the risk management policies and objectives approved by the Board of Directors.

The nature of the Group's business requires keeping a significant part of the cash reserves in the operating units.

Due to the significant cash position, liquidity risk is limited. The Group has various committed and uncommitted bilateral credit facilities with its banks.

Analysis of financial liabilities by class and category at 31 December 2022:

			Fair value					
	Amortized cost		At fair value through Equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	360	360	–	–	–	–	360	360
Other payables[1]	130	130	–	–	–	–	130	130
Loans and other financial liabilities	3 792	3 606	29	29	21	21	3 842	3 656
Lease liabilities	604	604	–	–	–	–	604	604
Total financial liabilities	**4 886**	**4 700**	**29**	**29**	**21**	**21**	**4 936**	**4 750**

1. Excluding VAT and other tax related items.

The corporate bonds qualify as fair value Level 1, which amounts to CHF 3 124 million (2021: CHF 3 166 million).

Other financial liabilities include CHF 29 million qualifying as fair value Level 3 (2021: CHF 33 million), which represents the estimated present value of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised.

Subsequent changes in the valuation of the redemption amount to acquire the remaining non-controlling interests of acquisitions if the put/call option is exercised shall be recognized directly in equity attributable to owners, including the unwinding of the discount.

The remaining financial liabilities qualify as Level 2 determined in accordance with generally accepted pricing models.

Analysis of financial liabilities by class and category at 31 December 2021:

			Fair value					
	Amortized cost		At fair value through Equity		At fair value through P&L		Total	
(CHF million)	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Trade payables	368	368	–	–	–	–	368	368
Other payables[1]	152	152	–	–	–	–	152	152
Loans and other financial liabilities	3 119	3 185	33	33	19	19	3 171	3 237
Lease liabilities	636	636	–	–	–	–	636	636
Total financial liabilities	**4 275**	**4 341**	**33**	**33**	**19**	**19**	**4 327**	**4 393**

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2022:

(CHF million)	Trade payables	Other payables[1]	Gross settled derivative financial instruments outflows	Gross settled derivative financial instruments inflows	Loans and Other financial liabilities	Lease liabilities	Total
On demand or within one year	**360**	**130**	**1 301**	**(1 299)**	**1 014**	**173**	**1 679**
Within the second year	**–**	**–**	**–**	**–**	**283**	**125**	**408**
Within the third year	**–**	**–**	**–**	**–**	**409**	**89**	**498**
Within the fourth year	**–**	**–**	**–**	**–**	**716**	**64**	**780**
Within the fifth year	**–**	**–**	**–**	**–**	**747**	**45**	**792**
After five years	**–**	**–**	**–**	**–**	**771**	**135**	**906**

1. Excluding VAT and other tax related items.

Undiscounted contractual maturities of financial liabilities including interest payments at 31 December 2021:

(CHF million)	Trade payables	Other payables[1]	Gross settled derivative financial instruments outflows	Gross settled derivative financial instruments inflows	Loans and Other financial liabilities	Lease liabilities	Total
On demand or within one year	368	152	1 167	(1 165)	285	171	978
Within the second year	–	–	–	–	535	135	670
Within the third year	–	–	–	–	274	98	372
Within the fourth year	–	–	–	–	250	73	323
Within the fifth year	–	–	–	–	710	57	767
After five years	–	–	–	–	1 189	189	1 378

1. Excluding VAT and other tax related items.

The Group economically hedges its foreign exchange exposure on a net basis. The net position of the gross settled derivative financial instruments of CHF 2 million (2021: CHF 2 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2022.

Sensitivity analyses

The estimated changes in the value of net foreign currency positions are based on an instantaneous 5% weakening of the Swiss Franc against all other currencies from the level applicable at 31 December 2022 and 2021 with all other variables remaining constant.

Sensitivity analysis based on net hedged positions at 31 December 2022 and 2021:

	2022		2021	
(CHF million)	**Income statement impact income/(expense)**	**Equity impact increase/(decrease)**	Income statement impact income/(expense)	Equity impact increase/(decrease)
US Dollar (USD)	**4**	**(2)**	4	(2)
Euro (EUR)	**(2)**	**–**	(2)	–
CFA Franc BEAC (CFA)	**2**	**–**	2	–
Canadian Dollar (CAD)	**–**	**2**	–	2
U.A.E. Dirham (AED)	**(1)**	**–**	–	–

Interest rate risk management

The Group is exposed to fair value interest rate risk because the Group borrows funds at fixed interest rates. Where appropriate, the risk is managed by the Group using Interest Rate Swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

If interest rates were 50 basis points higher/lower, the profit for the year ended 31 December 2022 would increase/decrease by CHF 5 million (2021: CHF nil million).

23. Share capital and treasury shares

	Shares in circulation	Treasury shares	Total shares issued	Total share capital (CHF million)
Balance at 1 January 2021	**7 469 238**	**96 494**	**7 565 732**	**8**
Treasury shares released into circulation	22 434	(22 434)	–	–
Treasury shares cancelled	–	(70 700)	(70 700)	(1)
Balance at 31 December 2021	**7 491 672**	**3 360**	**7 495 032**	**7**
Treasury shares released into circulation	3 381	(3 381)	–	–
Treasury shares purchased for equity compensation plans	(12 500)	12 500	–	–
Treasury shares purchased for cancellation	(113 499)	113 499	–	–
Balance at 31 December 2022	**7 369 054**	**125 978**	**7 495 032**	**7**

Issued share capital

SGS SA has a share capital of CHF 7 495 032 (2021: CHF 7 495 032) fully paid in and divided into 7 495 032 (2021: 7 495 032) registered shares of a par value of CHF 1. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares

On 31 December 2022, SGS SA held 125 978 treasury shares (2021: 3 360 shares). The shares purchased for cancellation are directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2022, 3 381 treasury shares were sold or given in relation with the equity compensation plans and 12 500 were repurchased.

On 21 June 2022, SGS SA announced a CHF 250 million share buyback program for the purpose of capital reduction. The program ended on 21 December 2022 and 113 499 shares were repurchased for a total amount of CHF 250 million at an average price of CHF 2 203 per share.

Authorized and Conditional issue of share capital

The Board has the authority to increase the share capital of SGS SA by a maximum of 500 000 registered shares of a par value of CHF 1 each, corresponding to a maximum increase of CHF 500 000 in share capital. The Board is mandated to issue the new shares at the market conditions at the time of issue. In the event that the new shares are issued for an acquisition, the Board is authorized to waive the shareholders' preferential right of subscription or to allocate such subscription right to third parties.

The authority delegated by the shareholders to the Board of Directors to increase the share capital is valid until 23 March 2023.

The shareholders have conditionally approved an increase of share capital in the amount of CHF 1 100 000, divided into 1 100 000 registered shares of a par value of CHF 1 each. This conditional share capital increase is intended to procure the necessary shares to satisfy employee equity participation plans and option or conversion rights to be incorporated in convertible bonds or similar equity-linked instruments that the Board is authorized to issue. The right to subscribe to such conditional capital is reserved for beneficiaries of employee equity participation plans and holders of convertible bonds or similar debt instruments and therefore excludes shareholders' preferential rights of subscription. The Board is authorized to determine the timing and conditions of such issues, provided that they reflect prevailing market conditions. The term of exercise of the options or conversion rights may not exceed ten years from the date of issuance of the equity-linked instruments.

24. Loans and other financial liabilities

(CHF million)	**2022**	2021
Bank loans and commercial paper	469	5
Corporate bonds	3 310	3 100
Put option on acquisition	29	33
Other financial liabilities	26	26
Derivatives	8	7
Total	**3 842**	**3 171**
Current	1 009	282
Non-current	2 833	2 889

In 2022, the Group started to issue commercial paper out of its EUR 1 billion Euro Commercial Paper (ECP) program, for an amount of EUR 472 million (CHF 465 million) as at 31 December 2022.

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0.125% and 13.22%, and on short-term loans from third parties range between 0.25% and 54.00%.

The loans from third parties exposed to fair value interest rate risk amounted to CHF 3 778 million (2021: CHF 3 104 million) and the loans from third parties exposed to cash flow interest rate risk amounted to CHF less than 0.7 million (2021: CHF less than 0.5 million).

SGS SA issued the following corporate bonds listed on the SIX Swiss Exchange:

Date of issue	Face value in CHF Million	Coupon in %	Year of Maturity	Issue price in %	Redemption price in %
27.02.2014	250	1.750	2024	101.019	100.000
08.05.2015	325	0.250	2023	100.079	100.000
08.05.2015	225	0.875	2030	100.245	100.000
03.03.2017	375	0.550	2026	100.153	100.000
29.10.2018	225	0.750	2025	100.068	100.000
29.10.2018	175	1.250	2028	101.157	100.000
06.05.2020	175	0.450	2023	100.117	100.000
06.05.2020	325	0.950	2026	100.182	100.000
05.09.2022	150	1.250	2025	100.000	100.000
05.09.2022	350	1.700	2029	100.197	100.000

SGS Nederland Holding BV has issued the following corporate bond, which is guaranteed by SGS SA and which is listed on the Luxembourg Stock Exchange:

Date of issue	Face value in EUR million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
21.04.2021	750	0.125	2027	99.761	100.000

The currency composition of bank loans, corporate bonds and other financial liabilities is as follows:

	Bank loans and corporate bond		Put option and other financial liabilities	
(CHF million)	**2022**	2021	**2022**	2021
Swiss Franc (CHF)	2 574	2 325	12	15
Euro (EUR)	1 201	775	20	20
Singapore Dollar (SGD)	3	5	13	13
US Dollar (USD)	–	–	1	1
British Pound Sterling (GBP)	–	–	1	1
Canadian Dollar (CAD)	–	–	4	4
New Zealand Dollar (NZD)	–	–	3	3
Other	1	–	1	2
Total	**3 779**	**3 105**	**55**	**59**

25. Defined benefit obligations

The Group mainly operates defined benefit pension plans in Switzerland, the USA, the UK, the Netherlands, Germany, Italy, France, Belgium, South Korea and Taiwan. Contributions to most plans are paid to pension funds that are legally separate entities.

The Group also operates post-employment benefit plans, principally healthcare plans, in the USA and Switzerland. They represent a defined benefit obligation at 31 December 2022 of CHF 5 million (2021: CHF 11 million). The method of accounting and the frequency of valuation are similar to those used for defined benefit pension plans. Healthcare cost trend assumptions do not have a significant effect on the amounts recognized in the income statement.

There is a risk to the Group that adverse experience could lead to a requirement for the Group to make additional contributions to recover any deficit that arises.

The Group's material defined benefit plans are in Switzerland, the USA and the UK.

Switzerland

The Group jointly operates with the employees a retirement foundation in Switzerland. The assets and liabilities of the retirement foundation are held separately from the Group. The foundation board is equally composed of representatives of the employees and representatives of the employer. This foundation covers all the employees in Switzerland and provides benefits on a defined contribution basis.

Each employee has a retirement account to which the employee and the Group contribute at a rate set out in the foundation rules based on a percentage of salary. Every year, the foundation decides the level of interest, if any, to apply to retirement accounts based on the agreed policy. At retirement, employees can elect either to withdraw all or part of the balance of their retirement account or to convert it into annuities at pre-defined conversion rates.

As the foundation board is expected to eventually pay out all of the foundation's assets as benefits to employees and former employees, no surplus is deemed to be recoverable by the Group. Similarly, unless the assets are insufficient to cover minimum benefits, the Group does not expect to make any deficit contribution to the foundation.

According to IFRS, the foundation has to be classified as a defined benefit plan due to underlying benefit guarantees and has to be accounted for on this basis.

The weighted average duration of the expected benefit payment is approximately 12 years (2021: 14 years).

The Group expects to contribute CHF 5 million to this plan in 2023.

The Group also operates an employer fund. The assets are held separately from the Group. This foundation has unilateral power to provide benefits and consequently has no obligations. Therefore, this foundation has no pension liabilities.

United States of America

The Group operates a non-contributory defined benefit plan, which is subject to the provisions of the Employee Retirement Income Security Act (ERISA).

The assets of the plan are held separately from the Group by the trustee-custodian and the plan's third-party pension administrator who disburses payments directly to retirees or beneficiaries under the plan. Both the trustee-custodian and the administrator ensure adherence to ERISA rules.

Funding valuations are calculated on an actuarial basis and contributions are made as necessary. The funding target is to provide the plan with sufficient assets to meet future plan obligations.

Effective 16 March 2004, non-exempt participants ceased accruing any additional benefits; only exempt employees of certain SGS business units in the USA are eligible for annual benefit accrual. In addition, the pension benefit was changed and is defined as a percentage of the current year's pensionable compensation; the cost of additional benefit accrual is evaluated annually. The Group reserves the right to make future changes to the benefit accrual structure of the plan.

Eligible employees become participants in the plan after the completion of one year of service and after reaching the age of 21. Participants become fully vested in the plan after five years of service.

The weighted average duration of the expected benefit payment is approximately 10 years (2021: 13 years).

The Group expects to contribute CHF 6 million to this plan in 2023.

United Kingdom

The Group operates a defined benefit plan through a trust, with the assets of the plans held separately from the Group and trustees who ensure the plan's rules are strictly adhered to. This plan has been closed to new entrants since 2002, and effective 31 October 2020, all remaining participants ceased accruing any additional benefits in the defined benefit plan. Employees are now offered membership in defined contribution plans operated by the Group.

Funding valuations of the defined benefit plans are carried out and agreed between the Group and the plan trustees at least once every three years. The funding target is for the plans to hold assets equal in value to the accrued benefits based on projected salaries. As part of the valuation process, if there is a shortfall against this target, then the Group and trustees will agree on deficit contributions to meet this deficit over a specified period.

The weighted average duration of the expected benefit payments from the combined plans is approximately 14 years (2021: 19 years).

The Group expects to contribute CHF nil million to this plan in 2023.

Other countries

The Group sponsors defined retirement benefits plans in other countries where the Group operates. No individual countries other than those described above are considered material and need to be separately disclosed. The Group expects to contribute CHF 4 million to those plans in 2023.

The assets and liabilities recognized in the statement of financial position at 31 December for defined benefit obligations and for post-employment benefit plans are as follows:

(CHF million)	CH	UK	USA	Other	Total
2022					
Fair value of plan assets	494	134	156	77	861
Present value of funded defined benefit obligation	(357)	(115)	(150)	(79)	(701)
Funded/(unfunded) status	**137**	**19**	**6**	**(2)**	**160**
Present value of unfunded defined benefit obligation	(5)	–	(3)	(41)	(49)
Unrecognized asset due to asset ceiling	(98)	–	–	(1)	(99)
Net asset/(liability) at 31 December	**34**	**19**	**3**	**(44)**	**12**

(CHF million)	CH	UK	USA	Other	Total
2021					
Fair value of plan assets	485	255	201	85	1 026
Present value of funded defined benefit obligation	(445)	(194)	(193)	(100)	(932)
Funded/(unfunded) status	**40**	**61**	**8**	**(15)**	**94**
Present value of unfunded defined benefit obligation	(11)	–	(4)	(57)	(72)
Unrecognized asset due to asset ceiling	–	–	–	(2)	(2)
Net asset/(liability) at 31 December	**29**	**61**	**4**	**(74)**	**20**

The net asset of CHF 12 million (2021: net asset of CHF 20 million) includes CHF 59 million (2021: CHF 104 million) of pension fund assets recognized in the item other non-current assets in note 16 and CHF 47 million (2021: CHF 84 million) of pension fund liability recognized in the item Defined Benefit Obligation in statement of financial position.

Amounts recognized in the income statement:

(CHF million)	CH	UK	USA	Other	Total
2022					
Service cost expense	8	–	1	6	15
Net interest income on defined benefit plan	–	(1)	–	–	(1)
Administrative expenses	–	1	1	–	2
Total expense due to defined benefit obligation at 31 December	**8**	**–**	**2**	**6**	**16**
Expense charged in:					
Salaries and wages	8	1	2	6	17
Financial expenses	–	(1)	–	–	(1)
Total expense due to defined benefit obligation at 31 December	**8**	**–**	**2**	**6**	**16**

(CHF million)	CH	UK	USA	Other	Total
2021					
Service cost expense	9	–	2	5	16
Net interest expense on defined benefit plan	–	(1)	–	1	–
Administrative expenses	–	1	1	–	2
Total expense due to defined benefit obligation at 31 December	**9**	**–**	**3**	**6**	**18**
Expense charged in:					
Salaries and wages	9	1	3	5	18
Financial expenses	–	(1)	–	1	–
Total expense due to defined benefit obligation at 31 December	**9**	**–**	**3**	**6**	**18**

Amounts recognized in the statement of other comprehensive income:

(CHF million)	CH	UK	USA	Other	Total
2022					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	–	–	(1)	(1)
Change in financial assumptions	(87)	(68)	(43)	(34)	(232)
Experience adjustments on benefit obligations	3	7	(1)	3	12
Actual return on plan assets excluding net interest expense	(21)	99	50	14	142
Asset ceiling	98	–	–	1	99
Total recognized in the statement of other comprehensive income at 31 December	**(7)**	**38**	**6**	**(17)**	**20**

(CHF million)	CH	UK	USA	Other	Total
2021					
Remeasurement on net defined benefit liability					
Change in demographic assumptions	–	(1)	1	(1)	(1)
Change in financial assumptions	(13)	(9)	(10)	(3)	(35)
Experience adjustments on benefit obligations	6	–	(4)	34	36
Actual return on plan assets excluding net interest expense	(30)	1	4	(33)	(58)
Asset ceiling	–	–	–	1	1
Total recognized in the statement of other comprehensive income at 31 December	**(37)**	**(9)**	**(9)**	**(2)**	**(57)**

In 2022, the Group recognized a CHF 99 million asset ceiling (2021: CHF 1 million), mainly made of a CHF 98 million (2021: CHF nil million) increase for the SGS Swiss Pension Plan. The maximum economic benefit available in the SGS Swiss Pension Plan was determined applying the common approach prescribed by IFRIC 14, and reflects the present value of reductions in future contributions to the plan. In making this estimate, assumptions used for future service costs are consistent with those used to determine the defined benefit obligation as at 31 December 2022.

Movements in the net asset/(liability) during the period:

(CHF million)	CH	UK	USA	Other	Total
2022					
Net asset/(liability) at 1 January	**29**	**61**	**4**	**(74)**	**20**
Expense recognized in the income statement	(8)	–	(2)	(6)	(16)
Remeasurements recognized in other comprehensive income	7	(38)	(6)	17	(20)
Contributions paid by the Group	6	–	7	13	26
Employer benefit payments	–	–	–	3	3
Exchange differences	–	(4)	–	3	(1)
Net asset/(liability) at 31 December	**34**	**19**	**3**	**(44)**	**12**

(CHF million)	CH	UK	USA	Other	Total
2021					
Net asset/(liability) at 1 January	**(3)**	**50**	**(9)**	**(84)**	**(46)**
Expense recognized in the income statement	(9)	–	(3)	(6)	(18)
Remeasurements recognized in other comprehensive income	37	9	9	2	57
Effect of acquisitions/disposals	(2)	–	–	–	(2)
Contributions paid by the Group	6	1	8	11	26
Employer benefit payments	–	–	–	1	1
Exchange differences	–	1	(1)	2	2
Net asset/(liability) at 31 December	**29**	**61**	**4**	**(74)**	**20**

Change in the defined benefit obligation is as follows:

(CHF million)	**CH**	**UK**	**USA**	**Other**	**Total**
2022					
Opening present value of the defined benefit obligation	456	194	197	159	1 006
Current service cost	8	–	1	6	15
Interest cost	1	4	6	2	13
Plan participants' contributions	5	–	–	1	6
Actual net benefit payments	(24)	(7)	(10)	(9)	(50)
(Gains)/losses due to changes in demographic assumptions	–	–	–	(1)	(1)
(Gains)/losses due to changes in financial assumptions	(87)	(68)	(43)	(34)	(232)
Experience differences	3	7	(1)	3	12
Exchange rate (gains)/losses	–	(15)	3	(7)	(19)
Defined benefit obligation at 31 December	**362**	**115**	**153**	**120**	**750**

(CHF million)	CH	UK	USA	Other	Total
2021					
Opening present value of the defined benefit obligation	457	203	205	132	997
Current service cost	9	–	2	6	17
Interest cost	–	3	5	1	9
Plan participants' contributions	4	–	–	–	4
Past service cost	–	–	–	(1)	(1)
Net increase/(decrease) in DBO from acquisitions/disposals	8	–	–	–	8
Actual net benefit payments	(15)	(10)	(10)	(7)	(42)
(Gains)/losses due to changes in demographic assumptions	–	(1)	1	(1)	(1)
(Gains)/losses due to changes in financial assumptions	(13)	(9)	(10)	(3)	(35)
Experience differences	6	–	(4)	34	36
Exchange rate (gains)/losses	–	8	8	(2)	14
Defined benefit obligation at 31 December	**456**	**194**	**197**	**159**	**1 006**

Change in fair value of plan assets is as follows:

(CHF million)	CH	UK	USA	Other	Total
2022					
Opening fair value of plan assets	485	255	201	85	1 026
Interest income on plan assets	1	5	6	2	14
Return on plan assets excluding amounts included in net interest expense	21	(99)	(50)	(14)	(142)
Actual employer contributions	6	–	7	16	29
Actual plan participants' contributions	5	–	–	1	6
Actual net benefit payments	(24)	(7)	(10)	(9)	(50)
Actual admin expenses paid	–	(1)	(1)	–	(2)
Exchange differences	–	(19)	3	(4)	(20)
Fair value of plan assets at 31 December	**494**	**134**	**156**	**77**	**861**

(CHF million)	CH	UK	USA	Other	Total
2021					
Opening fair value of plan assets	454	253	196	48	951
Interest income on plan assets	–	4	5	–	9
Return on plan assets excluding amounts included in net interest expense	30	(1)	(4)	33	58
Actual employer contributions	6	1	8	12	27
Actual plan participants' contributions	4	–	–	–	4
Actual net benefit payments	(15)	(10)	(10)	(7)	(42)
Actual admin expenses paid	–	(1)	(1)	–	(2)
Net increase/(decrease) in assets from acquisitions	6	–	–	–	6
Exchange differences	–	9	7	(1)	15
Fair value of plan assets at 31 December	**485**	**255**	**201**	**85**	**1 026**

There are no reimbursement rights included in plan assets. The actual return on plan assets was a loss of CHF 128 million (2021: gain of CHF 67 million).

