

SGS

SGS 2021 TCFD Report

Taskforce on Climate-Related
Financial Disclosures



Contents

1.	Introduction	1
2.	Governance	2
2.1	Board oversight	2
	Structural overview	
	Oversight	
2.2.	Management's role	3
	Structural overview	
	Processes	
	Incentive structure	
3.	Strategy	4
3.1.	Climate-related risks and opportunities over the short, medium and long term	4
	3.1.1. Time horizons	
	3.1.2. Climate-related risks and opportunities	
3.2.	Impact on business, strategy and financial planning	8
	3.2.1. Identifying and quantifying impacts	
	3.2.2. Managing impact	
3.3.	Scenario analysis and resilience strategy	9
	3.3.1. Scenario analysis	
	3.3.2. Resilience strategy	
4.	Risk management	12
5.	Metrics and targets	13

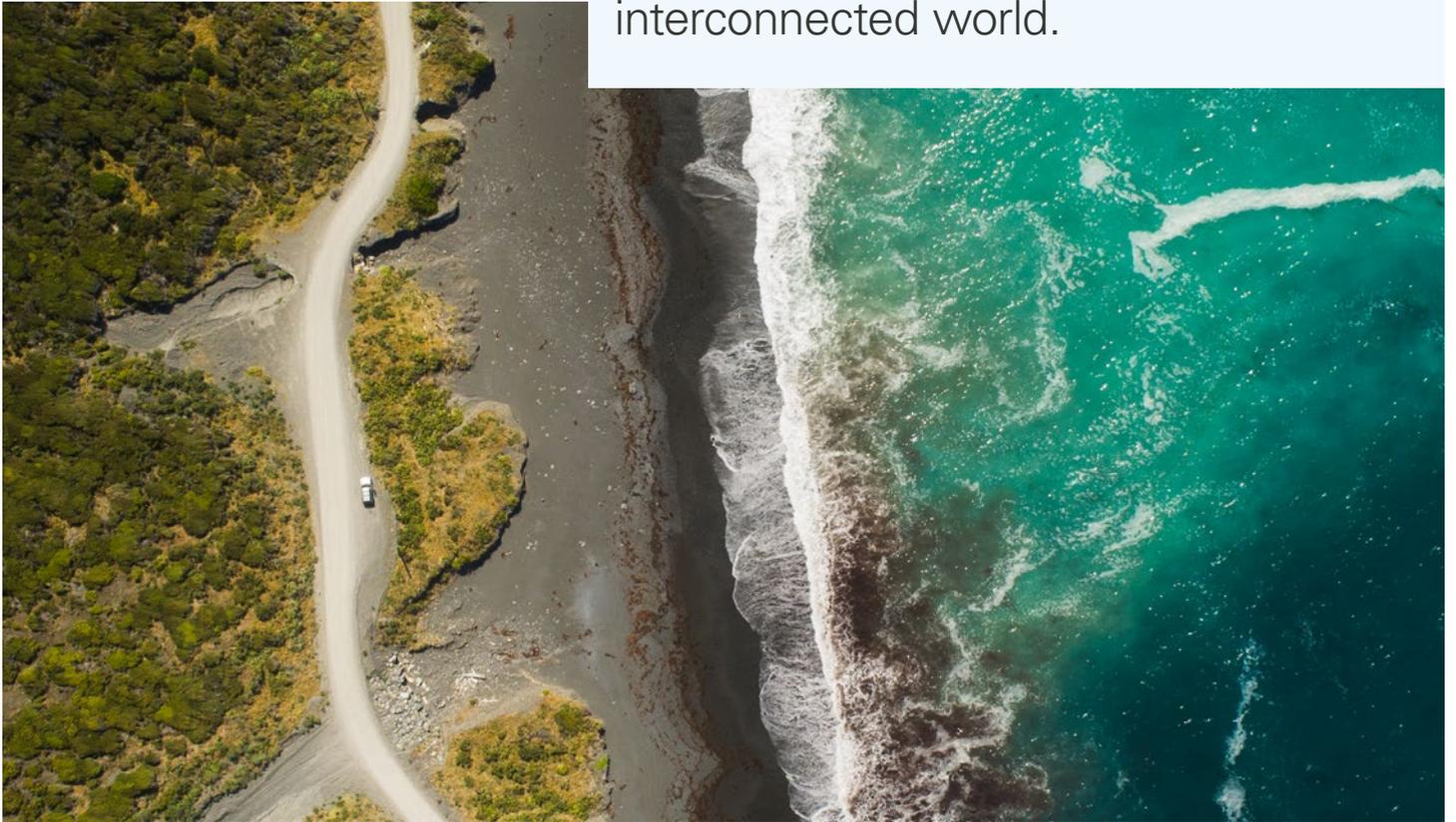
Our integrated reporting approach

The Integrated Reporting framework <IR> aims to create transparency. For the fourth consecutive year we have integrated our financial, operational and sustainability information in a single report – measuring our financial and non-financial performance across the six <IR> capitals. In addition to the information presented in this report, more detailed sustainability information is provided in our 2021 Corporate Sustainability Report.

www.sgs.com/en/annual-report

1. Introduction

As a sustainability leader, SGS is committed to a carbon neutrality 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 2021 sustainability and integrated reports. 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 organisation.

This increases our transparency and will help our stakeholders make more informed decisions when engaging with SGS.

Helping in the fight against climate change through changing our company behaviour 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: having been a carbon neutral company since 2014, being one of the first companies to set science-based targets for 2025 and 2030, our recent commitment to the Business Ambition for 1.5C and to Net-Zero, and the launch of our Sustainable Solutions Framework in March 2021.

In addition, In 2021, we further aligned our capital allocation decisions and management incentivization to sustainable criteria. Progress was through: launching a €1 billion sustainability-linked revolving credit facility; further elevating sustainability factors in the Operations Council capex approval process; introducing sustainability KPIs in both our short-term and long-term management incentivization.

This report presents SGS' governance, strategy, management practices and metrics in relation to climate change and its impact on the organisation. This report follows TCFD recommendations and methodology, which we will further adopt going forward.

2. Governance

2.1. 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.

The **Corporate Governance & Sustainability Committee** was created in 2020, and met two times in 2021, with the key objective of assisting the Board in discussing and approving Group governance and sustainability policies and strategies, including matters relevant to the Group's reputation and non-financial risks.

Following the AGM we will appoint a dedicated Sustainability Committee of the Board to reflect its growing importance to all our stakeholders and build on the substantial progress already made by the company and its employees. The committee will focus on discussing sustainability risks, policies and strategy and approving the strategy.

