

OUR VALUE TO SOCIETY



2019 INTEGRATED ANNUAL REPORT

SGS

**SGS IS THE
WORLD'S LEADING
TESTING, INSPECTION,
AND CERTIFICATION
(TIC) COMPANY**



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

EMPLOYEES

+94 000

OFFICES AND LABORATORIES

+2 600

OUR INTEGRATED REPORTING APPROACH

The Integrated Reporting Framework <IR> aims to create a reporting cycle that leads to greater financial stability and sustainability. 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 2019 Sustainability Report

www.sgs.com/cs-report-2019



LETTER TO SHAREHOLDERS	4
HIGHLIGHTS	8
OUR BUSINESS	14
OUR VALUE TO SOCIETY	28
FINANCIAL CAPITAL	32
MANUFACTURED CAPITAL	42
INTELLECTUAL CAPITAL	50
HUMAN CAPITAL	56
SOCIAL AND RELATIONSHIP CAPITAL	66
NATURAL CAPITAL	74
CORPORATE GOVERNANCE	88
REMUNERATION REPORT	104
2019 RESULTS	130
SHAREHOLDER INFORMATION	201

LETTER TO SHAREHOLDERS



Dear Shareholders,

We are pleased to announce a year of good results across the SGS Group. Our total revenue increased to CHF 6.6 billion on a constant currency basis and our adjusted operating margin improved to 16.1%. We achieved solid organic growth of 2.6% across our business lines. The investments we made in the strategic evolution of the Group in 2019 put SGS in a strong position as we enter the final year of our Mission 2020 and beyond. It will also ensure our industry leadership position in the TIC Industry, sustainably creating long-term value for employees, customers, shareholders and for society at large.

MISSION 2020 NEARING COMPLETION

In 2019, we reached a number of strategic milestones. We made 11 acquisitions, in line with our strategy to accelerate our mergers and acquisitions activity (see page 41). Notably, our purchase of Maine Pointe brings greater diversification to our Certification and Business Enhancement service. In addition, we refocused our portfolio through the disposal of Petroleum Services Corporation, which we acquired in 2004. Under SGS it grew strongly and we expect it to remain a successful business for its new owners.

These actions, combined with our continued organic investment in, for example, electrical and electronics or the expansion of our food network are helping to evolve our portfolio. This will enable SGS to benefit from new growth drivers, including connectivity, nutrition, health and wellness, mobility, cybersecurity and sustainability and climate.

We also announced structural optimization measures which have been undertaken in the second half to remove duplication of overheads across our global network. This, together with the adoption of an Economic Value Added (EVA) framework to augment our business performance management, has helped to achieve an improvement in profitability and support our 2020 ambitions.

Our continuing investment in initiatives, such as, World Class Services and Add Value with Less, as well as, automation, digital and robotics will enable SGS to grow profitably in the long term.

NEXT GENERATION SERVICES

As the leading TIC player, we are enhancing our traditional services, as well as, developing the next generation of services for our customers. For example, in 2019, our TransitNet customs solution delivered 600 000 transactions through a 100% digital solution, we carried out 30 000 remote inspections using smartphone-based technology and we collected 4.3 million data points daily to measure air quality. In Oil and Gas, we monitored 15 million data points for consignment tracking.

We also opened a new cyber laboratory in Graz, Austria as part of our strategy to develop a global cybersecurity network. The laboratory in Austria is a unique partnership with the Graz University of Technology and focuses on three core areas: providing testing and certification services for product and system security, training IT security experts and analyzing IT system security for our customers.

The development of our digital trust services is supported by a favorable regulatory environment. New cybersecurity regulations were introduced in Europe and the USA, while China brought in a regulation focused on cryptography, an essential element in secure data systems.

The digitalization of the TIC industry will continue to accelerate over the coming years, supported by technological and regulatory evolution. As the industry leader, we will lead this transformation. Together with investment in automation and robotics and operational efficiency improvements, we will continue to deliver profitable growth.

SUSTAINABILITY LEADERSHIP

SGS is now a well-established global sustainability leader. In 2019, we were named a leading company in the Dow Jones Sustainability Indices for the sixth year in a row, maintained our status in the FTSE4Good Index and received the Platinum medal recognition from EcoVadis. Additionally, we were included in the prestigious CDP (formerly the Carbon Disclosure Project) A List for our commitment to climate-change mitigation and our adoption to the Task Force on Climate-Related Financial Disclosures.

Our purpose-driven leadership puts sustainability at the heart of our company culture and policies, while together with our services, we continue to add value to society, enabling a better, safer and interconnected world.

DRIVING AHEAD IN 2020

We are very focused on delivering the 2020 objectives. Looking ahead, a great deal of work has already gone into planning the next stage of the SGS strategy, which our management team looks forward to presenting later in the year. We would like to thank our shareholders for their support through this journey.

This continued investment in the strategic evolution will ensure growth at an attractive level of returns. It will also cement our leadership position in the TIC Industry, which helps our customers to source responsibly, manage their environmental impacts and adhere to operational sustainability principles.

Our exceptional capability is due to our expert colleagues across the world. We would like to thank them all for their dedication and hard work. Only with their support and determination can we continue to sustainably create long-term value for our customers, shareholders and for society.



PETER KALANTZIS
Chairman of the Board



FRANKIE NG
Chief Executive Officer

SUBSEQUENT EVENTS

The following acquisition and disposal activity was completed after 31 December 2019:

- The acquisition of Thomas J. Stephens & Associates, Inc. (Stephens) in the USA, providing safety and efficacy testing and contract research services.
- The disposal of Pest Management and Fumigation services in Belgium and the Netherlands.

On 1 January 2020, all Transportation activities were allocated and integrated across multiple business lines to generate operational synergies and reinvigorate their growth profiles.

On 4 February 2020, the von Finck family disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

MANAGEMENT CHANGES

Dominik de Daniel joined SGS Group as Chief Financial Officer. Fabrice Egloff, Chief Operating Officer of Africa, has taken on an extended role to include Western Europe. Christoph Heidler, Chief Information Officer, has been appointed to the Operations Council (see page 99).

During 2019, Carla de Geyseleer (formerly Chief Financial Officer), Pauline Earl (formerly Chief Operating Officer of Western Europe) and Francois Marti (formerly Chief Operating Officer of North America) left the Group. Thomas Klukas, Executive Vice President of Transportation, left the Operations Council (see page 101). The Management would like to thank them for their dedication and service.

BOARD CHANGES

Luitpold von Finck, Calvin Grieder and Kory Sorenson were appointed to the Board of Directors during the Annual General Meeting held in March 2019. August von Finck and Christopher Kirk did not stand for re-election. SGS would like to thank both for their support and direction (see page 92).

DISTRIBUTION TO SHAREHOLDERS

The SGS Board of Directors will recommend to the Annual General Meeting (to be held on 24 March 2020) the approval of a dividend of CHF 80 per share.

SIGNIFICANT SHAREHOLDERS

To the knowledge of the Company the shareholders owning more than 3% of its share capital as at 31 December 2019, or as the date of their last notification as per Article 20 of the Swiss Stock Exchange Act were:

(% of detention)	2019	2018
Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) ¹	16.73%	16.60%
Mr. August von Finck and members of his family (acting in concert) ²	15.66%	15.52%
BlackRock, Inc.	4.00%	4.00%
MFS Investment Management	3.81%	3.02%

1. The ultimate beneficial owners of the Groupe Bruxelles Lambert are Stichting Administratiekantoor Frère-Bourgeois, Paul Desmarais Junior and André Desmarais.

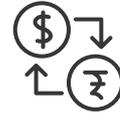
2. The Company was informed on 4 February 2020, that the von Finck family has disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

OUTLOOK 2020

The Group remains committed to:



Delivering solid organic growth.



Ensuring strong cash conversion.

17%

Achieving an adjusted operating income of above 17%.



Maintaining best-in-class return on invested capital.



Targeting accelerating mergers and acquisitions and remaining disciplined on returns.



At least maintaining the dividend or growing it in line with the improvement in net earnings.



FINANCIAL AND SUSTAINABILITY HIGHLIGHTS

Financial Results	9
Revenue by Region	10
Group Achievements	10
Revenue by Business	11
Adjusted Operating Income by Business	11
Sustainability Achievements	12
Sustainability Ambitions 2020	12

FINANCIAL RESULTS

Group revenue growth in 2019 was 1.2%¹, of which 2.6%¹ was organic.
Our successful strategic positioning delivered solid organic growth across the SGS business portfolio.

CHF 6.6bn

Revenue +1.2%¹ (+2.6% organic)



CHF 1 063mio

Adjusted Operating Income² +4.6%¹



16.1%

Adjusted Operating Income Margin²



CHF 702mio

Profit for the Period +1.7%



CHF 87.45

Basic Earnings per Share +3.4%



CHF 80

Proposed Dividend per Share



CHF 870mio

Free Cash Flow³ +9.3%



25.5%

Return on Invested Capital⁴



11

Acquisitions completed in 2019



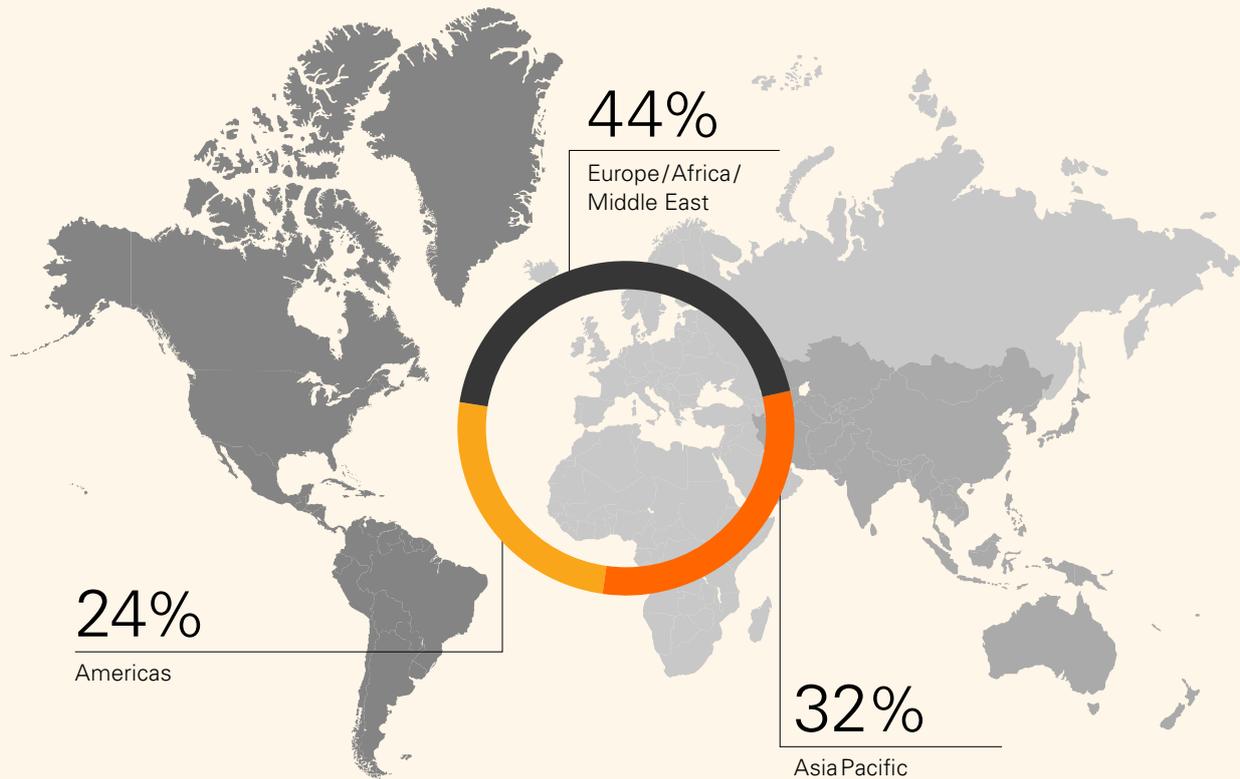
1. Constant currency (CCY).

2. Before amortization of acquired intangibles and non-recurring items.

3. Cash flow from operating activities, net of capital expenditure.

4. Profit for the period / (Non-current assets + Net working capital), excluding IFRS 16 impact.

REVENUE BY REGION



GROUP ACHIEVEMENTS

ACTIVE PORTFOLIO MANAGEMENT

11 acquisitions and 4 disposals were completed during 2019 as we pursued our strategy to accelerate our mergers and acquisitions activity, making additions that support our business goals and giving our portfolio a stronger focus on higher-value-added-services.

STRUCTURAL OPTIMIZATION PLAN

Implemented at a cost of CHF 73 million. On track to deliver annualized recurring savings of at least CHF 90 million. CHF 15 million already delivered in 2019.

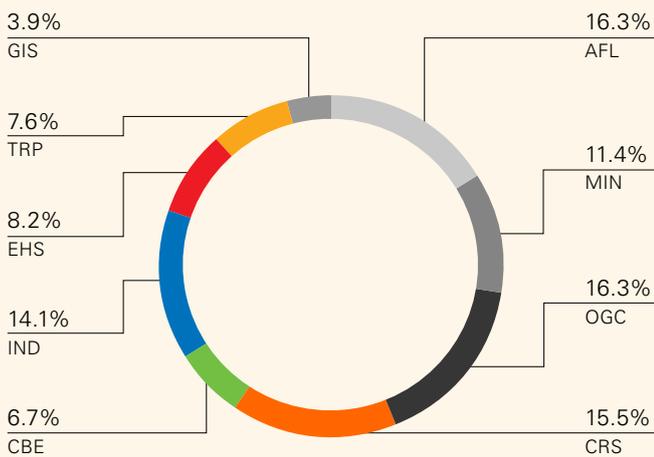
ECONOMIC VALUE ADDED APPROACH

Applied to internal performance management and active portfolio management, which combined with continued investment in our World Class Services initiative, automation and digitalization, is enabling SGS to deploy capital for growth at attractive levels of returns in the long term.

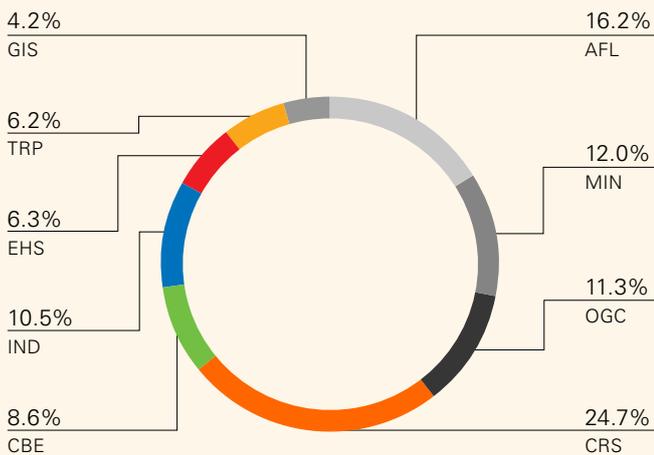
DELIVERING PROCESS IMPROVEMENT

The investments in Maine Pointe and Leansis expand our footprint in the Process Improvement field.

REVENUE BY BUSINESS



ADJUSTED OPERATING INCOME¹ BY BUSINESS



1. Before amortization of acquired intangibles and non-recurring items.

2. Constant currency (CCY).

(CHF million) 2019 2018 ^{CCY²} ^{Change} ^{Change in}
in % % % %

AGRICULTURE, FOOD AND LIFE

REVENUE	1 074	1 034	3.9	1 063	1.0
ADJUSTED OPERATING INCOME ¹	172	167	3.0	171	0.6
MARGIN % ¹	16.0	16.2		16.0	

MINERALS

REVENUE	753	726	3.7	750	0.4
ADJUSTED OPERATING INCOME ¹	128	117	9.4	121	5.8
MARGIN % ¹	17.0	16.1		16.1	

OIL, GAS AND CHEMICALS

REVENUE	1 075	1 203	(10.6)	1 220	(11.9)
ADJUSTED OPERATING INCOME ¹	120	113	6.2	116	3.4
MARGIN % ¹	11.2	9.4		9.5	

CONSUMER AND RETAIL

REVENUE	1 021	966	5.7	987	3.4
ADJUSTED OPERATING INCOME ¹	262	249	5.2	257	1.9
MARGIN % ¹	25.7	25.8		26.0	

CERTIFICATION AND BUSINESS ENHANCEMENT

REVENUE	447	395	13.2	404	10.6
ADJUSTED OPERATING INCOME ¹	91	79	15.2	80	13.8
MARGIN % ¹	20.4	20.0		19.8	

INDUSTRIAL

REVENUE	930	904	2.9	940	(1.1)
ADJUSTED OPERATING INCOME ¹	112	81	38.3	84	33.3
MARGIN % ¹	12.0	9.0		9.0	

ENVIRONMENT, HEALTH AND SAFETY

REVENUE	540	504	7.1	517	4.4
ADJUSTED OPERATING INCOME ¹	67	55	21.8	57	17.5
MARGIN % ¹	12.4	10.9		11.1	

TRANSPORTATION

REVENUE	500	518	(3.5)	541	(7.6)
ADJUSTED OPERATING INCOME ¹	66	79	(16.5)	83	(20.5)
MARGIN % ¹	13.2	15.3		15.3	

GOVERNMENTS AND INSTITUTIONS

REVENUE	260	272	(4.4)	284	(8.5)
ADJUSTED OPERATING INCOME ¹	45	76	(40.8)	81	(44.4)
MARGIN % ¹	17.3	27.9		28.7	

SUSTAINABILITY ACHIEVEMENTS

Find out more about our corporate sustainability achievements at [SGS.com](https://www.sgs.com).



Industry Leader by the Dow Jones Sustainability Index for the sixth year



CDP A List member



CDP Supplier Engagement Leader



Robecosam Gold Class Award for excellent sustainability performance



FTSE4Good Index member for the third year



Platinum rating from EcoVadis

CHF 1.41mio

Invested in communities and 17 197 hours of community volunteering performed by SGS employees

NET POSITIVE COMPANY

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

0.44

Total Recordable Incident Rate (calculated over 200 000 hours) decreased by 60% since 2014

CARBON NEUTRAL

SGS maintained its status as a carbon neutral company

SUSTAINABILITY AMBITIONS 2020

PROFESSIONAL EXCELLENCE

Link management incentive plan to sustainability

Deliver measurable sustainable value to society

PEOPLE

Maintain a natural turnover rate of no more than 15%

30% of leadership positions will be held by women

Reduce our TRIR and LTIR by 50%*

ENVIRONMENT

Reduce our annual CO₂ emissions (per FTE) by 20%*

Reduce our annual CO₂ emissions (by revenue) by 20%*

COMMUNITY

Increase our investment in communities around the world by 30%*, with a focus on volunteering

* Against 2014 baseline.



CDP (formerly the Carbon Disclosure Project) provides the global disclosure system that measures and scores corporate and supply chain environmental impacts. Through this mechanism, it aims to encourage investors, companies and cities to take the actions needed to build a sustainable economy.

“This year we named SGS on our prestigious A List for climate change, a recognition that we only give to the world’s leading companies in terms of their environmental stewardship.

“SGS is one of just 179 high performing companies to achieve A List status. SGS has received this award based on its comprehensive disclosure of climate data, thorough awareness of climate risks, demonstration of strong governance and management of those risks, and demonstration of market-leading best practices.

“Working towards its 2020 science-based emissions reduction targets, approved by the Science Based Target initiative, SGS is demonstrating its strong commitment to mitigating global climate change impacts. SGS’ response to environmental challenges and market needs goes beyond both awareness and management. It has reached a level where tangible actions

to mitigate and manage climate risks and to maximize associated opportunities are being implemented across its operations.

“SGS goes a step further than assessing the impacts of its direct operations by looking at its supply chain as well. As a reflection of this, we are also pleased to recognize SGS with a place on our Supplier Engagement Leaderboard, which is designed to evaluate and spur action on corporate supply chain engagement on climate issues. SGS is contributing to driving emissions reductions through its global value chain, by engaging with its suppliers and customers.

“We would like to congratulate SGS for the level of transparency in its climate disclosure and work in the areas of both climate change risk management and supply chain engagement. It is among a small group of global leaders for their corporate climate action.”

MAXFIELD WEISS
Director, Corporate Engagement
of CDP Europe



OUR BUSINESS

The TIC industry is pivotal in bringing value to society and as industry leaders, we play a leading role. Our business model and sound governance are built on 141 years of heritage and insight, while our 2020 objectives continue to guide our short-term ambitions. Everything we do is undertaken through the ethical framework of our Business Principles. This is the bedrock that enables our business to offer unparalleled support to the industries that we serve.

Mission 2020	15
Business Principles	15
Business Strategy and Governance	16
Purpose-driven Leadership	17
Megatrends	20
Our Industries	20
Our Business Model	22
Risk Intelligence	24
Business Material Topics	26
The Sustainable Development Goals	27

MISSION 2020

BRAND

A brand not only differentiates a company, it unites it. The SGS brand offers our customers the peace of mind that comes from knowing they are working with the market leader. It means our employees are rallying behind the same cause and pulling in the same direction. Finally, it means that we are bound by a shared commitment to provide the highest quality services.

MISSION 2020

High customer retention and satisfaction	Industry sustainability leadership
Leading position in strategic markets and geographies	Deliver measurable sustainable value to society
	Increase visibility of our value to society

GROWTH

The continued growth of our global network and its unrivaled physical footprint is a key competitive advantage, both to our business and to our shareholders.

MISSION 2020

Build scale	Maintain strategic significance
Buy capabilities	Diversify portfolio of services
Fill geographic gaps	Solid organic growth
Enhance financial metrics	Enhance presence in key markets

INNOVATION

SGS will continuously stretch the boundaries of the TIC industry in order to retain our position as market leader.

MISSION 2020

Enhance business through digital services	Develop B2C presence
Expand B2B2C presence	Strengthen and invigorate the culture of innovation at SGS

EXPERTIZE

A business' ability to attract and retain the best talent is a cornerstone of its success. At SGS, we believe in our people, and we are serious in supporting their long-term development.

MISSION 2020

Enhance our reputation as an employer of choice	30% of senior management positions to be held by women
Employ the industry's leading experts	Be the leading brand for accuracy, quality and professionalism
Maintain natural staff turnover rate at no more than 15%	

INVESTMENT

Investment in research, innovation, talent and technology has to be at the core of our business model.

MISSION 2020

Invest in cutting-edge technology and optimize existing technology performance and usage	Maintain best-in-class returns on invested capital
	Increase investment in communities around the world by 30%*

OPERATIONAL EXCELLENCE

Applying continuous improvements across our business operations, improving performance and utilizing the best possible sustainable business practices provide our competitive edge.

MISSION 2020

Ensure efficient use of capital	Reduce our annual CO ₂ emissions (per FTE) by 20%*
Maximize internal efficiencies	Reduce our annual CO ₂ emissions (by revenue) by 20%*
Reduce TRIR and LTIR by 50%*	

* Against a 2014 baseline.

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/principles

BUSINESS PRINCIPLES

INTEGRITY

Making sure we build trust. We act with integrity and behave responsibly. We abide by the rules, laws and regulations of the countries we are operating in. We speak up: we are confident enough to raise concerns and smart enough to consider any that are brought to us.

HEALTH AND SAFETY

Making sure we establish safe and healthy workplaces. We fully protect all SGS employees, contractors, visitors, stakeholders, physical assets and the environment from any work-related incident, exposure and any kind of damage.

LEADERSHIP

Making sure we work together and think ahead. We are passionate entrepreneurial people with a relentless desire to learn and innovate. We work in an open culture where smart work is recognized and rewarded. We foster teamwork and commitment.

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 our scale and expertise to enable a more sustainable future. We ensure that we minimize our impact on the environment throughout the value chain. We are good corporate citizens and invest in the communities in which we operate.

QUALITY AND 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-focused and committed to excellence. We are always clear, concise and accurate. We strive to continually improve quality and promote transparency. We respect customer confidentiality and individual privacy.

BUSINESS STRATEGY AND GOVERNANCE

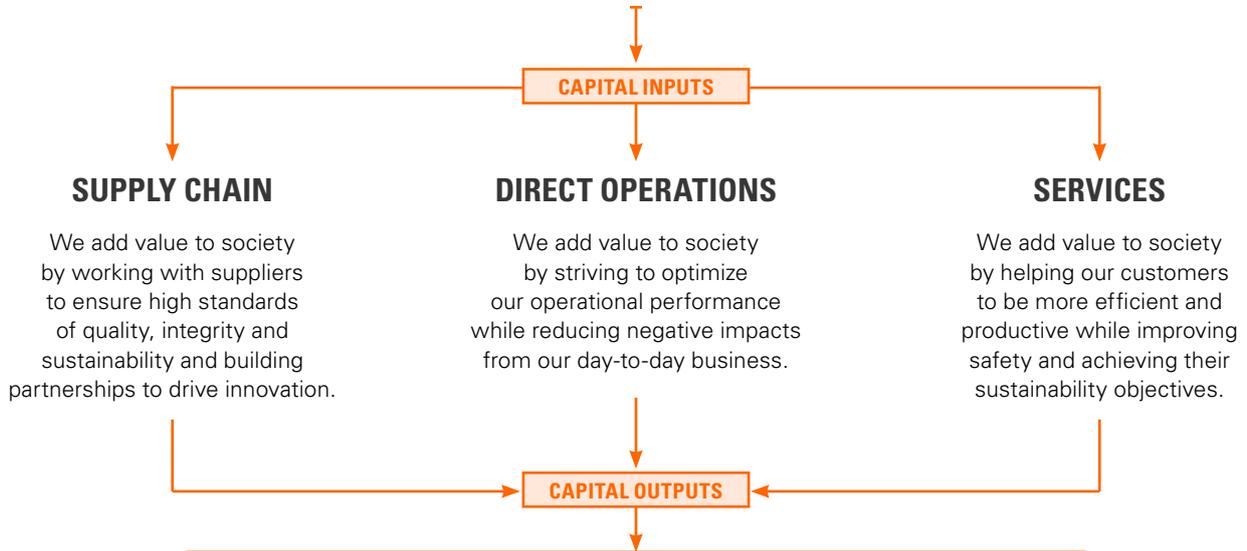
We are organized into lines of business and we operate across different geographic regions. Each business is led by an Executive Vice President and each region is led by a Chief Operating Officer.

The Operations Council comprises the Executive Vice Presidents, Chief Operating Officers and functional Senior Vice Presidents, as well as the Group's Chief Executive Officer, Chief Financial Officer and General Counsel. They meet regularly throughout the year to determine group-wide strategies and priorities and review performance.

 <p>FRANKIE NG (1966) <i>Swiss/Chinese</i></p> <p>Chief Executive Officer</p>	 <p>DOMINIK DE DANIEL (1975) <i>German</i></p> <p>Chief Financial Officer</p>	 <p>OLIVIER MERKT (1962) <i>Swiss</i></p> <p>Chief Compliance Officer</p>	 <p>TEYMUR ABASOV (1972) <i>Azerbaijani</i></p> <p>COO, Eastern Europe and Middle East</p>	 <p>HELMUT CHIK (1966) <i>Chinese</i></p> <p>COO, North East Asia</p>	 <p>OLIVIER COPPEY (1972) <i>Swiss</i></p> <p>EVP, Agriculture, Food and Life</p>
 <p>FABRICE EGLOFF (1969) <i>French</i></p> <p>COO, Africa and Western Europe</p>	 <p>LUIS FELIPE ELIAS (1959) <i>Peruvian</i></p> <p>COO, South and Central America</p>	 <p>DERICK GOVENDER (1970) <i>South African</i></p> <p>EVP, Minerals</p>	 <p>CHRISTOPH HEIDLER (1969) <i>German</i></p> <p>Chief Information Officer</p>	 <p>DIRK HELLEMANS (1958) <i>Belgian</i></p> <p>COO, North and Central Europe</p>	 <p>JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO (1961) <i>Spanish</i></p> <p>SVP, Human Resources</p>
 <p>FRÉDÉRIC HERREN (1955) <i>Swiss</i></p> <p>SVP, Digital and Innovation</p>	 <p>ROGER KAMGAING (1966) <i>Swiss</i></p> <p>EVP, Governments and Institutions</p>	 <p>CHARLES LY WA HOY (1966) <i>French</i></p> <p>EVP, Consumer and Retail</p>	 <p>JEFFREY MCDONALD (1964) <i>Australian/American</i></p> <p>EVP, Certification and Business Enhancement</p>	 <p>PETER POSSEMIERS (1962) <i>Australian/Belgian</i></p> <p>EVP, Environmental, Health and Safety</p>	 <p>TOBY REEKS (1976) <i>British</i></p> <p>SVP, Investor Relations</p>
 <p>MALCOLM REID (1963) <i>British</i></p> <p>COO, South East Asia and Pacific</p>	 <p>ALIM SAIDOV (1964) <i>Azerbaijani/Canadian</i></p> <p>EVP, Oil, Gas and Chemicals</p>	 <p>WIM VAN LOON (1966) <i>Belgian</i></p> <p>EVP, Industrial</p>	<p>The full biographies of the members of the Operations Council can be found in the Corporate Governance Report on page 99.</p>		

PURPOSE-DRIVEN LEADERSHIP

Our value to society is to enable a better, safer and interconnected world.



We create value to society for and through our stakeholders



EMPLOYEES AND SUPPLIERS

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



INVESTORS

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



CUSTOMERS

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



GOVERNMENTS AND INDUSTRIES

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



CONSUMERS

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

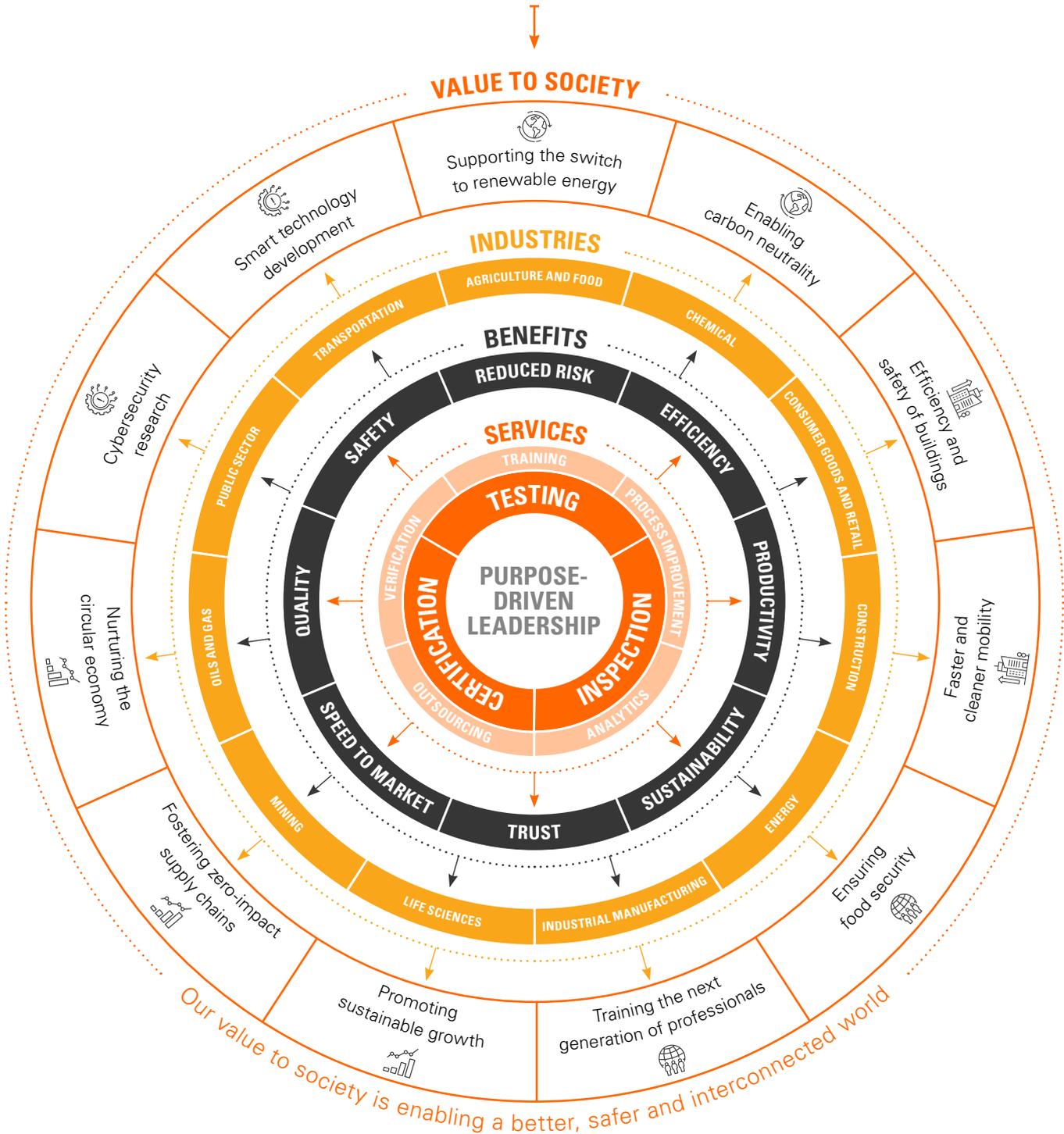


COMMUNITIES AND THE PLANET

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

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

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



SGS has outlined five megatrends (see page 20-21) that are influencing the way we live and do business.



Climate change



Rapid urbanization



Population and social trends



Economic growth



Technological disruption

The Testing, Inspection and Certification (TIC) industry is not widely understood by the general public, yet our activities as members of this industry interweave with almost everything that a consumer touches.

The breadth and reach of the industry is perhaps unparalleled. Look around you. The furniture that you are using, the clothes that you are wearing, even the paper you are holding or the screen you are looking at, have most likely all been touched at some stage by the TIC industry.

From verifying that the olive oil in your cupboards is unadulterated extra virgin to ensuring that the paint on a toy will not be harmful to your child's health, the TIC industry is involved in assuring safety, quality and sustainability in a way most people have never considered.

It is not just individuals that rely on the TIC industry to provide assurance services. Governments and businesses need companies like SGS for support with everything from precision farming to mine decommissioning.

The market has two main driving mechanisms. The first is the constantly evolving regulatory and legal environment. Businesses not only need to conform to market regulations but need to demonstrate to their customers and investors that they are managing their supply chains ethically and sustainably.

The second market mechanism is often simply pragmatic, with firms finding that companies such as SGS are able to offer more efficient and effective services than they are capable of reproducing in-house.

The independence of third-party providers offers peace of mind on a range of issues to companies and government departments of all sizes. That is why we frequently say that our main product is 'trust.'

SGS is the TIC industry leader; the leading provider of 'trust' in the global market. Our customers benefit from our global network, our deep pool of expertise and the technological capabilities we can draw upon. Our services become a cornerstone of innovation and operational excellence for our customers, as well as giving them far greater control over their risk.

Our services add value to society by helping our customers to simultaneously optimize their business and sustainability performance (see page 30). This is the value of the TIC industry.

SGS IS THE WORLD'S LEADING TESTING, INSPECTION, AND CERTIFICATION (TIC) COMPANY

MEGATRENDS



CLIMATE CHANGE

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

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

Extreme weather conditions and climate change can cause droughts and flooding that affect natural resources, such as water, energy, minerals, metals and food. This is especially true for some developing countries, where population growth trends further accelerate the demand for natural resources. Governments are responding by developing new regulations, meaning businesses and communities will need to develop actionable strategies that reduce the impact on climate change while supporting new demographic structures and securing the supply of resources.



RAPID URBANIZATION

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

OUR INDUSTRIES

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



ENERGY

Powering processes in renewables and conventional energy.



AGRICULTURE AND FOOD

Innovative safety, quality and sustainability solutions for supply chains.



OIL AND GAS

Innovative solutions that add up along the value chain.



MINING

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



CHEMICAL

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



INDUSTRIAL MANUFACTURING

Making manufacturing more productive and profitable.



< BACK TO CONTENTS



POPULATION AND SOCIAL TRENDS

The world's population is projected to rise by more than 1 billion by 2030, bringing the total to over 8 billion. 97% of this growth will come from emerging or developing countries. This pace of change poses significant challenges for governments and businesses. Empowering the next generation of workers is critical to meeting these social challenges. Businesses and communities need strategies that can support the new demographic structure.



ECONOMIC GROWTH

Over the last two centuries, the global economy has become 20 times larger and it is estimated to increase six-fold by 2050. The economy's primary challenge is to balance our desire for economic growth and prosperity with finite natural resources. On the consumer side, the production and disposal of items with a short lifespan can cause environmental damage and impact people's health, while the progress of emerging economies increasingly influences the global consumption pattern. To support economic growth, businesses must invest in sustainability, human capital and promote fair access to the workplace, technology and markets.



TECHNOLOGICAL DISRUPTION

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



CONSUMER GOODS AND RETAIL

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



LIFE SCIENCES

Safeguarding the quality and efficacy of medicines.



CONSTRUCTION

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



TRANSPORTATION

Driving a safer, cleaner and more efficient industry.

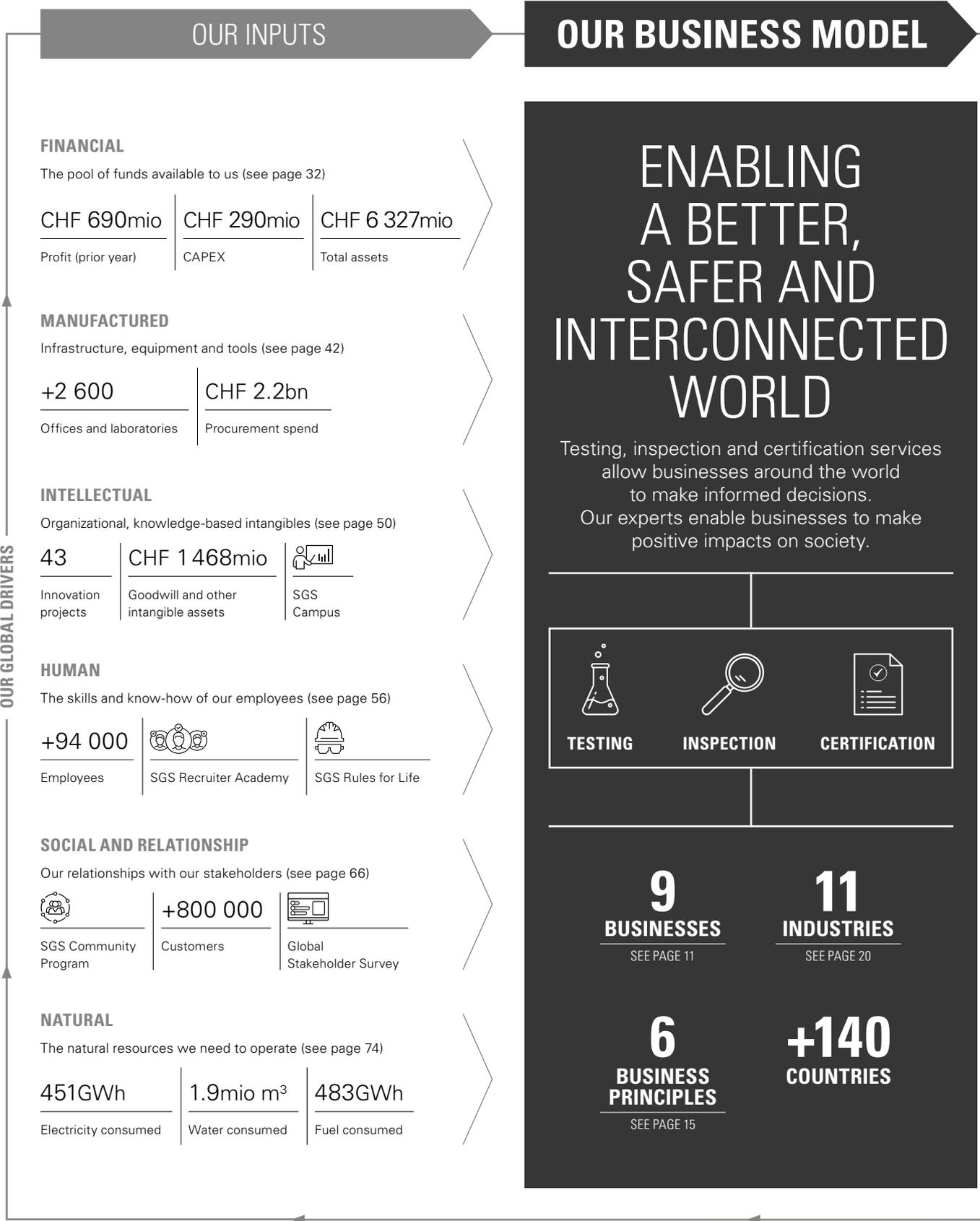


PUBLIC SECTOR

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



WE CREATE VALUE TO SOCIETY



OUR INPUTS

OUR BUSINESS MODEL

FINANCIAL

The pool of funds available to us (see page 32)

CHF 690mio	CHF 290mio	CHF 6 327mio
Profit (prior year)	CAPEX	Total assets

MANUFACTURED

Infrastructure, equipment and tools (see page 42)

+2 600	CHF 2.2bn
Offices and laboratories	Procurement spend

INTELLECTUAL

Organizational, knowledge-based intangibles (see page 50)

43	CHF 1 468mio	
Innovation projects	Goodwill and other intangible assets	SGS Campus

HUMAN

The skills and know-how of our employees (see page 56)

+94 000		
Employees	SGS Recruiter Academy	SGS Rules for Life

SOCIAL AND RELATIONSHIP

Our relationships with our stakeholders (see page 66)

	+800 000	
SGS Community Program	Customers	Global Stakeholder Survey

NATURAL

The natural resources we need to operate (see page 74)

451GWh	1.9mio m ³	483GWh
Electricity consumed	Water consumed	Fuel consumed

ENABLING A BETTER, SAFER AND INTERCONNECTED WORLD

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

		
TESTING	INSPECTION	CERTIFICATION

9
BUSINESSES
SEE PAGE 11

11
INDUSTRIES
SEE PAGE 20

6
BUSINESS PRINCIPLES
SEE PAGE 15

+140
COUNTRIES

OUR GLOBAL DRIVERS

OUR BUSINESS

22

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT



OUR OUTPUTS

OUR VALUE

FINANCIAL

Long-term shareholder value creation

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



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

MANUFACTURED

Efficient and sustainable services

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



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

INTELLECTUAL

Expertize and innovative solutions

4.6mio		
Hours of training	SGS Cyberlab	SGS IoT Center



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

HUMAN

Diverse leaders in a safe working environment

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



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

SOCIAL

Meaningful stakeholder engagement and strong brand and reputation

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



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

NATURAL

Carbon neutrality, limited waste and wastewater

159 800	54 000
Metric tonnes of CO ₂ e	Metric tonnes of total waste generated



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

OUR VALUE TO SOCIETY

OUR BUSINESS

23

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT

RISK INTELLIGENCE

EXTERNAL RISKS

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

External risks are mitigated in various ways including but not limited to:

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

INTERNAL RISKS

STRATEGIC RISKS

These include business model, intellectual property, advertising, structural, product life cycle, resource allocations and social responsibility risks.

Strategic risks are mitigated in various ways including but not limited to:

- Business and development plans
- Mergers and Acquisitions Policy
- Legal and Compliance
- Investor Relations
- Communications and sustainability

PROCESS RISKS

These risks include business interruption, environmental, compliance, health and safety, knowledge loss, contractual, taxation, talent acquisition and retention, employee and third-party fraud, and data integrity among others.

Process risks are mitigated in various ways including but not limited to:

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

FINANCIAL RISKS

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

The specific process for financial-risk management is described in detail in the 2019 Results section (see pages 157–162).

RISK GOVERNANCE

The SGS Board of Directors and Operations Council oversee risk management in the organization. The Operations Council is ultimately responsible for identifying company risks and integrating the management of these risks into key business planning processes. The Board of Directors reviews these risks and ensures that the company has a solid strategic approach to mitigating them (see page 98).

To enable better decision making in response to risks, the Group employs a comprehensive, integrated approach to identifying and articulating risks to the business.

This is achieved through our Risk Management Framework that is overseen by the Company's Risk Management Oversight Committee. Chaired by the CEO, the Committee gathers executive members, including the CFO, CCO and CIO, together with operational function representatives from departments such as Human Resources, Operational Integrity and Sustainability. The Committee is expected to meet twice a year and on an ad-hoc basis as necessary, and reports directly to the Board.

Our Risk Management Framework also places responsibility and accountability for managing risk close to our operations, with "Risk Champions" owning risk in their jurisdictions. In addition, it integrates a broad array of risk categories (see the charts on the left) directly into the management process. This results in a robust and comprehensive

approach to risk management at SGS, which balances value preservation with value creation.

RISK OVERSIGHT

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

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

In 2019, we began to adopt the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as part of our corporate reporting on climate change. We introduced the four-pillar framework proposed by the TCFD: Governance, Strategy, Risk and Opportunity Management, and Metrics and Targets. The TCFD is a market-driven initiative established to develop guidance for voluntary and consistent climate-related financial risk disclosures in mainstream filings. The TCFD aim to increase the measurement of climate-related risks and in turn the corporate responses to these risks. We use this guidance to evaluate and price the risks and opportunities associated

with climate change, and make this information available to investors, credit institutions and insurance companies. We recognize that by having an in-depth understanding of these risks and opportunities, by establishing effective mitigation strategies and by implementing these strategies throughout the SGS Group, we are maximizing our value to society.

2019 RISK ASSESSMENT RESULTS

Our risk assessment for 2019 demonstrated that the vast majority of leading risks remain the same and that they are being adequately mitigated in SGS.

These risks include identifying, acquiring and retaining the right talent to achieve objectives, which continues to be a challenge; global competition, with the evolution of customer needs and pricing requiring constant attention; the accelerating pace of technology and the ease of mass data collection challenges; our ability to manage risks related to data as more sophisticated cyber-attacks require constant monitoring to avoid disruption and harm to our reputation; and finally, data privacy, data ethics and data sustainability, which continue to grow in relevance.

As part of our assessment process, we also identify emerging risks that are likely to impact our business in the long term (3–5 years). Examples of these risks are cyber-attacks and extreme weather events. Both risks are already being mitigated across the Group. To protect SGS against cyber-attacks, we have protection strategies in place that we continuously test and update, while our Business Continuity plans ensure that we are fully prepared for any extreme weather eventuality.



BUSINESS MATERIAL TOPICS

At SGS, we are committed to adding value to society through and for our stakeholders. As part of our assessment process to identify material topics, we engage with our stakeholders on a regular basis to inform our strategy and find out more about their expertise, expectations, feedback and priorities. We do this through various communication channels that are explained in detail in our 2019 Sustainability Report.