The major categories of plan assets at the balance sheet date are as follows:

(CHF million)	CH	UK	USA	Other	Total
2022					
Cash and cash equivalents	26	12	–	18	56
Equity securities	136	15	17	–	168
Debt securities	68	106	138	1	313
Assets held by insurance company	3	–	–	21	24
Properties	217	–	–	–	217
Investment funds	44	–	–	–	44
Other	–	1	1	37	39
Total plan assets at 31 December	**494**	**134**	**156**	**77**	**861**

(CHF million)	CH	UK	USA	Other	Total
2021					
Cash and cash equivalents	26	19	1	18	64
Equity securities	176	36	25	–	237
Debt securities	56	200	175	1	432
Assets held by insurance company	3	–	–	66	69
Properties	175	–	–	–	175
Investment funds	46	–	–	–	46
Other	3	–	–	–	3
Total plan assets at 31 December	**485**	**255**	**201**	**85**	**1 026**

In 2022 and 2021, the Group did not occupy any property that was included in the plan assets.

Properties are rented at fair market rental rates. There are no SGS SA shares or any other financial securities used by the Group included in plan assets.

The plan assets are primarily held within instruments with quoted market prices in an active market, with the exception of the property and insurance policy holdings.

The investment strategy in Switzerland is to invest, within the statutory and legal requirements, in a diversified portfolio with the aim of generating long-term returns, which will enable the Board of the foundation to grow the accounts of the members of the pension fund, whilst taking on the lowest possible risk in order to do so.

In the USA, the pension plan target policy is determined by both quantitatively and qualitatively assessing the risk tolerance level and return requirements of the plan as determined by the Investment Committee. The investment portfolio asset allocation and structure are developed based on the results of this process. In the UK, the Trustees review the investment strategy of the scheme and the plan on a regular basis in order to ensure that they remain appropriate. The last review for both the scheme and plan was recently undertaken and is in the process of being implemented.

Actuarial assumptions vary according to local prevailing economic and social conditions. The principal weighted average actuarial assumptions used in determining the cost of benefits for both 2022 and 2021 are as follows:

(Weighted average %)	CH	UK	USA	Other
2022				
Discount rate	2.1	4.7	5.2	3.9
Mortality assumption	LPP 2020, CMI 2019 1.25%	SNA03M104%/ F94% CMI 2021 1.25%	PRI 2012 MP 2021	–
Salary progression rate	1.7	2.5	3.3	3.1
Future increase for pension in payments	–	3.0	–	0.4
Healthcare cost trend assumed for the next year	–	–	6.7	–
Ultimate trend rate	–	–	4.5	–
Year that the rate reaches the ultimate trend rate			**2030**	

(Weighted average %)	CH	UK	USA	Other
2021				
Discount rate	0.3	1.9	3.0	1.6
Mortality assumption	LPP 2020 CMI 2019 1.25%	SNA03M104%/ F94% CMI 2020 1.25%	PRI 2012 MP 2021	–
Salary progression rate	1.5	2.6	3.3	2.7
Future increase for pension in payments	–	3.2	–	0.5
Healthcare cost trend assumed for the next year	3.0	–	7.0	–
Ultimate trend rate	3.0	–	4.5	–
Year that the rate reaches the ultimate trend rate			**2030**	

The weighted average rate for each assumption used to measure the benefits obligation is also shown. The assumptions used to determine the end-of-year benefits obligation are also used to calculate the following year's cost.

In Switzerland, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 22 million; a 0.5% increase in assumed salary would increase the obligation by CHF 1 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 8 million.

In the USA, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 8 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 3 million.

In the UK, a decrease in the discount rate of 0.5% per annum would, all other things being equal, increase the obligation by CHF 8 million; a 0.5% increase in assumed salary would not impact the obligation; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 4 million.

These sensitivities have been calculated to show the movement in the defined benefit obligation in isolation and assume no other changes in market conditions at the accounting date. This is unlikely in practice; for example, a change in discount rate is unlikely to occur without any movement in the value of the assets held by the plans.

The amount recognized as an expense in respect of defined contribution plans during 2022 was CHF 81 million (2021: CHF 78 million).

26. Provisions

(CHF million)	Legal and warranty claims on services rendered	Demobilization and reorganization	Other provisions	Total
At 1 January 2022	**38**	**50**	**62**	**150**
Charge to income statement	10	38	7	55
Release to income statement	(3)	(1)	(5)	(9)
Payments	(9)	(24)	(8)	(41)
Exchange differences	3	(3)	(1)	(1)
At 31 December 2022	**39**	**60**	**55**	**154**

Analyzed as:	2022	2021
Current liabilities	58	60
Non-current liabilities	96	90
Total	**154**	**150**

A number of Group companies are subject to litigation and other claims arising out of the normal conduct of their business that can be best viewed as claims on services rendered. The claim provision represents the sum of estimates of amounts payable on identified claims and of losses incurred but not yet reported. They therefore reflect estimates of the future payments required to settle both reported and unreported claims. In the opinion of management, based on all currently available information, the provisions adequately reflect the Group's exposure to legal and warranty claims on services rendered. The ultimate outcome of these matters is not expected to materially affect the Group's financial position, results of operations or cash flows.

Demobilization and reorganization provisions relate to present legal or constructive obligations of the Group toward third parties, such as termination payments to employees upon leaving the Group, which in some jurisdictions are a legal obligation. For specific long-term contracts, typically with two to five years' duration, the Group is required to dismantle infrastructure and terminate the services of personnel upon completion of the contract. These demobilization costs are provided for during the life of the contract. Experience has shown that these contracts may be either extended or terminated earlier than expected.

Other provisions include present legal or constructive obligations towards tax authorities for indirect tax exposure as well as other provisions towards third parties.

27. Trade and other payables

(CHF million)	2022	2021
Trade payables	360	368
Other payables	311	319
Total	**671**	**687**

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2022 and 2021, the fair value of the Group's trade accounts and other payables approximates the carrying value.

28. Contingent liabilities

In the normal course of business, the Group and its subsidiaries are parties to various lawsuits and claims. Management does not expect that the outcome of any of these legal proceedings will have a material adverse effect on the Group's financial position, results of operations or cash flows.

Guarantees and performance bonds

(CHF million)	2022	2021
Guarantees	461	553
Performance bonds	189	205
Total	**650**	**758**

The Group has issued unconditional guarantees of CHF 461 million (2021: CHF 553 million), as well as performance bonds and bid bonds of CHF 189 million (2021: CHF 205 million) to commercial customers on behalf of its subsidiaries. Management believes the likelihood that a material payment will be required under these guarantees is remote.

29. Equity compensation plans

Selected employees of the SGS Group are eligible to participate in equity compensation plans.

i) Grants to members of the Board of Directors

In 2022, a total of 285 restricted shares were granted to members of the Board of Directors, in settlement of part of their remuneration for the Annual General Meeting 2021 to 2022 mandate (68 restricted shares) and for the Annual General Meeting 2022 to 2023 mandate (217 restricted shares). The restricted shares are blocked for a period of three years from the grant date, until January 2025 and May 2025 respectively. The value at grant date of the restricted shares granted was: i) for the 68 restricted shares related to the Annual General Meeting 2021 to 2022 mandate, CHF 174 352 (defined as the closing price of the share on the date of the publication of the annual results), and ii) for the 217 restricted shares related to the Annual General Meeting 2022 to 2023 mandate, CHF 546 710 (defined as the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting 2022).

ii) Grants to members of the Operations Council

In 2022, a total of 3 296 performance share units (PSUs) under the long-term incentive plan 2022-2024 were granted to members of the Operations Council. The PSUs vest after a three-year performance period 2022-2024, in February 2025, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 8 577 181.

More information on the long-term incentive plan for the members of the Operations Council is disclosed in the SGS Remuneration report.

In 2022, a total of 1 378 restricted shares were granted to members of the Operations Council, in settlement of 50% of the annual incentive related to the 2021 performance. The restricted shares are blocked for a period of three years from the grant date, until April 2025. The value at grant date of the restricted shares granted, being defined as the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting 2022, was CHF 3 471 733.

50% of the annual incentive related to the 2022 performance will be settled in restricted shares. The grant of the restricted shares will be done after the Annual General Meeting 2023; the total number of restricted shares to be granted will be calculated dividing 50% of the annual incentive amount by the average closing price of the share during a 20-day period following the payment of the dividends after the Annual General Meeting 2023, rounded up to the nearest integer. The restricted shares will be blocked for a period of three years from the grant date, until April 2026.

More information on the short-term incentive for the members of the Operations Council in disclosed in the SGS Remuneration report.

iii) Grants to other employees

In 2022, a total of 5 611 performance share units (PSUs) under the long-term incentive plan 2022-2024 were granted to selected senior managers. The PSUs vest after a three-year performance period 2022-2024, in February 2025, subject to performance conditions and to continuity of employment of the beneficiaries during the vesting period. The value at grant date of the PSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 14 601 505.

In 2022, a total of 2 915 restricted share units (RSUs) were granted to selected key employees under the restricted share units plan 2022. The RSUs vest three years after the grant date. The value at grant date of the RSUs granted, being defined as the average closing price of the share during a 20-day period preceding the grant date, was CHF 7 585 705.

Performance share unit (PSU) and restricted share unit (RSU) plans

Description	Vesting period from	Units Outstanding at 31 December 2021	Granted	Forfeited	Vested	**Units Outstanding at 31 December 2022**
SGS-PSU-21	Feb.24	15 992	–	(880)	(40)	15 072
SGS-PSU-22	Feb.25	–	8 907	(111)	–	8 796
SGS-RSU-19	Apr.22	1 678	–	–	(1 678)	–
SGS-RSU-20	Apr.23	2 148	–	(200)	–	1 948
SGS-RSU-21	Apr.24	1 865		(176)	–	1 689
SGS-RSU-22	Apr.25	–	2 915	(85)	–	2 830
Total		**21 683**	**11 822**	**(1 452)**	**(1 718)**	**30 335**

The Group does not issue new shares to grant employees in relation to the equity-based compensation plans but uses treasury shares, acquired through share buyback programs.

In total, as of 31 December 2022, the equity overhang, defined as the total number of unvested share units, (30 335 units) divided by the total number of outstanding shares (7 495 032 shares) amounted to 0.40%.

The company's burn rate, defined as the number of equities (shares, restricted shares and share units) granted in 2022 (13 485 units) divided by the total number of outstanding shares, was 0.18%.

The Group recognized during the year a total expense of CHF 20 million (2021: CHF 14 million) in relation to equity compensation plans.

Shares available (required) for future plans:

	Total
At 1 January 2021	**(4 579)**
Repurchased shares	–
Granted SGS-RSU-21-plan	(1 935)
Granted SGS-PSU-21 plan	(16 337)
Shares for PSU forfeited	4 693
Shares for RSU forfeited	383
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	(548)
At 31 December 2021	**(18 323)**
Repurchased shares	12 500
Granted SGS-RSU-22 plan	(2 915)
Granted SGS-PSU-22 plan	(8 907)
Shares for PSU forfeited	991
Shares for RSU forfeited	461
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	(1 663)
At 31 December 2022	**(17 856)**

At 31 December the Group had the following shares available to satisfy various programs:

	2022 Total	2021 Total
Number of shares held	12 479	3 360
Shares allocated for 2019 RSU plan	–	(1 678)
Shares allocated for 2020 RSU plan	(1 948)	(2 148)
Shares allocated for 2021 RSU plan	(1 689)	(1 865)
Shares allocated for 2021 PSU plan	(15 072)	(15 992)
Shares allocated for 2022 RSU plan	(2 830)	–
Shares allocated for 2022 PSU plan	(8 796)	–
Shares required for future equity compensation plans at 31 December	**(17 856)**	**(18 323)**

30. Related-party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed.

Compensation to Directors and members of the Operations Council

The remuneration of Directors and members of the Operations Council during the year was as follows:

(CHF million)	**2022**	2021
Short-term benefits	15	17
Post-employment benefits	1	1
Share-based payments[1]	12	20
Total	**28**	**38**

1. 2022 represents the value at grant of restricted share units and performance share units granted in 2022 while 2021 represents the value at grant of restricted share units granted in 2021.

The remuneration of Directors and members of the Operations Council is determined by the Nomination and Remuneration Committee. Additional information is disclosed in the SGS Remuneration report.

During 2022 and 2021, no member of the Board of Directors or of the Operations Council had a personal interest in any business transactions of the Group.

The Operations Council (including senior management) participates in the equity compensation plans as disclosed in note 29.

The total compensation, including social charges, received by the Board of Directors amounted to CHF 2 797 000 (2021: CHF 1 997 000).

The total compensation (cash and shares/options), including social charges, received by the Operations Council (including senior management) amounted to CHF 24 474 000 (2021: CHF 36 228 000).

Loans to members of governing bodies

As at 31 December 2022, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from previous year).

Transactions with other related parties

In 2022 and in 2021, the Group did not perform any activity generating revenue for the other related parties.

During 2022 and 2021, neither related trade receivable balances unpaid nor expense in respect of any bad or doubtful debts due from these related parties were recognized.

31. Significant shareholders

As at 31 December 2022, Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) held 19.11% (December 2021: 19.11%) and BlackRock Inc. held 5.18% (December 2021: below 5%) of the share capital and voting rights of the Company. At the same date, the Group held 1.68% of the share capital of the Company (December 2021: 0.04%).

32. Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 22 February 2023, and will be submitted for approval on 28 March 2023 during the Annual General Meeting. There are no subsequent events to be reported in these consolidated financial statements.

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of SGS SA and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2022, the consolidated statement of financial position as at 31 December 2022, the consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 126 to 165 and 187 to 189) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

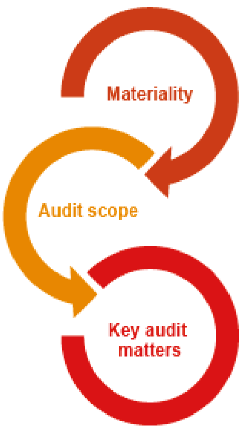
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall Group materiality: CHF 42 million

We concluded full scope audit work at 22 reporting units and audits of specific balances were performed on a further 17 reporting units. Our audit scope addressed over 68 % of the Group's revenue.

As key audit matters the following areas of focus have been identified:

- Testing the Technical Consultancy USA CGU for impairment
- Testing the Vehicle Compliance Spain CGU for impairment
- Unbilled revenue and work in progress (WIP)
- Taxation

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 42 million
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Due to the nature of its business and its organisation, the Group has a decentralised structure and operates in 116 countries in three main regions (Asia Pacific, Europe/Africa/Middle East and Americas). We instructed audit teams in 18 countries to perform a full scope audit and audit teams in another 10 countries to perform an audit of specific balances (principally revenue, accounts receivable, work in progress and unbilled revenue). These teams audit the respective account balances as well as classes of transactions and report to us on their audit results in response to the audit instructions we sent to them.

As Group auditor, we ensure the quality of the audit teams' work by means of planning presentations with all teams, conducting a detailed review of their audit plans and final memorandums as well as holding closing calls with teams auditing all significant entities. In addition, procedures performed by us at Group level include analytical procedures on entities not covered by Group reporting requirements to ensure that material risks are identified and addressed. We also assess the appropriateness of Group accounting policies and the accounting for material or unusual transactions that is prepared centrally, and audit the consolidation. The latter includes, in particular, the central consolidation adjustments, the treatment of share-based compensation, tax balances, equity and intercompany eliminations as well as business combination accounting. Finally, we assess the compliance of the consolidated financial statements with IFRS and Swiss law.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Testing the Technical Consultancy USA CGU for impairment

Key audit matter	How our audit addressed the key audit matter
The Group's share of goodwill allocated to the Technical Consultancy USA CGU (cash generating unit) amounts to CHF 82 million as at 31 December 2022. We identified the valuation and recoverability of goodwill and other intangible assets allocated to the Technical Consultancy USA CGU as a key audit matter because despite reaching the final stage of the recovery phase of declining operations, the business has been historically sensitive to the economic conditions. The discounted cash flow model is based on the value- in-use methodology and on a five-year plan. The assessment of the recoverability of the Technical Consultancy USA CGU's goodwill balance is dependent on the estimation of future cash flows. Management's judgement is required to determine the assumptions relating to the future business results, the long-term growth rate after the forecast period and the discount rate applied to the forecasted cash flows. Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and note 14 – Goodwill in the notes to the consolidated financial statements.	We obtained the Group's impairment test for the Technical Consultancy USA CGU and, in particular: • We assessed the appropriateness of the impairment testing methodology; • We reconciled the five-year cash flow projections to the financial forecasts that were approved by management; • We challenged management to substantiate the key assumptions used in the cash flow projections of the Technical Consultancy USA CGU's business during the forecasted period; • We obtained comfort over the appropriateness of cash flow assumptions by analysing and performing substantive detail testing on a sample of the 2022 backlog and on the 2023 opportunity pipeline; • We tested, with the support of PwC's valuation experts, the reasonableness of the long-term growth rate after the forecast period and the discount rate; • We tested the mathematical accuracy of the model; • We assessed the quality of the cash flow projections by comparing the actual results of the CGU to the prior year's budget to identify in retrospect whether any of the assumptions might have been too optimistic; • We assessed the adequacy of the disclosures included in note 14 related to goodwill. On the basis of the procedures performed, we conclude that management's impairment test of the Technical Consultancy USA CGU was acceptable.

Testing the Vehicle Compliance Spain CGU for impairment

Key audit matter	How our audit addressed the key audit matter
The Group's share of goodwill allocated to the Vehicle Compliance Spain CGU (cash generating unit) amounts to CHF 115 million as at 31 December 2022. We identified the valuation and recoverability of goodwill and other intangible assets allocated to the Vehicle Compliance Spain CGU as a key audit matter because technical assumptions used in the determination of the CGUs recoverable amount are highly sensitive to the current economic situation. At the same time, the business is highly dependent on the renewal of concessions in the coming years. The discounted cash flow model is based on the value-in-use methodology and on a five-year plan.	We obtained the Group's impairment test for the Vehicle Spain Compliance CGU and, in particular: • We assessed the appropriateness of the impairment testing methodology; • We reconciled the five-year projections to the financial forecasts that were approved by management; • We challenged management to substantiate the key assumptions used in the cash flow projections of the Vehicle Compliance Spain CGU's business during the forecasted period; • We obtained comfort over the appropriateness of cash flow assumptions by corroborating them with external market data;

Management's judgement is required to determine the assumptions relating to the future business results, the long-term growth rate after the forecast period and the discount rate applied to the forecasted cash flows. Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and note 14 – Goodwill in the notes to the consolidated financial statements.	• We tested, with the support of PwC's valuation experts, the reasonableness of the long-term growth rate after the forecast period and the discount rate; • We tested the mathematical accuracy of the model; • We assessed the quality of the cash flow projections by comparing the actual results of the CGU to the prior year's budget to identify in retrospect whether any of the assumptions might have been too optimistic; • We evaluated the Group's sensitivity analysis of key assumptions to ascertain the effect of changes in those assumptions on the value-in-use; • We assessed the adequacy of the disclosures included in note 14 related to goodwill. On the basis of the procedures performed, we conclude that management's impairment test of the Vehicle Compliance Spain CGU was acceptable.

Unbilled revenue and work in progress (WIP)

Key audit matter	How our audit addressed the key audit matter
The amounts on the balance sheet related to unbilled revenue and work in progress total CHF 210 million. Unbilled revenue is recognised for services completed but not yet invoiced and is measured at the net selling price. WIP is recognised for partially completed performance obligations under a contract. The measure of progress is based on observable output or input methods. A proportion of the expected margin on completion is recognised based on the actual costs incurred in proportion to total expected costs, provided that the project is expected to be profitable once completed. The assessment of the degree of progress and the estimated margin requires judgement by management. Given the significance and relevance of their impact on the consolidated financial statements and because the progress and the expected margin on completion must be estimated at the end of each reporting period, we deemed the measurement of unbilled revenue and work in progress to be a key audit matter. Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and to note 5 – Revenues from contracts with customers in the notes to the consolidated financial statements.	We reviewed SGS's revenue recognition policy and obtained an understanding of how unbilled revenue and WIP are accounted for. Our audit approach consisted of the following procedures, in particular: • We assessed the design and implementation of the key controls relating to the monitoring of unbilled revenue and WIP balances. • We selected samples of unbilled revenue and WIP balances and traced them to underlying contracts and invoices with customers. • We obtained comfort over the degree of progress from discussions with project managers and performed reconciliations to actual numbers recognised in the financial statements in selected cases. • We selected samples of unbilled revenue and WIP balances recorded at the previous period-end and compared them to subsequent invoices and cash received from clients in order to evaluate the reliability of management's estimation process. • We analysed the aging of the open balances and assessed the appropriateness of provisions recognised in accordance with the Group's provision grid. • For entities with significant unbilled or WIP balances not subject to our Group audit, we performed central audit procedures.

	On the basis of the procedures performed, we consider management's estimates and disclosures regarding unbilled revenue and work in progress balances to be reasonable.