 Please refer to the Corporate Governance section of our 2021 Integrated Report for more information



2. Governance

continued

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 2021, the Corporate Governance & Sustainability Committee met twice. In addition, the members of the Board regularly receive reports on progress against our corporate targets.

In 2020, the Board approved our 2030 Sustainability Ambitions, which were published in May 2021. Our ambitions include specific climate targets for 2023 and 2030.

These targets include our science-based targets. Additionally, at the end of 2020, SGS linked CO₂ performance metrics to the long-term incentive remuneration of the management team.

The risk assessment and evaluation of climate change risks is fully 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 Corporate Governance & 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.

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.

2.2. Management's role

Structural overview

Our **Operations Council** is made up of six Executive Vice Presidents, seven Chief Operating Officers and four functional Senior Vice Presidents, as well as our Chief Executive Officer (CEO), Chief Financial Officer 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 Sustainability) 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.

In addition, a bi-annual risk assessment process is conducted as follows:

- All lines of business and functions at local, regional and global levels proceed to identify potential risks using our governance risk and compliance platform. The risks are then classified and evaluated by criticality (impact/exposure and likelihood of occurrence). The lines of business and functions also assess the mitigation programs to define the residual risks and evaluate them against SGS risk appetite and risk tolerance level
- After risks are identified, the Operations Council, chaired by our CEO, validates the results and share them with the Chair of the Board and the Audit Committee
- 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 internal controls to monitor the evolution of such risks and mitigate their likely impact at an early stage

Incentive structure

Environment, social and governance (ESG) metrics are now 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 (CO₂ 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.

3. Strategy

3.1. Climate-related risks and opportunities over the short, medium and long term

3.1.1. Time horizons

After consideration, we have decided on the following time horizons for climate-related risks and opportunities:

<p>Time horizon Short term</p> <p>Time period Present to 2023</p> <p>Rationale Our Sustainability Ambitions 2030 set short-term targets</p>	<p>Time horizon Medium term</p> <p>Time period 2023 to 2030</p> <p>Rationale Our Sustainability Ambitions 2030 set medium-term targets</p>	<p>Time horizon Long term</p> <p>Time period 2030 to 2050</p> <p>Rationale We are committed to achieving Net Zero by 2050</p>
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These horizons were chosen because they are aligned with our business and sustainability strategies.