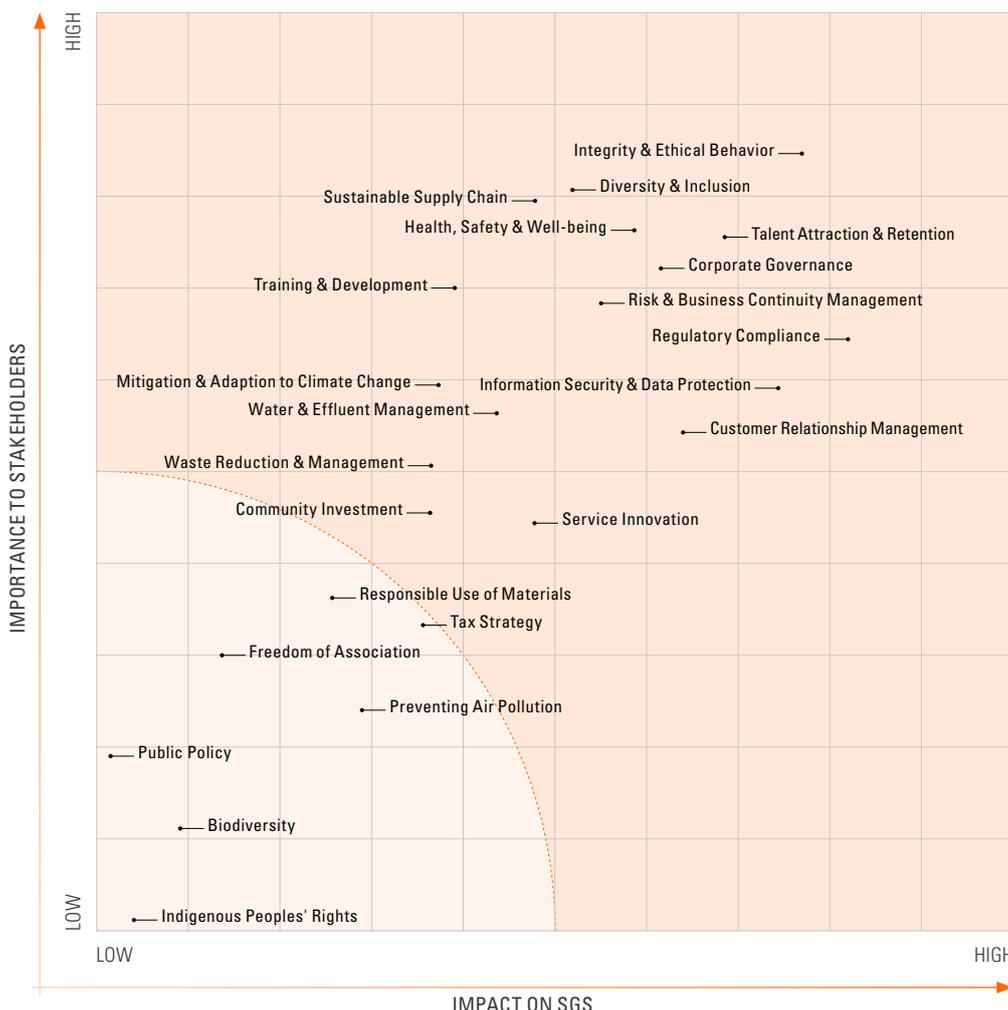
MATERIALITY ASSESSMENT

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

The risks have been integrated into the list of relevant topics for the company, as determined by the Risk Management and Oversight Committee and Board of Directors, and as assessed by the Operations Council, in order to determine the impact on the organization, considering the effect each topic would have on the business if not managed appropriately. The outcome of this comprehensive process was the development of our revised 2019 Business Materiality Matrix.

BUSINESS MATERIALITY MATRIX

Our Materiality Matrix maps topics against their importance to stakeholders and their impact on SGS, providing us with a powerful analytical tool. The topics that are most important to the organization are visible in the darker section of the matrix. These are considered key topics that shape our strategy and reporting. All other topics, although less material, remain an essential part of our sustainability management systems and are systematically reevaluated to determine if they have become more material to the organization.



For further information on Material Topics please refer to our 2019 Sustainability Report: www.sgs.com/cs-report-2019.

THE SUSTAINABLE DEVELOPMENT GOALS

Adopted in 2015, the United Nations Sustainable Development Goals (SDGs) aim to eliminate poverty, protect the planet and ensure prosperity for all. Each of the 17 goals has specific targets that define global priorities and aspirations for 2030. Our Sustainability Ambitions 2020 are closely linked to the SDGs and all our services support them.

MOST COMMONLY SUPPORTED SDGs

BY SGS SERVICES



BY SGS OPERATIONS AND SUPPLY CHAIN



OUR SERVICES

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
AGRICULTURE, FOOD AND LIFE		✓	✓						✓			✓	✓	✓			
MINERALS									✓			✓			✓		
OIL, GAS AND CHEMICALS							✓		✓				✓				
CONSUMER AND RETAIL			✓						✓			✓		✓			
CERTIFICATION AND BUSINESS ENHANCEMENT			✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
INDUSTRIAL						✓	✓	✓	✓		✓	✓	✓				
ENVIRONMENT, HEALTH AND SAFETY			✓			✓	✓	✓	✓		✓	✓	✓	✓	✓		
TRANSPORTATION			✓						✓		✓		✓				
GOVERNMENTS AND INSTITUTIONS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

OPERATIONS AND SUPPLY CHAIN

COMPLIANCE AND INTEGRITY					✓			✓	✓				✓				
HUMAN RIGHTS	✓				✓			✓	✓								
SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN	✓				✓			✓	✓			✓	✓				✓
TALENT MANAGEMENT	✓			✓				✓									
DIVERSITY AND EQUAL OPPORTUNITIES	✓				✓			✓	✓								
OPERATIONAL INTEGRITY			✓					✓							✓		
CLIMATE CHANGE							✓				✓	✓	✓		✓		✓
WATER AND WASTE MANAGEMENT						✓						✓	✓	✓	✓		✓
LOCAL COMMUNITY SUPPORT	✓			✓						✓			✓				✓





OUR VALUE TO SOCIETY

Organizations depend on various forms of capital for their success. Financial, manufactured, social and relationship, human, natural and intellectual capital are the six commonly recognized forms of capital that are both the inputs and outputs of business activities. Throughout the year, the capitals undergo change, according to levels of use and investment flows. Providing an overview and analysis of these capitals is fundamental to Integrated Reporting.

Operate in the Success Zone	30
Financial Capital	32
Manufactured Capital	42
Intellectual Capital	50
Human Capital	56
Social and Relationship Capital	66
Natural Capital	74
Measuring Our Value to Society	82

FINANCIAL CAPITAL

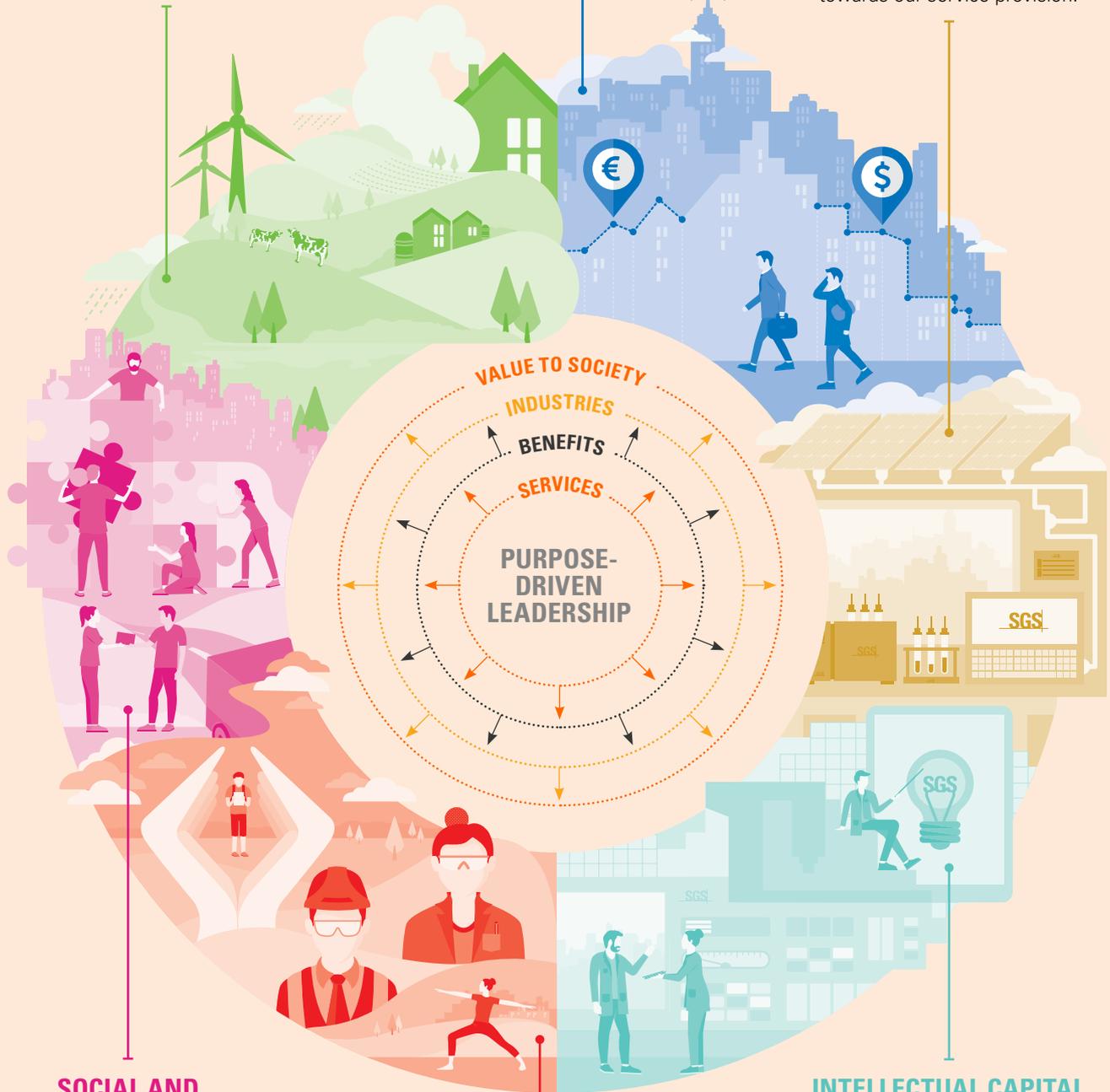
The pool of funds available to us, including debt and equity finance.

NATURAL CAPITAL

The natural resources we need to operate, such as land, water, air and the ecosystem.

MANUFACTURED CAPITAL

Infrastructure, equipment and tools that contribute towards our service provision.



SOCIAL AND RELATIONSHIP CAPITAL

The mutual benefit derived from the relationships we have with our stakeholders and intangibles associated with the brand and reputation.

HUMAN CAPITAL

The skills and know-how of our employees, including their commitment, motivation and ability to perform.

INTELLECTUAL CAPITAL

Organizational, knowledge-based intangibles, including intellectual property, systems, procedures and protocols.

Adding value through our services

Our services can create competitive advantage for businesses while simultaneously having a positive impact on society.



**OPERATE
IN THE
SUCCESS
ZONE**

DOUBLE POSITIVE TRANSFORMATION



PETER POSSEMIERS
ENVIRONMENT, HEALTH AND SAFETY,
Executive Vice President

"Getting our clients into the Success Zone is how SGS adds value to society through its services."

**USD
5.7 TN**

Global health costs from air pollution – equivalent to 4.4% of global GDP in 2016 – *World Bank*

224

Of the world's largest companies have committed to 100% renewable energy by 2050 at the latest through the RE100 Initiative

90%

Of bottled water contains microplastics – *WHO*

We have recently launched a campaign in our Environment Health and Safety business called the Success Zone. Yet, the concept applies just as effectively to the rest of the Group's businesses.

Over the last couple of years, sustainability has become even more important to businesses. You can see it through the key performance indicators companies are adopting and through the sustainability reports that are being generated. Banks and investors want to make sure they are investing in sustainable companies and impact investing is on the rise.

Businesses are increasingly looking to move beyond the minimum regulatory requirements and turning to the TIC industry as a reputational and operational enhancement mechanism. Our services improve business performance, allowing our customers to deliver for their shareholders and to be good corporate citizens and deliver value for society. Getting our clients into the Success Zone is how SGS adds value to society through its services.

We call this "double positive transformation". When you are operating in that space, you really are leading the way. Whatever your starting point, we can move you closer to this ideal over the long term, helping you to add value for customers, stakeholders

and society, and making you a more successful business in the process.



No company should fail to see that in the long term, what's positive for your stakeholders is also positive for business.

FINANCIAL CAPITAL

We add value to society through paying taxes to governments, dividends to investors and wages to employees. By generating profit we can reinvest in growth, innovation and improving our services to our customers.

Business Review	36
Organic Growth	39
Balanced Portfolio	39
Investor Relations	40
Strategic Transformation	40
2019 Acquisitions and Strategic Partnerships	41



BUILDING VALUE

“Decisions should not just be made based on financial KPIs.”

DOMINIK DE DANIEL
Chief Financial Officer



A NEW MINDSET



In February 2019, SGS appointed Dominik de Daniel as its new Chief Financial Officer. With close to 20 years of experience as a CFO, he has hit the ground running at SGS.

Q WHY DID YOU JOIN SGS?

Firstly, I like to work for a leader and I like working in business services. SGS is the clear global leader in the TIC industry. Secondly, I was impressed by (CEO) Frankie's vision and strategy as well as the structural growth opportunities. Finally, I felt there was an opportunity for me to add value and on a personal level that interested me.

"I felt there was an opportunity for me to add value and on a personal level that interested me."

Q WHAT ARE YOU HOPING TO ACHIEVE AS CFO?

I want to see the whole Finance organization becoming a very strong business partner to the business lines and regions. I also want to implement an Economic Value Added (EVA)-driven performance mindset and culture.

Q WHY THE FOCUS ON EVA?

Firstly, I should say that SGS is already generating very healthy, industry-leading returns. But I believe we can improve them further by winding down areas that are 'destroying value' (to use EVA parlance) and deploying more capital towards higher growth and value-creating opportunities.

The focus on value creation can provide us with new opportunities in terms of investments, innovation and new products and services we can bring to the market. It can help with expanding our market share in some areas by driving more of our resources into high-growth areas.

Q WHO BENEFITS FROM THIS EFFORT?

Obviously, with EVA, shareholders are the main beneficiaries. But I always think that you need to look beyond that. If you don't achieve adequate returns, none of the other stakeholders can benefit from your market presence. We need adequate returns so that we can invest in new ideas and solutions for our customers for example. Employees benefit from increasing EVA from a financial and development perspective. Solid returns also benefit our suppliers because we can afford to pay for their services. Society benefits because we pay more back through taxes and other investments.

WHAT IS EVA?

Economic Value Added (EVA) assesses company performance by deducting the cost of capital from net operating profit after tax (NOPAT). The measurement shows whether a company is creating value and how high the value creation is.

This concept can be decentralized to individual business lines, regions or services, to get a clearer understanding of which areas of a business are 'creating or destroying' value. This allows managers to make more effective strategic decisions.

Q WHY IS SGS STRATEGICALLY MOVING TOWARDS MORE HIGH-VALUE WORK AND AWAY FROM LOW-MARGIN, HIGH-VOLUME WORK?

Good question. If you look at the data, a lot of the high-value work has higher structural growth potential. In the long term, that is what we need to focus on because that is where the value creation is. That being said, in several of our businesses with lower single-digit growth potential, we have a very strong market position and create a lot of value. There is no reason to walk away from this business. We would rather take the incremental cash generated and re-invest it into structural growth opportunities.

Q SGS WAS ONE OF THE FIRST COMPANIES TO EVER PUT A FINANCIAL VALUE ON THEIR VALUE TO SOCIETY. THIS IS A BOLD MOVE – WHAT ARE YOUR THOUGHTS ON IT?

First of all, it's obvious that investment decisions should not just be made based on financial KPIs alone. There are a lot of non-financial KPIs that are extremely relevant. Take attrition rates. How many people are leaving your company is a very important KPI and one that probably does ultimately show up in your financial KPIs. I would argue that a strong employer that retains a strong workforce is likely to be more profitable than a company with high staff turnover.

EFFICIENCY AT SGS

SGS currently has three global efficiency programs. Firstly, our global employee initiative 'Add Value with Less' (see page 79) aims to remove inefficiencies from our business. This includes reducing energy consumption and expenditure. Secondly, at a portfolio level, our structural optimization program has created a lot of efficiency gains by reducing duplications in the network. Thirdly, our World Class Services program will create efficiencies through process optimization in laboratories and offices.



So actually, the non-financial KPIs are sometimes much more interesting to analyze because often improving these aspects can feed through to the financial side of things. Ultimately, of course, companies need to look at both. We are ahead of the curve in this and I have to say – being new to SGS – that what the company is doing in terms of value to society is very impressive. I think a lot of people would like to do something similar, but SGS is leading the way.

PRICING FOR VALUE

SGS offers a wide range of Environment Health and Safety services to customers around the world to help them achieve sustainability objectives. They choose us for our reputation, history, expertise, and value we provide.

We need to respond to ever-changing customer needs, regulatory requirements or advances in technology and science through regular investment in our people and infrastructure.

Strategically, SGS is focusing more than ever on enhancing our value to customers while ensuring our pricing is reflective of it. For me, this all starts with our fundamental customer promise: 'when you need to be sure'. What we do is important and customers come to SGS to ensure the quality of their products, assets, business operations and activities are safe for their customers, employees and the environment.

This is reflected in our pricing excellence strategy where we consider the overall service and value provided, while remaining competitive. For example, some tests, such as that for *E. coli*, are low cost but require significant handling outside the laboratory. From preparing and shipping sampling sets and receiving, processing and testing to data reporting, a lot takes place for a single bacteria test, which is critical for human safety.

After thorough analysis and customer engagement, in 2018, in Ontario, Canada, SGS introduced a series of charges and price increases that in the time since have not only partially off-set these costs but added CHF 330 000 of low-risk net revenue growth, contributing to a 4% overall price increase in 2019. This model is now being replicated throughout the global network.

THE DASHBOARD REVIEW

In June 2019, we announced the sale of Petroleum Service Corporation (PSC) to Aurora Capital Partners for USD 335 million.

The disposal represented a significant milestone in the execution of our dashboard review strategy. PSC had an annual turnover of approximately USD 300 million and employed 3 500 people.

In July, we acquired a majority stake in US-based Maine Pointe LLC, a supply chain and operations consulting firm. The purchase adds another layer of competence to the Group and has significantly accelerated the growth of our Certification and Business Enhancement service into the advanced consultancy services space.



OSCAR BECKMAN

Global Product Manager,
EHS Laboratories





AGRICULTURE, FOOD AND LIFE

1 074

Revenue in CHF million

3.9%

Constant currency growth in 2019



OVERVIEW

- Solid organic growth supported by all business verticals
- Trade growth supported by buyer-driven nominations and supply chain contracts
- Strong demand for Food TIC services
- Sustained growth in Life across Laboratory and Clinical activities

OUTLOOK

- Food and Life continue to lead growth with strong market fundamentals and recent investment in growth initiatives
- Continued competitive differentiation achieved through technology-based services in Agriculture
- Digital initiatives to drive growth and efficiency



MINERALS

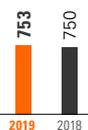


753

Revenue in CHF million

3.7%

Constant currency growth in 2019



OVERVIEW

- Overall solid growth despite a softer mining market
- Trade and Inspection delivered strong organic growth
- Geochemistry achieved double-digit growth for outsourced laboratories
- Metallurgy and Plant Operations declined due to project delays

OUTLOOK

- Exploration spend flat or slightly lower versus 2019
- Solid pipeline for onsite laboratories
- Increased demand for innovative, technology-based field services
- Growth projected for all trade services
- Continuous improvement projects in laboratories to yield improved margins

OIL, GAS AND CHEMICALS



1 075

Revenue in CHF million

(10.6)%

Constant currency growth in 2019



OVERVIEW

- Disposal of Plant and Terminal Operations in the Netherlands and the USA completed successfully
- Trade remained stable despite competitive pressure
- Upstream delivered double-digit organic growth across the entire segment

OUTLOOK

- Trade to remain stable
- Upstream will continue to grow well and optimize asset utilization
- Non-Inspection Related Testing to remain broadly flat despite strong insourcing trends
- Remaining business segments expected to deliver profitable growth

CONSUMER AND RETAIL

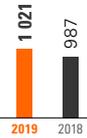


1 021

Revenue in CHF million

5.7%

Constant currency growth in 2019



OVERVIEW

- Strong organic growth across business units
- Electrical and Electronics driven by gains in safety testing and solid performance in restricted substance testing, wireless and functional safety
- Solid growth in Softlines delivered by new sourcing countries, sustainability related solutions and a focus on footwear and athleisure
- Continued successful development in hardgoods and a strong performance in toys testing

OUTLOOK

- Continued market position improvement for Electrical and Electronics from focused investments
- Capabilities and capacity expansion to continue in new sourcing countries
- Accelerate development in new technologies
- Innovation and digitalization to drive efficiencies and performance improvement

CERTIFICATION AND BUSINESS ENHANCEMENT



447

Revenue in CHF million

13.2%

Constant currency growth in 2019



OVERVIEW

- Double-digit growth driven by acquisitions in technical consultancy field
- Stable revenue in Management System Certification and Training in challenging post-transition market conditions
- Strong organic growth in Performance Assessment driven by large contracts in South America
- Improved margin due to optimization measures and business mix change

OUTLOOK

- Good organic growth overall as Management System Certification recovers from the transition
- Strong growth in other activities, particularly in technical consultancy
- Further margin improvement driven by structural cost saving measures





INDUSTRIAL

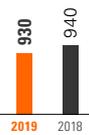


930

Revenue in CHF million

2.9%

Constant currency growth in 2019



OVERVIEW

- Outstanding margin recovery combined with growth in most markets served
- Slight decline in Oil and Gas from proactive portfolio management and focus on large projects
- Strong growth in laboratory testing services in Manufacturing and Infrastructure
- Power and Utilities benefited from renewable opportunities

OUTLOOK

- Focus on Manufacturing and Infrastructure markets
- Opportunities in Power and Utilities
- Continuous development of the Laboratory network and expertise
- Expand presence and diversify activities in the USA market
- Selective approach to Oil and Gas opportunities

ENVIRONMENT, HEALTH AND SAFETY

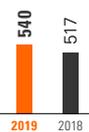


540

Revenue in CHF million

7.1%

Constant currency growth in 2019



OVERVIEW

- Momentum in all business units and good margin progress
- Recent acquisitions boosted growth in Health and Safety sector
- Sustained growth in Laboratory services with efficiency improvements
- Marine services benefited from market penetration in Asia Pacific, Europe and the USA

OUTLOOK

- Increased market demand in fire safety, air sensors and ballast commissioning
- Global rollout of new innovative services: eDNA, robotics and artificial intelligence
- Benefit from recent optimization and dashboard actions undertaken
- Focus on acquiring companies that enhance business offering

TRANSPORTATION

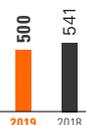


500

Revenue in CHF million

(3.5)%

Constant currency growth in 2019



OVERVIEW

- Testing services delivered moderate growth offset by declines in Regulated and Field services
- Regulated services affected by contracts ending and increased competition
- Field services impacted by completion of supplier certification in 2018 for new IATF3 standard

OUTLOOK

- Regulated services negatively impacted by the end of contracts in 2019, while new contracts will start in H2 2020
- The disposal of low-performing operations in the USA will positively impact Field services profitability
- Testing services growth expected to improve

GOVERNMENTS AND INSTITUTIONS

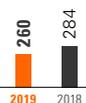


260

Revenue in CHF million

(4.4)%

Constant currency growth in 2019



OVERVIEW

- Top and bottom line impacted by unanticipated changes in import and transit policies and delays in collection
- Positive impact of the European directive on tobacco products
- Remote inspection and optimization of container tracking services with one global operational center launched in Q3 2019

OUTLOOK

- Underlying drivers in trade facilitation and compliance remain strong
- New digital services launching in 2020
- Solid opportunity pipeline for TransitNet
- Automation and robotization of low value-added tasks
- Pursue acquisition strategy started in 2017 in digital trade and non-trade related services

ORGANIC GROWTH

SGS continues to increase revenue and shareholder value from existing affiliates at a level that is well above the TIC sector average. Despite the recent commodities downturn, we have made solid progress in repositioning divisions, strengthening our core business through new services and making management changes, all of which have driven solid organic growth across the majority of our services.

These adjustments complement our innovation and efficiency initiatives, through which we are continuously improving productivity in order to provide enhanced customer service.

ACHIEVEMENTS

2.6% organic revenue growth

BALANCED PORTFOLIO

The SGS portfolio covers nine business lines that service multiple global industries, each with a large and diversified customer base. This diversified structure allows us to balance our short-term growth and long-term objectives to maximize returns while reducing our vulnerability to market fluctuations, increasing our flexibility to react to market developments, and minimizing our exposure to risk.

Our portfolio management does not focus only on growth and margins but also on return on invested capital (ROIC) as a key driver of value for shareholders.

ACHIEVEMENTS

Dashboard for asset review successfully deployed

Organic revenue growth across 7 business lines

We use a dashboard process to analyze and actively manage the criteria for business performance and ensure all changes to the portfolio are guided by our objectives to advance sustainability, accelerate growth and increase productivity.

INVESTOR RELATIONS

Investor Relations plays a critical role in supporting the financial community to make informed decisions. By formally communicating with our shareholders, bond holders, analysts and investors, we foster transparency, trust and accountability. The Group also engages with the proxy agencies that advise certain shareholders on governance and voting matters.

SGS completed a comprehensive global annual Investor Relations program in 2019. The Investor relations team met over 440 investors and SGS Senior Management attended 18 investor conferences. We also hosted an investor site visit in the USA to our laboratories in Fairfield. In addition, our annual Investor Days event, which provides a significant level of access to our Senior Management and the Operations Council, was held in Changzhou and Taipei representing our North East Asia (NEA) region.

We look forward to presenting the next stage of the SGS strategic evolution at the 2020 Investor Days, which will be held in Europe on 5–6 November.

Details of these meetings can be found on our website:

www.sgs.com/en/our-company/investor-relations/investor-overview.



ACHIEVEMENTS

440 investors met by IR team and Senior Management

18 investor conferences attended

Investor Days attendance was up 20% compared to other events held outside of Europe

STRATEGIC TRANSFORMATION

We continue to drive operational excellence and improve productivity through our shared service centers in a more mature Global Business Services model.

WORLD CLASS SERVICES AND OPERATIONAL EXCELLENCE

As announced in our 2018 Annual Report, SGS has started implementing a new methodology called World Class Services (WCS) to improve productivity, reduce waste and enhance working conditions. World Class Services is a version of World Class Manufacturing – a continuous improvement approach that was originally developed in the manufacturing industry. It is designed to foster a culture which improves safety, quality and efficiency, and eliminates waste.

The ambition is to achieve zero accidents, zero waste, zero defects and zero breakdowns, and to hold. This endeavor will not only benefit

us but also our customers. Higher testing quality and quicker turnaround times are examples. To date, 20 SGS sites have adopted the WCS methodology.

While WCS applies a systematic approach, we have also continued to employ other selected initiatives. For example, in some of our food laboratories, focused improvements have been applied to enhance performance and capacity, and extend capabilities. Actions included process reorganization, workflow optimization and automation. These actions have improved data sample management and reporting processes.

We have further extended the use of robotics process automation solutions to reduce human error and improve the quality of our services. This has been deployed in a range of activities, including laboratory operations and manual data entry, but also on traditional services like ISO questionnaires. It has notably improved productivity.

GLOBAL BUSINESS SERVICES

Our Global Business Services model has improved efficiency by harmonizing the Group's back-office activities and support functions. This has increased productivity, through shared service centers, regional hubs and outsourcing. A new shared service center has been launched in Colombia, bringing our total number to four.

Our shared service centers continue to grow, helping us achieve operational excellence. The consolidation of transactional and standardized activities in the centers has further progressed with the centralization of additional Procure-to-Pay, Order-to-Cash and Record-to-Report processes for seven countries in Europe and Asia.

The shared service centers are now also leveraging their scale to impact the broader value chain. For our Environment, Health and Safety business, for example, we have started to provide offshore data

management services to some laboratories, improving turnaround times and creating cost savings, making the process faster and more efficient for customers. Other business lines, notably Certification and Business Enhancement and Governments and Institutions Services, are taking advantage of these capabilities to support their growth plans.

ACHIEVEMENTS

20 sites using World Class Services

150 days of classroom training

200 kaizen events

1 new shared service center set up in Colombia

1 400 shared service center employees

4 shared service centers (Manila, Katowice, Changzhou, Bogota)

2019 ACQUISITIONS AND STRATEGIC PARTNERSHIPS

SGS has long made strategic acquisitions to support its goals. This is particularly true for geographic areas with service gaps or where we need to build skills and technological capacities. In some instances, we acquire businesses offering similar services so that we can benefit from economies of scale and technical synergies. In 2019, we made 11 acquisitions and one minority investment.



LEANSIS PRODUCTIVIDAD (MAJORITY STAKE)



SPAIN

Established in 2005, LeanSis Productividad provides operational and manufacturing training and capacity building services to over 200 clients across Spain.



FLORIAAN B.V.



NETHERLANDS

Established in 2004, Floriaan provides integral fire safety services, addressing complex safety challenges, to industrial and real estate companies in the Netherlands.



TESTING, ENGINEERING AND CONSULTING SERVICES, INC.



USA

TEC Services is a leading independent testing, engineering and consulting services laboratory, focused on meeting the quality requirements of the construction industry.



PT WLN INDONESIA (MAJORITY STAKE)



INDONESIA

WLN is a leading provider of water, soil and air testing services to multiple industries across Indonesia.



CHEMICAL SOLUTIONS LTD.



USA

CSL is a nationally recognized testing laboratory, specializing in elemental and heavy metal testing for food, nutraceuticals, pharmaceutical and cosmetic products.



i2i INFINITY LTD.



UNITED KINGDOM

i2i is the leading provider of Electronic Certificates of Origin in the UK. The company provides customs compliance services to exporters and chambers of commerce using innovative proprietary software solutions.



MAINE POINTE LLC (MAJORITY STAKE)



USA

Maine Pointe is a supply chain and operations consulting firm that delivers business process optimization and improvement through its proprietary methodology Total Value Optimization™.



VIRCON LTD. (20% OF OUTSTANDING SHARES)



HONG KONG

Vircon operates in the fast-growing Building Information Modelling market in Hong Kong and elsewhere in the North East Asia region.



ASSETS AND OPERATIONS OF FORENSIC ANALYTICAL LABORATORIES, INC.



USA

FALI is one of the leading providers of industrial hygiene, mold, bacteria, metals, particles, contamination control and asbestos and fibers testing on the West Coast of the USA.



DMW ENVIRONMENTAL SAFETY LTD.



UNITED KINGDOM

DMW is a leading solution provider of health and safety services, including asbestos surveys, monitoring and analysis, building compliance services, water hygiene services (legionella risk assessment), fire safety audits and occupational hygiene.



ARGUS INTERNATIONAL, INC. (MAJORITY STAKE)



USA

ARGUS is a provider of data-driven inspection, audit, safety and compliance solutions to the global aviation market.



BUSINESS AND ASSETS OF PPE TESTING AND CERTIFICATION ACTIVITIES OF FIOH



FINLAND

Previously operated as an independent public law institution, SGS has acquired the personal-protective-equipment testing and certification activities of the Finnish Institute of Occupational Health.



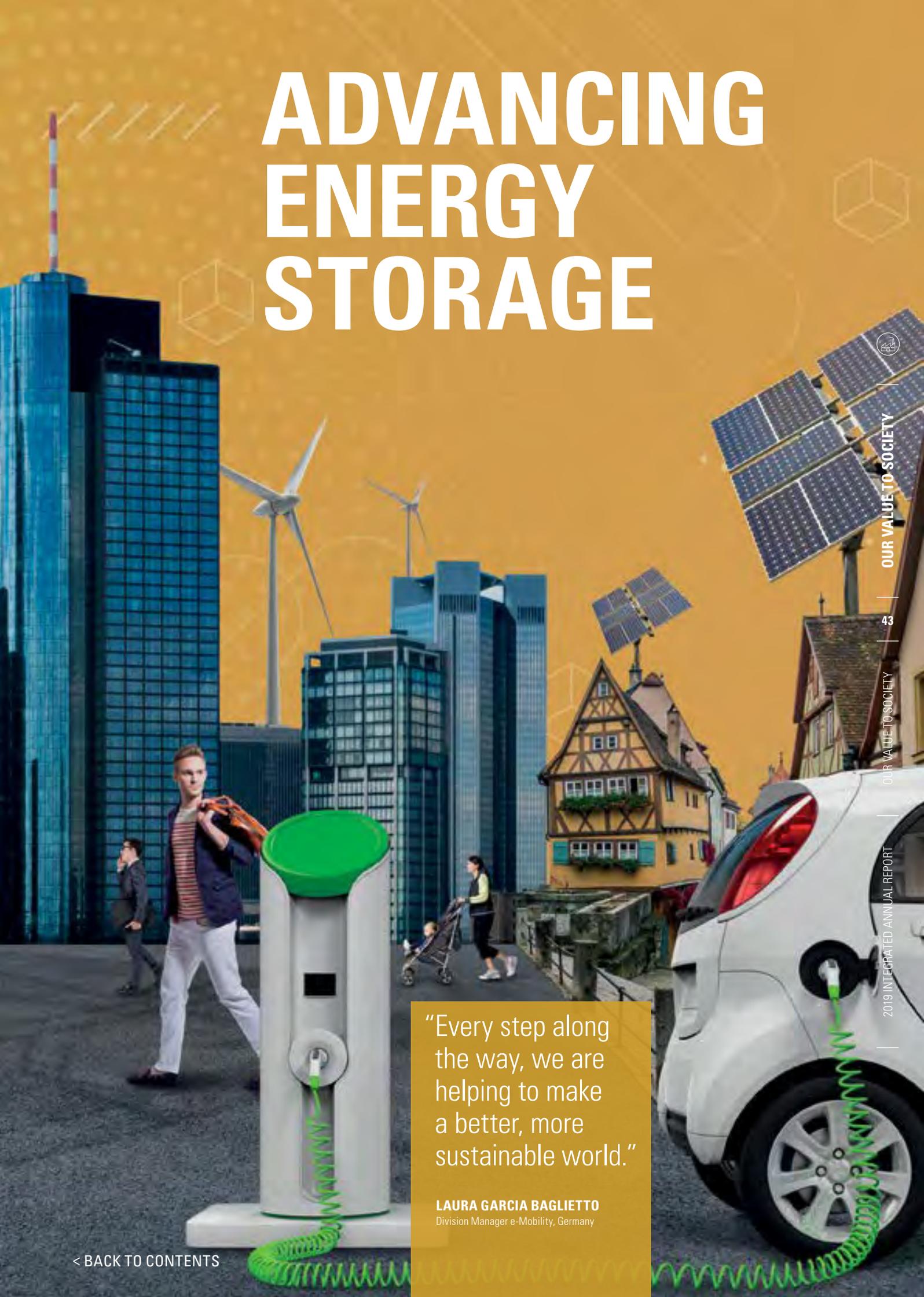


MANUFACTURED CAPITAL

Our services help improve many aspects of our customers' manufactured capital. In our own operations we add value to society by enhancing infrastructure efficiency and safety through sustainable capital investment.

Procurement and Supply Chain Management **48**

ADVANCING ENERGY STORAGE



OUR VALUE TO SOCIETY

43

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT

“Every step along the way, we are helping to make a better, more sustainable world.”

LAURA GARCIA BAGLIETTO
Division Manager e-Mobility, Germany

Battery storage: **DRIVING MORE THAN JUST BETTER VEHICLES**

In the automotive space, we are supporting the transition to electric vehicles (EVs) by helping our customers to overcome technological obstacles, make their products safe and meet regulatory approval. By helping to usher in a new era of e-mobility we are also helping to tackle the climate crisis.

To reach Paris Agreement targets, we need to switch to renewable energy. But to do that we need to deal with a fluctuating renewable electricity supply. This means storage. One of the most effective potential ways to deal with the storage problem is to store energy in a decentralized fashion. The rising popularity of electric vehicles makes cars a surprising contender. Storing energy in cars has the advantage that their peak usage times are limited to rush hours. Surges in power requirements in factories could, for example, be managed from the energy in car batteries parked outside. The cars could then be recharged from local solar energy generated on the factory roof, during non-peak times. With the marginal cost of electricity approaching zero, electricity could be freely exchanged for the mutual benefit of everyone.

THE TRANSITION TO NEW TECHNOLOGY

We not only expect technological disruption, we are helping to shape it (see page 21). This means we can anticipate where the market and technology will be in five years time. This is important because we can develop testing services that will be fit for purpose then. For example, we anticipate a major increase in EV testing in Europe from 2022 onwards when new European legislation is expected to make EVs more attractive as fleet cars. Additionally, as 5G is rolled out in the next 3–4 years, vehicle-to-vehicle, vehicle-to-infrastructure and vehicle-to-device communication and security testing will become more important. SGS is part of the 5G Automotive Association and our colleagues in Korea are already contributing to the standardization of these areas.

END-TO-END SUSTAINABILITY

Electric batteries require cobalt, which due to a quirk of geography, has to be sourced almost exclusively from the Democratic Republic of Congo. There are well-known sustainability issues around this activity, including risks of child labor. SGS provides services to assure the sustainability of the raw materials, as well as supporting the transition to electric vehicles through testing the final components. We also help develop recycling technology for lithium-ion batteries. Every step along the way, we are helping to make a better, safer world.



“We can anticipate where the market will be in five years time.”



SGS e-Mobility laboratory, Gelting, Germany.



THE TIME IS RIGHT

For the first time, we are seeing electric cars being designed specifically as electric vehicles from the ground up – not as conversions of existing vehicles. This allows for new interior design and the range of electric vehicles is increasing with each new generation. As a result, users are getting more value for money. People will see that these cars perform and provide a better user experience. The end of 2020 will be a turning point for electric vehicles.

“I believe the end of 2020 will be the turning point for electric vehicles.”

SAFETY

According to OECD data, there were more than 20 000 fatalities on German roads in 1970. By 2018, this figure had fallen to around 3 300. Safety has clearly improved but more can be done. Today, the worst problems on German roads are road traffic accidents involving vehicles and pedestrians, bikes and motorbikes. Legislation is expected by 2022 that will make it compulsory for all cars to be equipped with radar detection systems. Interestingly, this is part of the electronic circuitry that we will eventually need for fully autonomous vehicles. SGS is helping to test these devices. Battery safety is much better now, too. In the old days, electric batteries had a reputation for igniting, but that is very much a problem of the past. Yet as the range and power of EVs increases, the quest for ever safer batteries continues. In our laboratories, we ‘drown’ batteries in water and simulate car crashes, where batteries are surrounded by fire. We are playing an important role in ensuring that batteries are safe for use.

100% RENEWABLE ENERGY

Our e-Mobility testing laboratory in Munich is run on 100% renewable electricity. Locally produced, laterally scaled with smart distribution and storage, we are on the cusp of a genuine paradigm shift. Our e-Mobility laboratories are ISO 14001 certified and we are constantly working to improve our sustainability KPIs. Across the global network, 94% of our electricity is currently from renewable sources and we have pledged to move to 100% by 2020.

KNOWLEDGE SHARING

We develop advanced testing technology within the Group. For example, we have to simulate and test the effects of ten years of driving on car batteries (within a six-month timeframe). To do this, we have tailored shaker tests that rattle the battery the way driving might do. The technology is highly innovative and can potentially benefit other units within SGS.

THE FUTURE

The perfect picture in 2030 would be the greatest possible use of electric vehicles and renewable energy. In the long term, e-mobility will contribute to sustainable mobility in society. This will be a key element in cleaning up the environment. It would mean that sustainable energy is driving the grid, with e-mobility playing a key role in stability, ‘peak-shaving’ and storage of energy on the grid.

A RISING WIND

The energy markets are changing. Renewable energy moving from the periphery to the center isn't a hypothetical future possibility anymore. It is happening right now. Solar may have captured the headlines but wind energy is blowing up a storm of its own.



FREDERIC SCHENK
Group Vice President,
Head of Business Development
Industrial Services

THE IMPORTANCE OF WIND ENERGY

"I think the cost tipping point has already been reached for wind energy in the same way as it has for solar," says Frederic Schenk, Head of Business Development, Industrial Services. "We are looking at costs of 0.45 to 0.7 Euro per KWH in certain regions, which means that it is competitive with newly installed hydroelectric and gas-fired power and largely less expensive than coal-fired or nuclear power."

If solar seems more visible, that's because it literally is. While solar panels can be set up on rooftops everywhere, the most effective development approach for wind energy is offshore windfarms. These can be scaled up in terms of size and power output but have massively less social and environmental impacts compared to onshore windfarms.

While they may be deliberately out of sight of the public, they are most definitely in the minds of energy experts. A large offshore windfarm now has around the same production capacity as a mid-size traditional power plant. So, while solar lends itself to local production and smart distribution, wind still follows a centralized production model favoring big players and major infrastructure investments.

NEW MARKET TRENDS

An engineer by training, Frederic has spent 16 years with SGS, witnessing the change in the energy landscape firsthand. "We are seeing large investments in distribution in places like Germany, to allow for the electricity produced in the North Sea to be transmitted to the industrial south", he explains.

"We will also need to develop improved storage technology but this is happening right now. We are seeing a significant development in battery technology, particularly with car manufacturers teaming up with utility companies to build huge battery stations. These can store energy and then release it when needed to smooth supply." There are also decentralized battery options emerging with regard to electric cars (see page 43).

Another major trend Frederic sees is that the renewable energy industry is going global. "There are several very large players who are moving out of their home markets and moving to areas like the USA, Asia and the Middle East. Sometimes they are doing it alone, sometimes they are partnering with traditional energy companies, such as oil and gas companies, who are also beginning to invest heavily in renewables."

"At the moment, the North Europeans have a competitive advantage in the development, financing and operation of offshore windfarms", he notes, and it is these firms that are leading the push into other markets. Notable activity in these areas is taking place in Taiwan, South Korea and Japan. The Eastern Seaboard in the USA, from New England to the mid-Atlantic states, is another rapidly expanding market. SGS is very much at the forefront of these developments.

"THE TIPPING POINT FOR WIND HAS ALREADY BEEN REACHED, AS IT HAS FOR SOLAR"

SGS LEADERSHIP

"We were one of the players who helped to develop the European market," Frederic explains. "Now we are supporting these same companies with their expansion overseas, particularly in Asia." There are a number of reasons they are choosing to work with us. Firstly, our track record of serving these customers during their emergence in Europe, our 141-year history (these are long-term projects and our customers need partners in place for the whole economic lifecycle) and our global footprint.

"We have the biggest and strongest network in Asia in the TIC Industry", says Frederic. "We supervise the building of the windfarm foundations, then oversee the health and safety elements during construction, as well as supervising the build of the mast, turbines and components. Obviously, with our lab network, we offer testing services on all the materials and coatings, and once the site is up and running, we offer in-service inspections and non-destructive testing. Fundamentally we offer a full-blown, end-to-end quality assurance solution." By supporting our customers with their manufactured capital inputs and outputs, we are helping the spread of wind energy around the world – and doing our bit to help tackle the climate crisis.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

In 2019, we continued the implementation of our 2020 Procurement and Supply Chain strategy, which aims to achieve cost savings, efficiency improvements and innovations that support profitable growth. Working together with stakeholders and suppliers, we have continued our work based on our four strategic pillars: cost and cash flow leadership, global sourcing solutions, sustainable procurement and supply chain, and contribution to the Inspection and Laboratory of the Future program.

ACHIEVEMENTS

Internal purchasing catalog usage reached 47%

'Uber for business' launched across the SGS Group, supporting employee mobility

Order-Transport Management (OTM) online system rolled out in France and the USA, enabling easy evaluation of delivery options

Usage of the SGS eSourcing tool has almost doubled reaching 44% online sourced spend in 19 countries

Rollout of SGS Supplier portal continued, reaching 66 000 electronic invoices

STRATEGIC PILLARS

1

COST AND CASH FLOW LEADERSHIP

2

GLOBAL SOURCING SOLUTIONS

3

SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN

4

CONTRIBUTION TO INSPECTION AND LABORATORY OF THE FUTURE PROGRAM

STRATEGIC ENABLERS

1. COST AND CASH FLOW LEADERSHIP

Procurement and Supply Chain Management further increased incremental gross savings in 2019 and is well on track to reach the target for the period 2018 to 2020.

2. GLOBAL SOURCING SOLUTIONS

Our commitment is to deliver the best global, regional and local solutions, taking a total cost of ownership and user-centric approach. This is achieved through global category strategies that drive cost reductions, standardization and efficiency improvements. We continually build closer partnerships with our main global suppliers and identify ways through which SGS can benefit from the capabilities of our supplier ecosystem.

To improve sourcing for our laboratories, we have built distributor networks with a particular focus on regions with complex logistics, e.g., South America, South East Asia Pacific and Africa.

We also strengthened and extended relationships with our core IT suppliers across hardware, software and telecommunications. The partners

we work with must optimally support SGS and enable us to leverage our global footprint.

3. SUSTAINABLE PROCUREMENT AND SUPPLY CHAIN

For the first time, SGS was ranked in first position for supply chain management in the Dow Jones Sustainability Index (DJSI).

Extending our initiative from 2018, we have now successfully deployed the SGS Supplier Code of Conduct and Self-Assessment Questionnaire in 30 countries, assessing more than 2 700 suppliers to date.

We have continued the deployment of our Sustainable Mobility programs, and performed sustainability analyzes in Spain, the USA, the UK and France, to support the development of more sustainable fleets. We will continue deploying our sustainable fleet program and expand it to other countries in 2020 and beyond.

Find out more about our sustainable procurement supply chain strategy in our 2019 Sustainability Report: www.sgs.com/cs-report-2019.

MEMBER OF
Dow Jones Sustainability Indices
In collaboration with **CSAM**



SUSTAINABLE MOBILITY PROGRAMS DEPLOYMENT

United Kingdom

France

Spain

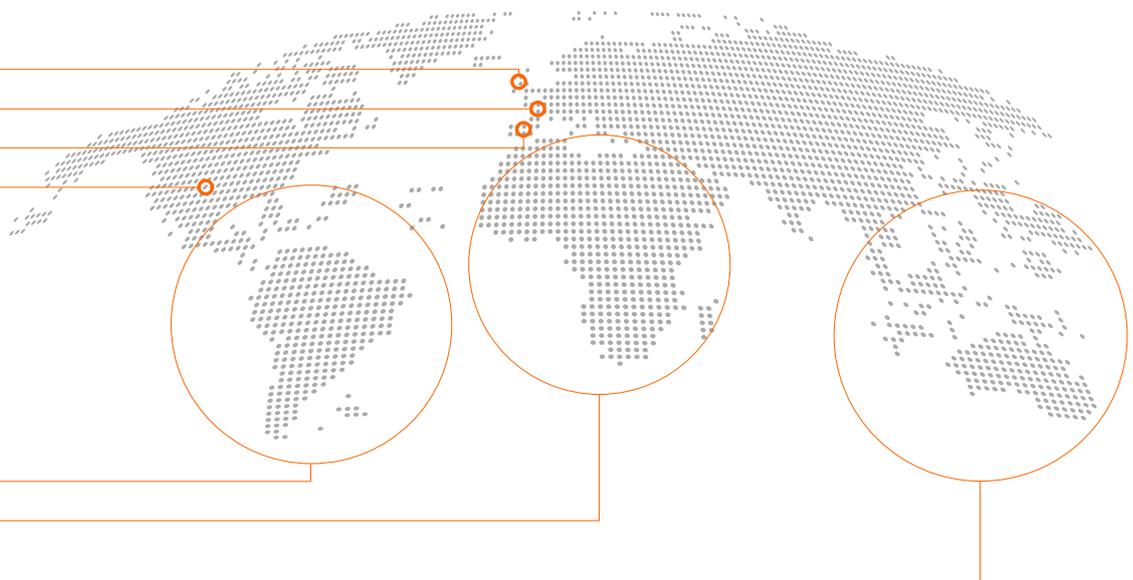
USA

NEW LABORATORY DISTRIBUTOR NETWORK

South America

Africa

South East Asia Pacific





4. CONTRIBUTION TO INSPECTION AND LABORATORY OF THE FUTURE PROGRAM

Testing and inspection are core SGS activities, representing a large portion of costs. The contribution to Inspection and Laboratories of the Future pillar brings together initiatives such as inventory management, asset management and automation. The program supports the World Class Services global program to drive efficiencies in our laboratories.

We collaborate in a cross functional team called the Advanced Technology Group. SGS experts, strategic suppliers and our Procurement function devise next-generation technical and digital inspection and laboratory solutions.

Through one such strategic partnership we identified an opportunity to use artificial intelligence and machine learning in our laboratories to create significant efficiency improvements. We developed and piloted the associated algorithms in one of our main food laboratories. Following the success of the pilot, the algorithm will go live in operations in 2020.

STRATEGIC ENABLERS

The achievement of goals related to our four pillars is supported by four strategic enablers: our Target Operating Model, supplier partnership management, internal business partnering and high-performing procurement teams. We have implemented improved processes and deployed Oracle Enterprise Resource Planning together with finance in a number of countries. The Procure to Pay (P2P) compliance and efficiency process (e.g., No PO No Pay) has been a key focus, enabling higher spend transparency and bundling with preferred suppliers. In the source-to-contract process, we have increased usage of purchasing catalogs and eSourcing. These catalogs provide SGS employees user-friendly

access to pre-negotiated items from preferred vendors along with increased process efficiency and automation. The percentage of spend sourced online through eSourcing has nearly doubled allowing for increased savings and greater efficiency.

As part of the supplier partnership management program, 105 of our most important suppliers were asked to provide input into a broad range of topics, such as sustainability commitment, P2P process adherence and financial strength. This valuable information is used to select the best partners and generate maximum value through better collaboration and specific action plans.