Taxation

Key audit matter	How our audit addressed the key audit matter
The Group is subject to taxation in many jurisdictions and management makes judgements about the incidence and magnitude of tax liabilities that are subject to the future outcome of assessments by the relevant tax authorities. Accordingly, the calculation of tax expense and the related liability are subject to inherent uncertainty. To make these judgements, the Group has a structured process whereby management systematically monitors and assesses the existence, development and settlement of tax risks in each of its jurisdictions. The Group's main tax risks are i) that the tax authorities might not accept the transfer prices applied and ii) potential adverse results of ongoing tax audits. In accordance with its methodology, provisions for uncertain tax positions are calculated and included within current tax liabilities (CHF 165 million as at 31 December 2022). Refer to the corresponding accounting policy in note 2 – Significant accounting policies and exchange rates and to note 10 – Taxes in the notes to the consolidated financial statements.	Our audit approach consisted of the following procedures, in particular: • We assessed the existence of tax exposures by means of inquiry with local and Group management. • We discussed management's process to assess the risk of tax liabilities in the different jurisdictions as a result of potential challenges to the tax positions, and tested the measurement and timing of recognition of the provision when applicable. • With the support of PwC's internal tax experts, we examined the documentation outlining the matters in dispute or at risk and the benchmarks relied upon for transfer pricing, and used our knowledge of the tax laws and other similar taxation matters to assess the available evidence, management's judgmental processes and the provisions. On the basis of the procedures performed, we conclude that management's tax estimates were reasonable.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet | Louise Rolland

Audit expert
Auditor in charge

Geneva, 22 February 2023

2. SGS SA

2.1. Income Statement

For the years ended 31 December

(CHF million)	Notes	**2022**	2021
Operating income			
Dividends from subsidiaries		696	734
Total operating income		**696**	**734**
Operating expenses			
Other operating expenses		(4)	(6)
Total operating expenses		**(4)**	**(6)**
Operating result		**692**	**728**
Financial income	6	48	46
Exchange gain, net		30	1
Financial expenses	6	(51)	(41)
Liquidation of subsidiaries, net		–	(1)
Financial result		**27**	**5**
Extraordinary losses	7	(67)	(8)
Profit before taxes		**652**	**725**
Taxes		3	(1)
Withholding taxes		(6)	(10)
Profit for the year		**649**	**714**

2.2. Statement of Financial Position at 31 December

(Before appropriation of available retained earnings)

(CHF million)	Notes	2022	2021
Assets			
Current assets			
Cash and cash equivalents		424	324
Derivative assets		12	2
Other financial assets		–	7
Amounts due from subsidiaries		434	691
Other receivables and prepayments		4	2
Total current assets		**874**	**1 026**
Non-current assets			
Loans to subsidiaries		1 666	1 279
Other financial assets		5	–
Other assets		2	3
Investments in subsidiaries	2	2 008	1 981
Total non-current assets		**3 681**	**3 263**
Total assets		**4 555**	**4 289**
Shareholder's equity and liabilities			
Current liabilities			
Bank overdraft		9	9
Derivative liabilities		9	6
Trade and other payables		10	–
Amounts due to subsidiaries		590	209
Corporate bonds	3	500	250
Deferred income and accrued expenses		12	38
Provisions		–	1
Total current liabilities		**1 130**	**513**
Non-current liabilities			
Other financial liabilities		–	2
Amounts due to subsidiaries		623	772
Corporate bonds	3	2 075	2 075
Total non-current liabilities		**2 698**	**2 849**
Shareholder's equity			
Share capital	4 to 5	7	7
Legal reserve	4 to 5	34	34
Retained earnings	4 to 5	907	878
Treasury shares for share buyback	4 to 5	(250)	–
Reserve for treasury shares held by a subsidiary	4 to 5	29	8
Total shareholder's equity		**727**	**927**
Total shareholder's equity and liabilities		**4 555**	**4 289**

2.3. Notes

SGS SA ('the Company') is the ultimate parent company of the SGS Group which owns and finances, either directly or indirectly, its subsidiaries and joint ventures throughout the world. The head office is located in Geneva, Switzerland.

The average number of employees is less than 10 people for this company (2021: less than 10).

1. Significant accounting policies

The financial statements are prepared in accordance with the accounting principles required by the provisions of commercial accounting as set out in the Swiss Code of Obligations.

Investments in subsidiaries

Investments in subsidiaries are valued individually at acquisition cost less an adjustment for impairment where appropriate.

Foreign currencies

Balance sheet items denominated in foreign currencies are converted into Swiss francs at year end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate.

Foreign currency transactions are translated using the actual exchange rates prevailing during the year. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Derivatives

SGS SA uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are accounted for on a mark-to-market basis.

Derivative financial instruments are initially recognized at fair value and subsequently remeasured at fair value at each balance sheet date. The gains and losses resulting from the fair value remeasurement are recognized in the income statement. The fair value of forward exchange contracts is determined with reference to market prices at the balance sheet date.

Dividends from subsidiaries

Dividends are treated as an appropriation of profit in the year in which they are ratified at the Annual General Meeting and subsequently paid, rather than as an appropriation of profit in the year to which they relate or for which they are proposed by the Board of Directors.

As a result, dividends are recognized in income in the year in which they are received, on a cash basis. Dividends are recorded in the currency defined for each affiliate and converted at spot rate in the income statement.

Bonds

Bonds are recorded at nominal value.

2. Subsidiaries

The list of principal Group subsidiaries appears in the annual report on pages 187 to 189.

In 2020, SGS SA acquired 80% of the capital of Ryobi Geotechnique Pte Ltd in Singapore. The share purchase agreement includes an option to acquire the remaining 20% of Ryobi Geotechnique Pte Ltd in 2025.

3. Corporate bonds

SGS SA made the following bond issuances:

Date of issue	Face value in CHF million	Coupon in %	Year of maturity	Issue price in %	Redemption price in %
8 May 2015	325	0.250	2023	100.079	100.000
6 May 2020	175	0.450	2023	100.117	100.000
Short-term bonds	**500**				
27 February 2014	250	1.750	2024	101.019	100.000
8 May 2015	225	0.875	2030	100.245	100.000
3 March 2017	375	0.550	2026	100.153	100.000
29 October 2018	225	0.750	2025	100.068	100.000
29 October 2018	175	1.250	2028	101.157	100.000
6 May 2020	325	0.950	2026	100.182	100.000
5 September 2022	150	1.250	2025	100.000	100.000
5 September 2022	350	1.700	2029	100.197	100.000
Long-term bonds	**2 075**				

As at 31 December 2022, two bonds in the above table are classified as short-term liabilities as the due date is less than a year.

On 5 September 2022, SGS SA issued two bonds, one CHF 150 million with a 1.250% coupon and one CHF 350 million with a 1.700% coupon.

The Company has listed all bonds on the SIX Swiss Exchange.

4. Total equity

(CHF million)	Share capital	Legal reserve	Reserve for treasury shares held by a subsidiary	Treasury shares for share buyback	Retained earnings	Total
Balance at 1 January 2021	**8**	**34**	**62**	**(169)**	**878**	**813**
Dividends paid	–	–	–	–	(599)	(599)
Decrease in the reserve for own shares	–	–	(54)	–	54	–
Cancellation of treasury shares	–	–	–	169	(169)	–
Treasury shares cancelled	(1)	–	–	–	–	(1)
Profit for the year	–	–	–	–	714	714
Balance at 31 December 2021	**7**	**34**	**8**	**–**	**878**	**927**
Dividends paid	–	–	–	–	(599)	(599)
Increase in the reserve for own shares	–	–	21	–	(21)	–
Share buyback program	–	–	–	(250)	–	(250)
Profit for the year	–	–	–	–	649	649
Balance at 31 December 2022	**7**	**34**	**29**	**(250)**	**907**	**727**

5. Share capital

	Shares In circulation	Treasury shares	Total shares issued	Total share capital CHF (million)
Balance at 1 January 2021	**7 469 238**	**96 494**	**7 565 732**	**8**
Treasury shares released into circulation	22 434	(22 434)	–	–
Capital reduction by cancellation of treasury shares	–	(70 700)	(70 700)	(1)
Balance at 31 December 2021	**7 491 672**	**3 360**	**7 495 032**	**7**
Treasury shares released into circulation	3 381	(3 381)	–	–
Treasury shares purchased for equity compensation plans	(12 500)	12 500	–	–
Treasury shares purchased for cancellation	(113 499)	113 499	–	–
Balance at 31 December 2022	**7 369 054**	**125 978**	**7 495 032**	**7**

Issued share capital

SGS SA has a share capital of CHF 7 495 032 (2021: CHF 7 495 032) fully paid-in and divided into 7 495 032 (2021: 7 495 032) registered shares of a par value of CHF 1. All shares, other than treasury shares, participate equally in the dividends declared by the Company and have equal voting rights.

Treasury shares

On 31 December 2022, SGS SA held 125 978 treasury shares, thereof 113 499 directly and 12 479 through an affiliate company.

On 21 June 2022, SGS SA announced a CHF 250 million share buyback program for the purpose of capital reduction. The program ended on 21 December 2022 and 113 499 shares were repurchased for a total amount of CHF 250 million at an average purchase price of CHF 2 203 per share.

Further, in 2022 12 500 shares have been repurchased through an affiliate company for covering future equity compensation plans, whilst 3 381 shares were released into circulation.

On 31 December 2021, SGS SA held 3 360 treasury shares through an affiliate company.

In 2021, no shares have been repurchased whilst 22 434 shares were released into circulation following vesting of equity compensation plans. In 2021, SGS SA proceeded to the cancellation of 70 700 treasury shares directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

6. Financial income and financial expenses

(CHF million)	**2022**	2021
Financial income		
Interest income third party	1	–
Interest income Group	47	46
Financial income	**48**	**46**
Financial expenses		
Interest expenses third party	(21)	(24)
Interest expenses Group	(14)	(8)
Other financial expenses	(16)	(9)
Financial expenses	**(51)**	**(41)**

7. Extraordinary losses

The extraordinary loss is composed of impairment respectively on investments in subsidiaries of CHF 52 million and on loan to subsidiaries of CHF 15 million (2021: CHF 8 million).

8. Guarantees and comfort letters

(CHF million)	**2022 issued**	**2022 utilized**	2021 issued	2021 utilized
Guarantees	2 511	1 563	2 759	1 117
Performance bonds	55	55	71	53
Total	**2 566**	**1 618**	**2 830**	**1 170**

The Company has unconditionally guaranteed or provided comfort to financial institutions providing credit facilities (loans and guarantee bonds) to its subsidiaries. In addition, it has issued performance bonds to commercial customers on behalf of its subsidiaries.

The Company is part of a VAT Group comprising itself and other Group companies in Switzerland.

9. Remuneration

9.1. Remuneration policy and principles

This section appears in the SGS Remuneration report paragraph 2 in the annual report on pages 105 to 107.

9.2. Remuneration model

This section appears in the SGS Remuneration report paragraph 3 in the annual report on pages 107 to 115.

9.3. Remuneration awarded to the Board of Directors

This section appears in the SGS Remuneration report paragraph 4 in the annual report on pages 115 to 117.

9.4. Remuneration awarded to the Operations Council members

This section appears in the SGS Remuneration report paragraph 5 in the annual report on pages 117 to 122.

10. Shares and options held by members of governing bodies

10.1. Shares and options held by Members of the Board of Directors

The following table shows the shares held by Members of the Board of Directors as at 31 December 2022:

Name	Shares
C. Grieder	485
S.R. du Pasquier	66
P. Desmarais	56
P. Cheung	19
K. Sorenson	104
I. Gallienne	20
S. Atiya	111
T. Hartmann	19
J. Vergis	19

The following table shows the shares held by Members of the Board of Directors as at 31 December 2021:

Name	Shares
C. Grieder	90
S.R. du Pasquier	28
P. Desmarais	37
K. Sorenson	36
I. Gallienne	1
S. Atiya	92
T. Hartmann	–
J. Vergis	–

10.2. Shares and options held by senior management

The following table shows the shares and restricted shares held by senior management as at 31 December 2022:

Name	Corporate responsibility	Restricted shares	Shares
F. NG	Chief Executive Officer	648	3 556
D. de Daniel	Chief Financial Officer	406	1 165
O. Merkt	General Counsel and Chief Compliance Officer	144	287

The following table shows the shares and restricted shares held by senior management as at 31 December 2021:

Name	Corporate responsibility	Restricted shares	Shares
F. NG	Chief Executive Officer	528	3 385
D. de Daniel	Chief Financial Officer	238	1 165
O. Merkt	General Counsel and Chief Compliance Officer	124	250

Details of the various plans are explained in the SGS Remuneration Report.

11. Significant shareholders

To the knowledge of the Company the shareholders owning more than 5% of its share capital as at 31 December 2022, or at the date of their last notification as per Article 20 of the Swiss Stock Exchange Act (SESTA) were Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) with 19.11% (December 2021: 19.11%) and BlackRock Inc. with 5.18% (December 2021: below 5%) of the share capital and voting rights of the company.

As at 31 December 2022, the SGS Group held 1.68% of the share capital of the Company (2021: 0.04%).

Proposal of the Board of Directors for the appropriation of available retained earnings

(CHF)	**2022**	2021
Profit for the year	649 821 069	714 760 947
Balance brought forward from previous year	278 541 020	110 997 119
Dividend paid on treasury shares released into circulation in 2021 prior the Annual General Meeting in March 2021	–	(1 688 800)
Dividend paid on treasury shares released into circulation in 2022 prior the Annual General Meeting in March 2022	(85 841)	–
Capital reduction by cancellation of shares	–	70 700
Share buyback program	(250 000 741)	–
(Transfer to)/Reversal from the reserve for treasury shares	(20 841 198)	53 734 814
Total retained earnings available for appropriation	**657 434 309**	**877 874 780**
Proposal of the Board of Directors:		
Dividends[1]	(589 524 320)	(599 333 760)
Balance carried forward	**67 909 989**	**278 541 020**
Ordinary gross dividend per registered share	80.00	80.00

1. No dividend is paid on own shares held directly or indirectly by SGS SA.

Approval of financial statements and subsequent events

The Board of Directors is responsible for the preparation and presentation of the financial statements. These financial statements were authorized for issue by the Board of Directors on 22 February, 2023 and will be submitted for approval by the Annual General Meeting to be held on 28 March 2023.

Report of the statutory auditor

to the General Meeting of SGS SA

Geneva

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SGS SA (the Company), which comprise the income statement for the year ended 31 December 2022, and the statement of financial position as at 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, presented on pages 173 to 178, comply with Swiss law and the company's articles of incorporation.

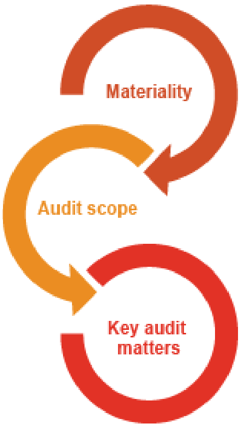
Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality: CHF 42 million

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

As key audit matter the following area of focus has been identified:

Valuation of investments in subsidiaries

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 42 million
Benchmark applied	Total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark, because, in our view, it is the benchmark against which the performance of the Company, which has limited operating activities and which mainly holds investments in subsidiaries and intra-group loans, is most commonly measured, and it is a generally accepted benchmark for holding companies.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in subsidiaries

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2022, SGS SA's investments in subsidiaries amount to CHF 2,008 million. Given the significance of this amount in the financial statements and because of the judgement used by management in determining its value, we consider the valuation of investments in subsidiaries a key audit matter. The Company measures individually the investment in each subsidiary. The Company conducts an annual risk assessment based on several impairment indicators to identify investments with an impairment risk. For those investments in subsidiaries with a higher identified risk of impairment, the recoverable amount is determined based on a five-year discounted cashflow forecast. The main judgements applied by management relate to revenue and margin growth throughout the period of the five-year plan, the long-term growth rate beyond the detailed forecast period and the discount rate.	We obtained the Company's work on the valuation of investments in subsidiaries, and we performed the following procedures: • We obtained an understanding of management's process and controls relating to the valuation of investments in subsidiaries. • We tested the mathematical accuracy of the calculations and reconciled the balances to the financial statements. • We challenged the appropriateness of management's process to identify impairment indicators by comparing the triggers used to common indicators such as historical profitability and capacity to pay dividends. • We also performed testing by calculating revenue and operating profit multipliers based on the market capitalisation of the Group and comparing those to the respective multiples of the individual investments in subsidiaries.

An impairment is recognised if the recoverable amount of an individual investment is lower than the associated carrying value. The results of management's impairment testing indicated that some investments in subsidiaries were impaired. As a result, management recognised an impairment in the amount of CHF 52 million. Refer to note 1 - Accounting policies	For those investments in subsidiaries with a higher identified risk of impairment, we critically assessed the reasonableness of the underlying key assumptions and judgements applied by performing the following procedures in particular: • We assessed the quality of the five-year cashflow forecast projections by comparing forecasted revenue and margin growth to historical and market trends as well as by holding discussions with group management to assess their intention and ability to execute the strategic initiatives. • We evaluated, with the support of PwC's valuation specialists, the reasonableness of the discount rate and long-term growth rate applied to those future cash flows. We consider management's approach as an acceptable and reasonable basis for the valuation of the investments in subsidiaries.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the consolidated financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA

Guillaume Nayet	Mario Berckmoes
Audit expert Auditor in charge	Audit expert

Geneva, 22 February 2023

3. Historical data

3.1. SGS Group – Five-Year Statistical Data Consolidated Income Statements

For the years ended 31 December

(CHF million)	2022	2021	2020	2019	2018
Revenue	**6 642**	**6 405**	**5 604**	**6 600**	**6 706**
Salaries and wages	(3 331)	(3 180)	(2 797)	(3 357)	(3 422)
Subcontractors' expenses	(399)	(385)	(352)	(386)	(387)
Depreciation, amortization and impairment	(521)	(499)	(517)	(548)	(317)
Gain on business disposal	–	–	63	268	–
Other operating expenses	(1 493)	(1 364)	(1 206)	(1 495)	(1 634)
Operating income (EBIT)	**898**	**977**	**795**	**1 082**	**946**
Financial income	20	16	12	18	20
Financial expenses	(71)	(69)	(66)	(79)	(58)
Share of profit of associates and joint ventures	2	–	1	(4)	–
Profit before taxes	**849**	**924**	**742**	**1 017**	**908**
Taxes	(219)	(269)	(237)	(315)	(218)
Profit for the year	**630**	**655**	**505**	**702**	**690**
Profit attributable to:					
Equity holders of SGS SA	588	613	480	660	643
Non-controlling interests	42	42	25	42	47
Operating income margins in %	**13.5**	**15.3**	**14.2**	**16.4**	**14.1**
Average number of employees	**96 759**	**93 297**	**89 098**	**94 494**	**96 492**

3.2. SGS Group – Five-Year Statistical Data Consolidated Statements of Financial Position

At 31 December

(CHF million)	**2022**	2021	2020	2019	2018
Property, plant and equipment	907	925	872	926	969
Right-of-use assets	577	605	590	611	–
Goodwill	1 755	1 778	1 651	1 281	1 224
Other intangible assets	350	382	333	187	202
Investments in joint-ventures, associates and other	20	26	34	35	36
Deferred tax assets	153	164	161	174	203
Other non current-assets	125	173	154	149	133
Total non-current assets	**3 887**	**4 053**	**3 795**	**3 363**	**2 767**
Inventories	59	59	57	45	46
Unbilled revenues and work in progress	210	175	160	195	226
Trade receivables	988	928	856	953	969
Other receivables and prepayments	223	204	188	219	214
Current tax assets	132	108	77	77	94
Marketable securities	–	–	9	9	9
Cash and cash equivalents	1 623	1 480	1 766	1 466	1 743
Total current assets	**3 235**	**2 954**	**3 113**	**2 964**	**3 301**
Total assets	**7 122**	**7 007**	**6 908**	**6 327**	**6 068**

Share capital	7	7	8	8	8
Reserves	954	1 118	1 282	1 536	1 851
Treasury shares	(279)	(8)	(230)	(30)	(191)
Equity attributable to equity holders of SGS SA	**682**	**1 117**	**1 060**	**1 514**	**1 668**
Non-controlling interests	81	85	74	81	75
Total equity	**763**	**1 202**	**1 134**	**1 595**	**1 743**
Loans and other financial liabilities	2 833	2 889	2 390	2 199	2 110
Lease liabilities	442	481	470	490	2
Deferred tax liabilities	79	92	53	23	30
Defined benefit obligations	47	84	136	151	119
Provisions	96	90	88	91	89
Total non-current liabilities	**3 497**	**3 636**	**3 137**	**2 954**	**2 350**
Trade and other payables	671	687	658	638	685
Contract liabilities	228	221	189	155	112
Current tax liabilities	165	169	140	145	127
Loans and other financial liabilities	1 009	282	863	38	412
Lease liabilities	162	155	151	154	–
Provisions	58	60	85	74	21
Other creditors and accruals	569	595	551	574	618
Total current liabilities	**2 862**	**2 169**	**2 637**	**1 778**	**1 975**
Total liabilities	**6 359**	**5 805**	**5 774**	**4 732**	**4 325**
Total equity and liabilities	**7 122**	**7 007**	**6 908**	**6 327**	**6 068**

3.3. SGS Group – Five-Year Statistical Share Data

(CHF unless indicated Otherwise)	**2022**	2021	2020	2019	2018
Share information					
Registered shares					
Number of shares issued	7 495 032	7 495 032	7 565 732	7 565 732	7 633 732
Number of shares with dividend rights	7 369 054	7 491 672	7 469 238	7 552 390	7 550 707
Price					
High	3 076	3 059	2 843	2 689	2 683
Low	2 002	2 595	1 974	2 213	2 170
Year-end	2 150	3 047	2 670	2 651	2 210
Par value	1	1	1	1	1
Key figures by shares					
Equity attributable to equity holders of SGS SA per share in circulation at 31 December	92.56	149.20	141.91	200.37	220.86
Basic earnings per share[1]	78.86	81.91	64.05	87.45	84.54
Dividend per share ordinary	80.00	80.00	80.00	80.00	78.00
Total dividend per share	80.00	80.00	80.00	80.00	78.00
Dividends (CHF million)					
Ordinary[2]	590	599	598	604	589
Total	**590**	**599**	**598**	**604**	**589**

1. Calculation of the basic earnings per share (weighted average for the year) is disclosed in note 10 of SGS Group Results.
2. As proposed by the Board of Directors.