3. Strategy

continued

3.1.2. Climate-related 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 i) an increase on the price of carbon off-sets (since we are a carbon neutral company), due to increasing demand, and ii) an increase in carbon taxes from governments	Reducing our carbon emissions and energy consumption through our climate change mitigation strategy	Medium term	Global
	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 of SGS services, either directly or indirectly. In particular our services related to coal will be negatively impacted. An example is the inspection of coal fired plants sourced from China, which will be impacted by China's government double carbon plan	We are diversifying our market segment, to increase revenues from markets that will be developing as a result of climate change (such as renewable energy, LNG, etc.)	Medium term	Global
Reputation	Negative social media coverage	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 address 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 regulation	Short term	Global

3. Strategy

continued

Main climate-related risks continued

	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.	<p>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</p> <p>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</p>	Short, medium, and long term	Global
	Increase in mean temperatures	Higher mean temperatures result in higher energy consumption and usage of refrigerant gases, which translate into CO ₂ emissions	<p>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</p> <p>We are also working on reducing the fugitive emissions of refrigerant gases</p>	Short, medium, and long term	Global
	Rising sea levels	Our coastal facilities could be impacted, having to relocate to other locations	Given that rising sea levels is a slow phenomenon, we continually assess when moving affected facilities is necessary	Long term	Global

3. 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 saving costs associated to energy and carbon	Medium term	Global
Market	Climate change mitigation and adaptation	<p>Demand for both existing and new services will be supported by the mitigation and adaptation actions that our clients take in response to climate change</p> <p>Examples of these services are:</p> <ul style="list-style-type: none"> • GHG inventory verification • Water stewardship certification • Forestry services • Responsible business solutions • ISO14001 and ISO45001 certifications • Second party opinions for green loans/bonds • Verification of off-set projects • Advisory services 	<p>We are working on several fronts to maximize this opportunity, such as:</p> <ul style="list-style-type: none"> • Screening local regulations and aligning our teams to develop a total solution • Creation of dedicated teams at global and Affiliate levels to focus on realising these opportunities • Accelerating growth of formerly niche services, which will come into the mainstream • Conducting targeted acquisitions • Adding new carbon footprint services to current solutions • Packaging together inspection, product certification, lab testing and non destructive testing as total solution for hydro energy clients 	Short, and medium term	Global
	Greener choices of consumers for food and cosmetics	<p>Environmental impact is now one of the main driving factors behind a vast majority of purchases along with affordability and quality. More and more consumers are actively looking for and buying more environmentally friendly products</p> <p>Retailers and brands need to demonstrate their commitment to sustainability via the products they sell. To increase consumer trust, third party collected or validated information reinforces their sustainability claims and help brands to break through the noise</p>	We are implementing innovative TIC solutions to improve end-to-end supply chain transparency for consumers, including verification of good practices, product marks as well as validation of provenance and origin claims	Short, and medium term	Global

3. Strategy

continued

Main climate-related opportunities continued

Opportunity category & opportunity	Impact description	Strategy to maximize opportunity	Time horizon	Geography
Market Molecular biology for biodiversity and plant breeding research	<p>Climate change affects natural systems. Plants are well known to possess extensive genetic variation in drought and temperature tolerance, water-use efficiency, and other traits that can prove critical for surviving climate changes and avoiding extinction</p> <p>The use of tools such as molecular markers or DNA fingerprinting can map thousands of genes, allowing plant breeders to screen large populations of plants for those that possess the trait of interest</p>	<p>We can support plant breeders to understand genetic responses to climate conditions, where we see and can exploit increasing demand for molecular biology-based services</p> <p>We have increased our capacity in Europe and have started a new array based plant genotyping center in the US Mid West</p>	<p>Short, and medium term</p>	<p>Global</p>

3.2. Impact on business, strategy and financial planning

3.2.1. 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.

3.2.2. 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 the launch of our Sustainable Solutions Framework in March 2021. Our Sustainability Solutions Framework has been designed to support our customers to 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 sustainable activities and helps with our process of measuring the value to society that these services provide.