Effectively servicing our internal business partnerships must be ingrained in everything that we

do. All initiatives start by asking the relevant SGS business about its needs and then agreeing on how procurement can best provide support.

A further enabler of all our activities is our highly passionate and collaborative team. Good results from the Catalyst employee engagement survey confirmed the engagement of the procurement teams around the world and provided valuable insights into what can be done to further support passion and strengthen the performance culture.



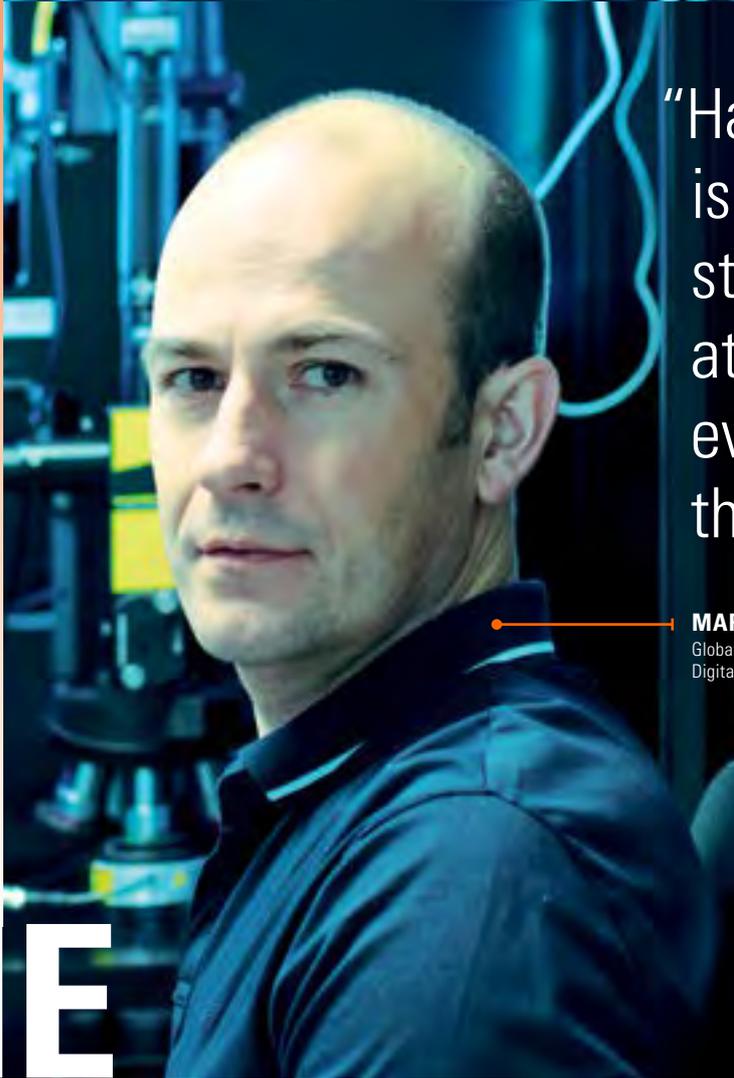
INTELLECTUAL CAPITAL

We add value to society by improving knowledge through innovation.
We empower our clients through the range of training and education services we offer.

Innovation	54
Information Security and Data Protection	55



THE CYBER EDGE



“Hacking is not a static thing — attacks are evolving all the time.”

MARTIN SCHAFFER

Global Head of Secure Products and Systems,
Digital Trust Services



OUR VALUE TO SOCIETY

51

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT

HIGH-IMPACT CYBERSECURITY

For around a thousand years, a fortress has dominated the city of Graz. The imposing structure sits on a hill in the center of Austria's second largest city and is a fitting backdrop for a project that is concerned with a more modern means of defence – cybersecurity.

In February 2019, in conjunction with the Graz University of Technology (TU Graz), SGS announced the development of the Cybersecurity Campus Graz. The campus will include a new non-profit research center, focusing on high-impact cybersecurity research. It will also house the TU Graz Security Research Institute – a world-renowned research facility known for its work on the Meltdown and Spectre hacks. Additionally, it will also be home to SGS Cyberlab Graz, which will focus on products and systems testing services as part of our larger portfolio of digital trust services. We will be particularly engaged in hardware security, specifically, microchip security testing.

Around 2 500 new smart devices are being connected to the global network every second. Ten years ago, hacking felt remote – businesses and governments were hacked, not individuals. But now it is becoming an issue that is much more personal. Mobile phones are hacked, home security cameras are hacked, even your car can be hacked.

The problem is that security is not a feature that people ask for. They expect it to be there already. Certainly, they don't expect to pay more for it. Yet, with the regulatory environment still relatively nascent, this actually creates a disincentive to build high levels of security into devices. This is a problem. The global network is only as strong as its weakest link. Once low-security products are connected, it will become a much harder problem to fix. We need to address this issue now, starting with the components that are being used.

THE CUTTING EDGE

To remain at the cutting edge of security developments over the long term, you need to support advanced practical research. This is why we have partnered with TU Graz. It is one of the few universities in the world with the kind of hardware security expertise that we were looking for.

Together we will be moving into a new purpose-built building that will house up to 500 security experts, including a university research team, staff from our Cyberlab, our joint venture research center and other partners. We will be working to improve microchip design, to develop security testing processes and to educate the next generation of security experts.

As a part of this project, members of our laboratory team will become part of the teaching staff on the University's master's programs. One potential

advantage to us is the opportunity to identify and develop emerging talent to join our team, but more broadly we are also helping to address the general talent shortage on the device production side. At the moment, there are simply not enough well-trained people to make these products more secure going forward – and this is an issue with potential societal-level impacts. Additionally, whenever we identify solutions to problems, we will make them publicly available free of charge through the joint venture. We can afford to do this because our revenues will ultimately come from offering testing services around these solutions. As a result, it's fair to say that the collaboration looks set to benefit both partners, our stakeholders and society at large.

"Security is not a feature that people ask for. They expect it to be there already."



THE FUTURE OF INSPECTION

By the end of 2020, there will be 30 billion connected devices – roughly four for every person alive. That number will only grow. We strongly believe in the potential of the Internet of Things (IoT) to reshape the way we do business. So, in May 2019, we launched a new IoT Competence Center in Madrid. The center will allow us to develop next-generation inspection technology.

The IoT-based inspection market is growing at 7% a year. To ensure that we remain the point of reference for these developments we have partnered with Swisscom and Microsoft. Swisscom is providing a dedicated and secured IoT communications network for our data to be transmitted, which will then be managed and stored by Microsoft.

SGS can then leverage its experience to develop game-changing IoT inspection devices that will be configurable, scalable and extremely easy to operate. These devices won't just allow us to provide a better service to individual customers, they will enable us to offer predictive services, through our development of advanced analytics, machine learning and artificial intelligence algorithms.

This will put us at the forefront of developing smart cities, smart agriculture and smart industries. We are moving quickly. Even though we only started in May we have already developed our first product, Smart Warehouse. Built for the agricultural industry, Smart Warehouse delivers timely and accurate information to protect stored commodities (e.g. grain).

While traditional inspection methods offered a useful snapshot of the status of the commodity, with 24/7 monitoring, Smart Warehouse offers continuous support. It can monitor elements such as moisture, temperature and CO₂ levels, and therefore prevent contamination with molds, mites, insects and microbes, and premature germination.

Our IoT Smart Warehouse solution is currently being implemented in Egypt, Hungary, Spain, Kazakhstan, Ukraine, the Netherlands and the Baltic region. We anticipate that the service will also be sought after for monitoring commodities on cargo vessels.

As big data develops across devices, we will be able to offer even better predictive services. For example, we will be able to alert a customer if humidity and temperature present a risk of fermentation in the following 48 hours. This is of course great news for our customers, but it is also good for society because it has the potential to massively reduce food waste. In addition, the carbon footprint from regular site visits for inspections will be significantly reduced and insecticide usage will be minimized as our devices also monitor phosphine levels. All of this helps us add value to society.

ALEKSANDAR MITREVSKI
COMPETENCE CENTER PROGRAM DIRECTOR

"SGS can leverage its experience to develop game-changing IoT inspection devices."

GRAZ, AUSTRIA

MADRID, SPAIN





CYBERSECURITY CAMPUS GRAZ

INNOVATION

Our strategy is focused on digital services, e-commerce and online presence, and a culture of innovation. We are committed to the development of innovative services that benefit our customers and better processes that enable SGS to deliver our services more efficiently. We invest in projects that deliver on our internal efficiency goals, provide our customers with solutions and create services that bridge digital and traditional methodologies.

DIGITAL SERVICES

We aim to be a global leader in developing safe, effective and profitable digital solutions for all sectors we operate in. By continuing to provide best-in-class services that transform the TIC industry, while enhancing everything we do with digital services, we build on our ability to add value for our customers and improve our internal efficiencies for the benefit of our employees.

E-COMMERCE AND ONLINE PRESENCE

Expanding our business-to-business-to-consumer presence online is an SGS 2020 objective that we aim to achieve through our e-commerce platform, SGS online. Consumers have access to services provided by our Environment, Health and Safety; Agriculture, Food and Life Sciences; Oil, Gas and Chemicals; and Certification and Business Enhancement business lines, as well as by our Cybersecurity Services unit, and we are constantly investigating further services that can be moved to this delivery platform.

Our emphasis is now on improving how SGS online communicates with and sells to customers. The online-offline customer journey is one area in which

ACHIEVEMENTS

Cybersecurity Campus Graz security opened in Austria, in partnership with the Graz University of Technology

IoT Center of Competence opened in Madrid, in partnership with Swisscom

SGS online optimized for efficiency and effectiveness

Innovation Ecosystems put in place to support the development of ideas with strong potential

43 innovation projects launched across the SGS Group in 2019

we are seeing notable advances, in particular with regard to how SGS online links to our offline services and improves understanding of SGS products.

INNOVATION CULTURE

At SGS, we have a culture that values innovation. We have a process in place that recognizes and leverages creative ideas and we encourage all of our employees to put them forward. We do this through a series of Idea Challenges that are designed to crowd source ideas from across the SGS Group. When we find ideas that are novel or will enhance existing processes, we work with the employees that have proposed them to develop business propositions. To provide this support we have developed Innovation Ecosystems where representatives from all parts of the SGS Group – business lines, geographical regions and functions – come together to contribute to idea development and critical review.

In 2019, as a result of our Innovation Ecosystems we created a rich pipeline of innovation projects at various stages of analysis and development. Ultimately we communicate about ideas that are progressed and we celebrate the innovations that help make a difference to our organization.

INFORMATION SECURITY AND DATA PROTECTION

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

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

INFORMATION SECURITY

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

In terms of digital information, by carefully managing our IT Security and Anomaly Detection Systems, while deploying tools to identify vulnerabilities and forecasting trends in the cybersecurity landscape, we work to prevent and defend SGS against threats. SGS utilizes several detection systems that monitor our network, system infrastructure and applications. The most critical of these detection systems are monitored on a continuous basis, while the rest keep audit information for analysis in case of enquiries or suspicion of fraudulent activity.

Response times to potential incidents are monitored according to specific timeframe requirements depending on the severity of the threat and its criticality. As a business, we implement the best security

controls, based on international standards and best practices. Our IT Management team works closely with our Business Continuity team to ensure effective crisis management planning systems are in place to deal with any eventuality.

DATA PROTECTION

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

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

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

TRAINING

We run a continuous security awareness training program and, as part of this, conduct information security training several times a year for all employees. In 2019, cybersecurity and risk were

added to the SGS Onboarding program. We also recognize that senior managers are subject to specific security threats and as such we have a further training course specifically for this group, while we also provide courses dedicated to the needs of specific SGS businesses.

Global awareness training on Data Protection and Privacy principles was rolled out as an e-learning module in 2018 to SGS employees around the world. It is relevant to everyone who works at SGS, whether they collect and process personal data or not. As such, new employees are now required to complete it as part of the SHINE Onboarding program. As with the Information Security modules, we have also introduced a specific version of the course focused on the needs of senior managers. Data Privacy Officers receive training through workshops on GDPR compliance and data breach management, while we also provide courses dedicated to the needs of specific SGS businesses.

ACHIEVEMENTS

Data Protection and Privacy principles added to the SGS SHINE Onboarding program

Cybersecurity and risk added to the SGS SHINE Onboarding program





HUMAN CAPITAL

We add value to society by protecting the health of our employees. We reduce social risks by reinforcing human rights compliance. Our services ensure food, medicines and products are safe and promote a safer, healthier and more sustainable environment for people around the world.

Compliance and Integrity	61
Talent Management and Equal Opportunities	62
Operational Integrity	64

WOMEN IN SCIENCE

SHEIDA HÖNLINGER

Business Manager, Life Sciences and CPHC, Germany and Austria



ANITHA JEYARAJ

Head of Laboratories,
Consumer and Retail Services,
India



**LAURA GARCIA
BAGLIETTO**

Division Manager e-Mobility,
Germany



“EMOTION SHOWS YOUR PASSION”

SHEIDA HÖNLINGER,
Business Manager, Life Sciences and CPHC,
Germany and Austria

When I was a young girl I was always interested in science. As a biology student at the University of Vienna, I realized that while working in a lab can be fascinating, it wasn't really what I wanted to do with my life. Instead, I wanted to find a way of combining my knowledge of biology with project management, planning and working face-to-face with people.

I first found that kind of work at the Austrian Health Ministry, where I gained valuable early experience. For ten years I worked there and learnt how to manage scientific projects. Notably, I helped build the first cosmetics testing lab in Austria, which ended up giving me fantastic insight for my later career. I enjoyed my time there, but an opportunity at SGS caught my attention. I felt it offered the chance for personal and professional growth.

A SERIOUS CAREER PATH

I was right. In the 14 years since I joined SGS, I've been business manager for Germany and Austria for both Life Sciences and Cosmetics, Personal and Home Care (CPHC), managing 350 people across five sites in Germany and one in Austria. I also sit on the country Management Board for Germany and I'm a member of the Compliance Committee here.

SGS definitely appreciates the work and expertise of women. Where we could do a little better is helping women take the next step into top management positions, but I think the willingness to support women is genuinely there. Here in Germany, for example, through the Compliance Committee, I brought a proposal forward to support women's career development. I am the only woman in the Committee at the moment, and my male colleagues were very welcoming of the idea. So, having been joined by two ladies from the Legal and HR departments, we are planning to roll out the project in 2020. We want to help coach them, give them exposure to different parts of the business and offer them more working flexibility.

My advice to these young women (and to young women scientists wherever they work) is to be themselves. You don't need to act like a man to be successful even in a technical role. You can show your emotions – it demonstrates your passion for your work. You can be proud of your role as a mother, talk about your children, wear dresses and makeup, if that's who you are, and still build an outstanding career. Just be yourself.



“My advice to young women is to be yourself”



MATRIARCHAL BEGINNINGS

I grew up in a traditionally matriarchal society in the north of Spain. So, no one ever told me there were jobs that women didn't traditionally do. It was only later when I moved to Central Europe that I began to see that technical jobs were male-dominated here. But honestly, I just don't think that way – I don't think in terms of gender but in terms of people.

I joined SGS in 2006 as a testing engineer. I think I was always drawn to engineering. When I was eight years old, I did my first technical drawing (of sorts), of a carriage for my toy horses. So, in the end, choosing engineering science at university was a natural step for me. My first job was to certify electrotechnical components. Now I am Division Manager for e-mobility. I oversee 65 people in five laboratories on three different sites.

WHAT GENDER ISSUE?

If I am completely honest, my first reaction on being asked to write this was why? My instinctive response was – do we really need this today? I personally just don't feel the gender divide at SGS. I've had no difficulty in advancing my career here and I've never had any specific problems because of my gender. I've never noticed any such issues here at all.

Yet, on reflection, while SGS is a good environment for women, not everywhere is the same. And even here, there are still challenges for women. For example, engineering is still a male-dominated vocation, and men and women communicate differently. When I stopped and thought more about it, I realized that I had learned at some point to present myself differently with my male colleagues. That was actually a challenge at the time.

I think things are changing for the best here. Women are more frequently taking up the vocation. I was lucky with my upbringing, and so, to a degree, I don't always notice the positive changes. The attitude just feels normal to me.

ADVICE TO YOUNGER PEOPLE

I would say to any young woman – or indeed any young person – to try to free themselves of any expectation from other people and to try to find what it is that makes them truly happy in life.

I had a teacher in school who had a PhD in physics but who also spent time working in a bakery because she loved

making bread. That was an amazing mixture of passions. She taught me that it doesn't matter what you do. It just has to make sense to you. You are the one with the passion for it. But if I was specifically trying to encourage women into science, I would tell young girls that they have the chance to change the future. Science lets you do that. And that is a rare opportunity.

LAURA GARCIA BAGLIETTO
Division Manager e-Mobility, Germany

"NO ONE TOLD ME THERE WERE JOBS THAT WOMEN DIDN'T TRADITIONALLY DO"



22 YEARS OF PROFESSIONAL GROWTH

My career with SGS has been interesting from the very beginning. I joined the company in early 1997 as a technologist in our Softlines business. My job was to manage the testing and final evaluation of textile materials for export. I've been with the Consumer and Retail business line ever since, but my role has developed.

After a while with the company I became a quality manager – at the time there was a major trend of companies in India moving towards ISO accreditation.



ANITHA JEVARAJ
Head of Laboratories, Consumer and Retail Services, India

"I enjoy the management aspect as much as I did my scientific roles"

Then I was asked to take up a more customer-facing role as a key account manager for a few very high-level accounts with global clients. Subsequently, I was promoted to Laboratory Manager.

SGS recognized my hard work and in 2011 I was made National Operations Manager, covering all Softlines laboratories in India. After five years in this role, I was promoted to Head of Laboratories, India in 2016. In this role, I manage both the business and service excellence of the business line in India with a 600-strong team.

I enjoy the management aspect as much as I did my scientific roles. SGS is a global leader with a clear strategic vision and very strong values. I sincerely believe that, with this foundation of integrity and trust, SGS is one of the best employers any woman can work for.

It is true that the TIC industry is kind of male-dominated. But I think that in India this is partly because, traditionally, inspections roles involved a lot of travelling, and sometimes you have to work late at a customer site. India is a very traditional society, and these aspects of work were considered unsuitable for women. However, things are beginning to change, and more women are coming into the industry here.

A WONDERFUL PROFESSION

I would definitely encourage more women to get into the science side of things. While I see women moving into IT, HR and Finance roles within the TIC industry, I feel science is a bit at the back of the queue – women probably only make up around 10-15% of lab employees. Men and women have a different yet complementary approach to business. That makes it all the more important that both men and women should be present to ensure good growth and quick advances in any industry. So, it's very important for us to encourage more young women to study science subjects and take on scientific roles.

Testing is a wonderful profession. It is a chance to make the world a better place and I would like to see more women involved.



COMPLIANCE AND INTEGRITY

Integrity is at the heart of the SGS brand, and our success is built on the trust our customers place in us. To maintain this trust, we expect our employees to embody SGS' values in everything they do. As an industry leader, we believe our behavior inspires other businesses to create a better working environment for all.

SGS does not engage in any form of bribery or corruption, and we adhere to the legal requirements of every country we operate in. We hold anyone acting on behalf of or representing SGS to the highest standards of professional integrity, at all times – as defined by the SGS Code of Integrity. This Code applies to all SGS employees as well as affiliated companies, contractors, subcontractors, joint venture partners and agents. SGS' Supplier Code of Conduct sets out our standards for suppliers on respecting human rights in our and our customers' supply chains. Our shared values on individual and organizational professional conduct keep us from seeking business advantage by means that threaten our assets, brand, people or intellectual property. Both employees and suppliers receive clear guidance on grievance mechanisms. Any suspected violations can be reported using confidential integrity helplines or by contacting local or corporate-level compliance teams.

SGS conducts a mandatory Annual Integrity Training, based on the Code of Integrity, for all employees. Additionally, all new hires must complete an e-learning module within three months of joining the Company. This ensures clarity on SGS' integrity expectations and standards, with violations leading to possible disciplinary action, termination and/or criminal prosecution.

ACHIEVEMENTS

99% of employees attended the annual integrity training

A new Integrity Helpline was launched in 2019, providing all affiliates with improved procedures, reporting and analysis

Human rights e-learning training rolled out in all countries where we operate

PERFORMANCE



Employees signing the Code of Integrity

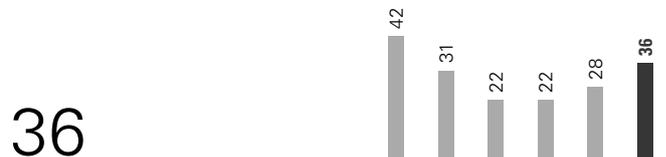
% OF EMPLOYEES SIGNING THE CODE OF INTEGRITY



Code of Integrity reports

TOTAL NUMBER OF INTEGRITY ISSUES REPORTED THROUGH CORPORATE INTEGRITY HELPLINES

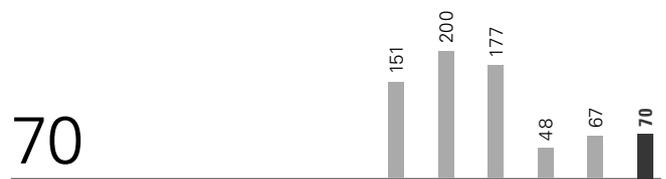
"Helplines" means channels used by employees and external parties to report suspected violations of the Code of Integrity. These reports can be submitted online or by phone, fax, email or post.



Code of Integrity non-compliances

TOTAL NUMBER OF BREACHES OF THE CODE OF INTEGRITY IDENTIFIED THROUGH CORPORATE INTEGRITY HELPLINES

"Helplines" means channels used by employees and external parties to report suspected violations of the Code of Integrity. The reports can be submitted online or by phone, email, fax or post.



Code of Integrity investigations

TOTAL NUMBER OF VALID REPORTS INVESTIGATED



OUR VALUE TO SOCIETY

61

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT

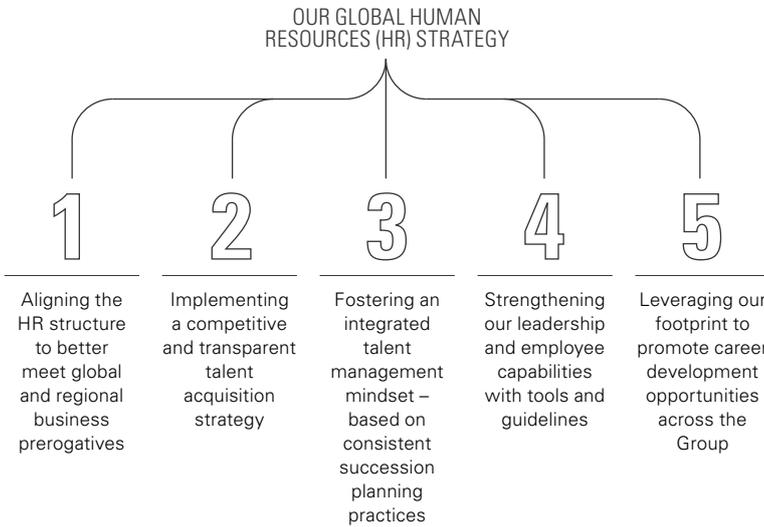
SGS CODE OF INTEGRITY RESPONSIBILITIES

BODY	RESPONSIBILITIES	INCLUDES
PROFESSIONAL CONDUCT COMMITTEE	<ul style="list-style-type: none"> Ensures implementation of the Code of Integrity Advises Management on all issues of business ethics 	<ul style="list-style-type: none"> Chairman of the Board of Directors Two other Board members Chief Executive Officer Chief Compliance Officer
CHIEF COMPLIANCE OFFICER	<ul style="list-style-type: none"> Implements procedures governing ethical behavior and conducting investigations of alleged staff misconduct 	
CORPORATE SECURITY TEAM	<ul style="list-style-type: none"> Ensures security arrangements adequately protect people and assets and respect human rights Continuously evaluates assets and businesses 	
HUMAN RIGHTS COMMITTEE	<ul style="list-style-type: none"> Oversees implementation of human rights commitments Supports human rights as defined in the Code and Business Principles 	<ul style="list-style-type: none"> Chief Executive Officer Chief Compliance Officer Vice President Corporate Sustainability

TALENT MANAGEMENT AND EQUAL OPPORTUNITIES

Our efforts to attract and retain staff, provide equal opportunities and increase diversity in our workforce are fundamental to our ability to operate.

In 2019, we continued the implementation of our global Human Resources (HR) strategy, which is based on five pillars:



ACHIEVEMENTS

4.6 million hours in staff training

Catalyst employee engagement survey simplified, with improved targeting and reporting. The survey was deployed in 19 countries and among three global teams, with 15 773 employees participated

71/100 score on Employee Engagement Index

+100 SGS recruiters took part in +1 400 hours of training provided through the new SGS Recruiter Academy

SGS Campus knowledge management platform was rolled out to all employees

1 239 SGS employees from 14 countries participated in the Virgin Pulse Global Challenge, which promotes healthier lifestyles

SHINE onboarding program revamped to improve useability and scope

65% males and 35% females in the global workforce

13 nationalities represented across the Operations Council

The focus of our strategy is on talent development, which ultimately leads to employee retention. We are also aiming to provide a work experience tailored to the needs of both current and future SGS employees. To remain the industry leader, it is imperative that we continue to attract and retain high-caliber experts across the SGS Group. Our HR strategy is making SGS more agile and transparent in the way we acquire and develop talent and increasing the visibility of career and growth opportunities within the Group.

SGS is a diverse organization that supports all employees in realizing their potential. Our employees span nationalities, cultures, religions, generations and genders, and we recognize their contribution to our business success. Our approach to diversity is grounded in our Business Principles where respect is defined as “making sure we treat all people fairly.”

TALENT ACQUISITION

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

Talent acquisition is managed locally, with global support. The SGS Recruiter Academy, launched in 2019, is part of this assistance framework. It aims to develop our talent acquisition expertise and our more data driven approach to recruitment. It also favors the sharing of best practices and raises awareness of expertise held within the business. A similar program for hiring managers was piloted in 2019, with a plan in place to deploy to more than 400 managers in 2020. We use digital tools and social media platforms to foster connections and hunt for potential future talent around the world and to communicate with potential employees. The SGS Onboarding program plays a significant role in integrating new employees into the SGS business.

LEARNING AND DEVELOPMENT

Developing our people’s expertise supports individual and team development while helping us to maintain quality standards. SGS has a global talent development strategy, which is part of our HR strategy, but day-to-day implementation is carried out at a local level, giving our businesses the flexibility to adapt to local market conditions, business needs, employees and communities.

In 2019, we rolled out our new learning management platform, SGS Campus. The aim is to create an open learning center for all employees that offers easy access to a wide variety of knowledge and online training content applicable to all our businesses and functions. Employees can access content, share knowledge and set up training programmes from anywhere and using any device.

We also analyzed our top 200 positions to ensure we have the right succession plans in place, and that we are mobilizing and developing our key talent appropriately. As part of this, 18 senior leaders attended Institute for Management Development leadership programs.



REWARD AND INCENTIVES

Reward plays a key role in attracting, motivating and retaining talent at SGS. Our compensation practices are benchmarked against the markets in which we operate, using a standard methodology, while we depend on local Management to define and maintain competitive compensation practices that appeal to both existing and future talent. We reward our employees for their performance, competencies and experience, based on local competitive conditions, and encourage profit-sharing through appropriate variable compensation plans, both long term and short term. We offer benefits, such as pension and healthcare plans, in accordance with local market norms. We regularly benchmark our compensation practices to confirm they are competitive in all locations around the world.

To facilitate our benchmarking activities, we classify SGS positions based on the nature of the jobs and their relative level and weight. Then, using our competitiveness against market practices assessment, together with internal equity and affordability considerations, we make informed decisions on target salary ranges. By using a common methodology and language, we ensure alignment throughout SGS and facilitate internal mobility.

PERFORMANCE MANAGEMENT

Managing performance is recognized within the company to be a joint responsibility between an employee and their manager, alongside corporate and regional human resources teams.

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

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



partners and suppliers are entitled to work in an environment and under conditions that respect their rights and dignity. We respect freedom of association and cooperate with the trade unions and work councils that our employees collectively choose to represent them within the appropriate national legal frameworks. All SGS policies and codes are informed by the International Bill of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Children's Rights and Business Principles, the United Nations Women's Empowerment Principles and the United Nations Global Compact.

EMPLOYEE ENGAGEMENT AND WELL-BEING

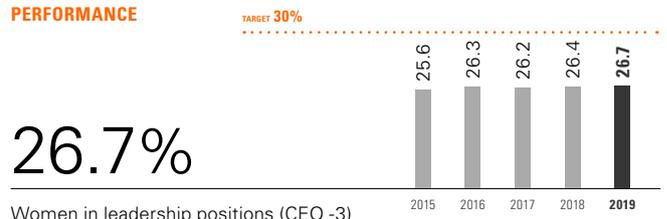
SGS continues to focus on performance management to develop and engage employees. We support our leaders understanding of employees' experiences working with SGS by inviting all employees to complete a survey.

Catalyst, our employee engagement survey, provides employees with the opportunity to voice their opinions and provide feedback to Management. In so doing, they initiate

a process that ultimately gives managers the opportunity to launch improvement actions with their teams.

Additionally, SGS provides various well-being initiatives tailored to the specific needs of local affiliates. These range from flexible working hours to semi-retirement plans. In some instances the programs are outcome-based health promotions, while in others, they are campaigns to encourage positive behavior change (e.g. cycle-to-work schemes). Where possible, remote IT connections and teleconferencing facilities enable employees to work from home and save them from having to travel to and from meetings.

PERFORMANCE

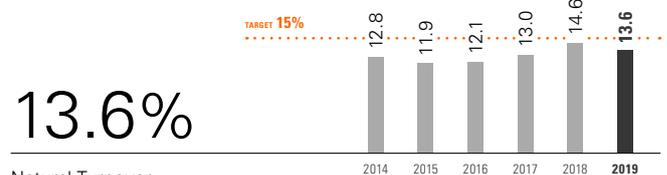


26.7%

Women in leadership positions (CEO -3)

DIVERSITY AND EQUAL OPPORTUNITIES

The SGS Business Principles, Code of Integrity and Human Rights Policy all underline our commitment to diversity and equal opportunities and our employees and managers are trained annually in the principles of non-discrimination. We strive to treat everyone fairly and without discrimination while providing employees with career development support that enables them to meet customer requirements and our own standards. SGS employees, subcontractors, business



13.6%

Natural Turnover

PEOPLE LEAVING BY THEIR OWN WILL

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



OPERATIONAL INTEGRITY

We believe that operating safely and with integrity is essential to business success and we encourage a no-harm culture that prioritizes employee health and safety, alongside environmental protection.

Our goal is zero incidents – this means zero health, safety or environmental issues. To achieve this, we have a Global Mission comprising five overarching aims. We work to achieve these aims through Leadership, Education and Discipline initiatives developed in line with seven strategic pillars: Leadership; Communication; Training and Awareness; Resources and Skills; Key Performance Indicators; Audits and Compliance; and

Health, Safety and Environmental (HSE) Risk Assessments.

Each strategic pillar focuses on a topic where there is the most Operational Integrity (OI) risk for SGS and has long-term objectives set against it. The delivery of our OI strategy is supported by our group-wide Operational Integrity Management System, which is aligned with internationally recognized standards¹ on health, safety and the environment.

and monitored as part of our OI Cultural Index. Annually, we also determine specific objectives, such as the digital tools to be developed to support the OI initiatives. The Group Vice President, Operational Integrity, Business Continuity and Integrity Programs reports directly to the CEO and leads the deployment of the OI strategy and objectives, focusing on key programs, including incident investigations, risk assessments, training, leadership visits and best practices.

OPERATIONAL INTEGRITY CULTURAL INDEX

In 2019, one of our focus areas was the enhancement of the Operational Integrity Cultural Index (OI CI), which was launched in 2018 and has now become an important performance management tool. Consisting of 14 indicators split into the three areas of Leadership, Education and Discipline, the OI CI provides clear country-by-country OI analysis and supports decision making.



THE OPERATIONAL INTEGRITY GLOBAL MISSION



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



Accelerate our cultural change and journey towards HSE excellence



Leverage HSE ownership, leadership and stakeholder involvement



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



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

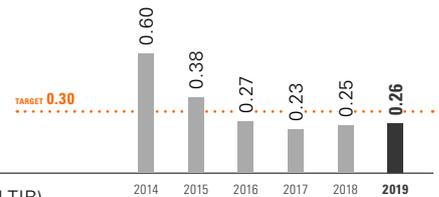
LEADERSHIP

Our OI strategy and performance are reviewed quarterly by the Executive OI Steering Committee, the Group Vice President, Operational Integrity, Business Continuity and Integrity Programs and the CEO. Each year we look at what we have set out to achieve in the coming year and adapt to any emerging requirements. Within each strategic pillar, proactive OI objectives are part of our everyday processes and we are working towards integrating them into managers' annual objectives. Manager OI objectives are reported on through our Crystal reporting system

PERFORMANCE

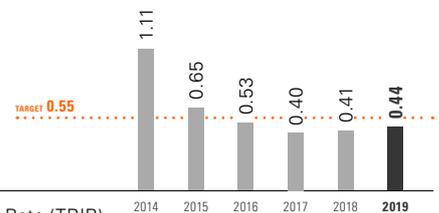
0.26

Lost Time Incident Rate (LTIR) (200 000 hours)



0.44

Total Recordable Incident Rate (TRIR) (200 000 hours)



While we are able to look back at yet another year of injury rates well below target, it is with deep regret that we report the loss of two lives in our operations in 2019. Any fatality is unacceptable and we will continue to work toward achieving our goal of zero harm.

1. SGS remains committed to achieving and maintaining international certification for Health, Safety, and Environment in accordance with ISO 14001 and ISO 45001 (OSHAS 18001) at our largest sites around the world. For 2019, 148 sites, covering more than 16 000 employees, achieved or maintained ISO 45001 and/or ISO 14001 certifications.

COMMUNICATION, RESOURCES AND TRAINING

Using our Incident Investigation Compliance Scores we help countries to identify where OI resources need to be improved. All SGS leaders are trained to conduct a minimum of six leadership visits per year, where they assess business and site level OI conditions, and demonstrate their commitment in the field. At the same time, all OI employees are provided with a suite of online tools to help them stay up to date with SGS Group OI requirements, along with training on site standard operating procedures, Group OI Management Systems and Rules for Life.

Our Rules for Life are 15 life-saving principles that apply to all employees, contractors and other people working on behalf of SGS.

Available in 14 languages, the Rules for Life are incorporated into all our safety-related campaigns. Regular Safety Talks and Integrity Talks are also provided for all employees.

The annual Safety Month further enforces the Rules for Life and the outcomes of both initiatives are systematically tracked. We also drive behavioral change across the organization through our Behavioral-Based Safety peer-to-peer observation program, which uses positive reinforcement to promote safe behavior.

AUDITS, KPIS AND RISK ASSESSMENTS

Centrally we audit regional and country-level OI performance, while local OI managers annually audit country laboratories, offices and facilities for health and safety risks as well as environmental impacts. Using information from these site audits along with incidents and hazards information captured locally, we generate performance reports and customer-mandated reports. All site managers are

also expected to perform risk assessments and to develop associated action plans.

INDUSTRIAL HYGIENE

Our risk assessment process is holistic and covers health risks and safety and environmental risks. The aim is to protect the health and well-being of employees through disease and fatality prevention. For example, risk assessment teams use Chemwatch to facilitate the evaluation of chemical risks and the identification of additional controls, if needed. Chemwatch is a global tool we use to manage safety data sheets and chemical inventories across 57 languages.

BUSINESS CONTINUITY

SGS' long-term success depends on our ability to continue delivering our products and services to pre-defined acceptable levels following disruptive events.

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

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

In 2019, we launched a new Global Business Continuity Strategy, focusing on what is critical in terms of sites, processes and service delivery. The strategy is aimed at enabling us to respond to any disruption efficiently and effectively, with minimal impact on our operations. Building on the team enhancement made in 2018, we have added eight new Regional Business Continuity Officers and a Global Business Continuity Manager in 2019. A major focus for the team in 2019 was further embedding Business Continuity into the SGS culture.



ACHIEVEMENTS

Total Recordable Incident Rate (TRIR) and Lost Time Incident Rate (LTIR) reduced by 60% and 57%, respectively, since 2014

65 086 employees participated in the SGS "Safe -Start" themed Annual Safety Month, which was held in September

2.5 million hours of OI training for SGS employees were completed in 2019

300% more Business Continuity training sessions and workshops for regional and local teams in 2019 compared with 2018



SOCIAL AND RELATIONSHIP CAPITAL

We add value to society by generating trust in products and services. We provide peace of mind for clients and suppliers through careful relationship management. We invest in the communities we operate in and our services help governments combat fraud and protect resources.

Customer Satisfaction	71
Local Community Support	72
Brand, Reputation and Sustainability	73
Market Leadership	73

C A P A B I L I T Y



MINNIE SARA ABRAHAM

Heart for India Foundation, India Manager
SGS India partner, SGS Academy for the Community

"We're empowering women and giving them hope for the future."

BUILDING IS THE GREATEST SOLUTION



THE TRUE VALUE OF EDUCATION

At SGS, we know the importance of knowledge. Our whole business is built on the expertise of our people. Our services rely on our employees' high level of education and technical know-how, while we pride ourselves on guiding other businesses on knowledge-based development journeys.

However, while education is recognized as a basic human right, not everyone around the world can access it. There are many barriers that prevent children and young adults from studying and these are far more prevalent when there is a high level of poverty, or for disadvantaged groups, such as women and people with disabilities.



TRANSFORMING MORE THAN BUSINESSES

Education is empowering. We believe the right educational programs can transform lives and add value to society in ways that brighten the future of individuals, families and all those around them.

As a provider of high-level vocational training courses through our SGS Academy, we can help. Which is why we established the SGS Academy for the Community, through which we aim to increase the wealth of local communities in which we operate. We achieve this by providing high-quality SGS Academy technical training and improving the employment prospects of people who complete our courses.

So that we could establish the SGS Academy for the Community where it is needed most, all branches of the SGS Academy were given the opportunity to propose local community projects. Each was evaluated and four projects, in four countries in different parts of the world were identified.

INDIA

India is growing. Both in terms of population and prosperity. But there are still many people living below the poverty line. This is both a cause and an outcome of a lack of education.



1.3 billion
21.9% below poverty line

SGS Academy



Chennai

Course topics are linked to India's employment market, e.g., desk top publishing, physiotherapy and nursing (see next page for more information).

"As the eldest daughter of aging farmers, the responsibility to support my family is on me. Now I can do this well."

M PRASHANTHI
Physiotherapy course

CHILE

Chile is not considered to have high levels of poverty, but there is significant inequality, which is often unseen. As a result of the country's education system, not all children can attend good schools or even get an education at all.



18.0 million
14.4% below poverty line

SGS Academy



Santiago de Chile

High school support courses tackle the issue of a lack of practical working skills among school leavers.

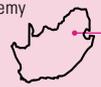
SOUTH AFRICA

South Africa is one of the most developed economies on the African continent. However, extremely high unemployment, poverty and inequality mean the country is facing ongoing challenges.



50.7 million
49.2% below poverty line

SGS Academy



Rosslyn/Soshanguve

Food safety courses address a skills gap identified by the government.

"My life has changed for the better, I feel like I have more control. I learn new things every day and my family is happy."

VIOLA KININI SEBOTHOMA
Food safety course

TAIWAN

Taiwan is going through a period of change. It is now focused on growing seven major innovative industries. Poverty is extremely low, but the change has created a different employment market.



23.3 million
1.78% below poverty line

SGS Academy



Multiple locations

Courses provide alternative opportunities for highly skilled unemployed people.

SGS ACADEMY FOR THE COMMUNITY IN INDIA



THE POWER OF PARTNERSHIP

Minnie Sara Abraham, Heart for India Foundation, India Manager explains how SGS Academy for the Community courses are helping to move Indian families out of poverty.



“Our project with SGS is about empowering underprivileged women. The women who come to us are the poorest of the poor. Most of them cannot afford an education,” explains Minnie Sara. SGS has been partnering with the HFI Foundation since 2017 in delivering life-changing vocational training courses. This means that students unable to study for financial reasons are being given the opportunity to have both an education and a career. “The courses are usually

for 18-20 year-old students,” continues Minnie Sara, “but we often relax the age, because there are a lot of women who dropped out many years ago who want a second chance in life.”

Beyond having access to further education, beneficiaries are also supported while they study with nutritious food, medical programs, fitness classes, IT training and a range of workshops and seminars.

“We couldn’t achieve what we do without SGS. Our great partnership makes it possible.” The ultimate goal is to empower the students to go into the workforce with confidence, and to achieve financial independence and security. “We teach them to the maximum excellence,” concludes Minnie Sara. “They have to be able to survive in the working world, to get a job and to be independent: they have to support themselves and their families.”

ENHANCING SKILLS, ENHANCES LIVES

Nilesh Jadhav, Business Director, SGS Academy describes how skills development together with employment opportunities provide beneficiaries with the best outcome.



“We developed a comprehensive portfolio of courses designed to empower women. There are a few sections of the job market here in India that are growing significantly,” explains Nilesh. “For example, the IT sector, hospitality and nursing. So, we created vocational courses in these areas.”

SGS Academy was already delivering many vocational courses, but for the community program it is important that the support extends beyond the course itself. Nilesh decided that,

to achieve this, SGS needed to work with a partner organization experienced in finding employment opportunities. “Our first objective is clear to all stakeholders,” describes Nilesh, “enhancing the skills of the underprivileged candidates, but the second objective go beyond this and target the outcome of employment. This then contributes to our broader objective: to improve the students’ overall standard of living in a long-term and sustainable way.”

Nilesh details the course success to date: “The first courses started in 2018 with close to 130 female candidates. These have already been completed and most of the students are now in internships that will lead to offers of employment.” Beyond the first intake, the second round of courses are currently underway and the aim is the same. “For us, the key is that the objectives of the community project are met, only then can we consider the overall project a success.”

SETTING OUR SIGHTS ON INCLUSION

"Our aim is to get children with learning difficulties accommodated beautifully in mainstream schools without pushing them to the fringes of the so-called normal education sector. But more than this, our aim is to develop the education sector to make it robust enough to accommodate these kids. It can't just be about building the capacity of the children, we have to build the capacity of the system as well."

POOJAA JOSHI

Executive Director, Mimaansa, Thane Municipal School, Kisan Nagar

Mimaansa is a non-governmental organization working to address the issue of learning disabilities in less privileged schools in the city of Thane, in Maharashtra, India. SGS supports Mimaansa in achieving its aims.



CUSTOMER SATISFACTION

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

CUSTOMER RELATIONSHIP MANAGEMENT

Our approach is decentralized: each business line has its own customer care department. These act as the direct point of contact for customers and connect them with the relevant parts of SGS. We monitor and periodically review customer contact as part of our Management Review processes. Our customer interactions are a combination of face-to-face customer meetings, follow-up emails/phone calls, hard-copy and online feedback questionnaires. We also support our daily customer interactions with seminars and workshops,

as well as with social media communications, responses to web enquiries and online chat functions (automated, guided and manual).

CUSTOMER RELATIONSHIP MANAGEMENT SYSTEMS

The quality of the relationship SGS is able to maintain with its customers relies on the IT infrastructure in place to support it.

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

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

CUSTOMER FEEDBACK

Understanding how our customers feel about their experiences and learning about their specific interests, suggestions and expectations

is important to SGS. We regularly communicate with our customers and we analyze customer sentiment through our Voice of the Customer surveys.

In 2019, we introduced a new global IT platform through which to run and manage all online Voice of the Customer surveys. This new platform provides advanced analytics that can be aggregated on a global scale, giving us a broader understanding of customer experience across the business.

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

ACHIEVEMENTS

Introduction of new Voice of the Customer global IT platform to create a global customer survey

+9 600 Voice of the Customer responses analyzed in 2019

91% satisfaction score across all Voice of the Customer surveys*

** Results for 2019 surveys analyzed the complete year of experiences in 2018.*



LOCAL COMMUNITY SUPPORT

We are committed to investing in the communities in which we operate in a way that has a positive, measurable and lasting effect. Our community strategy is managed under three pillars: Empowerment, Education and Environmental Sustainability. It is aligned to the Sustainable Development Goals and our actions seek to address global priorities linked to poverty, health, education, climate change and environmental degradation. We encourage our employees to volunteer and donate cash, as well as our own corporate resources.

PROGRAM MANAGEMENT

Increasing our investment in communities around the world by 30% (against a 2014 baseline) is one of our Sustainability Ambitions 2020.

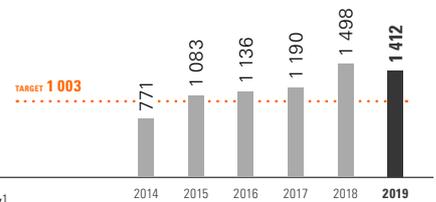
In working towards this goal, we are facilitating responsible business operations and helping to address development challenges. Our community programs are selected and managed in line with the Group Community Policy and Guidelines, at a global and local level.

The majority of the initiatives are led by our affiliates through collaboration

PERFORMANCE

1 412

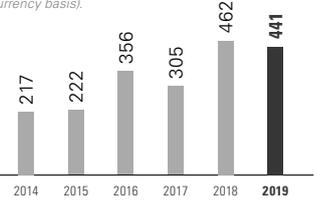
Investment in community¹
(CHF thousand)



1. Including cost of volunteering hours (on a constant currency basis).

441

Community projects



with local organizations. To evaluate the effectiveness of our programs, we conduct an annual community survey, which is aligned with the London Benchmarking Group criteria, the global standard in measuring and managing corporate community investment. The survey is deployed across the network as part of our sustainability reporting process.



SGS COMMUNITY PILLARS: BREAKDOWN OF INVESTMENT

EMPOWERMENT

54%*

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



EDUCATION

31%*

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



ENVIRONMENTAL SUSTAINABILITY

15%*

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



* Percentage of total community investment.

ACHIEVEMENTS

17 197 employee hours volunteering in local communities

CHF 934 000 cash donation given in 2019

BRAND, REPUTATION AND SUSTAINABILITY

Building and maintaining a positive brand reputation is essential to maintaining our market leading position. A positive brand perception increases confidence, loyalty and trust both internally, among our employees and investors, and externally, with our customers and consumers. Focusing on sustainability as the key driver for brand perception ensures that SGS is perceived not only as a leader in the TIC industry but also in society as a whole.

Sustainability is at the core of our brand offering. It is embedded in the decision-making process of all company functions as part of our integrated leadership model.

This is why sustainability at SGS is driven from the very top, with the CEO actively leading our sustainability vision. It is also enshrined in our Business Principles (see page 15).

Sustainability at SGS is managed by a dedicated team, which oversees activities across four pillars: People, Professional Excellence, Environment and Community.

The weight of our internal sustainability activities is guided by the results of our Materiality Matrix (see page 26) and our effectiveness is measured both against published key performance indicators and our Sustainability Ambitions 2020 (see page 12). Our efforts are also aligned to the Sustainable Development Goals.

In 2017, we became one of the first companies in the world to publish a quantitative valuation of our value to society. This is an exercise we repeated in 2018 (see page 82).

More detailed information on our sustainability efforts is available in our Sustainability Report www.sgs.com/cs-report-2019.



Industry Leader
DOW JONES SUSTAINABILITY INDICES

Our best-in-class sustainability performance is valued by our customers, appealing to the job market and highly attractive to the rising numbers of sustainable investors active in the global financial markets.