3.4. SGS Group Share Information

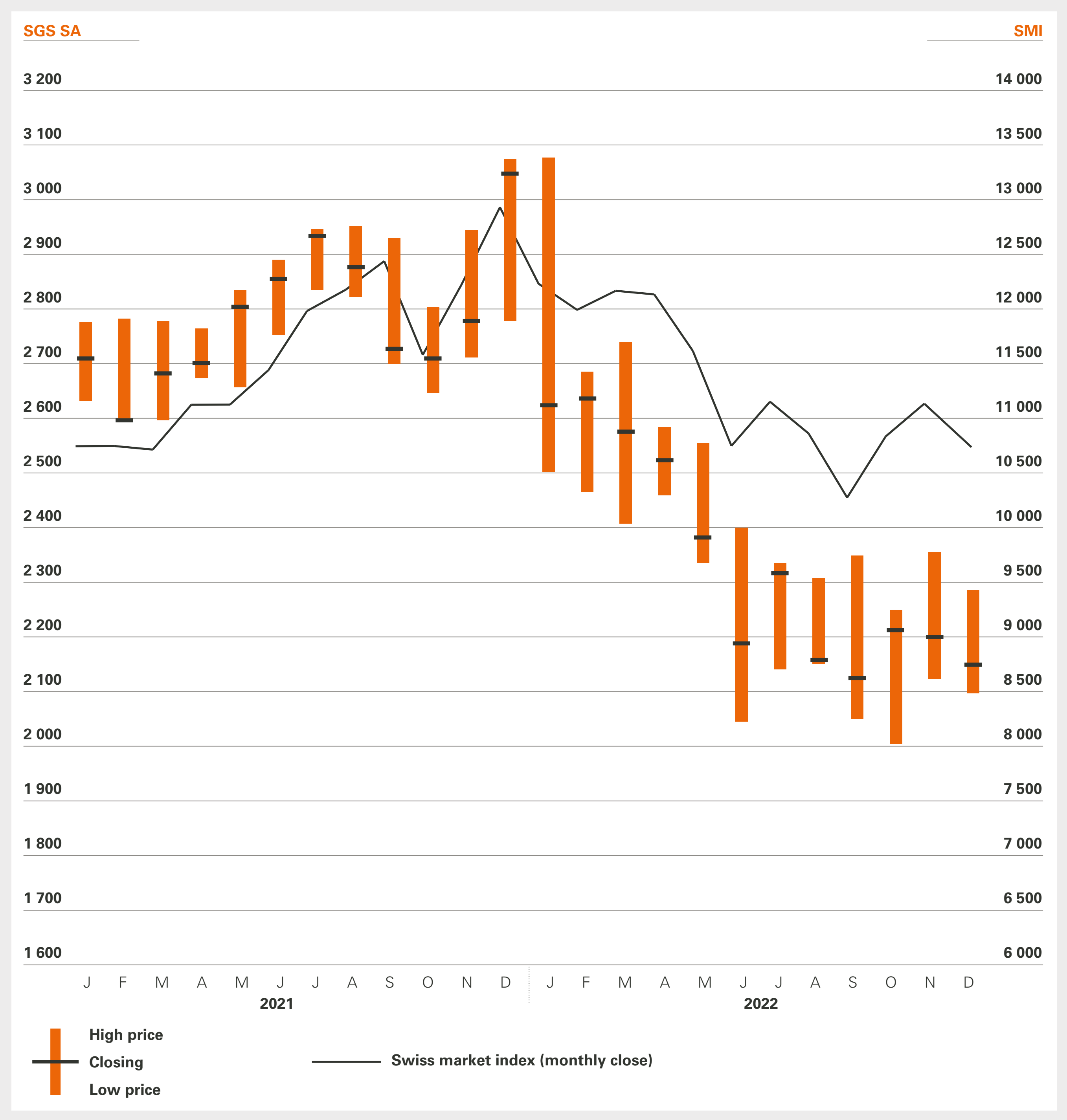
Share transfer

SGS SA has no restrictions as to share ownership, except that registered shares acquired in a fiduciary capacity by third parties may not be registered in the shareholders' register, unless a special authorization has been granted by the Board of Directors.

Market capitalization

At the end of 2022 market capitalization was approximately CHF 16 114 million (2021:CHF 22 837 million). Shares are quoted on the SIX Swiss Exchange.

3.5. Closing prices for SGS & the Swiss market index (SMI) 2021-2022



4. Material operating companies and ultimate parent

The disclosure of legal entities is limited to entities whose contribution to the Group revenues in 2022 represent at least 1% of the consolidated revenues, but includes, in addition, the main operating legal entity in every country where the Group has permanent operations, even when such legal entities represent less than 1% of the Group consolidated revenues. This definition of materiality excludes dormant companies, pure sub-holding companies or entities used solely for the detention of assets.

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Albania	SGS Albania, Tirana	ALL	15 100 000	100	D
Algeria	SGS Qualitest Algérie SpA, Alger	DZD	50 000 000	100	D
Angola	SGS Serviços Angola SA, Luanda	USD	30 000	49	I
Argentina	SGS Argentina SA, Buenos Aires	ARS	230 603 536	100	D
Australia	SGS Australia Pty. Ltd., Bentley	AUD	200 000	100	I
Austria	SGS Austria Controll-Co. Ges.m.b.H., Vienna	EUR	185 000	100	D
Azerbaijan	Société Générale de Surveillance Azeri Ltd., Baku	USD	100 000	100	D
Bangladesh	SGS Bangladesh Limited, Dhaka	BDT	10 000 000	100	D
Belarus	SGS Minsk Ltd., Minsk	USD	20 000	100	D
Belgium	SGS Belgium N.V., Antwerpen	EUR	35 995 380	100	D
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS Do Brasil LTDA	BRL	648 683 068	100	D
Bulgaria	SGS Bulgaria Ltd., Sofia	BGN	5 010 000	100	D
Burkina Faso	SGS Burkina SA, Ouagadougou	XOF	601 080 000	100	D
Cambodia	SGS (Cambodia) Ltd., Phnom Penh	KHR	4 000 000 000	100	D
Cameroon	SGS Cameroun SA, Douala	XAF	10 000 000	98.9	D
Canada	SGS Canada Inc., Mississauga	CAD	20 900 000	100	D
Central African Republic	SGS Centrafrique SA, Bangui	XAF	10 000 000	100	D
Chile	SGS Minerals S.A., Santiago de Chile	CLP	29 725 583 703	100	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Beijing	USD	3 966 667	85	I
China	SGS-CSTC Standards Technical Services (Shanghai) Co., Ltd., Shanghaï	CNY	180 000 000	85	I
Colombia	SGS Colombia SAS, Bogota	COP	135 546 166 036	100	D
Congo	SGS Congo SA, Pointe-Noire	XAF	1 510 000 000	100	D
Croatia	SGS Adriatica d.o.o., Zagreb	HRK	1 300 000	100	I
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 707 000	100	I
Denmark	SGS Analytics Denmark A/S, Nørresundby	DKK	506 000	100	I
Democratic Republic of Congo	SGS Minerals RDC SARL, Lubumbashi	CDF	46 144 617	49	D
Ecuador	Consorcio SGS – Revisiones Técnicas	USD	25 000	100	I
Egypt	SGS Egypt Ltd., Cairo	EGP	1 500 000	100	D
Estonia	SGS Estonia Ltd., Tallinn	EUR	42 174	100	I
Ethiopia	SGS Ethiopia Private Limited	ETB	15 000	100	D
Finland	SGS Fimko Oy, Helsingfors	EUR	260 000	100	I
France	SGS France SAS, Arcueil	EUR	3 172 613	100	I
Georgia	SGS Georgia Ltd., Batumi	USD	80 000	100	D
Germany	SGS Germany GmbH, Hamburg	EUR	1 210 000	100	I
Germany	SGS Institut Fresenius GmbH, Taunusstein	EUR	7 490 000	100	I
Ghana	SGS Laboratory Services Ghana Limited, Accra	GHS	13 501 602	100	D
Great Britain	SGS United Kingdom Limited, Ellesmere Port	GBP	8 000 000	100	I
Greece	SGS Greece SA, Peristeri	EUR	301 731	100	D
Guam	SGS Guam Inc., Guam	USD	25 000	100	D
Guatemala	SGS Central America SA, Guatemala-City	GTQ	14 568 000	100	D
Guinea-Conakry	SGS Mineral Services (Guinée) Sàrl Unipersonnelle	GNF	50 00 000	100	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Hong Kong	SGS Hong Kong Limited, Hong Kong	HKD	200 000	100	D
Hungary	SGS Hungária Kft., Budapest	HUF	518 000 000	100	I
India	SGS India Private Ltd., Mumbai	INR	960 000	100	D
Indonesia	P.T. SGS Indonesia, Jakarta	USD	872 936	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	99.99	D
Ireland	SGS Ireland Limited	EUR	5 000	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	D
Ivory Coast	Société Ivoirienne de Contrôles Techniques Automobiles et Industriels SA, Abidjan	XOF	200 000 000	95	D
Japan	SGS Japan Inc., Yokohama	JPY	100 000 000	100	D
Jordan	SGS (Jordan) Private Shareholding Company, Amman	JOD	100 000	50	D
Kazakhstan	SGS Kazakhstan Limited, Almaty	KZT	228 146 527	100	D
Kenya	SGS Kenya Limited, Mombasa	KES	3 000 000	100	D
Korea (Republic of)	SGS Korea Co., Ltd., Seoul	KRW	15 617 540 000	100	D
Kuwait	SGS Kuwait W.L.L	KWD	50 000	49	D
Kyrgyzstan	SGS Bishkek LLC, Bishkek	KGS	3 463 000	100	D
Lao (People's Democratic Republic)	SGS (Lao) Sole Co., Ltd., Vientiane	LAK	2 444 700 000	100	D
Latvia	SGS Latvija Limited, Riga	EUR	118 382	100	I
Lebanon	SGS (Liban) S.A.L., Beirut	LBP	30 000 000	99.97	D
Liberia	SGS Liberia Inc, Monrovia	LRD	100	100	D
Lithuania	SGS Klaipeda Ltd., Klaipeda	EUR	711 576	100	I
Luxembourg	SGS Luxembourg, Windhof	EUR	38 000	100	I
Madagascar	Malagasy Community Network Services SA, Antananarivo	MGA	10 000 000	70	D
Malaysia	Petrotechnical Inspection (Malaysia) Sdn. Bhd., Kuala Lumpur	MYR	750 000	100	D
Mali	SGS Mali Sàrlu, Kayes	XOF	300 000 000	100	D
Mauritius	SGS (Mauritius) LTD, Phoenix	MUR	100 000	100	D
Mexico	SGS de Mexico, SA de C.V., Mexico	MXN	281 068 828	100	D
Moldova	SGS (Moldova) SA, Chisinau	MDL	488 050	100	D
Mongolia	SGS-IMME Mongolia LLC, Ulaanbaatar	MNT	1 787 846 388	55	I
Morocco	SGS Maroc SA, Casablanca	MAD	17 982 000	100	D
Mozambique	SGS MCNET Moçambique Limitada, Maputo	MZN	343 716 458	100	I
Myanmar	SGS (Myanmar) Limited, Yangon	MMK	300 000	100	D
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	12 022 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	49	D
Norway	SGS Analytics Norway AS, Hamar	NOK	1 250 000	100	I
Oman	SGS Inspection and Testing Services SPC	OMR	800 000	100	D
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	SGS Panama Control Services Inc., Panama	USD	7 899 339	100	D
Papua-New-Guinea	SGS PNG Pty. Limited, Port Moresby	PGK	2	100	I
Paraguay	SGS Paraguay SA, Asunción	PYG	1 962 000 000	100	D
Peru	SGS del Perú S.A.C., Lima	PEN	43 813 182	100	D
Philippines	SGS Philippines, Inc., Manila	PHP	24 620 000	100	D
Poland	SGS Polska Sp.z o.o., Warsaw	PLN	27 167 800	100	D
Portugal	SGS Portugal – Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Qatar	SGS Qatar WLL, Doha	QAR	200 000	49	D

Country	Name and domicile	Issued capital currency	Issued capital amount	% held by Group	Direct/ indirect
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	AO SGS Vostok Limited, Moscow	RUB	18 000 000	100	D
Saudi Arabia	SGS Inspection Services Saudi Arabia Ltd., Jeddah	SAR	1 000 000	75	D
Senegal	SGS Sénégal SA, Dakar	XAF	35 000 000	100	D
Serbia	SGS Beograd d.o.o., Beograd	EUR	66 161	100	I
Sierra Leone	SGS (SL) Ltd., Freetown	SLL	200 000 000	100	D
Singapore	SGS Testing and Control Services Singapore Pte Ltd., Singapore	SGD	15 100 000	100	D
Slovakia	SGS Slovakia spol.s.r.o., Kosice	EUR	19 917	100	I
Slovenia	SGS Slovenija d.o.o. – Podjetje za kontrol blaga, Ljubljana	EUR	10 432	100	I
South Africa	SGS South Africa (Proprietary) Limited, Johannesburg	ZAR	452 000 500	100	I
Spain	SGS Tecnos, SA, Sociedad Unipersonal, Madrid	EUR	92 072 034	100	I
Sri Lanka	SGS Lanka (Private) Limited, Colombo	LKR	9 000 000	100	D
Sweden	SGS Analytics Sweden AB, Linköping	SEK	1 018 250	100	I
Switzerland	SGS Société de Surveillance SA, Geneva	CHF	100 000	100	D
Switzerland	SGS SA, Geneva	CHF	7 495 032		Ultimate parent company
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	African Assay Laboratories (Tanzania) Ltd, Dar Es Salaam	TZS	2 000	100	I
Thailand	SGS (Thailand) Limited, Bangkok	THB	20 000 000	99.99	D
Togo	SGS Togo SA, Lomé	XOF	10 000 000	100	D
Trinidad and Tobago	SGS Trinidad Ltd, San Fernando	USD	1 000	100	D
Tunisia	SGS Tunisie SA, Tunis	TND	50 000	50	D
Turkey	SGS Supervise Gözetme Etud Kontrol Servisleri Anonim Sirketi, Istanbul	TRY	6 550 000	100	I
Turkmenistan	SGS Turkmen Ltd., Ashgabat	USD	50 000	100	D
Uganda	SGS Uganda Limited, Kampala	UGX	5 000 000	100	D
Ukraine	SGS Ukraine, Foreign Enterprise, Odessa	USD	400 000	100	D
United Arab Emirates	SGS Gulf Limited Dubai Airport Free Zone Branch	–	–	–	–
United States	SGS North America Inc., Wilmington	USD	73 701 996	100	I
Uruguay	SGS Uruguay Limitada, Montevideo	UYU	1 500	100	D
Uzbekistan	SGS Tashkent Ltd., Tashkent	USD	50 000	100	D
Vietnam	SGS Vietnam Ltd., Ho Chi Minh City	USD	288 000	100	D
Zambia	SGS Inspections Services Ltd., Lusaka	ZMK	16 944 000	100	I

We are reporting with transparency.

5

Our approach to sustainability reporting

At SGS, we are 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 and balanced, and meets the needs of stakeholders.

Scope and boundaries

The scope of the sustainability information contained in this integrated annual report covers all regions and divisions of the SGS Group for the 2022 calendar year. A list of SGS affiliates can be found on pages 187 to 189 of this report. Unless stated otherwise, our reported data scope covers the Group business and targets for the period 1 January to 31 December 2022.

We have identified and prioritized the most material impacts on our business and on stakeholders across our value chain. This integrated annual report includes performance data for our direct operations, as well as information on how we manage the most material issues.

For more information on how we define our material issues, please see page 42 of this report

We report key performance indicators (KPIs) from all of our facilities, subsidiaries, and other business units, as determined by our reporting boundaries.

Under the control approach, we endeavor to account for 100% of the KPIs from operations over which we have control. We do not account for KPIs from operations in which we own an interest but not a control. Control is defined in financial terms.

For joint ventures, we will use an equity accounting basis. Where we do not have accurate information for a given KPI we will exclude it from our accounting and reporting. We will indicate this exclusion in the report. As an example, we currently do not account for district heating and refrigerants in our total carbon dioxide (CO_2) emissions.

We disclose our past and present performance over a five-year period in this report. Sometimes historical data may differ from that included in 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. However, significant changes to prior year data are disclosed where they first appear in the report.

Data collection process

Robust data gathering is important to set targets and monitor performance. More than 60% of our data is collected locally through centralized software (SOLARIS), then reviewed and consolidated in a centralized manner. The remaining data are gathered directly from global functions like the Global Legal & Compliance, Global Procurement and Global Corporate Communications departments.

All sustainability data collected through SOLARIS is gathered on a half-year basis. Remaining data is collected annually at the full year.

External standards

We have published sustainability reports at SGS for more than ten years, and since 2015, we have integrated sustainability content into our integrated annual report. We support the principle of integrated reporting, and continue to move towards a fully integrated reporting structure in line with the Integrated Reporting Framework. In 2019, we aligned further to the Framework by using the six capitals it defines as the structure of our integrated annual report.

Since 2013, our non-financial information has been developed using the guidelines for the AA1000 Accountability Principles Standard and the Global Reporting Initiative's Standards. We also align our reporting with the Sustainability Accounting Standard for the Professional & Commercial Services Industry (SASB). Our reporting approach is explained further in our Sustainability Basis of Reporting.

Where GRI or SASB standards do not provide a methodology for a sustainability performance indicator, or their methodology is not appropriate, we apply the methodology provided in our Basis of reporting.

For carbon emissions-related indicators, we follow the Greenhouse Gas Protocol (GHG Protocol) Corporate Standard (financial control approach).

The London Benchmarking Group is used as a guide to define indicators related to community investment.

Assurance and basis of preparation

Each year, around 10% of our affiliates are selected to be audited on all data reported and procedures in place to collect and consolidate data. Each audit is carried out by a qualified Sustainability Report Assurance (SRA) auditor.

External assurance of the sustainability performance indicators and the non-financial performance indicators is an important part of our approach, and our sustainability reporting has been independently assured since 2011.

In 2021, we appointed PricewaterhouseCoopers SA (PwC) to provide independent assurance of our sustainability performance. PwC's Assurance Report describes the work undertaken and their conclusion for the reporting period to 31 December 2022. Documents relating to independent external assurance in the years prior to 2022 are available in our Reporting Hub section on our website: www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/reporting-hub.

Please see 2022 independent assurance report on pages 213 and 214 of this integrated annual report

Databank

Compliance and integrity

Integrity is one of our six business principles. Our code of integrity acts as a blueprint for our employees, affiliated companies, contractors, subcontractors, joint venture partners and agents.

Any employee or third party can report violations through our Integrity Helpline. All the reports received are considered and evaluated. Based on the data received we assess whether an investigation is needed or whether more information is needed. Reported issues might be discarded only if the information provided was not sufficient or if the issue reported is not in the scope of the code of integrity.

	2022	2021	2020
Total number of integrity issues reported through integrity helplines[1]	**374**	262	208
Total number of substantiated breaches of the code of integrity received through integrity helplines[1]	**73**	35	17
Broken down by type of breach:			
Integrity of services	**23**	6	3
Integrity of financial records	**3**	4	1
Conflict of interest	**12**	–	2
Employee relations	**10**	9	9
Fair competition	**–**	–	–
Compliance with laws	**7**	2	1
Gifts and entertainment	**–**	–	–
Confidentiality	**2**	1	–
Use of company assets and resources	**2**	6	–
Environment, health & safety	**7**	–	1
Bribery and corruption	**7**	7	–
Intellectual property	**–**	–	–
External communication	**–**	–	–
Insider dealing	**–**	–	–
Political donations and charitable contributions	**–**	–	–
Consequences adopted during the reporting year, broken down by type[2]:			
Termination	**38**	11	3
Disciplinary action	**29**	18	6
Improvement in the processes	**12**	17	13
No action possible or needed	**18**	5	–
Under decision process	**–**	7	8
Percentage of employees signing the code of integrity	**100.0%**	100.0%	100.0%
Percentage of employees trained on the code of integrity	**99.9%**	99.0%	99.0%
Percentage of operations analyzed for risks related to corruption	**100.0%**	100.0%	100.0%
Number and nature of confirmed incidents of corruption identified through corporate helplines[1,3]	**7**	7	–
Public legal cases regarding corruption brought against the organization/employees	**–**	–	–

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. Consequences adopted during the reporting year. Some of these consequences may refer to breaches confirmed in previous years.
3. Measures taken for these 7 cases were the following: termination of employees (8), disciplinary action (1) and improvement in the processes (1).

Customer relationship management

How well we manage our customer relationships determines what we are able to achieve as a business, in the long term. That's why we aim to anticipate and respond to customer needs as they arise. We track customer sentiment annually through our global Voice of the Customer (VoC) program. Customer satisfaction (CSAT) results were slightly lower than prior years due to the expansion of location and type of customers surveyed, but very close to our 2023 target of 85%. Results are shared with all relevant stakeholders across the organization and corrective actions are developed to increase customer satisfaction.

Following a change in the methodology, data of the actual year is now reported.

	2022	2021	2020
Customer satisfaction score (As a % score)	**84.5%**	88.0%	88.0%
Group's revenue covered by Voice of the Customer surveys (As a % of total revenue)	**76.0%**	34.0%	48.0%
Countries participating in Voice of the Customer survey (# of countries)	**27**	12	15
Responses in Voice of the Customer surveys (# of responses)	**19 000**	12 560	7 990

Public policy

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.

	2022	2021	2020
Lobbying, interest representation or similar (CHF)	**–**	–	–
Contributions to local, regional or national political campaigns/organizations/candidates (CHF)	**–**	–	–
Trade associations or tax-exempt groups (e.g. think tanks) [1] (CHF)	**1 121 161**	716 652	523 622
Other (e.g. spending related to ballot measures or referendums) (CHF)	**–**	–	–
Total contributions and other spending (CHF)	**1 121 161**	716 652	523 622
Contribution to industry associations as % of revenue (As % of revenue)	**Under 0.01%**	Under 0.01%	Under 0.01%

1. The main associations we contributed to in 2022 were: TIC Council: CHF 76 264.05; Energy Institute: CHF 61 870.11; World Travel and Tourism Council: CHF 50 228.75; Swissholding: CHF 50 000; IMD International Institute for Management Development: CHF 50 000.

Databank
continued

Sustainable procurement and supply chain

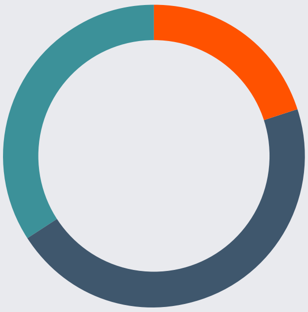
Our supply chain is diverse and covers over 100 countries from large industrial to small developing countries. These suppliers are key stakeholders to SGS and we are committed to engage in an ongoing dialog to reach the highest social, economic and environmental standards.

	2022	2021	2020
Spend analyzed for sustainability risks[1] (As a %)	**100.0%**	100.0%	100.0%
Tier 1 Suppliers analyzed for sustainability risks[2] (As a % of total Tier 1 suppliers)	**100.0%**	100.0%	100.0%
Number of local suppliers (As a % of total suppliers)	**98.0%**	98.0%	97.0%
Number of global suppliers (As a % of total suppliers)	**2.0%**	2.0%	3.0%
Spend of local suppliers (As a % of total spend)	**84.0%**	82.0%	80.0%
Spend of global suppliers (As a % of total spend)	**16.0%**	18.0%	20.0%

1. Potential sustainability risks identified in the supply chain (as a % of spend): – Economic risk: Low: 59%; Medium: 40%; High: 1% – Social risk: Low: 65%; Medium: 35%; High: 0% – Environmental risk: Low: 49%; Medium: 49%; High: 2%.
2. Tier 1 suppliers within the scope of the SAQ.