3. Strategy

continued

3.3. Scenario analysis and resilience strategy

3.3.1. Scenario analysis

During the course of 2021, we conducted a scenario analysis to improve our strategic resilience and explore climate vulnerabilities that might impact our business. This exercise also helped us align with the Swiss regulation, according to which from 2024, large Swiss firms will be legally bound to report on their climate-related risks.

This is already a mandatory reporting requirement for some of our affiliates, such as France and the UK.

We have analyzed each line of business and performed a scenario analysis based on different frameworks, considering two scenarios: a 2°C world and a 4°C world. The analysis was done following TCFD recommendations, which indicate that at least two scenarios should be used, including one scenario aligned with the Paris Agreement (in our case IEA Sustainable Development Scenario (SDS)), while the other is based on business as usual.

The resulting scenarios are presented on the following page.

	~4°C world*	~2°C world*
Physical impacts of climate change	<p>Emissions continue to rise at current rates</p> <p>Catastrophic climate-related impacts</p> <p>Based on scenario: FAO SSS (IPCC RCP8.5)</p>	<p>Emissions decline by 45% by 2030</p> <p>Managed climate-related impact</p> <p>Based on scenario: FAO TSS (IPCC RCP4.5)</p>
Carbon price	<p>CO₂ prices stagnate to \$30/ton</p>	<p>CO₂ prices in OECD markets reach \$340/ton in 2030</p> <p>Based on scenarios: IPCC SR1.5 and RCP1.9-SSP5</p>
Energy mix	<p>Mtoe</p> <p>2018 2030 2040</p> <p>● Coal ● Oil ● Gas ● Nuclear ● Renewables ● Biomass</p>	<p>Mtoe</p> <p>2018 2030 2040</p> <p>● Coal ● Oil ● Gas ● Nuclear ● Renewables ● Biomass</p>
Regulation, Certifications	<p>Development of emissions trading systems (ETS) in the world</p> <p>More stringent standards and performance certifications are required in different sectors (power, transport, industry)</p> <p>White certificate scheme and voluntary energy efficiency agreements are generalized in EU</p> <p>Renewable purchase obligation are implemented</p>	<p>Mandatory standards become stronger in all sectors</p> <p>Accelerated retrofit in order to achieve energy efficiency</p> <p>Strong regulatory constraints in transport sector</p> <p>Wider hosting of international projects to off-set CO₂ emissions</p>

* As otherwise referenced, please refer to page 11 for scenarios used.

3. Strategy

continued

~4°C world scenario description*



Economic

- Resource intensive economic growth
- Private sectors prioritize immediate concerns over environmental sustainability – price, rather than externalities, drives economic choices
- Circular technologies are uncompetitive – little circularity and strong reliance on virgin materials



Energy

- Increase in energy demand by up to 20% by 2030
- Fossil fuels still contribute to more than 2/3 of the energy mix
- Renewable electricity capacity increases by only 50% by 2030
- ETS for the power sector in China, renewable purchase obligation in India, new source performance standard in US



Industry

- Electricity demand in industry increases by 30% by 2030
- Voluntary energy efficiency agreements and white certificate scheme in EU
- Prohibition of establishment of new chemical parks and ETS creation in China's key regions
- Perform, Achieve and Trade (PAT) scheme that enables trading of energy savings certificates in India



Buildings

- Electricity demand in buildings increases by 35% to 2030
- Space cooling is the fastest growing use of electricity in buildings in Southeast Asia
- Energy efficiency standards are created
- Incentives for renewables-based heat in buildings are developed



Transport

- In 2030, oil demand for transport increases by 16% by 2030, biofuels by 47%, gas by 32% and electricity by 92%
- New standards for cars emissions and fuel sulfur are adopted
- EU plans to extend ETS to domestic aviation
- Incentives for electric, hybrid, biofuel and fuel cell vehicles



Agri-food

- 35% increase in demand for global food consumption by 2030
- Decline in food crop yield by 10% due to combined effects of climate change
- Ecosystem collapse due to climate change, unsustainable exploitation of natural resources and pollution (80% higher loss of biodiversity than in a 1.5°C scenario)

~2°C world scenario description*



Economic

- The economy is more capital intensive and technology accounts for a larger share of the GDP; increasing dematerialization of the economy
- Investment in low carbon technologies rapidly upscaled by a factor of six compared to 2015
- Regulators prevail vs. economic players allowing for a better planned and rapid transition
- Implementation of a global carbon price around USD 340 in OECD countries