ACHIEVEMENTS

SGS is a member of the CDP (formerly the Carbon Disclosure Project) A list

SGS was awarded best Integrated Report from PwC

Dow Jones Sustainability Indices Industry Leader for the sixth year in a row

FTSE4Good Index includes SGS for the third consecutive year

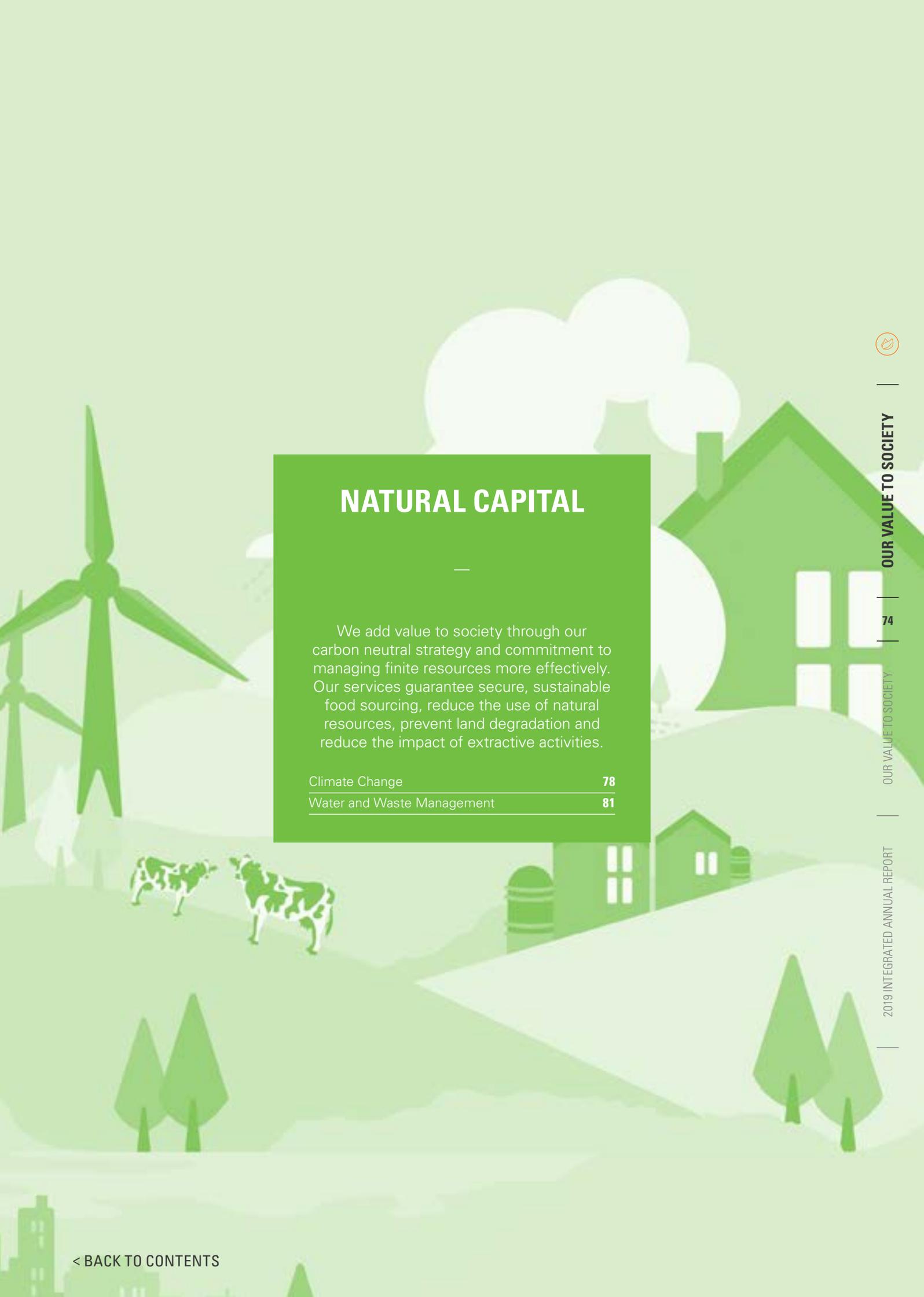
Platinum Award from EcoVadis

Named a CDP (formerly the Carbon Disclosure Project) Supplier Engagement Leader

MARKET LEADERSHIP

Evolving with customer needs and adapting to megatrends (see page 20) are essential to the Group's success. Our leadership position is driven by our ability to invest, develop and strengthen our expertise in strategic markets and geographies. This expertise is enhanced by the depth and variety of talent that we have in the company. Introducing different perspectives and global views enables SGS to be a better, smarter, more creative and more innovative company.





NATURAL CAPITAL

We add value to society through our carbon neutral strategy and commitment to managing finite resources more effectively. Our services guarantee secure, sustainable food sourcing, reduce the use of natural resources, prevent land degradation and reduce the impact of extractive activities.

Climate Change	78
Water and Waste Management	81



RESPONSIBLE SOURCING

"We are beginning to see a change in the market."

DERICK GOVENDER
Executive Vice President, Minerals



MINING: AN EVOLVING INDUSTRY

The mining sector is often seen as very traditional in its approach but we have seen a fair bit of evolution over the years.

While the existing SGS minerals portfolio is geared towards primarily servicing exploration, mining and commodity trading organizations, there has been significant interest from the commodity end-user market for increased visibility of supply chain activities. This is a result of consumers seeking more clarity on the origin of commodities that are essential in the manufacture of end products such as vehicles, electronic devices and other related products.

TRACEABILITY

Responsible sourcing is about producing and manufacturing in a socially, ethically and legally responsible manner. It includes key elements such as environmental protection, safeguarding natural resources and ensuring the safety and sustainability of all activities.

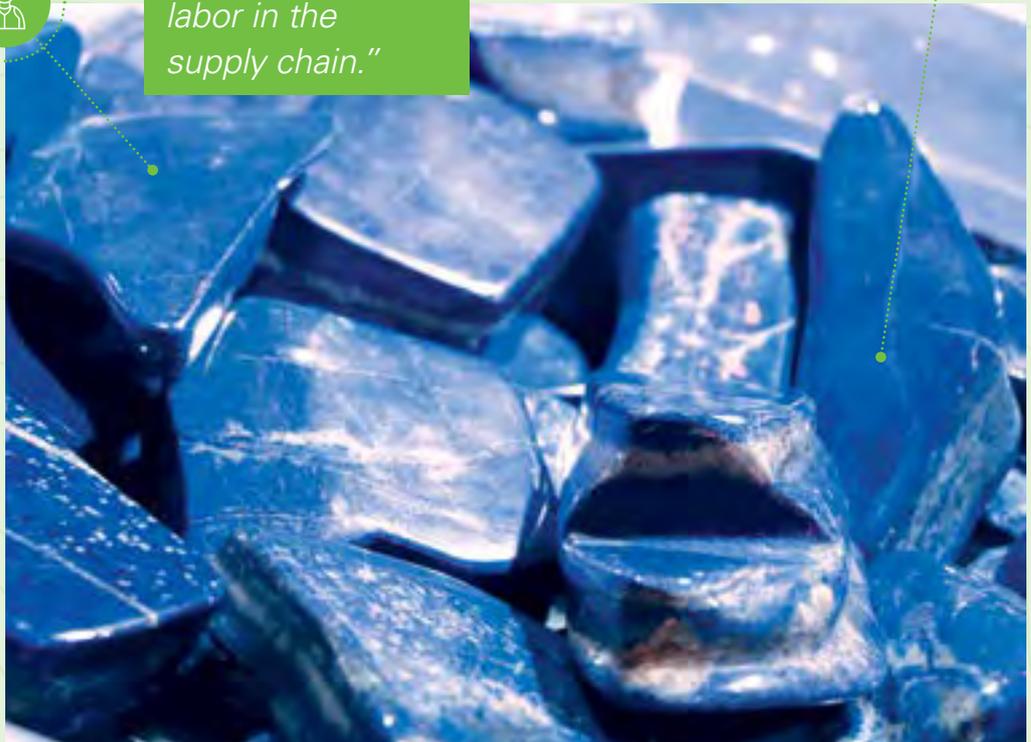
One example of a commodity that is generating interest in terms of tracing its path from source to end product is cobalt. 50% of all global cobalt that is extracted from ground is used in the manufacture of rechargeable batteries and impacting growing industries such as the electric vehicle and mobile phone markets. The Democratic Republic of Congo and Zambia account

for more than 50% of global cobalt production.

Of the cobalt production in the Democratic Republic of Congo, as much as 25% comes from artisanal mining. Well-publicized issues around this activity include poor environmental and safety planning and the risk of child labor appearing in the supply chain.

SGS Minerals recently entered into a strategic collaborative agreement with the European technology development group, Circular, to develop and deploy a range of digital and other tools, including blockchain, facial recognition, remote sensing and satellite monitoring to deliver end-to-end visibility of minerals supply chains from mine to consumer.

“Well-publicized issues include the risk of child labor in the supply chain.”





“These services allow companies to be sure their materials are ethically sourced.”

The global network of SGS minerals testing laboratories and portable tools will be leveraged to ascertain the provenance of the metals, their authenticity and socio-environmental attributes throughout the supply chain.

Since SGS’ global footprint spans multiple industries, we are able to provide world-class traceability services to our new customers and industries. We are currently assessing advanced tracking tools to provide

a link between the physical material and a digital database. This is essential for our customers to be able to manage the sustainability of their end products. Our end-to-end traceability services also help companies accurately measure and manage the environmental and social footprint of their supply chains and their products through their lifecycle, such as the carbon footprint of producing a vehicle or a phone. This also enables circular or closed-loop supply chains by tracking the provenance, quality and content of recycled minerals.

When combined with our environmental and safety testing, these traceability services allow manufacturers to be sure that their raw materials are ethically sourced and managed.

PRECISION MINING

Our portfolio of precision mining and processing services helps companies reduce, recycle or monetize production waste through improving innovation and the efficiency of their processes.

Within the Minerals business line, our metallurgical group is currently working on programs with strategic partners to assess how best to optimize the mineral composition of batteries.

of their products, such as batteries and electronics, and design optimal recycling metallurgical processes. Given the scarcity of some of these minerals, ensuring that recycling is effective is critical to the long-term viability of these sorts of products.

SUPPORTING BETTER OPERATIONS

We don’t just look at the materials though. We help improve the way mines

We are also helping mines reduce their energy consumption. Using advanced technical and scientific insights, we are often able to find lower energy solutions that do not negatively impact production. This saves our customers money and, of course, contributes to the battle against climate change.

Finally, we are also constantly looking at innovative approaches to improving our own performance. Services such as digital inspections, where we use video and other digital tools, not only speed up processes for customers (by reducing the inspection timeframe from up to 48 hours to just a few hours), but also improve our operations. The advanced video technology reduces our travel time, which boosts productivity, and minimizes our carbon footprint, while having no negative impact on the quality of our service (in some instances, it provides a better one). We are also introducing field services technology, which allows us to analyze samples closer to mine drill rigs. This avoids heavy rocks being transported long distances to laboratories for testing. Again, this helps speed up processes for our customers and minimizes our carbon footprint.

All of these actions, no matter how small, all add value to society and for our customers. This is Double-Positive transformation in action (see page 30).



This improvement in manufacturing has the potential to further their long-term sustainability, as well as reducing the extraction footprint in the short term.

We also work in the recycling space. Our Governments and Institutions Services business line ensures that electronic products and the minerals in their batteries meet the regulatory framework of local jurisdictions to support recycling mineral and e-waste. We can also help companies assess the recyclability and recycling efficiency

operate. We consult on reducing water usage through process water recycling, which places less strain on local water resources. We also test the quality of water run-off to ensure it meets the required environmental standards and isn’t toxic to flora and fauna.

Our Environment, Health and Safety business conducts emissions testing to ensure that mines and smelters meet the necessary air quality standards, helping our customers to manage their carbon footprint and limit air pollution.



OUR VALUE TO SOCIETY

77

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT

CLIMATE CHANGE

We minimize the impact of our processes and operations on the environment by reducing carbon emissions and by helping other businesses do the same.

REDUCING ENERGY CONSUMPTION

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

ENERGY EFFICIENCY IN BUILDINGS PROGRAM

Our EEB program evaluates and reduces energy consumption in new and existing buildings. It achieves

this through energy-efficiency action plans for existing buildings and applying environmental assessments to the design, construction and refurbishment of SGS buildings.

At the same time, the SGS Green Building Guidelines provide a rating tool that supports the delivery of the EEB Program by assessing new buildings using key performance indicators that cover energy, waste and water. They define the minimum requirements in areas such as lighting system energy performance and water consumption. The guidelines propose measures to improve environmental performance and guidance with regard to cost implications and associated responsibilities.

SUSTAINABLE TRANSPORT

Our Vehicle Emissions Policy, introduced in 2016, promotes the use of low-emission fleet cars. The policy commits us to reducing our vehicle fleet CO₂ emissions every year until 2020. By the end of this period, average CO₂ emissions per km for our worldwide fleet shall not exceed 95 grams per km and no vehicle covered by the policy should exceed 105g CO₂/km.

While continuing to deliver against the Vehicle Emissions Policy, we are also collaborating with Group Procurement to develop a

ACHIEVEMENTS

+650 buildings in the EEB program

+400 energy conservation measures identified

70% of data centers are now held within the cloud, on completion of a two-year program

PERFORMANCE

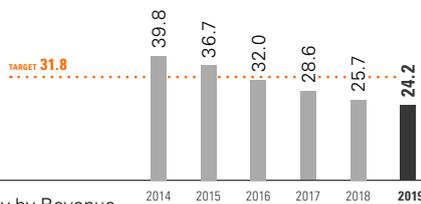
1.7

Carbon Intensity by Employee (metric tonnes CO₂e/FTE)*



24.2

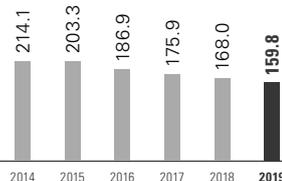
Carbon Intensity by Revenue (metric tonnes CO₂e/million CHF)*



On a constant currency basis.

159.8

Total GHG Emissions (thousand metric tonnes CO₂e)*



* Market-based figures. Excludes district heating and refrigerant gases emissions due to unavailability of data. Scope 3 emissions only include Category 3: business travel. Please refer to our Basis of Reporting.

SGS EMPLOYS A 3-PRONGED APPROACH TO DEVELOP ITS CARBON NEUTRALITY STRATEGY



REDUCING ENERGY CONSUMPTION

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



USING RENEWABLE ENERGY

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



OFF-SETTING RESIDUAL EMISSIONS*

Finally, any energy that we still consume after these reductions is mitigated through our off-setting strategy





wider SGS Sustainable Mobility Strategy. As part of this, we are analyzing more sustainable vehicle options, while still meeting our business needs, in the regions where we have the largest fleets: Europe and North America. The SGS Sustainable Mobility Strategy will also include driving efficiency training, rationalization of the fleet, inclusion of more sustainable vehicles in the catalog and an alternative transportation study.

ADD VALUE WITH LËSS

In 2019, we launched our Add Value with Lëss internal initiative. The aim of the initiative is to both raise awareness and lead to increased efficiency in different areas, including environmental sustainability. It intends to

make every SGS employee feel empowered to drive operational efficiency, improve quality, and to reduce our environmental footprint, while at the same time, contributing to a more agile and innovative SGS.

DATA CENTERS

Rationalizing our data centers has had a significant impact on our energy consumption. We have committed by 2020 to migrate 80% of the servers we had in 2018. We have already migrated 70% and are on track to reach our target by the end of 2020.

USING RENEWABLE ENERGY

SGS is a signatory of the RE100 initiative, pledging to use 100%

energy from renewable sources by 2020. To achieve this goal, we use on-site energy generation and purchase electricity from renewable sources.

In 2019, we invested in 422 GWh of renewable energy mechanisms to reduce our CO₂ emissions in the communities where we operate. In several locations, we are exploring Power Purchase Agreements, where affiliates would develop an off-site renewable energy plant.

ACHIEVEMENTS

Investment in 422 GWh of renewable energy mechanisms to mitigate our CO₂ emissions

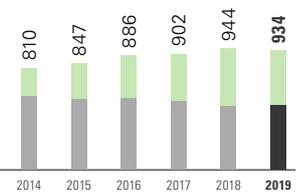


PERFORMANCE

934

Total energy (GWh)

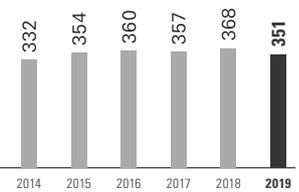
RENEWABLE ENERGY



351

Vehicle fuels (GWh)

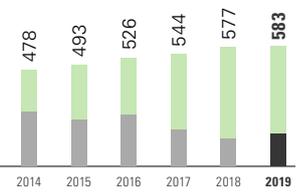
RENEWABLE ENERGY



583

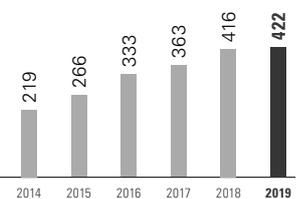
Electricity and non-transport fuels (GWh)

RENEWABLE ENERGY



422

Renewable energy (GWh)





EXTERNAL PARTNERSHIPS AND INITIATIVES

We establish external partnerships and take part in initiatives that help us demonstrate our commitment to strengthening our sustainability performance, including:

- The World Business Council for Sustainable Development
- RE100
- Climate Neutral Now
- Science Based Targets Initiative

For more information on SGS' external partnerships and initiatives, please refer to the SGS Sustainability Report: www.sgs.com/cs-report-2019.

OFF-SETTING RESIDUAL EMISSIONS

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

The strategy allows us to assign a clear cost to the carbon that we generate (our internal cost of carbon). Each SGS affiliate takes responsibility for their CO₂ emissions and the cost of off-setting them. We look for credible and verified carbon off-setting projects that directly benefit communities where we have an impact.

ACHIEVEMENTS

Four voluntary carbon off-setting schemes supported



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

WATER AND WASTE MANAGEMENT

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

WATER MANAGEMENT PROGRAMS

Our water usage is concentrated in our laboratories, with additional usage for drinking, food preparation and sanitation.

Across all our operations we monitor the amount of water we consume. Where possible, we seek to improve our water efficiency. For example, the SGS Energy Efficiency in Buildings program manages water efficiency – by assessing water consumption and installations and recommending site-specific improvements.

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

WASTE MANAGEMENT PROGRAMS

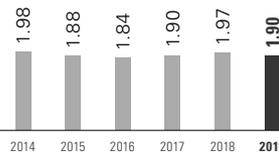
We have traditionally produced relatively small amounts of hazardous and non-hazardous waste compared to other industries. This includes chemicals, test samples, paper, plastic and organic waste from our offices and laboratories.

The waste is produced in varying proportions, determined by the industry or industries served by each site. Specially crucial is the high-density voluminous test samples coming from our mineral and construction industries. Business growth in these industries have driven the inclusion of waste management

PERFORMANCE

1.90

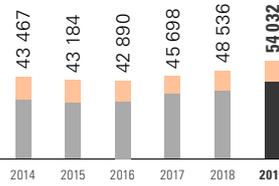
Total water purchased (million m³)



54 032

Total waste generated (metric tonnes)

■ HAZARDOUS
■ NON-HAZARDOUS



The non-hazardous waste increase is mainly due to the business growth of laboratory services analysing clients' high-density voluminous samples of minerals or cement. The majority of these samples are later recycled. We are currently enhancing our reporting system to accurately quantify the proportion of client samples waste.



as a material topic for the company and we are currently working on improving reporting tools to tailor actions.

Our Add Value with Less initiative encourages efficiency in our offices and laboratories. This includes environmentally-related actions such as minimizing printing and optimizing consumables. We promote recycling of office waste through effective separation, and we draw on external resources to help us reuse and recycle materials.



MEASURING OUR VALUE TO SOCIETY

We are convinced that our long-term success depends on our capacity to deliver sustainable value not just to our shareholders but to society as a whole. To understand our value creation we have developed the SGS Impact Valuation Framework. This aims to quantify and give a monetary value to our positive and negative impacts on society beyond our financial return.

Our Impact Valuation Framework	83
The Measure of Our Value to Society	84

OUR IMPACT VALUATION FRAMEWORK

By measuring our Value to Society in a non-abstract, concrete and systematic way, we are effectively measuring our impact on societal prosperity and well-being, alongside SGS wealth and performance. Our aim is to make value to society tangible and to provide a meaningful cost-benefit analysis to support strategic decision making. Our SGS Impact Valuation Framework provides a cutting-edge methodology to achieve this.

The SGS framework values the societal impacts that result from SGS-driven activities across six capitals: Financial (see page 32), Manufactured (see page 42), Intellectual (see page 50), Human (see page 56), Social and Relationship (see page 66) and Natural (see page 74) and measures them in a common unit: the Swiss Franc (CHF). These impacts can be either positive or negative in order to reflect an associated benefit or cost.

This framework has been developed to understand the value of our non-financial performance both to SGS and to society. It guides us in maximizing our positive impact and minimizing our negative impact and ultimately provides us with a more holistic view of the value we add, beyond our financial return. While our model cannot yet incorporate calculations estimating the value of our entire service portfolio to society, we have explored the value of a few case studies.

NATURAL, HUMAN AND MANUFACTURED CAPITAL CASE STUDY

VEHICLE INSPECTION SERVICES

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

Similarly, air pollution has been minimized by limiting the circulation of over-polluting vehicles. This in turn prevents damage to human health and ecosystems and the associated economic and social costs. The Value to Society derived from our Vehicle Inspection Services amounts to CHF 125 million¹ for Natural Capital, CHF 1 400 million¹ for Human Capital, CHF 100 million¹ for Manufactured Capital and CHF 590 million for Financial Capital.

NATURAL CAPITAL CASE STUDY

SEED AND CROP SERVICES

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

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

Finally by enhancing crop yields, farmers are more effective and productivity is maximized.

In South America and Africa alone, we delivered an estimated value to society of CHF2.4 billion¹ in Natural Capital through reduced fertilizer and water usage and CHF2.1 billion¹ in Financial Capital through increased farm productivity.

OUR INDICATORS

In order to calculate our impact on each capital, we use a set of 31 measurable indicators. These relate to specific corporate-level performance indicators, such as CO₂ emissions, sickness absence and research and development. Each indicator has an economic value that, in turn, contributes to the positive or negative flow of each capital. The sum of the collective positive and negative impacts of these indicators in the six capitals provides us with a figure that represents our value to society in quantitative terms.

EXAMPLE INDICATORS



GHG EMISSIONS

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



OCCUPATIONAL SAFETY

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



RESEARCH AND DEVELOPMENT

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

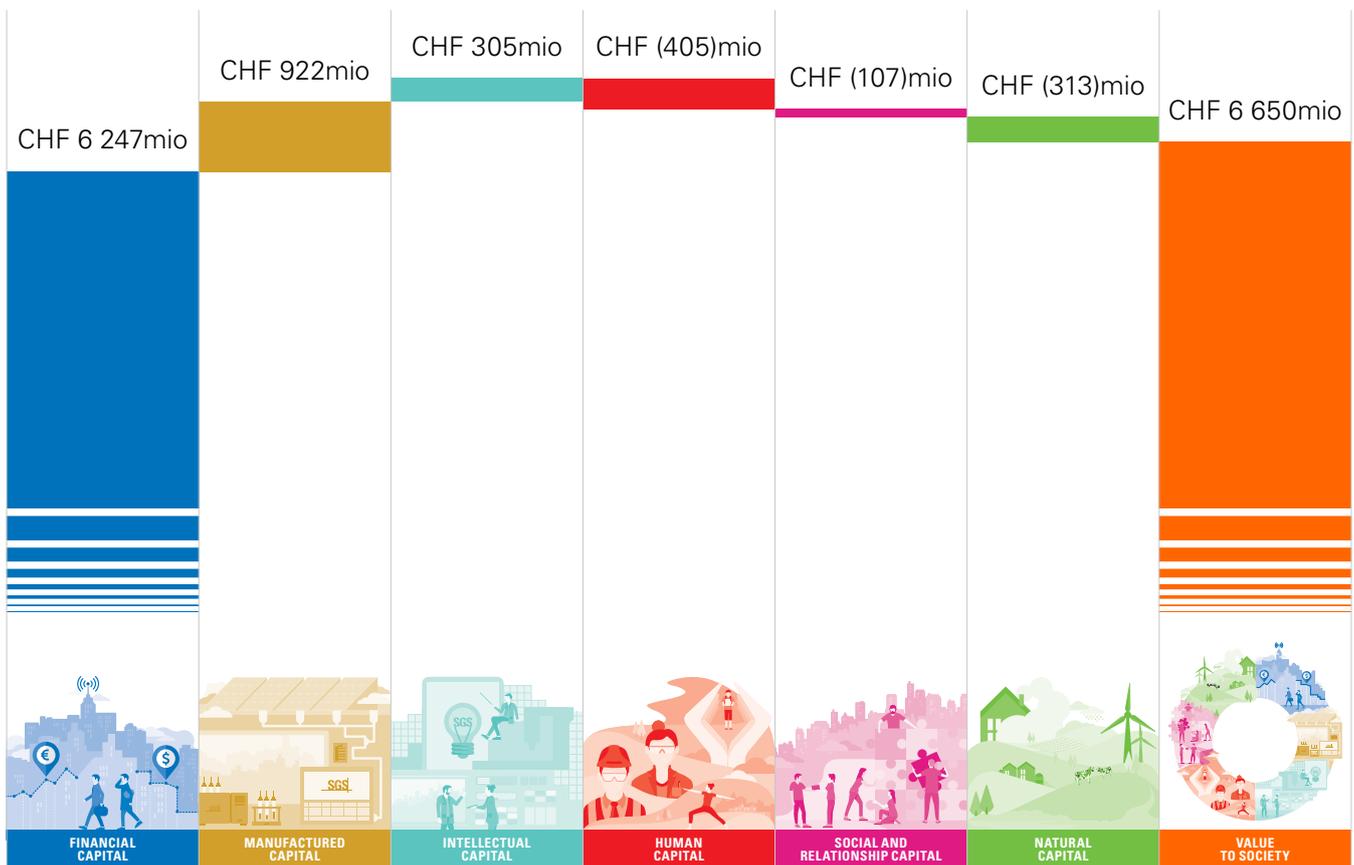
1. Relates to 2018 figures.

THE MEASURE OF OUR VALUE TO SOCIETY

Our calculations¹ demonstrated that SGS generated +CHF 7 641 million of positive societal benefit, primarily created through profit generation, the paying of taxes and wages, and training and development programs. We also generated CHF 991 million of negative societal impacts, which were primarily driven by the SGS supply chain's environmental footprint. SGS' positive impacts were primarily driven by the Company's own operations, which accounted for 69% of the total positive impacts.

CHF 6 650mio

The total value to society of SGS direct operations and supply chain activities



This chart includes Direct Operations and Supply Chain Value to Society figures. We are in the process of extending our Impact Valuation Framework methodology to calculate the value of our entire service portfolio to society. Once integrated, we expect to see a significant increase in our Value to Society figure as many of our services enable other businesses and governments to deliver positive outcomes to society.



SUSTAINABILITY REPORT

For more information on how SGS measures its value to society and case studies on the capitals impacts of our services, see the SGS Sustainability Report.

1. Value to society is calculated on 2018 figures.

OUR APPROACH TO SUSTAINABILITY REPORTING

SGS is committed to providing stakeholders with accurate and timely updates on our sustainability activities and our performance, and we strive to produce a report that is fair, transparent and balanced, and meets the needs of our stakeholders.

1.1 SCOPE AND BOUNDARIES

The scope of the Sustainability Information contained in this Integrated Annual Report¹ covers all regions and business lines of the SGS Group for the 2019 calendar year. A full list of SGS affiliates can be found on pages 197–200 of this report. Unless stated otherwise, our reported data scope covers the Group business and targets for the period 1 January to 31 December 2019.

We have identified and prioritized our most material impacts on the business and on stakeholders across our value chain, and this Integrated Annual Report includes performance data for our direct operations and information on how we are managing the most material issues. For more information on how we define our material issues, please see page 26 of this report.

Our past and present performance is disclosed in this report over a five-year period. Sometimes historical data may differ from previous reports due to the availability of more accurate data or improved data gathering and/or reporting. In such cases, variations in data of less than 5% are generally considered immaterial: significant changes to prior year data are disclosed where they first appear in the report.

1.2 EXTERNAL STANDARDS

For the past ten years, SGS has published a Sustainability Report, and since 2015, we have integrated sustainability content into our Integrated Annual Report as we move towards a fully integrated reporting structure in line with the Integrated Reporting Framework.

SGS supports the principle of integrated reporting. In 2019, we moved forward again with our alignment to the integrated reporting framework by using the six Capitals it defines as the structure of our Integrated Annual Report.

The sustainability content in this Integrated Annual Report is drawn from our Sustainability Report, to be published in March 2020. Since 2013, our Sustainability Report has been developed using the guidelines for the AA1000 Accountability Principles Standard and the Global Reporting Initiative's Standards. Our Sustainability Basis of Reporting (also to be published in March 2020) explains further our reporting approach.

1.3 ASSURANCE AND BASIS OF PREPARATION

External assurance of sustainability performance indicators is an important part of our approach, and our sustainability reporting has been independently assured since 2011.

In 2019, we appointed Deloitte LLP to provide independent assurance of our sustainability performance. Deloitte's Assurance Report describes the work undertaken and their conclusion for the reporting period to 31 December 2019. Documents relating to independent external assurance in the years prior to 2019 are available in our Reports, Policies and Multimedia section on our website: www.sgs.com/en/our-company/corporate-sustainability/sustainability-at-sgs/reports-policies-and-multimedia.

Please see independent assurance for further information about our assurance process on pages 86–87 of this Integrated Annual Report.

1. The sustainability content can be found on pages 5, 12–13, 22–27, 45, 48, 54–55, 61–65, 71–73, 78–81, 83–85 of this report.

2019 Annual Report Assurance Statement

Independent assurance statement by Deloitte SA to SGS SA on selected sustainability information presented in the 2019 SGS Annual Report

What we looked at: Scope of our work

SGS SA ("SGS") has engaged us to perform limited assurance in respect of the SGS Sustainability Report for the year ended 31 December 2019. Our separate opinion will be published in that document. Selected sustainability information from the Sustainability Report also appears in the SGS Annual Report for the year ended 31 December 2019 ("the Report"). The selected sustainability information which comprises the Subject Matter relevant to this assurance statement appears on pages 5, 12–13, 22–27, 45, 48, 54–55, 61–65, 71–73, 78–81, 83–85 of the Report.

What standards we used: basis of our work and level of assurance

We used the International Standard for Assurance Engagement (ISAE) 3000 (Revised), issued by the International Auditing and Assurance Standards Board to carry out our limited assurance engagement on the Subject Matter. To achieve limited assurance, ISAE 3000 requires that we review the processes and systems used to compile the areas on which we provide limited assurance. This standard requires that we comply with the independence and ethical requirements and to plan and perform our assurance engagement to obtain sufficient appropriate evidence on which to base our limited assurance conclusion. It does not include detailed testing of source data or the operating effectiveness of processes and internal controls. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. This provides less assurance and is substantially less in scope than a reasonable assurance engagement.

Inherent limitations

The process an organisation adopts to define, gather and report data on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature can be subject to variations in definitions, collection and reporting methodology with no consistent, accepted standard. This may result in non-comparable information between organizations and from year to year within an organisation as methodologies develop. To support clarity in this process, SGS prepares sustainability information in accordance with the principles of the Global Reporting Initiative (GRI) Standards. The SGS Sustainability Report further describes SGS's approach to reporting sustainability information, including the scope and standards selected ("the Reporting Criteria"). Further detail appears in SGS's Basis of Reporting document, available on request from the company. We have carried out our assurance against this criteria and it should be read together with this report.

What we did: key assurance procedures

To form our conclusions, we undertook the following procedures:

- Interviewed management at SGS and those with operational responsibility for sustainability performance to critically evaluate the reporting process, criteria and key controls;
- Interviewed management at SGS to understand the design of controls and functionality of the group sustainability information management and reporting databases used to manage sustainability data at a corporate level ('Solaris' and 'Crystal'), and performed selected systems integrity tests to assess the accuracy of information generated by the systems;
- Identified potential material quantitative and qualitative sustainability key performance indicators and disclosures from the 2018 SGS Sustainability Report, by considering criteria such as the outputs of the company's materiality process; peer reporting; susceptibility of misstatement due to error or fraud; whether a misstatement or control deficiency was noted in the prior-year; indicators or disclosures related to estimates and estimation methods; changes in calculation methods from prior-year;
- For the determined sustainability key performance indicators (as presented in Table 1 and a sample of related disclosures we undertook the following procedures:
 - management interviews and documentation checks to understand and test the reporting boundary and group consolidation and validation checks for complete, accurate and appropriate presentation of the information;
 - reviewed the design and implementation of SGS's half year and full year data validation controls, and tested the operating effectiveness of key data validation review and sign-off controls;
 - conducted trends analysis on full year data to identify and query anomalies in reported data;
 - conducted sample-based substantive testing of Operational Integrity, to assess the accuracy of data classification, in line with the group reporting criteria; and
 - checked the quantitative and qualitative disclosures in the Report related to the selected sustainability key performance indicators against our understanding of the sustainability governance and management structures and performance over the year.
- Where necessary, we made recommendations to SGS management based on findings identified during the assurance that required improvement.

Table 1: Selected sustainability key performance indicators

- Total number of integrity issues reported through corporate helplines (absolute number)
- Natural turnover (%)
- Women in leadership positions (CEO -3) (%)
- Total recordable incident rate
- Lost time incident frequency rate
- Total number of fatalities (absolute number)
- Total greenhouse gas emissions (Scope 1, 2, and 3) (thousand tonnes CO₂e)
- Total energy consumption by source (GWh)

What we found: our assurance conclusion

Based on our procedures described in this report, nothing has come to our attention that causes us to believe that the Subject Matter in the SGS Annual Report for the year ended 31 December 2019 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Emphasis of matter

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

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

A disclosure has been provided on pages 78 and 80 of the SGS 2019 Annual Report as a caveat to the Scope 1 and Scope 2 inventory exclusions noted above. This emphasis of matter did not modify our assurance opinion, as stated above.

Our independence and competence in providing assurance to SGS

We complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the report. We have confirmed to SGS that we have maintained our independence and objectivity throughout the year and in particular that there were no events or prohibited services provided which could impair our independence and objectivity. We have applied the International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our team consisted of a combination of Auditors with professional assurance qualifications and professionals with a combination of sustainability reporting and subject matter experts including many years experience in providing sustainability report assurance.

Roles and responsibilities

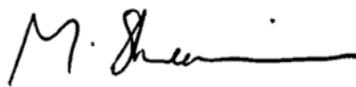
The Directors are responsible for the preparation of the information and statements contained within the Report. They are responsible for determining the goals and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Our responsibility is to independently express conclusions on the subject matters as defined within the scope of work above to SGS in accordance with our letter of engagement. Our work has been undertaken so that we might state to SGS those matters we are required to state to them in this statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than SGS for our work, for this report, or for the conclusions we have formed.

Deloitte SA



Joëlle Herbette
Partner
Auditor in Charge



Matthew Sheerin
Partner

Geneva, 17 February 2020

CORPORATE GOVERNANCE

Group Structure and Shareholders	90
Capital Structure	91
Board of Directors	92
Operations Council	99
Compensation, Shareholdings and Loans	101
Shareholders' Participation Rights	102
Change of Control and Defense Measures	102
Auditors	102
Information Policy	103

This Corporate Governance Report informs shareholders, prospective investors and the public at large on SGS policies in matters of corporate governance, such as the structure of the Group, shareholders' rights, 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 20 June 2019 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	90	3.6. Definition of areas of responsibility	97	6. SHAREHOLDERS' PARTICIPATION RIGHTS	102
1.1. Group structure	90	3.7. Information and control instruments vis-à-vis the management	98	6.1. Voting rights and representation restrictions	102
1.1.1. Operational group structure	90	4. OPERATIONS COUNCIL	99	6.1.2. Rules on instructions to the independent proxy and electronic participation in the Annual Shareholders Meeting	102
1.1.2. Listed companies in the Group	91	4.1. Members of the Operations Council	99	6.2. Statutory quorums	102
1.1.3. Non-listed companies in the Group	91	4.2. Other activities and vested interests	101	6.3. Convocation of General Meetings of Shareholders	102
1.2. Significant shareholders	91	4.3. Changes in the Operations Council	101	6.4. Inclusion of items on the Agenda	102
1.3. Cross-shareholdings	91	4.4. Limits on external mandates	101	6.5. Registration in the share register	102
2. CAPITAL STRUCTURE	91	4.5. Management contracts	101	7. CHANGE OF CONTROL AND DEFENSE MEASURES	102
2.1. Issued share capital	91	5. COMPENSATION, SHAREHOLDINGS AND LOANS	101	7.1. Duty to make an offer	102
2.2. Authorized and conditional share capital	91	5.1. Content and method of determining the compensation and the shareholding programs	101	7.2. Clauses on change of control	102
2.3. Changes in capital	92	5.2. Rules on approbation by the Annual Shareholders Meeting of executive pay	101	8. AUDITORS	102
2.4. Shares and participation certificates	92	5.2.1. Rules on performance-related pay and allocation of equity-linked instruments	101	8.1. Duration of the mandate and term of office of the Lead Auditor	102
2.5. Dividend-right certificates	92	5.2.2. Rules on loans, credit facilities and post-employment benefits	101	8.2. Audit fees	102
2.6. Limitations on transferability and admissibility of nominee registrations	92	5.2.3. Rules on vote on pay	101	8.3. Additional fees	102
2.7. Convertible bonds and warrants/options	92	3. BOARD OF DIRECTORS	92	8.4. Information instruments pertaining to the external audit	102
3.1. Members of the Board of Directors	92	3.5.1. Allocation of tasks within the Board of Directors	95	9. INFORMATION POLICY	103
3.2. Other activities	95	3.5.2. Members list, tasks and area of responsibility for each Committee of the Board of Directors	96		
3.3. Limits on external mandates	95	3.5.3. Working methods of the Board and its Committees	97		
3.4. Elections and terms of office	95				
3.5. Internal organizational structure	95				

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 2019, market capitalization was approximately CHF 20 057 million (2018: CHF 16 871 million).

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

At 31 December 2019, geographic operations were organized as follows:



The Group is also structured into nine lines of business. Each business line is 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 2019, the business lines are organized as follows:

- Agriculture, Food and Life
- Minerals
- Oil, Gas and Chemicals
- Consumer and Retail
- Certification and Business Enhancement
- Industrial
- Environmental, Health and Safety
- Transportation¹
- Governments and Institutions

Each line of business is 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. On 1 January 2020, all Transportation activities were allocated and integrated across multiple business lines to generate operational synergies and reinvigorate their growth profiles.

1.1.2. LISTED COMPANIES IN THE GROUP

None of the companies under the direct or indirect control of SGS SA have listed shares or other securities 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 197–200 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 disclosure of legal entities is limited to entities whose contribution to the Group revenues in 2019 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. Details of

acquisitions and disposals made by the SGS Group during 2019 are provided in note 3 of the consolidated financial statements included in the section SGS Group Results on pages 144–145 of this Annual Report.

1.2. SIGNIFICANT SHAREHOLDERS

To the knowledge of the Company the shareholders owning more than 3% of its share capital as at 31 December 2019, or as the date of their last notification as per Article 20 of the Swiss Stock Exchange Act were:

(% of detention)	2019	2018
Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) ¹	16.73%	16.60%
Mr. August von Finck and members of his family (acting in concert) ²	15.66%	15.52%
BlackRock, Inc.	4.00%	4.00%
MFS Investment Management	3.81%	3.02%

1. The ultimate beneficial owners of the Groupe Bruxelles Lambert are Stichting Administratiekantoor Frère-Bourgeois, Paul Desmarais Junior and André Desmarais.

2. The Company was informed on 4 February 2020, that the von Finck family has disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

As at December 31, 2019, the SGS Group held 0.18% of the share capital of the company (2018: 1.09%).

During 2019, 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.

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.

2. CAPITAL STRUCTURE

2.1. ISSUED SHARE CAPITAL

The share capital of SGS SA is 7 565 732 as of 31 December 2019 and comprises 7 565 732 fully paid-in registered shares of a par value of CHF 1. On 31 December 2019, SGS SA held 13 342 treasury shares (2018: 83 025). The shares related to the share buyback program are directly held by SGS SA, the shares to cover the equity compensation plan are held by a subsidiary company.

In 2019, 1 683 treasury shares were sold to cover the equity compensation plans and no shares were purchased.

On February 4, 2019, the Group initiated a share buyback program which ended on 19 December 2019. SGS SA did not repurchase shares during the buyback program, neither on the ordinary trading line, nor on the second trading line for cancellation.

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 7 565 732 shares would grow by approximately 6.6% to 8 065 732 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 to the Board of Directors to increase the share capital is valid until 22 March 2021.

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 share option 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 7 565 732 shares would increase by approximately 14.5% to 8 665 732 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 twice in the last years, once in 2017 and once in 2019 to cancel shares purchased by application of share buy-back programs initiated by the Company: At the Company's Annual General Meeting in 2019, the Shareholders approved a reduction of the share capital, by cancellation of 68 000 shares which were purchased as part of a share buyback program completed in December 2018. Consequently, the share capital of the Company was reduced from CHF 7 633 732 to 7 565 732 in 2019.

Previously, in 2017, the share capital was reduced from CHF 7 822 436 to CHF 7 633 732 by cancellation of 188 704 shares purchased by the Company.

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, statutory or otherwise, 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 2019, no options or similar instruments have been issued by the Company or by any of the Group's subsidiaries. Options plans

previously granted to members of the Operations Council, to senior managers and selected key employees have been discontinued by the Company in 2015 and the last outstanding options under this legacy stock option plan will expire, if not exercised, in 2020.

Details of all options outstanding are provided in note 28 of the consolidated financial statements of the Group (Annual Report pages 170–172).

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 General Meeting of Shareholders.

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.

By delegation of the Board, the Nomination and Remuneration Committee 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 2019. 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 for the Board of Directors, the Company pays 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.

At the Annual Shareholders Meeting of March 2019, Luitpold von Finck, Calvin Grieder and Kory Sorenson were appointed to the Board of Directors. August von Finck and Christopher Kirk did not stand for re-election. Biographical information on former members of the Board of Directors is available in the

Corporate Governance reports of prior years, including pages 79-81 of the 2018 Integrated Annual Report.

The members of the Board of Directors at 31 December 2019 were as follows:

PETER KALANTZIS (1945)

Swiss/Greek

FUNCTION IN SGS

Member:

- Chairman of the Board of Directors

INITIAL APPOINTMENT TO THE BOARD

March 2009

PROFESSIONAL BACKGROUND

Peter Kalantzis holds a Ph.D. in Economics and Political Sciences from the University of Basel and engaged in research as a member of the Institute for Applied Economics Research at the University of Basel between 1969 and 1971. Prior to 2000, Peter Kalantzis was responsible for Alusuisse-Lonza Group's corporate development and actively involved in the de-merger and stock market launch of Lonza, as well as the merger process of Alusuisse and Alcan. Dr. Kalantzis served as head of the Chemicals Division of Alusuisse-Lonza Group from 1991 until 1996. In 1991, Dr. Kalantzis was appointed Executive Vice President and Member of the Executive Committee of the Alusuisse-Lonza Group. Dr. Kalantzis has worked as an independent consultant since 2000.

OTHER ACTIVITIES AND FUNCTIONS

Clair AG, Cham (CH), Chairman of the Board since 2004

Degussa Sonne/Mond Goldhandel AG, Cham (CH), Chairman of the Board since 2012

Consolidated Lamda Holdings Ltd., Luxembourg (LU), Member of the Board since 2002

Pan-European Oil and Industrial Holdings SA, Luxembourg (LU), Member of the Board since 2001

*Von Roll Holding AG, Breitenbach (CH), Chairman of the Board since 2010, Member of the Board since 2007

Hardstone Services SA, Geneva (CH), Chairman of the Board since 2014, Member since 2009

Gnosis Foundation, Vaduz (FL), President of the Foundation Board since 2008

John S. Latsis Public Benefit Foundation, Vaduz (FL), President of the Executive Board since 2015

PAUL DESMARAIS, JR (1954)

Canadian

FUNCTION IN SGS

Member:

- Board of Directors

INITIAL APPOINTMENT TO THE BOARD

July 2013

PROFESSIONAL BACKGROUND

Chairman and Co-Chief Executive Officer, *Power Corporation of Canada.

Paul Desmarais, Jr. has a Bachelor of Commerce Degree from McGill University, Montréal and an MBA from the Institut Européen d'Administration des Affaires (INSEAD), France.

He has received honorary doctorates from various Canadian universities.

He joined Power Corporation of Canada in 1981 and assumed the position of Vice President the following year. In 1984, he led the creation of Power Financial Corporation to consolidate Power's major financial holdings, as well as Pargesa Holding SA, under a single corporate entity. Mr. Desmarais served as Vice President of Power Financial from 1984 to 1986, as President and Chief Operating Officer from 1986 to 1989, as Executive Vice Chairman from 1989 to 1990, as Executive Chairman from 1990 to 2005, as Chairman of the Executive Committee from 2006 to 2008 and as Executive Co-Chairman since 2008. He was named Chairman and Co-CEO with Power Corporation in 1996. After Power Financial and the Frère Group of Belgium took control of Pargesa in 1990, Mr. Desmarais moved to Europe from 1990 to 1994, to develop the partnership with the Frère Group and to restructure the Pargesa group. From 1982 to 1990, he was a member of the Management Committee of Pargesa, in 1991, Executive Vice Chairman and then Executive Chairman of the Committee; in 2003, he was appointed Co-Chief Executive Officer and in 2013 named Chairman of the Board. He is a Director of many Power Group companies in North America.

OTHER ACTIVITIES AND FUNCTIONS

*Groupe Bruxelles Lambert, Brussels (BE), Chairman of the Board of Directors

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

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

*Pargesa Holding SA, Geneva (CH), Board Member since 1992, Chairman of the Board since 2013

*LafargeHolcim Ltd, Zurich (CH), Member of the Board since 2015

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 (CAN)

AUGUST FRANÇOIS VON FINCK (1968)

Swiss

FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee
- Nomination and Remuneration Committee

INITIAL APPOINTMENT TO THE BOARD

May 2002

PROFESSIONAL BACKGROUND

August François von Finck holds a Master of Business Administration from Georgetown University, Washington. D.C.

OTHER ACTIVITIES AND FUNCTIONS

*Custodia Holding SE, Munich (DE), Member of the Board since 2018

*Staatl. Mineralbrunnen AG, Bad Brückenau (DE), Member of the Board since 2001

Bank von Roll, Zürich (CH), Vice President of the Board since 2009

*Von Roll Holding AG, Breitenbach (CH), Member of the Board since 2010

LUITPOLD VON FINCK (1971)

German and Swiss

FUNCTION IN SGS

Member:

- Board of Directors

INITIAL APPOINTMENT TO THE BOARD

March 2019

PROFESSIONAL BACKGROUND

Luitpold von Finck's educational background is in the banking sector. He was successfully involved in various parts of the von Finck family business, including real estate and mid-sized industrial companies.

From 2000 onwards, Mr. von Finck focused his activities on the Mövenpick Group in Switzerland and its diversified international operations, and became the owner of the company in 2005.

OTHER ACTIVITIES AND FUNCTIONS

Mövenpick Holding Ltd, Baar (CH) and its major subsidiaries,

Chairman of the Board of Directors

Clair Ltd, Cham (CH), Member of the Board

Custodia Holding, Munich (DE),

Member of the Board

IAN GALLIENNE (1971)

French-Belgian

FUNCTION IN SGS

Member:

- Board of Directors
- Nomination and Remuneration Committee

INITIAL APPOINTMENT TO THE BOARD

July 2013

PROFESSIONAL BACKGROUND

CEO of *Groupe Bruxelles Lambert since 2012, Ian Gallienne has an MBA from INSEAD in Fontainebleau. From 1998 to 2005, he was a Director at the private equity funds Rhône Capital LLC in New York and London. In 2005, he founded the private equity fund Ergon Capital Partners in Brussels and was its Managing Director until 2012. He has been a Board Member of *Groupe Bruxelles Lambert since 2009.

OTHER ACTIVITIES AND FUNCTIONS

*adidas (D), Member of the Supervisory Board

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

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

Frère-Bourgeois SA (BE), Member of the Board

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

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

Marnix French ParentCo (groupe Webhelp), Paris (France)

CALVIN GRIEDER (1955)

Swiss

FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee
- Nomination and Remuneration Committee

INITIAL APPOINTMENT TO THE BOARD

March 2019

PROFESSIONAL BACKGROUND

Calvin Grieder holds an Engineering Master of Science from the ETH Zurich and has completed an Advanced Management Program (AMP) at Harvard University.