Sustainable procurement and supply chain

Spend by SGS supra-region



Americas 20%
Europe, Africa and Middle East 46%
Asia Pacific 34%

Spend by SGS Category

CAPEX 14%
External services 23%
Material and supplies 20%
General repairs and maintenance 6%
Travel and vehicles 15%
Other OPEX 22%

Human rights

Our group human rights policy clearly sets out our commitment to treat everyone with whom we come into contact with fairness, dignity and respect. It is in line with leading international human rights legislation and principles, and it applies to all those working for SGS or in our supply chains.

	2022	2021	2020
Number of 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	**–**	–	–
Total number of proven incidents of discrimination[3]	**4**	–	–
Number of grievances identified through helplines[1] related to human rights[3]	**4**	–	–
Total number of employees trained on our human rights principles[2]	**79 893**	39 137	36 390
Percentage of employees trained on our human rights principles[2]	**78.4%**	39.4%	39.0%
Percentage of employees covered by collective bargaining[4]	**46%**	44%	41%

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.
2. Each year, the human rights training course is launched on December and all employees must have passed it by March. Employees that completed the training offline are not included, which we are working to do next year.
3. Measures taken for these 4 cases were the following: 2 terminations and 2 disciplinary actions.
4. Employees covered by collective consultation/representation processes. The scope is limited to those affiliates where collective bargaining exists according to the International Labour Organization database for coverage rate.

Information security and data privacy

Protection of personal data is key to every part of our business. It is at the heart of our commitment to our clients, our values, our principles, our conduct and our success and is essential to maintaining trust. We are committed to conducting our business in accordance with all relevant data protection and privacy laws of the countries in which we operate and in line with the highest standards of ethical conduct.

	2022	2021	2020
Number of complaints received from outside parties and substantiated by the organization (# of complaints)	**–**	–	–
Substantiated complaints concerning breaches of data customer policy (# of complaints)	**–**	1	–
Number of complaints from regulatory bodies (# of complaints)	**–**	–	–
Completion rate of data protection and privacy e-learning (As a % of people invited to the e-learning)	**0%[1]**	99.0%	98.8%

1. In 2022 there has been no global data privacy training for employees. New hires must take the Data Privacy Get Started e-learning course as part of the Shine program.

Workforce breakdown

Our workforce is characterized by diversity in generation, nationality and gender identity.

Type of contract	**2022**	2021	2020
Number of employees (# of employees)	**101 860**	99 374	93 269
Permanent workers (As a % of total employees)	**92%**	91%	91%
Casual workers (As a % of total employees)	**8%**	9%	9%

Databank
continued

Workforce breakdown continued

Gender, generation and other diversity indicators	2022	2021	2020
Employees by gender (female) (As a % of total employees)	**37.0%**	36.5%	35.5%
Employees by gender (male) (As a % of total employees)	**63.0%**	63.5%	64.5%
Employees by age – Under 30 years old (female) (# of employees by ranges of age)	**10 995**	10 162	–
Employees by age – Under 30 years old (male) (# of employees by ranges of age)	**14 248**	13 877	–
Employees by age – 30 to 50 years old (female) (# of employees by ranges of age)	**22 255**	21 229	–
Employees by age – 30 to 50 years old (male) (# of employees by ranges of age)	**39 695**	39 672	–
Employees by age – Over 50 years old (female) (# of employees by ranges of age)	**4 394**	4 875	–
Employees by age – Over 50 years old (male) (# of employees by ranges of age)	**10 271**	9 559	–
Manager employees (# of manager employees)	**8 490**	8 246	8 249
Manager by gender (female) (As a % of managers)	**33.9%**	34.8%	33.1%
Manager by gender (male) (As a % of managers)	**66.1%**	65.2%	66.9%
CEO-3 employees # of CEO-3 employees	**1 235**	1 274	1 211
CEO-3 by gender (female) – 'Women in Leadership' (As a % of CEO-3 employees)	**31.1%**	29.0%	28.0%
CEO-3 by gender (male) (As a % of CEO-3 employees)	**68.9%**	71.0%	72.0%
Women in management positions in revenue-generating functions (As a % of women)	**31.8%**	34.4%	
Women in STEM-related positions (As a % of women)	**33.8%**	31.1%	
Employees from vulnerable groups	**2 287**	1 299	1 275
With disabilities	**795**	660	657
Employees with disabilities – Female	**369**	290	274
Employees with disabilities – Male	**426**	370	383
With other vulnerabilities	**1 489**	639	618
Employees with other vulnerabilities – Female	**547**	269	264
Employees with other vulnerabilities – Male	**945**	370	354

Nationality	2022
Employees by top 5 nationalities[1] (As % of share in total workforce)	
Chinese	**17.4%**
Indian	**5.4%**
Spanish	**4.5%**
German	**4.0%**
Peruvian	**3.7%**

	2022
Management workforce by top 5 nationalities[1] (As % of share in total workforce)	
Chinese	**13.5%**
Indian	**5.3%**
French	**5.0%**
German	**4.6%**
Brazilian	**4.4%**

1. This data covers 96% of our employees as USA employees are not included in this breakdown.

Learning and development

Each year we invest in the upskilling our employees' capabilities in line with our business priorities and growth strategy. We promote self-directed learning, tailor our talent development programs to fit local markets, business needs and employee expectations, and invest in digital tools for training and development.

	2022	2021	2020
Training ratio[1] (As a % of total employment cost spent on training)	**3.0%**	2.6%	2.5%
Training hours per FTE (# of hours per FTE)	**54.7**	45.8	48.8
Job related training hours per FTE (# of hours per FTE)	**43.3**	38.9	42.0
Total training hours[2] (# million of hours)	**5.3**	4.3	4.3
Job related training hours (# million of hours)	**4.2**	3.6	3.7
Performance reviews (As a % of employees eligible to performance review)	**85%**	88%	86%

1. Training and hours spent cost per total employment cost, including safety training hours. On a constant currency basis.
2. Broken down by type of training: Management and leadership development: 2%; Apprentice & trainee training programs: 4%; Technical training: 16%; Non-Technical training: 2%; Operational integrity training: 55%; Compliance training: 14%; Other: 7%.

Employee engagement

We value feedback and encourage employees to voice their opinions via our voluntary annual employee engagement survey. Our managers then use this input to launch improvement actions with their teams. Each year we survey different geographies, and we benchmark ourself against external norms; local management takes appropriate actions to improve our scores.

	2022	2021	2020
Employees invited to participate in the employee engagement survey (# of employees)	**28 569**	30 129	32 262
Response rate (As a %)	**79%**	86%	74%
Engagement Index (As score out of 100)	**69**	75	70
Actively engaged employees (As a %)	**64%**	73%	65%
Manager effectiveness index (As a score out of 100)	**72**	78	72

Databank
continued

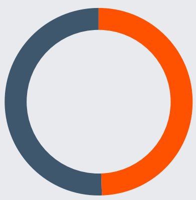
Talent attraction and retention

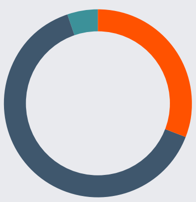
Our recruitment process is designed to enable us to select creative, innovative people who have passion, potential and integrity. We make our selection based on a combination of candidates' skills, competencies, experience and motivation. Through this approach and targeted talent attraction strategies, we have welcomed 28 430 new hires (internal and external) in 2022.

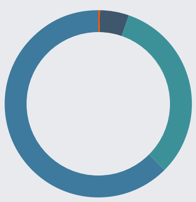
	2022	2021	2020
New hires (# of employees)	**28 430**	29 486	18 546
Internal new hires (As a % of total new hires)	**15.1%**	14.8%	19.7%
New hires (female) (As a % of internal hires)	**50.3%**	50.3%	45.4%
New hires (male) (As a % of internal hires)	**49.7%**	49.7%	54.6%
External new hires (As a % of total new hires)	**84.9%**	85.2%	80.3%
New hires (female) (As a % of external hires)	**36.8%**	35.2%	34.3%
New hires (male) (As a % of external hires)	**63.2%**	64.8%	65.7%
Voluntary turnover (As a % of permanent employees)	**14.8%**	14.7%	10.1%
Total turnover (As a % of total permanent employees)	**20.3%**	20.5%	18.1%
Total turnover female (% of total female)	**19.6%**	20.1%	16.0%
Total turnover male (% of total male)	**20.8%**	20.7%	19.3%

Talent attraction and retention during the reporting year

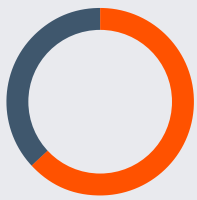
Internal new hires

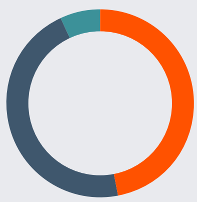


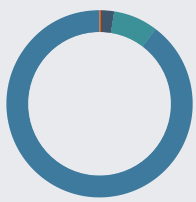




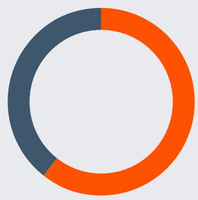
External new hires

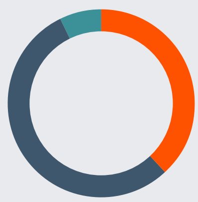


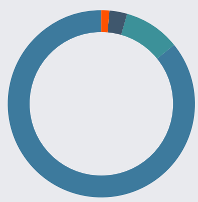




Employees that left on their own will







Remuneration

Our goal is to offer our existing and future talent a competitive compensation package, to attract, engage, motivate and retain them. We systematically assess the competitiveness of our reward practices in all the markets in which we operate.

	2022	2021	2020
Mean Gender Pay Gap[1] (As % of difference between men and women employees)	**2.4%**	3.0%	
Median Gender Pay Gap[1] (As % of difference between men and women employees)	**(7.3%)**	(4.7%)	
Mean Bonus Gap[1] (As % of difference between men and women employees)	**21.0%**	17.3%	
Median Bonus Gap[1] (As % of difference between men and women employees)	**(6.3%)**	(20.1%)	
CEO and mean employee compensation ratio[2]	**28.5**	40.6	25.6

1. This data covers 98.1% of all SGS employees.
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).

Operational integrity

Employee health and safety along with environmental protection are a priority. As detailed in our business principles, protecting employees and the environment from harm are fundamental behaviors at SGS. In 2022, we have continued to make progress towards our target and have achieved a further reduction in our incident rates.

	2022	2021	2020
Total Recordable Incident Rate (TRIR)[1] (occurrences per 200 000)	**0.35**	0.37	0.36
TRIR variation (As a % against a 2018 baseline)	**(15.9%)**	(9.4%)	(13.2%)
Number of recordable incidents[2] (# of incidents)	**346**	357	334
Lost Time Incident frequency Rate (LTIR)[3] (occurrences per 200 000)	**0.19**	0.22	0.23
LTIR variation (As a % against a 2018 baseline)	**(24.9%)**	(14.3%)	(8.4%)
Number of near misses[4] (# of near misses)	**2 180**	2 273	1 959
Safety training hours (# of hours)	**2 937 914**	2 692 702	2 483 305
Operational Integrity training per employee (# of hours per FTE)	**30.4**	28.9	27.9
Total absence rate[5] (As a % of days of sickness absence plus days lost per incidents with lost time per total days worked)	**2.22%**	1.85%	1.61%
Sickness absence rate (As a % of days of sickness absence per total days worked)	**2.20%**	1.82%	1.58%
Work-related absence rate (As a % of days of days of lost time and restricted duty due to recordable incidents per total days worked)	**0.02%**	0.03%	0.03%

1. Number of lost time, restricted duty, medical treatment incidents and fatalities per 200 000 hours worked.
2. Number of lost time, restricted duty, medical treatment incidents and fatalities.
3. Number of lost time incidents per 200 000 hours worked.
4. 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.
5. Days of sickness absence and restricted duty per total days worked.

Databank
continued

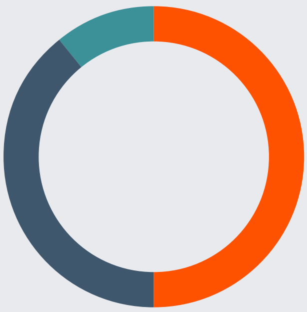
Community investment

We are committed to investing in the communities where we operate, and we do so across three pillars: empowerment, education and environmental sustainability. In doing so, we are helping to tackle global challenges such as poverty, equal opportunities, health, education, climate change and environmental degradation. In 2022, we have increased our investment in community and doubled the number of volunteering hours.

	2022	2021	2020
Investment in community (in cash, in kind and volunteering hours) (CHF thousands on constant currency basis)	**1 991**	1 384	1 196
Investment in community variation (As a % against a 2019 baseline)	**54.3%**	7.3%	(7.3%)
Total community projects (# of projects)	**526**	382	323
Community hours (# of hours dedicated to community)	**18 691**	9 284	9 151
Community hours variation (As a % against a 2019 baseline)	**8.7%**	(46.0%)	(46.8%)

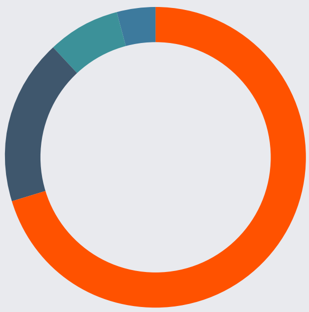
Community investment

Investment per type



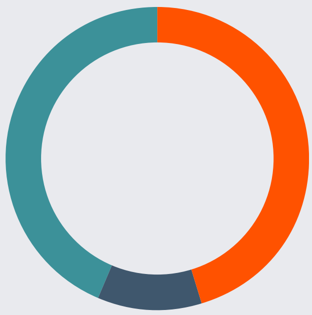
- Community investment 50.1%
- Occasional charitable donation 39.2%
- Philanthropic sponsorship 10.7%

Investment per nature of contribution



- Cash contributions 71.3%
- Volunteering contributions 17.8%
- In-kind contributions 7.3%
- Management contributions 3.6%

Investment per pillar



- Empowerment 46.6%
- Education 11.0%
- Environmental sustainability 42.4%

Climate change – energy consumption

As a sustainability leader that recognizes the threat posed by global climate change, we are setting the benchmark for reduced energy consumption. Through initiatives such as our Energy Efficiency in Buildings (EEB) program, sustainable transport and Green IT, we are actively reducing our own energy consumption at source. We are also moving away from fossil fuel based sources of energy by transitioning to renewable energy.

	2022	2021	2020
Total energy consumption by source (MWh)	**947 571**	927 625	862 525
Vehicle fuels energy (MWh)	**310 792**	300 594	288 856
Non-transport fuels energy[4] (MWh)	**149 182**	147 242	132 883
Total electricity (MWh)	**487 597**	479 788	440 786
Standard electricity[1] (MWh)	**15 541**	15 673	19 922
Renewable electricity[2] (MWh)	**472 056**	464 116	420 864
Total renewable electricity (As % of total electricity consumption)	**97%**	97%	95%
Energy intensity per revenue[3] (MWh/CHF million)	**142.7**	149.1	158.0
Energy intensity per FTE (MWh/FTE)	**9.8**	9.9	9.7
Electricity intensity per revenue[3] (KWh/CHF million)	**73.4**	77.1	80.8
Electricity intensity per FTE (MWh/FTE)	**5.0**	5.1	4.9

1. Electricity bought from a non renewable tariff linked to Energy Attribute Certificates.
2. 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.
3. On a constant currency basis.
4. From non renewable sources.

Climate change – energy efficiency in buildings program

The energy used in our offices and laboratories worldwide accounts for 67% of our global energy consumption. It is therefore a key area of focus for us to reduce energy use. In 2022, additional buildings were included in the program and further measures were identified across the network.

	2022	2021	2020
Buildings covered by the EEB program (# of buildings)	**701**	694	678
Energy consumption from buildings covered by the EEB program (As % of total electricity and non transport fuels consumed by SGS buildings)	**80.0%**	83.0%	83.0%
Energy conservation measures identified (# of measures identified since beginning)	**786**	708	471

Databank
continued

Climate change – greenhouse gas emissions

We have committed to reducing greenhouse gas emissions through the Science Based Targets initiative (SBTi), which advocates the setting of targets and deadlines in line with climate science in order to future-proof growth. In 2022, we received approval for our 1.5°C and net-zero targets from the SBTi and we will continue our efforts towards these targets by focusing on our major source of scope 1 and 2 emissions (vehicle emissions) and our scope 3 emissions associated to our supply chain.

	2022	2021	2020
Total scope 1 + 2 emissions (market-based)[2,3] (CO_2e tonnes)	**116 505**	115 303	110 137
Scope 1 emissions from vehicles	**77 261**	74 491	71 629
Scope 1 emissions from buildings	**30 785**	30 084	26 644
Scope 2 electricity emissions (market-based)[3]	**8 459**	10 728	11 864
Voluntary carbon-offsetting CO_2 credits retired[4] (CO_2e tonnes)	**116 504**	131 542	122 952
Scope 2 electricity emissions (location-based)	**220 398**	223 190	207 009
Scope 3 emissions (CO_2e tonnes)	**850 621**	820 776	689 902
Purchased goods and services	**525 111**	516 742	409 869
Capital goods	**131 003**	132 908	138 991
Fuel and energy related activities (not included in Scope 1 and Scope 2)	**87 454**	76 651	71 922
Waste generated in operations	**19 128**	15 389	13 793
Business travel	**18 125**	16 239	12 813
Employee commuting	**69 800**	62 847	42 514
Scope 1 + 2 emissions variation (As a % against a 2019 baseline)	**(10.5%)**	(11.4%)	(15.4%)
Scope 3 emissions variation (As a % against a 2019 baseline)	**8.2%**	4.4%	(12.3%)
Scope 1+2 intensity per revenue market-based[1,2,3] (CO_2e tonnes/CHF million)	**17.5**	18.5	20.2
Scope 1+2 intensity per FTE market-based[2,3] (CO_2e tonnes/FTE)	**1.2**	1.2	1.2
Scope 3 intensity[1] (CO_2e tonnes/CHF million)	**128.1**	131.9	126.4
Estimated district heating CO_2 emissions (excluded from scope 2) (CO_2e tonnes)	**6 867**	6 577	5 697
Vehicle fleet average theoretical emissions (gCO_2/km)	**128.3**	134.6	136.2

1. On a constant currency basis.
2. Refrigerant gas emissions are not included in this figure.
3. District Heating emissions are not included in this figure.
4. We invest in verified off-setting projects that directly benefit communities where we have an impact, in 2022 we have off-set 58 303 tCO_2 with Uttarakhand run-of-the river project and 58 303 tCO_2 with Gansu Jinta solar power generation project.

Water and waste management

While our water consumption and waste impact is relatively small compared to other industries, we monitor our impact and reduce our resources' footprint.

	2022	2021	2020
Water purchased (m^3)	**1 985 965**	1 919 430	1 715 493
Water use/FTE (m^3/FTE)	**20.5**	20.6	19.3
Weight of waste generated (metric tonnes)	**78 560**	65 199	55 536
Weight of hazardous waste generated (metric tonnes)	**16 217**	14 688	11 121
SGS offices and labs	**10 829**	11 020	7 503
Client samples	**5 388**	3 667	3 618
Weight of non-hazardous waste generated (metric tonnes)	**62 343**	50 511	44 415
SGS offices and labs	**36 558**	28 518	24 153
Client samples	**25 785**	21 993	20 262
Weight of waste recovered (metric tonnes)	**24 783**	20 888	15 293
Weight of hazardous waste recovered (metric tonnes)	**5 107**	4 832	2 711
SGS offices and labs	**2 343**	3 745	1 775
Client samples	**2 764**	1 087	936
Weight of non-hazardous waste recovered (metric tonnes)	**19 676**	16 056	12 582
SGS offices and labs	**8 943**	8 063	5 556
Client samples	**10 733**	7 993	7 026
Environmental incidents (As # of environmental incidents including significant spills)	**26**	45	48

2022 GRI content index

SGS has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards.

GRI standard and disclosure		Reference	Reported performance	Assurance
GRI 2: General Disclosures 2021				
2-1	Organizational details	Page 130		✓
2-2	Entities included in the organization's sustainability reporting	Pages 187-189		✓
2-3	Reporting period, frequency and contact point	Pages 191, 213-214, 236		✓
2-4	Restatements of information	Page 191		✓
2-5	External assurance	Pages 213-214		✓
2-6	Activities, value chain and other business relationships	Pages 18-21, 72-73, 194	– Spend by SGS Category* – Spend by SGS supra-region* – Spend analyzed for sustainability risks (As a %)* – Tier 1 suppliers analyzed for sustainability risks (As a % of total Tier 1 suppliers)*	✓
2-7	Employees	Pages 195-196 Information regarding the total number of non-guaranteed hours employees, full-time employees and part-time employees including its breakdown by gender and by region is not disclosed. Information not broken down by region as this is considered confidential information	– Number of employees (# of employees) – Permanent workers (as a % of total employees) – Casual workers (as a % of total employees)	✓
2-8	Workers who are not employees	Page 195	– Casual workers (as a % of total employees)	✓
2-9	Governance structure and composition	Pages 86-96		✓
2-10	Nomination and selection of the highest governance body	Page 93		✓
2-11	Chair of the highest governance body	Page 89		✓
2-12	Role of the highest governance body in overseeing the management of impacts	Page 94		✓
2-13	Delegation of responsibility for managing impacts	Page 36 and 94		✓
2-14	Role of the highest governance body in sustainability reporting	Page 36 and 94		✓
2-15	Conflicts of interest	Page 93		✓
2-16	Communication of critical concerns	Pages 192, 234	– Total number of substantiated breaches of the Code of Integrity received through integrity helplines and broken down by type of breach – Total number of integrity issues reported through integrity helplines	✓
2-17	Collective knowledge of the highest governance body	Pages 36 and 93 The newly created sustainability committee receives periodic information about SGS sustainability programs and initiatives. New regulations or requirements are analyzed during the regular meetings to assess their potential impact in SGS operations, supply chain and services. Specific analysis sessions are organized on demand depending on the level of complexity of a given topic and additional training needs are constantly evaluated		✓
2-18	Evaluation of the performance of the highest governance body	Page 93		✓
2-19	Remuneration policies	Pages 104-122		✓
2-20	Process to determine remuneration	Pages 104-122		✓

* Additional information to the GRI requirements.