Energy

- Global energy demand increases by 10%
- Spike in fossil fuel prices well above USD 115/bbl
- Strong increase in renewable electricity – by 2050 renewables supply 67% of primary energy, coal is phased out and gas runs with CCUS
- Energy intensity decreases by 3.6% each year on average
- Hydrogen grows rapidly to reach 65Mtoe in 2030



Industry

- Low carbon/circular technologies become competitive due to stringent carbon policies
- Industrial processing plants to be fitted with the best available technologies to obtain operating permits; existing plants retrofit within 10 years
- Mandatory energy management systems or energy audits
- Wider hosting of international projects to off-set CO₂ emissions



Buildings

- Digitalization of buildings; electricity demand to increase demand-side response potential
- Introduction of mandatory energy efficiency labelling requirements for all appliances
- Increased support for energy efficiency measures, including building retrofits, direct use of solar thermal and geothermal, and heat pumps in certain economies



Transport

- Strong support for electric mobility, alternative fuels and energy efficiency
- 47% electric cars in 2030, 72% in 2050
- Strong constraints to limit emissions
- Aviation: fuel intensity reduced by 2.6% per year; scaled-up biofuels
- Retail fuel prices kept at a level similar to the STEPS IEA scenario, applying CO₂ tax across Western Europe and Maghreb regions



Agri-food

- Global food consumption increased by 6% by 2030
- The increase in trade and globalization prompts the spread of Western-style diets in developing economies
- Biodiversity loss increases due to maintained pressure on natural resources

* Please refer to page 11 for scenarios used.

3. Strategy

continued

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 the time horizon of the analysis, 2030 was used because the scenarios we used were defined for that specific year. Additionally, this horizon is aligned with the timings of our Sustainability Ambitions 2030. In some cases, we incorporated in the analysis by country and by business unit any relevant targets that the country had in other time horizons.

We have focused on the following divisions and geographic areas:

Division	Geography
Connectivity & Products	China
Health & Nutrition	China, European Union
Natural Resources	Chile, China, European Union, South Africa, USA
Industries & Environment	China, Germany, Spain, USA
Knowledge	China, USA

The summarized results for each division are the following:

- For Health & Nutrition, we have used the FAO Framework (SSS (IPCC RCP8.5) and Towards Sustainability Scenario (TSS) (IPCC RCP4.5), and we have identified several risks and opportunities associated with different types of crops in Eastern Europe, the Mediterranean region and North East Asia
- For Natural Resources, we have used IEA Current Policy Scenarios (CPS) and IEA SDS frameworks, and we have identified risks associated with coal phaseout in several regions and with climate change regulation and market demands. On the other hand, we have identified opportunities associated with energy and water efficiency as well as a higher demand for renewable energy services
- For Connectivity & Products, we have applied IEA CPD, IEA SDS and IPCC Low Energy Demand (LED) frameworks, and we have identified two potential risks associated with carbon pricing and changes in customer behavior and several opportunities associated with electric mobility, supply chain certification and higher demand for product testing
- For Industries & Environment and for Knowledge, we have applied IEA Stated Policies Scenario STEPS, CPS, SDS and Clean Technology Scenario (CTS). We used IEA STEPS instead of IEA CPS because there were more comparisons on regulated iron and steel between IEA STEPS and IEA SDS in the IEA World Energy Outlook (WEO) report. Risks identified in this area are associated with transition-related new markets, but there are also strong opportunities to increase our energy efficiency, carbon pricing, green building, and climate-related reporting services

3.3.2. 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 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 climatic risks 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 of our 2021 Integrated 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 CO₂ emissions and our dependency from energy. Some examples are our energy efficiency in buildings program and our vehicle emissions policy.