In 1980, Mr. Grieder started his career as Marketing Manager at Georg Fischer in Switzerland and continued in various executive positions at Swiss and German companies. These included Swiss Industrial Company (SIG) and Swisscom Telecom, where he served as Head of the Mobile and Internet business and Member of the Executive Board. He was CEO of Bühler, an international engineering group, from 2001 to 2016.

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

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

CORNELIUS GRUPP (1947)

Austrian

FUNCTION IN SGS

Member:

- Board of Directors
- Professional Conduct Committee

INITIAL APPOINTMENT TO THE BOARD

March 2011

PROFESSIONAL BACKGROUND

Dr. Grupp holds a Doctorate in Law and a Master in Business Administration.

He is the Owner and General Manager of Tubex Holding GmbH, Stuttgart, Germany, a company active in the packaging industry and of CAG Holding GmbH, Lilienfeld, Austria, which is active in the field of aluminum, glass and biomass.

OTHER ACTIVITIES AND FUNCTIONS

Schoellerbank AG, Vienna (AT), Member of the Board since 1999

Stölzle Oberglas, Koeflach (AT), Member of the Board since 1989

Honorary General Consul of Austria to the Land of Baden-Württemberg

GÉRARD LAMARCHE (1961)

Belgian

FUNCTION IN SGS

Member:

- Board of Directors

Chairman:

- Audit Committee

INITIAL APPOINTMENT TO THE BOARD

July 2013

PROFESSIONAL BACKGROUND

Chairman of Multifin SA (BE), since 2019

Gérard Lamarche is a graduate in Economic Sciences from the University of Louvain-la-Neuve (Belgium) and the INSEAD Business School (Advanced Management Program for Suez Group Executives). He also trained at the Wharton International Forum in 1998-99 (Global Leadership Series).

He began his career with Deloitte Haskins and Sells in Belgium in 1983 and was appointed as an M&A consultant in the Netherlands in 1987. In 1988, he joined Société Générale de Belgique as Investment Manager. He was promoted to Controller in 1989 before becoming an Advisor to the Strategy and Planning Department from 1992 to 1995.

He joined Compagnie Financière de Suez as Special Advisor to the Chairman and Secretary to the Suez Executive Committee (1995-1997); he was later appointed Senior Vice President in charge of Planning, Control and Accounting. In 2000, Gérard Lamarche joined NALCO (the US subsidiary of the Suez Group and world leader in industrial water treatment) as General Managing Director. He was appointed CFO of the Suez Group in 2003.

He was the Co-CEO of Groupe Bruxelles Lambert from 2012 to 2019.

OTHER ACTIVITIES AND FUNCTIONS

*Umicore, Brussels (B), Member of the Board

*Groupe Bruxelles Lambert (B), Member of the Board

SHELBY R. DU PASQUIER (1960)

Swiss

FUNCTION IN SGS

Member:

- Board of Directors
- Professional Conduct Committee
- Nomination and Remuneration Committee

INITIAL APPOINTMENT TO THE BOARD

March 2006

PROFESSIONAL BACKGROUND

Attorney at Law, Partner, Lenz & Staehelin Law firm, Geneva.

Shelby R. du Pasquier holds degrees from Geneva University Business School and School of Law as well as from Columbia University School of Law (LLM). He was admitted to the Geneva Bar in 1984 and to the New York Bar in 1989. He became a Partner of Lenz and Staehelin in 1994.

OTHER ACTIVITIES AND FUNCTIONS

*Swiss National Bank, Member of the Board since 2012

Stonehage Fleming Family & Partners (Jersey) Limited, Member of the Board since 2012

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

KORY SORENSON (1968)

British

FUNCTION IN SGS

Member:

- Board of Directors
- Audit Committee

PROFESSIONAL BACKGROUND

Kory Sorenson has a DESS in Corporate Finance from the Institut d'Etudes Politiques de Paris and a master's degree in Applied Economics from the Université de Paris – Dauphine. She also holds a bachelor's degree in Econometrics and Political Science from the American University in Washington, D.C., a certificate in Governance from Harvard Executive Education and a certificate in Leadership and Governance from INSEAD.

She began her career in finance in 1992 in the Treasury Department of Total in Paris before moving to banking in 1995 and investment banking in 1997. She was Managing Director, Head of Insurance Capital Markets of Barclays Capital, and held senior positions in

the capital markets and the financial institutions divisions of Credit Suisse, Lehman Brothers and Morgan Stanley.

OTHER ACTIVITIES AND FUNCTIONS

*SCOR SE, Paris (FR), Member of the Board and Chair of the Audit Committee, member of the boards of SCOR's US subsidiaries: SCOR Reinsurance Company, SCOR Global Life Americas Reinsurance Company and SCOR Global Life USA Reinsurance Company

*Phoenix Group Holdings PLC, London (UK), Member of the Board and Chair of the Remuneration Committee

*Pernod Ricard SA, Paris (FR), Member of the Board and Chair of the Remuneration Committee
Bank Gutmann, Vienna (AU), privately owned, Member of the Supervisory Board
Chateau Mondot, Bordeaux (FR), Member of the Supervisory Board

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 and strategy, 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.

The Board 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 of Shareholders
4. The director is not acting (and must not be affiliated with a company that is acting in material manner as) an adviser 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.

Based on this review, the Board has concluded that all the Directors meet the above mentioned criteria, are independent from management and free of any relationships that could materially interfere with the exercise of their independent judgement.

The remuneration of the Members of the Board of Directors is detailed in the Remuneration Report. The Chairman of the Board, jointly with members of the Board of Directors, reviews 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 of Shareholders.

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

Other activities and vested interests of the members of the Board of Directors are indicated on page 92, section 3.1.

3.3. LIMITS ON EXTERNAL MANDATES

In compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), 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 ten board memberships in entities outside the Group, out of which a maximum of five memberships in 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 limit to ten, the permissible participations in boards of associations and other non-profit 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 Chairman of the Board of Directors and the Members of the Nomination and Remuneration Committee, is elected each year 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 on page 92, 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 Chairman of the Board is elected by the Annual Meeting of Shareholders. 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 Nomination and 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 December 31, 2019:

	NOMINATION AND REMUNERATION	AUDIT	PROFESSIONAL CONDUCT COMMITTEE
August Francois von Finck	Member	Member	
Ian Gallienne	Member		
Calvin Grieder	Member	Member	Member
Cornelius Grupp			Member
G�rard Lamarche		Chair	
Shelby du Pasquier	Chair		Chair
Kory Sorenson		Member	

Mr. Kalantzis, Chairman of the Board, attends the meetings of the Committees, with a consultative vote. 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.

NOMINATION AND REMUNERATION COMMITTEE

Members of the Nomination and Remuneration Committee are elected individually by the Annual Meeting of Shareholders, with the chairman of the Committee designated among them by the Board of Directors. The 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 Chief Executive Officer and the other members of the Management. The Committee validates the appointment of members of the Operations Council and makes recommendation to the Board regarding the nomination of the CEO. It also assists the Board in selecting new members of the Board of Directors.

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 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.

PROFESSIONAL CONDUCT COMMITTEE

The Professional Conduct Committee assists the Board of Directors and Management in establishing policies relating to professional conduct and oversees their implementation. The Group's professional conduct policies are embodied in the Code of Integrity, which sets out the principles governing business conduct, which are applied across the whole SGS Group. These principles reflect the Business Principles for Countering Bribery issued by Transparency International and Social Accountability International, and incorporate the rules adopted by the TIC Council, the professional association for the inspection industry.

In addition to the Board Members, the Professional Conduct Committee comprises the Chief Executive officer, the General Counsel and Chief Compliance Officer (General Counsel). The head of Internal Audit attends all meetings of the Professional Conduct Committee.

MEETINGS HELD IN 2019	FREQUENCY OF MEETINGS	NUMBER OF RESOLUTIONS APPROVED OUTSIDE MEETINGS	AVERAGE DURATION OF MEETINGS
Board of Directors	6 times (including 1 phone conference)	1	3 hours
Nomination and Remuneration Committee	2 times		90 minutes
Audit Committee	6 times (including 1 phone conference)		2 hours and 30 minutes
Professional Conduct Committee	1 times		1 hour

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 Chairman 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 Professional Conduct Committee and the Nomination and Remuneration Committee at least once a year.

ATTENDANCE TO BOARD AND COMMITTEE MEETINGS

The chart below summarizes the attendance by each Board Member in 2019 at the meetings (including meetings by phone conference) of the Board and the respective standing Committees.

MEMBER	BOARD MEETINGS	NOMINATION AND REMUNERATION	AUDIT	PROFESSIONAL CONDUCT COMMITTEE
Peter Kalantzis	6/6			
Paul Desmarais	4/6			
August François von Finck	6/6	2/2	5/6	
Luitpold von Finck ¹	3/3			
Ian Gallienne	6/6	2/2		
Calvin Grieder ¹	3/3	1/1	5/5	1/1
Cornelius Grupp	5/6			1/1
Gérard Lamarche	6/6		6/6	
Shelby du Pasquier	6/6	2/2		1/1
Kory Sorrenson ¹	3/3		5/5	
August von Finck ²	3/3	1/1		
Christopher Kirk ²	1/3			

1. Directors elected for the first time in March 2019.

2. Directors not re-elected in March 2019.

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

The Operations Council is chaired by the Chief Executive Officer 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 (page 90, section 1.1.)
- The Executive Vice Presidents (EVPs) are entrusted with the management and development of the Group's nine business lines (page 90, section 1.1.)
- The Senior Vice Presidents (SVPs) represent the principal Group support functions (Finance, Human Resources, IT, Communications and Investor Relations, Corporate Development, Legal and Compliance, and Strategic Transformation)

The composition, role and organization of the Operations Council are detailed on page 99, section 4.

3.7. INFORMATION AND CONTROL INSTRUMENTS VIS-A-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 Chief Executive Officer and the Chief Financial Officer participate in the meetings of the Board of Directors and the Audit Committee.

The Group Controller and the Head of the Internal Audit Function participate in the meetings of the Audit Committee.

The Head of Human Resources participates in the meetings of the Nomination and Remuneration 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.

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 Chief Executive Officer 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 Chief Executive Officer, 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 require 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 Chairman 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 Chairman 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 is a member of the Professional Conduct Committee and has direct access to the Chairman 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 Professional Conduct Committee.

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

E. OTHER

In addition, the main business lines 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 market place; 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 on page 90, 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.

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 2019 were as follows:

FRANKIE NG (1966)
Swiss/Chinese

Chief Executive Officer
BA in Economics and
Electronics Engineering
Joined SGS in 1994

PREVIOUS RESPONSIBILITIES
2011–2015: EVP, Industrial Services
2005–2011: EVP, Consumer
Testing Services
2002–2004: Managing Director,
US Testing

DOMINIK DE DANIEL (1975)
German

Chief Finance Officer
(since February 2019)
Degree in Banking, CEFA
Investment Analyst
Joined SGS in 2019

PREVIOUS WORK EXPERIENCE
2015–2018: CFO and Chief Operating
Officer, IWG plc. UK, the global
leader for flexible workspace
2006–2015: CFO Adecco Group,
Switzerland

OLIVIER MERKT (1962)
Swiss

Chief Compliance Officer
Doctorate in Law, admitted to the bar
in Switzerland
Joined SGS in 2001

PREVIOUS RESPONSIBILITIES
2006–2008: VP, Corporate Development
2001–2006: Senior Counsel

TEYMUR ABASOV (1972)
Azerbaijani

COO, Eastern Europe and Middle East
Degree in Electrical Engineering
Joined SGS in 1994

PREVIOUS RESPONSIBILITIES
2006–2007: Managing Director,
Kazakhstan and Caspian Sub-Region
2004–2006: Managing Director,
Azerbaijan and Georgia
2003–2004: Managing Director, Georgia

HELMUT CHIK (1966)
Chinese

COO, North East Asia
Master of Business Administration
Joined SGS in 1991

PREVIOUS RESPONSIBILITIES
2004–2017: COO, China and Hong Kong
2003: Managing Director, Hong Kong
2002: Vice President Softline Global,
Consumer Testing Services

OLIVIER COPPEY (1972)
Swiss

EVP, Agriculture, Food and Life
MSc Economics
Joined SGS in 1994

PREVIOUS RESPONSIBILITIES
2009–2013: Vice President Seed
and Crop, Agricultural Services
2006–2008: Vice President North
America, Agricultural Services, USA
1994–2006: Managerial positions,
Agricultural Services, Switzerland/
India/Cameroon

FABRICE EGLOFF (1969)
French

COO, Africa and Western Europe
(since February 2019)
Master of Business Administration
in International Business Affairs
Joined SGS in 1995

PREVIOUS RESPONSIBILITIES
2009–2017: Managing Director, France
2004–2008: Managing Director,
Hong Kong

LUIS FELIPE ELIAS (1959)
Peruvian

COO, South and Central America
Industrial Engineering Degree and MBA
Joined SGS in 2004

PREVIOUS RESPONSIBILITIES
2012–2018: Managing Director,
Ecuador and Peru
2004–2012: Deputy Managing
Director, Peru

DERICK GOVENDER (1970)
South African

EVP, Minerals
Diploma in Analytical Chemistry
Post graduate in Business Management
Joined SGS in 2002

PREVIOUS RESPONSIBILITIES
2014–2015: Minerals Manager, Chile
2010–2014: VP Minerals, Africa
2007–2010: Regional Minerals Manager,
SGS Southern Africa

DIRK HELLEMANS (1958)
Belgian

COO, North and Central Europe
Degree in Chemical Engineering and
Master in Business Administration
Joined SGS in 1988

PREVIOUS RESPONSIBILITIES
2012–2015: COO, Northern, Central
and Southern Europe
2004–2012: COO, Central and North
Western Europe
2002–2004: COO, North West Europe

JOSÉ MARÍA HERNÁNDEZ-SAMPELAYO (1961)
Spanish

SVP, Human Resources
Bachelor in Law
Master of Business Administration
Joined SGS in 1996

PREVIOUS RESPONSIBILITIES

2010–2017: Managing Director, Spain
2001–2010: HR Manager, Western Europe
1996–2010: HR Manager, Spain

CHRISTOPH HEIDLER (1969)
German

Chief Information Officer (member of
the OC since April 2019)
Degree in Electrical Engineering and
Information Technologies
Joined SGS in 2015

PREVIOUS RESPONSIBILITIES

2015–2019: Chief Information Officer

PREVIOUS WORK EXPERIENCE

2014–2015: Chief Information Officer,
CompuGroup Medical
2011–2014: Vice President Global
Infrastructure Services, Schindler
Informatik
2007–2011: Head of Global
Infrastructure, HeidelbergCement

FRÉDÉRIC HERREN (1955)
Swiss

SVP, Digital and Innovation
Master in Economics
Initially joined SGS in 1986, rejoined
in 1999

PREVIOUS RESPONSIBILITIES

2010–2017: COO, Africa
2006–2014: EVP, Governments and
Institutions Services
2003–2010: EVP, Automotive Services

ROGER KAMGAING (1966)
Swiss

EVP, Governments and Institutions
Master in Commercial Law and Tax
Master in Auditing and Consulting
Initially joined SGS in 1996, rejoined in 2014

PREVIOUS RESPONSIBILITIES

2000–2012: Governments and
Institutions Services, Global Head
Business Development
1997–2000: Governments and
Institutions Services, Sales Manager

OTHER WORK EXPERIENCE

2012–2014: Kamgaing Associates
(Consulting) and Time (African
Business Incubator)

CHARLES LY WA HOY (1966)
French

EVP, Consumer and Retail
Engineer in Electronics

Initially joined SGS in 1992, rejoined
in 2008

PREVIOUS RESPONSIBILITIES

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 (1964)
Australian/American

EVP, Certification and
Business Enhancement
Postgraduate Diploma in Education
Joined SGS in 1995

PREVIOUS RESPONSIBILITIES

2007–2015: COO, North America
2004–2007: EVP, Systems and
Services Certification
2003: Global Project Manager,
Systems and Services Certification

PETER POSSEMIERS (1962)
Australian/Belgian

EVP, Environmental, Health and Safety
BSc Chemistry and Microbiology
Joined SGS in 1983

PREVIOUS RESPONSIBILITIES

2007–2012: Global Sales, OGC
2005–2007: Managing Director, Korea
2003–2005: OGC Business Development
Manager Asia Pacific, China

TOBY REEKS (1976)
British

SVP, Investor Relations
BA in Economics
Joined SGS in 2018

OTHER WORK EXPERIENCE

2013–2018: Executive Director,
Morgan Stanley
2011–2013: Director, Merrill Lynch
2005–2011: Vice President, Merrill Lynch

MALCOLM REID (1963)
British

COO, South East Asia and Pacific
BSc Chemistry
Joined SGS in 1987

PREVIOUS RESPONSIBILITIES

2012–2015: EVP, Consumer
Testing Services
2007–2011: EVP, Systems and
Services Certification
2005–2007: Managing Director, Australia

ALIM SAIDOV (1964)
Azerbaijani/Canadian

EVP, Oil, Gas and Chemicals
PhD in Science
Joined SGS in 1993

PREVIOUS RESPONSIBILITIES

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 (1966)

Belgian

EVP, Industrial Services (since May 2018)

Engineering degree in Industrial Electro
Mechanic and master's degree in
Business Management

Joined SGS in 1989

PREVIOUS RESPONSIBILITIES

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)

FRED HERREN

Member of the Board of Delen SA,
Geneva since 2018

Member of the Council, Geneva
Chamber of Commerce and Industry

4.3. CHANGES IN THE OPERATIONS COUNCIL

During 2019, Carla De Geyseler, CFO, Pauline Earl, COO for Western Europe and François Marti, COO for North America left the Group. Thomas Klukas, EVP of Transportation left the Operations Council. Biographical information on former members of the Operations Council may be found in prior years Corporate Governance reports, including pages 85 to 88 of the 2018 Integrated Annual Report.

4.4. LIMITS ON EXTERNAL MANDATES

The Articles of Association of the Company, in compliance with the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), limit the number of mandates permissible to members of the Operations Council, to no more than four board memberships in entities outside the Group, out of which a maximum of one membership 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 associations and other not-for-profit organizations to no more than ten 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: a) to attract and retain the best talent available in the industry and b) 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.

In compliance with the requirements of the Ordinance against Excessive Compensation at Listed Joint-Stock Companies (OaEC), 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 Nomination and Remuneration Committee, which is elected by the Annual General Meeting.

5.2. RULES ON APPROBATION BY THE ANNUAL SHAREHOLDERS MEETING OF EXECUTIVE PAY

The Company's Articles of Association provide that the Annual Shareholders Meeting approves a year in advance the maximum amount at the disposal of the Board of Directors to pay a fixed remuneration to members of the Operations Council. 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.

The Annual Shareholders Meeting approves and authorizes the award of annual incentives of the Operations Council on the basis of the actual results achieved in the year prior to the Annual Shareholders Meeting.

The Annual Shareholders Meeting authorizes separately any long-term incentive plans.

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 on pages 104–129 of this Annual Report for a description of the Company's rules in the matter).

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. Neither as at 31 December 2019, nor as at 31 December 2018, was any loan or advance 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 of Shareholders.

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. If a second ballot is necessary, a relative majority is sufficient, unless Swiss company law mandates a special majority.

6.3. CONVOCACTION 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 General Meeting of the Shareholders 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 General Meetings, provided that such a request reaches the Company at least 40 days prior to the General Meeting.

6.5. REGISTRATION IN THE SHARE REGISTER

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

7. CHANGE OF CONTROL AND DEFENSE MEASURES

No restriction on changes in 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

Following a competitive process in 2000, Deloitte SA was appointed auditor of the Company and the SGS Group by the Annual General Meeting of Shareholders upon recommendation of the Board of Directors. The auditors of the Company are subject to re-election at the Annual General Meeting every year. The current lead auditor, Matthew Sheerin, was appointed in 2017, after agreement by the Company's Audit Committee. 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. When designated in 2017 as Lead Auditor, Matt Sheerin replaced James Baird, Lead Auditor for the financial years 2012 to 2016 inclusively.

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 Deloitte for the audit of the Company and the Group financial statements in 2019 amounted to CHF 7.2 million (2018: CHF 6.8 million).

8.3. ADDITIONAL FEES

An aggregate amount of CHF 1 million (2018: CHF 0.9 million) was paid to Deloitte 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 2019, the Audit Committee met five times with the external auditors. In addition, the Chairman of the Board and the Chairman of the audit committees have met privately twice the lead partner outside the presence of management.

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. Permitted other services include assistance with tax compliance matters, and limited assistance in due diligence or advisory services for prospective acquisitions.

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. The Group strives to safeguard and support the independence of the auditor by avoiding conflicts of interests. In applying this policy, the attribution of other consultancy assignments is carefully reviewed to ensure that such assignments do not endanger the auditor's independence.

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, road shows 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, particularly articles 26 and 29–32. 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 the main SGS registered office and its contact details (phone and email) can be found on page 202 of the Annual Report.



REMUNERATION REPORT

Introduction by the Nomination and Remuneration Committee	106
Remuneration Policy and Principles	107
Remuneration Model	110
Remuneration Awarded to the Board of Directors	119
Remuneration Awarded to the Operations Council Members	122

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 2019 business year.

The SGS Remuneration Report has been prepared in compliance with the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares, in effect as of 1 January 2014, the Swiss Code of Best Practice for Corporate Governance of Economiesuisse, approved on 28 August 2014, and the Swiss Exchange (SIX) Directive on Information relating to Corporate Governance, revised on 13 December 2016, and according to the Articles of Association of SGS SA, as approved by the shareholders at the Annual General Meeting in 2015.

<p>1. INTRODUCTION BY THE NOMINATION AND REMUNERATION COMMITTEE 106</p> <hr/> <p>2. REMUNERATION POLICY AND PRINCIPLES 107</p> <hr/> <p>2.1. Remuneration general principles 107</p> <hr/> <p>2.2. Remuneration policy for the Executive Management 108</p> <hr/> <p>2.3. Remuneration governance 108</p> <hr/> <p> 2.3.1. Nomination and Remuneration Committee 108</p> <hr/> <p> 2.3.2. Shareholders' engagement 109</p> <hr/>	<p>3. REMUNERATION MODEL 110</p> <hr/> <p>3.1. Structure of remuneration of the Board of Directors 110</p> <hr/> <p>3.2. Structure of remuneration of the Operations Council 111</p> <hr/> <p> 3.2.1. Fixed remuneration: annual base salary 112</p> <hr/> <p> 3.2.2. Fixed remuneration: benefits 112</p> <hr/> <p> 3.2.3. Short-term variable remuneration 112</p> <hr/> <p> 3.2.4. Long-term variable remuneration 115</p> <hr/> <p> 3.2.5. Remuneration mix 117</p> <hr/> <p> 3.2.6. Shareholding ownership guidelines 118</p> <hr/> <p> 3.2.7. Employment contracts 118</p> <hr/> <p> 3.2.8. Timeline of remuneration 119</p> <hr/>	<p>4. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS 119</p> <hr/> <p>5. REMUNERATION AWARDED TO THE OPERATIONS COUNCIL MEMBERS 122</p> <hr/> <p>5.1. Fixed remuneration 122</p> <hr/> <p>5.2. Short-term variable remuneration 123</p> <hr/> <p>5.3. Long-term variable remuneration 124</p> <hr/> <p>5.4. Total remuneration 126</p> <hr/> <p>5.5. Remuneration mix 127</p> <hr/> <p>5.6. Other compensation elements 128</p> <hr/> <p> 5.6.1. Severance payments 128</p> <hr/> <p> 5.6.2. Other compensation to members or former members of the governing bodies 128</p> <hr/> <p> 5.6.3. Loans to members or former members of the governing bodies 128</p> <hr/>
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1. INTRODUCTION BY THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee is pleased to present its 2019 Remuneration Report.

During 2019, the Committee attended its statutory duties, and worked on two other main topics: the review of the remuneration settlement vehicles for the members of the Board of Directors, and the review of the Short-Term Incentive scheme for the CEO.

The table below summarizes the outcome of the statutory duties in remuneration matters.

SUBJECT MATTER	DECISION POWER	MAIN ACTIVITIES
Individual remuneration of the members of the Board of Directors including the Chairman of the Board	Recommendation to the Board of Directors	<ul style="list-style-type: none"> Update of the remuneration of the Chairman of the Board, in line with prevalent market practices for listed companies in Switzerland Adjustment of the Audit Committee fee, to account for the required commitment and exposure
Individual remuneration of the CEO	Recommendation to the Board of Directors	<ul style="list-style-type: none"> Review of the remuneration of the CEO, based on the benchmark of his remuneration and pay mix against Swiss SMI companies and other competitors in the Testing, Inspection and Certification and in the Business to Business Services sectors¹
Individual remuneration of the Operations Council members	Approval (based on the recommendation of the CEO)	<ul style="list-style-type: none"> Review of the remuneration of the OC members, based on the benchmark of their remuneration and pay mix against similar positions in Swiss SMI companies and other competitors in the Testing, Inspection and Certification and in the Business to Business Services sectors¹ Adjustment of the pay mix, with increased emphasis on the variable remuneration vs fixed remuneration
Remuneration Report	Recommendation to the Board of Directors	<ul style="list-style-type: none"> Confirmation of the changes in the structure of the Report introduced in previous year Continuous effort towards clarity and transparency

1. Details of the relevant benchmarks are described on page 108, section 2.2.

The settlement vehicles of the remuneration of the members of the Board of Directors have been reviewed: Directors can have up to 50% of their remuneration settled in shares that may be restricted. This is in accordance with the Group's Article of Association (Art. 28).

As anticipated in the 2018 Annual Report (page 101), the Short-Term Incentive scheme for the CEO has been reviewed, with the objective to have better alignment between the plans in place for the CEO and for the other Operations Council members. The pay-out curves have been harmonized, and a leadership multiplier has been introduced also for the CEO. The key performance indicators have been reviewed as well, with the objective to have better alignment between the Operations Council incentive drivers and the short and long-term strategic objectives of the Group.

On the nomination matters, following the changes in the composition of the Operations Council (disclosed in Governance (page 99), the Committee worked on the appointment of two new members, and approved their contractual terms and conditions, including remuneration, based on the recommendation of the CEO.

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 2019, and will continue with the same "say-on-pay" vote structure at the forthcoming Annual General Meeting 2020:

- 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 2019;
- Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members for 2021.

The table below summarises the votes of the Annual General Meeting on the remuneration matters since 2015.

(% of votes for)	2015	2016	2017	2018	2019
Consulative vote on the Remuneration Report	93.69	82.79	92.44	89.79	94.50
Binding vote on the prospective maximum remuneration amount of the Board of Directors	95.41	97.26	98.24	98.72	98.09
Binding vote on the prospective maximum fixed remuneration amount of the Operations Council members	95.29	98.27	80.11	75.61	80.28
Binding vote on the retrospective short-term variable remuneration amount of the Operations Council members	94.00	95.94	96.87	95.97	97.17
Binding vote on the value of the grants awarded under the Long-Term Incentive plan to the Operations Council members ¹	90.26	-	-	96.63	-

1. The SGS Long-Term Incentive plan provides a grant every three years; the last grant was done in 2018.

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 2019. We hope that you find this report informative. We are confident that our approach to executive pay is fully aligned with the strategy, wider competitive market benchmarks, the performance of the Company and the interests of our shareholders.

Shelby du Pasquier

Chairman of the Nomination and Remuneration Committee

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 and 29).

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 value for our shareholders by driving long-term sustainable financial success.

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 line with the Company's business strategy of profitable growth and with the aim to drive and support the Company's core values of passion, integrity, entrepreneurialism and innovative spirit.

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 skill-set required to perform the role
- Pay for performance
 - A substantial portion of remuneration is directly linked to business and individual performance
 - Differentiation is based on individual contributions
- Long-term value creation and alignment to shareholders' interests
 - Part of remuneration is delivered in equity subject to a multi-year vesting period

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 and internationally active companies within and outside Switzerland that operate in the business-to-business services sector: Adecco, ALS, Applus+, Bureau Veritas, Eurofins, Intertek, ISS, Mistras, Rentokil, Securitas, Sodexo, Team (the peer group of companies considered for the performance conditions of the Long-Term Incentive plan, see section 3.2.4.);
- All SMI-listed companies.

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 more than one-third 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 most recent executive compensation benchmark supported by a third-party services provider (Mercer) was performed in 2015. No third-party services provider was engaged to perform such benchmark in 2019.

2.3. REMUNERATION GOVERNANCE

The Board of Directors is responsible for determining the remuneration of the Chairman and the Directors of the Board, within the limit of the aggregate amount approved by the Annual General Meeting of Shareholders. It also decides on the remuneration and terms of employment of the Chief Executive Officer. 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. NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors is assisted in its work by a Nomination and 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 Chief Executive Officer) 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 2019, neither the Committee nor the Board of Directors had recourse to such external advisors.

SUBJECT MATTER	CEO	NOMINATION AND REMUNERATION COMMITTEE	BOARD OF DIRECTORS	AGM
Aggregate remuneration amount of the Board of Directors			Recommendation	Binding vote
Individual remuneration of the members of the Board of Directors including the Chairman 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 for Operations Council members			Recommendation	Binding vote
Individual remuneration of the CEO		Recommendation	Approval	
Individual remuneration of the Operations Council	Recommendation	Approval		
Remuneration Report		Recommendation	Approval	Consultative vote

The following Directors served on the Committee during their mandate from AGM 2019 to AGM 2020:

- Shelby du Pasquier (Chairman)
- Ian Gallienne
- August François von Finck
- Calvin Grieder

In 2019, the Committee met in two meetings, attended by all members, and handled several matters pertaining to nominations and remunerations outside scheduled meetings. The Chairman of the Nomination and 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 Chairman 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 and the Senior VP for HR may be asked to attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

2.3.2. SHAREHOLDERS' ENGAGEMENT

As has been the case since the 2015 Annual General Meeting, we 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, 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 to 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.

The remuneration to the members of the Board of Directors is subject to employer social charges according to Swiss legislation. Each Board member can choose to receive up to 50% of the remuneration settled in shares that may be restricted. Shares will be awarded after the publication of the Group's annual results. The number of shares to be allocated is determined by dividing the portion of remuneration settled in shares by the closing share price on the day of the publication of the Group's annual results; fractions are rounded up to the nearest integer. Shares granted may be restricted at the option of each Board member for a period of three years ending on the third anniversary of their award. If a Board member has elected to receive restricted shares, such restricted shares may not be sold, donated, pledged or otherwise disposed off to third parties during the three years restriction period. In case of change of control or liquidation, or in case a member of the Board ceases to exercise his or her 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 instalments, 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.

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 partly in cash and partly 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 behavioral model	Group revenue, Group NPAT ¹ , Group ROIC ² , Group free cash flow, regional and business line profit, regional NWC ³ , business operating free cash flow, leadership multiplier	Pay for performance	1-year performance period 3-year deferral period
Long-Term Incentive	Performance Share Units (PSUs)	Long-term financial performance	Relative TSR ⁴ , adjusted operating income margin	Reward for long-term performance, align compensation with the interests of the shareholders	3-year performance period

1. NPAT: Net Profit After Tax.

2. ROIC: Return On Invested Capital.

3. NWC: Net Working Capital.

4. 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 Chief Executive Officer 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, skill sets, experience required to perform the role, 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. Employees contribute 8% of their base salary and the Company contributes an amount equal to one and a half times the contributions paid by all employees to the scheme. Employees have the possibility to voluntarily increase their contribution rate by 2% above the standard rate. More flexibility has also been granted to employees who wish to fund a potential retirement before the normal age, or for those who wish to continue working after the age of 65.

3.2.3. SHORT-TERM VARIABLE REMUNERATION

The Chief Executive Officer and the other members of the Operations Council are eligible to 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 behaviours in line with the SGS competency model.

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 behavior	✓	✓

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%
	as % of target incentive opportunity	250%	250%
Maximum incentive opportunity	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 business line (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.

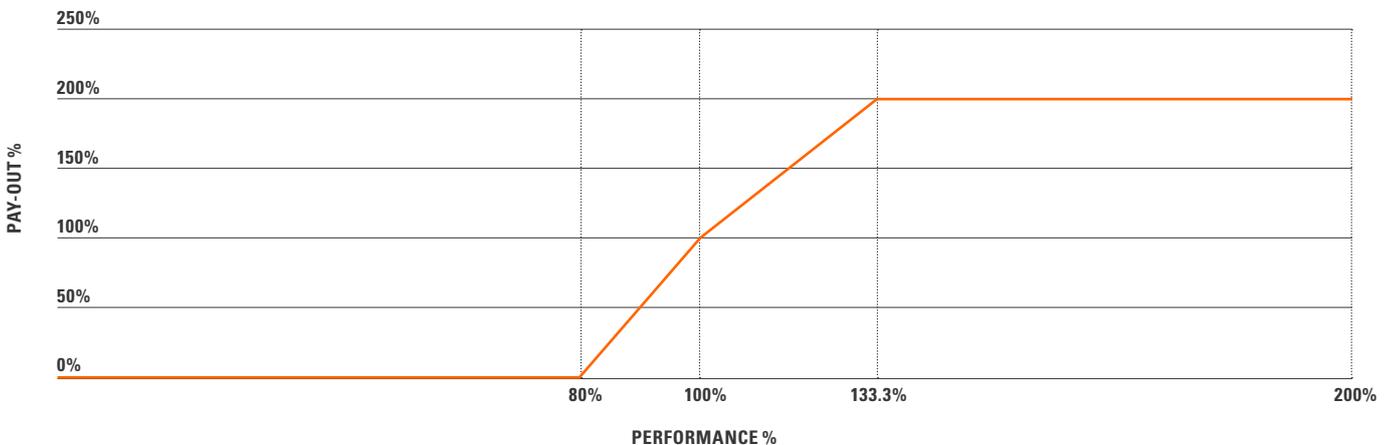
		CEO	HEADS OF CORPORATE FUNCTIONS (SVPs)	HEADS OF BUSINESS LINES (EVPs)	HEADS OF REGIONS (COOs)
Group results	Profitability (bottom-line)	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%	Group NPAT 25%
	Growth (top-line)	Group revenue 25%	Group revenue 25%	Group revenue 25%	Group revenue 25%
	Efficient use of capital	Group ROIC (organic) 25%	Group ROIC (organic) 25%	-	-
	Cash generation	Group free cash flow (organic) 25%	Group free cash flow (organic) 25%	-	-
Business lines results	Profitability (bottom-line)	-	-	Business-line profit 40%	-
	Cash generation	-	-	Business operating free cash flow (organic) 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 NPAT, Group revenue, Group ROIC, Group free cash flow, business-line profit, regional profit and business operating free cash flow.

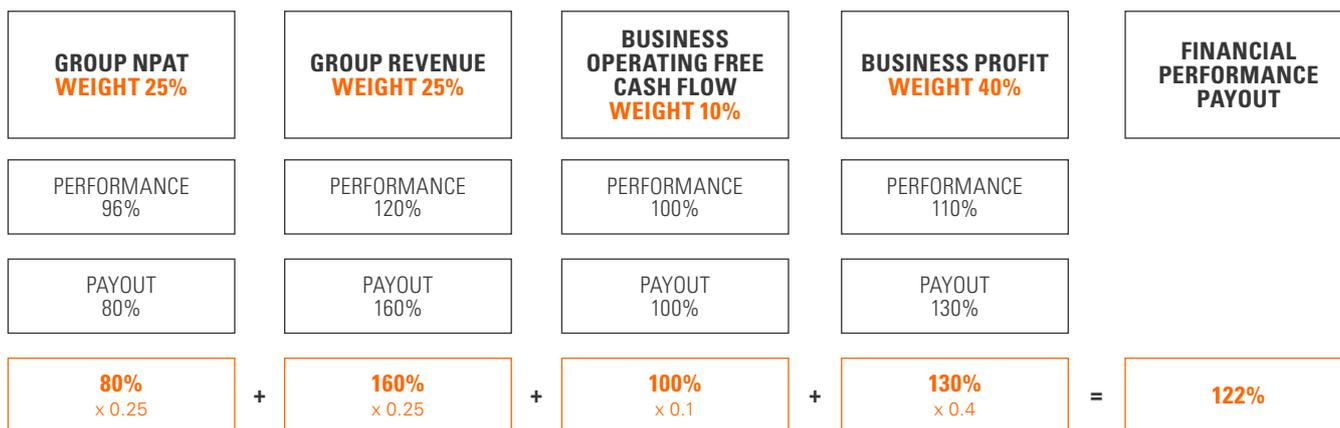
BOTTOM LINE, TOP LINE, ROIC AND FCF PERFORMANCE (PAYOUT CURVE)



The pay-out curve for regional 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.

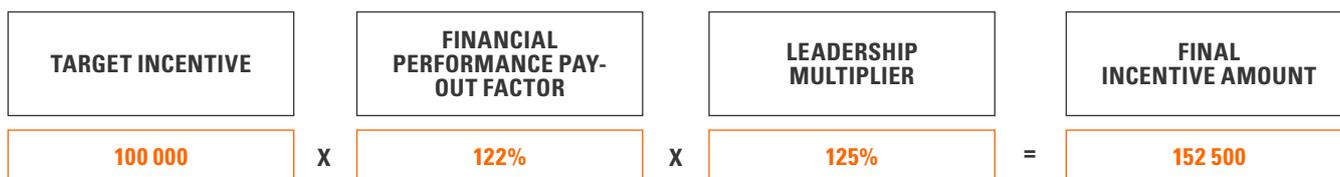


LEADERSHIP MULTIPLIER

The members of the Operations Council are also rewarded for the demonstration of leadership behaviours in line with the SGS competency model. 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 behaviours against the leadership competency model of SGS in the areas of change management and people management. 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. 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.



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 28.

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 31 December 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 of the Annual general Meeting of shareholders.

In case of termination for cause before the date of payment, irrespective of whether the last day of employment is before or after 31 December 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 31 December of the respective business year, the Participant has no entitlement to receive any annual incentive payment.

In case of termination for death or disability before 31 december 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 31 December 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 of the Annual General Meeting of shareholders.

The table below summarizes the rules in case of termination of employment.

TERMINATION REASON	LAST DAY OF EMPLOYMENT BEFORE 31 DECEMBER				LAST DAY OF EMPLOYMENT BETWEEN 31 DECEMBER AND AGM			
	INCENTIVE OPPORTUNITY (TARGET INCENTIVE)	INCENTIVE PAYOUT	PAYMENT DATE	PAYMENT VEHICLE	INCENTIVE OPPORTUNITY (TARGET INCENTIVE)	INCENTIVE PAYOUT	PAYMENT DATE	PAYMENT VEHICLE
Termination for cause	Zero	Zero	-	-	Zero	Zero	-	-
Resignation	Zero	Zero	-	-	Full	Based on actual performance	After the AGM approval	100% cash
Death or disability	Prorated 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	Prorated on calendar days	Based on actual performance	After the AGM approval	100% cash	Full	Based on actual performance	After the AGM approval	100% cash

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 Chief Executive Officer 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), done once every three years. The last grant under the Long-Term Incentive was done in 2018; the previous one was done in 2015.

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, covering a three-year period, is expressed as a percentage of the annual base salary and varies depending on the role. For the CEO, the value of the grant is 500% of the annual base salary; for the other members of the Operations Council it is 300% of the annual base salary.

The table below summarizes the value of the incentive opportunity over a three-year period and annualized for the CEO and the other Operations Council members.

		CEO		OTHER OPERATIONS COUNCIL MEMBERS	
		Three-year period	Annualized	Three-year period	Annualized
Incentive frequency		Once every three years		Once every three years	
Minimum incentive opportunity value	as % of base salary	0%	0%	0%	0%
	as % of target incentive opportunity	0%	0%	0%	0%
Target incentive opportunity value	as % of base salary	500%	167%	300%	100%
Maximum incentive opportunity value	as % of target incentive opportunity	150%	150%	150%	150%
	as % of base salary	750%	250%	450%	150%

The PSUs granted under the Long-Term Incentive vest after a performance period of three years (for the grant of 2018, the performance period is 2018-2020), conditionally upon the achievement of pre-defined performance objectives and subject to continuity of employment of the beneficiaries during the vesting period.

PERFORMANCE CONDITIONS

The performance conditions of the Long-Term Incentive consist of two financial key performance indicators, equally weighted at 50%:

- Total Shareholder Return (TSR¹) (relative SGS performance compared with the peer group)
- Adjusted Operating Income Margin (AOIM²) (absolute SGS performance against an internal target)

The TSR of the Group will be compared to the TSR of a group of twelve peer companies, selected by the Board of Directors because they have a comparable range of services, technology, customers, suppliers or investors and thus are exposed to similar market cycles. 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.

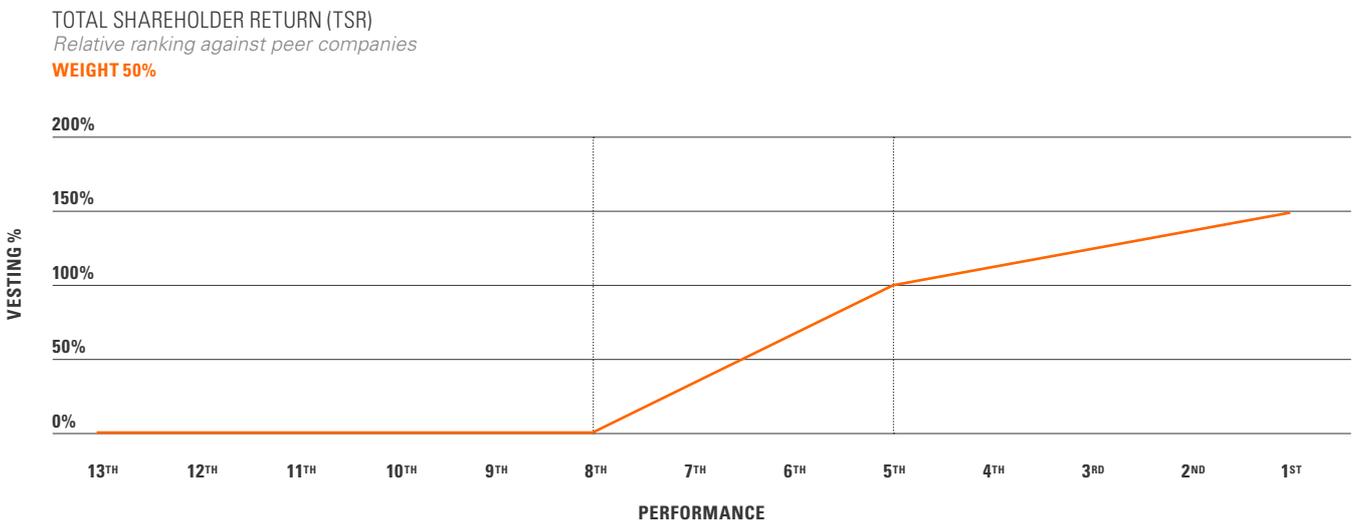
Adecco	ALS	Applus+	Bureau Veritas	Eurofins	Intertek
ISS	Mistras	Rentokil	Securitas	Sodexo	Team

The vesting levels for the TSR are defined as follows: 150% vesting if SGS is ranked first among the thirteen companies composing the peer group, 100% vesting if SGS is ranked fifth, and zero vesting if SGS is ranked eight or worse; in between, a linear interpolation applies.

The AOIM will be assessed against a pre-defined internal target.

The vesting levels for the AOIM are defined as follows: a threshold performance is set at 90% of target, and a maximum performance is set at 110% of target; if the AOIM performance is at or below threshold, the vesting is zero; if the AOIM is at target, the vesting is 110%; if the AOIM is at or above maximum, the vesting is 150%; in between, a linear interpolation applies.

The graphics below summarize the key performance indicators of the Long-Term Incentive and their vesting levels.



The overall vesting level of the PSUs granted will be calculated as a weighted average of each of the respective vesting levels for TSR (50%) and AOIM (50%), and ranges between 0% and 150%.

1. Total shareholder return: (Ending stock price - Beginning stock price) + Sum of all dividends received during the measurement period.
2. See note 4 to the SGS Group Results (page 145) for details on the calculation of the adjusted operating income.

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.

$$\text{Number of PSUs granted} = \text{Overall vesting level (0-150\%)} \times \text{Number of shares allocated at vesting}$$

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 28.

TERMINATION OF EMPLOYMENT

In case of termination of employment, all unvested PSUs are 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 estimate 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

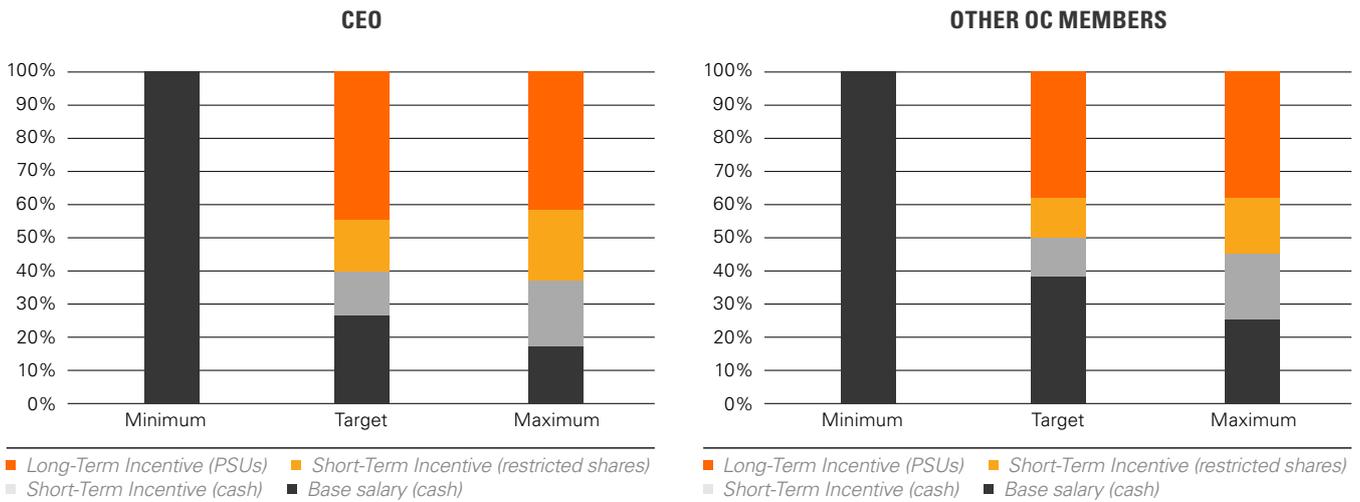
The part of remuneration at risk (Short-Term Incentive and Long-Term Incentive) for the CEO represents, at target, 73% of his total remuneration. The part of remuneration settled in equity instruments (Restricted Shares and PSUs) represents, at target, 59% of his total remuneration.

For the other members of the Operations Council, the part of 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) is in force since 2015, requiring 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, shares underlying vested and unvested warrants granted under the discontinued warrants plans and other shares that are owned by the Operations Council member directly or indirectly (by “closely related persons”).

The Nomination and 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 Chief Executive Officer, 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.