GRI standard and disclosure		Reference	Reported performance	Assurance
2-21	Annual total compensation ratio	Pages 104-123, 199	– CEO and mean employee compensation ratio	✓
2-22	Statement on sustainable development strategy	Pages 8-11		✓
2-23	Policy commitments	Pages 23, 228-235		✓
2-24	Embedding policy commitments	Page 23		✓
2-25	Processes to remediate negative impacts	Pages 46-49 , 228-235		✓
2-26	Mechanisms for seeking advice and raising concerns	Pages 228-235		✓
2-27	Compliance with laws and regulations	As indicated in our Code of Integrity, SGS complies with applicable laws in the countries where it does business. During 2022 the SGS Group was not condemned to any significant fines or penalties for non-compliance with any kind of laws and regulations		✓
2-28	Membership associations	Page 193		✓
2-29	Approach to stakeholder engagement	Pages 40-41, 193	– Customer satisfaction score (As a % score) – Engagement index*	✓
2-30	Collective bargaining agreements	We respect our employees' right to have collective representation and to enter into collective bargaining agreements where this is accepted by local law Page 195	– Percentage of employees covered by collective bargaining	✓
GRI 3: Material Topics 2021				
3-1	Process to determine material topics	Pages 42, 191		✓
3-2	List of material topics	Pages 42, 191 As a result of this year's materiality review, the "corporate governance" and "sustainable supply chain" are now included as key material topics for the company		✓
3-3	Management of material topics	Pages 42, 191		✓
GRI 201: Economic Performance 2016				
3-3	Management of material topics	Pages 52-57		
201-1	Direct economic value generated and distributed	– Total economic value generated: CHF 6 662 Mio (Revenue: CHF 6 642 Mio; Financial and other income: CHF 20 Mio) – Total economic value distributed: CHF 6 666 Mio (Salaries and wages: CHF 3 331 Mio; Subcontractors' expenses: CHF 399 Mio; Depreciation, amortization and impairment: CHF 521 Mio; Other operating expenses: CHF 1 493 Mio (including Other taxes: 37 Mio and Community contributions and charitable donations: CHF 1 Mio); Financial expenses: CHF 71 Mio; Expected dividends due to non-controlling interests and to shareholders as proposed by the Board of Directors: CHF 632 Mio; Income taxes CHF 219 Mio – Total economic value retained: CHF -4 Mio	– Total economic value generated – Total economic value distributed – Total economic value retained	✓
201-2	Financial implications and other risks and opportunities due to climate change	Pages 215-227		✓
201-3	Defined benefit plan obligations and other retirement plans	Page 134 Only qualitative information is disclosed		✓
201-4	Financial assistance received from government	SGS does not receive any significant financial assistance from governments, but we benefit from incentives in the form of grants from certain government schemes, such as energy-saving incentives. However, these benefits are of low value. This information is based on our global information gathering system. We are not aware of any significant incentives granted by governments or any financial aid granted to political parties at local level during 2022		

* Additional information to the GRI requirements.

2022 GRI content index continued

GRI standard and disclosure		Reference	Reported performance	Assurance
GRI 202: Market Presence 2016				
3-3	Management of material topics	Page 199		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	SGS is committed to comply with the applicable labor regulations in the countries where we operate. Whenever possible, we improve the minimum wages set by the local legislation. The quantitative information breakdown is unavailable. The deployment of our global HR data management tool is under review. We are currently evaluating alternative reporting options and expect to report in coming years		
GRI 203: Indirect Economic Impacts 2016				
3-3	Management of material topics	Pages 50-51 and 80-83		
203-2	Significant indirect economic impacts	Pages 50-51 and 80-83		✓
GRI 204: Procurement Practices 2016				
3-3	Management of material topics	Pages 72-73		
204-1	Proportion of spending on local suppliers	Pages 187-189, 194 The percentage of global and local suppliers is calculated considering 85% of the global spend. We consider global suppliers those managed by Global Procurement at corporate level and local suppliers those managed by local procurement teams at affiliate/regional level, regardless of where the supplier is based or the number of affiliates where it provides its services/deliver its products	– Number of local suppliers (As a % of total suppliers) – Number of global suppliers (As a % of total suppliers) – Spend of local suppliers (As a % of total spend) – Spend of global suppliers (As a % of total spend)	✓
GRI 205: Anti-corruption 2016				
3-3	Management of material topics	Pages 48, 66		
205-1	Operations assessed for risks related to corruption	Our non-financial 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. The analysis of economic and political risks includes the following categories: government instability, policy instability, state failure, recession, inflation, currency depreciation, capital transfer, sovereign default, under-development, tax issues, corruption, infrastructural disruption, energy security, cybersecurity commitment, data protection and regulatory. The results of this economic and political risks analysis in 2022 resulted in the following risk exposure: – Direct operations (as a % of revenue): Low 58%; Medium 40%; High 2% – Supply chain (as a % of spend): Low 59%; Medium 40%; High 1%		✓
205-2	Communication and training about anti-corruption policies and procedures	Pages 66-69, 192 Breakdown by gender and employee category is not reported as 99.99% of the employees have been trained on the Code of Integrity	– Percentage of employees trained on the Code of Integrity	✓
205-3	Confirmed incidents of corruption and actions taken	Page 192 In 2022, there were no public legal cases regarding corruption brought against the organization or its employees. 2021 confirmed incidents of corruption was restated to reflect the actual number confirmed during the year	– Number and nature of confirmed incidents of corruption identified through corporate helplines	✓
GRI 206: Anti-competitive Behavior 2016				
3-3	Management of material topics	We are committed to using competitive and fair practices. As such, we do not engage in any understandings or agreements that may 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 advertised in any way that could appear to be deceptive or misleading. We provide customers with detailed quotes and invoices so that they are informed about every aspect of our service, including pricing. Our Global Pricing Initiative, developed through expert review of pricing practices across the Group, ensures robust pricing processes and governance		

GRI standard and disclosure		Reference	Reported performance	Assurance
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2022, we did not identify any legal actions related to anti-competitive behavior, antitrust and monopoly practices. 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 2022	– Number of legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the organization has been identified as a participant	✓
GRI 207: Tax 2019				
3-3	Management of material topics	Pages 141-142		
GRI 302: Energy 2016				
3-3	Management of material topics	Pages 76-77		
302-1	Energy consumption within the organization	Pages 76-77, 201 The information reported is limited to the total fuel and the total electricity consumption broken down by renewable and non-renewable electricity	– Total energy consumption by source (MWh) – Vehicle fuels energy (MWh) – Non-transport fuels energy (MWh) – Total electricity (MWh) – Standard electricity (MWh) – Renewable electricity (MWh) – Total renewable electricity (As % of total electricity consumption)	✓
302-3	Energy intensity	Pages 76-77, 201	– Energy intensity per revenue (MWh/CHF million) – Energy intensity per FTE (MWh/FTE)	✓
302-4	Reduction of energy consumption	Page 201 Compared to 2019, our energy consumption has increased by 1.4% in 2022		✓
GRI 303: Water and Effluents 2018				
3-3	Management of material topics	Pages 76-77		
303-1	Interactions with water as a shared resource	Pages 76-77		✓
303-2	Management of water discharge-related impacts	Pages 76-77		✓
303-5	Water consumption	Page 203 The information reported is limited to the total water consumption	– Water purchased (m^3)	✓
GRI 304: Biodiversity 2016				
3-3	Management of material topics	Not applicable. Being a service based company, SGS does not have a significant impact on biodiversity		
GRI 305: Emissions 2016				
3-3	Management of material topics	Pages 76-77		
305-1	Direct (Scope 1) GHG emissions	Pages 76-77, 202 We are currently improving our refrigerant gases collection system to ensure the accuracy of the data. To date, reliable data about refrigerant consumption is unavailable and therefore they are excluded from the Group's carbon footprint	– Scope 1 emissions from vehicles – Scope 1 emissions from buildings	✓
305-2	Energy indirect (Scope 2) GHG emissions	Pages 76-77, 202	– Scope 2 Electricity emissions (location-based) – Scope 2 Electricity emissions (market-based)	✓
305-3	Other indirect (Scope 3) GHG emissions	Pages 76-77, 202	– Scope 3 emissions (CO_2e tonnes) – Purchased goods and services – Capital goods – Fuel and energy related activities (not included in Scope 1 and Scope 2) – Waste generated in operations – Business travel – Employee commuting	✓

2022 GRI content index continued

GRI standard and disclosure		Reference	Reported performance	Assurance
305-4	GHG emissions intensity	Pages 76-77, 202	– Scope 1+2 intensity per revenue market-based (CO_2e tonnes/ CHF million) – Scope 1+2 intensity per FTE market-based (CO_2e tonnes/FTE) – Scope 3 intensity (CO_2e tonnes/CHF million)	✓
305-5	Reduction of GHG emissions	Pages 76-77, 202	– Scope 1+2 emissions variation (as a % against a 2019 baseline) – Scope 3 emissions variation (as a % against a 2019 baseline)	✓
GRI 306: Waste 2020				
3-3	Management of material topics	Pages 76-77		
306-1	Waste generation and significant waste-related impacts	Pages 76-77, 203		✓
306-2	Management of significant waste-related impacts	Pages 76-77, 203		✓
306-3	(2020) Waste generated	Pages 203	– Weight of waste generated (metric tonnes) – Weight of hazardous waste generated (metric tonnes) – Weight of non-hazardous waste generated (metric tonnes)	✓
306-3	(2016) Significant spills	Pages 203	– Environmental incidents (As # of environmental incidents including significant spills)	✓
306-4	Waste diverted from disposal	Pages 76-77, 203	– Weight of waste recovered (metric tonnes) – Weight of hazardous waste recovered (metric tonnes) – Non-hazardous waste recovered (metric tonnes)	✓
GRI 308: Supplier Environmental Assessment 2016				
3-3	Management of material topics	Pages 72-73		
308-2	Negative environmental impacts in the supply chain and actions taken	Page 194 The information reported is limited to the number of suppliers assessed for environmental impacts	– Tier 1 suppliers analyzed for sustainability risks (as a % of total Tier 1 suppliers). – Spend analyzed for sustainability risks (as a %)	✓
GRI 401: Employment 2016				
3-3	Management of material topics	Pages 66-69		
401-1	New employee hires and employee turnover	Page 198 Information not broken down by region	– New hires (# of employees) – Voluntary turnover (As a % of permanent employees) – Total turnover by gender (As a % of total permanent employees)	✓
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	We offer benefits such as healthcare plans and occupational pension plans to our employees considering their type of contract, in accordance with local market practices		✓
401-3	Parental leave	Many of our affiliates provide paid maternity and paternity leave in excess of legally required minimum. For example, SGS Switzerland offers 16 weeks of maternity leave paid at 100%. SGS Australia offers 8 weeks of paid maternity leave in excess of the local legally required minimums and SGS South Africa, offers 5 paid days while local regulation provides 3 paid days. We also provide different childcare facilities in many of our affiliates. Some of our offices count with special rooms equipped with armchairs and freezes dedicated to breastfeeding. We also offer our employees the possibility of flexible working arrangements such as flexible check-in and checkout, remote or part-time working to promote worklife balance No quantitative information available		✓

GRI standard and disclosure		Reference	Reported performance	Assurance
GRI 402: Labor/Management Relations 2016				
3-3	Management of material topics	We strictly adhere to tariff structures and arrangements negotiated with trade unions, while we also inform and consult employees on relevant business activities. 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		
402-1	Minimum notice periods regarding operational changes			✔
GRI 403: Occupational Health and Safety 2018				
3-3	Management of material topics	Pages 66-69		
403-1	Occupational health and safety management system	Pages 66-69		✔
403-2	Hazard identification, risk assessment, and incident investigation	All site managers are expected to perform risk assessments and to develop associated action plans. Employees have the right to stop work at any time, without reprisal, if they consider there to be a health, safety or environmental risk. Any such instances are reported through our Crystal OI system. Our OI management system defines the criteria to be met to comply with our own requirements and with the local laws and regulations. To ensure compliance, we audit regions and countries centrally, while local OI managers audit our laboratories, offices and facilities. The audit results go into our performance reports, along with incidents and hazards information captured in Crystal		✔
403-3	Occupational health services	Pages 66-69		✔
403-4	Worker participation, consultation, and communication on occupational health and safety	Pages 66-69		✔
403-5	Worker training on occupational health and safety	Each role at SGS requires specific OI knowledge to support the safety and well-being of our employees. All employees are given training on-site standard operating procedures, along with regular training sessions on Group OI management systems and Rules for Life. We also operate a behavior-based safety peer-topeer observation program		✔
403-6	Promotion of worker health	In line with our culture of care, we promote initiatives to enhance the physical and mental well-being of our employees so as to ensure their fitness for work. This includes the provision of preventative health measures, such as vaccinations, mental and physical health programs focused on awareness, support and resilience		✔
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pages 66-69		✔
403-8	Workers covered by an occupational health and safety management system	Page 38 We only report on the number of sites certified and the number of employees covered by certified management systems	– Workers covered by an occupational health and safety management system (ISO 45001) – Number of sites with a ISO 45001	✔
403-9	Work-related injuries	Page 199 No fatalities occurred in 2022	– The number of fatalities as a result of work-related injury. – Total Recordable Incident Rate (TRIR) (occurrences per 200 000) – Lost Time Incident frequency Rate (LTIR) (occurrences per 200 000) – Sickness absence rate (As a % of days of sickness absence per total days worked) – Total absence rate (As a % of days of sickness absence plus days lost per incidents with lost time per total days worked)	✔
403-10	Work-related ill health	Page 199 Information not broken down by gender and employee category. No fatalities occurred in 2022	– The number of fatalities as a result of work-related ill health	✔

2022 GRI content index continued

GRI standard and disclosure		Reference	Reported performance	Assurance
GRI 404: Training and Education 2016				
3-3	Management of material topics	Pages 62-63		
404-1	Average hours of training per year per employee	Page 197, 199 Information not broken down by gender and employee category	– Training ratio (As a % of total employment cost spent on training)* – Percentage of employees trained on the Code of Integrity* – Safety training hours* – Completion rate of data protection and privacy e-learning (As a % of people invited to the e-learning)*	✓
404-2	Programs for upgrading employee skills and transition assistance programs	Pages 62-63		✓
404-3	Percentage of employees receiving regular performance and career development reviews	Page 197	– Performance reviews (As a % of employees eligible to performance review)	✓
GRI 405: Diversity and Equal Opportunity 2016				
3-3	Management of material topics	Pages 66-69		
405-1	Diversity of governance bodies and employees	Pages 89-98, 196 The Board of Directors is composed by 9 members (6 men and 3 women) The Operations' Council is composed by 17 members (16 men and 1 woman)	– Percentage of employees by gender – Percentage of managers by gender – CEO-3 employees by gender (# of CEO-3 employees) – Diversity on the Board and Operations Council by gender, nationality and age	✓
405-2	Ratio of basic salary and remuneration of women to men	Page 199		
GRI 406: Non-discrimination 2016				
3-3	Management of material topics	Pages 66-69, 228-235		
406-1	Incidents of discrimination and corrective actions taken	Page 195	– Total number of proven incidents of discrimination	✓
GRI 407: Freedom of Association and Collective Bargaining 2016				
3-3	Management of material topics	Pages 228-235		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Page 194, 228-235	– Number of 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	✓
GRI 408: Child Labor 2016				
3-3	Management of material topics	Pages 228-235		
408-1	Operations and suppliers at significant risk for incidents of child labor	Page 194, 228-235	– Number of 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	✓
GRI 409: Forced or Compulsory Labor 2016				
3-3	Management of material topics	Pages 228-235		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Page 194, 228-235	– Number of 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	✓

* Additional information to the GRI requirements.

GRI standard and disclosure		Reference	Reported performance	Assurance
GRI 413: Local Communities 2016				
3-3	Management of material topics	Pages 72-73		
413-1	Operations with local community engagement, impact assessments, and development programs	Pages 72-73, 200 We have implemented such programs in 56.3% of our affiliates	– Investment in community (CHF thousands on constant currency basis) – Total community projects (# of projects) – Community hours (# of hours dedicated to community)	✓
413-2	Operations with significant actual and potential negative impacts on local communities	Pages 50-51, 72-73		✓
GRI 414: Supplier Social Assessment 2016				
3-3	Management of material topics	Pages 72-73		
414-2	Negative social impacts in the supply chain and actions taken	Page 194 The information reported is limited to the number of suppliers assessed for social impacts	– Tier 1 suppliers analyzed for sustainability risks (as a % of total Tier 1 suppliers). – Spend analyzed for sustainability risks (as a %)	✓
GRI 415: Public Policy 2016				
3-3	Management of material topics	Page 193		
415-1	Political contributions	Page 193	– Contributions to local, regional or national political campaigns/ organizations/candidates (CHF)	✓
GRI 417: Marketing and Labeling 2016				
3-3	Management of material topics	We provide customers with detailed quotes and invoices so that they are informed about every aspect of our service, including pricing. Our Global Pricing Initiative, developed through expert review of pricing practices across the Group, ensures robust pricing processes and governance		
417-2	Incidents of non-compliance concerning product and service information and labeling	In 2022, we were not issued with any significant fines or penalties for non-compliance with regulations concerning product and service information and labelling	– Total number of incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling	✓
417-3	Incidents of non-compliance concerning marketing communications	In 2022, we were not issued with any significant fines or penalties for non-compliance with regulations concerning marketing communications.	– Total number of incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship	✓
GRI 418: Customer Privacy 2016				
3-3	Management of material topics	Pages 62-63		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Pages 62-63, 195 The total number of identified leaks, thefts, or losses of customer data is not reported	– Number of substantiated complaints concerning breaches of data customer policy – Number of complaints from regulatory bodies – Number of complaints received from outside parties and substantiated by the organization	✓

Sustainable Accounting Standards Board (SASB) framework alignment

The following tables illustrate how the Company's sustainability disclosures align with the SASB Disclosure Topics for the Professional & Commercial Services industry, and where specific information may be found.

Sustainability disclosure topics & accounting metrics

Topic	Code	Accounting metric	Level of disclosure	Page number(s) and/or URL(s)
Data Security	SV-PS-230a.1	Description of approach to identifying and addressing data security risks	Disclosed	Pages 46-48
	SV-PS-230a.2	Description of policies and practices relating to collection, usage, and retention of customer information	Disclosed	Privacy at SGS Privacy policy
	SV-PS-230a.3	(1) Number of data breaches (2) Percentage involving customers' confidential business information (CBI) or personally identifiable information (PII) (3) Number of customers affected	Disclosed	Page 195
Workforce Diversity & Engagement	SV-PS-330a.1	Percentage of gender and racial/ethnic group representation for (1) Executive management, and (2) All other employees	Disclosed	Pages 89-91, 97-98, 196
	SV-PS-330a.2	(1) Voluntary, and (2) Involuntary turnover rate for employees	Disclosed	Page 198
	SV-PS-330a.3	Employee engagement as a percentage	Disclosed	Page 197
Professional Integrity	SV-PS-510a.1	Description of approach to ensuring professional integrity	Disclosed	Pages 66-69 Code of integrity Privacy policy
	SV-PS-510a.2	Total amount of monetary losses as a result of legal proceedings associated with professional integrity	Disclosed	In 2022, we were not issued with any significant fines or penalties for non-compliance with regulations associated with professional integrity

Activity metrics

Activity metric	Code	Level of disclosure	Page number(s) and/or URL(s)
Number of employees by: (1) Full-time and part-time (2) Temporary, and (3) Contract	SV-PS-000.A	Partial[1]	Page 196
Employee hours worked; percentage billable	SV-PS-000.B	Not available[2]	–

1. FTEs, number of employees and percentage of casual and permanent workers are disclosed. We are working on reporting the requested breakdown in future reports.
2. The employee hours worked are only available at theoretical level. We are working on reporting these figures in future reports.

Independent Limited Assurance Report

on selected 2022 sustainability indicators included in the non-financial performance reporting to the Board of Directors of SGS SA, Geneva

We have been engaged to perform assurance procedures to provide limited assurance on selected 2022 sustainability indicators (including the GHG statement) of SGS SA and its consolidated subsidiaries ("SGS") included in the Integrated Report ("Report") for the year ended 31 December 2022. Our limited assurance engagement focused on selected 2022 sustainability indicators as presented in the 2022 GRI Content Index of the Report of SGS SA on pages 204 to 211 marked with the check mark ✓.

The reporting criteria used by SGS is described in the SGS Basis of Reporting document in the section "2. REPORTING PRINCIPLES AND EXTERNAL STANDARDS" defining those procedures, by which the related sustainability indicators are internally gathered, collated and aggregated. The SGS Basis of Reporting document is based on the GRI Sustainability Reporting Standards (GRI Standards) published by the Global Reporting Initiative (GRI) and the GHG Protocol Corporate Accounting and Reporting Standard, Corporate Standard, Revised edition, among others. Our evaluation of the selected 2022 sustainability indicators (including the GHG statement) is against applicable GRI-Criteria and the GHG Protocol Corporate Standard (hereafter referred to as the "related GRI-Criteria").

Inherent limitations

The accuracy and completeness of sustainability indicators (including the GHG statement) are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with SGS Basis of Reporting document, its definitions and procedures on sustainability reporting therein. Further, the greenhouse gas quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

SGS responsibility

The Board of Directors of SGS is responsible for the Report as well as for selection, preparation and presentation of the 2022 sustainability indicators (including the GHG statement) in the Report in accordance with the SGS Basis of Preparation document. This responsibility includes the preparation of the SGS Basis of Reporting document and the design, implementation, and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error and the appropriate record keeping.

Independence and quality management

We are independent of the SGS SA in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers SA applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on selected 2022 sustainability indicators (including the GHG statement) as presented in the 2022 GRI Content Index of the Report on pages 204 to 211 marked with the check mark ✓. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) 'Assurance engagements other than audits or reviews of historical financial information' and the International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410'), issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform this engagement to obtain limited assurance about on whether anything has come to our attention that causes us to believe that the selected 2022 sustainability indicators (including the GHG statement) presented in the 2022 GRI content index are not free from material misstatement evaluated against the related GRI-Criteria.