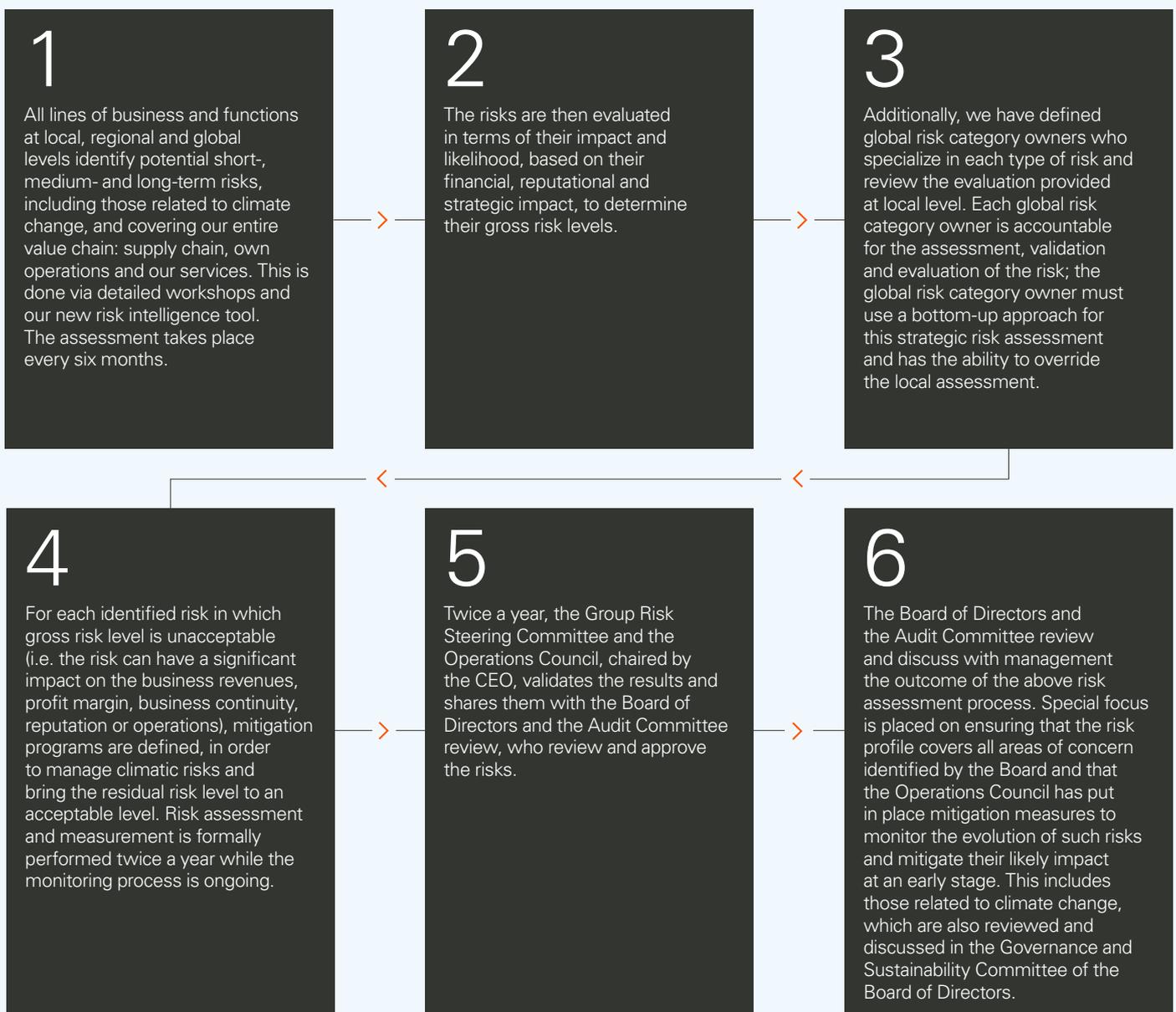
 See the Better Planet section of our 2021 Sustainability Report for more information

4. Risk management

We manage climatic risks in our operations through our risk management framework. The objectives of our risk management framework are designed to ensure that risks faced by SGS are managed properly, to reduce the impact of negative risks and increase 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:



5. Metrics and targets

The following information can be found in the 'Sustainability Ambitions 2030', 'Environment' and 'Data Bank' sections of our 2021 Sustainability 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

 The methodologies used for the calculation of the above metrics are described in our Basis of Reporting

In 2020, we linked the Long-Term Incentive to ESG performance targets. These targets include CO₂ emissions per unit of revenue.

While we are working to reduce CO₂ 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, and to assign a clear cost to the carbon we generate. This way, each SGS affiliate takes responsibility for its CO₂ emissions and the cost of off-setting them.



SGS

Learn more about how we're
enabling a better, safer and
more interconnected world.

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