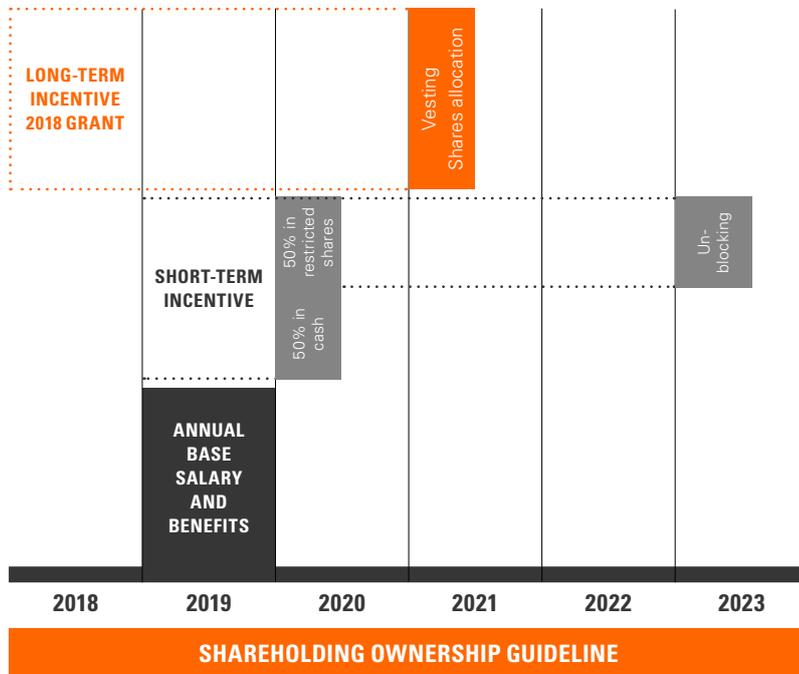
3.2.8. TIMELINE OF REMUNERATION

The following outlines the timeline of payment of each remuneration element that was earned in 2019:

- The annual base salary is paid during 2019
- The cash portion of the Short-Term Incentive is paid in March 2020, shortly after the Annual General Meeting
- The share portion of the Short-Term Incentive is allocated in April 2020 and will be unblocked in April 2023

The PSUs granted under the Long-Term Incentive in 2018 will be earned over the performance period from 2018 to 2020 and will vest, subject to performance conditions and continuity of employment, in February 2021

TIMELINE (PERFORMANCE PERIOD, TIME OF PAYMENT)



PERFORMANCE KPIs

- Relative TSR (50%)
- Adjusted operating income margin (50%)
- Group revenue (25%)
- Group NPAT (25%)
- Role specific profit, cash generation, efficient use of capital (50%)
- Multiplied by leadership multiplier
- Fixed remuneration

4. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

For the mandate from AGM 2019 to AGM 2020, the annual board retainer was CHF 500 000 for the Chairman of the Board (AGM 2018 to AGM 2019: CHF 300 000) and CHF 150 000 for the other Board of Directors members (AGM 2018 to AGM 2019: CHF 150 000). Members of the Board of Directors serving on the Audit Committee were entitled to an additional fee of CHF 50 000; Directors serving on the other committees were entitled to an additional fee of CHF 30 000 per committee (AGM 2018 to AGM 2019: for all the committees, additional fee of CHF 30 000 per committee).

(CHF)	BOARD RETAINER	AUDIT COMMITTEE FEE	OTHER COMMITTEES FEE
Chairman	500 000	-	-
Board members	150 000	50 000	30 000

The total remuneration of the Board of Directors for the mandate from AGM 2019 to AGM 2020 is equal to CHF 2 260 000, in line with the amount approved by the AGM 2019.

Each Board member can choose to receive up to 50% of her/his remuneration settled in shares that may be restricted; 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 prorata temporis basis. The shares or restricted shares are granted in the next fiscal year, after the publication of the Group's results.

The table below details the remuneration elements and the settlement vehicle of the Directors for the mandate AGM 2019 to AGM 2020.

	CHAIR- MANSHIP	BOARD MEMBERSHIP	AUDIT COMMITTEE MEMBERSHIP	NOMINATION AND REMUNE- RATION COMMITTEE MEMBERSHIP	PROFES- SIONAL CONDUCT COMMITTEE MEMBERSHIP	TOTAL REMUNE- RATION	PROPORTION TO BE SETTLED IN CASH	PROPORTION TO BE SETTLED IN SHARES ¹	PROPORTION TO BE SETTLED IN RESTRICTED SHARES ¹
P. Kalantzis	500 000	-	-	-	-	500 000	100%	-	-
P. Desmarais	-	150 000	-	-	-	150 000	50%	50%	-
A. F. von Finck	-	150 000	50 000	30 000	-	230 000	100%	-	-
L. von Finck	-	150 000	-	-	-	150 000	100%	-	-
I. Gallienne	-	150 000	-	30 000	-	180 000	100%	-	-
C. Grieder	-	150 000	50 000	30 000	30 000	260 000	100%	-	-
C. Grupp	-	150 000	-	-	30 000	180 000	100%	-	-
G. Lamarche	-	150 000	50 000	-	-	200 000	100%	-	-
S.R. du Pasquier	-	150 000	-	30 000	30 000	210 000	100%	-	-
K. Sorenson	-	150 000	50 000	-	-	200 000	50%	-	50%
TOTAL	500 000	1 350 000	200 000	120 000	90 000	2 260 000			

1. Shares and restricted shares will be granted during fiscal year 2020.

The table below details the remuneration elements and the settlement vehicle of the Directors for the mandate AGM 2018 to AGM 2019.

	CHAIR- MANSHIP	BOARD MEMBERSHIP	AUDIT COMMITTEE MEMBERSHIP	NOMINATION AND REMUNE- RATION COMMITTEE MEMBERSHIP	PROFES- SIONAL CONDUCT COMMITTEE MEMBERSHIP	TOTAL REMUNE- RATION	PROPORTION TO BE SETTLED IN CASH	PROPORTION TO BE SETTLED IN SHARES	PROPORTION TO BE SETTLED IN RESTRICTED SHARES
P. Kalantzis ¹	198 000	51 000	30 000	-	20 000	299 000	100%	-	-
S. Marchionne ²	110 000	-	10 000	-	10 000	130 000	100%	-	-
P. Desmarais	-	150 000	-	-	-	150 000	100%	-	-
A. von Finck	-	150 000	-	30 000	-	180 000	100%	-	-
A. F. von Finck	-	150 000	30 000	-	-	180 000	100%	-	-
I. Gallienne	-	150 000	-	30 000	-	180 000	100%	-	-
C. Grupp	-	150 000	-	-	30 000	180 000	100%	-	-
G. Lamarche	-	150 000	30 000	-	-	180 000	100%	-	-
S.R. du Pasquier	-	150 000	-	30 000	30 000	210 000	100%	-	-
C. Kirk	-	150 000	-	-	-	150 000	100%	-	-
TOTAL	308 000	1 251 000	100 000	90 000	90 000	1 839 000			

1. Mr. Kalantzis was appointed Acting Chairman of the Board and member of the Professional Conduct Committee effective 22 July 2018. His remuneration has been prorated, considering chairmanship (no representation fees) CHF 300 000 and one committee membership CHF 30 000 from 22 July 2018 to AGM 2019.

2. Mr. Marchionne was the Chairman of the Board and member of two committees until 21 July 2018. The remuneration from AGM 2018 to AGM 2019 (CHF 325 000 chairmanship including representation fees and CHF 60 000 committee fees) are for the period from AGM 2018 to 21 July 2018.

The remuneration of the Board of Directors is subject to employer social charges according to Swiss legislation.

The remuneration of the Board of Directors is disclosed on a fiscal year basis.

The following table details the remuneration elements granted to each of the Directors for their tenure in fiscal year 2019. It includes both prorata temporis elements of remuneration for the mandate AGM 2018 to AGM 2019 and prorata temporis elements or remuneration for the mandate AGM 2019 to AGM 2020.

<i>(CHF thousand)</i>	BOARD RETAINER	REPRES- ENTATION FEES	COMMITTEE FEES	TOTAL REMUNE- RATION	CASH	SHARES VALUE	SHARES NB	RESTRICTED SHARES VALUE	RESTRICTED SHARES NB	EMPLOYER SOCIAL CHARGES
P. Kalantzis	463	-	15	478	478	-	-	-	-	36
P. Desmarais	113	-	-	113	113	-	-	-	-	7
A. von Finck ¹	37	-	8	45	45	-	-	-	-	3
A. F. von Finck	154	-	69	223	223	-	-	-	-	19
L. von Finck ²	116	-	-	116	116	-	-	-	-	10
I. Gallienne	154	-	31	185	185	-	-	-	-	16
C. Grieder ²	116	-	85	201	201	-	-	-	-	17
C. Grupp	154	-	31	185	185	-	-	-	-	13
C. Kirk ¹	37	-	-	37	37	-	-	-	-	3
G. Lamarche	154	-	46	200	200	-	-	-	-	18
S.R. du Pasquier	154	-	61	215	215	-	-	-	-	19
K. Sorenson ²	75	-	25	100	100	-	-	-	-	9
TOTAL	1 727	-	371	2 098	2 098	-	-	-	-	170

1. Until the AGM 2019.

2. As of the AGM 2019.

The following table details the remuneration elements granted to each of the Directors for their tenure in fiscal year 2018. It includes both prorata temporis elements of remuneration for the mandate AGM 2017 to AGM 2018 and prorata temporis elements or remuneration for the mandate AGM 2018 to AGM 2019.

<i>(CHF thousand)</i>	BOARD RETAINER	REPRESENTATION FEES	COMMITTEE FEES	TOTAL REMUNE- RATION	EMPLOYER SOCIAL CHARGES
P. Kalantzis ¹	216	-	43	259	19
S. Marchionne ²	168	14	34	216	15
P. Desmarais	150	-	-	150	11
A. von Finck	150	-	30	180	13
A.F. von Finck	150	-	30	180	16
I. Gallienne	150	-	30	180	16
C. Grupp	150	-	30	180	13
G. Lamarche	150	-	30	180	16
S.R. du Pasquier	150	-	60	210	18
C. Kirk	150	-	-	150	13
TOTAL	1 584	14	287	1 885	150

1. Mr. Kalantzis was appointed Acting Chairman of the Board and member of the Professional Conduct Committee effective 22 July 2018.

2. Mr. Marchionne was the Chairman of the Board and member of two committees until 21 July 2018.

The overall remuneration paid to the Board of Directors in 2019 is higher than the overall remuneration paid in 2018, due to the increase of the board retainer for the Chairman, the increase of the committee fee for the members of the Audit Committee, and the change in the composition of the Board.

5. REMUNERATION AWARDED TO THE OPERATIONS COUNCIL MEMBERS

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 Chief Executive Officer in 2019. All amounts disclosed in this section include the Short-Term Incentive cash amount and restricted shares that will be granted in April 2020 with respect to performance in 2019 (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 Chief Executive Officer in 2019.

<i>(CHF thousand)</i>	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)	8 748	1 385	-	-	10 133
Contributions and benefits in kind	-	-	1 121	394	1 515
Equity	-	-	-	-	-
TOTAL	8 748	1 385	1 121	394	11 648
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)					
Cash (including allowances)	2 337	187	-	-	2 524
Contributions and benefits in kind	-	-	280	29	309
Equity	-	-	-	-	-
TOTAL	2 337	187	280	29	2 833
CHIEF EXECUTIVE OFFICER					
Cash (including allowances)	1 000	74	-	-	1 074
Contributions and benefits in kind	-	-	101	9	110
Equity	-	-	-	-	-
TOTAL	1 000	74	101	9	1 184

The aggregate base salary of the members of the Operations Council did not exceed the maximum amount approved by the Annual General Meeting of shareholders in 2018 (CHF 9 400 000). For 2020, the 2019 Annual General Meeting of shareholders already approved a maximum aggregate total fixed remuneration for the members of the Operations Council (CHF 14 000 000).

The table below summarizes the fixed remuneration paid to the Operations Council, Senior Management and the Chief Executive Officer in 2018.

<i>(CHF thousand)</i>	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)	8 314	2 859	-	-	11 173
Contributions and benefits in kind	-	-	1 168	525	1 693
Equity	-	-	-	-	-
TOTAL	8 314	2 859	1 168	525	12 866
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)					
Cash (including allowances)	1 717	503	-	-	2 220
Contributions and benefits in kind	-	-	212	67	279
Equity	-	-	-	-	-
TOTAL	1 717	503	212	67	2 499
CHIEF EXECUTIVE OFFICER					
Cash (including allowances)	900	392	-	-	1 292
Contributions and benefits in kind	-	-	100	45	145
Equity	-	-	-	-	-
TOTAL	900	392	100	45	1 437

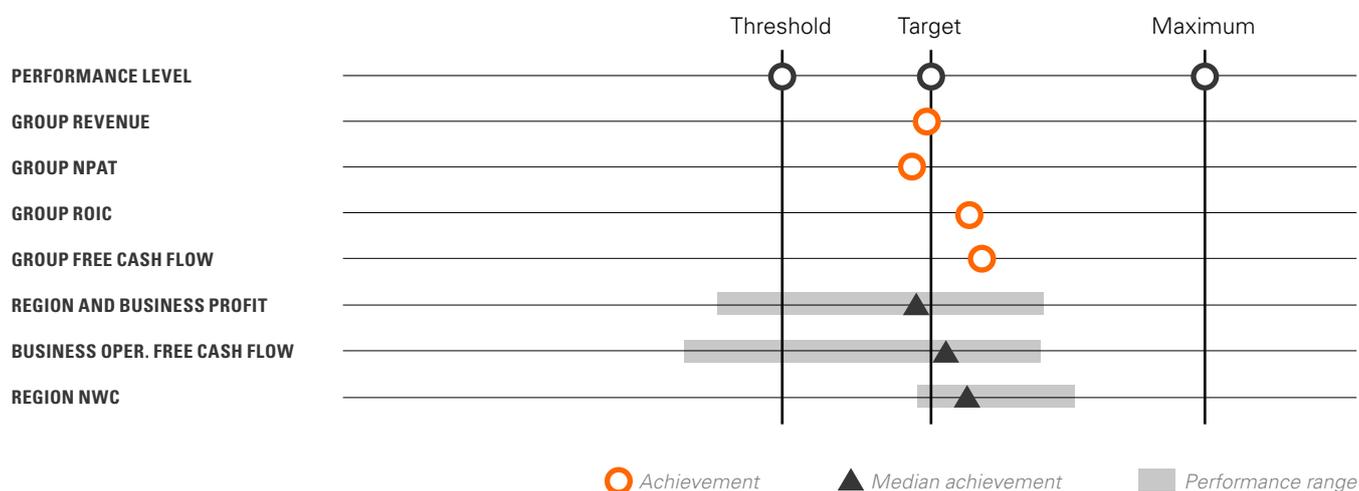
The increase in fixed remuneration compared with 2018 reflects the change in the composition of the Operations Council, and the annual remuneration review decided by the Board of Directors.

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 behaviours.

In 2019, the achievement of financial targets at Group level, in the businesses and in the regions ranged from 61.1% to 114.6% (2018: 49.5% to 133.9%).

The chart below summarizes the 2019 performance achievements against targets for the financial objectives (revenue, profitability, cash generation and capital efficiency) used in the Short-Term Incentive.



The overall Short-Term Incentive pay-out amounts to 108.9% of the target incentive opportunity for the CEO (2018: 98.3%) and ranges from 45.6% to 129.1% of the target incentive opportunity for the other members of the Operations Council (2018: 56.3% to 159.3%). For the purpose of the Short-Term Incentive, targets and performance achievement are measured at constant currency exchange rates.

In settlement of the equity portion of the Short-Term Incentive 2019, SGS restricted shares will be allocated to the members of the Operations Council in April 2020, after the approval of the total Short-Term Incentive amount by the Annual General Meeting of Shareholders (in April 2019, 1 020 restricted shares were granted in settlement of the equity portion of the Short-Term Incentive 2018). 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 of Shareholders, 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 Chief Executive Officer for the performance year 2019, and its comparison with the incentive opportunity.

(CHF thousand)	MINIMUM	TARGET	MAXIMUM	ACTUAL SHORT-TERM VARIABLE REMUNERATION
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)				
Cash (including allowances)	-	3 645	9 133	3 646
Contributions and benefits in kind	-	-	-	-
Equity	-	3 353	8 383	3 356
TOTAL	-	6 998	17 496	7 002
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)				
Cash (including allowances)	-	1 139	2 848	1 273
Contributions and benefits in kind	-	-	-	-
Equity	-	931	2 328	1 047
TOTAL	-	2 070	5 176	2 320
CHIEF EXECUTIVE OFFICER				
Cash (including allowances)	-	500	1 250	545
Contributions and benefits in kind	-	-	-	-
Equity	-	500	1 250	545
TOTAL	-	1 000	2 500	1090

The total short-term remuneration amount will be submitted for approval to the Annual General Meeting of Shareholders of 2020, 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 Chief Executive Officer for the performance year 2018, and its comparison with the incentive opportunity.

<i>(CHF thousand)</i>	MINIMUM	TARGET	MAXIMUM	ACTUAL SHORT-TERM VARIABLE REMUNERATION
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)				
Cash (including allowances)	-	2 641	6 602	2 613
Contributions and benefits in kind	-	-	-	-
Equity	-	2 641	6 602	2 613
TOTAL	-	5 282	13 204	5 226
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)				
Cash (including allowances)	-	707	1 767	681
Contributions and benefits in kind	-	-	-	-
Equity	-	707	1 767	681
TOTAL	-	1 414	3 534	1 362
CHIEF EXECUTIVE OFFICER				
Cash (including allowances)	-	450	1 125	442
Contributions and benefits in kind	-	-	-	-
Equity	-	450	1 125	442
TOTAL	-	900	2 250	884

The total 2018 short-term remuneration amount was approved by the Annual General Meeting of Shareholders of 2019, and the settlement for both the cash and the equity part were implemented shortly after.

The increase in short-term variable remuneration compared to 2018 reflects the change in the pay-mix of the Operations Council members, with an increased portion of remuneration at risk, and the change in the composition of the Operations Council.

5.3. LONG-TERM VARIABLE REMUNERATION

In 2019, the Group implemented a cash Long-Term Incentive for the two Operations Council members who were newly appointed. This incentive mirrors the current Long-Term Incentive 2018–2020, with exact same vesting and performance conditions, from the date of their respective appointment to 31 December 2020.

In 2018, under the Long-Term Incentive 2018–2020, a total of 10 617 Performance Share Units (PSUs) were awarded to the members of the Operations Council. This includes 2 905 PSUs awarded to Senior Management, of which 1 881 awarded to the Chief Executive Officer.

The PSUs awarded under the Long-Term Incentive 2018–2020 vest after the three-year performance period 2018–2020, in early 2021, subject to the performance conditions (relative total shareholder return and adjusted operating income margin, equally weighted at 50%) and to continuity of employment of the beneficiaries during the vesting period.

The table below summarizes the 2019 annualized value of the long-term variable remuneration awarded to the Operations Council, Senior Management and the Chief Executive Officer in 2018 and 2019.

	NUMBER OF PSUS GRANTED	TOTAL VALUE OF THE GRANT (CHF THOUSAND) ¹	ANNUALIZED VALUE OF THE GRANT (CHF THOUSAND) ²	2018 ANNUALIZED VALUE OF THE GRANT (CHF THOUSAND) ³
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)				
Cash (including allowances)	-	2 214	1 042	-
Contributions and benefits in kind	-	-	-	-
Equity	-	-	8 469	8 469
TOTAL	-	2 214	9 511	8 469
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)				
Cash (including allowances)	-	1 878	898	-
Contributions and benefits in kind	-	-	-	-
Equity	-	-	2 317	2 317
TOTAL	-	1 878	3 215	2 317
CHIEF EXECUTIVE OFFICER				
Cash (including allowances)	-	-	-	-
Contributions and benefits in kind	-	-	-	-
Equity	-	-	1 500	1 500
TOTAL	-	-	1 500	1 500

1. Two members of the Operations Council (of whom one member of Senior Management), who were appointed in 2019, were granted a LTI in cash for the period between their appointment and December 31, 2020 (the end of the performance period of the LTI PSUs 2018-2020). Vesting and performance conditions of the cash LTI are exactly the same as the LTI PSUs 2018-2020.

2. The annualized value of the grant for the year 2019 is: i) for the equity part, one third of the total value of the 2018 grant at grant date, and ii) for the cash part, a fraction of the total value of the grant corresponding to the period from the OC appointment to December 31, 2019.

3. The annualized value of the grant for the year 2018 is one third of the total value of the 2018 grant at grant date.

The table below summarizes the 2018 long-term variable remuneration awards, its total value and its 2018 annualized value.

	NUMBER OF PSUS GRANTED ¹	TOTAL VALUE OF THE GRANT (CHF THOUSAND) ²	ANNUALIZED VALUE OF THE GRANT (CHF THOUSAND) ³	2017 ANNUALIZED VALUE OF THE GRANT (CHF THOUSAND) ⁴
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)				
Cash (including allowances)	-	-	-	-
Contributions and benefits in kind	-	-	-	-
Equity	10 617	25 406	8 469	8 302
TOTAL	10 617	25 406	8 469	8 302
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)				
Cash (including allowances)	-	-	-	-
Contributions and benefits in kind	-	-	-	-
Equity	2 905	6 952	2 317	2 149
TOTAL	2 905	6 952	2 317	2 149
CHIEF EXECUTIVE OFFICER				
Cash (including allowances)	-	-	-	-
Contributions and benefits in kind	-	-	-	-
Equity	1 881	4 501	1 500	1 337
TOTAL	1 881	4 501	1 500	1 337

1. The grant done in 2018 is for the performance period 2018-2020; the next PSUs grant is planned for 2021.

2. The total value of the grant is the number of PSUs granted multiplied by the average share price of the 20 trading days preceding the grant date.

3. The annualized value of the grant for the year 2018 is one third of the total value of the grant.

4. The annualized value of the grant for the year 2017 is one third of the total value of the 2015 grant at grant date.

< BACK TO CONTENTS

DISCONTINUED SHARE OPTION PLANS

The members of the Operations Council were entitled to a Share Option grant until 2014. As of the performance year 2015, the Share Option plans have been discontinued and replaced by Restricted Shares for the settlement of the equity part of the Short-Term Incentive and by Performance Share Units for the Long-Term Incentive.

The following table presents details of the options awarded to members of the Operations Council, Senior Management and the CEO, active at 31 December 2019, and shows those options which have been granted, vested and became exercisable in 2019.

TYPE OF OPTIONS ¹ (YEAR OF ISSUE)	STRIKE PRICE (CHF)	TOTAL NUMBER OF OPTIONS GRANTED UNDER EACH PLAN	MARKET VALUE AT GRANT (CHF THOUSAND)	NUMBER VESTED ON 31 DECEMBER 2019	NUMBER VESTED ON 31 DECEMBER 2018
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT AND CHIEF EXECUTIVE OFFICER)					
SGSBB (2015)	1 798	681 444	1 513	681 444	681 444
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)					
SGSBB (2015)	1 798	132 299	294	132 299	132 299
CHIEF EXECUTIVE OFFICER					
SGSBB (2015)	1 798	82 727	184	82 727	82 727

1. One hundred options give the right to acquire one share.

5.4. TOTAL REMUNERATION

The tables below present all components of the remuneration earned in 2019 and 2018 by the Operations Council, Senior Management and the Chief Executive Officer. The employer social charges are reported separately in the last column of the table.

TOTAL AND ANNUALIZED REMUNERATION 2019

(CHF thousand)	TOTAL FIXED REMUNE- RATION	TOTAL SHORT-TERM VARIABLE REMUNE- RATION	TOTAL 2019 REMUNE- RATION BEFORE LTI	TOTAL LONGTERM VARIABLE REMUNE- RATION ¹	ANNUALIZED LONG-TERM VARIABLE REMUNE- RATION ²	TOTAL 2019 REMUNE- RATION	2019 ANNUALIZED REMUNE- RATION	EMPLOYER SOCIAL CHARGES
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)³								
Cash (including allowances)	10 133	3 646	13 779	2 214	1 042	15 993	14 821	-
Contributions and benefits in kind	1 515	-	1 515	-	-	1 515	1 515	1 341
Equity	-	3 356	3 356	-	8 469	3 356	11 825	-
TOTAL	11 648	7 002	18 650	2 214	9 511	20 864	28 161	1 341
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)⁴								
Cash (including allowances)	2 524	1 273	3 797	1 878	898	5 675	4 695	-
Contributions and benefits in kind	309	-	309	-	-	309	309	401
Equity	-	1 047	1 047	-	2 317	1 047	3 364	-
TOTAL	2 833	2 320	5 153	1 878	3 215	7 031	8 368	401
CHIEF EXECUTIVE OFFICER								
Cash (including allowances)	1 074	545	1 619	-	-	1 619	1 619	-
Contributions and benefits in kind	110	-	110	-	-	110	110	201
Equity	-	545	545	-	1 500	545	2 045	-
TOTAL	1 184	1 090	2 274	-	1 500	2 274	3 774	201

1. In 2019, the Group implemented a cash Long-Term Incentive for the Operations Council members who were appointed in 2019.

2. The annualized value of the grant for the year 2019 is: i) for the equity part, one third of the value of the 2018 grant at grant date, and ii) for the cash part, a fraction of the total value of the grant corresponding to the period from the OC appointment to December 31, 2019.

3. 23 FTE (Full Time Equivalent).

4. 4 FTE.

TOTAL AND ANNUALIZED REMUNERATION 2018

(CHF thousand)	TOTAL FIXED REMUNERATION	TOTAL SHORT-TERM VARIABLE REMUNERATION	TOTAL 2018 REMUNERATION BEFORE LTI	TOTAL LONGTERM VARIABLE REMUNERATION ¹	ANNUALIZED LONG-TERM VARIABLE REMUNERATION ²	TOTAL 2018 REMUNERATION	2018 ANNUALIZED REMUNERATION	EMPLOYER SOCIAL CHARGES ³
OPERATIONS COUNCIL (INCLUDING SENIOR MANAGEMENT)⁴								
Cash (including allowances)	11 172	2 613	13 785	-	-	13 785	13 785	-
Contributions and benefits in kind	1 693	-	1 693	-	-	1 693	1 693	3 683
Equity	-	2 613	2 613	25 406	8 469	28 019	11 082	-
TOTAL	12 865	5 226	18 091	25 406	8 469	43 497	26 560	3 683
SENIOR MANAGEMENT (INCLUDING CHIEF EXECUTIVE OFFICER)⁵								
Cash (including allowances)	2 220	681	2 901	-	-	2 901	2 901	-
Contributions and benefits in kind	279	-	279	-	-	279	279	1 187
Equity	-	681	681	6 952	2 317	7 633	2 998	-
TOTAL	2 499	1 362	3 861	6 952	2 317	10 813	6 178	1 187
CHIEF EXECUTIVE OFFICER								
Cash (including allowances)	1 292	442	1 734	-	-	1 734	1 734	-
Contributions and benefits in kind	145	-	145	-	-	145	145	739
Equity	-	442	442	4 501	1 500	4 943	1 942	-
TOTAL	1 437	884	2 321	4 501	1 500	6 822	3 821	739

1. In 2018, the Group implemented a Long-Term Incentive PSUs 2018-2020 plan for the Operations Council members.

2. The annualized value of the grant for the year 2018 is one third of the total value of the 2018 grant at grant date.

3. In 2018, employer social charges were significantly higher than 2019 because in 2018 the shares vested from the Long-Term Incentive PSUs 2015-2017 plan were allocated to the OC members.

4. 23 FTE (Full Time Equivalent).

5. 3 FTE.

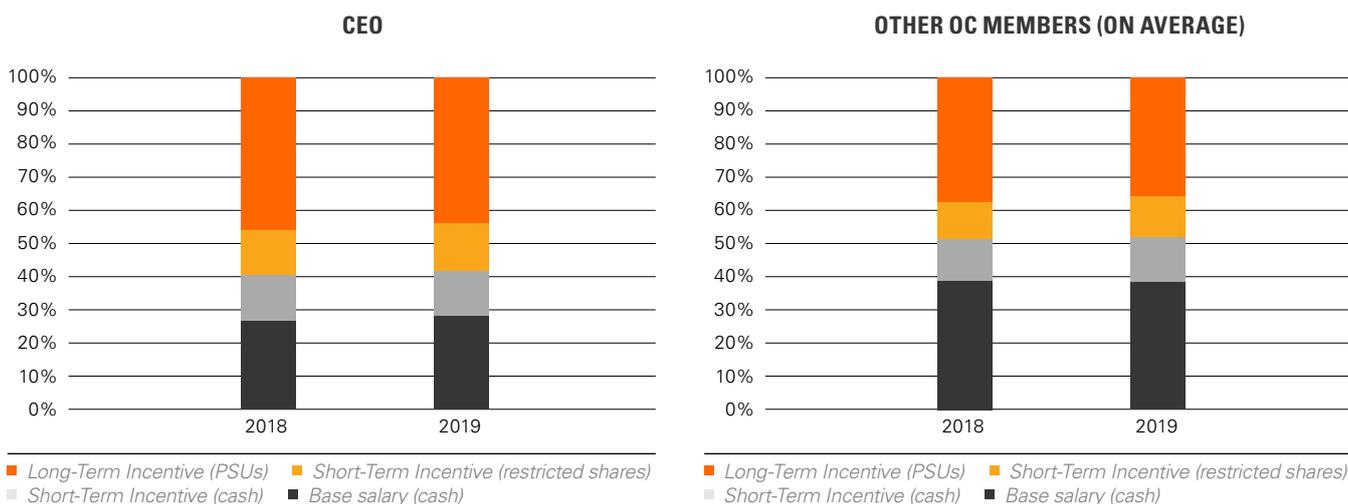
5.5. REMUNERATION MIX

In 2019, the part of remuneration at risk (Short-Term Incentive and Long-Term Incentive) for the CEO represents 72% of the total remuneration (2018: 73%); the part of remuneration settled in equity instruments (Restricted Shares and PSUs) represents 57% of the total remuneration (2018: 59%). For the other members of the Operations Council, the part of remuneration at risk represents, on average, 62% of the total remuneration (2018: 60%); the part of remuneration settled in equity instruments represents, on average, 47% of the total remuneration (2018: 49%).

The Long-Term Incentive is considered at his annualized value. For both 2019 and 2018, the annualized value at grant of the Long-Term Incentive 2018-2020 has been considered.

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 2019 and 2018.



5.6. OTHER COMPENSATION ELEMENTS

5.6.1. SEVERANCE PAYMENTS

No severance payments were made in 2019 to members of the Operations Council (2018: severance payments for a total amount of CHF 263 078 were made to members of the Operations Council who left the Group in 2018, according to the legislation in force in their country of employment).

5.6.2. OTHER COMPENSATION TO MEMBERS OR FORMER MEMBERS OF THE GOVERNING BODIES

No additional compensation or fees were paid to any 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 2019, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from prior year).



Report of the statutory auditor

To the General Meeting of
SGS SA, Geneva

Report of the Statutory Auditor in relation to sections 4 and 5 of the remuneration report in accordance with the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance)

We have audited sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2019, presented on pages 119 to 128.

Responsibility of the Board of Directors

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 sections 4 and 5 of the Remuneration Report comply 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, sections 4 and 5 of the Remuneration Report of SGS SA for the year ended 31 December 2019 comply with Swiss law and articles 14 – 16 of the Ordinance.

Deloitte SA



Matthew Sheerin
Licensed Audit Expert
Auditor in Charge



Joëlle Herbette
Licensed Audit Expert

Geneva, 20 February 2020

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2019 RESULTS

SGS Group	132
SGS SA	182
Historical Data	193
Material Operating Companies and Ultimate Parent	197

1. SGS GROUP	132	2. SGS SA	182	3. HISTORICAL DATA	193
1.1. Consolidated income statement	132	2.1. Income statement	182	3.1. SGS Group – five-year statistical data consolidated income statements	193
1.2. Consolidated statement of comprehensive income	132	2.2. Statement of financial position at 31 December	183	3.2. SGS Group – five-year statistical data consolidated statements of financial position	194
1.3. Consolidated statement of financial position	133	2.3. Notes to financial statements	184	3.3. SGS Group – five-year statistical share data	195
1.4. Consolidated statement of cash flows	134	1. Significant accounting policies	184	3.4. SGS Group share information	195
1.5. Statement of changes in consolidated equity	135	2. Subsidiaries	184	3.5. Closing prices for SGS and the SMI 2018-2019	196
1.6. Notes to consolidated financial statements	136	3. Corporate bonds	184		
1. Activities of the Group	136	4. Total equity	185		
2. Significant accounting policies and exchange rates	136	5. Share capital	185		
3. Business combinations	144	6. Financial income and financial expenses	186		
4. Information by business and geographical segment	145	7. Guarantees and comfort letters	186		
5. Revenues from contracts with customers	147	8. Remuneration	186		
6. Other operating expenses	148	9. Shares and options held by members of governing bodies	187		
7. Financial income	148	10. Significant shareholders	188		
8. Financial expenses	148	11. Approval of financial statements and subsequent events	188		
9. Taxes	148				
10. Earnings per share	150				
11. Property, plant and equipment	151				
12. Right-of-use assets and lease liabilities	152				
13. Goodwill	153				
14. Other intangible assets	154				
15. Other non-current assets	155				
16. Trade receivables	155				
17. Other receivables and prepayments	156				
18. Cash and cash equivalents	156				
19. Cash flow statement	156				
20. Acquisitions	157				
21. Financial risk management	157				
22. Share capital and treasury shares	162				
23. Loans and other financial liabilities	162				
24. Defined benefit obligations	163				
25. Provisions	169				
26. Trade and other payables	170				
27. Contingent liabilities	170				
28. Equity compensation plans	170				
29. Related-party transactions	172				
30. Significant shareholders	173				
31. Approval of financial statements and subsequent events	173				
				4. MATERIAL OPERATING COMPANIES AND ULTIMATE PARENT	197



1. SGS GROUP

1.1. CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	NOTES	2019	2018
REVENUE	4	6 600	6 706
Salaries and wages		(3 357)	(3 422)
Subcontractors' expenses		(386)	(387)
Depreciation, amortization and impairment	11 to 14	(548)	(317)
Gain on business disposals	3	268	-
Other operating expenses	6	(1 495)	(1 634)
OPERATING INCOME (EBIT)¹		1 082	946
Financial income	7	18	20
Financial expenses	8	(79)	(58)
Share of profit/(losses) of associates and joint ventures		(4)	-
PROFIT BEFORE TAXES		1 017	908
Taxes	9	(315)	(218)
PROFIT FOR THE YEAR		702	690
<i>Profit attributable to:</i>			
Equity holders of SGS SA		660	643
Non-controlling interests		42	47
BASIC EARNINGS PER SHARE (IN CHF)	10	87.45	84.54
DILUTED EARNINGS PER SHARE (IN CHF)	10	87.18	84.32

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	2019	2018
Actuarial (losses)/gains on defined benefit plans	24	(18)	6
Income tax benefit on actuarial (losses)/gains	9	6	1
Items that will not be subsequently reclassified to income statement		(12)	7
Exchange differences and other ¹		(68)	(153)
Items that may be subsequently reclassified to income statement		(68)	(153)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		(80)	(146)
Profit for the year		702	690
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		622	544
<i>Attributable to:</i>			
Equity holders of SGS SA		584	501
Non-controlling interests		38	43

1. In 2019, exchange differences and other include net exchange loss of CHF 6 million on long-term loans treated as net investment in a foreign entity according to IAS 21 (2018: loss of CHF 20 million).

1.3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

<i>(CHF million)</i>	NOTES	2019	2018 ¹
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	926	969
Right-of-use assets	12	611	-
Goodwill	13	1 281	1 224
Other intangible assets	14	187	202
Investments in joint ventures, associates and other companies		35	36
Deferred tax assets	9	174	203
Other non-current assets	15	149	133
TOTAL NON-CURRENT ASSETS		3 363	2 767
CURRENT ASSETS			
Inventories		45	46
Unbilled revenues and work in progress	5	195	226
Trade receivables	16	953	969
Other receivables and prepayments	17	219	214
Current tax assets		77	94
Marketable securities		9	9
Cash and cash equivalents	18	1 466	1 743
TOTAL CURRENT ASSETS		2 964	3 301
TOTAL ASSETS		6 327	6 068
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	22	8	8
Reserves		1 536	1 851
Treasury shares	22	(30)	(191)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA		1 514	1 668
Non-controlling interests		81	75
TOTAL EQUITY		1 595	1 743
NON-CURRENT LIABILITIES			
Loans and other financial liabilities	23	2 199	2 110
Lease liabilities	12	490	2
Deferred tax liabilities	9	23	30
Defined benefit obligations	24	151	119
Provisions	25	91	89
TOTAL NON-CURRENT LIABILITIES		2 954	2 350
CURRENT LIABILITIES			
Loans and other financial liabilities	23	38	412
Lease liabilities	12	154	-
Trade and other payables	26	638	685
Provisions	25	74	21
Current tax liabilities		145	127
Contract liabilities	5	155	112
Other creditors and accruals		574	618
TOTAL CURRENT LIABILITIES		1 778	1 975
TOTAL LIABILITIES		4 732	4 325
TOTAL EQUITY AND LIABILITIES		6 327	6 068

1. Reclassification of 2018 figures (see note 2)

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2019	2018
Profit for the year		702	690
Non-cash and non-operating items	19.1	756	554
(Increase)/decrease in working capital	19.2	(3)	95
Taxes paid		(306)	(265)
CASH FLOW FROM OPERATING ACTIVITIES		1 149	1 074
Purchase of property, plant and equipment and other intangible assets		(290)	(304)
Acquisition of businesses	20	(169)	(45)
Proceeds from disposal of businesses	3	333	-
Increase in other non-current assets		(2)	(9)
Increase in investments in joint ventures, associates and other companies		(4)	-
Interest received		21	18
Disposal of property, plant and equipment and other intangible assets		11	26
CASH FLOW USED BY INVESTING ACTIVITIES		(100)	(314)
Dividends paid to equity holders of SGS SA		(589)	(573)
Dividends paid to non-controlling interests		(43)	(43)
Transaction with non-controlling interests		(12)	(2)
Cash received on treasury shares		-	90
Cash paid on treasury shares		(23)	(183)
(Payment)/proceeds of corporate bonds		(375)	401
Interest paid		(87)	(60)
Payment of lease liabilities		(174)	-
CASH FLOW USED BY FINANCING ACTIVITIES		(1 303)	(370)
Currency translation		(23)	(30)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(277)	360
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1 743	1 383
(Decrease)/increase in cash and cash equivalents		(277)	360
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	1 466	1 743

1.5. STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

FOR THE YEARS ENDED 31 DECEMBER

(CHF million)	ATTRIBUTABLE TO								
	SHARE CAPITAL	TREASURY SHARES	CAPITAL RESERVE	CUMULATIVE TRANSLATION ADJUSTMENTS	CUMULATIVE GAINS/LOSSES ON DEFINED BENEFIT PLANS ¹	RETAINED EARNINGS AND GROUP RESERVES	EQUITY HOLDERS OF SGS SA	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 1 JANUARY 2018	8	(125)	161	(915)	(246)	2 949	1 832	82	1 914
Profit for the year	-	-	-	-	-	643	643	47	690
Other comprehensive income for the year	-	-	-	(149)	7	-	(142)	(4)	(146)
<i>Total comprehensive income for the year</i>	-	-	-	(149)	7	643	501	43	544
Dividends paid	-	-	-	-	-	(573)	(573)	(43)	(616)
Share-based payments	-	-	13	-	-	-	13	-	13
Movement in non-controlling interests	-	-	-	-	-	8	8	(7)	1
Movement on treasury shares	-	(66)	(45)	-	-	(2)	(113)	-	(113)
BALANCE AT 31 DECEMBER 2018	8	(191)	129	(1 064)	(239)	3 025	1 668	75	1 743
BALANCE AT 1 JANUARY 2019	8	(191)	129	(1 064)	(239)	3 025	1 668	75	1 743
IFRS 16 adjustments ²	-	-	-	-	-	(27)	(27)	(1)	(28)
IFRIC 23 adjustments ²	-	-	-	-	-	(40)	(40)	-	(40)
BALANCE AT 1 JANUARY 2019 RESTATED	8	(191)	129	(1 064)	(239)	2 958	1 601	74	1 675
Profit for the year	-	-	-	-	-	660	660	42	702
Other comprehensive income for the year	-	-	-	(64)	(12)	-	(76)	(4)	(80)
<i>Total comprehensive income for the year</i>	-	-	-	(64)	(12)	660	584	38	622
Dividends paid	-	-	-	-	-	(589)	(589)	(43)	(632)
Share-based payments	-	-	17	-	-	-	17	-	17
Movement in non-controlling interests	-	-	-	-	-	(102)	(102)	12	(90)
Movement on treasury shares	-	161	-	-	-	(158)	3	-	3
BALANCE AT 31 DECEMBER 2019	8	(30)	146	(1 128)	(251)	2 769	1 514	81	1 595

1. Net of tax.

2. See note 2

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 2019. 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 2018 consolidated financial statements, except for the Group's adoption of new IFRSs effective 1 January 2019.

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.

STATEMENT OF FINANCIAL POSITION RECLASSIFICATION

December 2018 figures published have been changed to reclassify CHF 34 million from trade and other payables (CHF 24 million) and Provisions and other current liabilities (CHF 10 million) to Loans, lease liabilities and other financial liabilities to align with the 2019 presentation.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

The following standards have been adopted as of 1 January 2019.

- IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. The Group has adopted IFRS 16 retrospectively with the cumulative effect in the opening equity as of 1 January 2019. Therefore comparative information has not been restated and is presented under IAS 17. The Group elected to use the practical expedient that permits an entity not to reassess whether a contract is, or contains, a lease at the date of initial application (grandfathering). The Group also elected to use the recognition exemptions for lease contracts, which at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value.
- IFRIC 23 Interpretation on uncertainty over income tax treatment addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. The Group reviewed uncertain tax positions applying the requirements of the interpretation to assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. The Group elected to apply this interpretation retrospectively with the cumulative effect of initially applying the interpretation as an adjustment to the opening equity as of 1 January 2019.

The following table summarizes the impact of the adoption of IFRS 16 and IFRIC 23 as of 1 January 2019 on the statement of financial position (increase/(decrease)).

<i>(CHF million)</i>	NOTES	IFRS 16 ADJUSTMENT	IFRIC 23 ADJUSTMENT
Right-of-use assets	12	685	-
Deferred tax assets	9	9	-
Other receivables and prepayments		(8)	-
TOTAL ASSETS		686	-
Equity holders of SGS SA		(27)	(40)
Non-controlling interests		(1)	-
TOTAL EQUITY		(28)	(40)
Lease liabilities (non-current)		551	-
Provisions (non-current)		2	-
Lease liabilities (current)		162	-
Loans and other financial liabilities (current)		(1)	-
Current tax liabilities		-	40
TOTAL LIABILITIES		714	40

The following table reconciles the operating lease for the year ended 31 December 2018 and the lease liabilities recognized as of 1 January 2019.

(CHF million)

FUTURE MINIMUM LEASE PAYMENTS AT 31 DECEMBER 2018	573
Optional extension periods not disclosed and termination options considered at 31 December 2018	173
Exemption of commitments for short-term leases	(5)
Exemption of commitments for leases of low value assets	(2)
Undiscounted future lease payments from operating leases	739
Effect of discounting at a weighted average incremental borrowing rate of 3.53%	(26)
Addition of lease liabilities at 1 January 2019	713
Former IAS 17 finance lease liabilities	2
LEASE LIABILITIES AT 1 JANUARY 2019	715

There are no other 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 197–200.

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.

[< BACK TO CONTENTS](#)

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 average exchange rate for the year. 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 judgement, 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 client 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 contracts invoices are usually issued per contractually agreed instalments 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 nine business segments. The Chief Operating Decision Maker evaluates segment performance and allocates resources based on several factors, of which revenue, adjusted operating income and return on capital 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 3–10 years
- Other tangible assets 3–10 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, the 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 interest 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.

OPERATING LEASES POLICY APPLICABLE PRIOR 1 JANUARY 2019

Previously to the adoption of IFRS 16 leases, the Group was applying IAS 17 Leases.

Lease contracts where the lessor was retaining substantially all the risks and rewards of ownership of the assets were classified as operating leases and were expensed 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 and other intangible assets with indefinite useful lives acquired as part of business combinations are 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 and other intangible assets 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 CGU 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 CGU's or the group of CGU's 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 CGU's or groups of CGU's, a value-in-use calculation is performed using cash flow projections covering the next five years. These cash flows projections take into account the most recent financial results and outlook approved by Management, while the subsequent five years are extrapolated based on the estimated long-term growth rate for the relevant activity.

If the recoverable amount of the CGU or of the group of CGU 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, licences, trademarks and customer relationships are capitalized and amortized on a straight-line basis over their estimated useful lives, normally not exceeding 20 years. Indefinite life intangible assets are not amortized but are subject to an annual impairment test. The following useful lives are used in the calculation of amortization:

- Trademarks 5–20 years
- Customer relationships 2–20 years
- Computer software 1–5 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 net realizable value 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.

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 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).

MARKETABLE SECURITIES

Marketable securities are recorded in the statement of financial position at fair value through the statement of comprehensive income and recognized in the income statement at the time of disposal.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, deposits held with banks and investments in money-market instruments 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 re-measured at fair value at each balance sheet date. The gains and losses resulting from the fair value re-measurement 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.

The Group designates and documents certain derivatives as hedging instruments against changes in fair value of recognized assets and liabilities.

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 recognized initially 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 judgement 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 offset when the income taxes are levied by the same taxing authority and where there is a legally enforceable right of offset. 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 JUDGEMENTS AND ESTIMATES

JUDGEMENTS

In the process of applying the entity's accounting policies described above, Management has made the following judgements that have a significant effect on the amounts recognized in the financial statements.

LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED

The Group is subject to litigation and other claims. Management bases its judgement 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 judgement 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.

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 judgement 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.

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.

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 the 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.

EXCHANGE RATES

The most significant currencies for the Group were translated at the following exchange rates into Swiss Francs:

			STATEMENT OF FINANCIAL POSITION YEAR-END RATES		INCOME STATEMENT ANNUAL AVERAGE RATES	
			2019	2018	2019	2018
Australia	AUD	100	68.02	69.51	69.11	73.14
Brazil	BRL	100	24.07	25.44	25.24	26.94
Canada	CAD	100	74.47	72.41	74.89	75.53
Chile	CLP	100	0.13	0.14	0.14	0.15
China	CNY	100	13.93	14.35	14.40	14.81
Eurozone	EUR	100	109.03	112.91	111.29	115.54
United Kingdom	GBP	100	127.49	124.67	126.88	130.61
Russia	RUB	100	1.58	1.42	1.54	1.57
Taiwan	TWD	100	3.24	3.22	3.22	3.25
USA	USD	100	97.35	98.55	99.38	97.84

3. BUSINESS COMBINATIONS

The following business combinations occurred during 2019 and 2018:

BUSINESS COMBINATIONS 2019

In 2019, the Group completed 11 business combinations for a total purchase price of CHF 185 million (note 20).

- 60% of LeanSis Productividad, a company providing operational and manufacturing training as well as capacity building services in Spain (effective 21 January 2019).
- 100% of Floriaan B.V., providing fire safety services to industrial and real estate companies in the Netherlands (effective 5 February 2019).
- 100% of Testing, Engineering and Consulting Services, Inc., a leading independent testing, engineering and consulting services laboratory in the USA (effective 4 April 2019).
- 97.54% of PT WLN Indonesia, a leading provider of water, soil and air testing services in Indonesia (effective 12 April 2019).
- 100% of Chemical Solutions Ltd, a nationally recognized testing laboratory specializing in element and heavy metal testing for food, nutraceuticals, pharmaceutical and cosmetic products in the USA (effective 3 May 2019).
- 100% of i2i Infinity Ltd, a company providing customs compliance services to exporters and chambers of commerce with the help of innovative proprietary software solutions in the United Kingdom (effective 12 June 2019).
- 60% of Maine Pointe LLC, a supply chain and operations consulting firm delivering business process optimization and improvement in the USA (effective 28 June 2019).
- 100% of DMW Environmental Safety LTD, a leading provider of health and safety solutions, including asbestos, building compliance and water hygiene services amongst others, based in the United Kingdom (effective 22 July 2019).
- 100% of Forensic Analytical Laboratoris, Inc., one of the leading providers of industrial hygiene, mold, bacteria, metals, particles, contamination control and asbestos testing, based in USA (effective 16 July 2019).
- 70% of ARGUS International a provider of data-driven inspection, audit, safety and compliance solution to the global aviation market, based in USA (effective 24 September 2019).
- 100% of Personal protective equipment testing and certification activities of the Finnish Institute of Occupational Health, based in Finland (effective 1 October 2019).

These companies were acquired for an equivalent of CHF 185 million and the total goodwill generated on these transactions amounted to CHF 142 million (note 20).

All the above transactions contributed in total CHF 66 million in revenues and CHF 12 million in operating income. Had all acquisitions been effective 1 January 2019, the revenues for the period would have been CHF 116 million and the Group operating income for the period would have been CHF 20 million.

Maine Pointe LLC has contributed to the diversification of Certification and Business Enhancement (CBE) business portfolio and contributed CHF 32 million in revenues and CHF 6 million in operating income. Had Maine Pointe LLC been acquired effective 1 January 2019, the revenue would have been CHF 64 million and the operating income would have been CHF 12 million.

None of the goodwill arising on these acquisitions except Maine Pointe LLC is expected to be tax deductible.

DIVESTMENTS 2019

The Group disposed of Petroleum Services Corporation (PSC), a provider of downstream Plant and Termination Operations for a total cash consideration of CHF 333 million, generating a gain on disposal of CHF 268 million.