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A limited assurance engagement undertaken in accordance with ISAE 3000 (revised) and ISAE 3410 (including the GHG statement) involves assessing the suitability in the circumstances of SGS' use of applicable criteria as the basis for the preparation of selected 2022 sustainability indicators (including the GHG statement), assessing the risks of material misstatement of these sustainability indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of these sustainability indicators. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures selected depend on the assurance practitioner's judgement.

Summary of the work performed

Our limited assurance procedures included:

- Reviewing the SGS Basis of Reporting document and the SGS Group Sustainability Manual and observing the application
- Interviewing SGS representatives at Group and country level in Thailand, Japan, India, Argentina, Turkey, Vietnam and Cameroon responsible for the data collection and reporting
- Inquiries of personnel involved in the preparation of the Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Report
- Inspecting the relevant documentation on a sample basis
- Performing tests on a sample basis of evidence supporting the selected 2022 sustainability indicators concerning completeness, accuracy, adequacy and consistency

We have not carried out any work on data other than outlined in the scope and subject matter section defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

Conclusion

Based on the procedures we performed, nothing has come to our attention that causes us to believe that the selected 2022 sustainability indicators (including the GHG statement) as presented in the 2022 GRI Content Index of the Report marked with the check mark ✓ are not prepared and disclosed in all material respects in accordance with the related GRI-criteria.

Restriction of use and purpose of the report

This report is prepared for, and only for, the Board of Directors of SGS SA, and solely for the purpose of reporting to them on the selected 2022 sustainability indicators (including the GHG statement) as presented in the 2022 GRI Content Index of the Report marked with the check mark ✓ and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion may be used, or to any other person to whom our report is shown or into whose hands it may come, and no other persons shall be entitled to rely on our conclusion.

We permit the disclosure of our report, in full only and in combination with the SGS Basis of Reporting document, to enable the Board of Directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over the selected 2022 sustainability indicators (including the GHG statement) as presented in the 2022 GRI Content Index of the Report marked with the check mark ✓ without assuming or accepting any responsibility or liability to any third parties on our part. To the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Board of Directors of SGS SA for our work or this report.

PricewaterhouseCoopers SA

Guillaume Nayet　　　　Maegan Gokarn

Geneva, 22 February 2023

'The maintenance and integrity of SGS SA's website and its content are the responsibility of the Board of Directors; the work carried out by the assurance provider does not involve consideration of the maintenance and integrity of the SGS SA website and, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the reported sustainability indicators or criteria since they were initially presented on the website.

We are leading the way on climate change.

This report presents SGS's governance, strategy, management practices and metrics in relation to climate change and its impact on the organization. This report follows TCFD recommendations and methodology, which we will further adopt going forward.

Introduction

As a sustainability leader, SGS is committed to a climate change strategy and to help our customers transition to a low carbon economy. This supports our purpose of enabling a better, safer and more interconnected world.

Our stakeholders already require detailed and comprehensive information on our sustainability performance, including climate change related analysis and discussion, much of which you can find in our 2022 Integrated Report. To add to our industry leading sustainability performance and reporting, and to meet future reporting requirements, we are publishing our TCFD report.

The purpose of the TCFD is to promote international financial stability through consistent information provided to financial market participants that assess and value climate-related risks and opportunities. The additional reporting in this document includes: our strategy to address climate related risks and opportunities, the results of our scenario analysis, and our main climatic risks and opportunities and related impact in our organization.

This increases our transparency and will help our stakeholders make more informed decisions when engaging with SGS. It will also help us align with the Swiss regulation, according to which, from 2024, large Swiss firms will be legally bound to report on climate issues including climate-related risks and opportunities.

Helping in the fight against climate change through changing our company behavior and the provision of services to our customers is a key factor in our purpose of enabling a better, safer and more interconnected world. This is reflected by the upgrade in 2022 of our science-based targets, from 2.0°C to 1.5°C by 2030, and our commitment to achieve Net Zero by 2050.

This whilst also continuing to compensate our remaining carbon emissions, further developing our Sustainable Solutions Framework and maintaining our capital allocation decisions and management incentivization to sustainable criteria.

During 2022, we also continued to embed climatic risks and opportunities in our company decision making, and quantified the financial impact of some of our key risks and opportunities.

Governance

Board oversight

Structural overview

The competencies sought by the Group for its Board of Directors include the experience of senior executive leadership in international businesses, strategic planning, finance, technology, cybersecurity, digital, innovation and sustainability. When selecting candidates for the Board of Directors, the company has due regard to experience, professional qualifications, areas of expertise, age, gender, national background and leadership style, so that at all times, the Board and its committees have the required skills.

The directors bring a wide range of experience and skills to the Board. They participate fully in decisions on key issues facing the Group including risks from and services provided to customers to address climate change. Their combined expertise in the areas of finance, commercial law, digital, innovation, strategy and sustainability, and their respective positions of leadership in various industrial sectors are important factors contributing to the successful governance of SGS.

In 2022, a Sustainability Committee of the Board was created to reflect the growing importance of sustainability to all our stakeholders and build on the substantial progress already made by the company and its employees.

The Sustainability Committee assists the Board in defining the group policies and strategies relating to sustainability, including matters relevant to the Group non-financial reporting and targets of reduction of greenhouse gas emissions.

Please refer to the Corporate Governance section of our 2022 Integrated Report for more information

Oversight

The SGS Board of Directors is ultimately responsible for the direction of the Group. This includes assessing risks facing the business and reviewing risk management and mitigation policies. The Board is ultimately responsible for SGS's group strategy, mission and values, including those related to climate change.

In 2022, the Sustainability Committee met three times. In addition, the members of the Board regularly receive reports on progress against our corporate targets.

Our 2030 Sustainability Ambitions were approved by the Board and include specific climate targets for 2023 and 2030.

These targets include our science-based targets, that we upgraded in 2022, moving from a 2°C ambition to 1.5°C. This made us the first TIC company to receive approval for our 1.5°C and net-zero targets from the Science Based Target initiative (SBTi).

Our sustainability ambitions are embedded in our remuneration policy with 20% of the long-term incentive based on the key priorities of decarbonization, health and safety and diversity.

The risk assessment and evaluation of climate change risks is integrated within the Group's risk assessment model and follows the same paths and procedures of evaluation. In this regard, as part of our risk assessment strategy, we assess the climate change risks for the entire organization twice a year, and corrective and follow-up actions are planned to mitigate the climate-related risks.

The Board of Directors, the Sustainability Committee and the Audit Committee review, discuss and approve our climate change risk strategy and assess the effectiveness and appropriateness of the Group's risk management, internal controls and governance processes as well as the reliability of internal financial and operational information. They also review and guide our risk management policies and ensure that the standards and policies of the Group are respected. The cross-membership organization of the board contributes to the robustness of discussions and transparency.

By reviewing and guiding risk management policies, the Board gains the information it needs to follow up on climate change risk issues and give direction to the organization, as this information enables it to mitigate risks and identify potential areas for improvement.

Management's role

Structural overview

Our Operations Council is made up of five executive vice presidents, seven Chief Operating Officers and two functional Senior Vice Presidents, as well as our CEO, CFO and General Counsel. The council formulates, approves and implements group strategy, approving and implementing more detailed strategies, policies and targets through all operations across the Group and including those related to climate change.

The Operations Council, which is chaired by the CEO, typically meets every month.

Sustainability and climate change are an agenda item and the corporate sustainability team often attends these meetings to present and discuss sustainability and climate change topics.

The Operations Council is comprised of a wide range of senior management representing the full breadth of the SGS Group:

- The chief operating officers provide insight in terms of our operations at a regional level (e.g. the impact that a climate mitigation program could have on the regions or how to best implement it)
- The executive vice presidents provide insight in relation to our services (e.g. how to maximize the opportunities that climate change brings in relation to our service offer)
- The senior vice presidents (including the SVP of Corporate Communications, Sustainability & Investor Relations) provide insight in relation to our functions (for example, the chief compliance & legal officer advises on the legal implications of climate change and associated regulation), processes and risks, including those related to climate change.
- These are monitored on an ongoing basis by the Board of Directors with the approval of the Operations Council.

Governance
continued

In addition, an annual risk assessment process is conducted as follows:

- Main divisions and functions at local, regional and global levels proceed to identify potential risks. The risks are then classified and evaluated by their criticality (magnitude of impact and likelihood of occurrence), also reflecting SGS's risk appetite and risk tolerance levels. The respective lines of business and functions also define and implement required mitigation actions to address the existing risks.
- After risks are identified, the Group Risks Steering Committee, followed by Operations Council, chaired by our CEO, validates the results. The results and conclusions are also shared with the Board of Directors and the Audit Committee
- The Board of Directors and the Audit Committee review and discuss with management the outcome of the above risk assessment and propose further actions. Special focus is placed on ensuring that all main risks (whether internal or external) relevant to SGS organizations, are sufficiently covered, with proper action plans in place to regularly monitor the impact and mitigation of such risks.

Incentive structure

Environment, social and governance (ESG) metrics are included in the long-term incentive scheme for all executive members and local management teams across the organization, accounting for 20% of the incentive opportunity.

These ESG metrics have been selected by the Board of Directors in line with the Company's sustainability ambitions, in the areas of diversity and inclusion (women in leadership positions), health and safety (Lost Time Incident Rate), and environment protection (CO_2 emissions).

The vesting level for the ESG metrics is defined based on the Company's achievements against pre-defined performance levels, and can range between zero (in case the performance of two of the metrics is below target) and 150% (in case the performance of all three metrics is at maximum or above).

In addition, the drivers of our short-term variable incentive include annual financial performance, individual performance against leadership competency model and sustainability metrics.

Strategy

Time horizons

We have defined the following time horizons for climate-related risks and opportunities:

Time horizon	Time period	Rationale
Short term	Present to 2023	Our Sustainability Ambitions 2030 set short-term targets
Medium term	2023 to 2030	Our Sustainability Ambitions 2030 set medium-term targets
Long term	2030 to 2050	We are committed to achieving Net Zero by 2050

These horizons were chosen because they are aligned with our business and sustainability strategies.

Impact on business, strategy and financial planning

Identifying and quantifying impacts

Climatic risks and opportunities are identified through various channels:

- Climatic scenario analysis: through climatic analysis models, market trends, upcoming regulations and megatrends
- Our operations: they are up to date with market changes that can result in risks and/or opportunities
- Business continuity team: they analyze, anticipate and prepare the organization for potential business disruption, which includes extreme weather events

Identified climatic risks include upstream and downstream activities across the supply chains for all our stakeholders, which are input into our risk intelligence tool for evaluation.

Managing impact

In addition to identifying and evaluating potential risks, for all our operations and functions at local, regional and global levels are required to explain the associated mitigation programs, in order to define the residual risks. These residual risks are then evaluated against SGS risk appetite and risk tolerance level.

In addition to the process described in section 2.2, executive vice presidents of each of our divisions take climatic risks into consideration when defining the strategy of the division and in their financial planning. In most cases, this includes diversifying into other services or geographies where a portion of the business could be disrupted due to market or regulatory changes, and investing where new opportunities are likely to appear or where there may be an increase in demand for an existing service.

These risks and opportunities are prioritized depending on this assessment. An example of how we are investing to capture these opportunities is our sustainability solutions.

Our Sustainability Solutions Framework has been designed to support our customers as they respond and adapt to societal and environmental challenges by implementing sustainable, safer and more efficient processes across their value chains.

As well as enhancing service visibility for customers, the new framework also enables us to quantify and track revenue from sustainability activities and helps with our process of measuring the value to society that these services provide.

Strategy
continued

Main risks and opportunities

Below are the main risks and opportunities that could have a financial impact on the organization:

Main climate-related risks

Risk category	& risk	Impact description	Mitigation	Time horizon	Geography
Regulatory	**Increasing price of carbon**	Due to an increase in the price of carbon off-sets (to maintain our carbon neutrality) and to an increase in carbon taxes from governments.	Reducing our carbon emissions and energy consumption through our climate change mitigation strategy. Implementing a strategy to mitigate the increase in carbon offsets and increasing self-generation of renewables.	Medium term	Global
Regulatory	**Increased compliance costs**	Higher operational costs to comply with climate related legislation (e.g. EU Taxonomy, adoption of TCFD recommendations, etc.).	We take a proactive approach and adopt best- in-class practices towards climate change mitigation and adaptation.	Short term	Global
Technology	**Failing to adapt to new low carbon technologies**	Not adopting low carbon technologies (such as low carbon vehicles, energy efficiency measures for our buildings or renewable energy generation) would reduce our competitiveness and affect our reputation.	Our climate change mitigation strategy ensures that we continuously innovate, for example through our energy efficiency in buildings program or our vehicle emissions policy.	Medium term	Global
Market	**Shifts in service demand**	Market changes due to climate change can have a significant impact on client demand for SGS services, either directly or indirectly. Some of the specific potential shifts we have identified by division are: • Natural Resources: risks associated with coal phaseout and different types of crops in several regions, and with climate change regulation and market demands • Connectivity & Products: two potential risks associated with carbon pricing and changes in customer behavior • Industries & Environment and Knowledge: risks associated with transition-related new markets	We are diversifying our market segment, to increase revenues from markets that will be developing as a result of climate change. Cornerstone to this are our sustainability solutions, a wide range of services that help organizations to implement better and more efficient processes, address stakeholder concerns, address risks and accomplish their sustainability goals. The impact of this mitigation measure is displayed as an opportunity below, under "main climate-related opportunities."	Medium term	Global
Reputation	**Climate reputation**	Failing to address appropriately our impact on climate change or to comply with climate regulation would impact the value of our brand and imply the loss of clients.	Our sustainability team ensures that our approach to addressing climate change is best-in-class and credible. Our sustainability and legal teams ensure that we stay up to date with legislation and comply with all regulations.	Long term	Global

Risk category & risk		Impact description	Mitigation	Time horizon	Geography
Acute physical	**Extreme weather**	Extreme weather conditions, such as cyclones, hurricanes or floods, can affect our business performance and continuity, by forcing us to close sites disrupting our logistics, etc.	We have business continuity guidelines and a global emergency management standard which our affiliates must implement at local level. This ensures that 100% of our revenues, as well as any new operations, are protected against extreme weather-conditions. Business continuity programs across SGS define roles and responsibilities in case of crisis and provide guidelines and group procedures to organize a coordinated response in case of emergencies.	Short, medium, and long term	Global
Chronic physical	**Increase in mean temperatures**	Higher mean temperatures result in higher energy consumption and usage of refrigerant gases, which translate into CO_2 emissions.	Through our energy efficiency in buildings program we implement measures to optimize energy consumption in our facilities. Our energy efficiency in buildings program covers our entire operations, ensuring that 100% of our revenues, as well as any new operations, are protected against the increase in mean temperatures. We are also working on reducing the fugitive emissions of refrigerant gases.	Short, medium, and long term	Global
	Rising sea levels	Our coastal facilities could be impacted, requiring relocation.	Given that rising sea levels is a slow phenomenon, we continually assess when it will be necessary to move affected facilities.	Long term	Global

* The financial impact related to shifts in service demand covers SGS's services related to renewable energies, electric vehicles and minerals required for clean energy transition.

Strategy
continued

Main climate-related opportunities

Opportunity category	& opportunity	Impact description	Strategy to maximize opportunity	Time horizon	Geography
Technology	**New and more affordable low carbon technologies**	An increased demand for low carbon technologies is resulting in new technologies appearing, being developed faster and being made more affordable, in most cases.	Adopting these technologies will help us implement our climate change mitigation strategy, also reducing costs associated with energy and carbon.	Medium term	Global
	Cost savings associated to climate strategy implementation	Reducing the energy that we consume in our buildings, as well as the amount of employee travel, will not only reduce our carbon emissions but also the associated costs (such as the cost of energy, the trip and carbon offsets).	Reducing our carbon emissions and energy consumption through our climate change mitigation strategy (including amongst others our energy efficiency in buildings program and our vehicle emissions policy).	Short, medium, and long term	Global
Market	**Shifts in service demand**	Market changes due to climate change can have a significant impact on client demand for SGS services, either directly or indirectly. Some of the specific potential shifts we have identified, by division, are: • Natural Resources: opportunities associated with energy and water efficiency, and several opportunities associated with different types of crops in Eastern Europe, the Mediterranean region and North East Asia • Connectivity & Products: several opportunities associated with electric mobility, supply chain certification and higher demand for product testing • Industries & Environment and Knowledge: opportunities to increase our energy efficiency, carbon pricing, green building and climate-related reporting services clients	Through our sustainability solutions we will be proactive about maximizing the opportunities presented by climate change, enhancing existing services and creating new ones.	Short and medium term	

Quantification of financial impact

As transition risks and opportunities are those expected to have the largest impact on the Group operations, we have quantified the estimated financial impact of :

- Increasing price of carbon (risk)
- Cost savings associated to climate strategy (opportunity)
- Shifts in service demand (risk and opportunity)

Two climatic scenarios (2°C and 1.7°C) (explained in details in the following section) as well as a 2050 time horizon were used, while two distinct operational scenarios have been assessed:

- Business as usual, through which SGS remains on its current level of climate strategy ("gross financial impact")
- Climate strategy, through which SGS fully reaches its climate targets ("net financial impact")

The estimated amounts presented in the table below represent the total discounted value of future revenues and costs driven by transition risks and opportunities, for the period from 2023 to 2050, using a weighted average discount rate of 7.4%.

The calculated financial impact on SGS is denominated in Swiss francs. Where financial projections were denominated in another currency, these were converted to Swiss francs by using forward exchange rates from Oxford Economics.

Where projections were made in real terms, inflation expectations for Switzerland were considered, taken from Oxford Economics.

Risk category & risk	IEA STEPS 2050		IEA APS 2050	
	Gross financial impact (CHF million)	Net financial impact (CHF million)	Gross financial impact (CHF million)	Net financial impact (CHF million)
Regulatory Increasing price of carbon	(31)	(24)	(60)	(25)
Market Shifts in service demand	(6)*	(6)*	(140)*	(140)*

Opportunity category & opportunity	IEA STEPS 2050		IEA APS 2050	
	Gross financial impact (CHF million)	Net financial impact (CHF million)	Gross financial impact (CHF million)	Net financial impact (CHF million)
Technology Cost savings associated to climate strategy implementation	0	515	0	510
Market Shifts in service demand	419*	577*	656*	944*

* The financial impact related to shifts in service demand covers SGS's services related to renewable energies, electric vehicles and minerals required for clean energy transition.

Strategy
continued

Scenario analysis and resilience strategy

Scenario analysis
As part of our climatic risk and opportunity management process, we conduct scenario analysis to improve our strategic resilience and explore climate vulnerabilities that might impact our business.

We conducted a first climate scenario analysis in 2021, using 4°C and 2°C scenarios, which helped us identify some of our most significant risks and opportunities.

In 2022, a second scenario analysis was conducted, using 2.5°C and 1.7°C scenarios, that were more suitable for the purpose of quantifying the financial impact of some of these significant risks and opportunities.

Analyses are done following TCFD recommendations, which indicate that at least two scenarios should be used, including one scenario aligned with the Paris Agreement, while the other is based on business as usual.

The scenario analysis takes into consideration existing and emerging regulatory requirements related to climate change as well as other relevant factors, such as market trends.

Regarding time horizons, our 2021 scenario analysis used 2030 since the models we used were defined for that specific year and this horizon was aligned with the timings of our Sustainability Ambitions 2030. Our 2022 scenario used 2050 as longer-term models were available and this timing is aligned with our Net Zero commitment.

Scenarios used during 2022 scenario analysis

IEA Announced Pledges Scenario (RCP 2.6/SSP 1-2.6)

This scenario assumes that all climate commitments made by governments (as of September 2022) for 2030 targets and longer term net zero and other pledges will be met, leading to a global warming of 1.7°C.

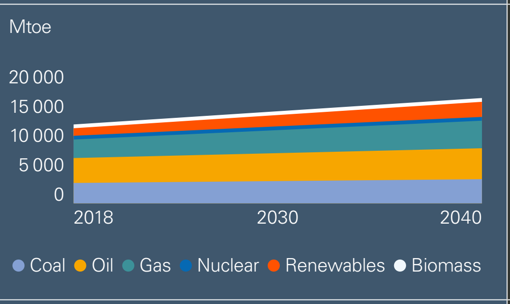
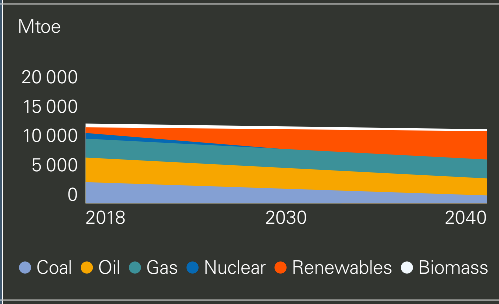
- Carbon prices to significantly rise
- Strong government policy
- Technology advancements in low carbon processes
- Increased investor and customer climate expectations and behaviors
- Fossil fuels become uncompetitive due to high price backlash
- Strong buy-in for low carbon products from customers and suppliers

IEA Stated Policies Scenario (RCP 4.5/SSP 1-2.6)

This scenario provides a more conservative benchmark for the future, because it does not take for granted that governments will reach all announced goals, leading to a global warming of 2.5°C.

- Value chain disruption on an unprecedented scale
- Asset impairments increase as value of sites decrease
- Significant impacts on productivity via worker health and safety
- Insurance premiums rise exponentially (or coverage cannot be provided)
- Asset resilience requirements increase exponentially
- Changes to operating and/or distribution seasons

Scenarios used during 2021 scenario analysis

	~4°C world	~2°C world
Physical impacts of climate change	Emissions continue to rise at current rates Catastrophic climate-related impacts Based on scenario: FAO SSS (IPCC RCP8.5)	Emissions decline by 45% by 2030 Managed climate-related impact Based on scenario: FAO TSS (IPCC RCP4.5)
Carbon price	CO_2 prices stagnate to USD 30/ton	CO_2 prices in OECD markets reach USD 340/ton in 2030 Based on scenarios: IPCC SR1.5 and RCP1.9-SSP5
Energy mix		
Regulation, Certifications	Development of emissions trading systems (ETS) around the world More stringent standards and performance certifications are required in different sectors (power, transport, industry) White certificate scheme and voluntary energy efficiency agreements are generalized in the EU Renewable purchase obligations are implemented	Mandatory standards become stronger in all sectors Accelerated retrofit in order to achieve energy efficiency Strong regulatory constraints in transport sector Wider hosting of international projects to offset CO_2 emissions

Resilience strategy

In order to enhance our resilience, SGS's framework aims to minimize climatic risks and maximize climatic opportunities.