BUSINESS COMBINATIONS 2018

In 2018, the Group completed 8 business combinations for a total purchase price of CHF 61 million.

- 100% of Vanguard Science Inc., a leading provider of food safety testing services in the areas of product testing, research and development and food safety consultation, based in the USA (effective 9 January 2018).
- 100% of Laboratoire de Contrôle et d'Analyse, offering chemical and microbiological testing and consultancy services to pharmaceutical companies, based in Belgium (effective 11 January 2018).
- 100% of TraitGenetics GmbH, providing services across a wide variety of crops to international clients in the plant breeding industry and for academic research, based in Germany (effective 2 February 2018).
- 100% of SIT Skin Investigation and Technology Hamburg GmbH, based in Germany, providing applied dermatological research and studies for the cosmetics and personal care industries (effective 12 February 2018).
- 100% of Oleotest NV a Belgium based company, providing chemical testing services in food, feed and agricultural commodities (effective 5 April 2018).
- 100% of Polymer Solutions Inc., an independent materials testing laboratory specializing in polymer science, based in the USA (effective 5 June 2018).
- 60% of Advanced Metrology Solutions S.L., a Spain-based company specializing in 3D metrology precision services and highly technical inspection measurement processes (effective 11 June 2018).
- 100% of Inter-Basic Resources, Inc., a leading provider of testing and verification of air and fluid filtration performance based in the USA and the UK (effective 18 October 2018).

These companies were acquired for an equivalent of CHF 61 million and the total goodwill generated on these transactions amounted to CHF 38 million (note 20).

All the above transactions contributed in total CHF 27 million in revenues and CHF 4 million in operating income. Had all acquisitions been effective 1 January 2018, the revenues for the period would have been CHF 35 million and the Group operating income for the period would have been CHF 5 million. None of the goodwill arising on these acquisitions is expected to be tax deductible. There were no significant disposals in 2018.

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)	2019	2018
ADJUSTED OPERATING INCOME	1 063	1 050
Amortization and impairment of acquired intangibles	(36)	(30)
Restructuring costs	(89)	(19)
Goodwill impairment	(21)	-
Other non-recurring items ¹	165	(55)
OPERATING INCOME	1 082	946

1. 2019 includes a gain of CHF 259 million, net of transaction costs, on the disposal of Petroleum Service Corporation (PSC) business in the USA, partially offset by tax provisions of CHF 33 million, impairment of fixed and intangible assets of CHF 24 million and the remeasurement of the defined benefit obligation of the Swiss pension fund of CHF 10 million. 2018 includes the provision for cumulative overstated revenues in Brazil reported prior to 2018 of CHF 47 million.

ANALYSIS OF REVENUE AND OPERATING INCOME

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME	AMORTIZATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	GOODWILL IMPAIRMENT	OTHER NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2019							
AFL	1 074	172	(3)	(13)	-	(13)	143
MIN	753	128	(1)	(14)	-	(8)	105
OGC	1 075	120	(4)	(15)	-	236	337
CRS	1 021	262	(3)	(8)	-	(10)	241
CBE	447	91	(6)	(5)	-	(8)	72
IND	930	112	(10)	(15)	(21)	(12)	54
EHS	540	67	(4)	(5)	-	(6)	52
TRP	500	66	(5)	(11)	-	(9)	41
GIS	260	45	-	(3)	-	(5)	37
TOTAL	6 600	1 063	(36)	(89)	(21)	165	1 082

SEGMENT INFORMATION RESTATEMENT

The social Audit was transferred effective as of 1 January 2019, from Consumer and Retail Service (CRS) to Certification and Business Enhancement (CBE). The previously reported 2018 segment disclosures have therefore been restated to reflect this change in organizational structures, impacting revenue and adjusted operating income by an amount of CHF 38 million and CHF 10 million respectively.

(CHF million)	REVENUE	ADJUSTED OPERATING INCOME	AMORTIZATION OF ACQUISITION INTANGIBLES	RESTRUCTURING COSTS	OTHER NON-RECURRING ITEMS	OPERATING INCOME BY BUSINESS
2018						
AFL	1 063	171	(4)	(2)	(3)	162
MIN	750	121	(1)	(2)	-	118
OGC	1 220	116	(2)	(3)	-	111
CRS	987	257	(3)	(1)	(2)	251
CBE	404	80	-	(1)	-	79
IND	940	84	(8)	(8)	(46)	22
EHS	517	57	(4)	(1)	(2)	50
TRP	541	83	(7)	(1)	(2)	73
GIS	284	81	(1)	-	-	80
TOTAL	6 706	1 050	(30)	(19)	(55)	946

RESTRUCTURING COSTS

The Group incurred a pre-tax restructuring charge of CHF 89 million (2018: CHF 19 million). This comprised personnel reorganization of CHF 67 million (2018: CHF 15 million) as well as fixed asset impairment and other charges of CHF 22 million (2018: CHF 4 million).

REVENUE FROM EXTERNAL CUSTOMERS BY GEOGRAPHICAL SEGMENT

<i>(CHF million)</i>	2019	%	2018	%
Europe/Africa/Middle East	2 894	43.9	2 949	44.0
Americas	1 579	23.9	1 692	25.2
Asia Pacific	2 127	32.2	2 065	30.8
TOTAL	6 600	100.0	6 706	100.0

Revenue in Switzerland from external customers for 2019 amounted to CHF 177 million (2018: CHF 189 million). No country represented more than 15% of revenues from external customers in 2019 or 2018.

MAJOR CUSTOMER INFORMATION

In 2019 and 2018, no external customer represented 5% or more of the Group's total revenue.

SPECIFIC NON-CURRENT ASSETS BY GEOGRAPHICAL SEGMENT

Specific non-current assets directly attributable to geographical segment mainly include property, land and equipment, right-of-use assets, goodwill and other intangible assets:

<i>(CHF million)</i>	2019	%	2018	%
Europe/Africa/Middle East	1 494	48.3	1 259	50.7
Americas	945	30.5	754	30.4
Asia Pacific	656	21.2	470	18.9
TOTAL SPECIFIC NON-CURRENT ASSETS	3 095	100.0	2 483	100.0

Specific non-current assets in Switzerland for 2019 amounted to CHF 131 million (2018: CHF 140 million).

RECONCILIATION WITH TOTAL NON-CURRENT ASSETS

<i>(CHF million)</i>	2019	2018
Specific non-current assets as above	3 095	2 483
Deferred tax assets	174	203
Retirement benefit assets	78	62
Non-current loans to third parties	16	19
TOTAL	3 363	2 767

CAPITAL ADDITIONS BY BUSINESS SEGMENT

<i>(CHF million)</i>	2019	%	2018	%
AFL	46	15.9%	49	16.0
MIN	36	12.4%	39	12.9
OGC	48	16.6%	49	16.0
CRS	65	22.4%	59	19.6
CBE	5	1.7%	5	1.6
IND	25	8.6%	30	10.0
EHS	23	7.9%	22	7.3
TRP	31	10.7%	37	12.2
GIS	11	3.8%	14	4.4
TOTAL	290	100.0%	304	100.0

AVERAGE NUMBER OF EMPLOYEES BY GEOGRAPHICAL SEGMENT

(Average number of employees)

	2019	2018
Europe/Africa/Middle East	37 946	39 334
Americas	21 863	24 003
Asia Pacific	34 685	33 155
TOTAL	94 494	96 492
Number of employees at year end	92 661	97 368

5. REVENUES FROM CONTRACTS WITH CUSTOMERS

TIMING OF REVENUE RECOGNITION

(CHF million)	2019			2018		
	SERVICES TRANSFERRED AT A POINT IN TIME	SERVICES TRANSFERRED OVER TIME		SERVICES TRANSFERRED AT A POINT IN TIME	SERVICES TRANSFERRED OVER TIME	
AFL	85%	15%	100%	85%	15%	100%
MIN	69%	31%	100%	65%	35%	100%
OGC	68%	32%	100%	62%	38%	100%
CRS	85%	15%	100%	86%	14%	100%
CBE	97%	3%	100%	96%	4%	100%
IND	56%	44%	100%	55%	45%	100%
EHS	77%	23%	100%	77%	23%	100%
TRP	83%	17%	100%	81%	19%	100%
GIS	94%	6%	100%	89%	11%	100%
TOTAL	77%	23%	100%	74%	26%	100%

ASSETS AND LIABILITIES RELATED TO CONTRACTS WITH CUSTOMERS

(CHF million)

	2019	2018
Unbilled revenue and work in progress	195	226
Trade receivables	953	969
Contract liabilities	155	112

Revenue evolution, timing and project maturity are the main factors impacting assets and liabilities related to contracts with customers. In 2019, SGS recognized revenue of CHF 81 million related to contract liabilities at 31 December 2018. In 2018, the revenue recognized from contract liabilities at 31 December 2017 amounted to CHF 80 million. Revenue recognized from performance obligations satisfied in previous periods were immaterial in 2019 and 2018.

The remaining performance obligations (unsatisfied or partially satisfied) expected to be recognized in more than a year is CHF 853 million at 31 December 2019 of which CHF 441 million are expected to be recognized in revenue within one year.

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 2019 were not significant, while amortization and impairment losses were nil.

6. OTHER OPERATING EXPENSES

(CHF million)	2019	2018
Consumables, repairs and maintenance	490	496
Travel costs	362	414
Rental expense, insurance, utilities and sundry supplies	161	308
External consultancy fees	104	89
IT expenses	87	75
Communication costs	99	105
Allowance for expected credit losses	32	6
(Gain)/losses on disposal of property, plant and equipment	(2)	(16)
Miscellaneous operating expenses	162	157
TOTAL	1 495	1 634

The Group adopted IFRS 16 retrospectively with the cumulative effect in the opening equity as of 1 January 2019. Previously the Group was applying IAS 17. Therefore, 2018 lease expenses were included in travel costs and rental expense.

7. FINANCIAL INCOME

(CHF million)	2019	2018
Interest income	17	16
Foreign exchange gains/(losses)	1	3
Other financial income	-	1
TOTAL	18	20

8. FINANCIAL EXPENSES

(CHF million)	2019	2018
Interest expense ¹	49	28
Loss on derivatives at fair value	27	27
Other financial expenses	3	2
Net financial expenses on defined benefit plans	-	1
TOTAL	79	58

1. Includes for 2019 CHF 25 million of lease liabilities interest expense (see Note 12)

9. TAXES

MAJOR COMPONENTS OF TAX EXPENSE

(CHF million)	2019	2018
Current taxes	299	251
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences	16	(33)
TOTAL	315	218

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)	2019	2018
Profit before taxes	1 017	908
Tax at statutory rates applicable to the profits earned in the country concerned	205	154
Tax effect of non-deductible or non-taxable items	21	19
Tax charge from/(usage of) unrecognized tax losses	34	2
Non-creditable foreign withholding taxes	34	34
Other	21	9
TAX CHARGE	315	218

DEFERRED TAX AFTER NETTING

(CHF million)	2019	2018
Deferred tax assets	174	203
Deferred tax liabilities	(23)	(30)
TOTAL	151	173

COMPONENTS OF DEFERRED INCOME TAX BALANCES

(CHF million)	2019		2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Right of use assets	-	131	-	-
Fixed assets	45	6	43	7
Trade receivable, unbilled revenues and work in progress	29	7	37	9
Defined benefit obligation	22	7	12	-
Provisions and other	50	-	25	-
Lease liabilities	137	-	-	-
Intangible assets	2	22	9	14
Tax losses carried forward	39	-	77	-
DEFERRED INCOME TAXES	324	173	203	30

NET CHANGE IN DEFERRED TAX ASSETS/(LIABILITIES)

(CHF million)	TOTAL
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 1 JANUARY 2018	123
IFRS 9 adjustment	30
Acquisition of subsidiaries	(4)
(Charged)/credited to the income statement	33
(Charged)/credited to other comprehensive income	1
Exchange differences and other	(10)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2018	173
IFRS 16 adjustment	9
Acquisition of subsidiaries	(2)
(Charged)/credited to the income statement	(16)
(Charged)/credited to other comprehensive income	6
Exchange differences and other	(19)
NET DEFERRED INCOME TAX ASSET (LIABILITY) AT 31 DECEMBER 2019	151

The Group has unrecognized tax losses carried forward amounting to CHF 139 million (2018: CHF 38 million), of which none will expire within the next five years. No tax losses carried forward expired in 2019.

At 31 December 2019, the retained earnings of subsidiaries and foreign incorporated joint ventures consolidated by the Group include approximately CHF 2 929 million (2018: CHF 2 712 million) of undistributed earnings that may be subject to tax if remitted

to the parent company. As set out in note 21, the nature of the Group's business requires keeping a significant part of the cash reserves in the operating units. As a Group policy, no deferred tax is recognized in respect of undistributed earnings until the point at which the distributable earnings are determined and foreign statutory requirements, allowing the distribution, are fulfilled. Until that time, the Group takes the view that it is probable that they will not reverse in the foreseeable future.

10. EARNINGS PER SHARE

Basic earnings per share are calculated as follows:

	2019	2018
Profit attributable to equity holders of SGS SA (CHF million)	660	643
Weighted average number of shares ('000)	7 552	7 607
BASIC EARNINGS PER SHARE (CHF)	87.45	84.54

Diluted earnings per share are calculated as basic earnings per share except that the weighted average number of shares includes the dilutive effect of the Group's equity compensation plans (see note 28):

	2019	2018
Profit attributable to equity holders of SGS SA (CHF million)	660	643
Diluted weighted average number of shares ('000)	7 575	7 626
DILUTED EARNINGS PER SHARE (CHF)	87.18	84.32

Adjusted earnings per share are calculated as follows:

(CHF million)	2019	2018
Profit attributable to equity holders of SGS SA	660	643
Amortization of acquired intangibles	36	30
Restructuring costs net of tax	64	14
Goodwill impairment	21	-
Other non-recurring items net of tax	(115)	37
ADJUSTED PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	666	724
ADJUSTED BASIC EARNINGS PER SHARE (CHF)	88.17	95.17
ADJUSTED DILUTED EARNINGS PER SHARE (CHF)	87.91	94.92



11. PROPERTY, PLANT AND EQUIPMENT

<i>(CHF million)</i>	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2019				
COST				
At 1 January	482	2 116	739	3 337
Additions	7	146	103	256
Acquisition of subsidiaries	-	3	4	7
Disposals	(6)	(97)	(48)	(151)
Exchange differences and other	(5)	(14)	(55)	(74)
At 31 December	478	2 154	743	3 375
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	246	1 613	509	2 368
Depreciation	17	174	61	252
Impairment	2	15	3	20
Acquisition of subsidiaries	-	1	2	3
Disposals	(3)	(91)	(45)	(139)
Exchange differences and other	(6)	(35)	(14)	(55)
At 31 December	256	1 677	516	2 449
NET BOOK VALUE AT 31 DECEMBER 2019	222	477	227	926

<i>(CHF million)</i>	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS	TOTAL
2018				
COST				
At 1 January	492	2 059	736	3 287
Additions	6	164	103	273
Acquisition of subsidiaries	1	10	3	14
Disposals	(11)	(59)	(28)	(98)
Exchange differences and other	(6)	(58)	(75)	(139)
At 31 December	482	2 116	739	3 337
ACCUMULATED DEPRECIATION AND IMPAIRMENT				
At 1 January	245	1 549	491	2 285
Depreciation	17	177	64	258
Impairment	-	-	1	1
Acquisition of subsidiaries	-	6	1	7
Disposals	(9)	(55)	(25)	(89)
Exchange differences and other	(7)	(64)	(23)	(94)
At 31 December	246	1 613	509	2 368
NET BOOK VALUE AT 31 DECEMBER 2018	236	503	230	969

Included in the other tangible assets are leasehold improvements, office furniture and IT hardware as well as construction-in-progress assets amounting to CHF 27 million (2018: CHF 18 million).

At 31 December 2019, the Group had commitments of CHF 5 million (2018: CHF 8 million) for the acquisition of land, buildings and equipment.

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	RIGHT-OF-USE ASSETS			TOTAL	TOTAL LEASE LIABILITIES
	LANDS AND BUILDING	MACHINERY AND EQUIPMENT	OTHER TANGIBLE ASSETS		
<i>(CHF million)</i>					
AT 1 JANUARY	585	9	91	685	713
Additions	98	-	32	130	127
Acquisition	3	-	-	3	-
Disposal	(2)	(7)	(3)	(12)	(12)
Depreciation expense	(133)	-	(45)	(178)	-
Interest expense	-	-	-	-	25
Payment of lease liabilities and interests	-	-	-	-	(195)
Exchange difference and other	(12)	(2)	(3)	(17)	(14)
AT 31 DECEMBER 2019	539	-	72	611	644

Analysed as:

	2019
Current liabilities	154
Non-current liabilities	490
TOTAL	644

The following table summarizes the main foreign currencies of the lease liabilities.

(CHF million)

	2019
Euro (EUR)	208
US Dollar (USD)	120
Renminbi Yuan (CNY)	102
Taiwan Dollar (TWD)	35
Australian Dollar (AUD)	20
Canadian Dollar (CAD)	14
Indian Rupee (INR)	12
Morocco Dirham (MAD)	10
New Zealand dollar (NZD)	9
Russian Ruble (RUB)	9
Hong Kong Dollar (HKD)	7
British Pound Sterling (GBP)	7
Brazilian Real (BRL)	6
Korean Won (KRW)	6
Other	79
TOTAL	644

The Group leases mainly offices, laboratory spaces and vehicles. During the year ended 31 December 2019, an additional CHF 8 million was recognized as an expense in the income statement.

(CHF million)

	2019
IFRS 16 OTHER QUANTITATIVE INFORMATION	
Expense relating to short-term leases	5
Expense relating to leases of low value assets	2
Expense relating to variable lease payments	1
TOTAL EXPENSE RECOGNIZED IN INCOME STATEMENT	8

13. GOODWILL

(CHF million)

	2019	2018
COST		
At 1 January	1 224	1 238
Additions	142	38
Consideration on prior years' acquisitions	(5)	-
Disposal	(32)	-
Impairment	(21)	-
Exchange differences	(27)	(52)
AT 31 DECEMBER	1 281	1 224

Goodwill recognized by the Group is allocated to Cash Generating Units (CGU) or groups of CGUs for impairment testing purposes and is annually tested for impairment at the end of each reporting period.

- For the following four business lines, 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:
 - Consumer and Retail
 - Oil, Gas and Chemicals
 - Environment, Health and Safety
 - Minerals
- The Industrial business line continues to be driven primarily by regional and local customer activities and therefore to have cash inflows, which are largely independent from each other. Consequently, a CGU organization by region or by country has been maintained and goodwill has been allocated to six CGUs.
- The Transportation business is split into two CGUs since customer activities in this business (especially in testing and engineering activities) are globally interdependent, except for Spain, where regulated activities and related cash inflows represent almost entirely the whole business and therefore are assessed as a distinct CGU.
- The Agriculture, Food and Life business is split into three worldwide CGUs to reflect the global nature of customer activities and drivers of cash inflows in each of Agriculture and Food, Clinical Research and Life Science Laboratories.
- One global CGU has been established for the Certification and Business and Enhancement business line regrouping Performance assessment and Training activities for which drivers of cash inflows are globally interdependent.

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)

	2019	2018
AFL	251	243
TRP	239	247
IND	191	218
EHS	167	151
MIN	113	113
CBE	104	3
OGC	105	140
CRS	106	107
GIS	5	2
TOTAL	1 281	1 224

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. 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.

In 2019, the Group restructured parts of the Industrial USA business. Consequently, the CGU was reduced to its recoverable amount, resulting in an impairment charge of CHF 21 million

DISCOUNT RATE USED IN 2019 FOR THE MAIN CGUS OR GROUP OF CGUS IMPAIRMENT TESTING

	2019
TRP	4.5%–7.7%
AFL	5.1%–6.6%
IND	5.2%–8.8%
EHS	6.2%
OGC	6.6%
MIN	8.2%
CRS	6.8%
CBE	6.2%

The cash flow projections for the first five years were based upon financial plans approved by Group Management, while the subsequent years assume a long-term growth rate of 1.0% and stable operating margins. The overall assumptions used in the calculations are consistent with the expected average growth rates of the segments served by the Group.

For all impairment tests, the key assumptions used in the sensitivity analyses were the following:

- Reducing the expected annual revenue growth rates for the first five years by 2.0%
- Reducing the operating margin by 0.25%
- Increasing the discount rate assumption by 1.0%

For all impairment tests, changing the key assumptions retained in the scenario using the sensitivity analyses described above would not result in any of the carrying amounts exceeding the recoverable amount.

14. OTHER INTANGIBLE ASSETS

<i>(CHF million)</i>	COMPUTER SOFTWARE AND OTHER ASSETS				TOTAL
	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	
2019					
COST					
At 1 January	77	251	137	313	778
Additions	-	-	17	16	33
Acquisition of subsidiaries	22	17	1	-	40
Disposals	(2)	(25)	-	(19)	(46)
Exchange differences and other	(4)	(5)	3	(8)	(14)
At 31 December	93	238	158	302	791
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At 1 January	65	136	109	266	576
Amortization	5	24	11	17	57
Impairment	3	4	6	7	20
Disposals	(2)	(25)	-	(12)	(39)
Exchange differences and other	(3)	(2)	11	(16)	(10)
At 31 December	68	137	137	262	604
NET BOOK VALUE AT 31 DECEMBER 2019	25	101	21	40	187

**COMPUTER SOFTWARE
AND OTHER ASSETS**

<i>(CHF million)</i>	TRADEMARKS AND OTHER	CUSTOMER RELATIONSHIPS	INTERNALLY GENERATED	PURCHASED	TOTAL
2018					
COST					
At 1 January	81	246	117	313	757
Additions	-	-	13	18	31
Acquisition of subsidiaries	-	14	-	-	14
Disposals	-	-	-	(6)	(6)
Exchange differences and other	(4)	(9)	7	(12)	(18)
At 31 December	77	251	137	313	778
ACCUMULATED AMORTIZATION AND IMPAIRMENT					
At 1 January	62	117	97	259	535
Amortization	6	24	12	16	58
Impairment	-	-	-	(5)	(5)
Exchange differences and other	(3)	(5)	-	(4)	(12)
At 31 December	65	136	109	266	576
NET BOOK VALUE AT 31 DECEMBER 2018	12	115	28	47	202

15. OTHER NON-CURRENT ASSETS

<i>(CHF million)</i>	2019	2018
Non-current loans or amounts receivable from third parties	16	19
Retirement benefit asset	78	62
Other non-current assets	55	52
TOTAL	149	133

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 12.97%.

In 2019, other non-current assets included deposits for guarantees and CHF 35 million (2018: CHF 36 million) of restricted cash. Typical examples of restricted cash are cash deposits for performance bonds, rentals and other operating obligations.

At 31 December 2019 and 2018, the fair value of the Group's other non-current assets approximates their carrying value.

16. TRADE RECEIVABLES

<i>(CHF million)</i>	2019	2018
Trade receivables	1 162	1 165
Allowance for expected credit losses	(209)	(196)
TOTAL	953	969

The movement of allowance for expected credit losses is analyzed as follows:

<i>(CHF million)</i>	2019	2018
At 1 January	(196)	(205)
Acquisition of subsidiaries	(1)	-
Increase in allowance recognized in the income statement	(36)	(11)
Utilizations	18	10
Exchange differences	6	10
TOTAL AT 31 DECEMBER	(209)	(196)

17. OTHER RECEIVABLES AND PREPAYMENTS

<i>(CHF million)</i>	2019	2018
Accrued income, prepayments	66	68
Derivative assets	15	17
Other receivables	138	129
TOTAL	219	214

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.

18. CASH AND CASH EQUIVALENTS

<i>(CHF million)</i>	2019	2018
Cash and short-term deposits	1 425	1 702
Deposits on demand	40	40
Short-term loans	1	1
TOTAL	1 466	1 743

19. CASH FLOW STATEMENT

19.1. NON-CASH AND NON-OPERATING ITEMS

<i>(CHF million)</i>	NOTES	2019	2018
Depreciation of property, land and equipment	11	252	258
Impairment of property, plant and equipment and other intangible assets	11 and 14	40	1
Depreciation/impairment right-of-use asset		178	-
Amortization of intangible assets	14	57	58
Impairment of goodwill	13	21	-
Net financial expenses	7 and 8	61	38
Increase/(Decrease) in provisions and employee benefits		79	(17)
Share-based payment expenses		17	13
Gain on disposals		(268)	(15)
Share of results from associates and other entities		4	-
Taxes	9	315	218
NON-CASH AND NON-OPERATING ITEMS		756	554

19.2. (INCREASE)/DECREASE IN WORKING CAPITAL

<i>(CHF million)</i>	2019	2018
Decrease in unbilled revenues and inventories	29	19
Increase in trade receivables	(66)	(35)
(Increase)/Decrease in other receivables and prepayments	(17)	13
(Decrease)/Increase in trade and other payables	(5)	41
Increase in other creditors and accruals	31	60
Increase/(Decrease) in other provisions	25	(3)
(INCREASE)/DECREASE IN WORKING CAPITAL	(3)	95

20. ACQUISITIONS

ASSETS AND LIABILITIES ARISING FROM ACQUISITIONS

<i>(CHF million)</i>	FAIR VALUE ON MAINE POINTE	FAIR VALUE ON OTHER ACQUISITIONS 2019	TOTAL FAIR VALUE ON ACQUISITIONS 2019	TOTAL FAIR VALUE ON ACQUISITIONS 2018
Property, plant and equipment	-	4	4	7
Right-of-use assets	-	1	1	-
Intangible assets	33	7	40	14
Other long-term assets	-	1	1	-
Trade receivable	3	8	11	5
Other current assets	7	-	7	2
Cash and cash equivalents	14	10	24	4
Current liabilities	(7)	(12)	(19)	(4)
Non-current liabilities	-	(5)	(5)	(5)
Non-controlling interests	(20)	(1)	(21)	-
NET ASSETS ACQUIRED	30	13	43	23
Goodwill	86	56	142	38
TOTAL PURCHASE PRICE	116	69	185	61
Acquired cash and cash equivalents	(14)	(10)	(24)	(4)
Consideration payable	-	(1)	(1)	(14)
Payment on prior year acquisitions	-	9	9	2
NET CASH OUTFLOW ON ACQUISITIONS	102	67	169	45

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 13 million (2018: CHF 5 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.

21. 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		BOOK VALUE		MARKET VALUE	
	2019	2018	2019	2018	2019	2018
<i>(CHF million)</i>						
FOREIGN EXCHANGE FORWARD CONTRACTS						
Currency:						
Australian Dollar (AUD)	(12)	(14)	-	-	-	-
Brazilian Real (BRL)	(42)	(42)	(1)	(1)	(1)	(1)
Canadian Dollar (CAD)	21	1	-	-	-	-
Chilean Peso (CLP)	(36)	(48)	-	(2)	-	(2)
Chinese Renminbi (CNY)	8	-	-	-	-	-
Colombian Peso (COP)	(5)	(7)	-	-	-	-
Euro (EUR)	(187)	(200)	1	1	1	1
British Pound Sterling (GBP)	48	42	-	-	-	-
Hong Kong Dollar (HKD)	23	(98)	-	1	-	1
Indian Rupee (INR)	2	-	-	-	-	-
Japanese Yen (JPY)	(2)	(2)	-	-	-	-
Kenyan Shilling (KES)	(4)	(4)	-	-	-	-
Korean Won (KRW)	4	3	-	-	-	-
New Zealand Dollar (NZD)	(3)	(3)	-	-	-	-
Philippines Peso (PHP)	(8)	(7)	-	-	-	-
Polish Zloty (PLN)	(5)	(8)	-	-	-	-
Russian Ruble (RUB)	4	2	-	-	-	-
Turkish New Lira (TRY)	1	1	-	-	-	-
US Dollar (USD)	(501)	(642)	7	4	7	4
South African Rand (ZAR)	(21)	(27)	(1)	1	(1)	1
Other	(11)	(18)	-	-	-	-
TOTAL	(726)	(1 071)	6	4	6	4

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 2019, the Group has unbilled revenue and work in progress of CHF 195 million (2018: CHF 226 million) which is net of an allowance for expected credit losses of CHF 19 million (2018: CHF 25 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 ageing of trade receivables as of invoice date at 31 December 2019.

<i>(CHF million)</i>	EXPECTED CREDIT LOSS RANGE	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS
0–60 days	0%	762	-
61–90 days	0.5%–5%	105	4
91–120 days	10%–25%	45	9
121–180 days	20%–50%	57	20
181–240 days	35%–75%	30	19
241–300 days	50%–75%	14	10
301–360 days	75%–100%	17	15
>360 days	100%	132	132
TOTAL		1 162	209

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 2018:

<i>(CHF million)</i>	EXPECTED CREDIT LOSS RANGE	GROSS CARRYING AMOUNT	EXPECTED CREDIT LOSS
0–60 days	0%	787	-
61–90 days	0.5%–5%	114	5
91–120 days	10%–25%	47	11
121–180 days	20%–50%	52	26
181–240 days	35%–75%	27	20
241–300 days	50%–75%	15	11
301–360 days	75%–100%	12	12
> 360 days	100%	111	111
TOTAL		1 165	196

As part of financial management activities, the Group enters into various types of transactions 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 2019 is the carrying amount of financial assets including derivatives.

Analysis of financial assets by class and category at 31 December 2019:

<i>(CHF million)</i>	AMORTIZED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
			AT FAIR VALUE THROUGH EQUITY		AT FAIR VALUE THROUGH P&L			
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash-equivalents	1 466	1 466	-	-	-	-	1 466	1 466
Trade receivables	953	953	-	-	-	-	953	953
Other receivables ¹	142	142	-	-	-	-	142	142
Unbilled revenues and work in progress	195	195	-	-	-	-	195	195
Loans to third parties: non-current	16	16	-	-	-	-	16	16
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	15	15	15	15
TOTAL FINANCIAL ASSETS	2 772	2 772	9	9	15	15	2 796	2 796

1. Excluding VAT and other tax related items.

Analysis of financial assets by class and category at 31 December 2018:

<i>(CHF million)</i>	AMORTIZED COST LOANS AND RECEIVABLES		FAIR VALUE				TOTAL	
			AT FAIR VALUE THROUGH EQUITY		AT FAIR VALUE THROUGH P&L			
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Cash and cash-equivalents	1 743	1 743	-	-	-	-	1 743	1 743
Trade receivables	969	969	-	-	-	-	969	969
Other receivables ¹	132	132	-	-	-	-	132	132
Unbilled revenues and work in progress	226	226	-	-	-	-	226	226
Loans to third parties: non-current	19	19	-	-	-	-	19	19
Marketable securities	-	-	9	9	-	-	9	9
Derivatives	-	-	-	-	17	17	17	17
TOTAL FINANCIAL ASSETS	3 089	3 089	9	9	17	17	3 115	3 115

1. Excluding VAT and other tax related items.

In the fair value hierarchy, marketable securities, CHF 9 million (2018: CHF 9 million) qualify as Level 1, fair value measurement category. Derivative assets (2019: CHF 15 million; 2018: CHF 17 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 2019:

(CHF million)	FAIR VALUE							
	AMORTIZED COST OTHER LIABILITIES		AT FAIR VALUE THROUGH EQUITY		AT FAIR VALUE THROUGH P&L		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Trade payables	336	336	-	-	-	-	336	336
Other payables ¹	133	133	-	-	-	-	133	133
Loans and other financial liabilities	2 132	2 236	89	89	16	16	2 237	2 341
Lease liabilities	644	644	-	-	-	-	644	644
TOTAL FINANCIAL LIABILITIES	3 245	3 349	89	89	16	16	3 350	3 454

1. Excluding VAT and other tax related items.

The corporate bonds qualify as fair value Level 1 which amounts to CHF 2 209 million (2018: CHF 2 547 million).

Other financial liabilities include CHF 89 million qualifying as fair value Level 3, 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. This includes the fair value of the redemption amount to acquire the remaining 40% of Maine Pointe LLC in June 2022, if the put/call option is exercised. The fair value has been estimated at CHF 64 million by applying a discounted valuation method based on weighted average revenue growth scenarios and a discount rate of 3%. The put option is sensitive to changes in revenue and reaching an EBITDA target up to a maximum payout of CHF 111 million.

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 2018:

(CHF million)	FAIR VALUE							
	AMORTIZED COST OTHER LIABILITIES		AT FAIR VALUE THROUGH EQUITY		AT FAIR VALUE THROUGH P&L		TOTAL	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Trade payables	362	362	-	-	-	-	362	362
Other payables ¹	149	149	-	-	-	-	149	149
Loans and other financial liabilities	2 512	2 574	-	-	10	10	2 522	2 584
Lease liabilities	2	2	-	-	-	-	2	2
TOTAL FINANCIAL LIABILITIES	3 025	3 087	-	-	10	10	3 035	3 097

1. Excluding VAT and other tax related items.

In the fair value hierarchy, bonds qualify as Level 1 and the remaining financial liabilities qualify as Level 2 determined in accordance with generally accepted pricing models.

Contractual maturities of financial liabilities including interest payments at 31 December 2019:

(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	336	133	1 380	(1 376)	38	172	683
Within the second year	-	-	-	-	317	130	447
Within the third year	-	-	-	-	351	95	446
Within the fourth year	-	-	-	-	338	74	412
Within the fifth year	-	-	-	-	262	56	318
After five years	-	-	-	-	1 027	191	1 218

1. Excluding VAT and other tax related items.

Contractual maturities of financial liabilities including interest payments at 31 December 2018:

(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	362	136	1 480	(1 476)	413	-	915
Within the second year	-	4	-	-	25	1	30
Within the third year	-	8	-	-	312	1	321
Within the fourth year	-	1	-	-	265	-	266
Within the fifth year	-	1	-	-	338	-	339
After five years	-	-	-	-	1 289	-	1 289

1. Excluding VAT and other tax related items.

The Group hedges its foreign exchange exposure on a net basis. The net position of the gross settled derivative financial instruments of CHF 4 million (2018: CHF 4 million) represents the net nominal value expressed in CHF of the Group's foreign currency contracts outstanding at 31 December 2019.

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 2019 and 2018 with all other variables remaining constant. Sensitivity analysis based on net hedged positions at 31 December 2019 and 2018:

(CHF million)	2019		2018	
	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)	INCOME STATEMENT IMPACT INCOME/(EXPENSE)	EQUITY IMPACT INCREASE/(DECREASE)
US Dollar (USD)	-	(3)	3	(8)
Euro (EUR)	(3)	-	(3)	-
CFA Franc BEAC (CFA)	3	-	3	-
New Cedi (GHS)	-	-	(1)	-
Taiwanese Dollar (TWD)	-	1	-	(1)
Australian Dollar (AUD)	-	-	-	(2)
Canadian Dollar (CAD)	-	3	-	(4)
Brazilian Real (BRL)	-	-	-	(2)
Colombian Peso (COP)	-	-	-	(1)
Chilean Peso (CLP)	-	-	-	(3)

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 2019 would increase/decrease by CHF nil (2018: CHF nil).

< BACK TO CONTENTS

22. SHARE CAPITAL AND TREASURY SHARES

	SHARES IN CIRCULATION	TREASURY SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF MILLION)
BALANCE AT 1 JANUARY 2018	7 551 408	82 324	7 633 732	8
Treasury shares released into circulation	87 099	(87 099)	-	-
Treasury shares purchased for equity compensation plans	(19 800)	19 800	-	-
Treasury shares purchased for cancellation	(68 000)	68 000	-	-
BALANCE AT 31 DECEMBER 2018	7 550 707	83 025	7 633 732	8
Treasury shares released into circulation	1 683	(1 683)	-	-
Treasury shares cancelled	-	(68 000)	(68 000)	-
BALANCE AT 31 DECEMBER 2019	7 552 390	13 342	7 565 732	8

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 565 732 (2018: CHF 7 633 732) fully paid in and divided into 7 565 732 (2018: 7 633 732) 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 2019, SGS SA held 13 342 treasury 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 2019, 1 683 treasury shares were sold or given in relation with the equity compensation plans.

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 22 March 2021.

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.

23. LOANS AND OTHER FINANCIAL LIABILITIES

CURRENT YEAR INFORMATION

(CHF million)	2019	2018
Bank loans	8	4
Corporate bonds	2 105	2 484
Other financial liabilities	114	24
Derivatives	10	10
TOTAL	2 237	2 522
Current	38	412
Non-current	2 199	2 110

Depending on the nature of the loan, currency and date of maturity, interest rates on long-term loans from third parties range between 0.25% and 17.21% and on short-term loans from third parties range between 0% and 4.96%.

The loans from third parties exposed to fair value interest rate risk amounted to CHF 2 105 million (2018: CHF 2 488 million) and the loans from third parties exposed to cash flow interest rate risk amounted to CHF 8 million (2018: CHF nil).

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 %
27.05.2011	275	3.000	2021	100.480	100.000
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	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

The currency composition of bank loans, corporate bond and other financial liabilities is as follows:

(CHF million)	BANK LOANS AND CORPORATE BOND		OTHER FINANCIAL LIABILITIES	
	2019	2018	2019	2018
Swiss Franc (CHF)	2 105	2 485	17	24
Euro (EUR)	1	1	20	-
Brazilian Real (BRL)	7	2	2	-
US Dollar (USD)	-	-	71	-
British Pound Sterling (GBP)	-	-	2	-
Other	-	-	2	-
TOTAL	2 113	2 488	114	24

24. DEFINED BENEFIT OBLIGATIONS

The Group mainly operates defined benefit pension plans in Switzerland, the USA, the UK, the Netherlands, Germany, Italy, France, 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 2019 of CHF 14 million (2018: CHF 13 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 14 years.

The Group expects to contribute CHF 6 million to this plan in 2020.

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 of duration of the expected benefit payment is approximately 14 years.

The Group expects to contribute CHF 8 million to this plan in 2020.

UNITED KINGDOM

The Group operates two defined benefit plans through trusts, with the assets of the plans held separately from the Group and trustees who ensure the plan's rules are strictly adhered to. One plan (SGS UK Limited RBP) has been closed to new entrants since 2002. Since then, new employees have been offered membership of defined contribution plans, which have been operated by the Group. The other (SGS Pension Schemes) plan's liabilities were brought out in 2017, surplus assets were transferred to the SGS RBP during the year and the SGS Pension Scheme is now in the final stages of being wound up. Under the defined benefit plans, each member's pension at retirement is related to their pensionable service and final salary.

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 of duration of the expected benefit payments from the combined plans is approximately 20 years.

The Group expects to contribute CHF 2 million to this plan in 2020.

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 6 million to those plans in 2020.

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:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2019					
Fair value of plan assets	444	245	194	45	928
Present value of funded defined benefit obligation	(433)	(207)	(218)	(67)	(925)
FUNDED/(UNFUNDED) STATUS	11	38	(24)	(22)	3
Present value of unfunded defined benefit obligation	(10)	-	(6)	(60)	(76)
NET ASSET/(LIABILITY) AT 31 DECEMBER	1	38	(30)	(82)	(73)
<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2018					
Fair value of plan assets	414	206	172	41	833
Present value of funded defined benefit obligation	(379)	(186)	(186)	(63)	(814)
FUNDED/(UNFUNDED) STATUS	35	20	(14)	(22)	19
Present value of unfunded defined benefit obligation	(10)	-	(7)	(59)	(76)
NET ASSET/(LIABILITY) AT 31 DECEMBER	25	20	(21)	(81)	(57)

The net liability of CHF 73 million (2018: CHF 57 million) includes CHF 78 million (2018: CHF 62 million) of pension fund assets recognized in the item Other Non-Current Assets in note 14 and CHF 151 million (2018: CHF 119 million) of pension fund liability recognized in the item Defined Benefit Obligation in statement of financial position.

Amounts recognized in the income statement:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2019					
Service cost expense	18	1	2	9	30
Net interest expense on defined benefit plan	-	(1)	1	-	-
Administrative expenses	-	-	1	-	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	18	-	4	9	31
<i>Expense charged in:</i>					
Salaries and wages	18	1	3	9	31
Financial expenses	-	(1)	1	-	-
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	18	-	4	9	31

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2018					
Service cost expense	9	2	2	7	20
Net interest expense on defined benefit plan	-	(1)	1	1	1
Administrative expenses	-	-	1	-	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	9	1	4	8	22
<i>Expense charged in:</i>					
Salaries and wages	9	2	3	7	21
Financial expenses	-	(1)	1	1	1
TOTAL EXPENSE DUE TO DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	9	1	4	8	22

Amounts recognized in the statement of other comprehensive income:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2019					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	(7)	(3)	5	-	(5)
Change in financial assumptions	44	23	30	7	104
Experience adjustments on benefit obligations	8	-	1	1	10
Actual return on plan assets excluding net interest expense	(32)	(35)	(23)	(1)	(91)
TOTAL RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	13	(15)	13	7	18
<i>(CHF million)</i>					
2018					
<i>Remeasurement on net defined benefit liability</i>					
Change in demographic assumptions	-	-	(1)	-	(1)
Change in financial assumptions	(17)	(11)	(17)	1	(44)
Experience adjustments on benefit obligations	(1)	3	4	3	9
Actual return on plan assets excluding net interest expense	(2)	16	16	-	30
TOTAL RECOGNIZED IN THE STATEMENT OF OTHER COMPREHENSIVE INCOME AT 31 DECEMBER	(20)	8	2	4	(6)

Movements in the net asset/(liability) during the period:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2019					
NET ASSET/(LIABILITY) AT 1 JANUARY	25	20	(21)	(81)	(57)
Expense recognized in the income statement	(18)	-	(4)	(9)	(31)
Remeasurements recognized in other comprehensive income	(13)	15	(13)	(7)	(18)
Effect of acquisitions/disposals	-	-	-	1	1
Contributions paid by the Group	7	2	9	12	30
Employer benefit payments	-	-	-	2	2
Exchange differences	-	1	(1)	-	-
NET ASSET/(LIABILITY) AT 31 DECEMBER	1	38	(30)	(82)	(73)

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2018					
NET ASSET/(LIABILITY) AT 1 JANUARY	7	30	(24)	(83)	(70)
Expense recognized in the income statement	(9)	(1)	(4)	(8)	(22)
Remeasurements recognized in other comprehensive income	20	(8)	(2)	(4)	6
Contributions paid by the Group	7	1	9	9	26
Employer benefit payments	-	-	-	1	1
Exchange differences	-	(2)	-	4	2
NET ASSET/(LIABILITY) AT 31 DECEMBER	25	20	(21)	(81)	(57)

Change in the defined benefit obligation is as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2019					
Opening present value of the defined benefit obligation	389	186	193	122	890
Current service cost	8	1	2	9	20
Interest cost	3	5	8	1	17
Plan participants' contributions	5	-	1	-	6
Past service cost	10	-	-	-	10
Net increase/(decrease) in DBO from acquisitions/disposals	-	-	-	(1)	(1)
Actual net benefit payments	(17)	(9)	(13)	(11)	(50)
(Gains)/losses due to changes in demographic assumptions	(7)	(3)	5	-	(5)
(Gains)/losses due to changes in financial assumptions	44	23	30	7	104
Experience differences	8	-	1	1	10
Exchange rate (gains)/losses	-	4	(3)	(1)	-
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	443	207	224	127	1 001

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2018					
Opening present value of the defined benefit obligation	402	208	233	126	969
Current service cost	9	2	2	7	20
Interest cost	3	5	8	2	18
Plan participants' contributions	5	-	1	-	6
Settlements	-	-	(27)	(3)	(30)
Actual net benefit payments	(12)	(11)	(13)	(8)	(44)
(Gains)/losses due to changes in demographic assumptions	-	-	(1)	-	(1)
(Gains)/losses due to changes in financial assumptions	(17)	(11)	(17)	1	(44)
Experience differences	(1)	3	4	3	9
Exchange rate (gains)/losses	-	(10)	3	(6)	(13)
DEFINED BENEFIT OBLIGATION AT 31 DECEMBER	389	186	193	122	890

Change in fair value of plan assets is as follows:

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2019					
Opening fair value of plan assets	414	206	172	41	833
Interest income on plan assets	3	6	7	1	17
Return on plan assets excluding amounts included in net interest expense	32	35	23	1	91
Actual employer contributions	7	2	9	14	32
Actual plan participants' contributions	5	-	1	-	6
Actual net benefit payments	(17)	(9)	(13)	(11)	(50)
Actual admin expenses paid	-	-	(1)	-	(1)
Exchange differences	-	5	(4)	(1)	-
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	444	245	194	45	928

(CHF million)

	CH	UK	USA	OTHER	TOTAL
2018					
Opening fair value of plan assets	409	238	209	43	899
Interest income on plan assets	3	6	7	1	17
Return on plan assets excluding amounts included in net interest expense	2	(16)	(16)	-	(30)
Actual employer contributions	7	1	9	10	27
Actual plan participants' contributions	5	-	1	-	6
Actual net benefit payments	(12)	(11)	(13)	(8)	(44)
Actual admin expenses paid	-	-	(1)	-	(1)
Settlements	-	-	(27)	(3)	(30)
Exchange differences	-	(12)	3	(2)	(11)
FAIR VALUE OF PLAN ASSETS AT 31 DECEMBER	414	206	172	41	833

There are no reimbursement rights included in plan assets. The actual return on plan assets was a gain of CHF 108 million (2018: loss of CHF 13 million). The major categories of plan assets at the balance sheet date are as follows:

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2019					
Cash and cash equivalents	38	7	1	15	61
Equity securities	144	69	25	-	238
Debt securities	58	148	168	1	375
Assets held by insurance company	-	-	-	28	28
Properties	162	-	-	-	162
Investment funds	41	22	-	-	63
Other	1	(1)	-	1	1
TOTAL PLAN ASSETS AT 31 DECEMBER	444	245	194	45	928

<i>(CHF million)</i>	CH	UK	USA	OTHER	TOTAL
2018					
Cash and cash equivalents	47	4	2	17	70
Equity securities	118	64	24	-	206
Debt securities	60	138	143	-	341
Assets held by insurance company	-	-	-	24	24
Properties	155	-	-	-	155
Investment funds	32	-	-	-	32
Other	2	-	3	-	5
TOTAL PLAN ASSETS AT 31 DECEMBER	414	206	172	41	833

In 2019 and 2018, 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 2019 and 2018 are as follows:

<i>(Weighted average %)</i>	CH	UK	USA	OTHER
2019				
Discount rate	0.2	2.0	3.1	1.2
Mortality assumption	LPP 2015 CMI 2016	SNA02F/M CMI 2018 1.25%	PRI 2012 MP 2019	-
Salary progression rate	1.5	3.3	3.3	2.6
Future increase for pension in payments	-	2.3	-	0.3
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			2025	

(Weighted average %)

	CH	UK	USA	OTHER
2018				
Discount rate	1.0	2.9	4.3	1.9
Mortality assumption	LPP 2015 CMI 2016	SNA02F/M CMI 2016	RP2014 MP 2018	-
Salary progression rate	1.5	3.5	3.3	2.8
Future increase for pension in payments	0.2	3.2	-	0.4
Healthcare cost trend assumed for the next year	3.0	-	7.5	-
Ultimate trend rate	3.0	-	4.5	-
Year that the rate reaches the ultimate trend rate			2025	

The weighted average rate for each assumption used to measure the benefits obligation is also shown. The assumptions used to determine 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 33 million; a 0.5% increase in assumed salary would increase the obligation by CHF 2 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 13 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 15 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 9 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 22 million; a 0.5% increase in assumed salary would increase the obligation by CHF 3 million; and a one-year increase in members' life expectancy would increase the obligation by approximately CHF 9 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 2019 was CHF 70 million (2018: CHF 78 million).

25. PROVISIONS

(CHF million)	LEGAL AND WARRANTY CLAIMS ON SERVICES RENDERED	DEMOBILIZATION AND REORGANIZATION	OTHER PROVISIONS	TOTAL
AT 1 JANUARY 2019	37	44	29	110
IFRS 16 adjustment	-	-	2	2
Charge to income statement	13	58	46	117
Release to income statement	(4)	(4)	(5)	(13)
Payments	(9)	(25)	(15)	(49)
Exchange differences	(1)	(2)	1	(2)
AT 31 DECEMBER 2019	36	71	58	165

Analysed as:

	2019	2018
Current liabilities	74	21
Non-current liabilities	91	89
TOTAL	165	110

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 provision 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.