To minimize risks, for each identified risk in which the gross risk level is unacceptable (i.e. the risk can have a significant impact on business revenues, profit margin, business continuity, reputation or operations), mitigation programs are defined in order to manage them and bring the residual risk level to an acceptable level.

In addition, our global business continuity strategy aims to enable us to respond to any disruption efficiently and effectively, while minimizing the impact on our operations in terms of our sites, processes and service delivery. See the risk intelligence section page 43 of this report for more information.

Finally, each division takes into consideration identified risks and the results of our scenario analysis to define our business strategies and ensure that we anticipate any market or regulatory changes, and that we also exploit any new opportunities. An example of this is our Sustainability Solutions Framework.

Our resilience strategy also includes the programs that we have in place to reduce our CO_2 emissions and our dependency on energy. Some examples are our energy efficiency in buildings program and our vehicle emissions policy.

Risk management

We manage climatic risks in our operations through our risk management framework. The objectives of which to ensure that risks faced by SGS are managed properly, to reduce the impact of negative risks while increasing the impact of opportunities, and to provide a tool for reporting risk to key stakeholders, senior management, the Board of Directors and our external community.

To ensure that the system is more efficient and effective, we have improved the organizational structure and related roles and responsibilities, and we have optimized the risk model and management process. As a result, a clear focus will be placed on key risks. Climate change risks are included in this risk-management process.

The Company's risk management process is conducted as follows:

1

All divisions and functions at local, regional and global levels identify potential short-, medium- and long-term risks, including those related to climate change, and covering our entire value chain: supply chain, own operations and services. This is done via detailed workshops and our new risk intelligence tool. The assessment takes place every six months.

2

The risks are then evaluated in terms of their impact and likelihood, based on their financial, reputational and strategic impact, to determine their gross risk levels.

3

Additionally, we have defined global risk category owners who specialize in each type of risk and review the evaluation provided at local level. Each global risk category owner is accountable for the assessment, validation and evaluation of the risk. The global risk category owner must use a bottom-up approach for this strategic risk assessment and has the ability to override the local assessment.

4

For each identified risk in which the gross risk level is unacceptable (i.e. the risk can have a significant impact on the business revenues, profit margin, business continuity, reputation or operations), mitigation programs are defined, in order to manage climatic risks and bring the residual risk level to an acceptable level. Risk assessment and measurement is formally performed twice a year while the monitoring process is ongoing.

5

Twice a year, the Group Risk Steering Committee and the Operations Council, chaired by the CEO, validates the results and shares them with the Board of Directors and the Audit Committee review, who review and approve the risks.

6

The Board of Directors and the Audit Committee review and discuss with management the outcome of the above risk assessment process. Special focus is placed on ensuring that the risk profile covers all areas of concern identified by the Board and that the Operations Council has put in place mitigation measures to monitor the evolution of such risks and mitigate their likely impact at an early stage. This includes those related to climate change, which are also reviewed and discussed in the Sustainability Committee of the Board of Directors.

Metrics and targets

The following information can be found in the "Non-financial statements" section of this Integrated Annual Report:

- The key metrics used to measure and manage climate-related risks and opportunities
- Scope 1, Scope 2 and Scope 3 GHG emissions and the related risks provided for historical periods to allow for trend analysis
- Key climate-related targets

In 2020, we linked the long-term incentive to ESG performance targets. These targets include CO_2 emissions per unit of revenue.

While we are working to reduce CO_2 emissions from our operations as much as possible, we compensate for any residual emissions with our carbon off-setting strategy. This enables us to bridge the gap between our current emissions levels and the more sustainable future which we are working hard to achieve.

We are fully committed to supporting human rights and preventing violations across our global network.

At SGS, we are led by our purpose to enable a better, safer and more interconnected world. As a fundamental part of this, we commit to respecting human rights – not just an ethical obligation, but as an important part of our role in society. This report consolidates the principles, policies and initiatives that demonstrate our commitment to human rights. We aim to improve transparency to our stakeholders in everything we do, and to report on our progress around these efforts.

Governance

At SGS, human rights permeate the highest levels of management. The SGS Human Rights Executive Committee, formed in early 2017 and chaired by the CEO, is ultimately responsible for and oversees the application of our human rights commitments across the group.

The chief compliance officer is responsible for managing compliance with the SGS code of integrity, while the SGS supplier code of conduct is jointly managed by our global procurement and corporate sustainability teams. Senior managers are expected to demonstrate visible and explicit support for human rights as defined in the SGS code of integrity, the SGS business principles, the SGS human rights policy and the SGS supplier code of conduct.

Our human rights task force is in charge of strengthening SGS's human rights due diligence program and ensuring it remains suitable to the company's nature and operations. This taskforce is integrated by high-ranking representatives and steered by corporate sustainability.

Lastly, a dedicated sustainability committee of the board has been appointed to reflect the growing importance of sustainability, including human rights, to all our stakeholders and build on the substantial work already achieved.

Embedding human rights in our policies, principles and due diligence processes

Our unwavering commitment to respecting human rights is grounded in our SGS code of integrity and our SGS business principles, and reflected in our human rights policy, supplier code of conduct and other relevant policies.

Additionally, we utilize a wide range of controls to assess, prevent and mitigate risks related to human rights and broader labor rights violations across our operations.

Relevant human rights risks are embedded in our enterprise risk management framework, which places the responsibility and accountability for managing risk close to our operations.

In addition, we have integrated controls, specifically targeting human rights related risks in our group-wide internal control framework. These controls include, but are not limited to, compliance with minimum wage requirements, overtime rules, changes to pay, collective agreements, etc.

To further mitigate any adverse human rights impact, SGS applies the four-eyes principle in a rigorous manner to all employment-related decisions.

All employment contracts and any changes in an employee's general conditions require at least two levels of approval and the validation of a human resources professional.

We continue our efforts to integrate human rights into our group-wide policies and control systems.

See www.sgs.com/en/our-company/corporate-sustainability/our-approach#C11 for more information

Delivering on our human rights commitments

To bring our human rights commitment to life, we embrace and follow the principles of the United Nations Global Compact and United Nations Guiding Principles (UNGPs) on business and human rights.

The UNGPs incorporate by reference the rights and principles expressed in the International Bill of Human Rights and in the International Labor Organization Declaration on Fundamental Principles and Rights at Work with its eight core conventions, all of which we respect.

As part of our continuous effort to respect human rights, SGS has implemented numerous policies, programs and plans to prevent and mitigate the risk of causing adverse impacts to human rights.

Unless specified otherwise, all policies, programs and plans aimed at preventing and mitigating human rights risks, as described in this report, apply to all SGS employees and over 2 650 offices and laboratories operated by SGS.

Fair labor practices

As an employer, we impact the lives of over 97 000 employees and their families. We want our employees to be well and thrive during their time with SGS. We embed human rights in our policies, principles and due diligence processes and invest in programs and services to support human rights throughout the entire employee life cycle.

Embracing diversity in our recruitment process

To ensure that we are increasing the diversity of our hiring, we train our recruiters on recruitment best practices and talent acquisition, and our managers in recruitment, interviewing and diversity best practices. We are also measuring the gender diversity of our applicants.

SGS has a standardized recruitment process. The process includes the use of interview scorecards to standardize the evaluation of our candidates in the interview process. The proper and consistent use of interview scorecards helps us to remove potential interview bias, create a quantitative standard for candidate evaluation and to make better hiring decisions.

Furthermore, SGS designed a gender bias toolkit to help us prevent using gender-biased wording in job adverts. Gender-biased words can be viewed as discrimination toward male or female candidates and could discourage people from applying to work for SGS.

Fair and competitive remuneration

SGS provides fair and competitive remuneration packages in all the markets in which we operate.

We ensure a fair and competitive remuneration package by using a well-known and broadly used global grading methodology throughout the SGS Group. This methodology helps us evaluate each job's contribution to our business success and it allows us to benchmark our remuneration packages against local market practices. The benchmarking data we use is collected through salary surveys performed by reputable professional service providers.

The remuneration is defined according to the grade of the job that employees will perform, their knowledge, qualification, skills and experience. Salary increases are reflective of the employee's contribution and impact on our business success, as well as external factors, such as local legislation and collective bargaining agreements.

SGS applies these methodologies throughout the SGS Group to promote the principle of equal pay for work of equal value and to support diversity.

In line with our anti-discrimination and dignity at work policy, we are committed to promoting a workplace that provides equal opportunity for all employees. All employment-related decisions, including compensation, benefits, recognition and promotions will be made solely on the basis of an individual's qualification, performance and behavior or other legitimate business considerations.

We respect minimum wages defined by the local regulations and comply with all the mandatory requirements defined by local legislation or binding collective bargaining agreements with regards to wages and their evolution.

No cash policy

SGS recognizes that cash-based wage payments are not only inefficient for employers, but also risky and disempowering for workers.

We therefore follow the recommendations of the International Labor Organization and the UN-based Better than Cash Alliance to shift wage payments from cash to digital, in order to promote respect of workers' rights, broaden financial inclusion and to make payments safer and more transparent.

Our group policies require wages to be paid digitally and not through cash or cheques.

Education and employability

SGS promotes the right to education by offering continuous learning opportunities to all our employees. Our employee online learning portal offers a large portfolio of learning opportunities, ranging from technical knowledge to interpersonal and management skills. It enables our employees to fully customize their individual learning path to their needs. We believe that helping our employees embrace a lifelong learning mindset, will empower them to increase their employability and help them be more resilient to life challenges.

Anti-discrimination and dignity at work

As a global company, we consider that it is our responsibility to stand up for human rights and practice tolerance, inclusion, and respect to enable a better, safer and more interconnected world.

We achieve this goal through the promotion of greater debate and transparency, and the exchange of different views, experiences and perspectives.

The general obligation of every employee to abide by the principles of anti-discrimination is embedded in our SGS code of integrity and our group policy on anti-discrimination and dignity at work.

Delivering on our human rights commitments continued

The latter aims to raise awareness of our zero tolerance of any form of discrimination and provide guidance on how to deal with it. It supports our commitment to promoting an equal opportunity workplace for all employees and an environment in which we treat everyone with dignity, consideration and respect.

We encourage our employees to act immediately and speak up if they encounter discrimination. At SGS, there is no place for any form of discrimination.

Facilitating the freedom of expression and opinion

At SGS, we value an open culture and are committed to cultivating an environment where everyone feels comfortable about engaging in an open dialog, contributing ideas, and expressing thoughts and opinions without any fear of retaliation. As expressed in our business principle on leadership, we are committed to encouraging an honest and transparent relationship with our people to promote sharing, collaboration and engagement.

To enable our employees to share their honest feedback anonymously and to help us understand how our employees feel about working for SGS, we conduct regular employee engagement surveys.

We use communication tools, such as Yammer, as SGS's private and social collaboration network to foster open dialog. All our employees can join the SGS private network on Yammer, ask questions, share ideas, express their opinion, and create and join communities.

Bonded labor, child labor and forced labor

SGS does not engage in bonded labor, child labor or forced labor.

As an inspection, verification, testing and certification company, it is in the nature of our business to employ workers with a certain level of occupational qualifications (e.g., inspectors, auditors, office workers, laboratory personnel, etc.). In our own operations, a large part of our activities is therefore considered inherently low-to-medium risk for bonded labor, child labor or forced labor.

We believe the policies and procedures in place mitigate any risks related to bonded labor, child labor or forced labor.

Health and safety

At SGS, we recognize that our operations can impact the health of our workforce. Some of the harmful health risks and agents in our workplaces include exposure to noise, dust, chemicals, thermal and musculoskeletal stressors.

We monitor the health status of our workforce through the conduct of preemployment and subsequent periodic health surveillance, to ensure early detection of potential ill health, and assist in the management and recovery from illness resulting from these exposures through appropriate case management.

In line with our culture of care, we promote initiatives to enhance the physical and mental well-being of our employees to ensure their fitness for work. This includes the provision of preventative health measures, such as vaccinations, and mental and physical health programs focused on awareness, support and resilience.

SGS advocates for educating and raising awareness among its entire workforce as a means of ensuring the health and safety of all its employees and delivers around 2.5 million training hours on health and safety per annum to our employees.

In addition, SGS has identified roles and responsibilities of the managers. By establishing a clear mechanism for clarifying responsibilities, managers are encouraged to ensure the safest possible working conditions for their employees.

Zero-recruitment-fee policy

Large recruitment fees can leave employees in situations of debt bondage, a form of forced labor in which a person's labor is demanded as means of repaying a loan, trapping the individual into working for little or no pay until the debt is repaid.

SGS applies a zero-recruitment-fee policy. As part of this fair recruitment practice, SGS never requires an administration fee for processing job applications and never requests money or financial information from an applicant to secure a job as an employee, intern, or to provide services as a contractor.

In recent years, it has come to our attention that various individuals and organizations have contacted people offering false employment opportunities with SGS.

We have taken this matter seriously and notified appropriate legal authorities in an effort to stop such fraudulent schemes.

In addition, we have launched internal and external communication campaigns to prevent candidates from becoming victims.

We invite candidates to check the legitimacy of a job offer or to report potentially fraudulent job offers to our corporate security department.

Home working

To mitigate the risks related to employees working from home, a group policy is in place outlining applicable rules, regulations and norms governing home working.

The policy includes, but is not limited to, guidance on health and workspace safety at home, and rules to prevent potential harassment or discrimination of employees working from home. It also clarifies that the requirements relating to absence, sickness and recording of work time at home must be observed in the same way by home workers as by employees who work in the office.

To help our employees manage mental health while working from home, we offer employee assistance programs in different locations. These include mindfulness sessions, stress management training, virtual yoga, mental health virtual talks, and much more.

Vulnerable groups

Individuals from certain groups or populations may be particularly vulnerable to impacts on their human rights, such as children, women and migrant workers.

SGS takes responsibility for paying special attention to vulnerable groups and recognizing the specific challenges that they may face.

Children

SGS does not employ children under the age of completion of compulsory schooling and, in any case, under 16 years. To ensure this, we closely monitor the age of our employees and confirm a potential candidate's identity and right to work through our global standards on pre-employment screening.

Women

SGS strives to have proportional representation of women in leadership positions throughout the group.

We have included Women in Leadership (CEO-1, CEO-2 and CEO-3 management positions) as a non-financial KPI into the long-term incentive plan of the SGS Group.

In addition, our gender-inclusive recruitment process for leadership positions requires that there is at least one woman on every interview panel and at least one female candidate on every final shortlist for CEO-1, CEO-2 and CEO-3 positions.

In 2021, SGS became signatory of the Women Empowerment Principles – a United Nations private sector initiative that offers guidance to businesses on how to promote gender equality and women's empowerment in the workplace, marketplace and community.

As an example of our efforts, in 2022, SGS Switzerland obtained Equal Salary Certification, a symbol of excellence in terms of equal pay for all its employees in Switzerland. After successfully passing the statistical analysis of all salaries, SGS Switzerland underwent an internal audit entrusted to an external audit company proving equal pay for women and men.

Migrant workers

We realize the importance and extent of the migration phenomenon and recognize the vulnerable situation in which migrant workers frequently find themselves.

We mitigate the risk of employing workers who are non-documented or in an irregular situation through our global standards on pre-employment screening. Our global standards include, but are not limited to, the confirmation that the identity of our candidates is genuine and that they have a valid visa and work permit for the country of employment.

SGS has also conducted a global compliance review of cross-border employment relationships. Each identified cross-border case was reviewed, tailor-made guidance was provided, and corrective actions were implemented where required. Following the compliance review and, to mitigate any risks related to cross-border employment relationships, SGS set global standards. Through the avoidance of cross-border employment relationships, SGS ensures that employees working in the same location have access to the same rights and working conditions.

Supply chain

With a CHF 2 billion annual supply chain spend, we have a significant opportunity to extend our sustainability principles to many more businesses and employees beyond our own. As a responsible major purchaser, we ensure that goods and services are sourced sustainably and that our suppliers respect human rights.

Code of conduct for suppliers

Our supplier code of conduct sets out the basis of our responsible sourcing approach. It defines not only the nonnegotiable minimum standards that we ask our suppliers to respect when conducting business with SGS, but also the values which are shared throughout SGS, its various businesses and affiliates. Every supplier that wants to do business with SGS is required to sign the SGS code of conduct to ensure that they are aligned with our standards and commitments, including those related to human rights.

Supplier self-assessment questionnaire

We have started rolling out our new Self-Assessment Questionnaire (SAQ) for strategic suppliers. This includes the definition of a new process that considers supply chain risk management and mitigation plans for high-risk vendors. The first phase, in Q4 2022, covered our strategic global suppliers and strategic local suppliers from four countries. By the end of 2023, we plan to extend the use of the SAQ to all countries in scope.

Supplier diversity program

SGS knows that diverse supplier networks bring uniquely rich insights and experiences that are vital to our innovative edge. Therefore, we are working to promote diversity and inclusion across our supply chain.

As a result of these efforts, SGS North America is ensuring that minority-run suppliers have fair opportunities in procurement tenders. By doing so, SGS is not only improving the well-being of underrepresented groups, but also creating a positive socioeconomic impact on society as a whole, as it supports small firms.

Delivering on our human rights commitments continued

Data privacy

SGS is committed to treating the right of any individual to control their own personal information and to decide about it. Privacy is a fundamental human right and SGS has adopted an approach that protects the personal data of our customers, employees and third parties from the moment we collect it to the time we destroy it.

Data privacy is a key principle of our code of integrity. SGS respects the privacy and confidential nature of the personal information of any individual we interact with to the extent required for the effective operation of its business or for complying with legal requirements.

Our data privacy policy governs how we collect, use, and manage the personal data of customers, employees and third parties. Moreover, we have developed a management framework to allow us to manage personal data in a manner that is consistent with the data privacy policy across all affiliates.

Aside from the policies, our data protection officers provide continuous advice, identify privacy risks, develop policies on specific issues, and train employees on data privacy.

We also take data privacy into consideration from the outset when developing new services or processes. By following the privacy by design approach, we aim to avoid a "collect first, ask questions later" approach to personal data. For those projects that entail data privacy concerns, our data protection officers work closely with the relevant business and IT security teams to undertake a data protection impact assessment, documenting both the potential risks to individuals and the measures being taken to minimize them.

Finally, any individual who wants to exercise their privacy rights can do so by simply visiting our online privacy request form at www.sgs.com. We will not discriminate against individuals who choose to exercise any of their rights. Specifically, SGS will not deny goods or services, charge different prices or rates, or provide a different level of quality of services.

Empowering human rights

At SGS, we believe that people are empowered when they understand their human rights, know how to raise concerns and are provided with remediation consistent with local laws and the United Nations Guiding Principles (UNGPs) on business and human rights.

Human rights related training

We strive to build a culture of respect for human rights at SGS. We offer training on human rights related topics, because we believe that raising awareness and sharing values through training is crucial to ensuring that our employees act responsibly. Some examples of courses related to human rights, in addition to those described above, include:

- Human rights
- SGS code of integrity
- The integrity minute
- Health and safety
- IT security and data privacy

Grievance mechanism

We communicate extensively throughout the Group on the different channels through which employees, external rightsholders and stakeholders can bring any violations or risks of human rights violations to our attention.

Our SGS integrity helpline is available 24/7 in multiple languages online and by phone and is one way to report concerns confidentially and anonymously. The SGS integrity helpline is operated by an independent service provider specialized in dealing with compliance and ethics concerns. Communications made to this helpline are treated confidentially and are reported to the SGS compliance team which protects the anonymity of the informant, where required.

SGS ensures that nobody faces any form of retaliation or adverse consequences for having sought advice or reported any violations or risks of human rights violations. Retaliation against a rights-holder who has reported a violation in good faith will result in disciplinary action.

More information on our grievance mechanism can be found in the SGS code of integrity and human rights policy as well as our group policy on anti-discrimination and dignity at work.

Remediation

We recognize that even with the best policies and practices, SGS may cause or contribute to an adverse human rights impact that we have not foreseen or been able to prevent.

When this occurs, SGS applies remediation actions to ensure that the people who were negatively affected receive an effective remedy.

In line with the UNGPs, when an adverse human rights impact is detected in our own operations, SGS is committed to taking transparent action to remedy the situation in a fair and equitable manner. Should the adverse impact be found in the supply chain, SGS will encourage its suppliers to respect human rights, either through the development and implementation of corrective action plans or governance.

We do not tolerate violations of the code of integrity. Violations of the SGS code will result in disciplinary action, including termination of employment and criminal prosecution for serious violations.

In 2022, there were no human grievances identified through the SGS integrity helpline. Four cases of discrimination were identified all of which resulted in disciplinary actions and two terminations.

Additional progress reports

SGS has set ambitious human rights targets as part of our Sustainability Ambitions 2030, which address our entire value chain. **These targets include 2023 targets and 2030 targets, as set out below:**

2023
Human rights targets

- Achieve 30% of women at CEO-3
- Reduce our Total Recordable Incident Rate by 20% and Lost Time Incident Rate by 10% and HSE certify the main operational sites (integrated ISO 45001 and ISO 14001 certification)
- Continue performing annual risk assessments on human rights across the group, keep developing our human rights due diligence program to avoid violations across our operations and train 100% of our employees on our human rights principles annually

2030
Human rights targets

- Strive towards an equitable representation of genders at CEO-3
- Reduce our Total Recordable Incident Rate by 30% and Lost Time Incident Rate by 20% and HSE certify the main operational sites (integrated ISO 45001 and ISO 14001 certification)
- Continue performing annual risk assessments on human rights across the Group, keep developing our human rights due diligence program to avoid violations across our operations and train 100% of our employees on our human rights principles annually

Progress against these targets is available in our 2022 Integrated Report.

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Stock Exchange listing
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Stock Exchange trading
SIX Swiss Exchange

Common stock symbols
Bloomberg: Registered Share: SGSN.VX
Reuters: Registered Share: SGSN.VX
Telekurs: Registered Share: SGSN
ISIN: Registered Share: CH0002497458
Swiss security number: 249745

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Annual General Meeting
Tuesday, 28 March 2023
Geneva, Switzerland

2023 Half-Year results
Monday, 24 July 2023

Dividend payment date
Ex-date: Thursday, 30 March 2023
Record date: Friday, 31 March 2023
Payment date: Monday, 3 April 2023

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how we are enabling
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