26. TRADE AND OTHER PAYABLES

<i>(CHF million)</i>	2019	2018
Trade payables	336	362
Other payables	302	323
TOTAL	638	685

Trade accounts and other payables principally comprise amounts outstanding for trade purchases and ongoing operating costs. At 31 December 2019 and 2018, the fair value of the Group's trade accounts and other payables approximates the carrying value.

27. 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

<i>(CHF million)</i>	2019	2018
Guarantees	768	520
Performance bonds	163	227
TOTAL	931	747

The Group has issued unconditional guarantees of CHF 768 million, thereof CHF 212 million financial guarantees to certain financial institutions that have provided credit facilities and foreign exchange lines to its subsidiaries. In addition, it has issued performance bonds and bid bonds of CHF 163 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.

28. EQUITY COMPENSATION PLANS

Selected employees of the SGS Group are eligible to participate in equity compensation plans.

I) GRANTS TO MEMBERS OF THE OPERATIONS COUNCIL

In 2019, a total of 1 020 restricted shares were granted to members of the Operations Council, in settlement of 50% of the annual incentive related to the 2018 performance. The restricted shares fully vest at grant date and are blocked for a period of three years from the grant date, until April 2022. 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 2019 Annual General Meeting, was CHF 2 640 066.

50% of the annual incentive related to the 2019 performance will be settled in restricted shares. The grant of the restricted shares will be done after the 2020 Annual General Meeting; 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 2020 Annual General Meeting, rounded up to the nearest integer. The restricted shares will fully vest at grant date and will be blocked for a period of three years from the grant date, until April 2023. The Shareholding Ownership Guidelines apply to the Restricted Share Plans.

More information on the Short-Term Incentive for the members of the Operations Council is disclosed in the SGS Remuneration Report.

II) GRANTS TO OTHER EMPLOYEES

In 2019, a total of 2 011 Restricted Share Units (RSUs) were granted to selected key employees under the Restricted Share Units Plan 2019. The RSUs vest 3 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 5 114 777.

III) DISCONTINUED SHARE OPTION PLANS

Share options were granted to the members of the Operations Council, selected senior managers and key employees of the Group until 2015 and have been discontinued since.

OPTION PLAN

DESCRIPTION	Exercise period		STRIKE PRICE ¹	OPTIONS OUTSTANDING AT 31 DECEMBER 2018	CANCELLED	EXERCISED OR ADJUSTED	OPTIONS OUTSTANDING AT 31 DECEMBER 2019
	FROM	TO					
SGSPF-2014	Jan.17	Jan.19	2 059.00	237 076	(41 493)	(195 583)	-
SGSBB-2015	Jan.18	Jan.20	1 798.00	717 477	-	(677 269)	40 208
TOTAL				954 553	(41 493)	(872 852)	40 208
Of which exercisable at 31 December				954 553			40 208

1. The strike price of the options has been adjusted in accordance with market practice for capital reductions and special dividends.

PERFORMANCE SHARE UNIT (PSU) AND RESTRICTED SHARE UNIT (RSU) PLANS

DESCRIPTION	EXERCISE PERIOD FROM	UNITS OUTSTANDING AT 31 DECEMBER 2018	GRANTED	CANCELLED	VESTED OR ADJUSTED	UNITS OUTSTANDING AT 31 DECEMBER 2019
SGS-RSU-16	Apr.19	562	-	(15)	(547)	-
SGS-RSU-17	Apr.20	2 182	-	(325)	-	1 857
SGS-PSU-18	Feb.21	28 344	-	(2 382)	(26)	25 936
SGS-RSU-18	Apr.21	2 169	-	(178)	-	1 991
SGS-RSU-19	Apr.22	-	2 011	(82)	-	1 929
TOTAL		33 257	2 011	(2 982)	(573)	31 713

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 2019, the equity overhang, defined as the total number of share units, restricted shares and shares underlying options outstanding (32 115 units) divided by the total number of outstanding shares (7 565 732 shares) amounted to 0.42%.

The company's burn rate, defined as the number of equities (restricted shares and share units) granted in 2019 (3 031 units) divided by the total number of outstanding shares, was 0.04%.

The Group recognised during the year a total expense of CHF 17 million (2018: CHF 13 million) in relation to equity compensation plans.

Shares available for future plans:

	TOTAL
AT 1 JANUARY 2018	(6 497)
Repurchased shares	19 800
Granted SGS-PSU-18-plan	(28 487)
Granted SGS-RSU-18 plan	(2 197)
Options cancelled and adjusted	90
Shares for PSU cancelled and adjusted	(416)
Shares for RSU cancelled and adjusted	362
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	(977)
AT 31 DECEMBER 2018	(18 322)
Repurchased shares	-
Granted SGS-RSU-19 plan	(2 011)
Shares for PSU cancelled and adjusted	2 382
Shares for RSU cancelled and adjusted	600
Shares used for Restricted Shares plan as settlement of Short-Term Incentive	(1 020)
AT 31 DECEMBER 2019	(18 371)

At 31 December, the Group had the following shares available to satisfy various programs:

	2019 TOTAL	2018 TOTAL
Number of shares held	13 342	15 025
Shares allocated to 2014 option plans	-	(90)
Shares allocated to 2015 option plans	-	-
Shares allocated for 2016 RSU plans	-	(562)
Shares allocated for 2017 RSU plans	(1 857)	(2 182)
Shares allocated for 2018 PSU plans	(25 936)	(28 344)
Shares allocated for 2018 RSU plan	(1 991)	(2 169)
Shares allocated for 2019 RSU plan	(1 929)	(2 169)
SHARES REQUIRED FOR FUTURE EQUITY COMPENSATION PLANS AT 31 DECEMBER	(18 371)	(18 322)

For equity compensation plans, the Group had entered into agreements with various banks, whereby the Group had an obligation to offer to sell to the banks the shares underlying the option program at the relevant strike price whenever these shares become unblocked. In 2018, the banks exercised all their outstanding rights and the Group sold 44 442 shares, which led to an inflow of net proceeds of CHF 87.6 million, leaving a net economic exposure of 90 shares in respect of option plans. These 90 shares have been sold in 2019 following the exercise of the corresponding options.

Therefore, whilst as at 31 December 2019 the number of outstanding (not exercised) options amounts to 40 208 options, the underlying economic exposure for the Group in respect of these options is nil.

29. 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:

<i>(CHF million)</i>	2019	2018
Short-term benefits	20	20
Post-employment benefits	1	1
Share-based payments ¹	3	28
TOTAL	24	49

1. 2019 represents the value at grant of Shares and restricted shares granted in 2019 while 2018 represents the value at grant of restricted shares and performance share units granted in 2018.

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 2019 and 2018, 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 28.

The total compensation, including social charges, received by the Board of Directors amounted to CHF 2 268 000 (2018: CHF 2 035 000).

The total compensation (cash and shares/options), including social charges, received by the Operations Council (including Senior Management) amounted to CHF 22 205 000 (2018: CHF 47 182 000).

LOANS TO MEMBERS OF GOVERNING BODIES

As at 31 December 2019, no loan, credit or outstanding advance was due to the Group from members or former members of its governing bodies (unchanged from the previous year).

TRANSACTIONS WITH OTHER RELATED PARTIES

In 2019, the Group did not perform any activity generating revenue for the other related parties.

In 2018, the Group sold a building to the "Fondation de prévoyance SGS" for an amount of CHF 18 million, based on an external and independent valuation. The "Fondation de prévoyance SGS" is a foundation with a mandate to protect the employer's staff against the economic consequences of retirement, death and disability, by insuring defined benefits. The President of this foundation is the SGS Chief Compliance and Legal Officer and as such, this person has full authority to represent the "Fondation de prévoyance SGS" in all transactions.

During 2019 and 2018, neither related trade receivable balances unpaid nor expense in respect of any bad or doubtful debts due from these related parties were recognized.

30. SIGNIFICANT SHAREHOLDERS

At 31 December 2019, the significant shareholders of SGS are the following:

(% of detention)	2019	2018
Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) ¹	16.73%	16.60%
Mr. August von Finck and members of his family (acting in concert) ²	15.66%	15.52%
BlackRock, Inc.	4.00%	4.00%
MFS Investment Management	3.81%	3.02%

1. The ultimate beneficial owners of the Groupe Bruxelles Lambert are Stichting Administratiekantoor Frère-Bourgeois, Paul Desmarais Junior and André Desmarais.

2. The Company was informed on 4 February 2020, that the von Finck family has disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

31. 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 20 February 2020, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 24 March 2020.

On 8 January 2020 the Group announced the acquisition of Thomas J. Stephens & Associates, Inc. (Stephens) in the USA, providing safety and efficacy testing and contract research activities for a total purchase price of CHF 17 million.

On 31 January 2020 the Group sold its Pest Management and Fumigation activities in the Netherlands and Belgium for a total cash consideration of CHF 68 million.



Statutory Auditor's Report

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 balance sheet as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, 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 (presented on pages 132 to 173) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 Auditing Standards. 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 IESBA Code of Ethics for Professional Accountants, 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

Summary

Key audit matters

Based on our audit scoping, we identified the following key audit matters:

- Revenue recognition in respect of unbilled revenue and work in progress
- Goodwill and associated impairment testing
- Uncertain Tax provision

Materiality

Based on our professional judgment we determined materiality for the Group as a whole to be CHF60 million, 6% of Profit before tax (adjusted for non-recurring items, goodwill and intangible impairment and restructuring costs).

Scoping

Based on our understanding of SGS's operations, we scoped our audit of component operations based on the significance of account balances and significant risks. We gained sufficient and appropriate coverage across the Group. Coverage details are provided on page 178.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Revenue recognition: Work in progress and unbilled revenues

Key audit matter

The Group recognises revenue on fees for services rendered to third parties when the services have been completed. However, in certain circumstances, including where services are not billed at the end of each financial period, revenue is recognized in proportion to the stage of completion, normally by reference to costs incurred to the balance sheet date in comparison with the total estimated costs of the contracted services to completion. A margin is recognised based on cost incurred, providing it is expected that the project will be profitable once completed. Where services are completed, but unbilled, revenue is recorded at net selling price. Where services have been rendered but the project is still incomplete, revenue is recorded including a margin based on cost incurred and expected margin at the completion of the project.

At December 31, 2019, the Group balance sheet included unbilled revenues and work-in-progress of CHF195 million (3% of total Group revenues).

For certain contracts, significant judgement is required by management at the operational level to estimate the value of unbilled revenue and work in progress and the level of profit to be recognised prior to the year-end as it is highly dependent on the nature and complexity of the services being provided and the contractual terms with customers. The incremental revenue and profit recognised at period-end is also included in the determination of management incentives, increasing the risk of inappropriate estimation. Accordingly, we have assessed the estimation of work-in-progress and unbilled revenues as a key audit matter. We also note it is considered to be a significant accounting judgement and estimate (note 2).

Refer to the accounting policy in note 2 and additionally note 5.

How the scope of our audit responded to the key audit matter

Our audit work during the year included the following procedures on work-in-progress and unbilled revenues:

- We reviewed SGS's revenue recognition policies;
- We assessed the design and implementation of key internal controls regarding revenue recognition and the approval of unbilled revenue and work in progress balances;
- We tested a sample of unbilled revenue and work in progress balances recorded at the prior year-end to subsequent invoices and recoveries from third party clients in order to perform our risk assessment; and
- We audited samples of credit notes and reversals of unbilled revenue and work in progress throughout the year to ensure that these adjustments were appropriate and not related to deliberate overstatement of revenue.
- We used analytical procedures to identify businesses and geographies across the Group which had recorded significant work-in-progress and unbilled balances at the year-end, and challenged local management by tracing to contract and status reports to verify significant variances for a sample of contracts;
- We tested a sample of work-in-progress and unbilled balances to the related customer contracts and appropriate operational evidence to confirm that the services had been completed prior to the year-end;
- On a sample basis, we tested new contracts by reviewing revenue recorded with reference to the customer contract terms and conditions and assessed whether the revenue recognition is in line with group policy and IFRS 15;
- Where work had not yet been subsequently invoiced and cash had not yet been received, we requested third party confirmation of the work being performed and obtained alternate audit evidence where direct confirmations were not received;
- We tested manual journal entries booked in revenue; and
- We also assessed the adequacy of the disclosures in the consolidated financial statements.

Based on the procedures performed, we consider management's estimates and disclosures regarding work-in-progress and unbilled revenue balances to be appropriate.

Goodwill and associated impairment testing

Key audit matter

How the scope of our audit responded to the key audit matter

The Group's balance sheet includes CHF1'281 million of goodwill (20.2% of total Group assets). In accordance with IFRS, these balances are allocated to Cash Generating Units (CGUs) which are tested at least annually for impairment using discounted cash-flow models of each CGU's or group of CGU's recoverable value compared to the carrying value of the assets. A deficit between the recoverable value and the CGU's net assets would result in an impairment.

The inputs to the impairment testing model which have the most significant impact on CGU recoverable value include:

- Projected revenue growth, operating margins and operating cash-flows in the years 1-5;
- Stable long term growth rates in years 6-10 and in perpetuity; and
- Country and business specific discount rates (pre-tax).

The impairment test model includes sensitivity testing of key assumptions, including revenue growth, operating margin and discount rate.

We consider the annual impairment testing to be a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the financial statements as a whole. We also note it is considered to be a significant accounting judgement and estimate (note 2).

Refer to the accounting policy in note 2 and additionally note 13 for details of the goodwill balances and impairment testing inputs.

We considered the appropriateness of the methodology applied and the key internal controls implemented by management in testing for impairment and the judgements in determining the CGUs to which goodwill is allocated. In the current year, we specifically focused on the calculation and allocation of goodwill (CHF86 million) associated with the acquisition of Maine Pointe LLC during the year.

We evaluated the appropriateness of the definition of CGUs through discussions with senior operational management, confirmation of the reporting levels at which Group management monitors independent cash inflows and trading performance and our knowledge of the Group's operations.

We assessed the impairment testing models and calculations by:

- Checking the mathematical accuracy of the impairment models and the extraction of inputs from source documents;
- Challenging the discount rates applied in the impairment reviews with support from our valuation specialists, developing independent expectations for key macroeconomic assumptions, in particular discount rates, and comparing those independent expectations to those used by management; and
- Comparing forecast long-term growth rates to economic data.

Based on our knowledge of the Group's businesses and considering the performance of the different CGUs, we identified CGUs with significant goodwill balances, declining trading performance compared with prior year, specific risk factors or lower headroom in recoverable value compared to net book value.

For these selected CGUs, we assessed the appropriateness of cash-flow assumptions by analysing projected revenue growth rates, margins and cash-flow levels against current and historic trading and relevant market data, and by meeting with senior operational and commercial management in key businesses and geographies to consider the evidence available to support projected future performance. We also developed our own independent expectations of recoverable value headroom by performing additional sensitivity testing of key assumptions.

We also assessed the adequacy of the related disclosures in the consolidated financial statements.

Based on the audit procedures performed, we consider the judgements applied in the determination of CGUs and the assumptions included in the impairment testing models, together with the disclosures set out in the consolidated financial statements, to be appropriate.

Uncertain tax positions

Key audit matter

How the scope of our audit responded to the key audit matter

The Group's international operations give rise to complex global tax considerations, particularly with respect to cross border transactions. There continues to be an increase in enforcement activities, aggressive interpretations of existing legislation by local revenue authorities and, in some cases, the introduction of new legislation to increase taxes.

SGS considered and applied interpretation IFRIC 23 - Uncertainty over Income Tax Treatments which came into effect 1 January, 1 2019.

As a consequence, SGS reviewed and amended aspects of its tax policy and judgement over tax risks where there is uncertainty over income tax treatments (see note 2 p142).

An amount of CHF40 million was recognised in opening retained earnings (as at January 1, 2019) to record the cumulative effect up until adoption of IFRIC 23 under the transitional requirements of the interpretation.

Assessing uncertain tax positions requires estimation and judgement as to the likely resolution of the uncertainty. This gives rise to complexity and uncertainty in respect of the calculation of tax risk provision. Accordingly we have assessed the uncertain tax positions as a key audit matter.

Refer to the accounting policy in note 2 and additionally note 9.

We evaluated Group management's implementation of Group policies and controls regarding the reporting of uncertain tax positions. This evaluation was conducted with assistance of our tax specialists. Specific discussions were held on management's approach determining uncertain tax positions including the implementation of IFRIC 23 requirements.

We reviewed and challenged management's assessment of uncertain tax positions through discussions with the Group taxation department and local SGS tax teams, reviewing relevant correspondence with local tax authorities, reviewing third party expert tax opinions and using Deloitte tax specialists, where appropriate, to assess the adequacy of associated provisions and disclosures.

We challenged management on the recognition of the cumulative effect of the adoption of IFRIC 23 in opening retained earnings, ensuring that the uncertain tax position were realised in line with IFRIC 23 requirements including the transition requirements.

Deloitte tax specialists in Switzerland and at local operations were involved to ensure the accounting for the IFRIC 23 adjustments was appropriate and reflected all major transactions. We also performed a review of the income tax rate reconciliation and audited significant adjusting items.

We also assessed the adequacy of the related disclosures in the consolidated financial statements.

Based on the procedures performed, we consider management's judgements, assessment and disclosures regarding uncertain tax positions to be appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the consolidated financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgment we determined materiality for the Group as a whole to be CHF60 million, based on a calculation of 6% of profit before tax adjusted for non-recurring items, goodwill and intangible impairment and restructuring costs. We selected profit before tax as the basis of materiality because, in our view, it is the measure against which the performance of the Group is most commonly assessed.

The materiality applied by the component auditors ranged from CHF12 million to CHF36 million depending on the scale of the component's operations, the component's contribution to Group profit before tax and our assessment of risks specific to each location. We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of CHF3 million as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also reported to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

We designed our audit by obtaining an understanding of the Group and its environment, including Group-wide controls, determining materiality and assessing the risks of material misstatement in the consolidated financial statements.

Based on our scope assessment, we performed full scope component audits at 18 key locations in 2019. In addition, we have requested 9 components to perform an audit on specific account balances (principally Revenue, Accounts Receivable, Work-In-Progress and Unbilled Revenues). In aggregate, these components represented the scope coverage below:

Group audit coverage	2019
Group revenue	72%
Total assets	78%
Net income for the year	71%

Remaining wholly owned and joint venture businesses were subject to analytical review procedures for the purpose of the Group audit. Annual statutory audits are conducted by affiliates of Deloitte SA at the majority of the Group's subsidiaries, although these are predominantly completed subsequent to our audit report on the consolidated financial statements and do not form part of the Group Audit process.

At the parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material

misstatement of the aggregated financial information of the remaining components not subject to a full scope audit.

The group audit team continued to follow a program of planned visits that has been designed so that the Senior Statutory Auditor visits most of the in scope locations on a rotational basis. The program for the visits is established based on the significance of the components and the results of our risk assessment.

For all components in scope for group reporting, we have included the component audit partner in our team briefing, discussed their risk assessment, and reviewed documentation of the findings from their work.

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the Company upon which we issue a separate Statutory Auditor's report, sections 4 and 5 of the Remuneration Report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 in the annual report 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.

Responsibility of the Board of Directors 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 Swiss Auditing Standards 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. A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse:
<http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the Swiss Auditing Standard 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.

Deloitte SA



Matthew Sheerin
Licensed Audit Expert
Auditor in Charge



Joelle Herbette
Licensed Audit Expert

Geneva, 20 February 2020

2. SGS SA

2.1. INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER

<i>(CHF million)</i>	NOTES	2019	2018
OPERATING INCOME			
Dividends from subsidiaries		782	480
Other income		-	17
TOTAL OPERATING INCOME		782	497
OPERATING EXPENSES			
Other operating and administrative expenses		(6)	(6)
Other expenses		(36)	(24)
TOTAL OPERATING EXPENSES		(42)	(30)
OPERATING RESULT		740	467
FINANCIAL INCOME			
Financial income	6	67	66
Exchange gain, net		1	4
TOTAL FINANCIAL INCOME		68	70
FINANCIAL EXPENSES			
Financial expenses	6	(55)	(54)
Liquidation of subsidiaries, net		(7)	(4)
TOTAL FINANCIAL EXPENSES		(62)	(58)
FINANCIAL RESULT		6	12
PROFIT BEFORE TAXES		746	479
Taxes		(1)	(7)
Withholding taxes		(10)	(7)
PROFIT FOR THE YEAR		735	465

2019 RESULTS

182

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT

2.2. STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

(BEFORE APPROPRIATION OF AVAILABLE RETAINED EARNINGS)

<i>(CHF million)</i>	NOTES	2019	2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		540	901
Other financial assets		52	52
Amounts due from subsidiaries		497	359
Accrued income and prepaid expenses		-	2
TOTAL CURRENT ASSETS		1 089	1 314
NON CURRENT ASSETS			
Investments in subsidiaries	2	1 745	1 636
Loans to subsidiaries		887	1 236
TOTAL NON CURRENT ASSETS		2 632	2 872
TOTAL ASSETS		3 721	4 186
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHORT-TERM LIABILITIES			
Other current liabilities		-	23
Amounts due to subsidiaries		210	65
Corporate bonds (less than one year)	3	-	375
Deferred income and accrued expenses		42	53
Provisions		33	38
TOTAL SHORT-TERM LIABILITIES		285	554
LONG-TERM LIABILITIES/NON CURRENT LIABILITIES			
Long-term liabilities – subsidiaries		323	666
Corporate bonds	3	2 100	2 100
TOTAL LONG-TERM LIABILITIES/NON CURRENT LIABILITIES		2 423	2 766
SHAREHOLDERS' EQUITY			
Share capital	4 to 5	8	8
Statutory capital reserve	4 to 5	34	34
Statutory retained earnings	4 to 5	940	947
Own shares for share buyback	4 to 5	-	(158)
Reserve for own shares held by a subsidiary	4 to 5	31	35
TOTAL SHAREHOLDERS' EQUITY		1 013	866
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3 721	4 186

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 effectively less than 10 people for this company.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the accounting principles required by Swiss law.

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 at year-end exchange rates with the exception of investments in subsidiaries which are valued at the historical exchange rate. Unrealised gains and losses arising on foreign exchange transactions are included in the determination of the net profit, except long-term unrealised gains on long-term loans and related instruments, which are deferred.

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 recognised in income in the year in which they are received, on a cash basis.

BONDS

Bonds are recorded at nominal value.

2. SUBSIDIARIES

The list of principal Group subsidiaries appears in the Annual Report on pages 197–200.

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 %
27.05.2011	275	3.000	2021	100.480	100.000
27.02.2014	138	1.375	2022	100.517	100.000
27.02.2014	250	1.750	2024	101.019	100.000
25.04.2014	112	1.375	2022	101.533	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

On 8 March 2019, SGS SA reimbursed a CHF 375 million bond with a 2.65% coupon (2018: nil).

As at 31 December 2019, all the bonds disclosed in the above table are classified as long-term liabilities.

The Group has listed all bonds on the SIX Swiss Exchange.

4. TOTAL EQUITY

<i>(CHF million)</i>	SHARE CAPITAL	STATUTORY CAPITAL RESERVE	RESERVE FOR OWN SHARES HELD BY A SUBSIDIARY	OWN SHARES FOR SHARE BUYBACK	STATUTORY RETAINED EARNINGS	TOTAL
BALANCE AT 1 JANUARY 2018	8	34	97	(0)	992	1 131
Dividends paid	-	-	-	-	(572)	(572)
Decrease in the reserve for own shares	-	-	(62)	-	62	-
Purchase of shares for cancellation	-	-	-	(158)	-	(158)
Profit for the year	-	-	-	-	465	465
BALANCE AT 31 DECEMBER 2018	8	34	35	(158)	948	866
Dividends paid	-	-	-	-	(589)	(589)
Decrease in the reserve for own shares	-	-	(4)	-	4	-
Cancellation of treasury shares	-	-	-	158	(158)	-
Profit for the year	-	-	-	-	735	735
BALANCE AT 31 DECEMBER 2019	8	34	31	(0)	940	1 013

5. SHARE CAPITAL

	SHARES IN CIRCULATION	OWN SHARES	TOTAL SHARES ISSUED	TOTAL SHARE CAPITAL (CHF MILLION)
BALANCE AT 1 JANUARY 2018	7 551 408	82 324	7 633 732	8
Own shares released into circulation	87 099	(87 099)	-	-
Own shares purchased for future equity compensation plans	(19 800)	19 800	-	-
Treasury shares purchased for cancellation	(68 000)	68 000	-	-
BALANCE AT 31 DECEMBER 2018	7 550 707	83 025	7 633 732	8
Own shares released into circulation	1 683	(1 683)	-	-
Capital reduction by cancellation of own shares	-	(68 000)	(68 000)	-
BALANCE AT 31 DECEMBER 2019	7 552 390	13 342	7 565 732	8

ISSUED SHARE CAPITAL

SGS SA has a share capital of CHF 7 565 732 (2018: CHF 7 633 732) fully paid-in and divided into 7 565 732 (2018: 7 633 732) registered shares of a par value of CHF 1. In 2019, SGS SA proceeded to a capital reduction of 68 000 shares. All shares, other than own shares, participate equally in the dividends declared by the Company and have equal voting rights.

OWN SHARES

On 31 December 2019, SGS SA held indirectly 13 342 of its own shares. In 2019, SGS SA proceeded to the cancellation of 68 000 of its own shares directly held by SGS SA, while the shares to cover the equity compensation plans are held by a subsidiary company.

In 2019, 1 683 own shares were sold to cover the equity compensation plans.

6. FINANCIAL INCOME AND FINANCIAL EXPENSES

<i>(CHF million)</i>	2019	2018
FINANCIAL INCOME		
Interest income 3 rd party	4	4
Interest income Group	63	62
FINANCIAL INCOME	67	66
FINANCIAL EXPENSES		
Interest expenses 3 rd party	(27)	(30)
Interest expenses Group	(7)	(5)
Other financial expenses	(21)	(19)
FINANCIAL EXPENSES	(55)	(54)

7. GUARANTEES AND COMFORT LETTERS

<i>(CHF million)</i>	2019 ISSUED	2019 UTILISED	2018 ISSUED	2018 UTILISED
Guarantees	709	488	579	373
Performance bonds	55	55	51	51
TOTAL	764	543	630	424

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.

8. REMUNERATION

8.1. REMUNERATION POLICY AND PRINCIPLES

This section appears in the SGS Remuneration Report paragraph 2 in the Annual Report on pages 107–109.

8.2. REMUNERATION MODEL

This section appears in the SGS Remuneration Report paragraph 3 in the Annual Report on pages 110–118.

8.3. REMUNERATION AWARDED TO THE BOARD OF DIRECTORS

This section appears in the SGS Remuneration Report paragraph 4 in the Annual Report on pages 119–121.

8.4. REMUNERATION AWARDED TO THE OPERATIONS COUNCIL MEMBERS

This section appears in the SGS Remuneration Report paragraph 5 in the Annual Report on pages 122–128.

9. SHARES AND OPTIONS HELD BY MEMBERS OF GOVERNING BODIES

9.1. SHARES AND OPTIONS HELD BY MEMBERS OF THE BOARD OF DIRECTORS

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2019:

NAME	SHARES
L. von Finck	53
A. F. von Finck	786 255
C. Grupp	-
P. Kalantzis	150
S.R. du Pasquier	10
P. Desmarais	10
K. Sorenson	-
I. Galiene	1
G. Lamarche	25
C.Grieder	5

The following table shows the shares and vested options held by Members of the Board of Directors as at 31 December 2018:

NAME	SGSBB (2015)	RESTRICTED SHARES	SHARES
A. von Finck	-	-	19 670
A. F. von Finck	-	-	786 255
C. Grupp	-	-	-
P. Kalantzis	-	-	150
S.R. du Pasquier	-	-	10
P. Desmarais	-	-	10
I. Galiene	-	-	1
G. Lamarche	-	-	25
C. Kirk	310 208	49	1 199

9.2. SHARES AND OPTIONS HELD BY SENIOR MANAGEMENT

The following table shows the shares and vested options held by Senior Management as at 31 December 2019:

NAME	CORPORATE RESPONSABILITY	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	500	1 980
D. de Daniel	Chief Financial Officer	-	855
O. Merkt	General Counsel and Chief Compliance Officer	98	223

D. de Daniel replaced C. De Geyseler, who resigned in February 2019.

The following table shows the shares and vested options held by Senior Management as at 31 December 2018:

NAME	CORPORATE RESPONSABILITY	SGSBB (2015)	RESTRICTED SHARES	SHARES
F. NG	Chief Executive Officer	70 000	509	1 950
C. De Geyseler	Chief Financial Officer	-	177	461
O. Merkt	General Counsel and Chief Compliance Officer	49 572	114	210

Details of the various plans are explained in the SGS Remuneration Report.

10. SIGNIFICANT SHAREHOLDERS

To the knowledge of the Company the shareholders owning more than 3% of its share capital as at 31 December 2019, or as the date of their last notification as per Article 20 of the Swiss Stock Exchange Act were:

(% of detention)	2019	2018
Groupe Bruxelles Lambert (acting through Serena SARL and URDAC) ¹	16.73%	16.60%
Mr. August von Finck and members of his family (acting in concert) ²	15.66%	15.52%
BlackRock, Inc.	4.00%	4.00%
MFS Investment Management	3.81%	3.02%

1. The ultimate beneficial owners of the Groupe Bruxelles Lambert are Stichting Administratiekantoor Frère-Bourgeois, Paul Desmarais Junior and André Desmarais.

2. The Company was informed on 4 February 2020, that the von Finck family has disposed of a large portion of their holding, resulting in their participation falling below the threshold of 3% of the share capital and voting rights.

At the same date, SGS Group held 0.18% of the share capital of the Company (2018: 1.09%).

PROPOSAL OF THE BOARD OF DIRECTORS FOR THE APPROPRIATION OF AVAILABLE RETAINED EARNINGS

(CHF)	2019	2018
Profit for the year	735 232 728	465 580 866
Balance brought forward from previous year	200 446 558	425 363 022
Dividend paid on own shares released into circulation in 2018 prior to the Annual General Meeting on 19 March 2018	-	(6 164 250)
Dividend paid on own shares released into circulation in 2019 prior to the Annual General Meeting on 22 March 2019	(85 410)	-
Capital reduction by cancelation of shares	68 000	-
Share buyback program	-	(157 616 100)
Reversal from the reserve for own shares	3 930 158	62 238 166
TOTAL RETAINED EARNINGS AVAILABLE FOR APPROPRIATION	939 592 034	789 401 704
<i>Proposal of the Board of Directors:</i>		
Dividends ¹	(604 191 200)	(588 955 146)
BALANCE CARRIED FORWARD	335 400 834	200 446 558
Ordinary gross dividend per registered share	80.00	78.00

1. No dividend is paid on own shares held directly or indirectly by SGS SA.

11. 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 20 February 2020, and will be submitted for approval by the Annual General Meeting of Shareholders to be held on 24 March 2020.

Statutory Auditor's Report

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, which comprise the balance sheet as at 31 December 2019, the income statement and related notes for the year then ended, including the summary of significant accounting policies.

In our opinion the accompanying financial statements as at 31 December 2019, presented on pages 182 to 188, 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 Auditing Standards. 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 entity 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.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, 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 and related loans to subsidiaries

Key audit matter

The company holds investments in subsidiaries with a carrying value of CHF1'745 million as of 31 December 2019 (46.9% of total assets). The list of material Group subsidiaries can be found in the Annual Report on pages 197 to 200. The company also has loans to subsidiaries amounting to CHF887 million. The valuation of these assets is dependent on the ability of these subsidiaries to generate positive cash flows in the future.

In accordance with Article 960 CO, these investments are tested annually for impairment on an individual basis. An impairment would need to be recorded if the recoverable values of individual investments were lower than the associated carrying values, or if loan balances were no longer considered recoverable from the associated entities.

The company uses the "income approach" for its impairment tests of investments, and prepares a discounted cash flow forecast for each significant balance. The inputs to the impairment testing model which have the most significant impact on the recoverable value include:

- Projected revenue growth, operating margins and operating cash-flows in the years 1-5;
- Stable long term growth rates in years 6-10 and in perpetuity; and
- Country and business specific discount rates (pre-tax).

The annual impairment testing is considered to be a risk area for the Board of Directors and a key audit matter because the assumptions on which the tests are based are highly judgmental and are affected by future market and economic conditions which are inherently uncertain, and because of the materiality of the balances to the statutory financial statements as a whole.

Refer to note 2 to the financial statements.

How the scope of our audit responded to the key audit matter

We tested the adequate implementation of accounting policies and the design and implementation of key controls regarding the valuation of investments in subsidiaries and related loans.

We challenged the impairment testing conducted by the company. We tested the impairment model valuations for the recoverable amounts of investments and loans to subsidiaries on a sample basis by critically assessing the methodology applied and assessing the reasonableness of the underlying key assumptions and judgements.

In particular, we performed the following procedures:

- we checked the mathematical accuracy of the impairment models and the accuracy of extraction of inputs from source documents;
- together with our valuation specialists, we challenged the significant inputs and key assumptions and judgements used in the impairment testing models for investments, specifically the discount rates and the five year projected revenues and margins; and
- we developed our independent expectations of recoverable value by performing additional sensitivity testing of key assumptions.

We evaluated the appropriateness and completeness of the related disclosures in the financial statements.

Based on the audit procedures performed above, we consider management's estimates of the assessment of the recoverable value of investments in, and loans to, subsidiaries along with related financial statement disclosures to be appropriate.

Responsibility of the Board of Directors 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 entity'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 entity 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 Swiss Auditing Standards 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.

A further description of our responsibilities for the audit of the financial statements is located at the website of EXPERTsuisse:

<http://expertsuisse.ch/en/audit-report-for-public-companies>. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a paragraph 1 item 3 CO and the Swiss Auditing Standard 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.

Deloitte SA



Matthew Sheerin
Licensed Audit Expert
Auditor in Charge



Joëlle Herbette
Licensed Audit Expert

Geneva, 20 February 2020

3. HISTORICAL DATA

3.1. SGS GROUP – FIVE-YEAR STATISTICAL DATA CONSOLIDATED INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER

<i>(CHF million)</i>	2019	2018	2017	2016	2015
REVENUE	6 600	6 706	6 349	5 985	5 712
Salaries and wages	(3 357)	(3 422)	(3 193)	(3 009)	(2 849)
Subcontractors' expenses	(386)	(387)	(394)	(368)	(345)
Depreciation, amortization and impairment	(548)	(317)	(338)	(336)	(322)
Gain on business disposal	268	-	-	-	-
Other operating expenses	(1 495)	(1 634)	(1 530)	(1 456)	(1 374)
OPERATING INCOME (EBIT)	1 082	946	894	816	822
Financial income	18	20	14	8	13
Financial expenses	(79)	(58)	(57)	(53)	(56)
PROFIT BEFORE TAXES	1 017	908	851	771	779
Taxes	(315)	(218)	(187)	(185)	(195)
PROFIT FOR THE YEAR	702	690	664	586	584
Profit attributable to:					
Equity holders of SGS SA	660	643	621	543	549
Non-controlling interests	42	47	43	43	35
OPERATING INCOME MARGINS IN %	16.4	14.1	14.1	13.6	14.4
AVERAGE NUMBER OF EMPLOYEES	94 494	96 492	93 556	89 626	85 903

2019 RESULTS

193

OUR VALUE TO SOCIETY

2019 INTEGRATED ANNUAL REPORT



3.2. SGS GROUP – FIVE-YEAR STATISTICAL DATA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER

(CHF million)	2019	2018	2017	2016	2015
Property, plant and equipment	926	969	1 002	972	964
Right-of-use assets	611	-	-	-	-
Goodwill	1 281	1 224	1 238	1 195	1 088
Other intangible assets	187	202	222	246	219
Investments in joint-ventures, associates and other	35	36	36	38	32
Deferred tax assets	174	203	168	165	173
Other non current-assets	149	133	137	122	141
TOTAL NON-CURRENT ASSETS	3 363	2 767	2 803	2 738	2 617
Inventories	45	46	46	41	40
Unbilled revenues and work in progress	195	226	293	249	248
Trade receivables	953	969	1 068	997	917
Other receivables and prepayments	219	214	236	252	272
Current tax assets	77	94	104	88	66
Marketable securities	9	9	10	9	244
Cash and cash equivalents	1 466	1 743	1 383	975	1 734
TOTAL CURRENT ASSETS	2 964	3 301	3 140	2 611	3 277
TOTAL ASSETS	6 327	6 068	5 943	5 349	5 894
Share capital	8	8	8	8	8
Reserves	1 536	1 851	2 036	2 243	2 222
Treasury shares	(30)	(191)	(125)	(478)	(324)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF SGS SA	1 514	1 668	1 919	1 773	1 906
Non-controlling interests	81	75	86	80	75
TOTAL EQUITY	1 595	1 743	2 005	1 853	1 981
Loans and other financial liabilities	2 199	2 110	2 095	1 735	1 742
Lease liabilities	490	2	1	1	-
Deferred tax liabilities	23	30	45	42	60
Defined benefit obligations	151	119	143	154	181
Provisions	91	89	73	76	78
TOTAL NON-CURRENT LIABILITIES	2 954	2 350	2 357	2 008	2 061
Loans and other financial liabilities	38	412	45	55	546
Lease liabilities	154	-	-	-	-
Trade and other payables	638	685	647	598	493
Provisions	74	21	35	44	49
Current tax liabilities	145	127	151	166	159
Contract liabilities	155	112	97	86	113
Other creditors and accruals	574	618	606	539	492
TOTAL CURRENT LIABILITIES	1 778	1 975	1 581	1 488	1 852
TOTAL LIABILITIES	4 732	4 325	3 938	3 496	3 913
TOTAL EQUITY AND LIABILITIES	6 327	6 068	5 943	5 349	5 894

3.3. SGS GROUP – FIVE-YEAR STATISTICAL SHARE DATA

(CHF unless indicated otherwise)

	2019	2018	2017	2016	2015
SHARE INFORMATION					
REGISTERED SHARES					
Number of shares issued	7 565 732	7 633 732	7 633 732	7 822 436	7 822 436
Number of shares with dividend rights	7 552 390	7 550 707	7 551 408	7 538 507	7 605 460
PRICE					
High	2 689	2 683	2 541	2 317	2 049
Low	2 213	2 170	2 051	1 734	1 577
Year-end	2 651	2 210	2 541	2 072	1 911
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	200.37	220.86	254.16	235.22	250.56
Basic earnings per share ¹	87.45	84.54	82.41	71.54	71.99
Dividend per share ordinary	80.00	78.00	75.00	70.00	68.00
Total dividend per share	80.00	78.00	75.00	70.00	68.00
DIVIDENDS (CHF MILLION)					
Ordinary ²	604	589	566	528	517
Total	604	589	566	528	517

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

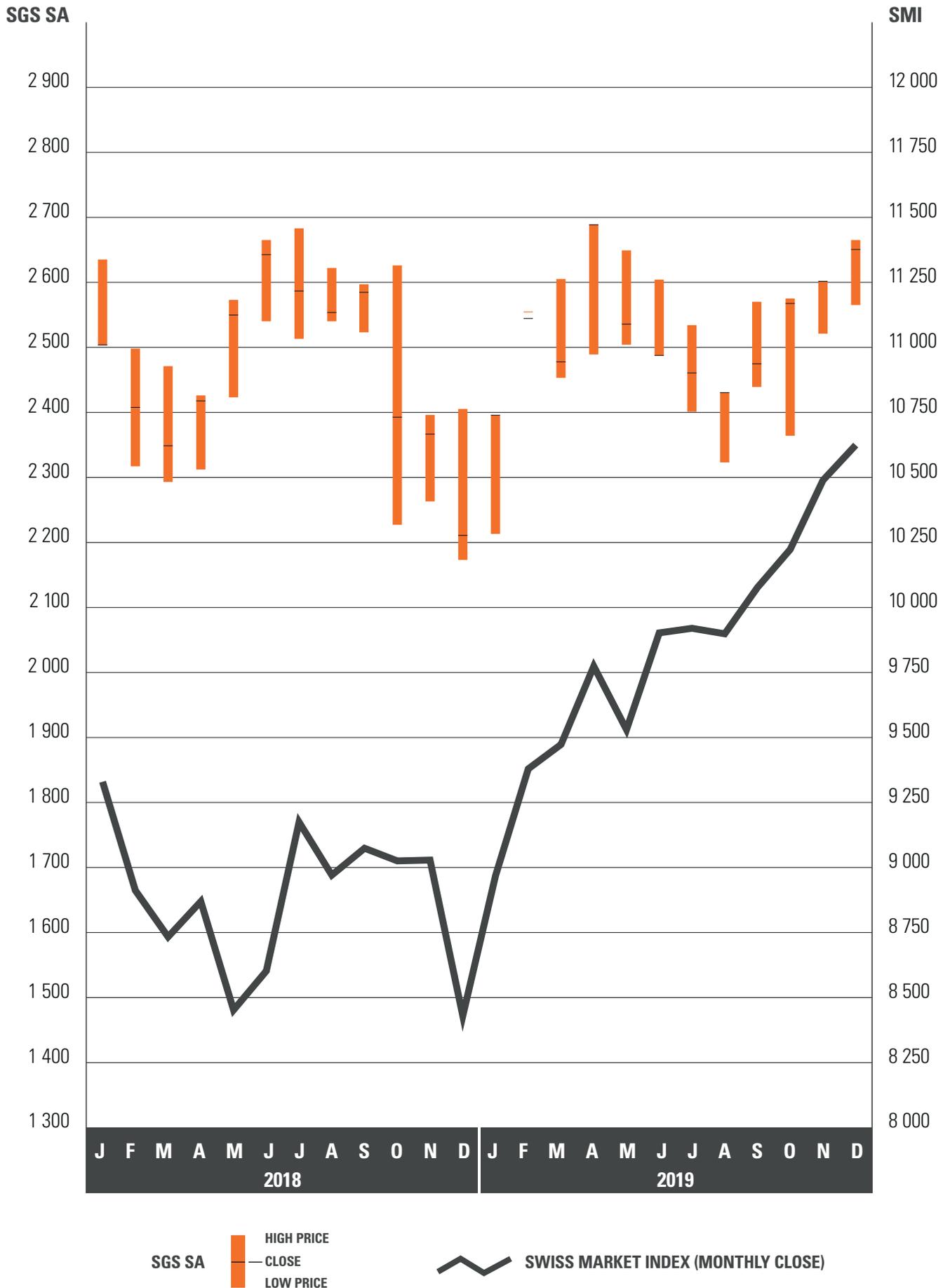
SHARE TRANSFER

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 2019, market capitalization was approximately CHF 20 057 million (2018: CHF 16 871 million). Shares are quoted on the SIX Swiss Exchange.

3.5. CLOSING PRICES FOR SGS AND THE SMI 2018-2019



4. MATERIAL OPERATING COMPANIES AND ULTIMATE PARENT

The disclosure of legal entities is limited to entities whose contribution to the Group revenues in 2019 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 Automotive Albania sh.p.k., Tirana	ALL	190 000 100	100	I
Algeria	SGS Qualitest Algérie SpA, Alger	DZD	50 000 000	100	D
Angola	SGS Serviços Angola	USD	30 000	100	I
Argentina	SGS Argentina SA, Buenos Aires	ARS	230 603 536	100	D
Argentina	ITV SA, Buenos Aires	ARS	1 500 000	100	I
Australia	SGS Australia Pty. Ltd., Perth	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
Bosnia-Herzegovina	SGS Bosna i Hercegovina (d.o.o.) Ltd., Sarajevo	BAM	2 151	100	I
Botswana	SGS Botswana (Proprietary) Limited, Gaborone	BWP	1 000	100	D
Brazil	SGS PID Serviços de Inspecao	BRL	91 266 840	92.3	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., Missisauga	CAD	20 900 000	100	D
Chile	SGS Minerals S.A., Santiago de Chile	CLP	29 725 583 703	99.9	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Beijing	USD	3 966 667	85	I
China	SGS-CSTC Standards Technical Services Co. Ltd., Shanghai	CNY	180 000 000	100	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, w.l.l., Zagreb	HRK	1 300 000	100	I
Czech Republic	SGS Czech Republic s.r.o., Praha	CZK	7 707 000	100	I
Denmark	SGS Danmark A/S, Glostrup Hvidovre	DKK	700 000	100	I
Democratic Republic of Congo	SGS Minerals RDC SARL, Lubumbashi	USD	50 000	100	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/INDIRECT
Ecuador	Consortio 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, Addis Abeba	ETB	15 000	100	D
Finland	SGS FIMKO	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	Ghana Community Network Services Limited, Accra	GHS	1 978 604	52	I
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	GTO	4 250 000	100	D
Guinea-Conakry	SGS Mineral Guinea Conakry	GNF	5 000 000	100	D
Guinea-Equatorial	Compañía de Inspecciones y Servicios G.E., Malabo	XAF	10 000 000	51	D
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	350 000	100	D
Iran	SGS Iran (Private Joint Stock) Limited, Tehran	IRR	50 000 000	99.99	D
Ireland	SGS Ireland (Holdings) Limited, Dublin	EUR	62 500	100	I
Italy	SGS Italia S.p.A., Milan	EUR	2 500 000	100	I
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	2 000 000	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	I
Lao (People's Democratic Republic)	SGS (Lao) Sole Co., Ltd., Vientiane	LAK	2 444 700 000	100	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/INDIRECT
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
Madagascar	Malagasy Community Network Services SA, Antananarivo	MGA	10 000 000	70	D
Malawi	SGS Malawi Limited, Blantyre	MWK	30 000	100	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	7 068 828	100	D
Moldova	SGS (Moldova) SA, Chisinau	MDL	488 050	100	D
Mongolia	SGS-IMME Mongolia LLC, Ulaanbaatar	MNT	1 787 846 388	100	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
Namibia	SGS Inspection Services Namibia (Proprietary) Limited, Windhoek	NAD	100	100	I
Netherlands	SGS Nederland B.V., Spijkenisse	EUR	250 000	100	I
New Zealand	SGS New Zealand Limited, Auckland-Onehunga	NZD	10 522 190	100	D
Nigeria	SGS Inspection Services Nigeria Limited, Lagos	NGN	200 000	49	I
Norway	SGS Norge A/S, Austrheim	NOK	804 000	100	I
Oman	SGS Oman (FZC) LLC, Sohar	OMR	500 000	100	D
Pakistan	SGS Pakistan (Private) Limited, Karachi	PKR	2 300 000	100	D
Panama	Laboratorios Contecon Urbar Panama	USD	760 000	100	I
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	43 081 182	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	I
Portugal	SGS Portugal – Sociedade Geral de Superintendência SA, Lisboa	EUR	500 000	100	I
Qatar	SGS Qatar WLL, Doha	QAR	200 000	49	I
Romania	SGS Romania SA, Bucharest	RON	100 002	100	I
Russia	AO SGS Vostok Limited, Moscow	RUB	18 000 000	100	D

COUNTRY	NAME AND DOMICILE	ISSUED CAPITAL CURRENCY	ISSUED CAPITAL AMOUNT	% HELD BY GROUP	DIRECT/INDIRECT
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	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 Española de Control SA, Madrid	EUR	240 000	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 Sweden AB, Göteborg	SEK	1 500 000	100	I
Switzerland	SGS Société Générale de Surveillance SA, Geneva	CHF	10 000 000	100	I
Switzerland	SGS SA, Geneva	CHF	7 565 732		Ultimate parent company
Switzerland	SGS Group Management SA, Geneva	CHF	100 000	100	I
Taiwan	SGS Taiwan Limited, Taipei	TWD	62 000 000	100	I
Tanzania	African Assay Laboratories (Tanzania) Ltd	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
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	I
United Arab Emirates	SGS Gulf Limited Dubai Airport Free Zone Branch	-	-	-	-
United States	SGS North America Inc.	USD	73 701 996	100	I
United States	Maine Pointe LLC	USD	-	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
Zimbabwe	SGS Technical Services (PTY) Ltd, Harare (Branch office)	-	-	-	-



**SHAREHOLDER
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STOCK EXCHANGE LISTING

SIX Swiss Exchange, SGSN

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 OF SHAREHOLDERS

Tuesday, 24 March 2020
Geneva, Switzerland

2020 HALF-YEAR RESULTS

Tuesday, 21 July 2020

INVESTOR DAYS – EUROPE

Thursday and Friday
5 – 6 November 2020

DIVIDEND PAYMENT DATE

Ex-date: Thursday, 26 March 2020
Record date: Friday, 27 March 2020
Payment date: Monday, 30 March 2020

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